

Money in Islam: The *Siyasah Shar'iyah* Perspective and Implementation Strategy

Bedjo Santoso

Islamic Banking and Finance IIUM
Economics Faculty of Islamic University of Sultan Agung Semarang
(ahmadsantosa70@gmail.com)

Abstract

Objective – The idea of revisiting the currency and gold dinar in Islamic view is an interesting discuss in the current monetary system. This study therefore investigated the gold as currency in Islamic view. The survey includes historical aspect, supremacy of gold currency and the weakness of fiat money by employed *maslahah-mursalah* approach. Besides that, the study discussed law of gold as money in light *maqashid sharia*, and *Siyasah Syar'iyah* approach, determine the obstacles and barriers to gold dinar implementation on the current economic system and to provide appropriate model and stepping strategy to implement gold dinar as currency in the society.

Method –This study is a qualitative approach based on issues that have been raised. Deductive method is considered as an appropriate method to explore the implementation of gold currency. This is because it requires a comprehensive discussion on the collected data to develop an appropriate model. This research employed historical study and library research.

Result – The review declared that gold coins as money served '*maslahah*'. However, it is difficult to implement due to some obstacles. Stepping is necessary to avoid chaos condition. Numerous obstacles are taken place. It takes at least 15 years and it could be started by educating people. Then is followed by gold in the domestic transaction that backed-up by information/communication technology. Involving the Cooperatives model also can be the best model. However, radical way is not appropriate as it faces a challenge from IMF in the Article IV, part 2 (b) (i), and therefore political support is needed.

Conclusion – The initial using gold / silver as money is permissible. Nevertheless, the ruling is subject to change when the government wants to print its own currency. If the primary objective of the printing is to complete the implementation of the Sharia laws which have been charged to them (especially the law with respect to currency such as zakat, kanzul mall, hudud, diyat, sarf, etc.) As well as to protect the entire territory from the possibility that the use of foreign currency may harm the economy of its people, then the ruling becomes mandatory .

Keywords : Fiat Money, Gold Money, Monetary System, Siyasah Shar'iyah

Abstrak

Tujuan - Ide meninjau kembali mata uang dinar dan emas dalam pandangan Islam merupakan pembahasan yang menarik dalam sistem moneter saat ini. Penelitian ini bertujuan mengkaji emas sebagai mata uang dalam pandangan Islam. Penelitian dilakukan meliputi aspek historis, supremasi mata uang emas, dan kelemahan uang fiat dengan menggunakan pendekatan masalah mursalah. Selain itu, penelitian ini membahas hukum emas sebagai uang dalam bingkai maqashid syariah, dan pendekatan Siyasah Syar'iyah, menentukan rintangan dan hambatan dalam penerapan dinar emas pada sistem ekonomi saat ini, dan untuk menyediakan model yang sesuai dan langkah strategi untuk menerapkan dinar emas sebagai mata uang di masyarakat.

Metode - Penelitian ini adalah pendekatan kualitatif yang didasarkan pada isu-isu yang telah

diajukan. Metode deduktif dianggap sebagai metode yang tepat untuk mengeksplorasi penerapan mata uang emas. Hal ini karena memerlukan diskusi yang komprehensif tentang data yang dikumpulkan untuk mengembangkan model yang sesuai. Penelitian ini menggunakan studi sejarah dan penelitian perpustakaan.

Hasil -Hasil kajian menyatakan bahwa koin emas sebagai uang memenuhi indikator 'masalahnamun sulit diterapkan karena beberapa kendala.Langkah-langkah diperlukan untuk menghindari kondisi yang tidak diinginkan.. sesuai dengan kajian diketahui banyak hambatan yang dihadapi. Dibutuhkan setidaknya waktu 15 tahun dan dimulai dengan sosialisasi.. Selanjutnya diikuti dengan penggunaan emas dalam transaksi domestik yang didukung oleh teknologi informasi / komunikasi. Melibatkan model kerjasama juga dapat menjadi model terbaik. Namun, cara yang radikal tidak tepat karena menghadapi tantangan dari IMF dalam Article IV, bagian 2 (b) (i), dan oleh karena itu dukungan politik yang dibutuhkan.

Kesimpulan –sebagai awal penggunaan emas/perak sebagai uang diperbolehkan. Namun demikian, keputusan itu berubah ketika pemerintah ingin mencetak mata uang sendiri subjek. Jika tujuan utama dari pencetakan adalah untuk menyelesaikan pelaksanaan hukum Syariah yang telah dibebankan kepada mereka (terutama hukum berkenaan dengan mata uang seperti zakat, mall kanzul, hudud, diyat, sarf, dll) Serta melindungi seluruh wilayah dari kemungkinan bahwa penggunaan mata uang asing dapat membahayakan perekonomian rakyatnya, maka keputusan itu menjadi wajib

Kata kunci : Fiat Money, Money Emas, Sistem Moneter, Siyash Shar'iyah

1. Introduction

Monetary and financial system is currently based on fiat money or paper money that characterized by fractional reserve banking and interest. This system is considered as an unjust system, trigger economic bubble, and eventually lead to economic collapse (Meera, 2009). Moreover, money in current financial system also based on float exchange system that does not have any valuable commodities backed. It has been considered not stable, easy to use unfair tool, easily used for of exploitation and Speculation (Salmey, 2012).

Some requests for gold to be used as currency have emerged. This is because of the current monetary system is now revealing the weaknesses after experiencing various crisis which global economist crisis in 21th century as the peak. However, the disagreement is still happening. For instance, to begin with, Haneef and Barakat (2002) considers money is not only limited to gold and silver. *Secondly*, according to early mainstream western ideology (1800), it was also split into two mainstreams, namely the 'Bullionist' gold is best currency and 'Anti Bullionist' (Siswantoro D, 2002). Nevertheless,

and it was shown anti Bullionist hypothesis by saying paper money also stable is not true. When the Napoleonic wars (1803 - 1815) and World War I when the government printed a huge paper of money, inflation has led to the great depression which ended in 1932.

Floating exchange rate system which is not backed-up by valuable commodity is considered to be unstable and easy as tools of speculation and arbitrage. It can trigger the economic crisis by booming invaluable paper currency and debasement that contribute to the global crisis (Salmy, 2012). During the periods of fiat money that started on 1970, the World has experienced four crises namely, *First Generation Model (FGM)* in 1970 and the 1980s. *Second Generation Model (SGM)* in 1992. *Third Generation Model (TGM)* in 1997. Other global financial crisis has happened in 2008 and 2010.

The Crises and their causes as described above shows that the current monetary system has weaknesses, which can be categorized four cases i.e., fiat money, interest, fractional reserve banking, moral hazard, such as the action of excessive speculation, and greediness. For example, the crisis that occurred in 2008 is due to the extravagant lifestyle that caused budget deficits, the attitude of greed, fraud and speculative actions.

To prevent the above issues, some scholars suggest using the monetary-gold based. As evidence, the crisis of 1929 - 1930 occurred due to the standard changes from gold standard to fiat money system. Subprime mortgage crisis of 2008 occurred because the current weakness of the Monetary System (Meera, 2009).

Besides that, there are some scholars condemned to the current monetary system. *Firstly:* The current monetary system has destructed the human prosperity and wealth through increasing price level and massive ownership acquisition illegally in the system (Kahf, Khurshid, 1981; Siddiqi, 1981; Chapra, 1986; Allais, 1993; Choudry, 1998). *Secondly:* it has resulted the acute consequences, such as rampant inflation, credit crunch, wider unemployment, injustice, *ribawi* (usury) involves, *gharar* (uncertainty), and *maysir*

(gambling), and corrupt system (Shappie, 2010; El-Diwany, 2002; Meera, 2002 and 2004; Vadillo, 2004; Lubis, 2001; Mahathir, 2002).

