

The Capitalist System Must be Uprooted, and Replaced by the Khilafah Rashidah

News:

Pakistan: "The government on Friday increased the prices of all petroleum products by up to nearly Rs26 to share the impact of rising international prices with the consumers."
(Source: [Dawn](#))

Comment:

On 25th June, the Bajwa Imran regime made insult to the wounds of people of Pakistan by increasing petrol prices by over 20%, at the time when people are losing their jobs and businesses thick and fast the Bajwa Imran regime making sure to squeeze the people to their limits, just to please their master US colonialist tool IMF.

The current increase in petrol prices are the results of complete subjugation to IMF. This regime is eyeing to squeeze 450 billion rupees tax from petroleum development levy PDL in order to achieve collection of 1000 billion rupees in the form of tax this year to feed IMF.

The IMF driven structural adjustment programs post-1988 left the country with declining levels of industrialization. Not only did this lead to a narrow export base accentuating the current account deficit, but also prevented the development of an import substitution industry. The industrial policy outlined in the 1988 letter of interest committed by the government of Pakistan removed government protection of industries, liberalized the trade regime with export incentives but a liberal import tariff regime, withdrawal of subsidies on gas, electricity, fertilizers and so on. The objective was clear – the import of many commodities would be cheaper than domestic production, leading to de-industrialisation. The long term impact on employment opportunities was going to be significant, with a large percentage of the population resigned to permanent poverty, keeping them out of the tax bracket.

In parallel, the World Bank (IMF sister organization) driven 1990 power policy resulted in a reversal of our power production from hydroelectric to fossil fuels, leading to a dependency on oil imports. In 2010, the cost of electricity generated by hydel was Rs 1.03kWh, whilst it was Rs 8.5/kWh with oil. The double whammy is that not only do exports (industry needs energy) become more expensive, but the oil import bill to generate the electricity to produce the goods to export not only exacerbated the current account deficit, but gave rise to the current circular debt.

The solution is rather obvious – investment in industry to develop an indigenous demand based economy, but this would require extensive investment, something of an anathema for most governments. Dr Abdul Hafeez Shaikh, is a pure IMF man, with Western capitalist economic thinking running through his veins. Is he going to reverse the policies that the IMF and World Bank have instituted? In order to vest to build strong industrial base? Does he even have the sincerity to accept that the problems he is trying to solve are a consequence of the very policy he believes in? People like Dr Abdul Hafeez Shaikh are best described by the following verse in the Quran: **﴿أَلَمْ تَرَ إِلَى الَّذِينَ يَزْعُمُونَ أَنَّهُمْ آمَنُوا بِمَا أُنْزِلَ إِلَيْكَ وَمَا أُنْزِلَ مِنْ قَبْلِكَ يُرِيدُونَ أَنْ يَتَحَاكَمُوا إِلَى الطَّاغُوتِ وَقَدْ أُمِرُوا أَنْ يَكْفُرُوا بِهِ وَيُرِيدُ الشَّيْطَانُ أَنْ يُضِلَّهُمْ ضَلَالًا بَعِيدًا﴾** **“Have you seen those (hypocrites) who claim that they believe in that which has been sent down to you, and that which was sent down before you, and they wish to go for judgement (in their**

disputes) to the Taghut (false judges, etc.) while they have been ordered to reject them. But Shaitan (Satan) wishes to lead them far astray.” [4:60]

For all the economic models the capitalist have used such as dynamic stochastic general equilibrium models, or trickle-down effect, modern monetary theory, etc., they cannot solve this basic problem. They cannot solve this problem because they are in origin from Kufr, outside the laws of Islam.

The economics of Islam is rather simple in this sense. There are no complex theories of capitalist economic system. There are only laws of Allah (swt), to be implemented by the individual and the state. But the practical manifestations of these laws address the economic life of human beings, and in a radically different way. Islam focuses on satisfaction of the basic needs of a human being – food, shelter and clothing. The state obliges the man to fulfil the needs for all those under his responsibility, whilst the state intervenes for those who are unable to fend for themselves. In a hadith, Uthman ibn Affan reported: The Prophet, peace and blessings be upon him, said, **«لَيْسَ لِابْنِ آدَمَ حَقٌّ فِي سِوَى هَذِهِ الْخِصَالِ بَيْتٌ يَسْكُنُهُ وَثَوْبٌ يُوَارِي عَوْرَتَهُ وَجَنْفٌ الْخُبْزِ وَالْمَاءِ»** **“There is no right for the son of Adam other than these things: a house in which he lives, a garment to cover his nakedness, a piece of bread, and water.”**

The practical consequence is that the key element in generating and maintaining demand, the human being, is enabled. By taxing the wealth and not the income, the total disposable income available to the individual is increased. Disposable income, mean the amount of money left in the hands of the individual to spend after giving zakat etc. This is a very important point, for it actually ensures that people have money to spend, hence demand will always exist. It is the individuals of society that then generate the aggregate demand. The permanent sources of income in Islam for Bayt ul-Mal (State Treasury) include Jizyah, Kharaj and Zakah. By taxing the wealth, the state needs to impose only a very small level of taxation to generate the same level of income as that generated from taxing the income.

A further unique aspect of the Islamic economic system is the concept of public property. In a hadith, the Prophet (saw) stated: **«الْمُسْلِمُونَ شُرَكَاءُ فِي ثَلَاثٍ فِي الْكَلِّ وَالْمَاءِ وَالنَّارِ»** **“The Muslims are partners in three, water, pastures and fire”** (Ahmed, ibn Majah). The reference to water (essential for life items), pastures and fire (energy), effectively define community utilities that are indispensable to the society at large, and cannot be privatized for the benefit of a select few. The criteria for determining things to be a public utility is that in the absence of its availability, the community would disperse in search for it. Hence, water, oil, gas, mineral resources are such items that fall in the description of the hadith. The concept here is that the commodities that fall within public property are those that are necessary for human beings to practice life. Therefore, the demand for these items will always be high, and any possessor of these commodities will make huge profits. Islam defines that these profits must go to the state to spend back on the people, and not in private hands.

In conclusion, the problems facing the country economically and beyond are not limited to bad governance, rather they are connected to a capitalist system which enables the west to implement their colonial policies through a corrupt democratic class. Hence, this complete system must be uprooted, and replaced by the Khilafah Rashidah (rightly guided Caliphate), establishing the just rule of Allah (swt), as a Rehman for the whole of humankind.

Written for the Central Media Office of Hizb ut Tahrir by

Mohammad Adel