

THE CAPITALIST ECONOMY IS SUCIDAL JUST AS THE COMMUNIST SOCIALISM WAS, ONLY THE ISLAMIC MODEL IS THE SURE-CURE AND SAFE FROM ECONOMIC PITFALLS

The real estate crisis blew itself and engulfed the loans rendering the debtors on repaying their liabilities. Thus the giant banks and huge corporations either collapsed or are on the verge of bankruptcy. Now spurned by intensive bailout subsidy packages, and in anticipation of heavy profits claimed by those announcements. Hence international banks and investment funds rushed to this sector and the collapse of Banks & American Financial Establishments spread to world. It is like the American cold sneeze has infected the world which is now caught in cold.

Some financial sector sources have estimated the losses incurred due to the real-estate mortgage at 300 billion dollars in the US alone and another 550 billion dollar outside the USA! Therefore the countries especially the wealthy ones began pumping in billions of dollars into the financial markets to restore confidence and enable some liquidity to stir up economic activity. In fact some countries like Britain intervened directly to the extent of nationalizing certain banks!

Thus an all impotent foundation of the capitalistic economy – free market and *laissez faire*- was demolished. These two are held as a creed by the capitalist. Even the American Senate in December 1999 issued an act of law prohibiting any restrictions on the financial system and declared keeping the financial markets free under all costs. Subsequently the invalidity and the corruption of this foundation or creed was manifest to its advocate, even the chief protagonist of capitalism the USA, announced its intervention in the market after a split approval by the Congress, the Senators and the Representatives. It decided on a plan devised by the Treasury Secretary Henry Polson to salvage the economy by pumping in 700 billion US dollars to purchase financial instruments issued by troubled banks and financial institutions in the real-estate mortgage. The Treasury Secretary within an hour of approval by the Congress set on to implement his plan.

This implies that after the burial of the Communist Socialist system it is the Capitalist economic system is on the death bed!

This set in motion world wide effort - 4 of the big European countries, France, Germany, Britain and Italy gathered for a meeting and called for a wider meeting to study the financial system. Similarly finance ministers and central bank officials in the group of 7 or group of 8 including Russia called for an early meeting in Washington

But will such efforts really salvage the capitalist economy as it is meant to be?

An observer of the realities of the Capitalist economic system can see that the system is on the verge of, if not already collapsed. Whatever efforts they have planned to salvage the system can at best relieve its pain for the time being and that is because the reasons behind the collapse require a serious treatment at its foundations and not a mere patch work. At the heart of these foundations there are four issues:

First: The clipping of gold as the standard currency , and bringing in dollar as a parallel standard at the end of the second world war under the *Bretton Woods* treaty and finally in the early seventies replacing gold by dollar as the monetary standard resulted in rendering the global economy susceptible to any economic shakeup in the United States. This was because the currencies of most other countries if not all were linked to the dollar instead of gold and the value of the dollar bill itself was not more than the paper on it was printed. Even after the advent of the Euro in the arena the dollar generally retained its position as most currencies kept linking to it.

It is for this reason that unless gold returns to its position of being the monetary standard such economic crises will certainly be repeated and any dollar shock will automatically shake the economies of other countries and even American policies that reflect on the dollar will also affect elsewhere. Similarly this may happen with any paper currency of an influential state.

Second: Interest based loans result in great economic difficulties even though the original loan amount gradually decreases in time with respect to the interest against it, that the individuals and state are still unable to repay the loans in many instances and this results in loan repayment crisis

and the economic activity slows down due to inability of many or most of middle income group to repay the loans and this effects the production as well.

Third: the system and practices in the financial markets and stock exchanges of buying and selling of shares, financial instruments and commodities do not require possession of goods rather these are sold and bought many times over without being actually transferred from the original seller. This practice is invalid and this causes difficulties rather than solving them because this inflates and depreciates transaction even though the goods are nonexistent. All this spurs shakeups in the markets, thus profits and losses accrue through various speculative means and they may continue repeatedly undiscovered and result in economic crisis.

Fourth: This very important points concerns the total unawareness among the thinkers both in the East as well as the West about the ownership-under the communist socialist ideology, all ownership is vested in the state and under the liberal capitalist ideology, it is held by the private sector with no state intervention simply because the liberal capitalist ideology promotes free market. This is further compounded and exacerbated by globalisation.

The complete ignorance of this reality leads to economic tremors and crises. This is because it is not as if the ownership rights are to be held by the state and the private sector alone, there are three types of ownerships:

First: Public Ownership. This comprises solid, liquid and gaseous minerals including petrol, iron, copper, gold, natural gases etc. found in the depths of earth, all forms of energies and the energy-intensive heavy industrial plants. These public properties are to be managed by the state and distributed to people as services.

