



Is Gold Dinar the Appropriate Money in Islam?

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Abstract

The idea of revisiting currency and gold dinar from an Islamic standpoint as done in this paper is an interesting discourse in the current monetary system. The literature survey included historical aspect, supremacy of gold currency and the weakness of fiat money by employing *maslahah-mursalah* approach. The law of gold, as money, from *Maqasid al-Shari'ah* and *Siyasah Syar'iyah* approaches were discussed. The paper deliberated on some possible alternative forms of gold as money and then evaluated some obstacles and barriers in the hope of finding the best model of gold as money to be implemented in the current economic system. Deductive method is utilized to explore the implementation of gold currency based on historical study and library research. The findings revealed that, money is not limited to gold and silver. However, by using derivation from based on process from sources of law-making, the '*hukm*' of gold/silver as money is permissible. While, the *hukm* for the country to mint gold dinar is subject to change into *wajib*, if the objective is to protect nation and people from harm. *Maqasid al-Shari'ah* and *maslahah-mafsadah* studies have also strengthened the view. Moreover, the review indicated that gold as money serves *maslahah* while fiat money serves more *mafsadah*. However, it is difficult to implement gold dinar monetary system in the current system due to some impediments. Backed by information/communication technology and adequate political will, gold may, however be employed as measurement of value; and as such could be implemented in certain communities including cooperatives.

Keywords: Fiat Money, Gold Dinar, Monetary System, *Maslahah-Mafsadah*

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1. Introduction

The discussion about money is always very interesting especially when viewed in terms of its role and function in the economy. The discussion has been quite popular by relating the fiat money in the current monetary system to the economic crisis that happened frequently. The general agreement is that the present monetary system has led to instability and created various injustices, especially to the economies of developing countries. However, most contemporary Islamic economic literature written seems to have implicitly accepted the existing monetary system based on fiat money. As such, arguments are that Gold and silver may not necessarily be the solution to the incessant financial crises suffered under the fiat monetary system. Nevertheless, some of the gold activist argued that the Islamic currency as sanctioned in the *shari'ah* is gold and silver. As such, these proponents argue for the revisiting of the potential role of the gold dinar as money.

Hence, this paper attempts to contribute to the debate by examining the strength and weakness of fiat money and gold money by employing the *maslahah-mursalah* approach. Furthermore, the paper discusses the various commodities which can serve as money and suggest best possible uses of such commodity as money. In addition, the paper also discusses the law and history of using gold as money from an Islamic point of view, emphasising on possible implementation strategy of integrating gold dinar into the current monetary system.

2. Research Method

This study adopts a qualitative and deductive approach. The deductive method is considered an appropriate method to explore the implementation of gold as currency. This is because it requires a comprehensive discussion on the data collection, data analyses, and deductive conclusions, from which the data is analysed to develop appropriate concepts. This research employs two approaches; historical and library research. Historical research includes studying the history of money in Islam, history of monetary systems, and history of economic crises. Library research was employed to articulate the theory of currency, monetary system theory, and money according to the *Qur'an* and *Hadith*. The scope of the study is the Islamic monetary system and a comparison between fiat money against gold as currency.

3. Result and Discussion

3.1 A Brief History of Currency in Islam

Since Islam was revealed through the Prophet Muhammad (PBUH) approximately 14 centuries ago, the historical journey of Islamic civilization has had its ups and downs. With regard to economic cycles, particularly the use of currency, this paper classifies its history into four periods. 1) The era of the Prophet (PBUH) and his companions, 2) the period of the four caliphates (*Khulafā' al-Rāshidīn*), 3) the age of the Islamic caliphates, and 4) the decline of the Islamic caliphates. The classification into four periods is based on the prominent changes related with the currency used at the time.

The History of Currency during the Prophet's Time (PBUH)

The use of gold and silver is as old as the civilization of mankind. Before the emergence of Islam, both gold and silver were used by the Lydia nation since 570-546 BC, the tribe that first used such metals as the medium of exchange (Hasan, 2005). This practice was followed by the Jews and the Greeks. Besides the commodity currency being circulated is in form of *Axe*, they used to transact in gold and silver coin. The Romans also issued gold money called *Denarius* in 268 BC to support the bronze coin in circulation. Since 546 BC until 621 AC, the Persians issued gold and silver currency. However, according to Al-Māwardī (1990), their civilization fell due to a mixture of gold with bronze, which resulted in the disappearance of gold based money.

The Arabs before converting to Islam were already using the *dinār* and *dirham* for trade with neighboring regions. When trading in Sham, they bought gold *dinārs* from the Romans (Byzantium). When traveling from Iraq, they took silver *dirhams* from the Persians (Sassanid Empire). Occasionally, they also bought *himyar dirhams* from Yemen. This means that during the Prophet's (PBUH) time, numerous foreign currencies were circulating between the Arabs in Hijaz and the neighboring states. The Prophet Muhammad (PBUH) stated that the *dinār* and *dirham* remained the main currency in circulation. He and his companions relied on such currency to intermediate economic activities (such as *mu'amalah*, trade, and *zakāt*) (Zallum, 1983).

The Prophet (PBUH) did not issue a currency exclusively for Islamic society (Hakim, 2001). However, he did decide to anchor the Islamic *dirham* to 14 karat. This initiative was to differentiate the Islamic *dirham* from the measurement of the Persian *dirham*, which had three weights and measurements: 20 karat, 12 karat, and 10 karat. The number 14 originated from $20 + 12 + 10 = 42/3 = 14$.

The currency circulated was not formed into circle-constructed coins like the contemporary era; rather it was coins minted into squares. The Arabs did not consider *dinārs* and *dirhams* according to their nominal values but rather their weight. Such currency in circulation was determined on its value of gold and silver. The minted-currency extracted from gold was not considered to be valid currency since its form and weight might have depreciated due to its circulation. In order to obtain smaller values of gold *dinār* and silver *dirham* in circulation, it is possible to divide such coinage into half parts and one fourths (Karim, 2006).

After Muhammad (PBUH) became the Messenger of Allah, he urged the people of Medina to follow what the Meccan tradition of circulating their *dinārs* and *dirhams* in terms of their nominal values instead of its weight. The Prophet said, "Weight is weight for the people of Mecca, however measurement is measurement for the people of Medina" (Hasan, 2005).

The History of Currency during Khulafā' al-Rāshidīn Period

The Muslim society continued to use the Roman *dinār* and Persian *dirham* during the Prophet's time. The practice was followed by Abū Bakr Aṣ-Ṣiddīq as well as at the beginning of 'Umar bin Khaṭṭāb's rule. In 20 Hijriyyah (the eighth year of Caliph 'Umar's rule) he minted new *dirhams* based on the structure of the Persian *dirham*. Its weight, inner markings and letters, written in Persian Bahlawi remained. The only additions were '*lafaz*' (words), written in Arabic form, stylized in *Kūfī*, like *lafaz* '*Bismillāh*' (in the Name of Allah) and '*Bismillāhi Rabbi*' (in the name of my God), placed on the corner of the coin. The Muslims preserved this tradition in minting coins until the caliphate of 'Alī (Hasan, 2005). At the beginning of his administration, 'Umar had the idea to print the money from leather, but it was abolished because it was not agreed to by the companions.

