

THE IMPOSSIBILITY OF REVIVING *DINAR* AND *DIRHAM* CURRENCY SYSTEM IN THE MODERN ECONOMY WORLD

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ABSTRACT

This study proves that in the discourse of fiqh, Islamic history, and Islamic banking the position of the concept of reviving the currency of dirham and dinar is very weak. Indicators that justify the conclusion of this study are: (1) there is a correspondence with historical evidence of inflation in the Islamic world, (2) there is correspondence with thoughts of fiqh, (3) there is a correspondence with modern syariah financial concept, and (4) there is a correspondence with Islamic banking attitude.

This study is written to challenge the idea of Ahmad Hasan, Hifzu Rab, Khan-Mirakhor, Meera-Larbani, and Umar Vadillo who state that inflation problem in Islamic world is best solved by reapplying the currencies of dinar and dirham as bases of transaction mediation. The inaccuracy of conclusion of the modern Islamic economist figures was shown by many historical facts showing the turmoil in values of these two gold bills in time of inflation. Other reasons for the fragility of these two currencies are; (i) lack of support of the fiqh expert in strengthening these currency systems as way out of the inflation-affected transaction, (ii) lack of support of fiqh experts to urge Islamic worlds to use only dinar and dirham as official currency, (iii) lack of support of Islamic banking experts to revive the use of dinar and dirham as transaction bases and remedy for inflation-affected transaction. The facts showed that the chosen system taken by fiqh and Islamic banking experts in settling the inflation-affected transaction was the strengthening of mu'âmalah transaction system instead of alternating the currency system. The outcome of the strengthening the mu'âmalah transaction system is a concept of price adjustment. The concept of price adjustment gives a strong implication to modern Islamic banking as an instrument of the mu'âmalah transaction system support when facing inflation cases.

Keywords: *inflation, islamic banking, dinar, dirham*

INTRODUCTION

Gafoor (1999: 23) in the study entitled *Commercial Banking in the Presence of Inflation* states that inflation can bring about capital erosion and in turn, the investment cost. The interesting part of Gafoor's conclusion is that such erosion does not only occur on the investment of conventional bank but also in Islamic banks. Apparently, the efforts of

Islamic banking to establish an economic justice does not suffice by urging *ribâ*-free principles, because it still faces new more-complicated problems i.e. the presence of inflation.

Inflation problems give more burdens to the position of Islamic bank, because it always gives results in the weakening of investment efficiency and productivity, the rise of capital cost, and the absurdity of future cost and earnings (Heylen *et al.* 2003:21). Inflation can

also trigger horizontal conflict between Islamic bank and the depositing customers who act as *shâhib al-mâl* because the value of capital that they will receive in future is smaller than the factual value. Horizontal conflict may also occur between the Islamic Bank with the *murâbahah* customers, because inflation case results in the impossibility for the Islamic Bank to escalate the selling price of *murâbahah* goods, so the customers do not pay for the price in line with the rise of inflation rate.

Such problems provoke reactions from the modern Islamic economists, like Ahmad Hasan, Hifzu Rab, and 'Umar Vadillo, who urge the reviving the *dînâr*¹ dan *dirham*² as a way out or solution for some cases of inflationary transactions in Islamic banking. The three economists argue that these two golden coins of *dînâr* and *dirham* can guarantee the security of transactions because both can give a balancing value of every transacted commodity. This idea allows access to the forming of strong macro economy with full support of the currencies, which are based on the real strength of the materials.

The above-mentioned economists' discourse does not stop at the implementation only. They also reveal that *dînâr* and *dirham* currency system is very influential to the structure of *mu'âmalah* transactions, as it can avoid the risk the risk of value erosion due to the inflation. This way, the discourse argues that the justice of *mu'âmalah* transaction is very much dependable on the kind of currency used. If this *mu'âmalah* transaction reaches justices, it will be based on *dînâr* and *dirham* currency. That is why the presence of *dînâr* and *dirham* currency is an important prerequi-

site in manifesting the transaction justice in Islamic Banking.

