

With the Name of Allah, Most Merciful, Ever-Merciful

PAPER MONEY

Its reality, history, value and legal ruling

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1st ed. 1391/1971, 2nd ed. 1404/1984

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This treatise is the author’s Master’s thesis submitted to the Supreme Judicial College of Saudi Arabia. The work was supervised by Shaikh ‘Abdul Razzaq ‘Afifi, and the published version has an introduction by Shaikh Salih b. ‘Abdul Rahman al-Husayyin.

The purpose of this highly-abridged translation is to introduce the Islamic legal discussions to an English-speaking audience, with the hope of stimulating further research into the subject, as desired by the author of the original work.

U.H.

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CHAPTER ONE: THE NATURE OF MONEY

What is money?

Linguistically, *naqd* (money or cash) is to distinguish something or determine its reality and meaning. The author of *al-Qamus* said: *naqd* is to distinguish dirhams and other items.

In economics, money has three properties:

1. A medium of exchange, as generally agreed.
2. A measure of value
3. A store of wealth¹

Therefore, this excludes eggs for example, even if some people agree that they have Properties 2 and 3. It also excludes money that is annulled by government, or that in which people lose confidence: it was money, but is no more.

Property 1 implies 2 and 3, but 2 and 3 do not imply 1. Therefore, Property 1 is enough in defining money, since it implies 2 and 3. cf. GF Crowther, *Monetary Economics - A Primer*: “Old English pounds, money bills and share certificates are not money, even though they have Properties 2 and 3.” Money must especially have Property 1.

Hence, the definition of money (*naqd*) is, “Anything that gains general acceptance as a medium of exchange, whenever or wherever that occurs and in any way that it occurs.” Thus, this excludes promissory notes and cheques, etc.

“Anything” refers to whether it is intrinsically valuable, e.g. gold and silver, or whether its value is due to external factors imposed in order to avoid chaos, as is the case with paper money.

There is nothing to stop us accepting this definition. In fact, it is indicated by the words of some of our ‘ulama, e.g.

¹ [UH:] There is a fourth property of money in conventional economics:

4. A standard for deferred payments.

The following rhyme summarises these four properties:

*Money is a matter of functions four:
A medium, a measure, a standard, a store.*

I am grateful to Prof. Khurshid Ahmad for teaching me this rhyme!

1. Imam Malik in *Al-Mudawwanah, Kitab al-Sarf*: “If the people were to agree amongst themselves on using skins (as money) such that these were made into coins and monetary units, I would dislike these to be sold for gold and silver with deferred payment.”
2. In *Fatawa* of Ibn Taymiyyah (9:251): “As for dirhams and dinars, there is no natural or legal definition for these; however, the matter returns to habit and terminology. This is because the basic principle is that the objective is not these coins in themselves; rather, the objective is that they should be a standard for mutual transactions. Dirhams and dinars are not sought for themselves. Rather, they are means by which mutual transactions are carried out, and this is why they serve as money ... A pure means, the substance or form of which is not an objective in itself, achieves the objective, whatever it may be.”

In this last sentence, there is an indication that money is whatever gains general acceptance as a medium of exchange, whatever its substance or form may be.

3. Our sheikh ‘Abdullah b. Muhammad b. Humayd mentioned to us that he read a quote of al-Ghazzali which says that money is whatever is agreed or accepted to be considered as such, even if it were pieces of stone or wood.

Therefore, we doubt the correctness of the claim that gold and silver were created to serve as money. This doubt is strengthened after our analysis of the historical phases through which money passed until it reached today’s stage.

Money is thus whatever is agreed to be such, whether by government authority or public practice. Regarding gold and silver as having been created for money thus lacks support from a legal, theoretical or historical perspective. However, it is accepted that they have been more suitable than other items as money, and this is why the sacred texts mention the ruling of *riba* regarding them, whether they are in minted or unminted form. The only exception to this is that caused by manufacture, e.g. ornaments and jewellery: the ruling of *riba* regarding these is a matter of disagreement amongst the ‘ulama, a matter to which we shall refer later.

CHAPTER TWO: THE ORIGIN AND DEVELOPMENT OF MONEY

With barter and the division of labour, there were difficulties due to the complexities of life. Therefore, money was needed. In coastal areas, they used shells. In temperate lands: beautiful items such as ivory and fishbones. In Japan: rice. In Central Asia: tea. In Central Africa: salt.²

Commodities turned out not to be good enough for money, with problems such as: (i) fluctuating value due to supply and demand; (ii) perishability and (iii) difficulty in transporting. Therefore, gold, silver and copper were used. These were vulnerable to abuse, since not everyone knows their weight and value. Hence the government intervention of minting coins in order to guarantee quality and weight.

The first to mint money was King Cryos of Lyddia, Southern Asia Minor, 7th century BC; there are examples in the British Museum. In the Greek civilisation, the coin was called drachma meaning “a handful,” and the word dirham derives from this. This was fine, except for the problems of (i) transportation in large quantities and (ii) the risk of loss or theft.

Paper Money

This was not something new, for Marco Polo brought paper money from China in the 14th century CE. The first issuer of paper money was Sun Tung in the 9th century, and this was continued by the kings of China and Mongolia.³

There were four stages in the development of paper money:

1. Merchants issued paper receipts, rather than carrying gold and silver in long journeys.
2. Goldsmiths and money-changers issued receipts for deposits, and these receipts began to be exchanged. This practice was limited at first but it later increased

² [UH:] Tarek Diwany comments: This version of the history of money is especially by the banks, since it usually fits their purpose. However, there is an alternative view: since Adam (a.s.) was taught the names of everything, would he not have been taught the name, and therefore the nature, of money? In fact, there is a narration in which Ka’b al-Ahbar says that the first person to mint the dinar was Adam a.s., the first man. Allah knows best.

³ Marco Polo says in his travelogue of China, “The people of China only buy and sell using pieces of paper, about the size of a person’s palm, stamped with the seal of the king. If the pieces of paper become torn, they are taken to a place resembling a mint where they are replaced with new pieces of paper without anything else being demanded in return. If a person goes to the market with silver or gold coins in order to buy something, these are not accepted from him and no-one even looks at him until he exchanges them for the paper money, upon which he can buy whatever he wishes.”

until it led to the issue of receipts that exceeded the deposits, i.e. the extra receipts were not backed by gold or silver.

3. This was now a significant change in the history of paper money: it had Properties 1-3 plus absolute buying power. The only problem was anarchy and abuse, since all goldsmiths could issue receipts. E.g. in 18th-century France, Jean-Louis & co. issued too many receipts, and this led to a loss of confidence [Crowther]. This led to state involvement, imposing paper money as legal tender.

