CHAPTER II

A BRIEF ECONOMIC HISTORY
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Libya is an ancient land. If the findings of the recent excavations are to be believed, her history dates back to 10,000 B.C. In the seventh century before the Christian era, two people migrated to Libya, Phoenician and ancient Greeks. Both developed civilization which proved resilient and formidable. In 643 A.D. Libya fell to the marching Muslim armies from Arabia. So up till 1911, Libya was a part of Turkish Caliphate. Under the Turkish rule little attempt was made to develop the economy. The rulers did not show any interest in developing agriculture, in expansion of trade and commerce or even in educating the people.

With the disintegration of Turkish rule in 1912 Libya became the colony of Italy. Under Italian imperialism too nothing was done to improve the conditions of Libyan people. Italians deployed the Libyan forces. Economically it was one of the most backward nations of North African countries. About 90 per cent of the total population was illiterate and per capita income was approximately 30 dollars a year. Standard of living was so low that many of the natives subsisted on 1,500 to 1,800 calories of food a day and spent 80 per cent of their income on food. 1

Some expansion of economic activity took place during the Italian administration. It constituted a useful base for the Libyan economy in future but was of no use to Libyan people at that time. The World Bank Mission in Libya in 1959 acknowledged that the "Italians left Libya a valuable legacy of building, roads, ports and other public installations,

together with the result of fairly extensive research work relating par-
ticularly to agriculture and mineral resources.\textsuperscript{2} Despite these contribu-
tions the mission noted:

"It must be recognised however that the Libyans paid heavily for what
the Italians achieved. They were pushed off some of the best farming land
in the country, large number of their livestock were lost in fighti-
gs especially in Cyrenaica, and their traditional industries suffered
severely from competition from Italian products. Moreover, the Italians
did little or nothing to prepare the Libyan people for self government.
Education and technical training were neglected, and the Libyans were vir-
tually excluded from the administration. As a result through no fault of
its own, Libya has remained heavily dependent on foreign administration
and technical personnel, and the training of Libyans to replace them is
still the most difficult of all the problems associated with economic
development."\textsuperscript{3}

The defeat of Italy in the Second World War brought the French,
Americans and Britishers to this north west African country. They did
nothing worth mentioning about economic development of Libya. Whatever
infra-structure was made during the Italian rule was destroyed in the war.

These foreign powers manipulated in 1951 a local monarchy under the
despotic character of King Idris.

\textsuperscript{2} IBRD Report, The Economic Development Of Libya, John Hopkins Bal-
more, 1960, p.24

\textsuperscript{3} Ibid.
After the attainment of independence in 1951, and even before, various economists, agronomists, historians and archaeologists made arguments about the conditions of the economy. All of them found Libya an underdeveloped country. Similar was the report of the United Nations Mission in 1950-52. Some seventy people in different capacities served on the staff of this mission. In the appraisal of Libya's general economic problems included in this first annual report, the commissioner said:

Libya is an underdeveloped area with a marginal agricultural economy, basically handicapped by inadequate rainfall and poor soil. Sub soil resources have not been found in commercially exploitable quantity. Great areas of the country are completely desert, but in the coastal region, and in the oases, irrigation, dry farming and animal husbandry offer the possibility of a viable agricultural economy. There are offshore fishing possibilities, particularly, in tuna and sponge fishing, which might be developed further. However the indigenous population is untrained in the proper utilisation of land and the conservation of water, and lacks the material resources and technical knowledge to tap underground water except by simple water wells. It is believed that the country could grow the crops and flocks needed for its subsistence and for a small export trade

5. Ibid p.394
by careful dry-farming and by greater and more efficient drawing of water for irrigation. Up to present, however, the crop surplus for export has been small and irregular, limited not only by lack of human skill and capital resources, but also by recurrent severe droughts. Libyan agricultural products which might be exported are generally of inferior quality and high cost; this due not only to poor methods of agriculture, but also due to lack of markets, skills and facilities.

There was lack of foreign assistance on which the economy was heavily dependent and lack of banking and credit facilities following the closure of the Italian banks in 1943 upon the defeat of the Italian forces.

