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REAL MONEY
Money and Payment Systems from
an Islamic Perspective

Edited by
Ahamed Kameel Mydin Meera



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Seigniorage of Fiat Money and the *Maqāsid al-Sharī'ah*: The Compatibility of the Gold Dinar with the *Maqāsid*

Ahamed Kameel Mydin Meera and Moussa Larbani*

Abstract

In the earlier chapter it was argued that fiat money is counterproductive to the attainment of the *maqāsid al-Sharī'ah*. In the present interest-based fiat monetary system one of the *maqāsid*, namely, the protection of wealth (*māl*) cannot be realized, which in turn causes the other *maqāsid* to be affected too. In this paper, we argue for commodity monies, like the gold *dinār* and silver *dirham*, as being compatible with the *maqāsid*. Basically the paper concludes that the Islamic economic system is fundamentally a 'barter' system, i.e. an exchange economy where goods and services are exchanged value for value; but avoids the problems associated with barter by taking some of the commodities exchanged in the economy, that have the characteristics of money, as money; and gold is here argued as the best *Sharī'ah* money.

1. Introduction

The last chapter¹ highlighted many problems faced in present day economies, particularly by developing nations, due to the very

* The authors are grateful to Mustafā Omar Mohammed, Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia, for his valuable comments.

¹ Meera and Larbani (2004), 'Seigniorage of Fiat Money and the *Maqāsid al-Sharī'ah*: The Unattainableness of the *Maqāsid*.'