Thus, paper money was not just based on custom and ‘urf, but fully supported by state enforcement of it as legal tender.

Question: Is paper money backed by gold or silver?

Initially, the answer was yes, except for extreme circumstances, e.g. the Bank of England honoured the promise (to pay the bearer on demand ...) throughout, except during 1797-1819 (due to the Napoleonic wars) and 1914-25 (due to World War I and its aftermath). After 1925, it honoured the promise if the amount was over £1700. Thereafter, there was total confidence in the paper money so there was no need to honour the promise. Hence, the gold standard was abolished in 1931. Crowther: “The issuance of paper money needs to be controlled, but this does not need to be done with full backing by gold, as proved by the experience of Great Britain since 1931.”⁴

⁴ [UH:] An interesting chapter, especially the quote from Marco Polo, although the extent of material backing of the paper money is not clear from this quote. [TD:] The paper money in China was in use for several centuries, with its value based purely on state enforcement. In fact, within about a century of the Kublai Khan prohibiting the use of gold and silver, China experienced hyper-inflation and its economy was seriously weakened. Were the two events related? Whatever the case, the weakening of the economy aided the British economic forays into China.

CHAPTER THREE: THE BASIS OF PAPER MONEY

Any money needs public confidence, backing and support for its function as a medium of exchange and for its buying power. This can be intrinsic, as with gold and silver, or extrinsic, e.g. full backing by gold and silver, property, shares, monetary bills, etc. The backing can be by government-enforcement – this is usually only in political crises; e.g. in 1946 the British government bought gold from the Bank of England to back its paper money during the Second World War.

The extrinsic backing can be partially with a precious commodity, supplemented by government-enforcement.

Gold and silver do not need backing. Governments realised, like the goldsmiths before them, that paper money does not need full-backing. Due to economic crises in Britain (1857, 1866, 1914 and 1931), when the public lost confidence in paper money, the Bank of England and the government realised that the gold-backing promise would have to be withdrawn. Similar crises occurred in France (1848-50), Colombia (1895), Portugal (1848), Italy (1894) and Argentina (1876, 1885). The gold standard was abolished in the UK in 1931 and in the USA in 1934.

In 1947 the US government ordered banks to have a 40% gold-backing. In 1928, similar orders had been given in France (35%) and Germany (40%).

Backing can be done with property, e.g. in Germany in 1923, public confidence in the mark collapsed. The German government issued the Rentenmark, backed by agricultural land.

Whether paper money is backed by gold, silver, precious stones, property, monetary bills, etc., the paper money is not derived from these bases; rather the purpose of backing is: (i) to instil confidence in the paper money into society, and (ii) fulfil the requirement of issuing paper money. Both of these factors have lost their importance: (i) people using paper currencies no longer worry about the extent of its backing, especially after annulment of the promise to pay the bearer on demand ... (ii) most paper-money-issuing banks are central banks.⁵

⁵ [UH:] The preceding two chapters allude to fractional reserve banking. However, the author does not mention the growth in usurious money-lending that accompanied the spread of paper money, as first the goldsmiths and then the banks not only issued unbacked paper money, but lent it out at high rates of interest. This is a crucial matter that must be brought to the attention of the Shari’ah scholars, for fatwas on the legality or otherwise of fractional reserve banking, and Allah knows best.

CHAPTER FOUR: THE SECRET OF PUBLIC ACCEPTANCE OF MONEY AS A MEDIUM OF EXCHANGE

Economists have differed on this matter, taking three viewpoints, each of which could be correct for the period in which it appeared.

VIEWPOINT 1: THE “MINERAL” VIEW

Because of its intrinsic value, the money gains general circulation due to custom and government enforcement. Before being accepted as money, it is a rare and precious substance, e.g. gold, silver, bronze, etc. When it becomes accepted as a medium of exchange, it has no material superiority over its substance, except in rank. The American author Conant says in his book, *Money and Banks*, “Money is a commodity having intrinsic value that is acceptable in transactions; law and custom make it a means to settle debts.”

According to this view, paper could not be money, but only serve as a receipt for money that is intrinsically precious. This view was the correct one during the 19th century, but became obsolete once paper money was no longer backed.

Critical analysis

Although paper is not precious, it definitely qualifies as money and plays a leading role around the world in trade, insurance and savings, etc. It would be no exaggeration to say that paper money is now superior to precious metals and stones in being better for the exchange of goods and services and with respect to widespread use and general acceptance. The definition of money according to economists and monetarists is that it is whatever is acceptable as a medium of exchange. Therefore, precious commodities are only a subset of money. The extrinsic factor associated with money does not imply the money’s intrinsic value, contrary to this view.

As to the objection that paper money relies on backing by a valuable commodity such as gold or silver and the promise to pay, this is answered by saying that economists and politicians allow the issuance of paper money that is not fully backed, and experience shows that this does not affect its value.⁶ The correct understanding is that money is

⁶ [UH:] The views and practice of pro-usury economists and politicians would not appear to be a sufficient argument in Shari’ah. An Islamic legal ruling on fractional-reserve banking would be useful. It appears from the words of Sheikh ‘Afifi (see Appendix One) that the scholars would demand the full backing of state-issued currency, although this backing could be potential rather than actualised, e.g. the state would not necessarily need physical reserves of gold and silver etc. to issue paper money, as long as it was

whatever is generally accepted as a medium of exchange, whether its value is intrinsic (e.g. gold and silver) or extrinsic (e.g. public confidence and government enforcement). Cougarro says, “What matters to the person in possession of an amount of money is his confidence that it will facilitate his buying of the commodities that he desires.”

As for the promise to pay, it has no effect in reality. Everyone knows this, yet it has not affected the role of paper money as an agent of general exchange.

VIEWPOINT 2: THE “GOVERNMENTAL” VIEW

The value of money is derived from state authority and legislation, without reference to the value of the substance from which the money is manufactured. The state mints or issues money, sets its amount and value and enforces it as legal tender for transactions. The public do not differentiate between precious minerals and cheap materials as long as their value is the same with respect to other goods.

This viewpoint was known and accepted during medieval times, when rulers issued money and set its value. Later, Viewpoint 1 took over from it, but when Viewpoint 1 became obsolete, Viewpoint 2 took over again for a while. The German author Naab says, “Money is manufactured by the state, from which it derives its power and value. The value of the monetary unit is not intrinsic, but derived from the law that enforces it.”

