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THE ROLE OF THE STATE IN THE ECONOMY: EXPLORING FISCAL AND MONETARY POLICIES IN GOVERNMENT (THEORETICAL REVIEW IN ISLAMIC ECONOMICS)

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Abstract

The state has the authority to establish policies that support and protect economic growth and activities. The government, as the executor of collective tasks, is considered entrusted by God to create welfare, justice, and a good life for all people. In this study, the author uses a literature review method to examine the roles, functions, and policies in the economy from an Islamic perspective. The results of this study show that the government plays a crucial role in a country's economy. For example, when Indonesia faced the Covid-19 pandemic, the government took comprehensive actions in the fiscal and monetary sectors. In the fiscal sector, the government refocused activities and reallocated budgets, while in the monetary sector, the Ministry of Finance allocated Rp62.3 trillion from the state budget for Covid-19 handling and control, social protection, and incentives for the business sector.

Keywords: *Role, Functions, Government Policy*

1. Introduction

The state has long appeared frequently with the presence of humans on Earth, albeit with different systems according to their civilization and knowledge. Because essentially, since the beginning of human civilization, it has never been separated from the governance system, whether in the form of a kingdom or otherwise. This is because humans are social creatures who find their strength and function when they gather or work together (Munir, 2011, p. 2).

The state holds the authority to establish the foundational rules that support and protect economic growth and activities (Hidayatullah, 2015, p. 177). According to Al-Mawardi, the establishment of a state aims to fulfill the prophetic duty of upholding religion and managing worldly affairs. Ibn Khaldun also mentioned that the state serves as a general coordination system responsible for guiding people in adhering to Sharia principles in all aspects of life, both worldly and pertaining to the Hereafter (Sutana, 2010, p. 26). In Islamic economics, the state plays a significant role in the economy and possesses the power to fulfill its duties and authorities in an equitable and democratic manner (*Peranan Negara Dalam Perekonomian (Perspektif Islam)*, n.d.). Therefore, every citizen has the right to be treated fairly by the state across various sectors, including religion, education, health, law, politics, and economics (Sofyan, 2017, p. 290).

The government receives a mandate from God to carry out collective duties to achieve welfare, justice, and a good life for all individuals. The government acts as an agent of God, or *khalifatun*, in realizing Falah. As a trustee, the government must have a strong foundation in the Qur'an and Sunnah. The lives of the Prophet and his Companions serve as exemplary models for the government in fulfilling its mandate and upholding justice in the economy (P3EI, 2015, p. 446).

The responsibility of the government in people's lives is significant. The Islamic perspective grants the government broad flexibility in fulfilling its responsibility to promote the well-being of the community. The government's duties and authorities in the economy include overseeing the main economic factors, prohibiting forbidden *muamalah*, and regulating prices when necessary. Thus, it can be concluded that the state possesses the authority to establish the foundational rules that support and protect economic growth and activities (Hidayatullah, 2015, p. 79).

As a form of the government's role in the economy, there are policies that are implemented, namely fiscal policy and monetary policy. It can be said that fiscal policy plays an important role in the economic system compared to monetary policy. The prohibition of usury and the obligation to pay zakat highlight the importance of the position of fiscal policy compared to monetary policy (Sofyan, 2017, p. 290).

This study aims to discuss the function and role of the state in the economy, as well as analyze fiscal and monetary policies and their implementation by the government. The author utilizes a theoretical perspective to review and analyze the economic theories put forth by Islamic scholars.

2. Research Method

In conducting this article, the researchers utilized literature reviews as the research method. The data were collected through documentary analysis, which included sources such as books, journals, online resources, and papers discussing the function and role of the state in the economy, as well as fiscal and monetary policies and their implementation in government.

3. Result and Discussion

Functions and Roles of the State in the Economy

The State plays a crucial role in realizing Falah, which is essentially a responsibility for all economic actors, including the government and society itself. The government and society are two institutions that share the function of fulfilling collective obligations and public policies in achieving *Falah* (P3EI, 2015, p. 446). In Islam, the objective of the State is to provide *maslahah* (benefit) to its people, leading to prosperity. When a country implements an Islamic-based system, the goals to be achieved must align with the principles of Islam (Sofyan, 2017, p. 291).

