

The Inevitability of Global Financial Collapse

(Translated)

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The global economy today is reeling more than ever with an unprecedented burden of economic, financial and debt crises in the wake of an explosion of deficits, borrowing and spending on debt, including debt leverage.

Capitalism has been carrying the seeds of its own death since its inception through the tools it uses. It has been hit by major global crises that have taken it many years to recover from. The solutions were not radical, but instead circumvented the crisis. Every time it recovered from a crisis, difficulties accumulated that could not be solved, until there were no longer any solutions to prevent a global financial collapse.

Below, we will briefly mention five of the largest and most dangerous of these crises:

1- The Credit Crisis of 1772

It began in London and spread throughout Europe, when Britain amassed enormous wealth from its colonies and trade in 1760, which led to the rapid expansion of credit for many of its banks. This optimism ended abruptly in 1772 when Alexander Fordyce, a partner in a British bank, fled to France to escape repayment of his debts, and a state of panic spread, and this state spread to Scotland, The Netherlands and other European countries.

2- The Great Depression of 1929-1939

This is considered the largest and worst crisis ever, and it began when the American stock market crashed in 1929. The Depression lasted for about ten years and resulted in huge losses in income and unemployment rates, especially in industrialized countries.

3- 1973 Oil Price Crisis

The crisis began when OPEC members, especially Arabs, decided to respond to the US decision to send arms shipments to the Jewish entity during the 1973 war, and oil exports to it were stopped, which led to a major shortage of oil and a sharp rise in its prices, which plunged it into a crisis. It took several years for production to recover and inflation to decline, and of course, the purchase of oil was imposed in dollars, which was later called the petrodollar.

4- The Asian Crisis of 1997

The crisis began in Thailand in 1997 and quickly spread to the rest of the East Asian countries and their trading partners, as speculative capital flowed from developed countries to the economies of East Asia, or what were called the Asian Tigers, namely Thailand, Indonesia, Malaysia, Singapore, Hong Kong and South Korea. At the same time, Thailand abandoned its fixed exchange rate against the dollar due to the lack of foreign currency sources, which led to an emptying of Asian financial markets, and bankruptcies spread, leading to a financial collapse. It took years to recover.

5- The 2008 Economic Crisis

This is known as the housing bubble, or the real estate collapse, that led to the collapse of Lehman Brothers Bank, and global financial institutions were on the brink of collapse, which led to unprecedented government intervention and took ten years to recover.

The world today is on the verge of an unprecedented financial collapse, and these are ten reasons that confirm that:

First: Banking crises in Europe and America.

Second: Default on US government debts.

Third: Bankruptcy of many developing countries.

Fourth: The debt crisis of southern European countries.

Fifth: The real estate market crisis in China, in addition to the US sanctions on it.

Sixth: Many countries are trying to trade oil in a currency other than the dollar.

Seventh: The continued growth of inflation in most major economic countries, especially America.

Eighth: The crisis of the insurance and pension funds in the West, especially after the California fires.

Ninth: The drought wave in Europe, China and South America.

Tenth: The trade war imposed by Trump and the fear of his irrational policies.

Therefore, the American economy, and the global economy in general, are faltering and are unable to withstand any upcoming economic shock, and everything in America indicates that what is coming is the worst ever.

In the private sector, the mountain of debt includes household debt, made up of mortgages, credit cards, auto loans, student loans, personal loans, as well as debt of businesses and corporations, made up of bank loans, bond debt, private debt.

The debt of the financial and public sectors includes central, regional and local government bonds, not to mention implied debt, such as unfunded obligations from pension plans and health care systems, which are rising sharply as populations age in Europe and America.

If we look at the explicit debt figures worldwide, we find that the total debt of both the public and private sectors, as a percentage of GDP, has risen dramatically, from 200% in 1999 to 350% in 2021, and now it is 420% in various advanced economies. These figures are larger than they were during the Great Depression after World War I.