Critical analysis

Government has authority and power, but these are limited. It can subdue criminal activity and rebellion with military might and can solve many social and economic problems, but it does have difficulties. It is difficult to enforce the general acceptance of money for circulation and legal tender by force of government alone, without natural reasons for its acceptance and public confidence in it. Government needs logical justification for its policies in order to keep the majority of citizens on its side. If the state enforces money, it must bolster it with measures to inspire confidence in it as a store of wealth, measure of value and medium of exchange, even crossing the state frontiers to serve as money in foreign transactions.

History has proved this viewpoint wrong. E.g. the issuance of paper money was mostly done by private banks; the state did not interfere by enforcing its acceptance. However, it enjoyed public confidence. In 1923 the German people lost confidence in the mark, which was the official currency, due to hyper-inflation. The German government issued new money called the Rentmark, backed by agricultural land, but did not enforce it as

reasonably sure that it had the resources and means of production necessary to support its currency. However, further clarification of this matter from the viewpoint of Shari’ah would be extremely useful.

legal tender. The Germans abandoned the legislated legal money and used money that was not enforced by law.

VIEWPOINT 3: THE “PSYCHOLOGICAL” VIEW

Money is what people have confidence in as having absolute buying power and serving as a store of wealth. This public confidence does not simply follow from (i) intrinsic value, otherwise unbacked paper money would have no worth, or (ii) government enforcement, as with the German mark in 1923.

Public confidence is therefore wider than factors (i) or (ii), being based on many additional considerations. E.g. money may imply intrinsic value; political and economic stability may imply balance in the issuance of money, safeguarding its principles and confidence-inducing factors, protecting it from forgery and excessive issue.

This viewpoint is sound, extremely plausible and free from the criticisms and objections to the first two viewpoints. It neither excludes money from Viewpoint 1 nor enforces Viewpoint 2, but focuses on public confidence and its factors and supporting considerations.

SUMMARY OF CHAPTERS 1-4

1. Money is anything that enjoys general acceptance as a medium of exchange.
2. The original promise to pay printed on paper money has no reality now; it only serves as a reminder of the past and of the responsibility of the issuer in guaranteeing its value and limiting its issue.
3. It is allowed to have some amount of paper money that is not backed by a precious commodity, although this unbacked amount is usually less than 65% of the paper money in circulation.
4. The basis of paper money can not only be gold and silver, but it can be property or monetary bills.
5. The general acceptance of money may be from its intrinsic value, government enforcement and/or anything else that guarantees this confidence.

These points are the basis of subsequent chapters.

CHAPTER FIVE: ISLAMIC LEGAL RULINGS ON THE REALITY OF PAPER MONEY

Paper money was not known to the early jurists of Islam since it was not in circulation at their time, neither in Islamic nor in neighbouring lands, except that it is said that paper money was known and widespread in China – this would explain the view that the jurists of India were the first to discuss paper money.

For later jurists, their rulings on zakat, trade and exchange of paper money were based on their conception of its nature. This led to four different views.

VIEWPOINT 1: PAPER MONEY IS AN IOU FROM THE ISSUER, i.e. A RECEIPT OF DEBT

The basis for this position is:

1. The promise to pay the value to the bearer on demand, printed on paper money.
2. The necessity of backing the paper money with gold and/or silver in the issuer’s reserves.
3. Paper money has no intrinsic value, e.g. currency notes denoting five and ten units are similar in size but very different in value.
4. The issuing authority guarantees the value of paper money when it is abolished and ceases to be legal tender.

Proponents of this view included several ‘ulama. The fatwa of the Shaykhs of al-Azhar was based on this viewpoint in the early years, as shown by several fatawa in the journal of al-Azhar, Majallah al-Azhar. Ahmad al-Husaini gave the fullest justification for this position, making the following points:

1. There is no meaning to the promise to pay if paper money is the actual currency.
2. “Banknote” is a French term and means, according to the Larousse Lexicon, “Paper currency that is used as mineral currency is used; it can be exchanged for its cash value, and must be guaranteed so that people have trust in it.”
3. Gold is sought after in every time and in every place, unlike copper.

Corollaries

This viewpoint leads to rulings that are difficult and contrived, e.g.

- a) Paper money cannot be used for advance payment (bay’ salam) since one condition of bay’ salam agreed upon by the ‘ulama is that one of the parties must take possession of its side of the transaction (goods, commodities, money, etc.) at the place of transaction (majlis al-‘aqd). Paper money would not satisfy this, since it would only be hawalah (referral of a debt), not being cash in itself.
- b) Paper money cannot be exchanged for gold and silver even if this is done on the spot, since paper money is an IOU for a debt unrelated to the contract of exchange. One condition of exchange (sarf) is that mutual exchange be done on the spot.
- c) Dealing in paper money is equivalent to the referring of debt in transactions (al-hawalah bi l-mu’atah) to a third party, the issuer of the paper money. There is disagreement about the soundness of such third-party transactions. The mashhur position of the Shafi’i school is that it is unconditionally invalid since the condition of verbal offer and acceptance is not met. However, assuming that third-party transactions are acceptable, it is a condition of debt-referral that it should be to one who will fulfil the debt, due to the hadith of Abu Hurayrah, “The delay in payment by a rich person is injustice. If a debt is referred to someone who will fulfil it, the referral should be accepted.” The fulfiller should have the wealth to pay, should give his word so that he cannot delay payment, and must be present when the debt is settled. There is no doubt that the power and authority of the ruler make him untrustworthy with respect to his word and presence, for he is able to delay payment and refuse to attend the settlement meeting. Therefore, the debt-referral is invalid.
- d) The disagreement regarding zakat on debt applies, i.e. is zakat on a debt obligatory before or after settlement? According to the latter view, zakat is not obligatory on paper money since the IOU has not been settled.
- e) It is invalid to sell goods or precious minerals held in trust for paper money since the latter is a receipt for an absent debt, and this is a type of selling kali’ for kali’, which the Prophet SAWS forbade.

Critical analysis of this viewpoint

1. It relies on the promise to pay, which is no longer valid and has no reality, being only meaningless words.
2. Backing by gold and/or silver is not required in full. Most issuing authorities who have prior experience or are pioneers, operate in this way. Other issuing

authorities, including all of the Islamic world, are following them in this. It is not necessary for paper money to be backed fully by wealth, for government guarantee plays a part, too.

