

DESIGNING *FITRAH* MONEY: A MAQASIDIC DISCOURSE¹

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Abstract

Academic efforts in concocting a plausible alternative to fiat regime often staggers given inherent constrictions of Islamic jurisprudence and economic technicalities. Despite passionate advocacy of Muslim scholars, the campaign for gold dinar and silver dirham runs into allegations of being simplistic, anachronistic, regressive, unnecessary, and sub-optimal. Shunning the popular *Maqasidic* and historical approaches in debunking these claims, this paper highlights the need for a return to basics, the default factory settings as designed by God, and trowels a *fitrah* approach in evaluating gold and silver. As such, we proffer an open-minded approach in formulating an *Islamically* congruent currency and decry obstinate fixation with gold and silver, which hardly serve the best interests of *ummah*.

Keywords: *Fitrah, fiat money, bimetallicism, maqasid shariah.*

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I. INTRODUCTION

The debate on the optimum efficient and fair monetary system is as old as the civilization itself. As evidenced by numerous historical experimentations, a consensus has hardly existed as to what constitutes the ideal monetary regime and currency. The debate is especially topical in today's day and age spurred by the incremental severity of financial fiascos engendered by the laissez-fair economic philosophies. For Muslims, in particular, the issue represents a guardian knot, considering the ubiquitous interlace of fiat monetary system with *riba* (usury) and its resultant. Instead of wistful reminiscence of a hoary age of Islamic empire and financial opulence that coincided with gold (*dinar*) and silver (*dirham*) coinage, this paper imbues a *fitrah* (natural inclination) based approach in outlining what a monetary system should and shouldn't be, as well as appraising the much vaunted gold and silver standards' efficacy.

II. WHAT IS FITRAH?

Instead of adopting the traditionally economic, pragmatic, utilitarian, normative, even *fiqhi* (Islamic Jurisprudence) perspectives of evaluating monetary regimes, the merits of money and currency systems are pitted against their suitability in advancing the primordial disposition and instinctive constitution of Muslims, and by extension Humans. Inspiration for this approach springs from several famous prophetic narrations and Qur'anic verses. But first, let's venture a cursory look at the lexical roots of the term *fitrah*. Its constituent linguistic roots are the Arabic radicals fa, ta, ra; corresponding to cleaving or cracking (Taymiyya 1979). Hence, the word *fitrah* is used to connote begetting the existence or creating a thing. This is why Islam is referred to as the religion of *fitrah*, i.e., a religion of and for human nature, for its commandments are concordant with and propagate natural inclinations of the human *fitrah* in worship and submission to the monotheistic deity, Allah. This is corroborated by the Qur'an—chapter 30, verse 30:

"So direct your face toward the religion, inclining to truth. (Adhere to) the *fitrah* of Allah upon which He has created people. No change should there be in the creation of Allah. That is the correct religion, but most of the people do not know."

In this verse, thus almighty God describes *fitrah* as the default factory setting upon which humans are delivered. This is further expounded by the

following prophetic narration: "Every child is born upon the *fitrah*, and then his parents make him into a Jew or Christian or Magian. Likewise, animals are born unbranded. Have you ever found an animal born branded until you brand it yourselves?" Here, *fitrah* refers to a naturally developing tendency that shapes how humans countenance the world around and its affairs. The celebrated theologian of Shafi'i law, an-Nawawi was quoted by ibn Hajar al-Asqalani as defining *fitrah* as the unconfirmed state of faith prior to cognizant self-affirmation (Ibn Hajar 1998).

2.1. FITRAH AND MONEY

At first glance, the connection between a monetary system and *fitrah* may seem puzzling. As such, some explanation is warranted to elucidate how it is imperative for the proponents of tawhidic (Islamic Monotheism) worldview to design or adopt financial practices congruent with *fitrah*. First off, lessons from *fitrah* endow us the understanding that humans have been sent on earth as viceregent, possessing *iradah* (free-will) and *'aql* (independent intellectual reasoning) (Fazli, 2013). This furnishes humans with discernment of right from wrong, good from evil, and noble from abhorrent. It is also central to the commandment of enjoining the *ma'ruf* (good) and forbidding the *munkar* (bad), and resisting the temptations of his *nafs* (lower self).