At the time when Libya was not yet independent but the talks were going around, the country's most important problem was to get technical assistance and the continuation of the same during the period between Libya's acquisition of independence and its admission to the United Nation's family. To get out of this deadlock, the commissioner suggested to the government of France and United Kingdom in March and April 1950 which were the administering power at the time to ask to the secretary General to determine the foreign relation of the three territories. At first the two governments did not respond but in June the United Kingdom informed the commissioner to make a comprehensive survey of the economic conditions of Cyrenaica and Tripolitania.

Libya in 1950 was a very poor country lacking natural resources, and economic activity was at a very low level which was further aggravated by the devastation in the IIInd World War. Libya's chief asset at the time of its independence was its strategic position on the southern shores.
of the Mediterranean, which was of interest to the three great powers, United Kingdom, United States and France. And this was the main reason which helped the country to get technical assistance from these countries. However the commissioner did his best to generalise the aid-to-Libya programme on a United Nations basis.

This United Nations Mission of 1950-52 made an analysis of the problem with which the new country was to be faced and suggested the solutions to the problem. This task was done in collaboration with the Secretary General and the specialised agencies. It was done in successive stages each carried out by a different technical assistance team:

1. A preparatory mission (June-July 1950) to define the terms and limits of the United Nations effort, locally known as the Goodrich Mission, headed by Carter Goodrich.  
2. A larger team of fourteen experts and the technical personnel headed by a chief economist, Joan Lindberg, to draw up an appraisal of balance sheet, of the Libyan economy (December 1950 to June 1951).  
3. and finally a team of 27 members headed by Benjamin Higgins as a chief economist (June 1951 to January 1952). This last team prepared a six year plan for the economic and social development of Libya which was submitted as a recommendation to the Libyan government and was accepted by it shortly after independence.

6. Ibid pp. 665-669  
7. Ibid p. 674  
8. Ibid pp. 686-698
Goodrich Mission

Goodrich Mission made many useful recommendations. The principal recommendations were that "a balance sheet" of the Libyan economy should be drawn up, followed by a plan for economic development. The report recommended the strengthening of the United Nations Mission in Libya; to define the timing of technical assistance and to make specific proposals as to what technical assistance ought to be provided immediately and what might be left until latter. The mission emphasized the need for a chain of technical assistance, the need for general economic survey, in the field of public health; emphasize the need for appointing an experienced public health consultant to help the new government to draft a set of regulations and a public health programme.

Joan Lindberg's Report

The General Economic Appraisal of Libya, prepared for the United Nations Technical Assistance Administration (TAA) by Lindberg, was completed in late June 1951. In its final report the Economic Appraisal confirmed Libya's extreme poverty and the limitations of the economy.

Lindberg pointed out that agriculture was the mainstay of the Libyan economy and was likely to remain so for a long time to come...Consequently Libya was barely able to grow an adequate diet for its people, and drought often brought real hardships and famine conditions. The weakness of the economy was strikingly illustrated by the fact that national income was estimated at 35 dollars per head per annum. The balance of payments for four years immediately preceding the independence i.e 1947-50
had been in chronic and heavy deficit, covered only by foreign aid. By and large, grants in aid from the administrating powers covered 85 per cent of the adverse balance. The situation is revealed in the figures of exports and imports. In 1950 the Libyan exports were about $6,346,600 whereas the cost of imports was $14,190,400. This gap was closed by military expenditure ($6,736,800) and by grant in aid ($3,738,000). At that 1950 was a year which showed some improvement in terms of trade, but income from exports covered only 45 per cent of the cost of imports. On the credit side, military expenditure amounted to 40 per cent and the grant in aid to another 20 per cent of the cost. This shows just how dependent Libya was on help from foreign powers and their military expenditure. Lindberg also pointed out that there was little scope for industrial development due to lack of industrial raw material and domestic skills.

Dealing with public finance, he presented a consolidated statement of the Libyan budget, which indicated that the total estimated deficit in the year 1951-52 would be $4,870,339, or about 30 per cent of the total expenditure of $16,550,531.

