

# The Hardship of Living between Rising Prices and the Corruption of Capitalism

(Translated)

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Inflation is the rising of prices, so it is said that people are fed up with the high cost of living, meaning the increase of the cost of living. Inflation means exaggeration, severity, and exceeding the limit. The limit here is the level of prices of goods and services that causes a decline in the purchasing power of individuals, i.e. the quantity of goods and services that can be purchased within the limits of an individual's income and available prices.

The causes of inflation can be divided into two categories: incidental causes and structural causes.

The incidental causes are three:

**1- Demand-pull inflation:** It is an increase in the price level, as a result of an increase in the level of general demand, relative to the general supply in the markets. This type of inflation occurs during periods of high levels of investment, employment and wages, which leads to an increase in the level of general demand. It also occurs during periods of scarcity of goods and services.

**2- Cost-push inflation:** It occurs as a result of the increase in the cost of production, due to the increase in the prices of production, factors such as higher wages, or higher prices of energy or raw materials, and other inputs for production. It also occurs as a result of higher taxes, and as a result of the import of raw materials and equipment for production.

**3- Inflation through money:** It occurs in periods characterized by excessive issuing of money, which leads to an increase in the money supply at a rate that exceeds the increase in the production of goods and services. This leads to an increase in prices.

These causes remain incidental whenever they are circumstantial, i.e. whenever they are modified either automatically through the market, or through state intervention. If state policies fail to modify the aforementioned circumstantial conditions, then inflation rate continues to rise.

Structural causes are those related to the system applied in the country, which constitutes the general framework that determines and regulates the behavior of economic actors.

Among these reasons is the continuous decline in the value of money, including its purchasing power, relative to goods and services. This is due to the continuous increase in the money supply. This in turn is due to the monetary system based on fiat currency, which is the basis of the capitalist system implemented in the country. This system allows for the excessive issuing of money, including central bank money, both coins and banknotes in addition to loans and financial instruments provided by banks to finance economic operations. The decline in the value of money is considered one of the most important structural reasons for the continuous rise in prices, under the capitalist system, which makes it absurd to imagine price stability under this system.

The excessive increase in loans and tax surpluses also results in the rise in the cost of production from a structural aspect.

In addition to these general structural factors, the Tunisian economy is characterized by specific structural factors that cause a continuous increase in the cost of production, such as producers resorting to importing most of the raw materials and production equipment, and lacking control over supply chains and value sources. This is the result of previous economic choices since the 1970s, which made the economy directed from abroad. In addition, weak productivity due to the technological decline of production units deprives the Tunisian

producer of competitiveness. This increases dependency on imported materials and opens the door to what is called imported inflation.

These factors overlap with each other to become cumulative causes that make inflation an inherent characteristic of every country that applies the capitalist economic system. There is no way out of inflation except by changing the capitalist system.

What increases the pressure on inflation is the emergence of the phenomenon of stagflation, which is a state of weak economic growth and high unemployment, i.e. economic recession, accompanied by inflation. This condition is considered an incurable disease that afflicts capitalism, and is difficult to overcome. This is because every attempt by governments to treat one side of the disease, inflation or stagnation, the other side becomes more severe.

After presenting the reasons for the rise in prices, it is necessary to state a very important issue, which is that the rise in prices does not necessarily constitute a crisis in itself, but instead it constitutes a crisis in the framework. In other words, the system within which prices rise is what makes the rise in prices a crisis, and leads to the high cost of living and the hardship of living.

The capitalist system relies on the market, i.e. the price system, to distribute goods and services. This means that whoever can afford the price gets the goods and services that he wants. However, whoever cannot afford the price cannot benefit from wealth. Therefore, the capitalist system, based on the distribution of wealth through the price system, is what makes rising prices a condition, accompanied by hardship. It means that the framework in which prices rise, i.e. the capitalist system, is what caused the crisis of hardship, and that rising prices is a factor in exploding the crisis.

On the other hand, the capitalist system has legalized the ownership of natural resources, such as energy and minerals, for private companies. This has deprived the state of the resources to finance public facilities and provide public services, such as health, education and transportation, capable of ensuring people's basic needs. This has led a large percentage of people, including vulnerable groups, to resort to private essential services, such as private education, private clinics and private transportation. This has deepened the weakness of people's purchasing power, and made rising prices a burden on various segments of society.

In addition, the rise in prices in the country is accompanied by a freeze in wages, which has caused problems for people, and led to a weakening of purchasing power. In addition, monopolization, exorbitant pricing, and usurious loans have increased the impact of rising prices on the hardship of living.

In summary, the capitalist system implemented in the country is what causes the continuous rise in prices, until it becomes a crisis that affects people and leads to high living costs and hardship.

The solution to the high cost of living crisis can only be achieved by changing the capitalist system implemented in the country, and adopting a system in all aspects of life. This can only be achieved under the Khilafah Rashidah (rightly-guided Caliphate) on the Method of Prophethood.

Allah (swt) says, **﴿فَإِمَّا يَأْتِيَنَّكُمْ مِنِّي هُدًى فَمَنِ اتَّبَعَ هُدَايَ فَلَا يَضِلُّ وَلَا يَشْقَى \* وَمَنْ أَعْرَضَ عَن ذِكْرِي فَإِنَّ لَهُ مَعِيشَةً** ﴿Then when guidance comes to you from Me, whoever follows My guidance will neither go astray in this life nor suffer in the next \*But whoever turns away from My Reminder will certainly have a miserable life,1 then We will raise them up blind on the Day of Judgment.﴾ [TMQ Surah Taha 123:124]