During the rule of 'Uthmān bin 'Affān, the tradition of minting money followed the tradition initiated by Umar, however, during 'Alī's rule, limited edition coins were minted (Karim, 2006). The measurement of the Islamic *dirham* at that time was weighed into 6 *daniq* and each 10 *dirham* was 7 *mithqāl*, to correspond to the era of the Prophet (PBUH). Starting from this period, the Muslims had their own officially legalized Islamic *dinār* and *dirham*.

The History of Currency during the Islamic Caliphate

In 75 Hijriyyah (695 M), the Caliph 'Abdul Malik bin Marwān minted new *dirhams* characterized in the Islamic tradition, with *lafaz* written in Arabic-*kūfī* letters. After this implementation, the Persian *dirham* was no longer used. After two years, 77 Hijriyah (697 M), he minted *dinārs* characterized in the Islamic tradition thereby replacing the Roman *dinār* in circulation. Additionally, he eliminated the human face and animal figure inscribed on the coins and replaced it with *lafaz* (Triono, 2011). The Caliph oversaw significant monetary reforms. The weight and measurement value of the *dinār* was 4.25 grams; 1 *dirham* was equal to 2.98 grams, with the comparison of both coins to be stable on the rate of 1:15. The measurement of the *dinār* was equivalent to 6 *daniq*, whereas every 10 *dirham* was equal to 7 *mithqāl*, in line with the Prophet's era. For that period, the nominal and weight measurement were based on human memory and there was no written record (Hasan, 2005).

Bani Mamlūk rulers began to circulate three kinds of currency which are gold *dinārs*, silver *dirhams*, and copper *fulūs*. The creation of *fulūs* was initiated by the societal needs to have smaller values of coin. Due to the circulation of *fulūs*, the circulation of gold *dinār* and silver *dirham* have become scarce and limited, forcing the fluctuation of coin's value and over time, and finally vanishing from circulation. At the end of the day, the overabundant use of *fulūs* replaced gold and silver leading to economic downfall (Rosli and Barakat, 2002). However, the economic crisis was short lived. The ruling Caliph of Nasir Hasan immediately declared that *fulūs* was no longer valid thereupon stabilising the economy. Al-Maqrizī proposed using only gold and silver as money to stopping the debasement of money and restrict the use of *fulūs* (Hasan, 2005).

During the Abbasid dynasty, the monetary policy was to reduce the weight of the *dinār* and *dirham* in circulation because of increasing budgets. Since people tended to pursue life's luxuries, the money needed did not fulfill the overall circulation. The state needed to obtain additional resources. Unfortunately, it did not meet the required resources. As a result, the minted gold and silver metal had to be mixed with copper, for the sake of profit in minting the coins (Hassan, 2005). Islamic legal experts and fuqahā' disagreed with such practices as it would lead to inflation and gradual decrease in value. Inflation was precipitated by the growing number of *dinārs* and *dirhams* in circulation.

Some scholars who lived in the Islamic caliphate during that period issued a fatwa regarding the currency:

- Abū Ḥāmid Al-Ghazālī (1058 – 1111 AD) postulated that in a barter economy, money was needed as a measurement of the value of goods, and gold and silver are the best metal for measurement of value.
- Ibn Taimiyyah (1263-1328) rejected the practice of seigniorage (paper money or *fulūs*). He also disagreed with money trading, because money trading will definitely trigger inflation. Moreover, he stated that if fiat money was circulation together with the valuable metals, then the valuable metals will flow out from the country.
- Ibn Khaldūn stated that gold as well as silver are the best commodities for a standard value. For instance, money containing gold and silver value is much more stable and tends to be of lower fluctuation (Ibn Khaldūn, 1986). Ibn Khaldūn suggested employing the gold and silver standard for its currency. He also theorized on how to create price stability, which is anchored in gold and

silver standard. Other prices of goods might fluctuate, but not the price of gold and silver (Ibn Khaldūn, 1986).

The History of Currency after the Collapse of Islamic Caliphate

The gold *dinār* and silver *dirham* in circulation started to be replaced after the golden period of the Islamic civilization. Initially, the intention to replace gold and silver emerged before World War I and its realization took place during this monumental war. After the war, the gold and silver standard continued to be used but only partially. In the last days of the Ottoman caliphate, the Islamic *dinār* and *dirham* were no longer valid as official currency for Muslims (Hosein, 2007). Hasan (2005) pointed out that the objective of replacing the gold *dinār* with fiat money was to control the global economic, military, and political power.

Currently, Muslims and the entire world use fiat money (paper). For domestic trade purposes, Muslims use the official paper money of their respective nations. However, for international trade purposes, Muslims must use money of a high value like the U.S. dollar, the German Deutsche Mark, Japan's Yen, UK's Pound Sterling, and the Euro. Therefore, some opponents such as Imran Hussein contended that the World War I was the possible conspiracy of the superpower countries in dealing with this strategy (Hussein, 2005). In this regard, Griffin pointed out that conspiracy had taken place, especially in designing the banknote. The strategy started in 1910, which is called the mystery of Jekyll Island USA. The strategy called for the establishment of the Federal Reserve Department (FRD) in 1913. The creation of the FRD was to serve all the financial affairs of the U.S., based on fractional reserve banking (FRB), which is the fundamental means for banks to obtain huge profits (Griffin, 1999).

With the end of World War II, gold flowed into the winning countries such as the USA and its allies. In 1944, the USA initiated the G20 summits, which is familiar to the Bretton Wood agreement. Its main articles are to propose a system in issuing the U.S. dollar to be backed by gold standard (35 USD is equal to 1 troy ounce of gold). Unfortunately, in 1971, the USA breached the agreement by printing the U.S. dollar without anchoring it to a gold based-standard (Iqbal, 2009).

The shifting to a fiat money system, based on the official statement of University of Malaya, is not developed from a pre-scientific and comprehensive study; rather it is enforced by a regulation binding upon the people (UM, 2002). This transformation is motivated by economic interests, which is pursued by several colonialist countries. Using the fiat money system, their power will remain unbreakable and untouchable. Since the current monetary system left the gold based-standard and shifted to paper money, many financial catastrophes occurred because the new monetary system is based on the will and desire of men who behave without morality and justice (Hasan, 2005). Banks began printing and issuing money that exceeds the needs of the society so that they may widen their profits.

As a result, public trust in the system declined due to excessive fiat money in circulation. This situation led to many financial crises. Bordo and Young (2001) explained that the volatility of the global currency started from 1880 to 1995. Between 1880 and 1913, the countries in the world used gold as their currency, and the value was stable. The currency was abolished in 1914, because of the war. At that time, the currency of fiat money crashed. Between 1945 and 1970, the Bretton Wood system was established and the currency became steady. In 1971, when fiat money (USD) was no longer anchored to a gold standard, the result was high currency volatility.

The world experienced three global crises after the gold standard was discontinued. The first generation of crisis was in the 1970s and 1980s, the second was in 1992, and the third was in 1997 (Krugman, 1999). Two additional global crises were the global economic crisis in 2008 and the Euro crisis in 2010, which are supposedly called the fourth and fifth generation crises. These are epidemic issues that could not be avoided within the fiat money system. Some scholars have come up with petitions to address these problems and have called for a revisit to gold as an alternative currency that can provide stability and justice.

However, the claim should be explored in more detail in terms of the advantages and disadvantages of the gold system, possibility, feasibility, and issues pertaining to its implementation in contemporary times. This discussion should include the Islamic perspective such as *fiqh* analysis, the *maqāṣid shari'ah* and the *siyāsah shar'iyah* approach.