Based on that discourse, a revolutionary action plan to replace the position of paper bill into the golden bill of *dînâr* and *dirham* in full practice is recommended. 'Umar Vadillo considers this revolutionary action very important to secure Islamic transaction from any traps of some practices that contain *ribâ*. The essence of *ribâ* lies in the transaction system that is no longer based on the value equality, but instead, on a transaction system that take the side of unbalanced value, as well described in the exchange of invaluable paper money with the valuable goods. Such action plan had also been thought by some Indonesian Moslem economists who pour down his thought on some scientific forum, national conferences, and researches. Islamic Bank, as expeditor of syariah-based finance institution is always considered as the pilot project for reviving *dînâr* and *dirham* currency. Uniquely, this idea has dominated some literatures on Islamic economics field and has become important references in some discourses for university students.

Despite the adorable outbreak, in fact, the idea of reviving *dînâr* and *dirham* currency still has some shortcomings. In historical perspective, reviving *dînâr* and *dirham* has not always been running smoothly. The historical records show that upon reviving *dînâr* and *dirham*, inflation has always occurred throughout some Islamic territory. If seen from realistic Islamic discourse, Muslim thinkers in classic Islam world did not limitate the use currency only on *dînâr* and *dirham*. Seen from Bretton Woods, the idea of reviving *dînâr* and *dirham* currency is not prospective, because there is no equilibrium between the level of commerce and the level of currency provision. This observation outcome shows that Islamic banking will be in very difficult position if reviving of *dînâr* and *dirham* currency is enforced.

¹ *Dînâr* is a golden currency that had been used before the presence of Islam. This currency derived from the Rome Empire, located in west of Mecca. A *dînâr*'s weight is equal to 4,25 grams of gold.

² *Dirham* is a silver currency that had also been used before the presence of Islam. This currency derived from the Empire of Persia, located in east of Mecca. A *dînâr*'s weight is equal to 2,975 grams of silver.

It can be seen from the above elaboration that the contradiction between the reviving of *dînâr* and *dirham* currency and the historical fact of the Islamic world is very large. The contradiction can triggers pros and contrary to the reviving of *dînâr* and *dirham* currency, especially in the Islamic banking. This research will also experiment on the validity of such historical facts. Whether they are valid is very useful in determining the position of the discourse and the concept of reviving *dînâr* and *dirham* currency in Islamic banking.

PROBLEM FORMULATION

The big question, which is formulated in this research, is: Why is it impossible to revive *dînâr* and *dirham* currency in Indonesian Islamic Banking? A specific question that can be used to answer such big question is: (1) What makes it impossible to revive *dînâr* and *dirham* currency according to the history of economy in the Islam World? (2) What causes the impossibility of reviving *dînâr* and *dirham* currency according to the commercial facts in the modern economic world? (3) What causes the impossibility of reviving *dînâr* and *dirham* currency according to the attitudes and reactions of Islamic banking? The answer toward this problem formulation is useful in reformulating the perspective of fair transaction in the Islam world.

METHODOLOGY

This research uses socio-historical approach. It is used to explain the facts revealed in the observed sources. For this research often explores written data, this research methodology uses bibliographical method.

There are three variables experimented in this research, that is; (1) the historical facts of the implementation of *dînâr* and *dirham* currency in the classical Islam world, (2) the facts of modern economy commerce upon the implementation of *dînâr* and *dirham* currency (3) attitudes and reactions of Islamic banking. From the experimentation, it can be seen that

the better reaction and condition of the three variables, the larger opportunity of reviving *dînâr* and *dirham* currency will be in modern Islam world.

The analysis of this research sources relies upon the clue word taken from *fiqh* books, history and documents of Islamic banking. On every clue word, the context and socio cultural situation surroundings will be disclosed. The context that will be traced is why the clue word emerges, how the situation was, what correlation it has with the previous period, and what the impact was toward the economy at that time.

ANALYSIS

1. Historical Facts of the Implementation of *Dînâr* and *Dirham* Currency in the Classical Islam World

It is undeniable that during the period of *dînâr* and *dirham* the Muslim community ever faced cases of inflation. The clue word that introduced such cases is the word *al-ghalâ'* that often appears on some economic records written either in the fields of *fiqh*, *hadits*, and history.

