

Bangladesh's Back-Breaking Inflation will not end without implementing a Gold and Silver based Monetary System under the Khilafah (Caliphate) State.

News:

Bangladesh Bank Governor Abdur Rouf Talukder made the announcement of the new Monetary Policy Statement (MPS) for the first six months of the upcoming fiscal year (FY24) on Sunday. Shifting away from the earlier monetary targeting approach, the new economic policy was set to an interest rate targeting the framework by following contractionary monetary policy. "In the new monetary policy, the policy interest rate is increased to reduce the money supply in a way so that the government reduces borrowing from the banks. The 9% cap on loan interest has also been lifted. This measure aims to raise the cost of borrowing, which is expected to have a limiting impact on consumer price index (CPI) inflation. Moreover, Bangladesh Bank will now adopt a unified and market-driven single exchange rate regime, allowing the exchange rate between Taka and USD or any other foreign currency to be determined by market forces. Lastly, Bangladesh Bank will calculate and publish gross international reserves (GIR) in line with the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6) while keeping track of current practices of calculating and reporting total foreign assets, the new monetary policy notes (*Dhaka Tribune*, June 18, 2023).

Comment:

Although none of the monetary policies announced by Bangladesh Bank in the past could manage the problem of inflation and the volatile exchange rate of the Taka against the dollar, some so-called economists and Bank analysts have welcomed the new monetary policy saying the central bank's fresh policy supports are expected to become a pivot for the overall economic development. Yet they are blind to the fact that the real cause of inflation and exchange rate volatility is the fiat currency. Bangladesh Bank created fresh money of more than Taka 500 billion in the last July-December period in the name of budget support. Besides, the government has resorted to Bangladesh Bank for a new loan of Tk 700 billion in the current fiscal year. Under the terms of the agreement with the IMF, the government cannot borrow directly from the Bangladesh Bank, whose loan was practically covered by printing more notes. This has significantly caused inflationary pressure and has eroded people's purchasing power, where people have been under severe pressure from price hike of essentials goods, electricity and gas. In this situation, there is no other solution left in the capitalist monetary policy except to increase and decrease the interest rate in order to control the inflation. This capitalist policy of raising and lowering interest rates to control inflation has repeatedly failed. If the interest rate (usury) is high, it will slow economic growth, because people do not get to borrow from banks because of the increase in interest rates (usury). If the interest rate (usury) is low, it leads to inflation, due to increased cash supply in the markets

because of the demand for borrowing due to lower interest rates (usury). Thus, the central bank falls into a trap between increasing and decreasing the interest rates which is just a failed attempt to curb inflation. On the other hand, fixing the dollar-Taka rate at a fixed value or adopting a market-based exchange rate will not solve Bangladesh's currency crisis. Both of these concepts are two versions of the same fiat currency monetary model, where the currency has no intrinsic value.

Back-breaking inflation cannot be permanently eradicated and currency stability cannot be achieved until we free our monetary system from the slavery of the colonial economic system and implement a gold and silver based monetary system prescribed by the Islamic Shariah. The Khilafah (Caliphate) will only ever issue currency that is backed by gold and silver, thus eliminating the inflation caused by the printing of fiat currency in excess to assets and commodities. A monetary system based on gold and silver would stop the manipulation of exchange rates in international transactions. The stable exchange rate of this monetary system will bring the currency risk in foreign trade to zero, which will encourage the growth of international trade and break the global dollar hegemony permanently. Indeed, it is a great shame for us to suffer silently in economic distress caused by Capitalist economic system where our great Deen has provided the real solution to inflation and currency stability. We must wake up and work to free ourselves from the clutches of this oppressive capitalist system by re-establishing the promised Khilafah on the method of Prophethood. Allah (swt) said, **“But whosoever turns away from this Admonition from Me shall have a straitened life.”** [Surah Taha 20:124].

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