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Ron Paul Calls For An Audit of U.S. Gold Reserves

MALAYSIAN STATE LAUNCHES GOLD & SILVER ISLAMIC CURRENCY

September 2010

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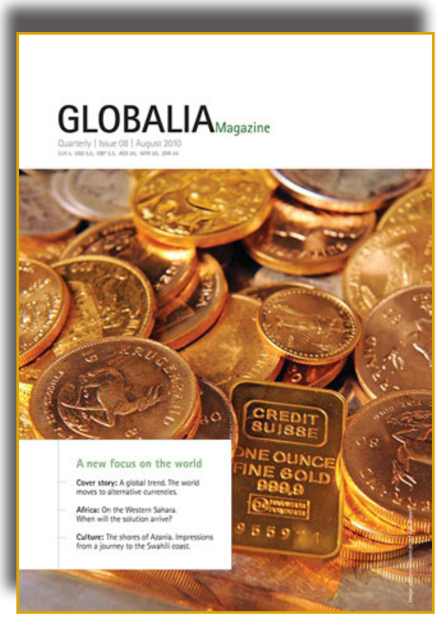

COVER: Ron Paul Calls for Audit of US Gold Reserves

In a Kitco news exclusive from August 24, Daniela Cambone interviewed U.S. Rep. Ron Paul who said he plans to introduce a new bill next year that will allow for an audit of US gold reserves. He further said the bill does not yet have an official name but will be unveiled at the start of the new U.S. Congress. The article is available on Kitco at
http://www.kitco.com/reports/KitcoNews20100824DC.html

Editor's Note: Catch Dr. Ron Paul at the upcoming Kitco Metals eConference September 12-13, 2010. A not-to-be missed event featuring Marc Faber, James Dines and other industry heavyweights. The eConference is free with Pre-Registration http://www.kitcoeconf.com

GoldMoney partners with Equifax Canada to offer online identity verification for Canadian residents

September 2010

GoldMoney, one of the world's largest providers of physical bullion for retail investors, is now able to offer residents of Canada online identity verification through Equifax Canada, which enables them to open a GoldMoney account entirely online and transfer funds within 20 minutes. The ID verification service is being provided by Equifax Canada, the consumer verification expert, and is an expansion of the existing offering, which has been a success for GoldMoney customers in the US and UK.

Geoff Turk, CEO of GoldMoney, said: "The sign-up process combines efficiency with Equifax Canada's state-of-the-art security. Customers are able to start funding their Holding within minutes."

GoldMoney has continued to develop the simplicity of opening a Holding after making it an entirely online process for residents of the 29 'fast-tracked' countries, including Canada, UK, USA, Germany and Australia. Scanned identity verification documents can be directly uploaded through the website, in contrast with regular verification procedures requiring a paper-based application and the need to post documents.

"GoldMoney's online system enables customers resident in Canada to sign-up online and buy gold, silver and platinum from the comfort of their home, without paying the high premiums for coins and small bars," Mr. Turk added.

Demand for precious metals in the past 18 months has increased substantially as investors recognise the retained value of gold and its stability relative to other currencies and financial instruments.

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DGC Magazine is published online 12 times a year. Subscriptions are free. Industry ads are free.

Anybody Seen Our Gold?

The gold reserves of the United States have not been fully and independently audited for half a century. Now there is proof that those gold reserves and those of other Western nations are being used for the surreptitious manipulation of the international currency, commodity, equity, and bond markets. The objective of this manipulation is to conceal the mismanagement of the U.S. dollar so that it might retain its function as the world's reserve currency. But to suppress the price of gold is to disable the barometer of the international financial system so that all markets may be more easily manipulated. This manipulation has been a primary cause of the catastrophic excesses in the markets that now threaten the whole world. Surreptitious market manipulation by government is leading the world to disaster. We want to expose it and stop it.

Who are we?
We're the Gold Anti-Trust Action Committee Inc., a non-profit, federally tax-exempt civil rights and educational organization formed by people who recognize the necessity of free markets in the monetary metals. For information about GATA, visit http://www.GATA.org

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GATA

The Modern Mind Trap

by Paul Rosenberg

My last article focused on the inside/outside distinction that infects the "developed" world and especially people occupying positions of any authority. I defined Outside as "things that are not within our group's accepted mental and emotional framework." I went on to explain that all the truly creative things come from Outside, that Inside is a stasis field, and that things from Outside frighten people whose minds are Inside.

