

## **There can be No Economic Revival in Democracy as it Only Serves the Interests of Colonialist Financial Institutions**

### **News:**

The State Bank of Pakistan released its Quarterly Report on 6 January 2020, regarding the state of Pakistan's economy. According to the report, Pakistan's economy moved progressively along the adjustment path. Macroeconomic stabilization picked up momentum with the initiation of the IMF's Extended Fund Facility program. The SBP continued to keep the monetary policy consistent with the medium-term inflation target; whereas, consolidation efforts were visible on the fiscal front.

### **Comment:**

The quarterly report of the State Bank of Pakistan on the state of economy depicts an optimistic and cheerful picture, which is reflected in the speeches of its governor, Reza Baqir. It tells us that stabilization is being achieved, that foreign reserves are rising and that the fiscal and external deficits are shrinking. However, the people of Pakistan are facing back breaking inflation Data released by Pakistan Bureau of Statistics on 4 December 2019 shows that there was 12.7 percent, year-on-year, rise in inflation. The bulk of inflation was linked to higher prices of food. Hardship rose to the extent that, on 16 January 2020, the Prime Minister, Imran Khan, asked relevant ministries to come up with a workable solution to bring down prices of essential commodities. Moreover, unemployment is rampant, businesses are collapsing, health care costs are prohibitive, school expenses are unaffordable, utility prices are skyrocketing, stress-related diseases are on the increase, desperate youth are turning to crime and frustrated heads of households are committing suicide.

If this is the real state of Pakistan's economy, then how can the State Bank of Pakistan and various federal ministers claim stabilization of economy? In reality, the regime is not evaluating the state of the economy from the people's perspective. The reports are from the perspective of IMF and international creditors. Thus, Dr. Abdul Hafeez Shaikh, the Advisor to the Prime Minister of Pakistan for Finance, announced that the government succeeded in securing a "primary balance." However, this indicator has nothing to do with the state of the economy as a whole. It has the narrow focus of describing how well a country can continue debt-servicing obligations.

Pakistan had negative primary balance until the start of the first quarter of the current fiscal year. However, it now has positive primary balance. Primary balance is the difference between revenues and expenditures, minus debt servicing. For positive primary balance, government must increase revenues and decrease expenditures.

The Bajwa-Imran regime claims that FBR taxes grew 15.2pc in the first quarter of this fiscal year, compared to 8.8pc growth last year. A large part of the increase is credited to an increase in the rate of sales tax, reinstatement of taxes on telecom services, an upward revision of tax rates on salaried people, rising interest rates, as income earned from interest on debt is taxed, an upward hike in the federal excise duty and abolition of zero rating for five “export-oriented” sectors. It simply means that the burden of taxes has been increased on those who are already paying tax.

The largest increases in revenue collection have come from indirect taxes, that account for more than 63pc of total FBR taxes. Indirect taxes are across the board, regressive in nature, hurting the poor more than the rich. The bulk of this revenue growth came from increase in the price of petrol, diesel and electricity. So it is not surprising that the IMF and its economic hit-men, Dr. Abdul Hafeez Shaikh and Raza Baqir, are expressing satisfaction over the state of Pakistan’s economy, as they are bleeding the people of Pakistan dry to continue debt servicing.

Democracy always implements the capitalist economic system and the demands of the IMF, which only concentrates wealth in the hands of the colonialist financial institutions. Islam alone can provide relief as its economic system does not serve the interests of the colonialist creditors, focusing instead on the needs of the people. Islam’s economic system is only implemented under the ruling system of Islam, the Khilafah (Caliphate). Therefore, the Muslims of Pakistan must abandon democracy, its advocates and the capitalist economic system. And they must strive in the project of re-establishing the Khilafah on the Method of the Prophethood, which will end economic misery, bringing the prosperity they truly deserve.

Allah (swt) said,

﴿كِتَابٌ أَنْزَلْنَاهُ إِلَيْكَ مُبَارَكٌ لِيَدَّبَّرُوا آيَاتِهِ وَلِيَتَذَكَّرَ أُولُوا الْأَلْبَابِ﴾

**“A Book (the Quran) which We have sent down to you, full of blessings that they may ponder over its Verses, and that men of understanding may receive admonition”. [Sad, 38:29]**

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