**Higgins Report**

The final report was completed in July 1952. The chief economist Benjamin Higgins observed:

"Libya combines within the borders of one country virtually all the obstacles to development can be found anywhere: geographical, economic, political, social and technological. If Libya can be brought to a stage of sustained growth there is hope for every country in the world."
The recommendations for an economic and social development programme for Libya, as presented by experts in the Higgins report, followed the pattern which had emerged in the Economic Appraisal and from the discussions in the international groups of experts on the establishment of a new currency, the development of financing institutions, and the arrangements for the subsidy to the budget. Higgins briefly summarised the recommendations: The emphasis in the plan was on teaching the Libyans to do better what they are already doing. The recommendations did not include any proposal for the new industries, for new modes of transports, for new public utilities, or for large scale investment projects of any other kind. The plan consisted of projects and programmes for improvements, expansion or restoration of existing plant skills, and undertakings and it deliberately emphasized projects for rural areas, which would work against migration to towns.

The plan also included a set of recommendations concerning technical assistance to be provided by the United Nations agencies. It was pointed out that successful implementation of the plan would need a great deal of skilled administration and much further planning. There was a distinct shortage of this type of skilled personnel in Libya, and the cost of employing foreigners will fall heavily on the Libyan budget.

The resources available to Libya for the development in the first year of its independence comprised technical co-operation funds from the United States totalling $1,551,200; a grant to The Libyan Public Development And Stabilization Agency and The Libyan Finance Corporation from the United Kingdom of 610,400 dollars; one from Italy of $28,000; and
the assistance from the United Nations, including the maintenance of the Resident Representative's office, amounting to $900,000—making total of $4,153,600. In addition, the United Kingdom provided a grant-in-aid of $6,608,000. Financial assistance from the United States rose sharply after 1954, and in the financial agreement with the United Kingdom the development assistance grant was increased to $2,800,000 in the years from 1953 to 1958, while the contribution from France was cut back to $280,000.

After the independence the government of Libya follow the guidelines of this plan. However due to lack of fund it never proved possible to carry out the plan on the scale recommended. All these plans and reports were prepared at the time when oil resources were not discovered. The development financing pattern of course changed completely after the discovery of oil. And eventually after 1958, the things took such a shape that all these statements made by different economists appears meaningless.

The modern economic history of Libya began only after the start of country's oil industry. It was until the discovery of oil that Libya was economically stagnant. The purchasing power was low, foreign trade was limited and deficit (both budgetary and foreign exchange deficit) was a permanent feature.

For economic development of any country there are two main constraints, the saving constraint and the trade constraint. The first occur when the internal savings are less than the investment and the trade constraint occur when imports are more than exports. In an underdeveloped country usually both these gaps are found. It is generally presumed
that in the initial stages of development the imports of various things will swell and the foreign exchange deficit will increase. In Libya in the pre-oil era we found both these gaps; imports were continuously increasing causing a gap in the trade sector and the internal savings were low due to low per capita income. The economy was heavily dependent on foreign aid to cover these two gaps. This foreign assistance did increase the economic activity but at the same time caused inflation in the economy. Moreover due to lack of human and other natural resources, it was not possible for the country to make an efficient use of the foreign aid. And thus the increased foreign aid did not correspond any increase in consumption or total income.

In 1954, the total value of Libya's imports amounted to 11,198,000 Libyan Pounds, on the other hand the total value of domestic exports amounted to 3,668,000 pounds and reexports to only 170,000 Libyan Pounds. In 1950-51 total expenditure amounted to 5,520,000 Libyan Pounds while domestic revenues reached a total of 3,658,000 Libyan Pounds, leaving a deficit of 1,862,000 Libyan Pounds. 9

Production is carried with the help of different factors of production. Usually capital is considered a critical factor of production in the economic development of underdeveloped countries especially in Asia where they apply the labour intensive techniques of production. It is possible there to withdraw the labour from the subsistence farming with-

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9. United Kingdom Of Libya, Ministry Of National Economy, Statistical Abstract of Libya 1960, Census And Statistical Department, p. 16
out reducing the volume of output because of zero marginal productivity. But more recently events and developments especially in the newly rich oil countries made it clear that, even though increased capital may be a necessary condition for economic growth, it is not a sufficient condition for it. Only the supply of capital funds to a backward country can not solve the problem of its economic development. This is very true and is pointed out by Bauer and Yamey in a book on economic development.¹⁰

These two economists pointed out that economic development is the result of a combination of social, cultural, political and economic changes which in turn brings about further changes. At most it can be said that economic development has been accompanied, inter alia, by a heightened spirit of enterprise, by capital formation, by improvement in production techniques, and by improvements in the economic qualities and productive capacity of labour. But it seems impossible to isolate any one of these as an inevitable prime mover in the process of economic development and change. The productivity of resources and its importance depends upon the availability of the complementary factors and of a market for the output.