In this article, I want to explain how the mind-trap of Inside has taken shape and how it is affecting the modern world.

I can trace the mass mind-trap back to 5400 BC, with a significant revision at about 300 BC. So, this is a very old phenomenon. It has strengthened and weakened over time, and there are many lessons to be learned from this history, but in this article we will focus on the modern version that faces us.

The mind-trap that we face was formed over its ancient base in several general stages:

Step #1: Elimination of the big view

As industrial production spread across the West in the 19th and 20th Centuries, it organized in huge factory operations and in specialized work. This was immensely productive, but it took a terrible toll on people's understanding of the world.

Working in a factory, the young man or woman saw only a "system," which they didn't understand. The "system" was not creative so far as they could see; instead, it was a huge organization that demanded blind obedience and issued a paycheck in return. In most cases, they never met or even saw the ultimate boss – he was probably several states away, in a tall office building.

This created an immense distance between the goals of the worker and the goals of the business in general. The worker seldom understood why production mattered, aside from making distant people rich and for hanging on to his job. This made the worker ignorant.

A shoe-maker understood the economic value of his profession: He purchased leather and other supplies from traders and he worked with customers to deliver the best shoe he could for their money. He understood making compromises on products because the customer could afford no better. The factory worker understood none of this, unless he or she went out of their way to find understanding.

But worse than economic ignorance was the fact that the workers became ignorant of the world in general. They obtained a job through the help of a friend or relative, learned only that specialty, showed-up to work every day, purchased a house, sent their children to the local school, imbibed mindless entertainment, and precious little else. They did not know how the world worked, how humanity had arrived at its present state, or what the principles of civilization might be.

And the inner damage was worse: In the factory, people were told what to do, but they were not told why to do it. Explanation was specifically avoided. The higher levels dictated and the lower levels obeyed. The end result of this was that understanding was not sought. Things were "good" or "bad" because someone in a high position said so. Reasons were non-essential. The phrase, "You're not qualified to think" may have been used in humor, but it was used often in the factory.

Step #2: Elimination of Ability

A crucial step in the formation of the trap was the forcible re-routing of surplus away from the producers and to centralized governments. Before World War One, surplus production in the West generally remained in the hands of those who produced it. In the 19th Century, it was normal for people to accumulate money. But after 1914, that changed very quickly and surplus was immediately gathered and transferred to central governments all through the West.

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http://www.webmoney.ru

www.telepat.com

In the modern world, everyone's surplus is taxed away as it is being formed, and very few of us are able to accumulate money. The individual has precious little ability – he survives mostly hand-to-mouth and relies, permanently, on the system.

Step #3: Elimination of Confidence

The working man of the 19th Century had a solid base, from which to take things upon himself. The factory worker of the 20th Century had a fragile and broken base – one misstep and he was fully vulnerable. As a result, he took orders and not risks.

With surplus removed from individuals, all investment capital was forced through institutions. Money was not saved and invested, it was obtained through banks. In this way, finance was centralized, and removed from the hands of individuals.

In the 19th Century it was very common for a farmer or a mechanic to amass capital and to make loans to people he knew and trusted. The removal of surplus capital into central institutions beggared the farmer and the mechanic. In the 20th Century, their children would shuffle into banks and beg for loans.

As an almost-direct result, schools and the mass media sought and promote discussion of Western Civilization's flaws and were eager to imply crimes to it. Primitive civilizations were portrayed as better, more "authentic," and more noble.

Step #4: The Structure of Safety, Success & Morality

Over decades, these changes coalesced into a grand system which provided almost everyone a choice of pre-packaged options for their lives. Do you want to be a lawyer? Follow this career template. An executive? Follow that one. Have political feelings? Choose from these two major parties.

Monopolies on the creation of fiat currencies gave states the ability to make this game 'work' for a long time. Everyone felt like they could avoid risk, evade responsibility, and get more than they had really earned. As a result, control of the grand system – politics – became the great struggle of morality on earth.

In the 20th Century the state attained the attributes of deity, though never the name. Politics has become the magic process by which righteousness is declared. The system became all-encompassing.

THE VICTIMS OF THE TRAP

The people of the trap who sometimes oppose us are not simply malicious (though some are), they are victims. Their minds have been influenced by the system – usually at great length, via force and intimidation. Even though they act quite badly, it should be remembered that they are also victims.