The belief that *al-ghalâ'* represents the inflation can be seen from the explanation of Allouche (1994: 9) stating that *al-ghalâ'* is the synonym of famine and death. This word was predominantly used to expose the economy crisis during the rule of Mamluk dynasty in the 13th to 14th century AD. It describes that the famine and death occurrence has something to do with *al-ghalâ'* that always bases on the increase of price in general, even reached to the very high hike. In these cases of *al-ghalâ'* the extraordinary prices hike always brings about a large amount of human victims. It is not adequate to say that those are the common easily controllable price hike.

The occurrence of inflation (*al-ghalâ'*) that directly gave impact on *dînâr* and *dirham* currency, based on the records of *fiqh* and history, it can be classified into two. The first

is the humanely intended inflation and the natural factor-triggered inflation. The first often occurs due to cases of stock hoarding or conglomeration. Historians show that conglomeration always results in the extraordinary price hike. In this case, hoarders intentionally hide the goods until its prices roar. The objects of hoarding are usually staple foods, which everyone surely needs on daily basis. Ibn Khaldûn (1332-1406 AD/732-808 Hijri) categorized this practice of hoarding/conglomeration as the violation against the people's right and the profit that derives from such practice belongs to *fâsid* profit (Khaldûn, 1992: 224).

The bad effects, which come out of these practices of hoarding, are the turbulence of *dînâr* and *dirham* resistance. It can be proved through the correlation of staple food scarcity with the prevailing currency, at that time. As stated in response to the price hike in Madinah, the term *al-ghalâ'* is mentioned in Hadîts riwayat Abû Dâwud (817-889/202-275), Ibn Mâjah (824-887/209-273), dan al-Bayhaqî (994-1066/384-458), i.e. telling that there has been a price hike (*ghalâ al-si'ar*) which was meant as the prevailing price in the market. At that time, market was quite important commercial centers, so that the prevailing price in them always became the public reference for prices. Upon hoarding, market was devastated and the public tranquility was gone.

It can be seen that the change of price that results from hoarding in the past, in the records al-Maqrîzî (1366-1441/766-845) *al-Sulûk Li Ma'rîfati Duwal al-Mulûk* (al-

Maqrîzî, 1997: Section 7: 187). It is briefly exposed in the following table 1.

The table above presents two kinds of main commodity that underwent price hike due to hoarding in the 14th century. The first is wheat or the so-called *al-qamh*. This staple food previously cost 400 *dirham* per *ardib* liter. After hoarding, the price increased to 450 *dirham*. Due to hoarding, the price of wheat is recorded to have increased 12,5%. Then the second is wheat kernel or the so-called *al-sya'ir*. Previously, it cost 180 *dirham* per *ardib* liter. After hoarding, the price of wheat kernel increased to 300 *dirham*. Therefore, it is recorded to have increased 66,6%. So compared to the wheat commodity that increased 12,5%, the wheat kernel increased far more higher, that is, 66,6%.

Seen from the historical record of al-Maqrîzî, it can be seen that the price interval before and after hoarding is very far. Through this number, minimally it can describe how the case of hoarding was able to devastate the system of *dirham* currency, so this golden currency was forced to be less expensive than previously. It means that through the practice of hoarding, the structure of golden currency price could be engineered by big players who wanted to self-suffice with its benefit.

Whereas the case of forgery of *dînâr* and *dirham* currency, has made the public of Islam world undergo bizarre trust crisis toward that spreading currency. Muslim thinkers have shown reactions toward this. Generally, they grew strict attitudes against any forgery of this *dînâr* and *dirham* currency (al-Ghazâlî, 1995: Juz 2: 74).

Table 1. Inflation That Results from the Case of Hoarding/Conglomeration

Kinds of Goods	Measurement Unit	Price		Currency	Century
		Before Hoarding	After Hoarding		
Wheat	Per Ardib liter	400	450	Dirham	The 14 th AD
Wheat Kernel	Per Ardib liter	180	300	Dirham	The 14 th AD

The changes in the gold and silver content on these two currencies were often mentioned with a term *al-maghsyûsy*. In this terminology, *al-ghasy* or *al-maghsyûsy* is an effort of making forgery or contaminating the content of gold and silver toward this *dînâr* and *dirham* currency. The forgery or the contamination was done by melting the original currency and taking a little amount of them to mix with other metal substances like bronze, so that the forgers could pile up the original gold and silver. While the widespread *dînâr* and *dirham* currency, actually has lost its genuine gold and silver content. Ibn Khaldûn (1332-1406/732-808) said that, *al-maghsyûsy* took place because of the weakening control of the rulers of the country (Khaldûn, 1992: 140).