In Libya the problem is how to use the surplus capital in the form of oil revenues effectively. There is an insufficiency of suitable opportunities for the profitable employment of the available funds and there is a shortage of the skilled manpower. The problem of economic development is not merely of collecting quantities of capital, but of deciding

the form it should take and the specific uses to which it should be put. The sources of capital and method of its accumulation and investment affect these forms and uses, and productivity of capital and its contribution to economic growth. In case of Libya besides the lack of natural resources other than oil human capital is the most critical factor in the economic development of the country.

According to the traditional concept of capital, it includes only those manmade aids which help in production of other goods such as tools, machinery, plants and equipments. And thus capital formation is usually identified with the net increase of land, durable equipment, commodity stock and foreign claims. But the concept will be misleading if we exclude human capital from the concept. Emphasising the importance of human capital in the process of economic growth Schultz pointed out that much of what we call consumption constitute investment in human capital. Direct expenditure on education, health services and internal migration to take advantage of better job opportunities are clear examples of such investments. The expenditure on human capital contribute to the productivity by raising the quality of labour and these outlays yield a continuing return in future. Prof. Schultz further pointed out that even the current inputs such as expenditure on food and shelter is considered as investment in the sense that it provide energy and stamina for hard work. Thus capital stock should be interpreted more broadly to include the body of knowledge possessed by the population and the capacity and training of the population to use it effectively.

The investment in human capital is of particular importance to the countries where labour is in a relatively short supply. It is the qualitative aspect which concerns here. By increasing the investment in human capital the Libyan economy can develop a working force that will be able to do productive work efficiently. In Libya labour is not only in short supply but is also unskilled. In order to increase the productive capacity of its population the Libyan government should increase the investment in health facilities by providing more hospitals and other medical facilities, in training and in education at the elementary and secondary and higher level. The educational policy should be such that it could produce managers, administrators, professional technicians etc. Special priority should be given in the field of agriculture and industry. The Libyan government have already undertaken a programme of this sort discussed in the latter chapters.

In order to understand the economic structure of the country before revolution we will analyse some of the basic economic trends in Libya during 1951-69.

A. Population

The human resource pattern has not changed much in Libya in almost all aspects namely its size, area wise distribution, occupational pattern, education and skill and general health of the people.

The total population of Libya according to the first national census held in 1954 was just under 1.1 (1,091,830) millions. According to the United Nations report prepared by Benjamin Higgins the birth rate in

Libya was 5.3 per cent per annum and the death rate was estimated at 4.2 per cent per annum. High birth rate was offset by high death rate and thus the rate of population growth was only 1.1 per cent. The high infant mortality rate was the result of lack of medical facilities and the widespread illiteracy among women. The Libyan population was very small in relation to the vast land area and that too was distributed sparsely, 738,000 in Tripolitania, 291,000 in Cyrenaica and 59,000 in Fezzan. These areas were separated by hundreds of miles of desert. A very high percentage of population was nomads and semi-nomads. Urban centre claimed only 30 per cent of the total population while another 30 per cent were rural inhabitants the rest were nomads and semi-nomads.  

B. Total Labour Force And Employment

In 1964 total labour force of Libya was estimated between 360,000 and 380,000. Non-agricultural employment accounted for about 31 per cent and about 2.5 per cent of the total labour force was employed in the non-oil sector. In rural areas about 85 per cent of the population was engaged in agriculture and about 15 per cent in secondary and tertiary sectors. In urban areas 20-25 per cent of the workforce was engaged in agriculture. For the country as a whole about 65 per cent of the labour force was engaged in agriculture and 35 per cent in services and manufacturing and construction.  

C. **Education And Literacy**

In the early history of Libyan economy and society very few people had any education. In 1954 about 81.1 per cent of population of ten years and over was illiterate. Lack of educational facilities for the indigenous people in Libya is one of the results of long history of foreign occupations. In 1921 there were only four primary schools with 661 pupils. In the early period the only means of education was the Quranic schools. It was only in the latter period of Italian rule that some expansion in education took place. But this education was not for the benefit of Libyans and its main purpose was to teach the Italian language and culture so as to plant Italian principles and ideas and kill Libyan nationalism.

