

Pay Zakat in Gold

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We are living in a world controlled by an economic system that is anything but Islamic. It's based on Interest / debt based banking systems designed to enslave and dominate the masses and countries so that their natural capacities and wealth can be exploited for the benefit of the few on the top¹. Being a Muslim it's our ultimate responsibility to launch a response that can transform this system toward the Islamic Ideals.

The most pivotal building block and strongest tool of exploitation of the interest / debt based economic system is paper currency backed by nothing. Paper currency (and now digital) is the center of gravity of the prevailing economic system and Alhamdulillah, SubhanAllah Islam has provided us a very strong weapon called Zakat that we can use to hit its lifeline if we use it properly i.e. "Pay Zakat in Gold".

To understand this we have to get hold of the economics of paper currency first. Paper currency is not backed by Gold or silver these days. Its value is determined through floating exchange rates resulting in deadly repercussions in following ways:

When Sharing Becomes Evil

The most central practice in today's economic model is Fractional Reserve banking (FRB) which is about lending a percentage of deposits to customers. Paper Currency that is printed in the quantity, desired by Central Bank (CB) is multiplied as it passes through Fractional Reserve Systems of Conventional banks resulting in inflation. The CB imposes a Cash Reserve Requirement i.e. CRR is 7 ~ 10% on commercial banks (even Islamic banks) which determines the amount to be loaned out. A CRR of 10% means that a bank can lend 90 rupees if it has a deposit of Rs. 100. The bank in fact transfer this amount to the clients bank account, i.e. the same bank (or any other bank) receives it back, again making it a part of its deposits ready to be loaned again. The cycle continues and the money generated by central bank is multiplied many times in the form of loans and expects commercial banks expects it back with interest. Britain the Central bank regulates only 3% of the total money generated where as the remaining 97% is regulated in form of loans by commercial banks. In other words only 3 pounds of money exists to pay back 97 pounds to debt in Britain !!!

"I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a money aristocracy that has set the government at defiance. The issuing power should be taken from the banks, and restored to the people to whom it properly belongs." - Thomas Jefferson, 3rd US President

This phenomenon seems very profitable if seen in context of banking practices, but from macro economics stand point this is most contagious and is the biggest root cause of Monetary Inflation (of course there are others reasons as well) as by practicing FRB, banks gains the capacity to produce and control the money supply in the economy². Its exploitative nature is evident from Mayer Amschel Rothschild, statement which he made in 1828 *"Allow me to issue and control the money of the nation, I care not who writes the law"*. Fractional Reserve banking is only possible if economy is backed by

¹ Confession of an Economic Hitman by John Perkins

² For details please see www.en.wikipedia.org/wiki/Fractional-reserve_banking, www.lewrockwell.com/rothbard/frb.html

paper currency backed by nothing and its value is determined by floating exchange rates. If it's backed strictly by gold then it is not possible to do FRB simply because a physical gold coin cannot be passed on to many in form of loan, enabling them to use it simultaneously!

From Paper to Bits

In reality, Paper currency is a hoax (pay orders, bonds, cheques and other receipts included) and digital currency (debt / credit cards) are even bigger hoax, as it was supposed to be backed by gold but it's not. The reason paper currency superseded gold and silver was that it could be produced effortlessly and multiplied many times over in form of debt by passing it through the FRB system. The digital currency in form of credit and debit cards has even eliminated minor repercussions which paper currency had, like printing and distribution, as now it's even more easier to generate and multiply it in digital form, thanks to the latest information technology.

"The dollar is America's greatest success story, because each one costs less than a penny to produce and yet, is sold throughout the world for \$1 apiece. What American export can match that?" *Jim Grant, Grant's Interest Rate Observer, NYC Conference*

The result is constant depreciation of currency's value as it multiplies with time, in the form of debt, when passes through the FRB system of banking (the sugar coated term for this phenomenon in economics is the Money Multiplier Effect). Today 3% of Britain money supply is controlled by government whereas 97% is controlled by banks in form of debt³, even worst is the case in USA. The result is staggering inflation and devaluation / debasement of paper currency and the hardest hit are the poor as their savings disintegrate with the rate of inflation caused by excess money supply, henceforth they have to put additional backbreaking effort just to maintain it. From Islamic standpoint, Ahadith and Quranic verses, describing the economic ruling, are based on Dharam and Dinnars, which has always been in form of gold and silver. By the way 1400 years ago a chicken price tag was 1 dinnar and today it's still 1 dharam i.e. 3 grams of silver means zero inflation in terms of silver currency⁴.