Being victims does not mean that they are to be excused, but it does mean that a stick-figure, evil image of them is false. It is not that simple and we should not turn them into cartoon characters. They are real, complex human beings.

Avoid, correct and oppose them as you must, but do not fall into the error of seeing them all as a monochromatic evil. They are not, and many of them are quite capable of freeing their minds and crossing over to the creative fields on the Outside.

The newest Gold Dinar coin issued by the World Islamic Mint for the Malaysian state of Kelantan

PayPro Global Introduces WebMoney as a Payment Option for Vendors

PayPro extends payout options with WebMoney to give software vendors more flexibility managing online businesses

PayPro Global, an international leader in end-to-end eCommerce solutions that offers a wide range of unique and innovative ways to sell software online, today introduced WebMoney as a new payment method for software vendors.

According to the extended agreement between PayPro Global and WebMoney, software vendors will be able to receive payouts in WebMoney. The new option is appealing to software vendors who widely use the WebMoney payment system for making online purchases. Previously, WebMoney was added as a payment option on the order page to give customers greater flexibility in online purchases. The WebMoney payment system is very popular among countries with lower credit card use, offering an excellent payment alternative for these customers. PayPro Global is constantly monitoring vendors' and shoppers' preferences to ensure that all company clients have a positive experience with PayPro services.

"We are pleased to expand PayPro service offerings and make selling software online with us not only efficient but comfortable for e-businesses around the globe," noted Matthew Silverman, CEO of PayPro Global. "We are very responsive to the needs of the clients and this is the main key to our success."

PayPro advanced technologies aim to simplify today's complicated world of eCommerce. Along with secured online payments processing, the company offers software developers state-of-the-art licensing, activation, and anti-piracy protection for their applications.

Web site: http://www.payproglobal.com http://wmtransfer.com

Why would anyone bother using digital currency when we have banks and credit cards?

When compared to a 'traditional' method of doing business online, such as a credit card or online payment service like PayPal, digital currency can sometimes seem cumbersome and risky. Here we will examine the motivations for using digital currency or digital gold currency accounts.

Doing business online generally requires a bank account, credit cards and a merchant processing account. The primary reason customers are attracted to digital currency develops from a lack of basic access to these traditional banking faculties. In past decades regions of the world which did not offer local bank options were dominated by alternative value transfer systems such as the hawala or other financial products such as Western Union wire money transfer. With the creation of the Internet and the low cost of personal computers, alternative online payment products are quickly becoming a dominant force in these areas where:

- local banks and traditional banking products are not available
- the average incomes of the local people are too low to afford expensive bank accounts
- there is a great distrust of local banks causing the local population to seek out Internet alternatives
- the local government currency is not stable and subject to wide fluctuations in value thus driving businesses to seek online foreign alternatives
- historically the local area might hold a culture-of-cash where conventional banking products such as credit cards are not accepted because of societal values or religious beliefs

The most successful digital currency system in the world today is Webmoney Transfer. Illustrating almost all of the the points above, Webmoney's system was created after the 1998 collapse of the Russian banking sector.

A compelling reason to use digital currency instead of bank products is cost effectiveness. Compared to processing credit cards online or even using a card based service such as PayPal, digital currency transactions are on average about 1/3 the cost. This same reasoning is expressed towards bank wire fees. On average a domestic wire transfer will cost you $20-25 and sending the same amount through a digital currency system might cost you just $5 or 1/5 of the bank cost. A significant savings over banks and bank card products can be captured by using digital currency products.

The second compelling reason is efficiency. Digital currency transactions including digital gold currency, clear instantly and the funds received are immediately available for use. A domestic bank wire transfer can take 2-7 days to clear into the account and an international transfer even longer depending on the correspondent bank, delays due to holidays, weekends of time zone differences.

A third reason is reliability. All digital currency transactions are final, there is no possibility of a reversal. Anyone who has done business using credit cards is aware of the massive fraud that occurs with stolen credit cards each day. Having a card transaction reversed and the amount pulled from your account is a common event. Credit card reversals or "charge backs" can occur anytime up to 30 days after the transition. If you contrast this unreliable feature next to digital currency transactions where all funds clear instantly with no charge backs, suddenly digital currency is shown to be the more reliable means of accepting payment.

Complex international bank transactions, which might involve a client's local bank, the correspondent bank, the main office of a foreign bank and a local branch office of the recipient's foreign bank often have the potential for mistakes. Large international transactions or foreign commercial transfers have been known to get "lost in transit" for several weeks during a business exchange. In total contrast, global digital currency transactions occur online between two parties, the sender and the receiver. No matter where they are located around the globe each transfer takes only moments and each party has verification of the completed transfer without any possibility of the funds being lost or reversed.