A country that embraces Islamic values has distinct characteristics. Firstly, its value system is based on a firm belief in monotheism, devoid of secularism, pluralism, or liberalism in the behavior of its citizens. Secondly, its political system is built on the foundation of shura (deliberation). Thirdly, it has a legal system rooted in Sharia, encompassing both formal, material, and moral aspects. Fourthly, its social system is based on Islamic values, emphasizing mutual assistance, propagation, and good character. Finally, its economic system promotes business freedom, prevention of exploitation, productivity, innovation, and progress (Natadipurba, 2016, p. 182).

According to Islam, the government's responsibility extends beyond homeland security and external defense. It must be part of a program aimed at achieving an ideal, just, and prosperous society. Public justice cannot be established without government intervention to protect the vulnerable and provide them with social security, including addressing economic issues (Hidayatullah, 2015, p. 182).

The role of the government can be clearly seen in creating an efficient market that can generate maximum benefit (*maslahah*). This market occurs when the price created is equal to the minimum cost of producing one unit of the goods. Technically, this kind of market situation will occur if the market can compete perfectly, where there is no single individual regulating the market price (P3EI, 2015, p. 449). Therefore, an efficient market is a market where each producer sets a constant price for any quantity sold, and the price is equal to the minimum cost. However, the realization of an efficient market should not be simply left to market participants; government intervention is needed to reduce such tendencies (Nasution, 2018, p. 13).

In the absence of government intervention, the market will experience competition that leads to the emergence of market monopolies. This competitive environment allows powerful market players to gain even more control over the market and eliminate weaker participants. Once a market becomes dominated by a monopolist, they have the freedom to exploit their position by seeking monopolistic rent, resulting in negative consequences for society (P3EI, 2015, p. 449). Government intervention in the market is not just a temporary or minor measure; it plays a crucial and significant role. The government acts not only as a referee in regulating market activities but also actively engages with other market participants. Furthermore, the government can assume the roles of a planner, supervisor, regulator, producer, and consumer within the market activities (Solihin, 2019, p. 29).

Another role of the government in the economy is to address externalities. Externalities are the impacts of economic activities that are experienced by other parties, whether they are positive or negative in nature. This is because the market is unable to provide a fair compensation system for these impacts. Positive externalities occur when an activity generates benefits and positive outcomes for others, while negative externalities occur when an activity causes harm or losses to others (P3EI, 2015, p. 457).

During the early days of Islam, the foundations and financial system of the state were implemented by Prophet Muhammad (SAW). This was a highly significant, as well as brilliant and spectacular, step taken during that time, as Islam rapidly developed as a religion and country. Therefore, the role and function of the state were applied during the early period of Islam, with various sources of state income at that time, such as *fay'i, kharaj, ushr, jizyah, zakat, waqf,* and others (Chamid, 2010, p. 35).

During the time of Khalifah Umar bin Khattab, a similar strategy was employed, akin to the current approach implemented in America. This involved the state leader directly inspecting the national defense strategy office, and the leader also actively participating in the reconstruction of general stability and the country's economic program. He was granted the opportunity to pay attention to and oversee the circulation of the economy (Maimunah & Yasin, 2019, p. 66).

According to Abu Yusuf, economics is an integral part of the art and management of government in fulfilling the mandate entrusted by the people to promote their prosperity. Abu Yusuf contributed to the principles of taxation, which later became the canon of taxation among experts (Oky, 2019, p. 7). Acording to Ibn Taymiyyah, stated that the government has the right and authority to regulate prices (price regulation) to ensure honesty and enable residents to meet their basic needs. Some argue that in Islam, the State should not interfere in economic matters by imposing values, morality, or sanctions on those who violate them. They base their opinion on a hadith in which the Prophet refrained from setting prices even when they soared at that time (Muthmainnah, 2019, p. 98).

Ibn Taymiyyah interpreted the rejection of price regulation mentioned in the hadith as a specific case, not a general one. He believed that price increases due to market forces are not a result of market imperfections. In cases of market imperfections, Ibn Taymiyyah recommended government intervention in pricing. For example, when the price of essential commodities increases due to manipulation or monopoly, the government must establish a fair price for both sellers and buyers (Muthmainnah, 2019, p. 99).

In Abu Yusuf's view, the government's main task is to ensure the welfare of its people. He quoted Umar bin Khattab's statement that the best government is one that governs for the prosperity of its people, while a bad government is one that governs while its people face difficulties (Yusuf, 1979, p. 14).