Despite the unobvious statement of Islamic sources, saying that *al-maghsyûsy* has resulted in the inflation, signs of correlation between *al-maghsyûsy* and inflation can be seen from the ease of the forgers to forge and spread the currency to some Islamic territories. The relevant indicators are revealed by al-Maqrîzî in his historical records *al-Sulûk Li Ma'rifati Duwal al-Mulûk*. He said that when the false/fake *dînâr* emerged from the foreign region, the rate of *dînâr* once ever fluctuated. Nevertheless, it was soon disclosed after the fake content of this currency was identified. Gradually, people sterilized this currency from commercial transactions. Such indications can also be seen from the expressions of some Muslim experts of *fiqh* (Islamic jurisprudence). They saw this problem as threats to resistibility of *dînâr* and *dirham* currency. For example, Ibn Taymiyyah (1263-1328 AD/661-728 Hijri) in *al-Fatâwâ al-Kubrâ* stated that the presence of fake *dirham* (*al-dirham al-maghsyûsy*) would only demolish the usefulness of goods. People who intentionally do this has contaminated the purity level of belongings, he is categorized as *jâhil* (stupid) in intelligence (Ibn Taymiyyah, 1987: 431). Even more previously, al-Balâdzurî (died in 279 Hijri), through his book, *Futûh al-Buldân*, reported that the first to the third Hijri caliph

sequelized the penalty of these forgers to that of thieves. Those forgers should be under arrest and be cut his hands (al-Balâdzurî, 1987: 657-658). The reason of enforcing this stringent penalty is that the practice of currency forgery has caused the country's economy unstable. Up to this, it can also be said that the rate of *dînâr* and *dirham* currency can be made a fool by the forgery cases. The practice of forgery has commonly taken place in the period of Islamic rule from time to time.

Subsequently, natural factors also often triggered the inflation in classical Islam world. Inflation that resulted from natural factor is a bizarre natural outrage that cannot be controlled by human beings. This natural outrage comes from the sky and the earth like ebb of rivers that cannot flow into their rice fields. Or, long lasting draught like what once happened in Syria (Syam), Iraq, and Hejaz so that it could not fertilize the soil of their garden and rice fields. Due to the scarcity of water sources, the agricultural soils could not produce staple food. Staple food then became rare and fought over by people. Inflation that derives from the lack of staple food is called negative supply shock (McConnel and Brue, 2002: 146). In negative supply shock, Sander-son and Sardar (2007:21) remind us that agricultural sector is always under bizarre natural outrage threat so it requires an accurate anticipation and handling.

Under such circumstances, a normal condition of nature is always expected, because however the normal condition of nature will help the agricultural soil produce abundantly. Delicacies that the air, the land, the fertile soil have given fulfill the main input to the production. The effects presented are in the form of fertility of land, soil and plantation. In context of food production, the natural outrage that hampers the earth will bring about the main input intake. Consequently, the soil becomes sere and arid. This circumstance certainly cannot allow the people to utilize the soil, as a good agricultural production instru-

ment for such soil can never enhance the fertility level of plantation.

The significant correlation between natural factor and inflation actually has become the common theory that is applicable in economics theory. Even some economists classify it as an ever-avoided risk for the investors. If this continues to happen in a longer time, the future of economy will not be certain (Perkins *et al.* 2006: 11).

In the period of *dînâr* and *dirham* currency, fluctuations that resulted from nature also had impact on the inflation of both currencies. Generally this natural outrage is a draught because the low rainfall and the ebb of rivers. Egypt and Syria keep many historical records that tell these experiences. In this elaboration, to make this research feasible, the writer brings up some cases that occurred on Nile River of Egypt.