The combination of cost effectiveness, efficiency and reliability makes digital currency the preferred alterative to a banking products for many of today's world citizens.

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GoldMoney Forms Non-profit Foundation for the Advancement of Sound Money

GoldMoney Foundation

The ***GoldMoney Foundation*** is a not-for-profit educational organization established this year [in 2010] by GoldMoney Network Limited, a leading global provider of precious metals that is safeguarding over $1 billion of customer assets.

The aim of the Foundation is to promote and support educational initiatives that expound the principles of sound money. Its scope is global. Thus, it is expected that over time the Foundation will become an influential addition to the well-established tradition of leadership in sound money that has been an important building block of GoldMoney Network Limited.

Key Principles of the GoldMoney Foundation

The key principles of the Foundation are based upon the scholarly framework developed within the Austrian School of Economics, and especially the works of Ludwig von Mises and Murray Rothbard. The Foundation aims to encourage the broadening of this base of knowledge in new and important ways relevant to today's economy. The Internet and other technological advancements for improved communication such as mobile telephony enable human interaction in commerce in ways never before possible. The educational efforts of the Foundation aim to make sound money a central topic as online commerce grows and develops.

It is the fundamental principle of the Foundation that sound money encourages harmonious interaction between individuals, which is the essential element of a society built upon free-markets and a rule of law that protects property rights. This agreeable result is a noble goal and the aspiration of the GoldMoney Foundation.

Given that harmonious interaction between people is dependent upon sound money and good monetary policy, it is important to make available as widely as possible, informative educational material about the role of gold and silver as money and currency and their importance to society.

Activities of the GoldMoney Foundation

To fulfil its purpose, the GoldMoney Foundation focuses upon the monetary role of gold and silver and their unique usefulness as money and currency.

Its activities include:

- Conduct and sponsor monetary conferences,
- Produce videos and publish educational material on monetary matters, and
- Carry out other activities suitable to the achievement of its objectives.

Opportunities to Assist the GoldMoney Foundation

We view this website as a forum to provide information about the GoldMoney Foundation, its goals and its achievements. We will also alert you about upcoming events sponsored by the Foundation.

We welcome your feedback. For example, if you have projects in mind that could further the goals and aims of the Foundation, please let us know. The Foundation is always looking for worthy projects to advance the role of gold and silver as money and currency.

While GoldMoney Network Ltd. will continue to support the Foundation's activities, donations, endowments and grants are welcome from individuals and supporting organisations that share the principles and goals of the GoldMoney Foundation and would like to help it achieve its objectives.

http://goldmoney.com/goldmoney-foundation.html

Webmoney Emerging Products

It's hard to keep up with the pace of growth and new products emerging from Webmoney Transfer.

This month Webmoney announced that they now have instant bidirectional transfers with Alfa-Bank. Add funds or withdrawal funds instantly through Alfa-Bank which also happens to be the third largest bank in Russia.

In the past few months they have added a virtual MasterCard for Russian users. Over in the last decade, credit card penetration has been very low across Russia, this virtual one time use MasterCard product has been extremely well received by Webmoney account holders. It has been reported that QIWI is selling in excess of 25,000 of these virtual cards each month. QIWI, which operates in key markets including Russia, Ukraine, Georgia and Kazakhstan, is a leader in electronic payment systems. QIWI's network of terminals accepts payment in cash and other methods for a range of electronic services such as mobile top-up, bill payment, transport ticketing, entertainment and loading wallets. Earlier this year QIWI partnered with Ukash and now permits Ukash vouchers to be issued at more than 100,000 sites across Russia. Ukash is yet another company that is already "integrated" into the Webmoney system.

You can even add Skype credit using WebMoney across 3 new countries: Indonesia, Vietnam and Byelorussia. There are no additional charges except the standard outgoing transaction fee. This Skype recharge is as simpla as logging into your Skype account and choosing WebMoney as a payment method.

Visit the web site: http://www.wmtransfer.com

Webmoney Keeper Classic 3.9.2.1 is available for download:
http://download.webmoney.ru/wmk_en.exe

Malaysian State Launches Gold & Silver Islamic Currency

According to Islamic law, the dinar measures 4.25 grams of gold, while the dirham is 3.0 grams of pure silver. A golden coin is equivalent to about 582 ringgit ($183 dollars) while the silver coin is worth around 13 ringgit but their values fluctuate according to market prices.