Interestingly, a surprising-argument is raised by the regime leaders of existing monetary system, the World Bank president Robert Zoellick, Warren Buffett's Howard, Jim Grant, and, most recently, retired Federal Reserve chairman, Thomas Hoenig. Unanimously, all of them are voicing their support for a return to a gold standard, by postulating that “*The gold standard is very legitimate system, and paper money system generally leads to financial collapse and result in economic chaos*” (Durden, 2011). Moreover, according to Roy Jastram (1976) in his book "Golden Constant" indicates that if gold is used as a standard of general prices since 400 years ago, then the prices of goods will remain almost the same and there has been very small inflation.

However, the opponents of gold system such as Obiyathulla (2008), Murat (2010) and Muflih (2010) have questioned the gold price and monetary stability. They have argued that the gold price is instable and no guarantee of monetary currency albeit the gold standard applied. Therefore, the fiat system is the best as long as the strict management is done.

Some activities toward gold as a currency have started more than 10 years ago by Mahathir (*DR M*) and "*Murrabitun*" (The Gold Dinar NGO in South Africa Dubai and Trinidad). Mahathir offers the idea in the OIC summit. World Islamic Mint (WIM) in Dubai Kelantan Dinar, Dinar and Silver State was established. Moreover, Zaim Saidi with "Wakalah Nusantara" 'have created the network of dinars minted and distributed. Moreover, some academicians have also called to gold as a measure of the value. However, the result is not enough good.

Therefore, this paper is looking for answers on what the obstacles are. Before that, this paper prepare a brief history of gold dinar, and also employ Islamic perspectives such as the siyasah *shar'iyah* approach, “*maqashid sharia*” and “*maslahah-mafsadah*”. Also, it

tries to derive law process from sources of law-making to formulate the ‘*hukm*’ for the country for using dinar and dirham.

2. Methodology

2.1. Objectives

1. To provide highlight overview of historical overview in term of using gold money, especially starting on Islamic era and thereafter.
2. To discuss the current weaknesses of the fiat money system and if gold is the best currency.
3. To find out the appropriate model to implement gold currency.
4. To provide a deep discuss of money in Fiqh, maqashid sharia, and Siyasaah Syar’iyyah Approach. Maslahah and mafsadah will be employed to compare between fiat and gold money.
5. To derive Al-Hukm on gold currency and to find out challenges and barriers and also to find out what the best model that will be implemented.
6. To determine the obstacles and barriers to gold dinar implementation on the current economic system
7. To provide stepping strategy to implement gold dinar as currency in the society.

2.2. Research Methods

This study is a qualitative approach based on issues that have been raised. Deductive method is considered as an appropriate method to explore the implementation of gold currency. This is because it requires a comprehensive discussion on the data collection, data analyses, and deductive conclusion. Then, it will be analyzed to develop an appropriate concept. Moreover, this research employs two type of study, namely: historical study and library research. Historical study includes; the history of using money in Islam (dinar), history of monetary system, and history of economic turbulences.

Secondly, library research was employed especially in theory of currency, monetary system theory, money in Qur'an and Hadist view. In addition, library research also ensures that gold dinar as money was stable.

In this study, to collect the data, content analysis was used, including: Al-Qur'an and Al-Hadist, gold data, IMF data, World Gold Council data. Some Thesis and Journal of economics and politics as well as muamalat journal were used as foundation of study. In addition, data analysis used is fiqh analysis, text analysis and monetary theory assessment. Finally, scope of the study is Islamic monetary system and focused to compare fiat money and gold currency.

3. Result and Discussion

3.1. Fiqh Analysis of Money

The Islamic Economist, Haneef and Barakat (2002), has done a study on the various opinions of the scholars of Islam against the use of gold and silver coin, better than *Salaf khalaf*. The results of the investigation concluded that there are two opinions among scholars, namely: an opinion stating that the currency is limited to gold and silver and the second is the notion that the currency is not limited to gold and silver. There are various opinions among Islamic scholars from both the *Salaf* and *Khalaf* historical eras regarding the use of gold and silver as currency.

The results of their investigations concluded that there are two groups of opinion among these scholars. The first opinion states that currency or money is limited to gold and silver. The second opinion states that currency or money is not limited to gold and silver (Fulus). The supporters of both groups include Hanafi, Maliki, Shafii and Hanbali scholars basing themselves on the opinions of the Tabi'un, such as Mujahid and Nakha'ie, and contemporary scholars. However, the most supporter of the second opinion came from contemporary scholars.

From the above discussion, it is clear that the hukm of using gold and silver as money originally is mubah (permissible). Then, in the next session, by using derive law process from sources of law-making (istinbathul-ahkam), we will discuss the ‘*hukm*’ of gold/silver as money (law, judgment) used by individual and country.

3.1.1. Fiqh Discussion: Sources of Law-Making (Istinbathul-Ahkam)

To set hukm syar’i on the use of a currency, there are two things needed to be done (Triono, 2011): First, looking for the facts of currency used during the Prophet Muhammad s.a.w.. Second, looking for the texts related to currency. Third, the formulation of the law on the use of currency.

3.1.1.1. Looking for the Facts of Currency Used During the Prophet Muhammad s.a.w

In the Prophetic eras, there were two types of currency used in the period. The first type was the dinar currency that came from the Roman. Roman dinar used at that time was only one and it had a weight of one mitsqal. One mitsqal was equal to 8 Daniq. While, the weight of 1 Daniq was equal to 20 qirath (or 22 qirath less one Habbah / Kasr). Whereas, the weight of 1 mitsqal was equal to 72 medium-size grain which is cut at both ends, namely equal to 6000 Habbah (seed) khardal bari (a type of mustard plant) medium (Zallum, 1983). Besides, it was also used Persian dirham currency. At that time, it possessed 3 types of weight: big dirhams (dirham kibar). The weight: 1 mitsqal, or 20 qirath,. Small dirhams (dirham shighar), the weight: 0.5 mitsqal, or 10 qirath, and medium dirham (wasath dirhams). The weight: 0.6 mitsqal, or 12 qirath.

Prophet had determined that the dinar and the dirham were declared valid as legal payment. Rasulullah had decided dirhams to be 14 carats in the field of Monetary, the command could be interpreted that he had set a standard size without changing the print because it was considered to syar’i requirements. Fourteen carat was derived from the $20 + 12 + 10 = 42/3 = 14$.

Regarding to the issue, Rasulullah s.a.w. has used gold and silver as money, Meera (2011) said: "... in my opinion, we need to remember the Islam which the prophet s.a.w. left for us was complete in its essence, as the following verse from the Qur'an 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-Ma'idah 5:3).

Since gold-based shari'ah system was established by the prophet s.a.w., it must have been perfect by its principle, otherwise we would have inherited an imperfect religion that needs to be perfected by the later generations.

3.1.1.2. The Quranic Texts (Nash) of Dinar ad Dirham

The using of dirham and dinar currencies is taken from the texts that have been established by the Sunnah of the Prophet Muhammad s.a.w. Nash comes from the Sunnah is *Taqrir* (determination) from Rasulullah s.a.w. dinar and dirham currencies that existed at that time. Even Prophet Muhammad also established the standard scales (wazan) prevailing among the Quraysh for the weighing of the dinar and dirham (Triono, 2011). Hadith related to the Prophet s.a.w. The *Taqrir* used of these scales are,

- Prophet . has said: "Scales (wazan) are scales of Mecca people and doses (mikyal) are the doses people of Medina." (*Narrated by Abu Dawud and An-Nasa'i*). Legal provisions derived from the Prophet were not associated with the use of the currency in trade purposes only. In addition to the determination of the weight rather than the dinar and dirham, the Prophet actually had also linked the weight of the dinar and dirham to the practices of other hukum syar'i.
- The Prophet had established for the purposes of other law enforcements, namely in terms of payment of zakat, diyat and cutting the hands of thieves based on dinar. He had set types, nishob and measures for the implementation of these laws in detail. It

also applied to dirhams, which was linked to the practice of payment of zakat and diyat.