According to Islam, the State has an important role in the economy, including the following:

1. Monitoring the Main Factors Driving the Economy

   The government has the responsibility to monitor the economic progress, supervise, and prohibit unethical practices in various aspects such as buying and selling, production, consumption, and circulation. This supervision is carried out through an institution known as the hisbah institution. The primary role of the hisbah institution is to enforce ethical conduct and monitor the market.

2. Stopping the forbidden Muamalah

   Haram *muamalah* refers to various types of transactions or dealings that are prohibited due to their violation of Islamic principles. Islam strictly prohibits unethical practices involving wealth within the economy of a nation. In the case of hoarding, the State is obligated to take decisive and forceful measures to combat it. This may include forcibly seizing the hoarded goods and selling them at a fair and reasonable price, ensuring that those in need can access them while ensuring a reasonable profit.

3. Set the price if needed.

There are differences of opinion regarding price fixing in Islam. Some argue that price fixing is prohibited in Islam based on a hadith that prohibits it, narrated by Anas from the Prophet Muhammad (peace be upon him). Anas said, *"During the time of the Prophet, prices soared*. The companions then proposed to the Prophet, *'O Messenger of Allah, you should fix prices.'* The Prophet replied, *'It is Allah who restricts and enlarges provision. And I hope that on the Day I meet Allah, no one will blame me for any injustice I have done, whether in soul or wealth.'"*(Daud, 1998, p. 362).

From this hadith, it can be explained that price fixing is prohibited and considered as unjust behavior. During the time of the Prophet Muhammad (SAW), the situation might have been different compared to the current circumstances, where sellers were in a weak position, making price fixing burdensome for them. However, conditions have changed, and now sellers have a stronger position in various aspects, so they will not be adversely affected by price fixing.

However, there are times when the government may use price fixing policies in certain conditions. This policy will be implemented when there is market injustice. Market injustice can occur due to monopoly practices or the ability of certain parties to manipulate prices. (2005, p. 44) According to Ibn Taymiyyah, if there are imperfections in the market, the government is allowed to set prices (Chamid, 2010, p. 236).

Indonesia is a religious nation that grants its people complete freedom to embrace and practice their respective religions. In the economic realm, policies in Indonesia align with the ideology of Pancasila. Economic development is entrusted to society, guided by the values and principles embedded in the philosophy of Pancasila (Agussalim, 2019, p. 19).

The purpose and function of the State are explicitly stated in the 1945 Constitution of Indonesia, specifically in the fourth paragraph. “It emphasizes the establishment of a government that protects the entire Indonesian nation and all Indonesian citizens. Additionally, it aims to promote the general welfare, educate the nation, and contribute to the establishment of a global order based on independence, enduring peace, and social justice. The Constitution of the State of Indonesia was formulated to solidify the independence of the Indonesian nation and is structured under the framework of the Republic of Indonesia,..”

The involvement of the government in the economic domain is evident in Article 33, paragraph 2 of the Constitution, which states, "The government controls the vital sectors of production that are important for the state and have a significant impact on the lives of many people." Furthermore, this principle is further emphasized in paragraph 3, which states, "The land, water, and natural resources within them are controlled by the state and utilized for the greatest welfare of the people." These provisions highlight the government's role in regulating and managing key sectors of the economy to ensure the well-being and prosperity of the population.

The content of the 1945 Constitution is deemed appropriate and does not contradict the principles of Islam. The constitution treats all individuals equally under the law and government, ensuring fairness and justice for the community. It aims to bring about benefits and prosperity for the society and promotes a balanced approach that avoids extreme asceticism or monasticism (Sukardja, 2012, p. 233).

Based on the explanation provided, it can indeed be concluded that the government plays a crucial role in the economy. The state serves as a public institution that facilitates the realization of "falah" (success, well-being) and "maslahah" (public interest, benefit). Through its policies, regulations, and actions, the government can create an environment conducive to economic growth, social welfare, and the overall well-being of its citizens.

State Policy in the Economy

Economic policy refers to the actions taken by a government to shape and regulate the economy within a particular country. These policies can encompass a wide range of decisions and measures that affect various stakeholders, including governments, organizations, and individuals. Each country has its own set of policies that serve as guidelines for conducting economic activities. Policymakers carefully consider the potential impact of these policies, both domestically and internationally. Common types of economic policies include fiscal policy, monetary policy, production policy, foreign trade policy, and employment policy. However, it should be noted that the Indonesian State primarily focuses on fiscal policy and monetary policy as key tools in managing the economy (Turmudi, 2019, p. 75).