KELANTAN LAUNCHES DINAR & DIRHAM

New gold dinars and silver dirham started being offered around mid August in the Malaysian state of Kelatan. Most Malaysians believe that a free choice regarding the type of money they can use is a crucial right of freedom. This is not unlike the American movement towards competing currencies made of gold and silver.

This is the first time in the last 100 years, since the fall of the Ottoman Caliphate a Muslim government has introduced Shariah Currency. There have been four generations of Muslims who have not seen or used the gold dinar and silver dirham. The introduction of Gold Dinar and Silver Dirham in the state of Kelantan is not a new idea or experiment, it is the return to the medium of exchange that has been known for 1400 years throughout Dar al-Islam as Money of Shariah taking its legislation from Allah's Revelation and Rasul's Sunnah.

The Malaysian state of Kelantan holds just under two million inhabitants and now these citizens have a choice of payments. Dinar and dirham currencies can also be used dealings with state government agencies, such as paying "zakat". Authorities in this northern Kelantan state, which is ruled by the Islamic opposition party PAS, said the Islamic currencies could be used in many shops in the state alongside the ringgit national currency. In fact they have stated that approximately 1000 shops have already signed up and agreed to accept the dinar and dirham for the purchase of goods. With 1000 shops participating it is clear that the public's intent may not be to hoard gold but to increase its circulation within the state.

HOW DOES IT WORK LOCALLY?

Signboards at the main market in the state capital Kota Bharu show the conversion table between the dinar and ringgit. Large banners welcome guests at Kota Bharu Airport displaying "Land of the dinar and dirham". Participating shops display stickers that say "We Accept Dinar and Dirham" encouraging people to spend the coins. Anyone may use dinar and dirham to pay their monthly water and electricity bills. Finally, all public servants now have the choice to receive one quarter of their wages in gold and silver.

Local Kelantan leaders see the dinar not only a link back to Islamic beliefs and tradition but also a useful means for shaping their country's economic future.

If you are not local and want to purchase these fine coins they are available from the World Islamic Mint web site
http://islamicmint.com.my/ or in the online shop at e-dinar at http://www.e-dinar.com

The World Islamic Mint is the official global authority for minting the Dinar and Dirham. The aim of the WIM is to develop the Shariah currency as a world currency. Particularly important is the restoration of the payment of zakat with this Shariah currency.

Kelantan government first minted gold dinars in 2006, the new coins have a new reality because:

- **This is the first time when not just gold dinar but also silver dirham has been minted;**

- **This is the very first time the Kelantan dinars and dirhams are minted in accordance with the international standard which is set by World Islamic Trade Organization (WITO)**

The Dinar has no nationality, it is made of gold, it is the same in Morocco as in Malaysia, or China.

and monitored by World Islamic Mint (WIM); 99% of all dinars & dirhams minted worldwide in the last 20 years is the work of WIM, hence the new Kelantan coins – the reverse side of the coins bear the logo of WIM while on the obverse is coat of arms and name of Kelantan Government – have international status and acceptance among millions of muslim and non-muslim users around the world;

- **This is also the first time when the coins are minted in all denominations: Dinar – ½, 1, 2, 5, 8; Dirham – 1, 2, 5, 10, 20;**

- **Unlike before this time the new coins will be distributed to public throughout the state of Kelantan under homogenized pricing scheme and proportionate value between denominations;**

- **And most significantly, this is the first time when all state companies in Kelantan will accept the Islamic coins as well as shops thus instantly giving a broad avenue for the public to utilize their coins.**