The presence of Nile River as the center of agricultural irrigation in Egypt has created a huge dependence on the food provision. If the river water's tide rises, the foodstuffs production will increase and the price of those stuffs will be inexpensive (*rukshsh*). If the river experiences ebb tide, the foodstuffs will decrease provisionally, and in turn, those foodstuffs will become expensive (*ghalâ*). Uniquely, in some cases, when the water of river's tide rises and the foodstuffs were produced in large number, the prices also rise. It is due to the manner of the hoarders who intentionally create the scarcity of food in the market (Allouche, 1994: 12).

This circumstance has become the object of comparison between Eastern economy that is represented by Egypt and Western economy

that is represented by European countries in the middle ages AD. Söderberg (2004) found out that in the middle ages AD, it turned out that the prices of goods in Europe was more stable than Egypt. The seasonal variants that occur in Europe turned out not to give impact on the prices. Furthermore, this was supported by sources abundance and the regularity of activities people did there at that time (Söderberg, 2004: 7). To some countries that require security and comforts, these two factors indeed are determinant to the advancement in economy. It is common if Söderberg's conclusion shows such outcome, because Europe in Middle Ages AD was approaching its feather on its cap (triumph). On the contrary, what happened to Egypt was that the volatility of Nile River has always become the obstacle to the advancement in economy. Moreover, the market players there were not supportive to the advancement of economy.

Al-Maqrîzî (1366-1441/766-845) recorded that the correlation between the volatility of Nile River with the inflation in Egypt was indeed very factual and convincing (al-Maqrîzî, 1997: Juz 4: 65). The writer presents his records in the following table.

It comes to common sense that the ebb tide of Nile River occurred many times, and in every period, Egypt underwent different level of inflation. This gives the writer difficulty to identify the level of inflation in each period. However, the level of inflation that occurred in every period has the same characteristic of increase. That is, it always gives impact on the basic need especially foodstuffs and clothing. The inflation occurred also relied on the volatility of the river.

Table 2. Inflation That Results From the Ebb Tide of Nile River

Commodity	Unit of Measurement	Price		Currency
		Before Ebb	After Ebb	
Wheat Kernel	Per Ardib Liter	20	60	Dirham
Wheat Kernel	Per Ardib Liter	180	300	Dirham
Wheat	Per Ardib Liter	400	500	Dirham

From the records of al-Maqrîzî, the writer takes three samples of foodstuffs commodity i.e. ghallah kernel (*ghallah*), wheat kernel (*sya'îr*), and wheat (*qamh*). The inflation taken here occurred in the periods of Mamluk Burji (1389-1440), which was one of historical period in the middle ages AD.

It can be seen at the above table, the price of ghallah kernel at first was 20 *dirham* for each *ardib* liter. After the ebb tide of Nile River, the price of ghallah kernel increased to 60 *dirham*. Then the previous price of wheat kernel was 180 *dirham* for each *ardib* liter. The ebb tide of Nile increased the price of this foodstuff to 300 *dirham*. The price of wheat previously was 400 *dirham* for each *ardib* liter, and then turned to 500 *dirham* due to the ebb tide of Nile River. Seen from its level of volatility, the highest increase of *ghallah* kernel was as much as 200%, the two wheat kernel was as much as 66,6% and the third the wheat was 25%.

From the explanation of the data, it can be said that natural factor can disturb the stability of *dînâr* and *dirham* golden currency. Even this condition provoked a bizarre economic crisis. This can be seen from the testimony of al-Maqrîzî that the prices increase that was contributable to this natural factor has brought about very high famine and death rate in Egypt.

