

OPR Increase - Why do we have to continuously submit ourselves to this ruinous system?

News:

Bank Negara Malaysia, BNM (The Central Bank of Malaysia) made a decision to raise the Overnight Policy Rate (OPR) to 3.0% which has a direct impact on the increase in interest rates (riba) of loans (financing). The increase in OPR brought mixed reactions. Economists had been expecting it, but some saw this rise as coming too soon. Even though the governor of BNM said that OPR will not cause an increase in bankruptcy cases, people who are affected expressed their disappointment on this increase which is seen to be not in line with the idea of 'rahmah' which is promulgated by the government. To make matters worse, the politicians continue to ride on this OPR issue for their own political mileage.

Comment:

Although the public knows that BNM has the power to determine the ups and downs of OPR, this issue is usually hyped as a polemic regarding the government's promises to ease the economic burden of the citizens. In capitalism, fiat-based monetary policies and an economy which is driven by interest based debt are among the main factors why the value of currency regularly experience uncertainty. BNM is responsible for the fluctuation of OPR to control the value of the Malaysian currency and inflation. In principle, the consideration of OPR increase or decrease is based on domestic and external factors. The increase in OPR in the domestic context aims to reduce household debt and to control the inflation rate. External factors depend heavily on the increase in interest rate of the US Dollar and increase in OPR in this context aims to attract foreign investors and preserve investor sentiment so as not to leave due to the falling value of the Malaysian Ringgit against the USD. Although in making the decision, BNM refers to the country's economic data that shows positive growth, the wealth indicated by the data is not enjoyed by most people, especially the B40 (lowest income) group. This is the bitter reality that had to be swallowed. Ironically, when the OPR is lowered to encourage economic growth, inflation will increase and when inflation increases, the OPR is raised again to control the amount of money in circulation.

The question at hand is, why do we seem to surrender to this ruinous economic cycle? Is there no way out of this crisis? The fact is, this crisis occurred as a result of the capitalistic monetary (financial) policy and the interest based debt industry in the current economic practices. Islam has a different economic system and is the only solution for man that is based on a unique model which is diametrically opposed to capitalism. The Islamic economic system eliminates the practice of riba in all its flavours as well as financial speculation and wealth hoarding. The Islamic currency is based on gold and silver which naturally limits uncontrolled printing of money and also prevents inflation. If there is increase in prices, it is only attributed to supply and demand factors and not because of the monetary policy. In addition, the gold and silver standard provides fixed exchange rates between currencies and prevents sudden fluctuations in the rates. Business financing can be achieved without involving usury loans. It can be done through the mechanism of *shirkah* (partnership) that is Shariah compliant. The same is true of the prohibition of hoarding and the prohibition of monopolies – all of which serve to ensure fair economic activities. These are among the aspects of the Islamic economic system that can only be applied in the Khilafah (Caliphate) system. Why only with the Khilafah? Because the Islamic economic system needs to go hand in hand with the other aspects of the Islamic system as a manifestation of the complete application of Islam!

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