- Permissibility for people to exchange with what other features they want, based on the generality of the arguments of the sale and lease. In sale Allah s.w.t. says: *"And Allah has allowed the sale."* (*al-Baqara: 275*). The word "al bai" (sale) in the verse is general, it means it is allowed to exchange the halal features with other features. In the term of the lease the Prophet s.a.w. said: *"If one of you hire a worker (ajjir), so tell him his wages (ajrahu)"*. The words of the Prophet Muhammad in the phrase "ajrahu" (reward) is general, namely any reward may be given to the person hired, either a good or service. Another proposition that can be used is in the form Qaida Syara'. In the fact, everything which can be exchanged is a good, by that argument it can follow Qaida Syara' of goods (ash-yaa') reads: *"Al ashlu fil asy-yaa' al ibahatu, maa lam yarid dalilut tahrir"*, the meaning is *"Derivation is permissible, as long as there is no proof that the forbidden."* By then, the exchange with any good is allowed absolutely, unless there are texts that forbid the exchange of a particular item, such as pork, carrion, blood, and so on.
- Based on the facts and the texts explained above, then It can be concluded that hukm syara' relating to exchange money with goods, or goods with money is absolutely permissible, except for the exchange of money for money that have specific legal systems. Similarly, exchange of services for money, or money with the service, it is absolutely permissible, unless the services are prohibited by certain texts, such as prostitution and witchcraft.

By then, hukm syara' relating to the use of the dinar and dirham currencies are not different from the above, because dinar and dirham is a part of the general goods which can be used for various exchanges like the one above. Thus, the conclusion that can be

decided from the use of the dinar and dirham currencies is allowed and permissible (Triono, 2011).

3.1.1.3. Legal Currency Minted by State Law

Discussion of the exchange law (mubadalat / tabadul) as described above is different from the discussion of the currency (naqd) to be printed by the state. It can be understood, because the Prophet not only used the currency for trade purposes only, but also for purposes other Islamic legal practices. The exchange took place in the sale and lease activities by individuals in society. While printing currency is an activity conducted by the state, in this case it is done by the rulers. By then, both of these activities must be distinguished in legal discussions. The using texts which are used as arguments for the legal decision of the currency printing by state are taken from Fi'lu Ar-Rasul (the action of the Prophet s.a.w.) when he became the head of state in Medina.

That can be understood that the Prophet s.a.w. when he was the head of state in Medina never printed a certain currency with special characteristics. Islamic state at the time did not have any particular currency. This situation lasted for the duration of the Prophet Muhammad s.a.w. even in the first four caliphs, included also in the early Umayyad Caliphate. Special minted currency with an Islamic pattern with a certain weight that is fixed only started when Abdul Malik bin Marwan became Caliph (Jati SP, 2001).

Instead of understanding the arguments above it can be concluded that to print its own currency for the state is permissible and not mandatory. It means the state is not required to print its own currency. Nevertheless, the ruling is subject to change when the government wants to print its own currency. If the primary objective of the printing is to complete the implementation of the Shariah laws which have been charged to them (especially the law with respect to currency such as zakat, kanzul mall, hudud, diyat, sarf,

etc.) As well as to protect the entire territory from the possibility that the use of foreign currency may harm the economy of its people, then the ruling becomes mandatory.

However, if the state does not print its own currency, but the country is still able to practice all *hukm syara'* which must be implemented, so it is permissible for the state to use a foreign currency which is not printed by the state itself. By then, if the state does not print its own currency, then it will lead to the practice of *hukm syara'* which must be implemented imperfectly, then the *hukm "mubah"* will be mandatory (*wajib*), as *Qaeda Syara'*, which reads:

"Maa laa yatimmul wajibu illa bihi fahuwa wajibun", it means that *"Everything that is done imperfectly without a duty, then it is being also obliged"*.

The next problem is, if the state must print its own currency, what currency is required to be printed by the state? Does the state have to print paper currency (fiat money) as currency at the present time, or the currency must be in the form of gold and silver?. If it leads to gold and silver, the following questions must be answered are: Is the currency led to perfect implementation of Islamic law or facilitate the implementation of Islamic law, and whether the currency can increase the level of independence of the country in implementing Islamic law? The questions above will be elaborated in the following paragraphs.

In the Islamic perspective, there are certain rules that must be implemented by the state. In other hand, the individual or group of people should not (*haram*) to implement the rules. These rules include the implementation of the systems of government (*nidzomul-hukmi*), economic systems (*nidzomul-iqtishody*) penal code (*nidzomul-'uqubat*), the management of zakat, diyat payments, the service of public interests (*su-unil ri'ayatu ummah*), such as: Education, health and social. The evidence comes from the Prophet's action when the Prophet Muhammad s.a.w. was to be the head of state. He said: *"Al-imaamu raain, wahuwa mas'uulun 'an raa'iyatihi"*, it means *"Imam / leader is*

shepherd / waitress and she will be held to account to the people it serves". And then, the rules of syara' that must be implemented by the country are qath'iy (definitely) and unchanging. By then, if the state (ruler) neglects to do so, then it will sin against Allah.

Among these rules are mandatory and absolute, it appeared that the implementation refinement was directly related with gold and silver as currency. Among these syara' laws are: (Triono, 2011)

- The prohibition of hoarding of gold and silver (kanzul mall). The evidence was based on the ayat, which reads: "*And those who hoard gold and silver and spend it not in Allah's way, so give glad tidings to them would be a painful doom.*" (*Surah at Tawbah: 34*). Prohibition above is to hoard gold and silver as currency, not as commodity. Because the prohibition to hoard commodity is called as ihtikar, not kanzul mall. The implementation of this rule, namely enforcing the prohibition of kanzul mall, shall be performed by the state, not by individuals or the group of people.
- Legal obligation to pay zakat mal, namely wealth charity. Among the wealths in question are gold and silver as currency. Hukm syara' has also set nishab for wealth by using a measure of gold and silver. The Prophet said "*In every 20 dinars (zakat) half a dinar.*" It means, zakat dinar (gold) is 20 dinars (or 85 grams of gold), and zakat of 2.5% (1/40).
- The obligation to pay diyat. Islamic law has given the provisions of the payment of diyat by using gold and silver standar. The gold amount of diyat is 1000 dinars, and the silver amount of diyat is 12.000 dirhams. The evidence is based on the hadith narrated by Ibn Abbas RA, there was a man from Bani Ady killed. The Prophet s.a.w. has determined that the diyat is amounted to 12.000 dirhams (Narrated Ashabus Sunan).

- Legal liabilities of cutting the hands of thieves. Hukm syara' has defined minimum level of assets stolen by using a measure of gold and silver. Minimum levels of thieves who get cutting off of hands is a quarter of a dinar or 3 (three) dirhams. The evidence is based on the Hadith narrated by 'Aisha RA, Rasulullah s.a.w. said, "*Do not cut off the hands of thieves except in (goods worth) a quarter of a dinar or more*" (narrated by *Khamsah*).

If the using of foreign currencies will be able to affect the financial and the country's economy, off course using of foreign currency should be stopped and the state must print its own currency, namely gold and silver currency. Argument was derived than Qaida syara', which reads: "*Al wasilatu ilal harami haram*", it means "*Any mediation to the haram, haram (forbidden)*".

Those are the orders of law-making (istinbathul ahkam) about the necessity of the state to mint its own currency by using a gold and silver. By this understanding, the currency to be printed by the state must have a good value that can be used to fine-tune the implementation of its legal obligation. While by using dinar and dirham will be released by the state coinciding with the above purpose.