3.2 Fiqh Discussion of Money

Two Muslim economists Haneef and Barakat (2002) have investigated the opinions of Muslim scholars towards the use of gold and silver coinage. The results of the study concluded that there are two opinions among the scholars, namely: an opinion stating that the currency is limited to gold and silver and second is the opinion that the currency is not limited to gold and silver.

There are various opinions among Islamic scholars in both the Salaf and Khalaf historical eras regarding the use of gold and silver as currency. The investigation revealed two groups of opinion among the scholars; the first opinion states that currency or money is limited to gold and silver, while the second opinion argues on the contrary of it. The supporters of both groups are some scholars of Ḥanafīs, Malikīs, Shafī'īs, Ḥanbalīs and contemporary scholar who basing themselves on the opinions of the tābi'ūn, such as Mujāhid, Nakha'ī, Laith Ibn Sa'ad and Al-Zuhri (Haneef and Barakat, 2002).

Both groups of opinion have evidences to support their views. Moreover, the greatest support for the second opinion comes from contemporary scholars and contemporary Fiqh councils. Although the second group approved that the currency was not limited to gold and silver, they agreed that the valuable metals can represent the value of other materials such as copper. With regard to *Fulūs*, it was made out of copper and other metal, while the *Fulūs* has distinguished itself from current fiat money. Fiat money is created out of thin air, with nothing of intrinsic value to back it up. Both have different types and characteristics. The detailed discussion related to the issue will be explored more in the subsequent section on *maṣlaḥah-mursalah* in this paper.

Deriving the Law (Ḥukm)

To derive the Islamic ruling on the use of a currency, this research employs three important steps.

Firstly: Looking for the facts of currency used during the time of Prophet Muhammad (PBUH). In the Prophetic era, there were two types of currency used. The first was Roman *dinār* which was equal to 1 *mithqāl*. The second was the Persian *dirham* which had three weights: big *dirhams* (*dirham kibār*) which weighed 1 *mithqāl* or 20 *qirath*. Small *dirham* (*dirham ṣighār*), which weighed 0.5 *mithqāl* or 10 *qirād*, and medium *dirham* (*wasat dirhams*) which weighed 0.6 *mithqāl* or 12 *qirād*. The Prophet (PBUH) declared both *dinār* and *dirham* as legal payment with a weight of 14 carat. The command could be interpreted that he had set a standard of 14 carat which was derived from $20+12+10 = 42/3 = 14$. Regarding this issue, Meera (2011) stated that the principles of religion inherited by the Prophet (PBUH) were perfect. He later emphasized: “In my opinion, we need to remember Islam which the Prophet (PBUH) left for us was complete in its essence, as the following verse from the *Qur'ān* attests”:

This day have those who reject faith given up all hope of your religion: yet fear them not but fear Me. This day have I perfected your religion for you, completed My favour upon you, and have chosen for you Islam as your religion. (Al-Mā'idah:3).

Secondly: Evidences of *Dinār* and *Dirham* from the *Qur'ān* and *Hadīth*. Various verses in the *Qur'ān* indicated that gold and silver as the medium of exchange or money. The words used are '*dhabab*, *fiḍḍah*, *dirham*, and *dinār*'. For instance, *Sūrah al-Taubah* verse 34 stated the prohibition of hoarding gold and silver which indicates that the gold and silver function as money. *Sūrah Āli 'Imrān* verse 75 and 91 showed that the function of gold as a store or measurement of value. *Sūrah Yūsuf* verse 20 points to silver as a measure of value and a medium of exchange and, *Sūrah al-Kahf* verse 20 highlights how silver was used as a medium of exchange. These verses are evidence that gold and silver were used as legal currency. Additionally, the legal use of *dinār* and *dirham* was derived from the prophetic tradition, which also came from the *sunnah taqrīriyyah*. The Prophet (PBUH) did not reject any use of both valuable metals as the medium of exchange, however, he did establish the standard scale (*wazan*) which prevailed among the *Quraysh*, who were using the weight of the *dinār* and *dirham* (Triono, 2011). The *Hadīth* related to the *taqrīr* of the Prophet, “Scales (*wazan*) are scales of Mecca people and measurement (*mikyāl*) are the measurements of the people of Medina.” (Narrated by Abū Dāwād and Al-Nasā'ī).

The legal provisions derived from the Prophet (PBUH) were not only associated to the use of *dinārs* and *dirhams* as currency for trade purposes, the Prophet (PBUH) also linked the weight of the *dinār* and *dirham* to the practices of other Islamic rulings such as the payment of *zakāt* and the level measurement of *diyāt* and *had al-sariqah* (cutting hand). The *niṣāb* (upper limit) of payment of *zakāt* was stated in detail in which payment by *dinār* and *dirham* is by weight. In addition, the execution of cutting the hand of the thief and payment of *diyāt* were also ruled using the weight of the *dinār* and *dirham*.

Based on the above evidences, it can be concluded that the Islamic ruling related to the use of gold *dīnār* and silver *dirham* as currency is permissible. It is not prohibited as based on the general ruling principles (*qawā'id shar'īyyah*) "*Al-aṣḥlu fī al-ashyā' al-ibāḥah, mā lam yarid dalīl al-taḥrīm*" that means 'The Origin Law (status) of all matters other than rituals is permissible, until evidence is given that a certain matter is prohibited'. Then, to strengthen the argument, an exploration of this matter in term of harm and benefit is necessary; will be provided in other sections of this paper.

Minted Currency by State Law

The issue of currency printed by the state is a complex discussion because it involves currency for other Islamic legal practices. Minting the currency is an activity conducted by the state. The Prophet (PBUH), when he became the head of the state in Medina, never printed a currency with special characteristics. The Islamic state at the time did not have any particular currency until *Khulafā' al- Rāshidīn* included it in the early years of the Umayyad Caliphate. They minted the special currency which was started when 'Abdul Malik bin Marwān became Caliph (Triono, 2011). Instead of over speculating the arguments above, it can be concluded that minting the state's own currency is permissible and not mandatory. It means that the state is not required to mint its own currency. Nevertheless, the ruling is subject to change when the government wants to mint its own currency, especially when the primary objective is the implementation of the *Sharī'ah* laws, such as *zakāt*, *konz al-māl*, *ḥudūd*, *diyāt*, and *sharf*. Moreover, the Islamic state may wish to also protect its economic sovereign.

However, if the state does not mint its own currency, the country is still able to practice all Islamic rulings, in which case it is permissible for the state to use foreign currency. Nevertheless, the absence of one's own currency could lead to the improper practice of Islamic law. In this case, it is mandatory to mint a new currency (*wājib*), as the Islamic legal principle is, "*Mā lā yatim al-wājib illā bihi fahuwa wājib*" (Everything mandatory act requiring an additional act for its execution, then that additional act also becomes mandatory).

When the use of foreign currencies leads to economic instability of a country, the state should produce its own currency. This argument is derived from the Islamic legal principle, "*Al-wa'ilāt ilā al-ḥarām ḥarām*" (Any mediation to the *ḥarām* is *ḥarām* forbidden).

The next problem is, if the state must mint its own currency, what currency should be minted by the state? Does the state have to mint the currency in the form of fiat money or gold and silver? If one chooses gold and silver, what are the advantages and disadvantages for the country in contemporary times and what is the model to adopt gold as money in the country? Another problem is that, does the absence of gold *dīnār* cause harm such that *Maqāṣid Sharī'ah* could not be attained?