Fiscal Policy

Fiscal policy, as defined by the KBBI (Indonesian Dictionary), pertains to matters related to taxes or state revenue. In economics, fiscal policy refers to the policies adopted by the government to stabilize the economy by regulating its income and expenditure. According to economist Mankiw, fiscal policy is an economic tool utilized by the government to steer the economy towards a more favorable condition through the adjustment of government revenues and expenditures (Nurlina & Zurjani, 2018, p. 126).

The scope of fiscal policy, encompassing government policies, can be categorized into three main areas. First, income policy, which in modern economies tends to focus on income redistribution. Second, spending policy, which pertains to the government's decisions on how to allocate its expenditures. And third, debt policy, which involves managing government debt levels. The role of fiscal policy in an economy is influenced by various factors, including the government's engagement in economic activities, socio-economic conditions, ideological commitments, and the nature of the economic system (Nurlina & Zurjani, 2018, p. 164).

In essence, fiscal policy aims to influence various aspects of the economy, such as total public expenditure, economic growth, production levels, employment, unemployment, price levels, inflation, and overall economic stability through the control of interest rates and the money supply. In the Islamic economic concept, fiscal policy serves the purpose of developing a society that emphasizes balanced wealth distribution and upholds both material and spiritual values. The objectives of fiscal policy in Islam are closely tied to Islamic economic principles, including the principles of tawhid (oneness of God), rububiyah (divine sovereignty), caliphate (stewardship), and tazkiyah (purification). These principles guide the pursuit of economic goals that align with Islamic values and contribute to the overall well-being of society (Huda & Idris, 2013, p. 64).

The Islamic principle of fiscal policy and budget aims to foster a society that promotes balanced wealth distribution while upholding material and spiritual values equally. In Islamic economics, the concept of justice and equitable distribution of resources is of utmost importance. The fiscal policies and budgetary measures within an Islamic framework strive to ensure fair wealth distribution, addressing socioeconomic disparities and promoting the well-being of the community. This approach emphasizes the harmonious integration of material and spiritual values, recognizing the interconnectedness between economic prosperity and spiritual fulfillment in creating a just and prosperous society (Suprayitno, 2005, p. 160).

During the prophetic period and subsequent caliphates, Muslims had gained significant experience in implementing various fiscal policy instruments. These instruments served as sources of state revenue and included zakat (obligatory alms), *kharaj* (land tax), *ghanimah* (war booty), *jizyah* (poll tax), taxes on mining and treasures, and customs duties. From the explanation, it can be inferred that the objectives of fiscal policy in Islam are to attain economic stability, foster high economic growth, and promote income equality to achieve the concepts of Falah (prosperity) and *maslahah* (public welfare). These fiscal policy instruments were designed to ensure a just distribution of wealth, stimulate economic development, and create a harmonious society that upholds the principles of Islam.

Monetary Policy

Monetary policy, as defined by the KBBI, pertains to money or finance. In economics, monetary policy refers to the actions taken by the government or financial authority, typically the central bank, to ensure economic stability by regulating the circulation of money. In Indonesia, the central bank responsible for implementing monetary policy is Bank Indonesia. The objectives of monetary policy can be summarized into four main goals: maintaining overall economic stability, ensuring a balanced balance of payments, preserving price stability, controlling inflation, and promoting job creation. Through the implementation of monetary policy, the government aims to manage the money supply, interest rates, and credit availability to achieve these objectives and foster a healthy and sustainable economic environment (Nangarumba, 2016, p. 117).

There are three key instruments of monetary policy: the discount policy, open market operations policy, and minimum cash reserve policy. The discount policy involves the central bank setting the interest rate that commercial banks must pay when borrowing from the central bank. The open market operations policy focuses on the central bank's actions to stabilize the domestic currency exchange rate against foreign currencies, often through the buying or selling of government securities. The minimum cash reserve policy determines the minimum amount of reserves that commercial banks must hold, which is established by Bank Indonesia (Masrufah, 2022, p. 41).

Monetary expansionary policy aims to stimulate economic activity by reducing interest rates and lowering cash reserve requirements for commercial banks. By doing so, it is expected to increase the amount of money available in the economy, thus boosting spending power and encouraging economic growth. On the other hand, contractionary monetary policy is implemented by raising interest rates and increasing cash reserve requirements. This policy is employed when there is a need to reduce the amount of money in circulation, control inflation, and encourage more prudent lending practices by commercial banks due to stricter reserve requirements (Masrufah, 2022, p. 41).