3. The “no intrinsic value” argument: money is whatever is generally accepted as the medium of exchange, whether its value is intrinsic or extrinsic (or a mixture). This is supported by the fact that economic thought requires mints to make the value of mineral money greater than its intrinsic value, in order to safeguard its life and help avoid forgeries. E.g. one Saudi pound is worth 40 Saudi riyals by government decree, whereas a piece of gold weighing one Saudi pound is worth 35 Saudi riyals. The difference is enforced by government. We do not say that the difference is a state debt, so we cannot say that paper money is state debt, although the government must take care to stabilise its value, etc.

This is precisely the secret of the validity of paper money, since its value is not intrinsic but guaranteed by government. This does not imply that it is an IOU or debt since it cannot be redeemed in gold and/or silver. The IOU viewpoint leads to hardships and constriction upon the public, whereas a general principle in the Shari’a is that in a matter lacking an unequivocal text, there should be ease upon the people rather than a burden.

In a treatise arguing that banknotes are equivalent to fulus (i.e. token currency), Sheikh Ahmad al-Khatib says:

- ◆ If it is said that paper money is not intrinsically currency, for its issuer would otherwise not be obliged to redeem its value, we answer as follows. Transactions are intrinsically carried out using paper money: it is the paper money that is held, handled, exchanged and used in buying and selling like all other currencies. The issuer guarantees its value: this is no reason not to use it, since without this guarantee, it would never circulate to begin with. The cause of its circulation cannot be a reason to forbid its circulation! It is not a debt, but a guarantee of value to ensure circulation.
- ◆ Value is destroyed if the banknote is destroyed, unlike an IOU which is only a reminder, not used in transactions and has no monetary value except the value of the paper, etc. The debt is not tied to the IOU: the debt is the responsibility of the debtor. The amount written on an IOU is not the value of the IOU, but a debt for which the debtor is responsible. The debt does not disappear if the IOU is destroyed. Anyone who destroys an IOU (or certificate of ownership of a house, etc.) only pays for its price in terms of the paper, ink, etc. as our jurists have explicitly stated.

VIEWPOINT 2: PAPER MONEY IS A COMMODITY, AND THEREFORE CARRIES THE SAME CHARACTERISTICS AND LEGAL RULINGS AS TRADE COMMODITIES

The basis for this position is:

1. Sheikh ‘Abd al-Rahman b. Nasir al-Sa’di, in his treatise on the Ruling on Paper Money (publ. 1378 H), in the form of a trialogue amongst proponents of the IOU, Commodity and Value viewpoints, puts the Commodity viewpoint in the following way:

Our evidence is as follows – the paper money is experientially the price and the commodity, but not equivalent to gold and silver. Transactions are based on the banknotes. They are not the same as gold and silver in substance and source, so the ruling on riba in exchange does not apply to them, even though they are equivalent in value to gold and silver, exactly as is the case with precious jewels and pearls, etc. The basic principle in trade is that transactions are halal; we cannot state that they are haram without decisive proof. The view that paper money is a debt leads to harm and difficulty: the Shari’ah makes matters easy for people, and is applicable to every time and place. People are in the situation of necessity, for most of the world uses paper money. Another piece of evidence that paper money is not like gold and silver is that the former’s value is based on governmental authority, and this value can vanish if the government is replaced or if it changes its policy. Thus, paper money is equivalent to gold and silver in trade and matters of monetary worship such as zakat and nisab, but not the same as gold and silver in the ruling on riba in exchange since the mashhur in our madhhab is that the ‘illah for the riba ruling on exchanging gold and silver is that they are weighed, and a banknote denoting 1,000 units may weigh the same as one denoting 100 units.

2. Sheikh Yahya Aman, a proponent of the “commodity viewpoint” said in treatises published in 1378 that paper money is valuable wealth, which people store for their needs. This is the meaning of wealth (mal): human nature inclines towards it, and it can be stored for occasions of need. The possessor of paper money takes ownership of it by giving dirhams or riyals. The paper money is regarded as wealth and treasured (like gold, silver and fulus), stored, gifted, bequeathed in wills and given in charity. People’s understanding and intentions are only that it is to be bought and sold: actions are by intentions. Therefore, paper money is wealth (i.e. a commodity).
3. Sheikh Ali Hindi quotes a fatwa from Sheikh Sulayman b. Hamdan, publ. 1378, as follows. Paper money is equivalent to trade commodities (goods), for the definition of trade commodities is that these are neither

measured by volume or weight, nor are they animals or property. Commodities are valuable items, and paper money comprises items that have effective value on the basis of governmental authority. The names printed on the notes, e.g. riyal, dinar and pound, are metaphorical (majazi) since one can negate these names, e.g. by saying that this note is not a riyal of silver, a pound of gold, etc. Legal rulings in Shari’ah cannot be based on meaningless names divorced from reality, especially in matters of halal and haram.

Summary of this viewpoint

1. Paper money is desirable, valuable wealth. It is treasured and used for buying and selling. It is not similar to gold and silver in substance and source.
2. Paper money is not measured by volume or weight, and therefore does not fall under any of the six categories of items on which the ruling of riba applies in exchange.
3. The names of the currencies are metaphorical: the reality is that the paper money is valuable wealth.
4. Paper money is not equivalent to gold and silver in type and measure: paper is not a precious mineral; paper money is not weighed, unlike gold and silver.

Corollaries of this viewpoint

- a) Bay’ salam is not allowed using paper money, according to the viewpoint that one counter-value in bay’ salam must be gold or silver.
- b) Riba of both types does not apply to paper money: one is allowed to exchange different quantities of it with gold and silver, on-the-spot or with deferred payment.
- c) Zakat is not payable on paper money unless it is set aside for sale.

Critical analysis of this viewpoint

The IOU and commodity viewpoints represent two extremes that open the door to riba and nullify most forms of zakat. E.g. A million pounds deposited upon a return of 8% interest would neither fall under riba nor be liable for zakat! People need to be deterred

from the corruption and materialism of our time, not encouraged! Paper money is not the same as paper that is used for writing and packaging, etc. Sound qiyas is binding in Shari’ah: the correct ‘illah of riba in the exchange of gold and silver is that they are a measure of value, not their substance, source or weighability. As for the argument that paper money names are metaphorical not real, Sheikh ‘Abdullah b. Bassam has answered this in his fatwa of 1378 by saying that there are three types of realities: linguistic, legal and customary. Paper money has a customary reality (haqiqah ‘urfiyyah) since it is customarily a measure of value.