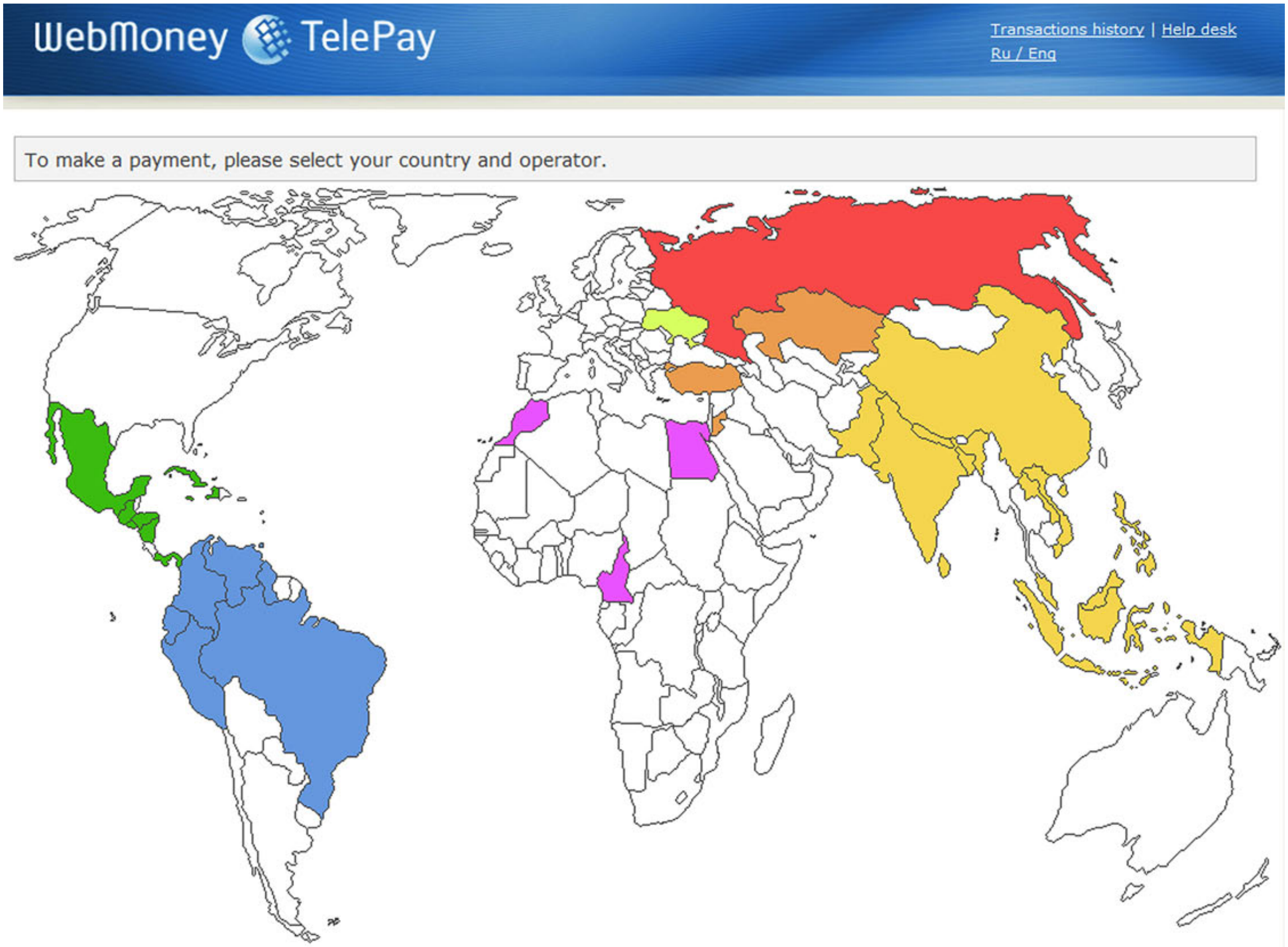
PETROL STORED VALUE CARDS NOW TOP UP WITH WEBMONEY

This information originally appeared on Daniel Gusev's awesome web site:
RETAIL BANKING IN RUSSIA: INNOVATION UNFOLDED
Read more: http://valuedrivenbanking.blogspot.com/

Stored value cards can now be topped up with emoney. So is this the start of emoney physical cards?

People in Russia have had the opportunity to pay for petrol with stored value cards – but they now have the opportunity to top them up with emoney, Web Money to say precisely. This is interesting – as petrol stations has been one of prime acquisition targets by banks acquiring businesses – as they hold a good percentage of federal card acquiring turnover (if we exclude main Russian cities, petrols are beacons of card spend in Russia).

Teaming with WebMoney is an interesting move – as WebMoney transformed itself into a sort of online bank (you have to sign in with a set of ID / password / certificates – you can also get loans from other WM holders and even create deposits) – users build up substantial balances on their accounts – so transferring the money to stored-value cards is a good way to transform the online cash into an offline card. This may even be a test for WebMoney – to see how many WM holders want to top-up cards – to probably launch its own prepaid.



Unlike many other digital currency systems, the Webmoney operators have created useful everyday payment products and cater to their customers' needs.