3.3 The *Siyāsah Shar'īyyah* Approach

Literally, the meaning of *siyāsah shar'īyyah* is a *Sharī'ah*-oriented public policy or government in accordance with the *Sharī'ah*. Meanwhile, Muslim jurists defined the *siyāsah shar'īyyah* as decisions and policy measures taken by the imam and the *'ulu al-amr* on matters for which no specific ruling could be found in the *Sharī'ah* (Kamali, 1989). Ibn Qayyim (1961) said that *siyāsah* is any measure which brings the people closest to beneficence (*ṣalāh*) and furthest away from corruption (*fasad*), partakes in just *siyāsah* even if it has not been approved by the Prophet (PBUH) or regulated by divine revelation.

Among the contemporary scholars also have tried to define *siyāsah shar'īyyah*, Kamali interpreted it as a broad doctrine of Islamic law which authorizes the ruler to determine the manner in which the *Sharī'ah* should be administered. Likewise, Khallaf stated that *siyāsah shar'īyyah* is the administration of public affairs in an Islamic policy with the aim of realising the interest of, and preventing harm to, the community in harmony with the general principles of the *Sharī'ah* even if it disagrees with the particular rulings of the *mujtahidīn* (Kamali, 1989), while Ibn Qayyim (1961) introduced that *siyāsah shar'īyyah* included government duty, legislation, and judicial.

Among the examples of the implementation of *siyāsah shar'īyyah* by the companions is the decision of Umar ibn al-Khattab to stop the distribution of *zakāt* to the *muallaf*. Besides that, Umar also validated a triple *ṭalāq* pronounced in a single utterance (Kamali, 1989). Another example is the decision of the third Caliph, 'Uthmān bin 'Affān, whereby he ordered the collection of the text of the *Qur'ān* in one volume (Kamali, 1989).

Based on the aforementioned cases where the Caliphs have employed *siyāsah shar'īyyah* as a tool to determine the ruling or to solve problems. This research, in the following discussion examines which

currency in the current monetary system should be used by government in order to avoid harm and obtain benefit in accordance with *maṣlaḥah*, *maḥsadah*, and *Maqāṣid Sharī'ah*. It is based on principles that government has to solve the problems based on *siyāsah shar'īyyah* and should pay attention the Qawā'id Fiqhiyyah, "*Taṣarruf al-imām 'alā al-ra'yat manūṭ bi al-maṣlaḥah*", which means, government or leader duty to serve the people should be based on *maṣlaḥah* (benefit).

Maṣlaḥah of Fiat Money

The principle of *siyāsah shar'īyyah* is should not contradict the *Sharī'ah* rulings, as stated by al-Khallāf, that the *siyāsah shar'īyyah* should be in harmony with the general principles of the *Sharī'ah*. In consequence, the *Sharī'ah* ruling on fiat money should be addressed before further discussion. However, this issue has been discussed in the previous section with a conclusion that money in Islam is not limited to gold and silver. In other words, the implementation of other commodities such as wheat, barley, date, salt, and other valuable commodities is allowed in the perspective of *Sharī'ah* jurisprudence. Hence, the next step is to analyze the *maṣlaḥah* and *maḥsadah* of this system.

The fiat money system has several benefits, such as when the Central Banks use it as a monetary policy tool in order to achieve its monetary objectives, like targeting the inflation rate or exchange rate through controlling the amount of money supply. Moreover, the printing of paper money is easy with low cost. The transportation of paper money is easier, safe, and cheaper than metallic money. Fiat money has an elastic supply and it can be printed for any purpose at any time. It also helps the government in emergency uses such as in times of war or depression. Paper money is easy to recognize; even a small child can recognize paper money.

Hasan (2005) highlighted the following advantages of fiat money: 1) easy to carry (mobility), 2) it can be printed in various types depending on the volume of trade transaction, 3) low risk to carry, 4) low production cost, 5) flexible to issue that helps the government to quickly support spending in an emergency.

Maḥsadah of Fiat Money

Besides the *maṣlaḥah* of fiat money, the *maḥsadah* include:

Table.1: *Maḥsadah* of Fiat Money

No	Issues	Explanation	The Supporting Author(s)
1	Fiat money has no Intrinsic Value	Created from thin air	Meera (2004), Meera (2009), Meera (2011)
2	Government Freedom to Print Money	The government may earn revenue without levying conventional tax. This profit is so-called seigniorage which is considered the source of <i>Ribā</i>	Mazli (2009), Mahani (2009), Saidi (2009), (Ibrahim, 2009), Edawati (2012).
3	Fiat Money along fractional reserve banking enables the banks to create money	The banks are making profit easily, which encourages the practice of <i>Ribā</i> in the economy	Meera (2009), Meera (2012), Larbani (2012), Edawati (2012)
4	Fiat Money Enables Currency Speculation and Arbitrage	Speculators exploit the weakness of fiat money and current monetary system	Hosein (2009), Meera (2004), Meera and Aziz (2009), Muhaimin (2012)
5	Social Impact and Injustice	Fiat money creation creates poverty and unbeliever (kufur)	Meera (2009)
6	Trigger Inflation, National and Financial threats	Fiat money threatens national/financial security and sovereignty	Alias (2005), Anwar (2003)

Table 1 described the *maḥsadah* of fiat money, which includes economic, political and social illness. Economic illness consists of value of money, seigniorage, Fractional Reserve Banking (FRB), and inflation. Fiat money causes poverty and leads one toward disbelief. Political illness would be that the fiat money threatens the very sovereignty and security of the nation.

Maṣlaḥah of Gold and Silver as Money

Commodity money, especially gold, does not allow the creation of money. Accordingly, no institution or country may obtain a substantial seigniorage. In the absence of money creation and seigniorage, inflation can be avoided and the sovereignty of the country can be protected, family harmony can be realized, and crime can be minimized. Moreover, if a commodity such as gold were legalized as a common currency in replacing the difference from national currency, then the exchange rates will be non-existent. As a result, any speculation and manipulation would not be possible. This would mean that the previous financial crises would not have occurred, or at least its possibility would have reduced considerably (Meera, 2009).

In terms of its characteristics as money, gold has an excellent standard, high acceptance among the people, divisible, rarity, durability, and good mobility (Meera, 2009). Gold has intrinsic value and its value is based on demand and supply. Undetermined by the government, its price stability, levels based on itself and silver have been shown to be remarkably stable over long periods of time. Al-Maqrizī proved this in his book *Ighāthah*. Jastram (1997) also said that the price level based on gold was extremely stable. He analyzed the whole price index data over four hundred-years and concluded that the stability was not because gold moved towards commodity prices, but because commodity prices eventually returned to gold (Meera, 2009).

The elimination of interest and fiat money are the prerequisite to make the *dinār* as a stable currency and monetary system. This may minimize the business decay cycle effect. The gold value does not require government protection. Its value only depends on the supply and demand. It contravenes the fiat currency where its value needs government intervention. On the other hand, gold does not need a monopoly, while fiat money needs a monopoly rule to print it, namely the government. The Messenger (PBUH) has given primacy to the gold and silver. He said that there will be a time in life where there would be no other thing that has value and benefit except gold and silver.