Thus, paper money has the same ‘illah as gold and silver: thamaniyyah (a measure of value or “moneyness”), but it is of a different type. Therefore, the ruling on exchanging paper money for gold and silver is from the hadith, “Exchange them as you wish, as long as it is hand-to-hand (i.e. on the spot).”

VIEWPOINT 3: PAPER MONEY IS THE SAME AS FULUS

This viewpoint is a moderate one between the IOU and commodity viewpoints. Fulus does not necessarily have to be made of copper, although it has been ever since the Arabs took the idea from the Byzantines. The Byzantine value and coinage of fulus was unstable, and the Arabs stabilised it: the copper coin weighed 0.194g, and 48 coins equalled one dirham in value. Proponents of this view and their arguments include:

1. Sheikh Ahmad al-Khatib: No zakat is to be paid on paper money unless it is set aside for sale, since paper money is the same as fulus. No riba applies on paper money: one can exchange it in equal or unequal quantities, on-the-spot or with deferred payment.
2. Sheikh Abdurrahman al-Sa’di: This viewpoint is a moderate one between the commodity view and the view that “paper money is equivalent to gold and silver,” and is the best way to reconcile the various legal evidence. Thus, paper money is equivalent to gold and silver in deferred transactions, so one cannot exchange 10 units for 12 units later, but equivalent to fulus in spot-transactions, so one can exchange whatever quantity one likes on the spot. This is the best view in the situation of need (hajah), for paper money is not the same as gold and silver in reality, and this view is based on the objectives of the Shari’ah without opposing its texts. Many ‘ulama allowed the spot-exchange of fulus with gold and silver in equal or unequal value, but not with deferred payment. This is true even though fulus is closer to gold and silver than paper money.

Riba al-fadl is haram because it is a means to riba al-nasi’ah, and even fadl (exchange of unequal countervalues) is allowed out of necessity, e.g. the sale of ‘araya. Many ‘ulama including Sheikh-ul-Islam Ibn Taymiyyah allowed the sale of gold and silver jewellery for equal or unequal quantities of gold and silver coins or jewellery, considering the value and price of the jeweller’s labour.

Because of today’s need (hajjah) or even necessity (darurah), the fact that paper money is not the same as gold and silver and that we allow unequal exchange only on the spot, plus the disagreement of the ‘ulama about the ruling on paper money: all of these factors strengthen this view over all others.

3. Sheikh ‘Abdullah b. Bassam: Paper money resembles gold and silver in some respects and resembles IOUs or debt-receipts in other respects. However, its strongest resemblance is with fulus coinage such as nickel. Paper money is not intrinsically like gold and silver: its value fluctuates, just like fulus, due to supply, demand, circulation and governmental decree. Gold and silver are intrinsically desirable; paper money and fulus or qurush are only desirable due to government decree. Therefore, paper money is to be treated like fulus or qurush. The correct position in the madhhab of Imam Ahmad is that riba al-nasi’ah applies to qurush (i.e. exchange cannot take place with deferred payment) but riba al-fadl does not (i.e. unequal exchange can take place, but only on-the-spot).

Corollaries

- a) Paper money is not the same as gold and silver, but treated like fulus.
- b) In the view of Ahmad al-Khatib, neither riba al-fadl nor riba al-nasi’ah apply to paper money.
- c) In the view of others, riba al-nasi’ah applies to paper money, but not riba al-fadl.

Critical analysis

Ahmad al-Khatib’s view is wrong, since it nullifies the possibility of zakat and riba in the case of paper money, as we have already discussed. The view of the others is closer to the truth in our view. However, it can be criticised on the grounds that the differentiation in the ruling between riba al-fadl and riba al-nasi’ah needs logical or textual evidence. If they answer by saying that fulus has two roles: (i) as a commodity in its substance and (ii) as a measure of value by government decree, then we answer by saying that in matters where there is a mixture of two situations, the most cautious approach is taken in order to preserve the five legal necessities: religion, life, intellect, progeny and wealth.

An example of this is the hadith transmitted by the five authorities (Bukhari, Muslim, Abu Dawud, Nasa’i and Ibn Majah) on the authority of ‘Aishah that Sa’d b. Abi Waqqas and ‘Abd b. Zam’ah referred their dispute to the Messenger of Allah (SAWS). [Sa’d’s brother ‘Utbah had had an illegitimate son by the slave-girl of Zam’ah, the father of ‘Abd.] Sa’d claimed that the person was his nephew and should be given to him, for ‘Utbah had entrusted him thus. ‘Abd claimed that the person was his half-brother, for the latter was born on his father’s bed. The Messenger of Allah (SAWS) saw the resemblance between the person and ‘Utbah and said, “He is yours, O ‘Abd b. Zam’ah:

the child is attributed to the bed on which it is born, and the adulterer is stoned. O Sawdah bt. Zam’ah, veil yourself from him!” The person never saw Sawdah. Thus, the Prophet (SAWS) attributed the person to the bed where he was born, following the basic principle of the legal father. However, he also attributed the person to another for the mahram rule out of caution, after seeing the obvious resemblance with his biological father. This combination of two rulings was done in such a way that no prohibited matter would be violated; extra care was taken to safeguard progeny (lineage), one of the five legal necessities.

This is very different to allowing riba al-fadl in the case of fulus, a matter that will open the door to riba, since riba al-fadl is a means towards riba al-nasi’ah. Further, there are important differences between paper money and fulus, illustrating that the former should be given the same ruling as gold and silver:

1. Paper money is used for no other purpose than as a measure of value, unlike fulus that can be traded as a commodity in view of its substance.
2. When ordinary paper is converted into paper money, it loses its original nature, unlike the case of fulus.⁷
3. In value, fulus is much less than gold and silver whereas paper money reaches the same value as gold and silver. In fact, some banknotes are worth far more than any gold or silver coin.
4. Fulus is generally used in pricing low-value items, and this is partly why some ‘ulama have allowed riba al-fadl in the case of fulus.
5. Fulus cannot be used in pricing high-value items: only gold, silver or paper money are used for this. Riba usually occurs in high-value transactions.

These differences justify treating paper money on a higher level than fulus, with the corresponding extra rulings and effects.

Statements of the Jurists: the Legal Rulings regarding Fulus

The jurists have considered fulus and generally fallen into two camps, based on their view of fulus as (i) the original substance from which it is made, or (ii) its role as money and a measure of value. Based on these viewpoints, the jurists differentiated fulus from gold and silver, or equated it with them, respectively. Further, they respectively did not or did give fulus the same legal ruling as gold and silver in matters of riba, sarf, salam and zakat.