Above is a map showing the countries where it is now possible to top-up or pay for cellular phone service using Webmoney. No credit card needed you can pay for your monthly cell phone bill and top up the prepaid account using a WM purse.

At DGCmagazine, we especially like the popular green section.

Explore more of this map here:
http://telepay.wmtransfer.com/map/map.aspx

A Fascinating Look at e-Dinar, Islamic Finance & Halal e-Payments

For Muslims the use of gold dinar & silver dirham is more than a nostalgic look back at traditional Islamic currency. This form of money has been accepted as a means of payment and trade for more than 1200 years across China, Europe and Africa. Comparing all bi-metallic currency throughout the history of mankind, this 'period of acceptance' represents the longest time frame any currency has ever remained active.

Today, thanks to e-dinar, this thousand year old Islamic method of trade has now been crafted into a safe & easy-to-use modern day digital product.

e-dinar together with Emirates Gold *(the largest gold and silver producer in the Middle East)* offer the gold dinar and the silver dirham as the traditional currency of the Muslims in accordance with the exact historical standards.

> **"So you have the Dinar in your pocket and then you have the electronic version for the payment system; and for this we have created e-Dinar, which is the first alternative to the banking system in 300 years. It is not a bank, because we are not mixing money with credit. We separate these two things. And we are frankly better than the banking system, because we can make a transaction using e-Dinar at a maximum cost of 50 cents US. You can transfer one million dollars worth of gold from Kuala Lumpur to New York for 50 cents. And this can be done in just three seconds – not three days, three seconds. So we are not just an alternative to the banking system, we are better, and we are not part of their system. This is based on Dinar and Dirham, not paper currencies, so there are benefits upon benefits."**

http://www.dinarkel.com/pdf/The%20Architecture%20of%20the%20Gold%20Economy.pdf

These are excellent questions and it is quite brilliant how the operators of e-dinar are shaping their business to exactly meet the specifications demanded by users. It would appear that next year we will see some very exciting upgrades and changes to the e-dinar business model making it even more popular on a global scale.

The following are portions of an article by Aliff Bin Basri. To read the full article you can visit the web

site here:
http://hadifulwan.wordpress.com/2010/09/02/soalan-jawapan-praktikal-berkaitan-dengan-sistem-kewangan-berasaskan-dinar/

The issues surrounding these questions are brought up by Asif Syiraz who first makes these statements regarding Islamic finance. There are responses to these from Umar Vadillo…

What is the long vision for the Gold Dinar

We hate banks because of their heavy involvement in usury. But some financial services which banks provide are entirely legitimate, e.g. safekeeping of money, (warehousing), and facilitating internal payments through checks (transfer of ownership of warehouse items), and external payments (physically transferring gold from one bank to another) in a secure manner. I assume charging a fee for these services is also halal.

If the above is true, then it means that irrespective of whether you call them banks, or baitul maal or anything else, some kind of financial service providers would be a necessity in a modern dinar-backed Islamic financial system. I believe e-dinar aspires to be one such institution.

Value of Electronic Payments

The second problem is regarding the nature of the dinar-based financial institution.

We all know that banks operate on fractional reserve. We disapprove of this, not because of its eventual impracticality (bank failure) but because of the principle involved. Now let us imagine a time when the Dinar has become a ubiquitous currency, and is used everywhere for transactions, and many more financial service providers come into play like e-dinar.

When used at large scale and in businesses, efficient payment processing would require electronic payment services like e-dinar. Now we said that in a truly Islamic form, such institutions would be more like warehouses, storing our commodity money, rather than like banks.
But efficient payment processing services through financial institutions is something we have become used to, and these will need to be simulated in a successful implementation of dinar backed system. But there is a crucial difference in the way we are used to such services, and the way they are being offered by e-dinar.

In regular banks, 10 dollars in hand (cash) are exactly equivalent to dollars in bank and a 10 dollar check and a 10 dollar bank draft . And they are interchangeable. Deposit 10 dollars and now you have 10 dollars balance. Withdraw from your 10 dollars balance, and you have 10 dollars in hand. Electronic and physical payment mechanisms work hand in hand, and compliment each other.

On the other hand, dinars stored in e-dinar are not equivalent to dinars in hand. If you pay 10 dinars in cash to someone, its value is different from paying 10 dinars out of e-dinar. This is like saying that a 10 dollar check is actually 9 dollars of cash. Such a difference in business environment would be pure chaos.