3.2. Fiat Money and Maqashid sharia

This sub chapter, we will discuss the weakness of the current fiat money system in term of maqashid sharia. Related to the theme, Meera (2009) argued that interest-based fiat monetary system works contravenes the *maqashid sharia*. It is argued that the current system allows the government as well as the bank to create money out of thin air. They made money with a zero cost. The fractional reserve system enables banks to do so. This creation of fiat money has caused several problems (Meera, 2009), such as:

- Inflation and asset price bubbles.
- The bubble of debt that may harm firms and governments.

- It amplifies business cycle. The business cycle becomes shorter
- The rise of inflation and unemployment.
- Price control of government toward agricultural sector which aims to minimize the inflation rate can harm this sector.
- Along with interest rates, it requires continuous growth and intensifies competition.
- Widening the gap of the income distribution and creates poverty.
- Many social problems occur due to poverty.
- The destruction of environment.

The above effects of interest-based fiat money system show us that the protection of *maqashid* cannot be achieved. People are not able to protect their wealth which is one of the *maqashid sharia*. Moreover, the inability to protect the wealth may cause to the loss of the other *maqashid* namely protection of faith. The Prophet said:

“Poverty in all probability, leads to unbelief (kufr).” (Bayhaqi and Tabrani)

Furthermore, the sovereignty of individuals and government would also be lost due to the concentration of wealth to the money creator. It should be noted that the sovereignty is linked to the other *maqashid* namely protection of faith, life, intellect and progeny. When the sovereignty of Muslims is lost, the “new rulers” may change the education system that can affect the intellect, i.e. by changing the education curriculum or even by closing down the religious schools. They prohibit Muslim women to wear hijab. The effect on education and in the intervention in the religion can affect the faith. Meanwhile, the control on the population growth of Muslims also affect the other

maqashid namely protection of life and progeny. In the end, Muslims are not able protect the whole *maqashid sharia*. Hence, it can be concluded that *maqashid sharia* cannot be attained under the interest-based fiat money system.

3.3. Siyasaḥ Shar‘iyyah Approach

In literal, the meaning of *siyasaḥ shariyyah* is a shariah-oriented public policy, or government in accordance with the Shariah. Meanwhile, *fuqaha'* define *siyasaḥ shar‘iyyah* as decision and policy measure taken by the imam and the 'ulu al-amr on matters for which no specific ruling could be found in the sharia (Kamali M. H, 1999). Ibn Qayyim mentioned in *al-Turuq al-Hukmiyyah fi al-siyasaḥ al-shar‘iyyah* the words of Ibn ‘Aqil, "Siyasaḥ is any measure which actually brings the people closest to beneficence (*salah*) and furthest away from corruption (*fasad*) partakes in just *siyasaḥ* even if it has not been approved by the prophet saw nor regulated by divine revelation.

Moreover, Ibn Qayyim adds that anyone who says that there is not *siyasaḥ shar‘iyyah* where the sharia itself is silent is wrong and has misunderstood the companions (*sahabah*) (Ibn Qayyim (d.751 H) - (1380/1961).

Furthermore, some contemporary scholars also have tried to define it. Kamali interpreted *siyasaḥ shar‘iyyah* as a broad doctrine of Islamic law which authorizes the ruler to determine the manner in which the Sharia should be administered. Likewise, Khallaf stated that *siyasaḥ shar‘iyyah* is administration of public affairs in an Islamic policy with the aim of realizing the interest of, and preventing harm to, the community in harmony with the general principles of the Sharia even if it disagrees with the particular rulings of the *mujtahidin* (Kamali, 1999).

There are some examples of the implementation of *siyasaḥ shar‘iyyah* made by companions. The decision of Umar ibn Khattab to stop the distribution of zakat to *muallaf* is made based on the *siyasaḥ shar‘iyyah* that Allah has exalted Islam and it is no longer in

need of muallaf favor (Kamali, 1999). Besides, the elimination of muallaf as mustahiq may strengthen the distribution of zakat to the other mustahiq.

Furthermore, Umar also validated a triple talaq pronounced in a single utterance due to the common practice at that time. It aims to prevent people from kidding in marriage. Another example is the decision of the third Caliph, Othman ibn Affan, whereby he ordered the collection of the text of the al-Qur'an in one volume and then ordered the burning of all other copies which had existed in miscellaneous forms so as to prevent interference with and controversy over, the authentic text of the al-Qur'an (Kamali, 1999).

Based on the aforementioned cases where the Caliphs have employed *siyasah shar'iyah* as a tool to determine the ruling or to solve problems, author, in the following discussion is trying to examine which monetary system that is in accordance with *siyasah shar'iyah*. Hence, the *maslahah* and *mafsadah* of each system, fiat money and gold money will be investigated.

3.4.1. Maslahah of Fiat Money

The main criteria that a certain thing is in line with *siyasah shar'iyah* is that it should not contradict to the Sharia ruling as stated by al-Khallaf that *siyasah shar'iyah* should be in harmony with the general principles of the Shariah. In consequent, the sharia 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 fiat money system is allowed in the perspective of sharia jurisprudence. Hence, the next step is to analyze the *maslahah* and *mafsadah* of this system.

Fiat money system has several benefits, when Central bank 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 (Isra,1987). Moreover, the

printing of paper money is easy to print with low cost and saving the time. The transportation of paper money is easier, safe and cheaper than metallic money e.g. one thousand rupee note can easily be transferred from one place to another place. Paper money saves gold and silver from useless lockup for other purposes. Paper money can be counted more easily than metallic money. The counting of big amount of coins is a tedious.

Fiat money has elastic supply and it can be printed for any purpose at any time. It also helps to Govt. for emergency uses such as war or depression period. Paper money is easy to recognize nowadays, even a small child can recognize paper money.

Besides that, Hasan (2005) pointed out that fiat money has some advantages: 1) easy to carry (mobility), 2) it can be printed in various types and level depends 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 the spending at the emergency time .

3.3.1. *Mafsadah of Fiat Money*

Besides *Maslahah* fiat money also has some *Mafsadah*, described as bellow:

Table 1 Mafsadah 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	Mazli (2009), Mahani (2009), Saidi Zaim (2009), (Ibrahim Mansor, 2009).
3	Fiat Money along Fractional Reserve Banking Enables the Banks to Create Money	The Banks are making profit easily	Meera (2009), Meera (2012), Mossa Larbani (2012)
4	Fiat Money Enables Currency Speculation and Arbitrage		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		Mazli Alia (2008), Anwar (2003)

3.3.2. *Maslahah of Gold/Silver as Money*

Commodity money especially gold does not allow money creation. Accordingly, no institution or country may enjoy substantial seigniorage. In the absence of money creation and seigniorage, inflation can be avoided, the sovereignty of country can be protected, family harmony can be realized, crime can be minimized and etc. Moreover, if a commodity such as gold were legalized as a common currency to replace the different national currencies, then exchange rates will does not exist. As a result, speculation, manipulation and arbitrage would not be possible. Then, the previous financial crisis due to currency attack could not happen anymore or its possibility is very much reduced (Meera, 2009).

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

Elimination of interest is the prerequisite to make dinar as stable currency and monetary system. Hence it may minimize the business cycle effect. The gold value does not need 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 monopoly to print, while fiat money needs monopoly rule to print it, namely government. Rasulullah s.a.w. has given primacy to the gold and silver.

He said that there will be a time of human being where there is no other thing that have value and benefit at that time 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 characteristics of gold as ideal money, such as: rare and compact, stable and durable for very long periods, homogenous and divisible into minute quantity, storable, can neither be created nor destroyed.

