بسم الله الرحمن الرحيم

Britain’s Sterling Pound is a Victim of the Fiat Currency System

News:

The Bank of England has said it will "not hesitate" to hike interest rates to curb inflation after the pound fell to a record low against the US dollar. Its statement came after the Treasury said it would publish a plan to tackle debt in a bid to reassure investors.

Sterling fell to an all-time low earlier against the US dollar after Chancellor Kwasi Kwarteng pledged further tax cuts at the weekend on top of Friday's mini-budget where he announced the biggest tax cuts in 50 years.

The pound had been sliding as global markets reacted to the sharp increase in government borrowing required to fund the cuts.

Investors are now predicting that interest rates could more than double by next spring to 5.8% from their current 2.25%, to curb high inflation, which is expected to be fuelled by the huge tax cuts announced in Friday's mini-budget.

Samuel Tombs, chief UK economist at Pantheon Macroeconomics, said if interest rates rise as predicted, the average household refinancing a two-year fixed rate mortgage in the first half of next year would see monthly payments jump to £1,490 from £863.

Experts said a rise in the cost of long-term borrowing due to the market turmoil meant the cost to lenders of offering new mortgage deals was too expensive.

Martin Weale, Professor of Economics at King's College London and former member of the Bank of England's Monetary Policy Committee, which votes on interest rates, told BBC Radio 4's PM programme that people "are concerned that the government has no plan for bringing the national debt under control."

"Sterling has fallen because market traders have been frightened by the government's policies, and I think they got further frightened by the sense over the weekend that this was only the first instalment of some tax cuts." (Source: BBC)

Comment:

Fiat currency systems are at the mercy of the banking system that will determine the flow of cash according to their estimation of demand and risk. In times of greatest need for investment and loans, we have often seen the banks in a period of retrenchment and hence the available cash is restricted. Islam in contrast to this provides a consistent non-interest environment in which there is no incentive to take money out of circulation.

The only system of governance that unequivocally insists upon the Gold Standard is the Islamic economy as applied by the Islamic State (Caliphate). In Islam a dual metallic standard with gold and silver is applied. No fiat money will be issued by the state, and any paper currency must be 100% backed. All interest is forbidden; hence creation of credit beyond existent resources is curtailed.

The Gold Standard ensures the stability of exchange rates between countries, and the stability of the exchange rates in turn leads to a boom in international trade, for traders would no longer fear the uncertainty of exchange rate instability.

Today we have witnessed that people’s ability to save has been diminished over time, despite the fact that we are earning more than ever. The purchasing power of money has declined in real terms as the value of assets generally remains the same, but the amount of money required to buy hard assets (land, property, goods) is increasing. In general terms people today save very little compared to people only two decades ago.

Islam puts the emphasis on wealth and seeks to guard people’s wealth by ensuring that its policies do not devalue money. The Islamic system does not allow the printing of money as it pleases since all its currency must be 100% backed by gold or silver reserves. This means that the currency itself has a value relative to all assets. So this means that the value to the consumer of land will always remain in proportion to the value of gold. This creates stability and confidence in the value of the State’s currency.

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