The increase in inflation on the same overly accommodative fiscal, monetary and credit policies has led to the return of stagflation, which is high inflation accompanied by weak growth. The last time the economies of major countries witnessed such dire conditions was in the 1970s with the difference being that the debt-to-GDP ratios were lower, but today it is horrific.

Thus, we find that the global economy is receiving a strong blow due to the ongoing negative supply shocks in the short and medium term, which leads to a contraction in growth, and an increase in prices. What increases and accelerates this is the widespread wars and upcoming disasters such as the war in Ukraine and Russia and the climate change project, which may lead to geopolitical developments that will increase the pressure of stagflation worldwide.

We must be cautious in the coming days, especially with the statements issued by the World Bank, that most economies of developed, and developing countries alike, will grow very slowly during the years 2025 and 2026.

The return of the second trade war imposed by Trump led to a decline in stock exchanges and currencies, and with it the prices of stocks and cryptocurrencies fell, as the White House declared in its fact sheet entitled, "President Donald J. Trump Imposes Tariffs on Imports from Canada, Mexico and China," issued on 1 February 2025, that "President Trump is taking bold action to hold Mexico, Canada, and China accountable to their promises of halting illegal immigration and stopping poisonous fentanyl and other drugs from flowing into our country."

China responded that fentanyl, a synthetic opioid painkiller with a rapid onset and short duration, was a problem for the US, and said it would challenge the tariffs at the World Trade Organization and take other countermeasures. “The United States' unilateral tax measures seriously violate WTO rules and undermine the foundation of China-US economic and trade cooperation,” Beijing’s commerce ministry said in a statement, adding that it was “strongly dissatisfied and firmly opposed” to the tariffs.

“The trade war is in the early stages, so the likelihood of further tariffs is high. As markets price in additional tariff uncertainty, the Chinese yuan is likely to come under continued depreciation pressure,” Oxford Economics, a global economic forecasting firm, said in a note.

According to a post on Canadian Prime Minister Justin Trudeau’s account, he explained that he agreed with Trump to postpone customs duties by designating drug cartels as terrorists, ensuring 24/7 border control, and launching a joint strike force between Canada and the United States to combat organized crime, drugs, and money laundering. The Government of Canada issued a press release on 4 March 2025 stating, “Less than 1 per cent of fentanyl and illegal crossings into the United States come from Canada, yet the government launched a \$1.3 billion border plan with new choppers, boots on the ground, more coordination, and increased resources to stop the flow of fentanyl. This includes Canada’s newly appointed Fentanyl Czar; a Canada-United States Joint Strike Force; an intelligence directive on organized crime and fentanyl, backed up by \$200 million to increase law enforcement’s information sharing capacity.” (canada.ca).

The combination of these events, and ill-conceived decisions, will lead America to increase its economic recession, which will push it towards another Great Depression, followed by a major financial collapse, because all investors will have shaken their confidence in its decisions. This is unless someone turns the tables on Trump and his decisions, and this is expected to happen. However, it is subject to the circumstances of the current reality, and upcoming events, in the world as a whole.

The state of economic deficit that the world is experiencing today at a very rapid pace warns of an imminent financial collapse at the global level, which will impose strong shadows and winds that may overturn the international order, if the economic contract that links the countries of the world, against their will, to the American economy is unraveled. This will take America into undesirable territories, whilst the issues that are already under its responsibility have become very heavy from the political, economic and military aspects. So all of this leads the world to a major change, which may lead to a change in the international scenario and allow many countries to be influential in it. It may allow the emergence of countries that have a heavy weight in the international scenarios.

Therefore, we call upon Muslims to continue on the path with Hizb ut Tahrir to establish the Khilafah Rashidah (rightly-guided Caliphate) on the Method of the Prophethood, so that it will be this emerging state that rules the world and takes it out of the crises of capitalism and into the spaciousness and light of Islam, ﴿إِنَّ ذَلِكَ عَلَى اللَّهِ يَسِيرٌ﴾
“Indeed, that is easy for Allah.” [TMQ Surah Al-Hajj 70].