According to the two explanations above, that is, inflation that resulted from human intention and inflation that is due to natural factor, are found out that in the period of *dînâr* and *dirham* currency many cases of inflation have taken place. Based on this fact, it can be said that *dînâr* and *dirham* currency system could not directly guarantee to the price stability, because the reviving of the *dînâr* and *dirham* currency cannot be separated from people's sociological problem. In the historical facts found, *dînâr* and *dirham* always faced a bad sociological behavior like hoarding and fake currency forgery. These cases were always found along the period of Islamic rule,

so until very recently *dînâr* and *dirham* has experienced fluctuations. Besides, it is found out that natural factor like the ebb tide of Nile River of Egypt, the draught of Syria, and others brought about inflation. It has been found that because of these cases the foodstuffs commodity had to be exchanged with more *dînâr* and *dirham*. The frequency of such cases was very often, so that it becomes evidence that reviving the golden *dînâr* and the silver *dirham* has always oscillated the value of *dînâr* and *dirham*. These findings become proof that reviving the golden and the silver has always been surrounded with bad human sociological behavior, so that the betterment of the original value is not referred to the form of currency, but to the bad human behavior itself. Besides, the natural climate change also often threatens the stability of currency that cannot be solved by reviving the prevailing currency but by anticipating the scarcity of food wisely.

2. The Facts of Modern Economy Commerce upon the Reviving of Gold-based Currency

The modern world has ever implemented gold-based currency from 1944 to 1971. That era is called Bretton Woods. Bretton Woods' system was established to regulate the relation between commerce and finance among industrial countries amid the 20th century AD (Swasono, 2009: 1). The highlights performed by Bretton Woods' system are the necessity for every country to adopt the monetary policy in which the exchange rate applies at constant value basing on the value of gold and the capability of IMF (International Monetary Fund) in mediating the inequilibrium of payment level. The presence of this system was welcome by some circles at that time, because it was considered not only to recover the value stability of exchange units, but also to symbolize the more secured and better international cooperation (Rothbard, 1990: 46).

Bretton Woods, this way, made the American dollars as the world transaction me-

dia. The amount of dollar value is dependable on the provision of gold that are acquired by America. In its regulation, thirty-five American dollars resemble one ounce of gold deposit.

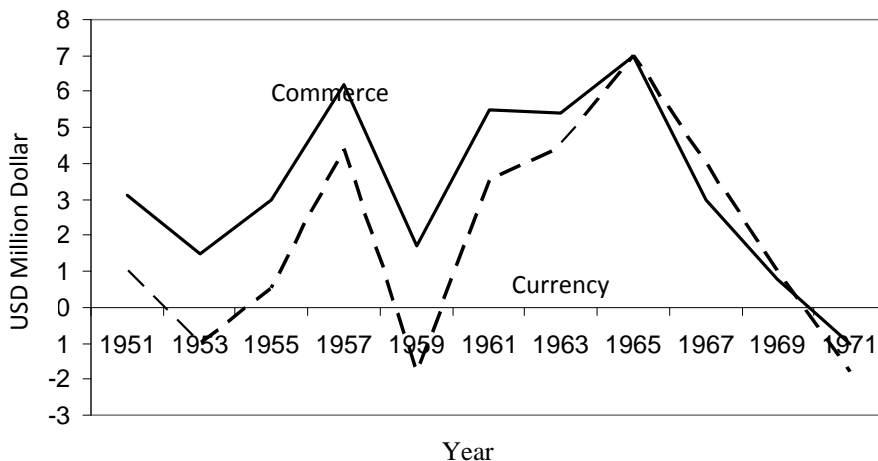
Even though Bretton Woods' obtains appreciations from several circles, at last this system could not guarantee the stability of good exchange and forced America to change from gold-based to paper-based (currency). The collapse of Bretton Woods's system is called with term of "Nixon Shock". The crucial point of "Nixon Shock" took place in year 1970 in which the golden American dollars experienced a decline of 55% to 22%. This drastic decline brought about dollar holders' losing their trust on the ability of American government in controlling the deficit of budget and commerce.

The downfall of Bretton Woods' system can be seen from the presidential report in year 1984 as follows figure 1.

The curve of the Figure above shows that the level of the world commerce and the provision of golden American dollars was not equilibrium. The fact shows that these two

variables are always in two interval lines with very large gaps between. In 1951, the level of commerce reached 3,1 billion dollars, while the currency could only reach 1 billion dollars. In 1953, the condition was worsening, because the level of commerce reached 1,5 billion dollars whereas the currency at the level of -1 billion dollars. Such a thing reoccurred in 1959, where the level of commerce reached 1,7 billion dollars whereas the level of currency dropped at the level of 1,8 billion dollars. Since 1965, this inequilibrium continued and lastly, in year 1971 the commerce declined at the level of -1 billion dollars and the currency dropped at the level of -1,8 billion dollars. The equilibrium point only occurred in 1965, that is, both reached the level of 7 billion dollars. But as a whole, the level of commerce and currency of gold-based dollar was always imbalanced.