3.3.3. *Mafsadah of Gold/Silver as Money*

The objections to the gold as money are approximate in term of inefficiency, difficulties, insufficient of gold. To deal with these protests, Meera (2009) proposed net-off payment system and using electronic payment system, as a result the transactions can be done in efficient way.

3.4. *Discussion on Masaleh Al-Mursalah*

Although the money other than fiat money is allowed by some Islamic scholars as mentioned above, the physic of the current fiat money should be questioned. At the time of past Islamic scholars, the currency other than gold and silver is *fulus* which is made of metal or copper. It should be noted that *fulus* is different with the current fiat money. Fiat money in the current monetary system has five subsystems namely: created from nothing (thin air), interest base, fractional reserve banking, trigger speculation, and legal tender. Meanwhile, *fulus* at that time was accepted by people because of legal tender.

Fiat money since its beginning has caused many problems. The previous chapter has explained the existence of conspiracy made by some countries that aim to control the

world. Evans J (2000) said that those who are able to control the currency of any country may control that country. Besides, the first occurrence of fiat money is full of mysteries alongside the establishment of Federal Reserve, IMF and Central bank as mentioned by Griffin (1999) in his book, “*The Creature from Jekyll Island*”. Even more, President Nixon said that if today the people know what actually the fiat money is, the revolution could happen by tomorrow (Ridvasmara, 2002)

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 a created a bigger harm to the people life rather than to provide benefits. Moreover, it may hinder the implementation of *Sharia*. Justice principle in *muamalah* is also hard to be attained through fiat money while justice is an aspect that determines the validity of *Muamalah* transaction. The justice covers the relationship among individuals, among groups in a country, and among countries especially between the developed countries and undeveloped countries.

Fiat money has been used in the world less than 50 years. However, it has created crisis for five times. Bordo and Young (2001) found out that a hyperinflation happened in 1913-1950. It was the regime of fiat money. The inflation tended below in 1950-1970 as it was Bretton Wood regime. Finally, high inflation occurred again after the dismissal of Bretton Wood regime in 1971. The effect of inflation toward economy is very serious. It affected the whole countries whether good countries or bad countries.

Economic crisis and inflation has fallen down the national economy, i.e. Indonesia that had suffered monetary crisis in 1997. The crisis destroyed every aspect of social life, politics and religions. Furthermore, Krugman (1998) announced that the fist crisis (1971) until the third crisis (1997) were caused by the bad aspect of fiat money and the greedy as well as speculative motives. Likewise, it caused the crisis in 2008 and 2010.

Economic stability is very important to the country. The stability may guarantee the economic sustainability of a country. Ibn Khaldun said that economy (stability) is a key factor to the other sectors. The good economy leads to the stable other sectors. In the contrast, the bad economy may harm other sectors of life (Ibn Khaldun, Muqaddimah). Fiat money system may have an advantage in terms of the easiness to trigger the economic development. However it also carried the potential of economic instability that may create destruction.

Today, undeniably, the economy is growing faster. Almost everything, goods and services, is available. Nevertheless, the economic growth of developing countries is always followed by the debt growth. Moreover, for certain countries, the amount of their debts is bigger than GDP. The debts will be a burden for the next generations.

It can be concluded that fiat money is not in line with *masalih al-mursalah* principle: “averting causes of corruption has precedence over bringing about benefit”. The lower *maslahah* is abandoned to keep the higher *maslahah*; the public *maslahah* has precedence over a specific *maslahah*. Therefore, knowing the poverty, starving and indebtedness of poor countries becomes larger, the unfair economy, deforestation, global warming and exploitation, the best currency system should be sought and advocated in order to reduces the aforementioned problems.

Some parties view that the current fiat money system should not be changed but it only needs a good management. However, the author argued that it is hard for the fiat money system to attain *maqashid sharia* through good management as long as fiat money still consists of the five elements: created from nothing (thin air), interest based, fractional reserve banking, trigger speculation, and legal tender. The Prophet has presented his *da'wah* model: he changed the system without following either west or east and then fixes his personal management, the new system covered by *akhlaq*.

The initiation to release fiat money from the five elements may face challenges from the big countries (groups or ethnics) which is taking benefits through fiat money system. It is known that big countries have power in the information technology, weapons and war technology and control the economy. The initial introduction of fiat money consisted of many problems including war and conspiracy as explained before. For example, Evans Jerry (2010) said that the Roschild's generations are controlling fiat money for 40% of the total amount in the world. The question is do they want their business being disturbed?

Having found the big problems carried by fiat money, the next step is to find the alternative of find money. Meera (2009) proposed the real money that fulfills the five requirements as 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 the exchange of 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 be as a solution which includes: (1) gold and silver money, (2) a basket of commodities as money, (3) complementary currencies, and (4) Real Money Units (RMU). A number of commodities as money include wheat, shells, salt, leather, gold and silver.

Moreover, Meera (2009) pointed that gold and silver is superior over other forms of money. He stated that commodity money like gold, therefore, is superior and desirable money 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, commodity monies are, therefore, compatible with the

maqāsid al-Sharia (Meera, 2009). He criticized some opponent by saying “*Therefore, the Holy Qur’ān, the traditions of the Prophet (s.a.w.), 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 some how 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*”.

From the above reviews, it is clear that the financial system based on gold and silver have more strong point and the advantage in terms of fairness, stability, similarity and welfare, where as fiat money enable to be duplicated easily to trigger the economic growth and also it is practicality/mobility. Besides that, gold currency can meet the criteria of Islamic currency was quoted in al-Qur’an and al-Hadith and timely view of Islamic scholars.

3.5. Currency System Based on Gold and Its Strategy to be Implemented

Although, there are some positive arguments that support theoretically, however it is not automatically gold system can be implemented. Gold-based systems until now still cannot be realized because there are many obstacles and problems string of changing times and economic slowdown. Based on the challenges, the specific strategy is offered to address those problems. The change cannot be done in sudden and radical, but such movement may worsen the condition of Muslims in the whole world. The radical method is not suggested as it will destroy the principle of Muslim Ummah. In this will be prepared the threats and limitations as well as the best strategy implement and what conditions are needed.

3.6. Some Threats and Obstacles

- a. Gold sufficiency: Gold holder among countries is not rampant. The current data shows that stock of gold among countries is very conspicuous. If gold is not sufficient, some countries will face difficulties to obtain enough gold for their

currency. As presence gold is not rampant, gold just concentrate in the big countries i.e. USA and some Europe countries possessed 59%. Even OIC members just possess 10% of total of gold IMF (2010). Gold sufficiency will effect to Money supply and demand theory: This theory explains that the balance of supply and demand for money should be maintained, if it is not then it will cause some problems such inflation, deflation, and the instability. It is important to note that gold sufficiency must meet with demand for money.

- b. Optimum Currency Agreement (OCA): This theory is important because in our life today, a country is depending on each other. Then OCA aims to make sure whether a group of countries in accordance to implement a currency system simultaneously. For example, a group of countries that will implement the gold dinar must fulfill criteria for interdependence among Countries in the trade, shock of symmetry, mobility of production factors and the basic macroeconomic conditions (Salmy, 2011). Actually, no country today that is able to stand on its own.

Optimum Currency Area (OCA) consideration very important as a county before join to a common currency should evaluate benefit to their country. If they join to the common currency, they will consider benefit and lost based on OCA calculation. Includes macroeconomic condition of the country. In the current situation, gaps (social, economy and politic) among countries are very wide. The gaps mentioned will be regarded as a resistance. Implementation of the gold dinar as a whole must be on the whole world and cannot be implemented only in a few countries. Because all countries in the world interdependencies between each other.