⁷ [UH:] This seems to be a weak argument. During the German hyper-inflation experience of the 1920s, already mentioned twice by the author, some people did indeed collect stacks of the now-worthless paper money (the mark) and sell it as paper, the original substance. However, this does not significantly weaken the overall point being made by the author.

The First View: Fulus is different from gold and silver, and therefore does not share the same rulings regarding riba, sarf, salam and zakat.

1. The author of *Sharh al-Muntaha* (Hanbali law, vol. 2 p. 194) says, “Riba does not apply to fulus that is used by number, even if it is used for spending (nafiqah), for it is not measured by volume or weight and because of the absence of an unequivocal legal text (nass) and legal consensus (ijma’).”
2. “It is allowed to sell one fils for two in number, even if they are used for spending (nafiqah) because they are not measured by volume or weight.” *Kashshaf al-Qana’ ‘ala Matn al-Iqna’*, Chapter on Riba and Sarf, vol. 3 p. 206 (Hanbali)
3. “Gold and silver are the measures of value (thaman), so it [zakat on cash] does not apply to fulus, even if it is in general circulation.” (ibid., vol. 2 p. 205, section – Zakat on Cash)
4. “Fulus are like trade commodities: zakat is due on their value and the zakat cannot be paid from them, just like all other trade goods.⁸ If the fulus is for spending, there is no zakat due upon it, just like perishable goods.” (ibid., vol. 2 p. 212, section – Zakat on Jewellery)
5. “Riba does not apply to fulus, even if it is in circulation.” (*Sharh al-Bahjah al-Kabir – Shafi’i law*)
6. “Riba only applies to the types of cash: gold and silver, even if they are unminted, such as jewellery and bullion, as opposed to trade goods and fulus, even if these are in circulation.” (*Sharh al-Manhaj* by Sheikh Zakariyya al-Shafi’i)
7. Sheikh ‘Iliyyish al-Maliki says in *Fath al-‘Ali al-Malik ‘ala Madhhab al-Imam Malik*, in a fatwa about zakat on paper money, “There is no zakat on copper fulus, minted by the ruler and in circulation ... In the *Mudawwanah*, it is narrated that Malik was asked about a man who possessed fulus worth 200 dirhams upon which a year passed. He said that no zakat was due upon it.”
8. “Zakat is limited to gold and silver: there is no zakat due on copper fulus. This is the [Maliki] madhhab.” (*Dirdir’s commentary on Mukhtasar Khalil*)
9. Imam Abu Hanifah said that if a person bought fulus for dirhams and one of the parties paid whilst the other deferred payment, this was permissible. However, if both parties deferred payment, this was not permissible because it was a debt for a debt. If a person bought a gold or silver ring with fulus to be paid later, this was permissible. (*Fatawa Hindiyyah*, Hanafi law, quoting from *Al-Muhit* and *Al-*

⁸ [UH:] This is similar to the Murabitun’s position regarding the paying of zakat on paper money, except that they do not stipulate that it should be for sale, i.e. like trade goods. They treat paper money like gold and silver in being zakatable, but treat it like fulus in that the zakat on it must be paid in gold and/or silver.

Mabsut respectively for the two situations.)

10. “It is permissible to sell one fils for two or more.” (Muhammad ‘Ala’ al-Din, al-Durr al-Mukhtar, Hanafi law) The commentary by Ibn ‘Abidin says that this is permitted by Abu Hanifah and Abu Yusuf because they are not intrinsically money (athman) and are therefore treated like commodities. (Radd al-Muhtar)

The Second View: Fulus is similar to gold and silver, and therefore shares the same rulings regarding riba, sarf, salam and zakat.

1. “Fulus in circulation is money (athman). This view is amongst those on the authority of Imam Ahmad ... Ahmad said, ‘One fils must not be sold for two’ ... There are two opposing narrations from Ahmad on this matter. In al-Talkhis, the matter was left undecided. One of the narrations is that unequal exchange is not allowed, and this is transmitted by a group of Ahmad’s students. It is the view preferred in al-Mustaw’ib and al-Hawi al-Kabir.” (Abu l-Khattab, Tashih al-Furu’, Hanbali law)
2. “For the exchange of fulus in circulation for cash [i.e. gold and/or silver], the conditions of spot-transaction (hulul) and taking delivery of payment (qabd) apply.” (Rawd al-Murbi’ Sharh Zad al-Mustaqni’, Hanbali law)
3. Ibn al-Qayyim has a valuable discussion on the matter of the ‘illah of riba in gold and silver in his I’lam al-Muwaqqi’in, in which he criticises those who treated fulus as trade goods. E.g. he says, “I saw the corruption of their dealings and the harm caused by them when fulus were treated as a commodity to be sold for profit. There was widespread harm and much injustice. If fulus were to be treated as a single currency (thaman) of stable value, by which other things’ value was measured and not vice-versa, public affairs would be set aright.” (vol. 2 p. 137, Hanbali law)
4. Ibn Taymiyyah was asked about the permissibility of fulus being bought for a specified amount of cash (i.e. gold and/or silver) and sold for profit with deferred payment. He replied, “In this matter, there is a well-known dispute amongst the people of knowledge, i.e. the exchange of fulus in circulation for dirhams: is the spot-transaction a condition, or is deferred payment allowed? They take two well-known views that are both found in the Madhhabs of Abu Hanifah and Ahmad b. Hanbal. One of these views, the one mostly related from Ahmad as well as being the view of Malik and one of the views transmitted from Abu Hanifah, is that it is not permissible; however, Malik said that it was not clearly prohibited. The second view is that of Shafi’i, Abu Hanifah in the other transmission and the narration of Ibn ‘Aqil from Ahmad is that it is permissible. Some of the ‘ulama take Ahmad’s forbiddance to mean a dislike, for he said, ‘It resembles exchange.’ The stronger position is to forbid this, for fulus in circulation is mostly regarded as money (athman) and is made a measure of the