Second: These comprise the various taxes that are collected by the state, along with the revenues accrued to the state from agricultural, trade and industrial activity outside the ambit of public properties. The state disposes these incomes as state expenses.

Third: The private ownership. This unlike the above two, is held by individuals and disposed off in accordance with the Shariah rules.

If these ownerships are categorised as one and are held either by the state or the private sector, crises and failures are inevitable. This has previously led to the collapse of the communist economic model as they had vested all ownership in the state. In the communist economic system, the sectors that must naturally be owned by the state were a success story- like the petrol and heavy industry etc. On the contrary, such sectors that must naturally be held in the private ownership like most agriculture, trade and small to medium industry were a disaster and led to its downfall. Similarly the capitalist economy has failed and is on the verge of its doom in due course. This is because it vested ownership of public utilities and properties like petrol, gases, energy sources, heavy and even strategic arms industry to individuals, enterprises and companies, while the state remained shunted from the markets without owning things that it was responsible for. This was done in the name of free markets, non intervention and globalisation. The natural results of these were inevitable-repeated recessions, rapid collapse of one financial market after another and one corporation after another.

This is how the communist ideology failed and now the capitalistic ideology is on the verge of its doom.

Indeed it is the Islamic economic model alone that cures and prevents the occurrence of such economic crises and which has already prohibited such factors that lead to economic crises in the first place.

Islam mandates that only gold & silver and nothing else be the monetary standard and that paper currency issued in lieu of the monetary standard be fully backed by gold and silver and be convertible on demand. Consequently, paper currency of one country should not be tied to the currency of another country; rather each state's currency must be free of another currency and have its own fixed, unalterable & intrinsic value.

Islam has further prohibited interest in all its forms and mandated loans to the needy to assist them without any interest or surcharge over their principal amount. It requires that the treasury, the Bait ul maal have a separate head to provide interest-free loans to the needy and farmers in order to assist them.

Islam similarly prohibits selling of goods before the buyer takes possession, thus disallowing transactions in goods not in possession. It has also prohibited transactions in financial instruments, derivatives and shares resulting from invalid contracts as well as speculative trading allowed in the capitalist economy in the name of freedom of ownership.

Islam further disallows individuals, companies and corporations from ownership of items coming under the purview of public ownership like petrol, minerals, energy sources, electrical energy etc. and charged state with managing them in accordance with Shariah rules.

In this manner Islamic economic system has addressed and treated all economic problems and crises resulting from man's heartlessness. This is the system mandated by the Creator of the universe Who knows what is beneficial for His creation.

أَلَا يَعْلَمُ مَنْ خَلَقَ وَهُوَ اللَّطِيفُ الْخَبِيرُ

"Should not He Who has created know? And He is the Most kind and Courteous (to His slaves), the Well-Acquainted (with everything)" [TMQ Mulk: 14]

Oh Muslims!

Allah (swt) has blessed a place of honour to you through the great deen of Islam which He revealed to His Messenger (saw) and also warned you through it. It is due to Islam that you are the best of nation raised for the people of the world and in the implementation of this deen lies your honour and prosperity. This prosperity is not for you alone but for the entire humanity after it has gone through and yet suffering from oppression under the man made laws of the devil around its neck.

Moreover, the implementation of this great deen of Islam will not be by concealing it under covers of the book but by establishing a state that implements it and carries its message to the world – the Khilafah State on the model of Prophethood which will revive a blessed, safe and secure life.

But remember while you remain couched in your comfort , Allah (swt) will not send down His angels who will establish the State rather the establishment of this State has mandated upon you just as the Prophet had established a State in Madinah and his companions and their followers had continued to do so thereafter.....

Oh Muslims! Indulge in your blessing, be prepared and stand up to work with Hizb ut-Tahrir and support it and ask seek Allah's grace to be with a Hizb which Allah has blessed so that Allah's promise of granting authority and succession, as well as the glad tidings by the prophet (saw) of the re-emergence of Khilafah on the method of the Prophethood are realised.

Oh Muslims! You are the torch bearers of well being for the world and more deserving of its leadership.

وَاللَّهُ غَالِبٌ عَلَىٰ أَمْرِهِ وَلَكِنَّ أَكْثَرَ النَّاسِ لَا يَعْلَمُونَ

And Allah has full power and control over His Affairs, but most of men know not.

[TMQ Yousuf: 21]

8th Shawwal, 1429 A.H

7th October, 2008 C.E

Hizb ut-Tahrir