Literacy and education increased fastly after independence. This is reflected by the data in the following table 1.

**TABLE I.**

<table>
<thead>
<tr>
<th>Level Of Education</th>
<th>1950-51</th>
<th>1968-69</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Schools</td>
<td>No. of Students</td>
</tr>
<tr>
<td>Kindergarten</td>
<td>20</td>
<td>-</td>
</tr>
<tr>
<td>Primary</td>
<td>495</td>
<td>32,115</td>
</tr>
<tr>
<td>Prepatory</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary</td>
<td>8</td>
<td>300</td>
</tr>
<tr>
<td>Technical</td>
<td>-</td>
<td>237</td>
</tr>
<tr>
<td>Teacher's training</td>
<td>-</td>
<td>89</td>
</tr>
<tr>
<td>Higher</td>
<td>-</td>
<td>32</td>
</tr>
</tbody>
</table>

*Source: Middle East And North Africa, 1971-72*
Number of students increased at all levels during 1950-69. The government had paid great attention to education after independence. A law was passed under which education was made compulsory and free of charge. The progress is impressive but it is not enough for the country's need. Libyan still have to go a long way in this field.

D. Economic Growth: An Analysis Of The Rising National Income

A country's economic development is traditionally assessed in terms of the trend and growth of its gross national product. Libya's gross national product had undergone a great change during 1950-69. In 1950 national income was estimated no more than 15 million pounds. A trend in the gross domestic product and a percentage rate of growth is given in table number 2.

TABLE 2.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>GNP (LL Million)</th>
<th>% rate of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>15</td>
<td>20.9</td>
</tr>
<tr>
<td>1951</td>
<td>43</td>
<td>7.7</td>
</tr>
<tr>
<td>1952</td>
<td>52</td>
<td>8.9</td>
</tr>
<tr>
<td>1953</td>
<td>56</td>
<td>14.7</td>
</tr>
<tr>
<td>1954</td>
<td>61</td>
<td>122.1</td>
</tr>
<tr>
<td>1955</td>
<td>70</td>
<td>51.3</td>
</tr>
<tr>
<td>1956</td>
<td>155.5</td>
<td>54.9</td>
</tr>
<tr>
<td>1957</td>
<td>235.3</td>
<td>35.0</td>
</tr>
<tr>
<td>1958</td>
<td>364.6</td>
<td>29.0</td>
</tr>
<tr>
<td>1959</td>
<td>492.1</td>
<td>17.8</td>
</tr>
<tr>
<td>1960</td>
<td>634.9</td>
<td>43.4</td>
</tr>
<tr>
<td>1961</td>
<td>747.8</td>
<td>14.0</td>
</tr>
<tr>
<td>1962</td>
<td>1,072.6</td>
<td>-</td>
</tr>
<tr>
<td>1963</td>
<td>1,223.0</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Yusif A. Sayigh op. cit p. 453
There was about a four fold increase in gross domestic product of the country between 1950-59. This increase in national income was not due to any increase in the gross domestic output of the country or rise in internal productivity. It was accounted largely by external forces such as oil exploration, foreign military expenditure, external assistance and expansion of other activities such as construction, wholesale and retail trade. The net effect was to increase the national income without generating a corresponding increase in output. It caused inflation in the economy.\textsuperscript{15}

The increase in national income after the discovery of oil was even more rapid. The gross domestic product at factor cost has risen from LD 43 million in 1957 to LD 1,223.0 million in 1969. This high rate of growth was obviously due to vast expansion in the country’s oil revenues. In this period the rate of growth of per capita income was estimated 15.7 per cent annually. Although the benefits of this growth was not evenly distributed throughout the population, there is enough evidence to suggest that Libyans at all levels of the society were better in economic terms in 1969 than in 1951.

**Overall Economic Development**

Shortly after the discovery of oil the Libyan economy of early 1960’s underwent a remarkable rate of growth as a result of the phenomenal expansion in the output of crude oil and cash proceeds therefrom. But that was largely growth without development. The immediate effect

\textsuperscript{15} Rawel Farley, op., cit 1972., p.110
of the oil revenues was the increased demand for trade and auxiliary services without building the basic productive sectors particularly agriculture and industry. To prove this statement it will be sufficient to point out that over eight year's period (1962-69) just preceding the First September revolution the total development expenditure was only LD 562 million (or 70 million LD annually) of this the expenditure on agriculture was 66 million LD (approximately 8 million LD per year), share of industry was only 28 million LD i.e 3.5 million LD per year.

