

## Answer to Question

### **What is Behind Raising the Interest Rate in America**

(Translated)

**Question:** On 15/3/2017, the Chair of the US Federal Reserve, Janet Yellen, announced that the Federal Open Market Committee decided overnight to raise the interest rate by a quarter of a percentage. This is the second time that the interest rate has been raised within three months, and it was noted that it will be raised twice later this year ... It is known that raising interest (usury) means the recovery of the economy, but the US economy is still suffering from crises, so how can this be explained? Thank you.

**Answer:** US interest rates were reduced to almost zero during the 2008 financial crisis, and remained so for seven years until December of 2015, when Yellen also pointed to raising interest rates (usury) for several times during the year 2016, but the implementation of raising interest rates (usury) has failed, and only the interest (usury) rate at the end of the year was raised, and to understand the reasons to raise interest rates (usury) or reduce them we say the following:

1- The purpose of determining the interest rate (usury) that is put in practice through the decisions to buy and sell US Treasuries is to determine the monetary policy, especially knowing the availability of currency in US markets, and this is necessary for two main reasons:

- Because the lack of currency in the market 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).
- Because the increase in the cash currency in the market 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).

2- Since 2015, Yellen has said that the interest rate (usury) needs to be raised, because the long-standing economic recession in America is over, and economic growth is improving, and raising interest rate (usury) now is better than raising them after inflation starts. This is Yellen's economic philosophy to raise interest rate (usury).

3- This argument is unconvincing, because the US economy is still weak, but American and even Western monetary policy is tied to the decisions of politicians, and not based on purely economic factors as it should be, and the decisions of the US Federal Reserve should also be independent of Government policy, but the reality is that the decisions on interest rates (usury) are merely political and are according to political and economic requirements. The seven governors of the US Federal Reserve are appointed by the US President and are approved by the Senate for a period of fourteen years, And the chief and his deputy from within the Board of Governors existing is appointed by the President of the United States for four years, and they can be reappointed during their term of office several times as desired by the US President.

4- In practice, the decision of the US monetary policy is affected by political factors; one is local, the other global:

- At the local level, US presidents want to develop the US economy strongly at election time, because a strong economy would support the re-election of the president or the candidate of his party.
- At the global level, America is competing vigorously with the economies of other countries, and at this time the economies of the world are still weak due to the effects of the global economic recession in 2008. Interest rates (usury) in Europe and Japan were about zero, raising interest rates in the United States will lead to a massive influx of funds towards America, which could have catastrophic effects on the economies of other countries!

5- Raising US interest rates (usury) now would be painful for other global economies, though not as much as last year. The New York Times reported on 9/3/2017, the following on Europe: Raising interest rates (usury) officially could be far away for years, the European Central Bank has left the interest rate index (usury) unchanged, saying it will continue the stimulus measures to buy government bonds and corporate bonds until the end of the year, albeit at a low level as of next April.

6- China has realized America's intention to raise the interest rate (usury) to harass Europe and withdraw capital to it, so it raised its interest rate (usury) in conjunction with the American increase to prevent the escape of Chinese funds for the raised interest in America, and to participate in attracting European funds, so China was forced to announce the increase in the interest rate (usury) immediately after the issuance of the US decision. This is according to a report published on 16/3/2017 on the Bloomberg website entitled "People's Bank of China raises borrowing costs in conjunction with the Federal Reserve." The Chinese Central Bank raised borrowing costs because the stable economy and the revival of factories allowing the following of the Federal Reserve when it tightens its policy.

7- In conclusion, raising the interest rate in America is not due to the recovery of the US economy, but rather to bring capital from Europe to get a higher interest rate than that in their countries, which is about zero. The purpose is therefore not only economic but also to weaken Europe, pushing it into crises leading to its dismantling.

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