In recent times, a sizeable amount of academic work has been carried out in analysis of fiat currencies' performance in advancing the Maqasid (objectives) of Shari'ah. Most of such works unequivocally affirm the ills of the prevalent monetary system. Unfortunately, aside from reiterating the usurious elements of fiat monetary systems, such academic discussions only appear to regurgitate the ills of an unconvincing monetary regime against which non-Muslim scholars are already vocal. There are also movements engaged in snowballing to design alternate solutions. Notwithstanding *fiqhi* (jurisprudential) and technical issues, we argue the *fitrah* approach is unique in analyzing the pros and cons of any monetary system in light of the spiritual needs of the Muslim *ummah* (community). As such, even a monetary system which overcomes the legal-economical hurdles of Shari'ah (Islamic law or way of life) legitimacy may prove counter-productive through alienating the *ummah* from its *fitrah*.

To this effect, this paper will shun the fiat framework altogether—presupposing its culpability given extensive body of work by Muslim and non-Muslim scholars—and will shed light on the commonly proposed

alternatives; most noteworthy among which are the two metals: gold and silver. Another significant facet of the fitrah approach is acknowledgment of the corruption induced by environment and underscoring the necessity to eliminate it to revert to the pure, original state. Without external, environmental contamination, the interplay of human free-will and intellect is bound to result in what Maslow's hierarchy called self-actualization, or what Islamic scholars refer to as the apotheosis of spiritual development, culminating in nafs al muthmayenna, (the ultimate serene soul).

2.2. GOLD AND SILVER

Metal has historically been the base of currencies. Despite the overwhelming domination of Gold as the choice metal in last few centuries, it is silver which holds the distinction as the first true metal used as currency, dating back to Greek silver tetradachm era of trans-Mediterranean trade (Foss, 2013). Successful transatlantic voyages in post-Columbus era led to profuse minting of silver coinage by Great Britain and Spain. In fact, the sterling in 'pound sterling' denotes a specific kind of silver. As its empire grew, Great Britain later switched to Gold and soon other imperial powers followed suit. Despite widespread use since the outset of civilization as means for trade and beautification, gold's scarcity meant it was always dearer than silver. Most nations that adopted silver for payment mechanism eventually switched to gold, pinnacle of which was the US turning to Gold standard in 1873. Since the 1700s gold was used in financing many wars. However, the colossal depletion of gold reserves in Great Britain paves the way for wholesale desertion of the gold standard, ending in modern free float fiat regime (Romer and Romer, 2013).

Nixon's dissolving of Bretton Woods agreement was the final nail in the coffin of all metallic standards. In recent decades, in the backdrop of George Soros's battle against the British Pound, 1997 ASEAN currency crisis, and, most significantly, the 2007-2008 subprime mortgage crisis, gold-bug drumrolls are reverberating again. And this is not just limited to Tea Party enthusiasts or Austrian economists (Salerno, 2012). Large scale unemployment, emergence of BRICS nations, higher currency volatilities inter alia have catalyzed the momentum of the call for a reversion to gold or silver standards. This is especially significant for the Muslim countries, whose faith tradition is replete with instances of currencies like gold dinar and silver dirham. Sans nugatory precedents of copper fulus (payments), gold and silver are de facto synonymous with money in Islamic economic history (Islahi, 2011).

This reinvigorated interest in metal standards has led to comparison between gold and silver to determine which serves the interest of the economy the most, if at all. Gold's prime attraction stems from its greater value as a means for a more potent currency than silver, which is, in contrast, offset by silver's superior availability. This led to some Austrian economists advocating for bimetallic standards, where both gold and silver are used. In contrast to history where it was to a citizen's advantage to convert his/her currency back to gold or silver, modern economic agents have a much higher incentive to value the convertibility of precious metals into fiat currency. Discounting theoretical objections to the viability of metallic standards in today's age, there are practical obstacles as well. For starters, gold standard's infamy as the usher of great depression can be linked to its intrinsic fiscal hawkishness that dissuaded the-then US treasury to expand the money supply, attested to by Ben Bernanke and Alan Greenspan. Other economists have argued the existence of an inverse relationship between emancipation from a metallic standard regime and economic recessions. Aside from historical arguments, adoption of gold or silver standards poses logistical constraints too.

The dependence of economic activities on supply of metals leaves an inordinate decree of power in hands of miners, practically rendering the central bank and finance ministries around the world useless, powerless and helpless. Besides, considering that we're already involved in a fiat regime, the sheer size of the precious metals market would have to inflate many times to align the notional value of all fiat currencies. Not to mention the counterparty risk involved in such a regime which is not immune from the necessity of a central agency who would issue promissory notes certifying the holding of metal. Another challenge is the denomination of assets. Since the value of gold or silver itself is denominated in fiat units, and as such returns on gold and silver are benchmarked to assets denominated in the same or other fiat units; the eventual result is very similar to a fiat regime.