However, to achieve agreement among countries to implement physical gold as currency will face some problems. As a first steps the implementation of the gold dinar currency started from OIC countries through bilateral commercial transactions / multilateral. Triono DC (2011) using the theory of optimum currency area (OCA)

and using model analysis Structural Vector Auto regression (SVAR) revealed that the OIC countries are eligible to perform common currencies. The research concluded that the best zone and more feasible for starting a currency union is North Africa zone, the next is South Asia and South-East Asia Zone and the last is the Middle East Zone. Besides that, if they have enough gold among zones, it will obtain some benefit if they conduct international trade by using gold as transactions settlement whether bilateral or multilateral.

- c. Implementation of gold as currency should be alone or it cannot be together with fiat system. If they use accordingly with fiat money Gresham Law will occur. Gresham's law theory explains that two or more currencies used the simultaneously in a country, it means the currency has no intrinsic value (bad money) and a currency which has value (good money), then will occur "Bad Money Drive out Good Money". Implementation of gold as currency should be alone. If they use accordingly with fiat money Gresham Law will occur, it means good money (gold) will be driven out by bad money (paper money), (Salmy, 2011, Meraa, 2012)
- d. IMF Articles or International regulations: the Infrastructure is the biggest obstacle, such as IMF ACT articles that have been established on May 30th 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 on their currency (the House of Commons, 1977; IMF 2010 a). Nevertheless, this Article can be canceled if 85% of IMF members (countries) agree to the amendment Act.
- e. Gold Counterfeiting and Gold Hoarding: in the current value it is possible the people to hoard gold to take some benefit. And in the current technology, it is possible making white gold by mixed silver and copper. Hence, implementation of physical gold as currency should be imposed by government, in order the government can control and manage the system by authority of acts.

- f. Domestic Acts (Act of security and control value of the currency). Examples for gold counterfeiting and Gold hoarding. In the current situation/value it is possible the people to hoard gold to take some benefit. And in the current technology, it is possible making white gold by mixed silver and copper. Hence, implementation of physical gold as currency should be imposed by government, in order the government can control and manage the system by authority of acts.
- g. Government awareness and willingness: The awareness/willingness depends on the awareness of the some countries in the regional area. Government or a country should have a strong awareness and enthusiasm in promoting the use of the physical gold as a currency. This is important because the implementation of Gold is impossible without supporting from the central government. As printing money is one of the important functions of the government. For example, during Caliph Abdul Malik bin Marwan, who has brought Physical Gold as a consolidation symbol of the people and be able to drive away the colonial, independence, and Islamic proud (Griersom, 1960).

3.7. Implementation Strategy

It can be concluded that gold system as the best system (in terms of fulfillment to the requirement) cannot be implemented. Therefore the first step is educating people in various ways. Secondly: Introducing of gold dinar system in small areas. Thirdly: Minting Gold dinars are needed for means introduce to the community. Then followed by a variety of seminars and educating other forums.

Moreover, it is necessary propose some techniques such Road map development, Using of gold dinar in the domestic transaction and lastly, transaction among individuals and business using gold facilitated by al-rahnu. To avoid chaos, gold dinar implementation should take appropriate way, steps by step strategy is better than radical

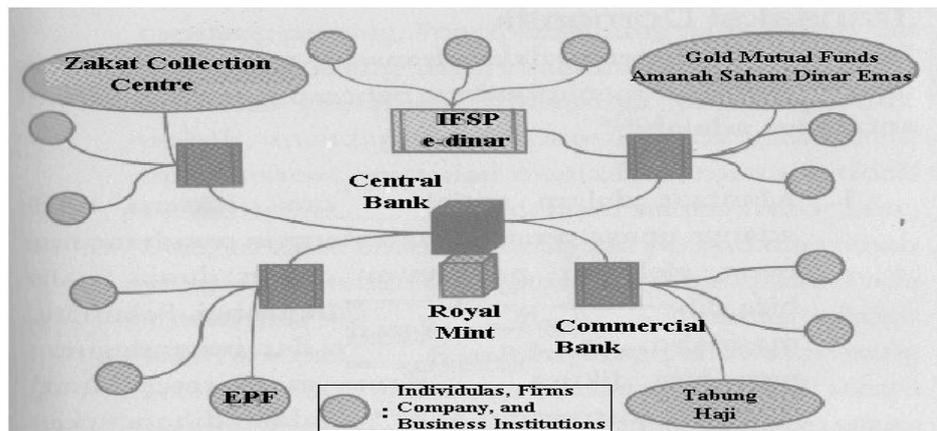
movement. Meera (2009) promote 15 years to establish gold dinar implementation, as follow:

Table 2 Time Frame Gold Dinar Implementation System

Time (Year)	Frame	Actions
0 – 2		<ol style="list-style-type: none"> 1. Educating People and Government awareness to the new era monetary system based on real money, commodity money, complementary money, and gold dinar. 2. Establish gold dinar Centre, producing and distributing information concerning the issue. It also produces pamphlet, brochures, and websites. 3. Socialization and promotion: Using gold dinar in international trade. It should be started in small scale and several countries. Countries could conduct a trading with a country which is as producer gold. Hence, a country is able to increase their gold stock. 4. Establish infrastructures i.e. cooperative, al-Rahn to realize domestic transactions system by using gold dinar.
3-5		<ol style="list-style-type: none"> 1. Encourage for establishment of gold saving company such as Employer Provide Fund (EPF), 'Tabung Haji', 'Amanah Saham Dinar Emas', Gold Dinar provider etc. 2. Mint gold dinar physically, networking and introducing with businessman in order they accept payment by gold dinar, i.e. retail shop, 'tabung haji', zakat centre etc. 3. Community establishment to practice a transaction by gold dinar payment. 4. Introduced and issued gold dinar debit cards, gold dinar charge cards, gold dinar cash cards, and e-dinar. 5. To establish Islamic World Mint to standardize Dinar mint.
6 - 15		<ol style="list-style-type: none"> 1. Channeling banks and businesses in order they make in gold payment system and replacement saving to the gold account. 2. Socialization to central bank in order they control money supply. And to replace money supply to M0 gradually. 3. A mass gold stock to back up M0 4. To promote using gold dinar in bilateral / multilateral trade 5. Develop the gold dinar system in PRICING in gold and settling also in gold. Pricing goods and services in gold is an utmost important characteristic of the ultimate gold dinar system. Such pricing in gold would virtually eliminate inflation from the economy.

3.7.1. Gold Dinar in the Domestic Transactions

The strategies of implementation of gold dinar are more appropriate if it execute gradually and carefully. The reason is if the transformation from fiat money to gold dinar drastically reforms, it will lead chaotic and disadvantages even the purpose is for public interest (Meera, 2004). Therefore it is better to introduce it in international level either bilateral or multilateral trade. This way is to minimize implication gold dinar toward economy such as national currency, banking system, and financial system (Meera, 2004). The simple approach to introduce gold dinar in the domestic area, it can be done by electronic payment system. It is similar with debit card which using the gold as money. As they are illustrated at the figure 1 below:



