



## **TIP: “America is Leading the Capitalist World Towards Collapse”**

**“America is Leading the Capitalist World Towards Collapse”  
Article by Abu Khaled Saifullah in the *Islamic Turkestan Magazine*  
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### *“The Crisis in the American Home-Loan Mortgage Banks”*

“According to the president of the International Monetary Fund the world financial system is on the brink of collapse. Analysts and economists view the current financial crisis in America as a broad and deep crisis which is to due to last. According to Dr. Fuad Shaker, Chairman of Arab Banks Union, the main cause of the crisis is the notable expansion of real estate debts in the American market, which mostly depends on the rising prices of real estate. As the economic growth in the United States declines, real estate prices decline as well. In the meantime, debtors stopped repaying any of their debts to banks, accompanied by an increasing unemployment rate. Consequently, the banks found that they could not sell their assets to restore loans because the value of such assets was lower than the value of loans and resulted in bankruptcy. This crisis demonstrated the weakness of the financial market and banks' regulation which is one of the shortcomings of the free capitalist system. The American government took over Freddie Mac and Fannie Mae, two of the biggest institutions for home-loan mortgages. This means that the loans are to be paid off from the federal budget.”

### *“The Consequences of the Crisis”*

1. “The new monetary system relies on the European and Asian roles in rescuing the financial system by providing monetary solvency to markets and guaranteeing bank deposits.”
2. “Investors will abstain from investing for a long period of time and investment activity will decline until the American economy regains their trust.”
3. “America will suffer from a recession which will last for at least three years, according to Dr. Ibrahim Badawi.”
4. “Calls supporting government intervention in the financial market and the banking sector similar to the European policy on this matter, as proposed by the American Democratic Party.”
5. “Bankruptcy of the above-mentioned banks will lead to a rise in the unemployment rate. More than 100,000 employees will lose their jobs and become unemployed.”
6. “The crisis will influence several European and international banks, especially banks in Japan, who have invested in the American financial sector. ”

### *“Investment is a Psychological Process”*

“The economy is first and foremost a psychological process dominating investors in stock exchanges around the world. Whenever the investor is concerned he rushes to sell his stocks

for cash and hesitates in buying new stocks because of his lack of confidence in the economy. This is what has happened to the investors: They have lost their confidence that the American banks and the American economy would be able to recover and now they are only interested in monetary solvency. This will raise gold prices and USD exchange rate, lower crude oil prices, harm American export and increase the deficit in the American foreign trade balance. Along with the deceleration of the American industry, the crisis will lead to stagnation and then to collapse. This will influence the economies that have been investing in the American financial sector, especially the Japanese economy. Lack of mutual trust will lead to banks refusing to loan each other money.”

#### *“Debt Bondage”*

“As the influence and power of bank capital increased, the phenomenon of ‘living in debt’ grew and became widespread. Neither corporations nor individuals could survive without taking loans. The entire society became a prisoner of its debts merely due to the interest profits the banks aspired to receive and to the banks’ easing policy of paying small or medium long-term installments that were not supposed to influence the payers’ salaries. But what happens when the loan taker fails to pay off his debt? This is where the problem begins. Loan taker fails to pay off debt – collapse and bank insolvency – deceleration of the economy – stagnation – collapse and death of capitalism and the West.”

#### *“The Way Out of This Crisis”*

“Critics claim that overcoming this crisis requires taking the following measures:

- “Guaranteeing bank deposits”
- “Heavy regulation of prices and speculations”
- “Monetary solvency in the markets”
- “Lowering loan interest rates”
- “State regulation of the banking sector”
- “Rehabilitating trust between investors and banks”
- “State intervention: nationalizing insolvent banks and taking responsibility for paying off debts.”

“The G-7 held a meeting in Washington to discuss the global financial crisis and to agree on a joint work plan that would allow each country to act freely and separately to find the suitable solution. This meeting was also held to support countries like Iceland and Switzerland, whose banks are expected to go bankrupt soon. These countries are due to inject hundreds of billions of USD into the markets. The failing American administration is striving to put pressure on Gulf States to solve the problem by purchasing loans and paying them off to the lenders in order to regain trust in the American economy. Arab and Gulf State stock exchanges have lost 130 billion USD in the course of a single week, losing more than 30 billion USD in a single day. These countries are expected to suffer more losses due to the decline of crude oil prices from 140 to 70 and finally 55 USD a barrel, as well as the collapse and bankruptcy of the housing market and the American car industry.”

“This is our analysis of the reasons for this crisis:”

1. “The events of 9/11 and the destruction of the World Trade Center towers accelerated the collapse of the free capitalist market system by destroying all foreign banks and investments.”
2. “The interest system is forbidden by the Shari’a and is against the will of Allah and His Messenger. Those who use interest shall be struck with the wrath of Allah and His Messenger. The almighty Allah said: ‘Allah will deprive usury of all blessing, but will give increase for deeds of charity: For He loveth not creatures ungrateful and wicked’ (Chapter 2, Verse 276). The Almighty said: ‘If ye do it not, take notice of war from Allah and His Messenger. But if ye turn back, ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly.’ (Chapter 2, Verse 279)”
3. “America’s wars in Iraq and Afghanistan constitute a heavy financial burden which the American Treasury will not be able to bear for duration of several years. It is sufficient to

know that the annual military budget approved by the American Congress totals 500 billion USD and even that sum could be increased.”

4. “Spread of financial corruption, utilitarian capital owners, bribery and favoritism.”
5. “High taxes on the American people who are expected to bear the burden of this crisis.”

*“The Influence of the Financial Crisis on China”*

“It is expected that the current financial crisis will lead to a decline in China's export to the United States. This will cause growth in unemployment rates in China and a decline in the growth rate comparing to the previous year. Although China has reached many achievements in this field, factories in China are still creating pollution at will. This has brought grave environmental and health-related consequences which had not yet been revealed as they should have been. Some experts express their concern that China has replaced its financial speculations with real-estate speculations. They have noted that China's success originated from low rent rates, decent infrastructure and breaching of environmental protection legislation. Despite the rise of the economic growth rate in 2007, this year's trade surplus has dropped dramatically. China is expected to face a severe currency crisis with the rise of the inflation rate to its highest level in 11 years. The Chinese president has already expressed his concern regarding the rapid growth of China's economy. Prayer and peace be upon Muhammad and upon his family and companions.”