Interestingly, in recent times, one Bernard von NotHaus attempted to devise an alternative Dollar backed by precious metals in 1998 (Hill, 2014). At its peak, NotHaus's scheme had nearly 300,000 adherents. The experiment terminated in 2009 when US Government enforced code 486, according to which no one can distribute any metals as currencies. The return to gold is further onerous, considering the explicit ban on embracing gold money by IMF, outlined in article IV, section 2(b) (Bernanke, 2013). This underscores the reluctance of major economic powers to entertain any

reversion to metallic standards. Thus it is safe to surmise the case for commodity money on a macro scale is still not a tenable proposition at regulatory levels, owing partly to the thinly veiled threat to the sovereignty of the issuers of fiat currencies.

III. DESIGNING FITRAH MONEY

Designing a fitrah money is as much an economic venture as it is legal and spiritual. A fitrah congruent currency will at least shun some undesirable conditions: hidden tax on lenders (inflation) and hidden tax on borrowers (deflation). The former impedes the purchasing power of fixed income consumers, and the latter taxes unduly the entrepreneurs and producers of amenities and goods. A fitrah money ought to also stop the hemorrhage of inter-generational poverty and dynastic debt burdening. A fitrah currency is commodity blind by default, meaning it is neutral in its choice for underlying or backing object; be it metals or paper or electronically mined binary numbers. Its merit stems from allocating just the right sum of money chasing just the right amount of goods and services. Another aspect of a fitrah money will be its ardent advocacy for growth.

Mainstream economics has far too long misconstrued and mis-advocated the notion of growth. Growth not only entails amelioration of economies in arithmetic size but also involves greater sustainability, eradication of inequalities and preferment of wealth parity. Borrowing from al-Ghazali's Maqasid pentagon framework (Salleh, Noor, Bahrom, Ridzuan and Zainol, 2013), a fitrah money has to promote growth to protect the wealth of citizens via eliminating poverty as well as removing hindrances to growth. History shows that the much romanticized gold standard was rife with precedents of recession whenever gold supply was stifled, stayed stagnant, or grew at a pace lower than economy's prospects of real growth. All of these led to inter-generational transfer of poverty, violating another two of al-Ghazali's Shari'ah objectives (Arsad, Ahmad, Fiso, Said and Haji-Othman, 2015): nafs (self) and nasl (lineage). A fitrah money also has to eschew the mistakes of fiat regime, the harms of fractional reserve banking, the evaporation of purchasing power through inflation, erosion of value of labor, and attain the objectives of Shari'ah through advancing social justice and welfare.

IV. CONCLUSION

Despite all the ruckus and hullabaloo, reverting to the gold or silver standard appear to be an unfortunate, reactionary and unnecessarily backward step; even worse considering it the vehicle to implement a grossly romanticized utopian notion of re-establishing Islamic caliphate. If gold and silver duly merit reinstatement, let it be so on actual economic grounds, practical-legal foundations, and as harbingers of obvious *maslaha* (welfare) to the Muslims. Islamic jurisprudence is rich, variegated, and accommodative of diverse currency structures, and isn't intellectually bankrupt enough yet to constrict itself to a nostalgic obsession with two metals which have evidently grappled with lackluster performance in countering economic ills. That being said, the tribulations of endemic fiat regime are not to be underestimated either.

The ultimate point of this paper is concomitant rebuttal of the idealized obsession with gold and silver and a sincere invitation to designing an opposite Islamic currency that is congruent with human *fitrah*, promotes Islamic ideals of social equity and justice, eschews spiritual vices as consumerism, materialism, abolishes the dubious culture of entitlement, etc. Instead of weakly founded conviction that treats gold *dinar* and silver *dirhams* as panacea, efforts should be directed in finding alternatives that aren't reactionary, don't reek of 19th century mercantilism, don't recommit *laissez-faire* mistakes of unregulated financial collapses, minimize dependence on non-Muslim world powers and solidify pan-*ummah* unity, and above all attain the religious, monotheistic objectives of Islam. As Rick Boettger once said, using gold to back up money is like using old poker chips to back up new ones. We tend to concur with that sentiment. A blind reversion to gold or silver will be regression. That sells the *ummah* short.

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