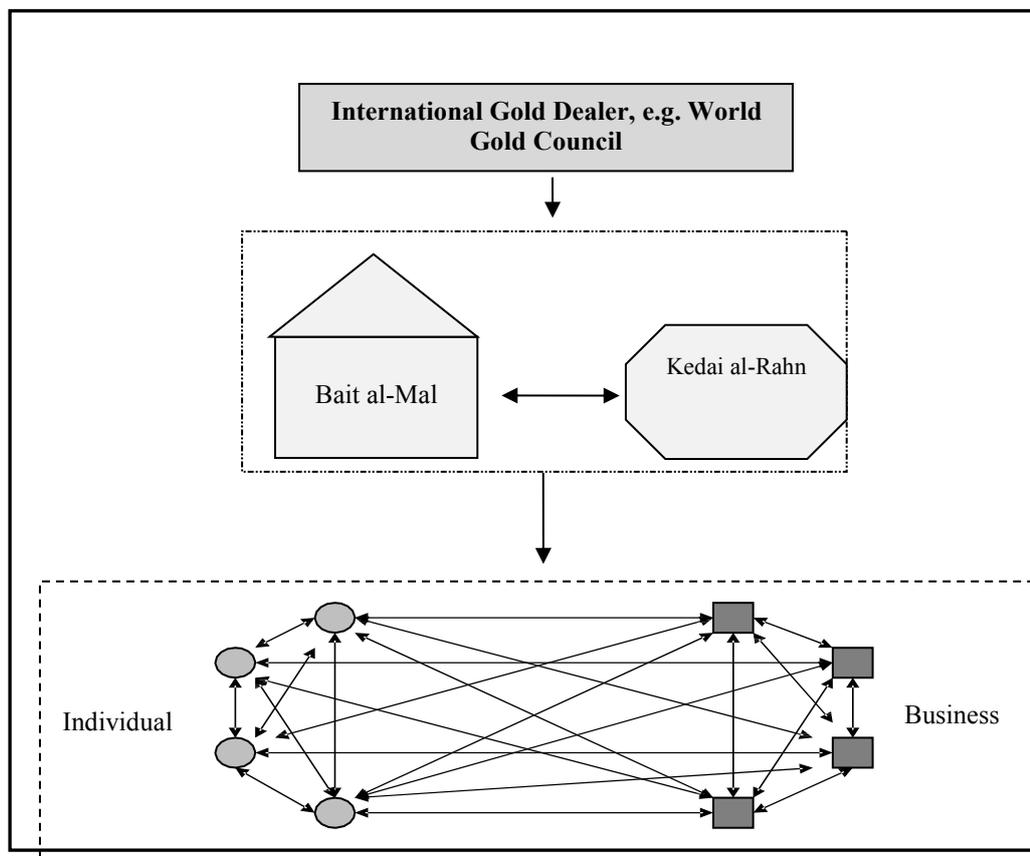
Source: *The Thief of Nations*

Fig1. Gold Dinar in the Domestic Transactions

The gold dinar in domestic transaction initially is for savings, besides that for payment of mahr, zakat, Hajj. It is also for transform savings into payment system. The transactions and payments domestic can integrate with modern financial architecture such as Automatic Teller Machine (ATM), Islamic debit card, Credit Card. E-dinar and card gold dinar can be done simply. Moreover, in term to take advantage of modern IT infrastructure and improve efficiency of the dinar system, the Kedai al Rahnu can also issue *gold dinar debit cards, gold dinar charge cards, and gold dinar cash cards* (Meera, 2009).

Firstly, gold dinar debits cards. These cards are managed by Kedai al Rahnu. It will issue these cards to those having gold account with the Kedai al Rahnu. The card can be used for making payments in gold dinar in outlets that would accept gold dinar. These outlets are also gold account holders (Meera, 2009). Secondly, gold dinar charge card. In the gold dinar charge card, the client need not have gold account. The gold dinar charge card is like the American Express card, where the client can use the card for gold payments and periodically receives statement for transactions made. The client is required to settle the amount in full. The difference here, from normal charge cards, is that the amount payable is in quantities of gold (Meera, 2009).

Thirdly, gold dinar cash card. The gold dinar cash card is similar to Touch and Go cards. The cards would be loaded with a certain amount of gold. The dinar cash card can be used for investment in gold and for making payments in gold. The cash card is card-based, as opposed to account-based in the debit and charge cards. This means if the card is destroyed, lost or stolen the client could lose the amount of gold it carries. Nevertheless, with modern technologies the cards could also be personalized (Meera, 2009). The third cards are used by individuals and businesses transact and transfer gold among their accounts using gold dinar debit cards, charge cards and cash cards. All their transactions are monitored electronically and real-time accounts kept by Kedai al-Rahn. Statements are sent to account-holders periodically. It is described in figure 2.



Source: *Integrating al-Rahn with the Gold Dinar: The initial building-blocks towards a gold-based economy* by: Meera (2004)

Fig.2. Transaction among Individuals and Business Using Gold Facilitated by al- Rahn

4. Conclusion

Based on the above discusses, it can be concluded as follows:

1. In terms of historical perspective, there is an evidence that gold dinar as money have been used began pre-Islamic, Islamic era until the collapse of the Ottoman caliphate. This historical evidence might be strengthening the effort for establishing gold dinar as the currency in the current economy.
2. After gold union was exterminated, the world currency experienced four global crises, namely crisis first generation in 1970 and 1980's, second generation in 1992, and third generation crisis in 1997 (Krugman, 1998). Besides that, there are two global crises happened, global economic crisis in 2008 and Euro crisis in 2010 which are may be called fourth and fifth generation crisis. It is obvious that there is a problem in fiat money besides having its goodness.
3. The initial using gold / silver as money is permissible. Nevertheless, the ruling is subject to change when the government wants to print its own currency. If the primary objective of the printing is to complete the implementation of the Sharia laws which have been charged to them (especially the law with respect to currency such as zakat, kanzul mall, hudud, diyat, sarf, etc.) As well as to protect the entire territory from the possibility that the use of foreign currency may harm the economy of its people, then the ruling becomes mandatory / wajib.
4. Regarding the relationship between fiat money and maqashid sharia. It can be said that fiat money could not realize the ethico-moral objectives of maqashid sharia.
5. From the above reviews, it is clear that the financial system based on gold and silver have more strong point and the advantage in terms of fairness, stability, similarity and welfare, whereas fiat money enable to be duplicated easily to trigger the economic growth and also it is practicality/mobility.

6. Based on discussion, shows that Physical Gold System (PGS) faces many challenges such as the IMF articles, gold reserve adequacy and international agreements. Besides that, all used economic theory proven that PGS cannot fulfill the requirement. Whereas, Gold Backed System (BGS) has an even better level than PGS in terms of: economic theory and infrastructure factors. Both PGS and BGS are fulfilling to the sharia requirements. However, Fiat money backed 100% gold reserve is qualified in terms of: most all economic theory and some infrastructure.

However, this system does not comply with sharia requirements such as *riba*, *gharar* and *maysir* the elimination. Besides, it is also not able to guarantee a just and stable system. Finally, The system based on Gold as measurement of value which is implemented by cooperative is considered as the best system, based on the several facts that the system; is conforming to function of money, fulfill the requirements commodity as money, not opposite to the economic theory in term of money supply and demand, Gresham's theory, and Optimum Currency Area (OCA), fulfill the infrastructures criteria, is in line with Islamic value in term of Fiqh requirement, *Riba*, *Gharar*, *Maysir*, and Justice / Fairness principles.

7. To avoid chaos, gold dinar implementation should take appropriate way, steps by step strategy is better than radical movement. Therefore most steps are educating people in various ways. Secondly: Introducing of gold dinar system in small areas. Thirdly: Minting Gold dinars are needed for means introduce to the community. Then followed by a variety of seminars and educating other forums. Moreover, it is necessary propose some techniques such Road map development, Using of gold dinar in the domestic transaction and lastly, transaction among individuals and business using gold facilitated by *al-rahnu* as well as Cooperatives. Involving the Cooperatives model is considered as the right path in term of developing gold dinar on the society. As Cooperatives is establish from and to the society.

