**Foreword**

As the twentieth century approaches its end, economists, intellectuals and policy makers are once again grappling with the question of the role of the state in the economy- a question that has agitated their minds for at least the last two hundred years. With the sudden collapse of Socialism in the Soviet Union and Eastern Europe at the close of the last decade, there was euphoria about the 'final victory' of economic liberalism and even whispers about 'the end of history'. Privatization, both at domestic and global levels, was projected as the panacea for almost all economic ills.

This jubilation, however, proved short lived. The imperfections of the market economy, the structural problems of income and wealth distribution and of regional and global disparities, the pressing concerns for social justice, the increasing realization of the need for support and subsidy for the poor and the underprivileged, the subtle manipulations of oligopolistic, mo­nopolistic, monophonic and transnational corporations and cartels and the effects of open and concealed protectionist policies of a number of developed countries have *inter alia* once again focused the attention of economists as well as policy makers on the need for some critical role for the state in the economy.

The realities of the world economy do not justify promotion of a totally neutral concept of the state. While the centralized Communist economy has failed, there is a pressing need for some kind of cooperation and co-partnership between the public and private sectors. A truly balanced market economy is possible only if the state plays a positive role to maintain those conditions which ensure smooth and harmonious working of the economy. Moreover, because of the difference in stages of growth and development and disparities in income, wealth, technology and resource endowments, justice cannot be achieved without the state and its organs playing a positive role.

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*Role of the State in the Economy*

The crucial questions, however, relate to the nature, extent and modes of state intervention. The tragic experiences of Socialism with all its bureaucratic mismanagement of the economy and its political misuse demand that the state should act, not primarily as an entrepreneur, but as a guide and regulator for the achievement of certain well-defined social objectives. Its role as a referee is more crucial than playing the part of a contestant.

Issues about the role of the state that are being debated amongst economists and policy makers all over the world are. Also being seriously discussed by Islamic economists, who have always been concerned with the middle path. Professor Dr. M. Nejatullah Siddiqi, a pioneer in the field of Islamic economics and a Faisal Laureate, has been grappling with some of these issues from his early youth. His book, *Islam ka Nazariyah-e­Milkiyat* (Islamic Theory of Property) appeared in the mid-sixties and has assumed the position of a classic in Islamic economic literature. He, however, has been constantly reflecting upon and reviewing the central issues of the debate and has during the last few years contributed a number of articles dealing with different dimensions of the state's role in the economy. His distinct contribution lies in discussing these issues in the context of the current economic debate as well as from an Islamic perspective. In the present work, after discussing the theoretical position of the role of the state in an Islamic economy, he has examined in depth the question of society guaranteeing a minimum level of living to all inhabitants of an Islamic state. This is followed by an essay on the question of public expenditure in an Islamic state and how to keep the monster in check. Dr. Siddiqi has also addressed himself to the question of public borrowing in early Islamic history and has come up with ample evidence to show that public borrowing for development and need fulfilment is not an altogether modem or novel phenomenon. Along with discussing the role of the state in the domestic economy, he has also tried to explore the nature and scope of its role in international economic relations. The last chapter in this study is extremely important as it brings into sharp focus the unique character of an Islamic economy where a very strong voluntary altruistic sector plays a crucial role in creating those social and economic conditions which may ensure a more effective and respectable role for the private

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*Foreword*

Entrepreneur and also supplement the market mechanism in establishing a just social order. It seems that Islam envisions an economy as a three-sector model - private, voluntary altruistic and public - and not merely in the groves of a public-private dichotomy. I hope the publication of this collection of essays will enable students and scholars alike to have a better understanding of the role of the state in an Islamic econo­my.

Leicester

10 October 1995 15 Jumada AI-Ula

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**Khurshid Ahmad**

*Islamic Economics Series* - *20*

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An Islamic Perspective

MUHAMMAD NEJA TULLAR SIDDIQI

**The Islamic Foundation**