- value of people’s wealth. ... Establishing the ‘illah as moneyness (thamaniyyah) is to use an appropriate ‘illah, for the objective of money (athman) is to be a measure of the value of wealth, rather than to be benefited by it in itself. Thus, if some of it is sold for other of it with deferred payment, the objective becomes trade, which contradicts the purpose of moneyness. The conditions of spot-transaction and delivery of payment are to complete this objective. ... The Lawgiver has thus forbidden that money (thaman) should be sold for money with deferred payment. Since fulus has become money, the same ruling applies to it: money must not be sold for money at a later time.” (Fatawa Ibn Taymiyyah, vol. 29 pp. 468-471, Hanbali law)
5. Ibn al-Qasim said: I asked Malik about fulus that was sold for dinars and dirhams with deferred payment, and about the sale of one fils for two. He replied, “I dislike that, as I dislike it for gold and silver.” (Al-Mudawwanah al-Kubra, Kitab al-Zakat, Maliki law)
 6. Ibn al-Qasim said: Malik said to me about fulus, “There is no goodness in exchanging these for gold or silver with deferred payment. If the people were to agree amongst themselves on using skins (as money) such that these were made into coins and monetary units, I would dislike these to be sold for gold and silver with deferred payment.” Malik also said, “It is not allowed to sell one fils for two.” (ibid., Kitab al-Sarf)
 7. Sheikh Muhammad ‘Ali b. al-Husayn, in his fatwa about the ruling on paper money (pp. 57-8), quotes from al-Mudawwanah al-Kubra as follows, “If someone buys fulus with a coin or ring of gold or silver and the two parties separate without both of them taking delivery of the countervalues, this is not allowed. This is because there is no goodness in exchanging fulus for gold or silver with deferred payment. Malik said, ‘It is not clearly prohibited, but I dislike the delay in payment.’ ... This is not allowed, except in equal number: one fils for another, hand-to-hand. It is not valid to sell one fils for two, neither hand-to-hand nor at a later time. Fulus in number are like dirhams and dinars in weight. ... Brass and copper are commodities as long as they are not minted into coins. Once they are minted as fulus, they are treated just like gold and silver in matters of halal and haram and exchange (sarf).”

Al-‘Adawi says in his margin to Khirashi’s commentary on Mukhtasar Khalil, “Malik’s dislike here is to be regarded as such (literally), not as prohibition.” However, this is dubious since Imam Malik expressed the same dislike regarding the prohibition of the unequal exchange of gold and silver by saying, “I dislike that, as I dislike it for gold and silver.”

Ibn al-Qayyim quotes in his I‘lam al-Muwaqqi‘in from Ibn Wahb: I heard Malik saying, “It was not the way of the people, nor of those who preceded us, nor did I ever come across people worth of being followed, saying about any matter, ‘This is halal and this is haram.’ They would not dare to say that. Rather, they would

only say, ‘We dislike this,’ or ‘We regard this as good,’ or ‘This is fitting,’ or ‘We do not take this view’.”

‘Atiq b. Ya’qub also narrated this from Imam Malik; this transmission adds, “They would not say, ‘halal’ or ‘haram.’ Have you not heard the saying of Allah the Exalted, ‘Say: Do you see the sustenance that Allah has sent down for you, that you make some of it unlawful or lawful? Say: Has Allah granted you permission, or do you invent lies against Allah?’”⁹ The lawful is what Allah and His Messenger have made lawful, and the prohibited is what Allah and His Messenger have prohibited.

Ibn al-Qayyim commented on the above statements of Imam Malik by saying, “Many of the later followers of the Imams have mistakenly attributed matters to their Imams because of this cautious reluctance of the Imams to use the word ‘haram’ unreservedly. Thus, the later followers denied the prohibition of matters for which the Imams used the word, ‘dislike.’ Next, the word ‘dislike’ became easy for them and its seriousness lessened for them: some of them took it to mean ‘light dislike’ (tanzih); others went even further, taking it to mean ‘the dislike of leaving what is better’ (tark al-awla). This occurs extremely often in their expressions and because of it, a grave misunderstanding of the Shari’ah and the Imams has arisen.”

8. Sheikh Muhammad ‘Ali b. Husayn quotes from the Hidayah (Hanafi law) as follows, “It is not allowed to sell fulus for gold or silver with delayed payment, because our jurists have said explicitly that a weighable cannot be advanced in payment for another weighable. The only exception is when the weighable for which the sum is advanced is saleable, such as saffron etc. Fulus are not saleable goods: rather, they have become money. ... The fatwa is that zakat is obligatory on fulus that is in circulation when its value reaches 200 dirhams of silver or 20 mithqals of gold.”
9. Imam Muhammad b. al-Hasan took a view contrary to his two companions (Abu Hanifah and Abu Yusuf), viewing fulus in circulation just like money (i.e. gold and silver), with all the necessary legal enforcements and prohibitions that this entails, such as zakat and riba. This is confirmed by al-Kasani in his *Badai’ al-Sanai’* (vol. 5, p. 185, Hanafi law), and others.

Conclusion

From the preceding discussion, it is clear that most jurists have treated fulus as a trade commodity, but that those who have carried out critical analysis (the muhaqqiqin) have said that fulus is treated just like money. In my view, there is no doubt that those who say that fulus in circulation is just like gold and silver have a deeper understanding and

⁹ Surah Yunus, 10:59

stronger argument. The real world also supports their view, for fulus is money that is generally-accepted amongst the public as a medium of exchange just like gold and silver. Trading in fulus when in circulation has the same effects as trading in gold and silver. The view that fulus is a trade commodity is nothing but a literalist view, clearly distant from the spirit and secrets of the Law.

VIEWPOINT 4: THE “SUBSTITUTE” VIEW

According to this view, paper money is a substitute for gold and silver, and the substitute has the same ruling as the substituted. It has the same moneyness as the gold and silver on which it is based and by which it is backed. The Shari’ah is based on objectives and meanings, not mere words and labels. This view is supported by the fact that if the paper money loses its status as money, it reverts to being worthless paper.

Corollaries

- a) Both types of riba, fadl and nasi’ah, apply to paper money.
- b) Zakat is obligatory when paper money reaches the nisab amount of gold or silver, depending on its basis.
- c) Paper money may be used in bay’ salam.
- d) Paper money has the same legal rulings as gold or silver, depending on the precious metal upon which it is based.
- e) Unequal exchange of two paper currencies based on the same precious metal is not allowed. E.g. Saudi riyals and Lebanese pounds may only be exchanged on the spot for the same value (in silver); similar is the case with Kuwaiti dinars and pounds Sterling (gold).
- f) Unequal exchange of two paper currencies based on different precious metals is allowed, as long as this is done on the spot.

Critical Analysis

This viewpoint is the closest to the truth¹⁰, except that as we saw in Chapter Four, paper money has passed through several stages until it gained the confidence of the public, who

¹⁰ [UH:] i.e. of the four viewpoints described in this chapter. See Chapter Eight for the author’s preferred view on the nature of paper money.

no longer asked about its backing. Thus, the issuing authorities saw that they did not need 100% backing – only an acceptable percentage of the paper money was backed; the rest could be regarded as promissory notes, in the sense that the issuing authority was required to guarantee their value. Furthermore, backing did not need to be with gold and silver – it could be done with property (e.g. Germany) or treasury bills.