Basically, fiscal, and monetary policies share the same goal, which is to establish and maintain economic stability in a country. However, they differ in several ways. First, in terms of policy implementation, fiscal policy is implemented by the government, while monetary policy is implemented by the central bank, such as Bank Indonesia. Second, fiscal policy mainly focuses on state expenditures and revenues, utilizing instruments such as taxation and government spending. On the other hand, monetary policy primarily employs instruments such as interest rate setting, regulation of cash reserves in commercial banks, and conducting open market operations. These differences highlight the distinct roles and tools used by fiscal and monetary policies in managing and influencing the economy.

The application of fiscal policy in Indonesia exhibits both similarities and differences when compared to Islamic fiscal policy instruments. These can be observed in various instruments related to state revenues and expenditures. According to Law Number 14 of 2015 regarding the State Budget for the fiscal year 2016, the state revenue budget is projected to be derived from tax revenues, non-tax state revenues (PNBP), and grant receipts. The planned state budget comprises the central government budget, transfers to regional budgets, and village funds. These instruments align with the principles of fiscal policy in Islam, which emphasize the balanced distribution of wealth and the promotion of public welfare.

In response to the global economic slowdown and the heightened uncertainty caused by the Covid-19 pandemic, the Indonesian government has implemented comprehensive policies in both the fiscal and monetary domains. In the fiscal sector, the government has pursued a strategy of refocusing activities and reallocating the budget to address the impact of Covid-19. To facilitate this, President Joko Widodo issued Presidential Instruction No. 4/2020, directing all Ministers, Leaders, Governors, Regents, and Mayors to expedite the refocusing of activities, reallocation of the budget, and procurement of goods and services to manage the Covid-19 situation effectively. These measures aim to mitigate the economic challenges posed by the pandemic and provide support for the healthcare system, social protection programs, and the overall recovery of the Indonesian economy (*Kebijakan Fiskal Dan Moneter Mengadapi Dampak Covid-19*, n.d.).

The Ministry of Finance has also issued PMK 23/2020, which introduces tax stimulus measures for employees and businesses. These measures include government employee income tax, import income tax exemptions, and reduced installments for income tax under Article 25. Additionally, value-added tax incentives/facilities have been implemented to address the impact of Covid-19. In the monetary sector, it is crucial for monetary policy to align with fiscal policy to minimize the impact of Covid-19 on the national economy. The monetary authority aims to maintain the stability of the rupiah exchange rate, control inflation, and provide monetary stimulus to support businesses. It is expected that there will be a relaxation in bank loan provisions and an intensified distribution of People's Business Loans (KUR) to promote economic activity. These measures are aimed at providing support to employees and businesses and stimulating economic growth considering the challenges posed by the Covid-19 pandemic. The coordination between fiscal and monetary policies is vital to ensure a comprehensive and effective response to the economic impact of the pandemic.

Moreover, the Ministry of Finance plans to reallocate IDR 62.3 trillion from the state budget. These funds will be sourced from various areas including the official travel budget, non-operational expenditures, honors for handling/control of Covid-19, social protection (social safety net), and business incentives. The 2021 State Budget serves as a pivotal point in achieving a balance between several objectives, such as supporting ongoing pandemic response efforts, promoting economic recovery, and achieving fiscal consolidation. Through its structural reform initiatives, the 2021 State Budget aims to establish a strong, competitive, productive, and innovative economic foundation that will drive economic transformation towards an Advanced Indonesia. These efforts are crucial for ensuring sustainable economic growth and development in the face of ongoing challenges and uncertainties caused by the pandemic (Kemenkeu, 2021, p. 1).

When viewed from the state budget in 2021, it can be seen as follows:

Table 1. Total State Revenue in 2021

STATE REVENUE	***1,743.6 T***
Tax Revenue	1,444.5 T
Non-tax State Revenue	298.2 T
Grant	0.9 T

Based on the provided information, the table shows the total state revenue in 2021 amounting to 1,743.6 T. This revenue is further divided into different sectors, including tax revenue, non-tax state revenue, and grants. The tax revenue sector contributed 1,444.5 T to the total state revenue. This includes income generated from various forms of taxation imposed by the government. The non-tax state revenue amounted to 298.2 T, representing income derived from sources other than taxes. These sources may include fees, fines, royalties, and other non-tax sources of revenue. Additionally, the income from grants or grants was recorded as 0.9 T, indicating financial assistance received from external sources. These figures provide an overview of the state's revenue sources for the year 2021, indicating the contributions from taxes, non-tax revenue, and grants in supporting the government's fiscal activities and expenditure plans. The budget in 2021 is as follows:

