Intellectual Discourse, 2002
Vol 10, No 1, 103-106

Conference

International Conference on Stable & Just Global Monetary System

The International Islamic University Malaysia organized an International Conference on Stable & Just Global Monetary System on 19th and 20th of August 2002 that explored Viability of the Islamic Dinār. This conference was among the pioneering International Conferences that addressed the current and the pertinent issues of the relationship of the monetary stability and justice. Following welcome address by Prof. Dr. Mohd Kamal Hassan - the Rector, the conference was declared open with the Keynote address by Y.Bhg. Tan Sri Dato' Nor Mohamed Yakop – the Special Adviser to the Prime Minister of Malaysia. After briefly discussing the current politico-economic environment, he argued that the current defective monetary system was the root cause for the loss economic power resulting in a loss in political sovereignty by the developing countries. This due to an ever increasing gap between the rich and the poor. He argued that the use of Islamic Dinār by the developing countries for their mutual trade would save them from many of these losses. He informed that Malaysia is intending to use Islamic Dinār for trade with Muslim countries and suggested a settlement-mechanism to enable this to happen.

Papers

A total of 19 papers were presented at the conference. Dr. Tarek El-Diwany explained the History of the Modern Monetary System. He explained that the creation of debt by banks to earn interest under the fractional reserve system lead to continuously increasing debt and money supply resulting in inflation, concentration of wealth, trade cycle and depletion of resources. Dr. Bernard Lietaer, in his paper, argues that due to the indifference of USA and because it will be resisted by powerful vested interests, no major initiative to replace the fiat money system with a just monetary order is likely to emerge. Prof. Kabir Hassan discussed micro-money of the 100 per cent reserve monetary system. He discussed the micro-money real economy relationship and presented policy conclusions to solve the economic problems of the Muslim Ummah. Dr. Mahmood M. Sanusi explained the prominent position the Sharīʿah has granted to gold and silver. He discussed the Islamic approach to money and the forbidden practices with regards to money. He proposed seven steps to establish a monetary system based on divine principles.

Dr. Hifzur Rab discussed the problems created by the fiat money and explained that interest and debt based fiat money was responsible for most of the economic, social and political problems as well as for growing fraud, corruption and moral degradation. He explained that interest based fiat money and its continuing depreciation made it impractical to organize business practices in accordance with Sharīʿah as interpreted by most of our *ʿulamāʾ*. He was of the view that due to capacity of the greedy capitalists to cause gold prices to fluctuate, Islamic Dinār may not perform very satisfactorily and suggested instead that the currency be linked to a basket of *amwāl-e-rabuwiyyah* where nearly two-thirds of the weightage is assigned to gold and silver being the best standards of wealth. Currency linked to basket of *amwāl-e-rabuwiyyah* would provide a robust standard of wealth conforming to the provisions of the divine law at an insignificant cost and allows money supply to be raised to deal with the exigencies.

Dr. Saiful Azhar Rosly discussed the economic thought of Al-Makrīzī who proposed that supply of *fulūs* be restricted. He maintains that the use of gold Dinār order (that is almost the same as using gold Dinār as unit of account) will help us follow the Sharīʿah. Dr. Saiful Azhar Rosley believes that it is essential to use gold Dinār as unit of account while Hifzur Rab holds that only reliable measure of wealth that include gold Dinār can be used as unit of account. Dr. Mohd. Aslam Hanif presented a preliminary survey of Fiqḥī opinions on units of moneys. He discussed evidences supporting the two groups of *fuqahāʾ*, one that limits money to gold and silver only, and the other that opposing such restrictions. Aslam Hanif preferred the latter view. He also does not seem to consider when the fiat money has created more problems than it solved. Dr. Ahmed Kameel Mydin enumerated the problems with the current monetary system, asset price bubble, trade cycle, currency speculation and socioeconomic effects. Emphasizing stability associated with gold Dinār, he argues that it promotes justice and suggested the use of information technology to achieve smooth transition to gold Dinār.