This viewpoint is based on paper money being fully-backed by gold and/or silver. The real-world reality is different, however, for the backing for paper money comes from state enforcement and public acceptance. Therefore, this viewpoint needs support from the real world.

CHAPTERS SIX AND SEVEN: THE ‘ILLAH OF RIBA IN THE EXCHANGE OF GOLD AND SILVER, AND THE WISDOM BEHIND THIS

Conclusion: After numerous quotes from Ghazzali, Ibn Taymiyyah, Ibn al-Qayyim, Ibn Hajar, etc.: the ‘illah is thamaniyyah (moneyness), and the wisdom is that the money is used for its purpose as a medium of exchange, measure of value and store of wealth, and not traded like a commodity.

CHAPTER EIGHT: THE PREFERRED VIEW ON THE REALITY OF PAPER MONEY

Paper money has no intrinsic value, but has an extrinsic value that is based on the following factors, amongst others:

1. The economic situation of the state.
2. Public confidence in paper money as a trustworthy store of value and in its unrestricted buying power.
3. State enforcement of paper money as legal tender.

The preferred view is:

Paper money is an independent type of money (thaman), similar to gold, silver and other mineral money. Paper currencies from different issuing authorities are different types of money.

Corollaries

Some of the corollaries of this view are:

a) Both types of riba, fadl and nasi’ah, apply to paper money as they do to gold and silver, and to other forms of money such as fulus, according to the correct view amongst the ‘ulama. This implies that:

(i) Paper currencies cannot be exchanged for each other with deferred payment, under any circumstances.

(ii) Unequal amounts of the same currency may not be exchanged, whether on the spot or with deferred payment.

(iii) Different paper currencies may be exchanged in any agreed ratio, as long as this is done on the spot.

b) Zakat is obligatory on paper money if it reaches the lower nisab of gold or silver. This applies if the nisab is reached in one currency only or in a mixture of different currencies, or a mixture of paper money and trade goods.

c) It is allowed to use paper money as capital in bay’ salam and partnership (musharakah).

APPENDICES

APPENDIX ONE: FATWA OF THE COUNCIL OF SENIOR ‘ULAMA OF SAUDI ARABIA

Dated Rabi’ al-Thani, 1393 (c. 1973)

The conclusion of the fatwa is exactly the same as the “corollaries” in Chapter Eight of this book. The fatwa was passed after three sessions of deliberation between 1/4/1393 and 17/4/1393 that included questions and answers with Dr. Anwar Ali of SAMA and Dr. Umer Chapra, the economist.

Names of those in favour of the fatwa:

‘Abdul ‘Aziz b. Baz
‘Abdul ‘Aziz b. Salih
Sulayman al-‘Ubayd
Salih al-Luhaydan
‘Abdullah b. Ghudayyan
‘Abdullah b. Sulayman b. Mani’
‘Abdullah Khayyat
Ibrahim b. Muhammad Al al-Shaykh
Salih b. Ghasun
Muhammad b. Jubayr
Muhammad al-Harakan
‘Abdul Majid Hasan
Rashid b. Khunayn

Names of those in abstention:

Muhammad al-Amin al-Shinqiti¹¹
‘Abdullah b. Muhammad b. Humayd¹²

Other

¹¹ [UH:] The Sheikh al-Shinqiti of Chinquette (Mauritania) was perhaps the most senior, most learned and most traditional of the ‘ulama on the council. He passed away a few months after these sittings, may Allah have mercy upon him. It is an intriguing question as to what his position was on the matter, and why he abstained from endorsing this fatwa. Allah knows best.

¹² [UH:] This scholar later endorsed the fatwa – see Appendix Two.

A different view, recorded with the fatwa, was taken by:

‘Abdul Razzaq ‘Afifi, 16/4/1393: The currency needs to be backed in principle by the resources of the country. It is not necessary that there be physical reserves of gold or silver, etc., as long as there are enough resources available within the country to produce items that have equivalent value of the gold, silver or other previous money. Questions were asked of the economic experts about backing of paper money, reasons for the fluctuations in currency values, whether the currency was an independent form of money or a substitute for another, etc. Some members of the council had further questions to ask that were dependent on the answers to the earlier questions. However, not all questions were taken, perhaps because of the shortage of time (although further sessions could have been called) or because of most members’ sufficing with the answers to some of the questions.

APPENDIX TWO: TEXT OF THE DECLARATION OF THE ISLAMIC FIQH ACADEMY, 5TH SESSION

Held at the HQ of the Muslim World League, Makkah al-Mukarramah, between the 8th and 16th of Rabi’ al-Thani, 1402

The basis of money is gold and silver. The most correct view regarding the ‘illah of riba in them is that it is thamaniyyah (money).

The remainder of the declaration is very similar to the preceding fatwa.

Chair of the Islamic Fiqh Academy
‘Abdullah b. Muhammad b. Humayd¹³

Vice-Chair
Muhammad b. ‘Ali al-Harakan

Members
‘Abdul ‘Aziz b. ‘Abdullah b. Baz
Muhammad b. ‘Abdullah b. Subayyil
Mustafa Ahmad al-Zarqa’
Abu l-Hasan ‘Ali al-Hasani al-Nadwi
Dr. Muhammad Rashid Qabbani
Muhammad Mahmud al-Sawwaf
Mabruk al-‘Awadi
‘Abdul Quddus al-Hashimi
Abu Bakr Mahmud Gumi
Mahmud Shith Khattab
Salih b. ‘Uthaymin
Muhammad al-Shadhili al-Nayfar
Muhammad Rashidi
Hasnayn Muhammad Makhluf
Muhammad Salim ‘Amud
Muhammad ‘Abdul Rahim al-Khalid

¹³ Note that this jurist abstained from the fatwa of the Saudi council nine years earlier, but later agreed with the same view when it was adopted by the Islamic Fiqh Academy.

***APPENDIX THREE: LETTER OF ENDORSEMENT FROM
MUSTAFA AHMAD AL-ZARQA’***

Dated 29th Shawwal 1392 / 4th December 1972

A letter of praise and thanks for the work of Ibn Mani’. Enclosed with the letter was al-Zarqa’s treatise on the Islamic ruling on insurance contracts. There were also suggestions regarding some of the points mentioned in the text of the book, and Ibn Mani’s replies to these.