Table 2. Total Country Shopping in 2021

COUNTRY SHOPPING	***2,750 T***
Central Government Spending	1,954.5 T
Transfer to Regions and Village Funds	795.5 T

The table provided shows that the total state budget in 2021 was 2,750 T, with a breakdown of government spending amounting to 1,954.5 T and a total transfer budget to regions and village funds of 795.5 T. The difference between total government spending and the state budget is referred to as the budget deficit, which in this case amounts to 1,006.4 T. To address the budget deficit, the government can utilize various measures such as using SAL (Excess Budget Balance) funds, borrowing from external sources, or issuing SBN (Government Securities) as additional state financing. These measures help the government bridge the gap between expenditure and revenue and manage the budget deficit effectively. It's important to note that specific details and strategies for reducing the budget deficit may vary depending on the fiscal policies and economic conditions of the country.

One possible approach to address the budget deficit and promote equity and poverty reduction is by incorporating zakat into the state income instrument. Zakat is an obligatory form of charity in Islam, which involves the redistribution of wealth from the wealthy to the less fortunate members of society. By including zakat as a source of state income, the government can potentially alleviate its financial burden and contribute to socioeconomic welfare. Implementing zakat as a state income instrument requires a well-designed and effective framework that ensures transparency, accountability, and fair distribution of zakat funds. This involves establishing appropriate mechanisms for zakat collection, management, and distribution, as well as ensuring that the funds are used efficiently and effectively for poverty alleviation and social welfare programs. By utilizing zakat as a source of state income, the government can tap into the potential of Islamic finance principles to promote economic justice and reduce inequality. However, it is important to consider the legal, administrative, and operational aspects of incorporating zakat into the state income instrument, as well as ensuring its compatibility with the existing legal and economic frameworks of the country (Suprayitno, 2005, p. 175).

In Indonesia, zakat is primarily managed and distributed through private institutions, such as zakat institutions and Islamic charitable organizations. These institutions play a significant role in poverty alleviation and social welfare programs, complementing the efforts of the government in addressing socioeconomic challenges. Through their initiatives, zakat funds are collected and distributed to assist those in need, providing support to vulnerable communities and contributing to poverty reduction. Similarly, waqf, which refers to the endowment of assets for charitable purposes, has also played a role in supporting the government's economic endeavors in Indonesia. Waqf properties, such as land or buildings, are dedicated to specific purposes, including education, healthcare, and social services. These assets generate income and contribute to economic activities, providing resources for various development projects and initiatives.

While zakat and waqf have been instrumental in assisting the government and contributing to economic turnover in Indonesia, their full potential and integration into fiscal policy remain areas that can be explored further. Recognizing the significance of these Islamic economic instruments, efforts can be made to enhance their coordination with fiscal policies and explore ways to optimize their contributions to national development. By fostering collaboration between private institutions, zakat and waqf boards, and the government, it is possible to harness the power of these instruments more effectively, promoting socioeconomic welfare, economic growth, and inclusive development in Indonesia (Sofyan, 2017, p. 311).

4. Conclusion

In achieving Falah and *maslahah*, which represents the well-being and common good of society, is a shared responsibility for all economic actors, including the government and society. Sustainable economic activities are crucial for promoting fair economic behavior and reducing social and economic inequality. The role of the government in economic activities is of utmost importance in realizing these objectives.

Fiscal and monetary policies have a shared goal of building and maintaining economic stability within a country. While both policies aim to achieve this goal, they differ in terms of policy implementation, with fiscal policy being the responsibility of the government and monetary policy falling under the jurisdiction of the central bank.

The Covid-19 pandemic has highlighted the significance of government policies in times of crisis. In response to the pandemic, the government has taken comprehensive measures in the fiscal and monetary sectors to address the challenges posed by Covid-19. These include refocusing activities, reallocating budgets, and providing financial support to handle the pandemic, ensure social protection, and incentivize the business sector.

The government's proactive role and policy actions demonstrate their importance in achieving economic stability and promoting the welfare of society. By implementing appropriate fiscal and monetary policies, the government can work towards minimizing social and economic inequality and achieving mutual benefits for all members of society.

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