Regarding the superiority of gold over other forms of money, Meera (2009) said that “Gold has intrinsic value just like any other commodity, but it distinguishes itself in that people of every race, creed and nationality desire it for its own sake as proven by the obsession humanity had for this metal throughout history”. Moreover, Meera (2009) summarized some of the characteristics of gold as ideal money, such as being rare and compact, stable and durable for very long periods, homogenous and divisible into minute quantity, storable, and can neither be created nor destroyed.

Mafsadah of Gold and Silver as Money

The *mafsadah* of gold and silver as money comprises inefficiency, difficulties, is insufficient, and economically impaired. However, these objections have been rebutted by HTI (see in www.hti.uk.com), as depicted in Table.2.

Table 2: Arguments and Rebuttals Regarding the Weakness of Gold as Money

No	Arguments/Objections	Rebuttals
1	A gold system does not provide the levers for monetary policy control. Therefore, governments would be unable to alleviate downturn in business cycles, stimulate growth, and generate cash to spend for emergency projects.	The ability of the fiat system to mitigate business cycle is disingenuous given that it is the primary cause. Islam categorically forbids interest and increasing money without the full backing of Gold and Silver. Emergency spending in the fiat system benefits the rich and results in hidden tax for the majority, while in Islam it is sourced from the rich.
2	The gold system is inelastic and can introduce a mismatch in the quantity of money in relation to volume of economic activity. The insufficient gold-based currency can result in high or cyclical unemployment.	The real problem is not that there is too little Gold but the fact there are too many dollars in the world. The Gold System ensures the amount of money in the economy is relative to economic growth, which therefore makes economic growth real and sustainable
3	The use of gold and silver requires costs of extraction, mining, and transport, which is a significant portion of the GDP of a nation. This also leads to allocation of valuable effort towards, that which could be avoided.	The use of gold and silver requires costs of extraction, mining, and transport, which is a significant portion of the GDP of a nation. This also leads to allocation of valuable effort towards, that which could be avoided. Based on the Office for National Statistics, the average cost for bailing out of economic is 30.17 to GNP (UK.Gov, 2016)

- 4 The gold and silver system suffers from tendencies to devaluation by debasement to generate liquidity. This not only results in inflation but also takes the good money out of supply – an observation commonly known as Gresham's Law.
- Islam disallows debasement securing monetary value of the currency. Modern technologies enable producing representative legal tender backed by gold/silver, which avoids this problem. Converse to Gresham's Law, strong currencies will soon become preferred media of exchange, making the gold system quickly resume its position in the world

Source: www.hizb.org.uk

In addition, to address these objections such as the inadequate supply of gold and gold elasticity issues, Meera (2009) proposed a net-off payment system using an electronic payment system which would result in transactions being done efficiently.

Discussion on Masalih Al-Mursalah

Although money other than fiat money is allowed by some Islamic scholars as mentioned above, the physics of the current fiat money should be questioned. In earlier times, the currency other than gold and silver is *fulūs* which is made of metal or copper. It should be noted that *fulūs* differs from the current fiat money. Fiat money, in the current monetary system, has five subsystems: created from nothing (thin air), interest base, fractional reserve banking, triggers speculation, and legal tender. Meanwhile, *fulūs* at that time was accepted by people because of it being legal tender.

Based on the explanation in the previous sub-chapter, it can be seen that each currency has advantages and disadvantages. However, it can be found that the current fiat money has led to the maltreatment of people rather than providing benefits. Moreover, it may hinder the implementation of the *Shari'ah*. The principle of justice in *mu'amalah* will be hard to attain through the use of fiat money as justice is an aspect that determines the validity of *mu'amalah* transactions. The justice covers the relationship among individuals, among groups, and among countries, especially between the developed and under-developed countries.

Fiat money has been in use worldwide in less than 50 years. However, it is the cause of five financial created crises. Bordo, M. and Young, L. (2001) found that hyperinflation occurred in 1913-1950 due to fiat money. In 1950-1970, under the Bretton Woods's regime, inflation was low. However, upon the dismissal of the Bretton Woods's regime in 1971, high inflation returned (see Fig 1). The effect of inflation on the economy is very serious, affecting entire countries.

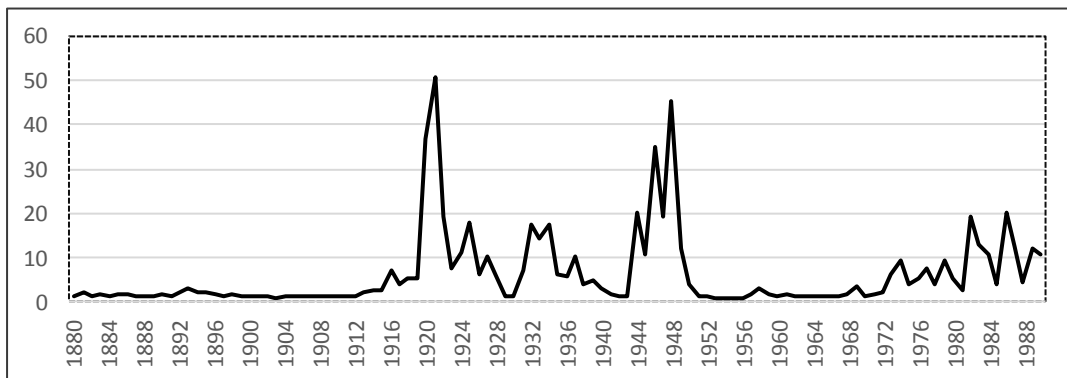


Figure.1: Volatility of World Currency between 1880 – 1990

Source: (Bordo, 2005)

For Indonesia, it suffered a monetary crisis in 1997. The crisis seriously harmed every aspect of the social-economy including politics and religion. Rais (1999) and Krugman. (1999) asserted that the first crisis (1971) until the third crisis (1997) were all caused by the devious aspects of fiat money including greed and speculation. Likewise, these factors also caused the crises in 2008 and 2010.

With regard to economic stability, Ibn Khaldūn (2000) in his book *Muqaddimah* said that economy (stability) is a key factor to the other sectors. A good economy leads to the stability of other sectors. In contrast, bad economic management may harm other sectors. The fiat money system may have an

advantage in terms of ease to generate economic development; however, it also carries with it the potential of economic instability that may lead to destruction.

The economy today is rapidly growing. Nevertheless, economic growth is always followed by debt growth. Moreover, for certain countries, the amount of their debts is bigger than their GDP. The debts will be a burden for the next generation. These facts cause the fiat money contenders to demand the end of the fiat money regime. Evan (2010) and Griffin (1999) have said that the fiat money since its beginning has suffered numerous troubles, in addition to the existence of a conspiracy that was made by some countries that aim to control the world. Evans (2010) said that those who are able to control the currency of any country may control that country. Griffin (1999) alleged that the first occurrence of fiat money is mysterious, alongside the establishment of the Federal Reserve, IMF, and Central Bank.

Meera (2012) identified that among the problems resulting from the use of fiat money is an unjust economy, poverty, starvation, growing indebtedness of poor countries, deforestation, global warming, and exploitation. He thus proposed a monetary system based on gold as a measure of value as the aforementioned problems will be addressed gradually. Some parties viewed that the current fiat money system should not be changed, but requires good management. However, this argument is weak, as the fiat based system cannot in any form achieve the *Maqāsid Sharī'ah*. Fiat money consists of its five elements; is created from nothing, interest based, fractional reserve banking, triggers speculation, and legal tender.