Paper currency is a pivotal element of Debt / Interest based economic environment which enables world powers to accomplish their agenda of Economic domination and slavery (for details of this agenda read the book by Confession of an Economic Hitman by John Perkins who worked at IMF), as it allows the banks to control, issue and devalue the money supply.

Devaluation of currency is practiced to keep countries under their economic rule. You must have noticed the devaluation of Rupee in the past and more significantly in recent times. The World Bank occasionally pushes Pakistani government to devalue the currency (source Dawn newspaper) simply because it increases the amount of debt in dollars and the interest on that debt (previously to pay back 1 dollar, we had to earn Rs. 60, now we have to earn Rs. 70) as a result Pakistan has to pay more out of its savings for an even longer period of time.

The Gold Standard of 2.5%

We all know that the currency used 1400 years back was Dharam and Dinnar, which were in fact gold and silver coins. Henceforth Zakat was implied on individuals whose savings were more than a specific amount i.e. 85 grams of gold, 595 grams silver or 653 kilograms of certain grains. Minimum limit of Zakat was 2.5% of the saving in dharam/dinar or other trading goods and 5 ~ 10% on grains in stock exceeding the minimum limit. This extracted amount of savings goes to

³ UK Money Supply Has Tripled Since 1997: www.dailyreckoning.com.au/uk-money-supply/2007/10/09/, also see www.prosperityuk.com/prosperity/prosperity.html

⁴ www.goldprice.org/buying-gold/2006/02/islamic-gold-coins.html

poor and deserving people of the society. Today we calculate and pay in terms of paper currency. If the poor guy spends it immediately then he has nothing to lose. However, if he kept it for saving, paper currency disintegrates with the rate of inflation.

Please note that Zakat cannot be paid on debt! It's paid on the Real Wealth if it exceeds then limits defined above. Considering an economy such as of UK as example, where 97% of all the money supply is in the form of debt created by fractional reserve systems of commercial banking, assuming the masses are all Muslim and wants to pay Zakat on their monetary reserves then they will be only able to pay 2.5% of the 3% of real money circulating in the economy. Similar would be the case in United States or any other developed country with similar economic scenario. This simply means that a Muslim economy if gets more and more dependent on the interest/debt based fractional reserve banking system then the masses will become increasingly handicapped to pay Zakat. Furthermore, whenever a person asks for some debt from the bank, the bank in return asks him to pledge whatever real wealth he has so that bank can secure its investment in case the creditor gets bankrupt. Thus pledging further disables the creditor to extract a portion of his savings to help the poor of the society. Little surprise when we say "*Richs are getting richer and poor are getting poorer*" in today's debt reddened so called developed countries ...

On the other side, It's estimated that the amount of gold mined throughout history is about 140,000 tons. At \$1,000 per ounce, this is worth about \$4 trillion. If the whole world pays Zakat on that amount (2.5%), the result would be \$100 billion annually. Wheat production is expected to reach 645 million tons in the 2008/2009 season. If the whole world pays Zakat on that amount (5% for wheat), the result would total more than 32 million tons for this year. Rice production is 421 million tons for the 2007/2008 season. If the whole world pays Zakat on that amount, the result would total more than 21 million tons for this year⁵.

This amount is many times more than needed to raise all the poor (more than half of the world population) to their feet!!! But the prevailing situation is in fact entirely opposite simply because economies are being driven by interest / debt based FRB system which are extracting all the remnants of Real wealth from nock and corners of their respective societies, in exchange of debt, making only the rich even richer and the poor to die with hunger; 25 million per year to be exact⁶!!!