Thus the opportunity of creating the underlying structure was largely missed by the Libyan government. None of the sector can constitute the basis of the economy. As a result a distinctly dual economy emerged, made up of highly developed and fast growing oil sector on the one hand and traditional sector on the other. The multiplier effect of this lopsided development was the increased reliance on foreign markets for meeting the growing demand for a variety of commodities and services.

This pattern of development had led to a sharp mal-distribution of income over different regions and between different individuals and social classes. A large proportion of income was appropriated by the higher income groups. Besides there was a number of maladjustments in the social infrastructure of the country. As already pointed out there was an inconsistency between the educational structure and the urgent requirements of the economy for the skilled labour force. Within the few years oil had become the main contributor to the national income. The oil revenues increased 12 times during this period (1962-69). It had increased from 48.7 million LD to 619.2 million LD in 1969. While
the revenue from agriculture only increased from 17.3 million LD to 22.6 million LD during the same period. Similarly the revenue from industrial sector increased from 10 million LD to 19.3 million LD.

Consequently contribution in national income by the productive sectors such as agriculture and industry had dropped against an increased contribution by the oil sector. The share of industry dropped from 5.6 per cent in 1962 to 1.7 per cent in 1969, and the share of agricultural sector from 9.8 per cent to 2.4 per cent. In contrast to this the oil sector contribution had increased from 26.4 per cent to 65.7 per cent during 1962-69. This shows the over due importance of oil in the economy. 16

The Revolution Of First September 1969

There lie political, social and economic causes behind this revolution. It was an expression of what the Libyan people had long desired. In the words of colonel Qathafi " the revolution occurred because of national popular and human consideration." Some of the factors that produced revolution are poverty, injustice, persecution of the people, lack of proper housing, illiteracy, lack of medical facilities. The money was spent on royal palaces. The Libyan masses lacked hospitals, schools, highways, electricity, water and arms to defend themselves. The nation was absolutely governed by the King. People were excluded from any kind of participation. Oil production was completely in the hands of Western powers. Increased oil revenues were spent on luxurious goods for entertainment of royal families instead of creating social infrastructure. Prices were raised and imports of foreign goods were increasing from $31 million in 1953 to $645 million in 1968.

16. Ibid.
As a combined effect of all these factors revolution took place in Libya on first September 1969. Libya is now a socialist country committed to the principles of social and economic justice as enunciated in Islam.

There are many countries in the Arab world which talk of Islamic way, but in actual practice they adopt the western style which has little in common with Islam. Before 1969 revolution the condition was similar in Libya. The King was very much under the influence of Britishers. But after 1969 revolution the situation was completely changed and the new government adopted the Islamic system in every walk of life. The immediate effect of the revolution was that the use of liquor was completely prohibited and all night clubs were closed down. In the latter years it is realized that Libyan system is much more Islamic than other Arab countries. The Libyan leader, Qathafi has propounded a third international theory which is based on the divine concept of Islam. Actually it is not any new theory but we can say that it is a synthesis of capitalism and communism. This theory screens out the drawbacks of the other two theories now in practice in the world, namely capitalist and the communist. It urges the mankind for a return to God by adopting a third path, different from the two existing ones.

The third international adheres to the correct concept of religion and believes in the universality of Islam as it provides answers to every minute question whether it is earthly or spiritual. Therefore the third theory is considered by the Libyan leader as the only path capable of

Uprooting falsehood as it is based on the morals, ideals and values. Religion, he thought, is the most vital necessity of Man without which he would simply err in life. Even the atheist who seems unaware of the religion has a religion of his own. The communist outside his official work may be a fervent or a non-fervent orthodox. The theory try to put an end to man's slavery to the materialistic objectives as it considers all man God's creatures, all being equal, gaining preference only through piety.