Dr. Mohd. Mazhar Iqbal discussed the international financial architecture and the severe injustice incurred by the developing countries due to US dollar having taken the position of virtual world currency. USA has massive advantage in the form of seigniorage without shouldering any responsibility. He explains that neither the fixed nor the floating exchange rate offers any relief to the developing countries. Furthermore, dollarization and currency board are also equally harmful. He opines that Islamic Dinār can perform well as a world currency but feels that vested interests are not likely to allow that. He holds that sooner or latter the developing countries will have to act unilaterally. In his opinion the time is not ripe for a monetary union among the Muslims to be started at the earliest. He maintains that gold anchoring for mutual trade will solve most of the problems related to trade and help prepare for a union.

Mr. Rodney Wilson explained seven steps that were essential for justice. One of his major arguments is that instead of borrowing money from banks, government should create enough money to provide it free of interest for mobilization of socially desirable projects. He argued that this will not cause inflation but some participants felt this opinion to be unsound. Thus, everyone should have two sources of funds, one from capital (poor to be provided by government help) and the other from one's own efforts. David M Pidecock presented Zakaria A. Bawany's article "Interest and Loan Free International Trade." He suggested the use of real money unit (RMU) that is at par with US dollar and therefore, has the same exchange rate as the dollar. Every country gets an import quota that balances import with export so that there is no payment to be made. Thus, countries are able to trade without being required to maintain any foreign reserve, which is a great advantage. There are no debts and therefore, no interest.

Abdul Halim A. Hamid discussed the effects of Dinār and Dirham on banking and enumerated seven tenets that an entrepreneur bank should follow in the light of the Sharīʿah. Mr. Jalalullail Othman discussed the application of the existing laws and regulations in Malaysia in relation to the usage and implementation of Dinār from a private sector perspective. Dr. Hafiz Majdi A. Rashid presented an empirical study of the value and stability of gold Dinār and its accounting implications. He concluded that the results confirm stability expectation and there is very favourable case for proposing the use of gold Dinār in international business transactions. Habib Ahmed briefly discussed the nature of money in Islamic economy and explained that transaction based on Islamic principles have inherent features of exchange rate stability. Mohd. Masum Billah holds that paper money system has many flaws and holds that poor understanding, relationship and institutions in case of the Muslim countries to be the main obstacle. He explains that the Islamic Dinār will help Muslim countries unite, make them financially stronger and increase trade between them, and therefore, Muslim countries ought to join hands to create the Islamic Dinār.

Dr. Umar Ibrahim Vadillo presented the paper "The Modus Operandi of the Islamic Dinār System." He describes how people became rich in the current fiat money system without adding a single service or product to the community's output. He explained that while the Islamic Dinār may be expensive for the central banks but the most expensive thing for the poor is the US dollar. He contrasted the world's monopolistic distribution organization with the Islamic markets and the Carvan that leads to truly open markets. He rejected the Islamic banks and the modernists who claim to have Islamised everything. Highlighting the fallacies of the existing system he says that modern economists hold that Microsoft is worth US$640 billion while estimating the gross domestic product of 220 million people of Malaysia to be US$140. He argues that this one company can never have value equal to entire nation of Malaysia and clearly the economists have got it wrong. We should refuse to sell gold Dinār for paper (dollar etc.), then gold will increase in value and paper will decrease. He suggests that there should be new chair of Islamic trading in our universities to explore new ways of thinking and genuine Islamization. Prof. Mohammad Anwar presents a comparative study of currency unions of Euro and gold Dinār. Considering that gold Dinār currency union of all Muslim countries is not viable at present, he recommends that a parallel currency approach to initiate move towards currency union and adoption of gold Dinār. Currency union may be adopted by existing sub-groups of Muslim countries.

The proceedings of this conference have been published by the International Islamic University Malaysia. Though there is significant disagreement on how to proceed, a study of the conference papers reveal that the conference provided a platform for developing consensus. The conference concluded with a need to further study the following:

(1) Serious detrimental effects on the economy arising out of variation of price level with respect to unit of account and known ability of the greedy capitalists to cause the price level with respect to price of gold to fluctuate. This should be coupled with the fact that these people are most likely to do so to protect the existing monetary system that best serve their vested interest.

(2) Severity of the problems created by fiat money based monetary system are no less harmful to the nations internal transactions than in case of foreign transactions.

(3) Mechanisms to change the existing monetary systems. Unless the losers (have-nots) adopt such measures that deactivate or annul the procedures that allow the rich and powerful to gain at their cost the powerful vested interests may not allow the monetary system to change.

Hifzur Rab
Al-Hamd Charitable Trust, India.