Under such circumstances, the golden American dollars has not ever given certainty about the on-going of the world transaction and resulted in American Central Bank being in bizarre panic (Eichengreen, 2007: 11). If dollars at that time had been devaluated, Foreign Central Bank would have done *swapping*



Source: Eichengreen, 2007: 13.

Figure 1. The Inequilibrium between the Level of Commerce and Currency

dollars towards gold, and this would have worsened the crisis. Then if the US government had restrained by giving limitations on monetary and fiscal policy, in order to protect the demand of imported goods, the foreign economy would have lost its access to its export market. Even though the economic growth at that time progressed very rapidly, The Central Bank of America would have been in bizarre panic and the balance of payment would have always experienced a large deficit.

The inequilibrium above shows that the big industrial countries in the world always lacked of gold so that they cannot put up more amount of new currencies. Consequently, the level of commerce and the provision of money have always experienced gaps. Though a country that is undergoing the advancement of economy requires more money and that means a larger amount of gold is required too. Actually, in reality, a country that is undergoing economic advancement always lack of gold. In year 1951 to 1971, American dollar currency underwent a sharp drop/decline. It started early in 1951 American dollars reached 23 billion, then in 1961 it reached 17 billion, until finally in 1971 it reached 11 billion. A very sharp decline convinced the public more that the world has lacked of gold.

The crisis of golden American dollar currency was even worse upon the currency's devaluation. At first in 1954, one ounce of gold was 35 American dollars then in 1968 a rise to 40 American dollars happened. In 1972 the condition got worse where one ounce of gold was 68 American dollars, which means that that comparison between the value of dollar towards the gold experienced a rise of 94,2% than its previous value. This shows the inability of the Central Bank of America in keeping the stability of dollar's value against gold. This experience shows the rise of gold can no longer be resistible.

The decision that was taken by President Richard Nixon in year 1971 to change the

gold-base currency into paper-based is a choice of attitude that could no longer be avoidable, because "Nixon Shock" has provoked bizarre trauma to monetary authority in United States of America. The hard decision was apparently carped/grumbled by several circles. Among the Muslim economists and thinkers, this complaint was put forward by 'Umar Vadillo and associates. However, their complaints were baseless. The reason that weakens these complaints are as the following:

First, the golden currency of American dollars as well configured in Figure 1, have always been sluggish in balancing or keeping up to the level of commerce. Year by year it can always be seen there is a large interval between the level of commerce and the level of currency provision. It means that commerce was always forced in deficit condition to the value of currency. This will endanger the world economy, because there are many economy sectors, which are blocked resulting from the weakness of flow of the amount of currency. These late problems are for example: (1) the constraints of the employee and labor's income rise, as it would mean nothing if it was not suited in balance to the provision of currency, (2) the constraints of production increase, (3) the constraints of investment rise, (4) the constraints of the national budget increase, (5) the constraints of inflation control, and others. These constraints have made the world economy worse for more.

The second, the failure of Bretton Woods' in balancing the level of world commerce has made the public trust lost towards the gold-based currency, so they were more interested to hold onto real assets than the currency. The worst part was most people in the world wanted hurriedly to convert the paper currency into original forms of gold. This occurrence has made the liquidity of gold-based dollar currency weaken.

The third, the proof proves that the price of gold always increases so that it cannot give certainty about the stability of gold-based cur-

rency. The most influential thing to this condition is a draw and pull of interest between public's will to put gold as their currency and their will to put gold as commodity.

The fourth, the gold-based dollar currency was always surrounded by practices of speculations. The speculators always wanted to buy the gold-based dollar at the lowest price and then sold it upon the increase of gold price. The price of gold gave them large profits for them. That is why dollar often had trouble of liquidity. This shows that the presence of gold-based currency in the modern world does not guarantee the avoidance of speculative practices towards the currency.