The third theory is based on both religion and nationalism. According to the theory God has created Man and scattered into different nationals in order to get acquainted with each other and not to fight and quarrel with each other, none of us can do without these two paramount factors, which if used properly, can help to solve many problems. True believers in God can not attack other people, rob them of their freedom and enslave them, for this injustice which can not be committed by those who fear God. But those who went astray and, deliberately or, unconsciously, abandon religion, have no such consideration. To them might is right. Big powers attack other countries in disregard of any ethical obligations. Qathafi says such persons can not be trusted. This is the basic idea behind the third international theory, here we will give a brief idea of its political, economic and social aspects.

**Political Aspect**

The instrument of governing is the prime problem which any community faces. The Green Book presented a solution to the problem of the instrument of governing. According to Qathafi all political systems in the world today are the product of the struggle for power between
instruments of governing. Political struggle that results in the victory of a candidate with 51 per cent of votes lead to a dictatorial governing body disguised as a false democracy, since 49 per cent of the electorate is ruled by an instrument of governing they did not vote for, but had imposed upon them. Qathafi says that in actual fact dictatorship is established under the cover of democracy. Representative democracy is wrong because people get only one chance every five years or so to influence events for a few seconds, being a elector with a vote. After that the elected representatives are left with all the decisions. ' No representation in lieu of the people ' is the slogan of the third theory. The same sort of criticism is levelled against parties. To make a party is to split the society. Parties in a multiparty state can only represent sectional interest, a party is composed of people with common interests. They form a party to achieve their ends, impose their outlook on the society as a whole. Since they represent only a smaller section of the society, Qathafi says that a party do not have any right to govern the whole society.

In Libya people are the authority itself. To implement the authority of the people congresses and committees are formed. And these committees are the means by which the people make their decisions and congresses are used to implement these decisions. The system is like a pyramid with the basis of power at the bottom. In Libya the supreme legislative body is the Basic People's Congresses (B.P.C). The people are divided into 178 basic people's congresses according to the locality, each has its own secretariat. All matters whether local, municipal, national or international are discussed by the local people's congress.
From each local congress, a number of delegates go to the General People's Congress (G.P.C). Also delegates from unions and professional associations, so that people have a channel through the G.P.C via two ways through their participation in the B.P.C and through these associations. The task of G.P.C is simply to express and rely the decision of their own local congresses.

With the introduction of Jamahiriya system, in 1977, the meaning of the government underwent something of a metamorphosis. Before 1977 it was a particular institution that governed through ministries and departments; since then people have become the government. The functions of the ministries are now carried out by the people's authority.

Such is the political system of the Libyan Jamahiriya. Some people criticize it as a nice but impracticable idea. But it is working in Libya and whether one approves it or not one can not get away from the fact that the system is revolutionary in terms of the world politics. Though the theory is based on Islam but Qathafi says that it can be universally applied. In Libya law is based on Islam because it is the religion of the people of Libya.

**Economic And Social Aspect**

As for the economic aspect of the third theory, it tries to seek the solution to the economic problem of the society. Qathafi's economic theory is based on the teachings of Islam. Islam provides for the realization of social justice and equality. It does not give right to any person to use his wealth as an instrument of suppression. Limitations
of property means, in Islam, that whenever suppression resulting from excessive wealth arises, the state becomes entitled to curb it, whether through expropriation, nationalisation, progressive income tax or any other suitable measure. However property may continue to be free if it causes no harm. But wealth and property should not be allowed to co-exist in the society. In such a case, the government is entitled to enact the relevant laws which provide for taking away from the rich and giving to the poor. Economic theory of Qathafi is based on the similar principles. The theory stands against the exploitation of the poor by the rich.

The new economic order in Jamahiriya is based on two guiding principles. First is 'partners and not wage workers.' Qathafi says that wage workers are like slaves to the masters who hire them. The simple way to end this slavery is to involve the workers in the production process. All economic institutions in Libya are run by the People's Committees elected by the working force. The second principle is that 'in need freedom is latent.' This refers to the point where there is dependence on the outside forces, there can be no real freedom and thus the economy is trying to be self-sufficient through the diversification of the economy. The idea that any individual should not control anything which impinges on any one else has been extended to land, Qathafi says that land is no one's property, every one has a right to use it and get benefit out of it. Housing, food and clothing are considered as the basic necessities and right of every person in the society and the government is responsible to provide these facilities.
Economic development after the revolution in contrast to the stagnation of pre-revolutionary period constitute the subject matter of our study which is worthwhile in many ways. The country's unusual situation and experience make it a focus of special interest in the development world.