To deal with these problems, Meera (2009) proposed the real money concept that fulfils the following requirements of money: (1) standardized such that its value can be ascertained easily. (2) Accepted widely, acceptable by means of law, and hence the term 'legal tender'. (3) Divisible that it can be used for exchange in a range of values. (4) Mobile, i.e. easy to carry around. (5) Stable/Durable, so that it does not deteriorate, (6) Perish, deplete or erode easily due to its own chemical structure, weather, pest, fire or other reasons. A number of 'real money' can serve as a solution including: (1) gold and silver money, (2) a basket of commodities as money include wheat, shells, salt and leather, (3) complementary currencies, and (4) Real Money Units (RMU).

Moreover, Meera (2009) pointed out that gold and silver is superior over other forms of money. He stated that commodity money like gold is superior and is much more desirable compared to fiat money. It promises a just and stable monetary system while protecting the wealth (*al-māl*), sovereignty, culture, and religion of the people. It also does not impose a 'hidden tax' on the people, which particularly affects the poor and the wage earners. Nonetheless, in all, the commodities are, therefore, compatible with the *Maqāsid Sharī'ah* (Meera, 2009). Meera then criticized some opponents by saying:

"Therefore, the Holy *Qur'ān*, the traditions of the Prophet (PBUH), the history of Islam and the writings of Muslim scholars of the past, all do indeed point towards gold and silver as money in Islam. But somehow in the passage of time, Muslims seem to have lost the wisdom behind this, adopted fiat money and have subjected themselves to subjugation, poverty and humiliation as observed by al-Maqrīzī in Egypt with *fulūs* as money".

3.4 Fiat Money and the *Maqāsid Al-Sharī'ah*

This sub-chapter discusses the weakness of the current fiat money system from the perspective of the *Maqāsid Sharī'ah*. Meera (2009) argued that the interest-based fiat monetary system contravenes the *Maqāsid Sharī'ah* whereby the current system allows the government as well as the bank to create money out of thin air or making money at zero cost through the fractional reserve system. This creation of fiat money is the cause of numerous problems including (Meera, 2009):

- Inflation and asset price increases.
- The increase of debt that may harm firms and governments.
- It amplifies the decay of the business cycle. The business cycle becomes shorter.
- Increasing the unemployment rate.
- Government price control of the agricultural sector aimed to minimise the inflation rate but harms this sector.
- Along with interest rates, it requires continuous growth and intensifies competition.

- Widening the income gap and creates poverty.
- Many social problems due to poverty.
- The destruction of the environment.

The above effects of the interest-based fiat money system highlight its direct opposition to the *Maqāsid Shari'ah*. The inability to protect the wealth may cause the loss of the other *Maqāsid*, namely the protection of faith. The Prophet said: “Poverty in all probability, leads to unbelief (*kufir*)” (Narrated by: Bayhaqi and Tabrani).

The sovereignty of individuals and government would also be undermined due to the concentration of wealth among those who create money. It should be noted that sovereignty is also linked to the *Maqāsid*. When the sovereignty of Muslims is lost, the ‘new rulers’ may change the education system, which can affect the intellect. Muslim education may also cease completely. Without Muslim sovereignty, the wearing of the hijab may also be prohibited. An example to the disastrous effects of the fiat system is during the Indonesian fiat money collapse in 1998, one third of the population fell to poverty (Rais, 1999).

From the above reviews, it can be concluded that fiat money is not in line with the *Maqāsid Shari'ah*. Second, fiat money does not meet the principle of *maṣāliḥ al-mursalah*, namely “averting causes of corruption has precedence over bringing about benefit”, the lower *maṣlaḥah* is abandoned to keep the higher *maṣlaḥah* and the public *maṣlaḥah* has precedence over a specific *maṣlaḥah*. Third, the financial system based on gold and silver have more strong points and the advantage in terms of fairness, stability, similarity and welfare, whereas fiat money enables duplication easily which in turns develops economic growth and is also practical and mobile. However, what is the appropriate model in the current economic system? The proposed possible models are first, gold *dinār* physically as currency, second, gold as the measurement of value which be implemented in the form mobile payment system. This will be discussed in the next chapter.

When the implementation of a gold currency system has been realised, the methodology of *qiyās* in accepting the fiat money is voided. The decision of scholar acceptance of fiat money is due to the absence of an appropriate system such as a gold currency system. The decision on the acceptability of fiat money was in the 6th *Majma' al-Fiqh al-Islami* Congress in Mecca held on 16th *Rabi' al-Awwal* 1402 H. The basic foundation of the *fatwā* for acceptance of fiat money is the methodology of *qiyās*, even though there are pros and cons with the *fatwā*. The agreement on the accepting of fiat money is due to the absence of a *dinār* and *dirham* system which is minted by the State and was based on the method of *uṣūl al-fiqh*, a compulsory thing that cannot be implemented except only by the presence of the thing then it becomes compulsory. Due to the absence of *dinārs* and *dirham* currency, the decision was reached that fiat money is equal to *dinār*. In 1985, no country implemented gold *dinār* and *dirham* as currency (Abas, 2014).

The adoption of gold currency will face many challenges by the fiat money regime as the fiat money regime, especially from the super power countries that benefit from such a system will do whatever is in their power to obtain global control either through the use of war or conspiracy (Griffin, 1999). However, it does not mean that the effort should be halted. A specific strategy and gradual adoption should be addressed to deal with such challenges.

3.5 The Implementation Strategy of Gold as Money in the Current Economic System

In the previous section, we concluded that a country should print its own currency if the need arises. This section discusses the best type of money in the current system, and how to adopt the system.

Historically, the gold-based monetary system has proven its ability to maintain a stable currency and reduce inflation compared with fiat money (the float system). Gold and silver currency also meets the criteria of Islamic currency quoted in *al-Qur'an* and *Hadīth*. In addition, gold and silver currency nearly meets all the functions of currencies outlined by classical and contemporary economists.

However, the gold-based monetary system cannot be implemented easily. It cannot yet be realized because there are various obstacles and problems preventing the adoption of this system. We therefore attempt to identify the challenges and find solutions by using a comprehensive analysis which consists of:

- a) Determining the alternatives of a possible system.
- b) Determining the criteria to choose the best alternative, including monetary theories, infrastructures, and Islamic value.
- c) Analysis of choosing the best alternative by employing deductive analysis.

Determining the Alternatives

According to Edawati (2012), the global monetary system has undergone several changes:

1. Bimetallic system: Is the metal-exchange system based on silver and gold as well as copper. This system began in 570 BC by the nation of Lydia (Hassan, 2005) until the end of the Ottoman Caliph (1923).
2. Goldsmith (1640-1800): The system used physical gold money as a medium of exchange but led to difficulties in settling trade in large numbers especially in storage, security, and transport. Therefore, traders of gold and silver deposit their money to private firms especially goldsmiths. This system is based on the cash redemption of gold coin stored in the goldsmith firms then the goldsmith will issue a receipt or notes representing the gold stored.
3. Classical gold standard (1821 – 1914): Gold standard is defined as a monetary system, whereby a nation declares the unification of its currency-backed by gold. Here the country allows its people to freely buy and sell a gold within certain price and facilitates the import and export of gold (Mankiew, 2007; Metzler, 2006).
4. Floating Exchange System/Float Fiat Money (1915-1925): The classical gold standard system ended with World War I, after which the paper money system began. As all the countries involved in the war printed money for war. Thus, the gold reserve was insufficient. Then the super power countries forced other countries to use paper money, by asking the colonized countries to store their gold and issue debt notes (Bordo, 1993).
5. Gold Standard System II (1925 – 1931).
6. Floating Exchange System II (1931–1945) emerged because of the depression and World War II.
7. Bretton Wood system (1944 – 1971): The system of Bretton Woods fixed the exchange rate with gold as backup. The money value was measured by gold. Gold value was determined by USD 35/ounce. USD is exchangeable with gold. Every state that has USD can exchange USD to gold and vice versa.
8. Fiat money systems (1971-Present): After the Bretton Woods system cancelled by Nixon on 1970, paper money was printed without any backup.