References

- Ahmad, Sanep. (2009). *Dinar Emas: Pilihan Penuh Dilema. Seminar Antarabangsa Penjanaaan Ekonomi Melalui Transaksi Wang Dinar (pp. 53-66)*. Bangi, Selangor: Universiti Kebangsaan Malaysia. Utusan Malaysia. 2002.
- Al-Mawardi. (1990). *al-Ahkam al Sulthaniyah (cet. 1)*. Beirut. Darul Kutub al-Arabi.
- An-Nabhani, Taqiyyudin. (1990). *An Nizham Al Iqtishadi fi Al Islam*. Cetakan IV. Beirut: Darul Ummah
- Asshidiqi, Jimly. (2009). The Former Head of Indonesian ‘Mahkamah Konstitusi’, disampaikan dalam Seminar masa Depan Aceh, FH UNDIP April 2006.
- Bank Indonesia. (2010). Annual Report
- Bordo, Michael D., et.al.(2003). Gold, Fiat Money, And Price Stability. Working Paper 10171. National Bureau Of Economic Research. Cambridge. December 2003.
- Bordo, Michael D. & Lars Young. (2001). A Return to The Convertibility Principle? Monetary and Fiscal Regimes in Historical Perspective- The International Evidence. Rutgers University, National Bureau of Economic Research US & Stockholm Economic school, Swedia. No. 159
- Jerry, Evans. (2010). *Fiat Money and the Conspiracy Behind It*. USA: Author House Publishing, Blomington
- Financial Times Lexicon. Seigniorage. www.lexicon.ft.com/Term?term=seigniorage accessed 30 July, 2012
- Grierson. (1960). The Monetary Reforms of Abdul Malik. *Journal of the Economic and Social History of The Orient* , 245-260
- Griffin, G Edward. (1999). *The Creature From Jekyll Island*. California: American Media.
- Hakim, Cecep Maskanul. (2001). *Sistem Dinar Emas: Solusi untuk Perbankan Syariah. Dlm. Dinar Emas Solusi Krisis Moneter*. M. Ismail Yusanto et. al. (pnyt.). Jakarta: Pirac, Sem Institute, Infid
- Haneef, M Azlam & Emad Rafiq Barakat. (2002). A Preliminary Survey of Fiqhi Opinions and Their Implications. Dlm. Proceedings 2002 International Conference on Stable and Just Global Monetary System – Viability of The Islamic Dinar. International Islamic University Malaysia. Kuala Lumpur: t.pt.
- Hasan, Ahmad. (2005). *Mata Uang Islam*. Jakarta: PT. RajaGrafindo Persada.
- Hayek. (2011). Local Currencies Grow During Economic Recession. the World watch Institute 2011, bblock@worldwatch.org.
- Hosein, Imran N. (2007). *The Gold Dinar and Silver Dirham: Islam and the future of Money*. Kuala Lumpur, Malaysia. Ramadan 1428/October 2007

- Hosein, Imran. N. (2008). *Dinar Emas dan Dirham Perak: Islam dan Masa Depan Wang*. Kuala Lumpur: Darul Fikr.
- Jati, Sigit Purnawan. (2001). *Dinar Dan Dirham Sebagai Mata Uang Islam. Dlm. Dinar Emas - Solusi Krisis Moneter. Ismail Yusanto et. al. (pnyt.)*. Jakarta: Pirac, SEM Institute, Infid
- Khaldun, Ibnu. (1986). *Muqadimah*. Beirut
- Kamali, M. Hashim.(1989). 'Siyasah Shar'iyah or the Policies of Islamic Government'. The American Journal of Islamic Social Sciences, 1989, vol. 6, no.1, p. 61
- Karim, Adiwarman. (2006). *History of Money*. Jakarta: GIP.
- Krugman, P. (1998). *Currencies and Crisis*. New York: Jhon Willey & Sons
- Mahani, Nik. (2011). Penggunaan Dinar-Dirham Maqashid Syariah and Reality Masa Kini.In Working Paper Dinar Emas Solusi Krisis Moneter. Maret 2011, Jakarta, p.19-39
- Meera, Ahamed kameel Mydin and Hassanuddeen Abdul Aziz. (2002). The Islamic Gold Dinar: socio Economic Perspectives, proceedings of the 2002 International Conference on Stable and Just Global Monetary Sytem International Islamic University Malaysia.
- Meera, Ahmed Kameel Mydin and Larbani Moussa. (2009). Ownership Effects of Fractional Reserve Banking: An Islamic perspective," Real Money (ed. A. Kameel Mydin Meera). Malasyia: IIUM press.
- Meera, A.K.M. (2009). *Real Money : Money and Payment Systems from an Islamic Perspective*. Malaysia:IIUM press.
- Meera, A.K.M. (2010). 1st World Conference on Riba. Proceedings 1st and 2nd November 2010, Kuala Lumpur, p.1-14
- Meera AKM, (2011). Comment of "The Case Agaist the Islamic Gold Dinar By Professor Dr Murat Cizakca. Kuala Lumpur: INCEIF.
- Meera, A.K.M. (2011). "The age of Turbulence" Greenspan. Retrieved from www.ahamedkameel.com. Nov 11, 2011
- Qayyim, Ibnu. (1961). *al-Turuq al-Hukmiyyah fi al-siyasah al-shar'iyah*. Cairo: al-Mu'assasah al-'Arabiyah li al-Tiba'ah (1380/1961), p. 16
- Rosli and Barakat. (2002). The Economic Thought of Al-Mahrizi: The Rooe of the Dinar and Dirham as Money, Proceeding, International Conference on Stable Just Global Monetary System Viability of the Islamic Dinar, IIUM. P 125.
- Saidi, Zaim. (2001). *Menuntut Kembali Keabsahan Dinar. Dlm. Dinar Emas Solusi Krisis Moneter. M. Ismail Yusanto et. al. (pnyt.)*. Jakarta: Pirac, Sem Institute, Infid.

- Saidi, Zaim. (2007). *The implementation of Islamic Gold Dinar economy*. Kuala Lumpur: Longman Malaysia
- Saidi, Zaim. (2009). *Implementation of Islamic Gold Dinar Economy: The Indonesian Experience. in Real Money*. IIUM Press
- Salmy, Edawati and Wan, Kamal Mujani. (2011). Cabaran dan Prospek Pelaksanaan Sistem Mata Wang Berasaskan Dinar Emas. Conference Paper, Seminar Kebangsaan UKM, Malaysia , 2011.
- Salmy, Edawati. (2012). *Mekanisme Dinar Emas dan Pelaksanaannya dalam Ekonomi Semasa*”. UKM Press.
- Salmy, Edawati. (2012). The reality of Gold Dinar Application in Malaysia, Journal of Advances in natural and Applied Sciences, Vol 6 (3): 341-347 , 2012
- Siswanto, Dodi. Kecukupan emas untuk dinar dan rasionya dengan dirham, Studi kasus Indonesia, Presented Proceeding, University of Malaya Conference, Malaysia 15th September 2002
- Triono, Dwi Condro and Sanep. (2011). Phd. Thesis, Pusat Pengajian Ekonomi Fakulti Ekonomi dan Perniagaan Universiti Kebangsaan Malaysia.
- University of Malaya Statement. (2002). The Architecture of the Gold Economy - an Academic Perspective University Malaya, 2002, <http://www.dina.artikel.com/pdf/The%20Architecture%20of%20the%20Gold%20Economy.pdf>
- Wan, Kamal Mujani. (2006). The Monetary System During The Mamluk Period. Jurnal Islamiyyat , 29-43.
- Wan, Kamal Mujani. (2009). *Sejarah Dinar Menyusuri Zaman. Seminar Antara bangsa penjaanan Ekonomi Melalui Transaksi Wang Dinar (pp. 1-52)*. Bangi, Selangor: Universiti Kebangsaan Malaysia.
- Yaakop, R. Bin. (2007). Gold dinar - the Kelantan Experience. Paper presented at the International Conference on Gold Dinar Economy 2007, Kuala Lumpur
- Zallum, Abdul Qadim. (1983). *Al Amwal fi Daulatil Khilafah*. Ed. ke-1. Beirut: Darul Ilmi Lil Malayin.