Vadillo (2002) ever stated that the inability of gold to keep in balance is due to the rapid increase of the interest rate so it exceeds the capacity of the golden currency liquidity. Though the economy is run without any interests, the gold-based currency will not be able to keep in balance with the rises of wage, investments, production, and the country's national budget, and so on and so forth. The presence of gold-based currency will straightforwardly be able to mediate the level of social and economic growth that runs very fast, for the ever-changing technology, the ever-changing people's needs, the ever-changing people's thought and the ever-changing people's pattern of work.

3. Attitudes and Reactions towards Islamic Banking

The concept thinkers of reviving the *dînâr* and *dirham* currency do not see those realities above as the base of the impossibility for reviving them. Ideology is the major reference for this concept of reviving. While in the perspective of Islamic ideology, the reviving of *dînâr* and *dirham* is not part of religious obligations. Ibn Taymiyyah (1263-1328/661-728) stated that the reviving of those two currencies is a product of tradition. If humankind intends to implement other currencies, those traditions

of using *dînâr* and *dirham* could be left away (Ibn Taymiyyah, 2000: 27).

In a more substantial level, the shortcoming of the concept of reviving *dînâr* and *dirham* currency derives from the narrow assumption of transaction system of *mu'âmalah*. The established assumption is the fairness of *mu'âmalah* transaction lies on the implemented currency. Therefore, relying the system of transaction fairness upon the basis of *dînâr* and *dirham* currency means positioning the *mu'âmalah* transaction dependent, because it is a sub ordinate of the presence of the currency system. While actually the *mu'âmalah* transactions are independent from any form of currency.

Although the discourse of reviving the gold and silver-based currency has been put forward for a long time, it does not correlate with the reviving of Islamic banking. In reality, it happens the other way around, by implementing paper money, Islamic banks still have large opportunity to create financial achievements. Year by year, Indonesian Islamic banks have always succeeded in obtaining fund from the third party (DPK) and obtaining very high profitability. This matter also occurs in Pakistan, Malaysia, and other Muslim countries. This shows that the public trust towards the Islamic banking is not based on the golden and silver currency.

At that point, the writer finds out that the standardization of transaction is established to give solutions for the problem of implementation for every transaction in Islamic banking. Apparently, Islamic banking wants to overcome the problem of inflationary transactions through this door of solution, not through the change of transaction basis into gold and silver system. The reasons are first, Islamic banking argues that in Islamic transaction or contracts, the conformity to the *syariah* and the stress on the *fiqh* aspect are very important. Second, Islamic banking also argues that creating a strong standardization of Islamic finance is

expected to solve the various kinds of transactions problems well.

Those statements above strengthen more the attitude of Islamic banking not to choose the concept of reviving the golden *dînâr* and the silver *dirham* as a solution to the inflation problem. Islamic banking considers that the standardization of transactions to suit the *syariah* can sharpen its ability to fulfill the customers' needs, and they do not feel worried of the inflationary threats. The Islamic banking's support to the standardization of transaction is reasonable. Seen from the theory of *fiqh*, the form of *mu'âmalah* transactions has a central position in solving the cases of transactions. In this case, al-Sarakhsî (d. 483 H) stated that *mu'âmalah* transaction would stand upright in between two conflicting interests of rights (al-Sarakhsî, 2000: Juz 23: 67), so that whatever disturbing variable of *mu'âmalah* transaction is, the pattern of solution must refer to the prevailing system in the transaction. This way, the law of *mu'âmalah* transaction has a very strong consistency and of those parties with interests to change the system will pragmatically find it difficult to carry out.

CONCLUSION

This research proves that the impossibility of reviving the currency of *dînâr* and *dirham* in the modern economy world occurs upon the presence of continuously destructive manners around *dînâr-dirham* currency and the inability of the gold-based currency to keep in balance with the world commerce. Reviving the mentioned currency is also not supported fully by the reality of *fiqh* thought and other thought of Islam. Islamic banking also shows unsupportive attitude to such concept, because they take more side on the concept of the standardized transaction. Amid the inconducive circumstances to the reviving of *dînâr* and *dirham* currency, Islamic banking is still able to create financial achievements well.

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