Based on the above description, the researcher divides the currency system into three alternatives:

- a) Fiat money system (as current system).
- b) Physical Gold *Dinār* system (PGDS): This system includes bimetallic system, gold standard, physical gold *dinār*, and Bretton Wood system or the Gold Backed System. It is a currency system using paper money backed on gold reserves (Edawati, 2011).
- c) Gold as Measurement of Value System (GMVS): This system measures all price of commodities by the measure of gold.

Criteria Determination

Selected monetary theories are used as the foundation to evaluate the proposed alternatives. The mentioned theories are currency theory, Gresham's Law theory, Optimum Currency Agreement theory, and demand and supply of money theory (Edawati, 2011).

1. Currency theory: the currency is a relation between commodity and function of money. It refers to whether a commodity can fulfil basic functions of money as outlined by classical and modern economists. The basic functions are medium of exchange, measurement of value, differed payment instrument, and store of value.
2. Gresham's Law theory: This theory explains that if two or more currencies were used simultaneously in a country, it means the currency has no intrinsic value (bad money) and a currency that has value (good money), then bad money will drive out good money.
3. Money supply and demand theory: This theory explains that the balance of supply and demand for money should be maintained. The imbalance can cause problems such as

inflation, deflation, and instability. It is important to note that gold sufficiency must meet the demand for money.

4. Optimum currency area (OCA) consideration: Implementation of the gold *dinār* system must be done by several countries simultaneously. If the gold *dinār* system is only implemented by one country, it cannot be effective because every nation is related to the other. Change in a nation's currency will affect other countries, especially in the currency union. Currency union usually follows the OCA theory. Countries that have joined the currency union will have to meet the OCA standard to gain optimum benefit. Countries that do not meet OCA requirements cannot receive noticeable benefits from currency union but will suffer. Furthermore, if a currency union is done by one country or by a few countries, than Gresham's Law theory will occur (Sanep, 2009). In addition, macroeconomic conditions, GDP, currencies heterogeneity among countries, and the willingness of the country to join a certain currency are the important factors to be considered.

Infrastructure and Regulations

The required infrastructures to implement the gold *dinār* system are:

1. International regulations: the infrastructure is the biggest obstacle, such as the IMF act established on May 30 April 1976. IMF has conducted the 2nd amendment on Article IV-Part 2 (b) (i) where the IMF member (countries) should use SDR or anything except gold as a backup of their currency (the House of Commons, 1977; IMF 2010 a). Nevertheless, this Article can be cancelled if 85 percent of IMF members (countries) agree to the amendment act.
2. Agreement with other countries: Implementation of the gold *dinār* as a whole must be on the entire world and cannot be implemented in a few countries. All countries in the world are interdependent. However, to achieve agreement among countries to implement physical gold as currency will meet with numerous problems.
3. Domestic acts (act of security and control value of the currency). Examples include gold counterfeiting and gold hoarding. In the current situation/value it is possible for people to hoard gold. Moreover, with current technology, it is possible to make White gold by mixing silver and copper. Hence, implementation of physical gold as currency should be imposed by the government so that it may control and manage the system.
4. Government awareness and willingness: Government or a country should have a strong awareness and enthusiasm in promoting the use of the physical gold as currency. This is important because the implementation of gold is impossible without support from the central government, as printing money is one of the important functions of the government. For example, during Caliph Abdul Malik bin Marwan's rule, who introduced physical gold as a consolidation symbol of the people, he was able to establish Muslim independence (Griersom, 1960)
5. Gold *dinār* availability and gold sufficiency: Gold holders among countries are not equal. The current data shows that stock of gold among countries is conspicuous. If gold is not sufficient, some countries will face difficulties to obtain enough gold for their currency. Gold is concentrated in selected major countries. OIC members possess only 10 percent of total gold. Table 3 shows the inequality of gold holders, which will affect international trade.

Table 3 : Gold Holder Countries

No.	Countries	Gold (Tons)	Percent (%)
1	USA	8,133.50	29
2	Germany	3,401.00	12
3	Italy	2,451.80	9
4	France	2,435.40	9
.	.	.	.
.	.	.	.
108	Comoros	0	0
	Total	28,398.90	100

Source: IMF 2010

Moreover, the Islamic value is also employed to evaluate the system, The Islamic value include the capability to remove *ribā*, *gharār*, and *maysir*, and whether the system is able to realize a just system. The characteristics of money such as acceptability, rare/limited, recognizable, divisible, uniform, mobility, durability, and stability are also used to evaluate the system.

Deductive Analysis to Select the Best Alternative

The next step is performing an analysis of the alternatives based on the aforementioned criteria. Deductive analysis depicted in Table.4.

Table.4: Deductive Analysis

No	Structures / Infrastructures	Physical Gold <i>Dinār</i> as Money (PGD)	Fiat Money (FM)	Gold as Measurement of Value (GMV) *
A	CURRENCY THEORY			
1	Function of Money Theory			
	a. Medium of exchange	Well-functioning	Well-functioning	Well-functioning
	b. Measurement of value	Well-functioning	Not functioning well	Well-functioning [†]
	c. Store of value	Well-functioning due to its intrinsic value	Not functioning well	Well-functioning
	d. Differed payment instrument	Well-functioning due to its stable value	Not functioning well	Well-functioning
2	Characteristic Commodity as Money			
	a. Rare and Compact	Yes	No	Yes
	b. Stable	Yes	No	Yes
	c. Storable	Yes	No	Yes
	d. Mobile	No	Yes	Yes
	e. Can neither be created nor destroyed	Yes	No	Yes
	f. Durable for very long periods	Yes	No	Yes
	g. Acceptability	Yes	Yes	Yes
	h. Divisible	No	Yes	Yes
B.	ECONOMIC THEORY			
1	Supply and Demand [‡]	Not functioning well due to gold availability.	Well functioned	Well-functioning as Gold is not used physically. Gold just as measure of value, other commodities can be used as money.
2	Gresham's Law Theory [§]	It will take place if issued together with fiat money or <i>fulūs</i>	Gresham's Law will not occur	Well-functioning as Gold is not used physically. Gold just as measure of value.
3	Optimum Currency Area (OCA) Theory	Very difficult to fulfill the requirement / criteria	Not involved in OCA Theory	Not involved in OCA as the system just be implemented among cooperative members

* In the first stage, the system can be implemented by cooperatives established by the community. The membership is based on cooperation, goodwill, and voluntary.

[†] Every member already has a saving account in the cooperatives.