The Alternate

Keep in view the above stated points its becomes blatantly clear that if we want to raise the standards of living of the half of the world's population living below the poverty line then we really need to get rid of interest / debt based economic system operating through FRB. The first and most convenient step would be to get rid of paper and digital currency and replace it with Gold and silver, simply because its not possible to issue, control and devalue it as done with existing forms of currency.

"Banking was conceived in iniquity and was born in sin. The Bankers own the Earth. Take it away from them, but leave them the power to create deposits, and with the flick of the pen they will create enough deposits to buy it back again. However, take it away from them, and all the great fortunes like mine will disappear, and they ought to disappear, for this would be a happier and better world to live in. But if you wish to remain the slaves of Bankers and pay the cost of your own slavery, let them continue to create deposits." - Sir Josiah Stamp, President of the Bank of England in the 1920's, the second richest man in Britain

⁵ <http://en.wikipedia.org/wiki/Zakat>

⁶ 25 million die of hunger a year: UN. Source: www.cbc.ca/news/story/2003/11/25/hunger031125.html

As it is clear that the poor in the society are getting poorer with a rate currency is being devalued which is infact the rate of inflation, thus as Muslims our first priority should be to save the poor class from the claws of prevailing evils of the economic engine.

The Zakat paid by Pakistanis is 60 ~ 70 billions of rupees. If this is paid in form of Gold and silver, will bring following advantages

1. Poor class will be able to develop their monetary reserves in form of Gold and Silver, which they are unable to develop due to their negligible income. As we know that the price of Gold and Silver has been increasing with time, thus this will profit poor class in monetary terms.
2. If this much gold and silver is injected at the bottom of the society, it will encourage the use of gold and silver as a unit of exchange. Hence, the circulation of gold and silver will begin in the society, which is a pivotal element of Islamic Economic system. As you might know that in some cities of upper Punjab dollar and pounds are used simply because a member of each family is abroad and send back his savings in form of dollars thus making it a medium of exchange for the whole city. In Malaysia use of Gold as a medium of exchange has already started, so it really happens if people initiate it.
3. This will be a move in the direction to make Gold and Silver supersede paper currency, this will be the strongest blow to the interest/debt based economic system, as it will disable them to dominate and exploit countries that they do through fractional reserve / interest / debt based banking. Fractional reserve will not be possible in presence of gold currency thus their agenda of economic domination will be deterred effectively as they will not be able to control and manipulate the money supply as they do with paper currency.

"I am however starting to think that the plan for the Gold Dinar and support from other Islamic nations is a planned offensive against the use of the dollar as a settlement currency for oil. It is perceived, and correctly so, that the Islamic world is controlled via the use of the US dollar as the main settlement currency. When I say "controlled" I mean whatever happens economically in the USA is exported there via the dollar ... What we are hearing now is that the Gold Dinar will be used as a "measure" settled quarterly in gold on an Islamic intra- nation basis, but that could change quickly. A review of the trade balances of Malaysia and its intra-Islamic trade partners indicates that if the Gold Dinar is employed as now suggested, it would tie up approximately 200 tonnes of gold production equal to 10% of new mine supply. If Malaysia went all the way and went to convertibility with a 15% gold cover, they would utilize more than 300 tonnes of new production. Either way, this is the Wildest of Wild Cards for Gold." THE GOLD DINAR: A NUCLEAR WILD CARD - Jim Sinclair, Tanranqe October 28, 2002

Translated from the "Al-Fath Al-'Ali Al-Maliki" page. 164-165 *"This Fatwa considers paper-money to be fulus (lower category of currency with limited used), because it only represents money and does not have value as merchandise. It follows that since Zakat cannot be paid in fulus, which has no value as merchandise, it cannot be paid in paper-money, which value as weight of paper is null. On this basis, it becomes clear the urgent need to restore the use of the Dinar and the Dirham as payment of Zakat. If the millions of Muslims who now make their payment of Zakat in paper money would do it in newly minted Dinars and Dirham's, they will put in circulation millions of gold and silver coins into the mainstream of daily commercial activities of our communities. That single act will became the most important political act of the century, opening the path towards the establishment our own halal free currency breaking away from the usurious financial system. The return to the payment of Zakat in gold and silver is an essential part of the reestablishment of Islam. "*