[‡] MV = PT

[§] Bad money will drive out good money

C	INFRASTRUCTURES REQUIREMENT			
1	Awareness and willingness of governments **	Less powerful	Not involved in the requirement	Government will support the system because of economic and tax reasons ^{††}
2	Government agreement in the bilateral / multilateral trade ^{‡‡}	Less powerful	Not involved to the requirement	Not involved in the requirement because the implementation is only on the domestic community
3	International law (IMF articles) ^{§§}	Impossible	Not involved in the requirement	Not involved in the requirement
4	Domestic law to ensure the security and smoothness of the system	Depends on international agreement	Not involved in the requirement	Government will support the system ^{***}
5	Gold <i>Dinār</i> availability	Not enough ^{†††}	Not involved in the requirement	Not involved in the requirement ^{†††}
6	Gold reserve sufficiency	Enough but is not distributed well	Not involved in the requirement	Physical Gold <i>Dinār</i> is not absolutely required ^{§§§}
7	Central Bank acts for controlling the system and other domestic infrastructures	Depends on International agreement	Can be provided	Can be provided
D	ISLAMIC VALUE			
1	Fiqh analysis	Strongly recommended	Permissible	Strongly recommended
2	<i>Ribā</i> eradication capability	Capable	Incapable	Capable ^{****}
3	<i>Gharār</i> eradication ^{††††}	Capable	Incapable	Capable ^{††††}
4	<i>Maysir</i> eradication ^{§§§§}	Capable	Incapable	Capable ^{*****}
5	Justice / Fairness principles ^{†††††}	Capable	Incapable	Capable ^{†††††}

The analysis above shows that the Physical Gold *Dinār* (PGD) system faces many challenges such as the IMF articles, gold reserve adequacy, and international agreements. Besides that, all economic theory criteria proved that PGD cannot fulfil the requirement. PGD fulfils all the *Sharī'ah* criteria, while fiat money is qualified in terms of all economic theory and infrastructures. However, this system does not comply with *Sharī'ah* requirements such the elimination of *ribā*, *gharār* and *maysir*. Besides, it is also not able to guarantee a just and stable system.

Therefore, Gold as Measurement of Value (GMV) can be considered as the proper system because:

- The system can perform the function of money.
- The system can fulfil the requirements of commodity as money.
- The system is not opposing the economic theories such as supply and demand, Gresham's theory, and Optimum Currency Area (OCA).
- The system can fulfil the infrastructures criteria.
- The system is in line with Islamic value in terms of fiqh requirements, *ribā* (usury), *gharār* (uncertainty), *maysir* (gambling), and justice/fairness principles.

** The World Gold Council (WGC) was established in 2009 and asked the IMF to return the gold standard system. Besides that, the World Bank President, Robert Zoelick requested the return of gold standard in 2010. In addition, the G-20 summit in Paris, 2011 asked to reform the monetary system due to global economic imbalances.

†† The system will accelerate economic activity. Tax income will be imposed on any financial transaction.

‡‡ Only a few countries agreed to use gold for trade settlement (Sudan, Libya, Iran, Bahrain, Norwich, Cape Town, and Malaysia in 2003)

§§ At least 85% of IMF members (countries) agree on the amendment of the articles (Article IV, part 2 (b)(i))

*** Government support is needed, especially political support. (Article no. 29 and 33 UUD 1945)

††† Only a few countries have minted a gold *dinar*.

‡‡‡ Physical gold *dinār* is not needed.

§§§ Valuable commodities also can be functioned as money

**** The system is based on gold, not based on fiat money.

†††† Acurrency that does not have any value is considered *gharar*, because it would lead to uncertainty and doubts (Edawati, 2012).

‡‡‡‡ The system is based on gold, not based on fiat money.

§§§§ The current floating exchange currency system can cause *maysir* or gambling, because it can be used as an instrument for speculation and arbitrage by other countries.

***** The system is based on gold, not based on fiat money.

††††† The current fiat system is unjust because it leads to a double pyramid of money creation.

‡‡‡‡‡ The system is based on the cooperative model. There is no forced invitation and based on voluntary membership.

3.6 Conclusion

This chapter comprehensively discussed the *siyāsah shar‘iyyah* and the implementation strategy of money in Islam. The *maṣāliḥ-mursalah* approach was applied to highlight the essence of money in Islam. Furthermore, the *Maqāṣid Sharī‘ah* constituted the primary foundation upon which to determine the appropriate money for the contemporary age.

Through our historical analysis of money in Islam, we noticed that gold and silver *dirhams* and *dinārs* were used by Muslims from the time of the Prophet (PBUH). During the Bani Mamlūk era, there were three kinds of currencies, namely gold *dinār*, silver *dirham*, and copper *fulūs*. Under the Bretton Wood regime, the currency circulated among the nations was still backed by gold. However, after the collapse of the Bretton Wood system, fiat money was introduced and continues to be used globally.

Muslim legal scholars argued two major different points of view. Some Muslim scholars opined that currency is limited to gold and silver, while others argued that other forms of valuable goods can be used as backup. According to the *salaf* scholars, the currency must refer only to gold and silver whereas the contemporary scholars (*khalaf*) demonstrate that the currency can be others commodities and is not limited to gold and silver. They displayed that copper, tin and other valuable metals can replace gold and silver. Both groups stand on their own evidences. Furthermore, the discussion on *maṣāliḥ-mursalah*, the characteristic of fiat money was examined thought its benefits or advantages against its harms. This discussion was based on the perspective of Islam where the *Maqāṣid Sharī‘ah* was the main reference.

Based on the above discussion, fiat money has its advantages such as being mobile, easy to be printed, depending on the volume of trade transaction, low risk to carry, low production cost and flexible (Hasan, 2005). However, its disadvantages are much more than its advantages as has been mentioned such as nothing to back up, freedom to print, enable to clear credit money, trigger inflation, social injustice, speculation and arbitrage and other financial destruction.

The gold *dinār* also has its advantages and disadvantages. The main advantage is attaining the *Maqāṣid Sharī‘ah* and *maṣlaḥah* for the ummah. The gold *dinār* will establish justice among the ummah and achieve human welfare. Other advantages are high acceptance among the people, divisible, rarity, durability, and good mobility. Besides that, gold currency does not create the ‘seigniorage’ in which its value is its intrinsic value. Gold as currency is the solution to eliminate inflation. To sum up, the gold currency system is more stable and superior than fiat money.

Gold system cannot be implemented easily because the adoption of gold currency faced many challenges. The barriers are IMF Articles, Laws, Acts, infrastructures, and international agreement. By using deductive analysis shows that the Physical Gold *DinĒr* (PGD) system faces many challenges such as the IMF articles, gold reserve adequacy, and international agreements. Besides that, all economic theory criteria proved that PGD cannot fulfil the requirement. PGD fulfils all the *SharĒṆah* criteria, while fiat money is qualified in terms of all economic theory and infrastructures. However, this system does not comply with *SharĒṆah* requirements such the elimination of *ribĒ*, *gharĒr* and *maysir*. Besides, it is also not able to guarantee a just and stable system. Therefore, Gold as Measurement of Value (GMV) can be considered as the best system, it is because in line with the function of money, fulfil the requirements of commodity as money, concordance with the economic theories such as supply and demand, Gresham’s theory, and Optimum Currency Area (OCA). Besides that, GMV is able to fulfill the infrastructures criteria and finally, the system is in line with Islamic value in terms of *fiqh* requirements, *ribĒ* (usury), *gharĒr* (uncertainty), *maysir* (gambling), and justice/fairness principles.

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