A dinar for e-dinar is 4.25 grams of a chunk of gold at the top right corner of a 10 oz gold bar. A dinar for me is the WIM [World Islamic Mint] issued coin I hold in my hand. The two are not the same. Which one is the real dinar at whose benchmark I start pricing all my products?

Answered by Umar Vadillo…

For these answers to be of any use we need some common terminology. So let us start with some definitions. **Banks, no good.** Banks involve not only usury but as an institution is not acceptable in many respects one of which is the creation of credit. Financial services, that is services derived from credit activity, are no good either. Money and credit must remain separated.

Value of Electronic Payments

Payment systems in general have to also follow Islamic Law. The basic legal structure of payment systems is the Wakala. This is the model. Electronic payment system refers not to electronic currency, but electronic means of communicating with the Wakil. The means of payment are the physical coins.

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The expression back by gold could be misleading, if it is not understood that the payment is made with physical coins that must be present. If we call e-dinar to the unit of payment it must be understood that the payment is made with physical dinars. The e-dinar unit cannot circulate independent of the physical coin.

If you think about the E-dinar project as a building then these are the steps. First the question of the repository:

1) A central repository with a central Data Base
2) Multiple repositories with a central Data Base
3) Infinite repositories with a central Data Base

Essentially the idea is to disperse the stock and avoid as much as possible central repositories. Each step requires a process. On the beginning you build the payment system on a singular repository. It is the easiest. The decentralisation of the repositories has an impact on transfer fees, since it becomes unnecessary to transport gold if you live near a repository.

The Second issue is the type of accounts:

1) Bullion
2) Bullion and coins
3) Only coins and only bullion

The idea is that you progressively eliminate the bullion and transform it into coins as the demand for coins increases. When we started E-dinar, hardly anybody demanded the coins in redemption of their accounts. 99% percent of customers demanded redemption in bullion. This gradually changed as the physical coins gained acceptability on the ground. Consequently E-Dinar has been changing the stock to meet demand.

Since the introduction of the new WIM standard and the stickers, WIM demanded E-dinar to move to the next stage and from Jan 2011 E-Dinar will have “only coins” accounts and “only bullion” accounts. The new accounts will be in display by November this year and will be in full functionality during December, according to what I heard from E-dinar chairman, Dr Habib Dahinden.
With the new accounts available in Jan 2011, all e-dinar units are exchangeable with dinar coins only, one to one. Fees are applicable depending on location of the repository (thus decentralization), but only in case of redemption and thus the logic of multiple repositories.

It follows that the price of the e-dinar is identical to the dinar. And it follows that the use of e-dinar through a smart card or mobile telephony bears the same value as a physical dinar except the coin is safe kept in the nearest repository. There is a fee for the acceptance of the e-dinar unit which is beared by the shop under the terms and conditions of the agreement, but this fee is ridiculously small: 1% or maximum 0.015 e-dinar (for e-dinar transactions), max. 0.5 e-dirham (for e-dirham transactions), whatever the lowest.

Reserve Responsibility

The best reserve system is to hold the dinar in your pocket. Given the fact that some users demand to hold accounts with a wakil in order to facilitate their payments then we need a payment system. Repositories are best the nearer they are to the user. And therefore a payment system should try to come as close as possible to the user.

When you deposit your money with a wakil you must trust him. If you do not, do not do it. The trustworthiness of the wakil is based on his reputation as granted by the community and his performance. Rasulullah, salallahu alaihi wa salam, was well known amongst his people as the AMIN (the trustworthy one).

At the moment e-dinar is an internet based electronic payment and exchange system that facilitates transactions which are 100% backed by physical gold and silver. From Jan 2011 you will see something like this: e-dinar is an internet based electronic payment and exchange system that facilitates transactions which are 100% backed by physical dinar and dirham. And you will also see a differentiation between bullion accounts and coin accounts. The issue has been explained earlier.

WIM has responsibility to inspect E-dinar systems and to award them with being a WIM payment system. If you notice WIM has not yet given its WIM logo to E-Dinar, it will only happen after Jan 2011.

US Mint Running Out of Silver (and Excuses)

Written by Tarek Saab

In Title 31 of the US Code, the United States Mint is required by law to supply "***in quantities sufficient to meet public demand, one dollar silver bullion coins of specified size, weight, and design.***" This law is widely referenced, and I have criticized the US Mint in the past when it fails to meet consumer demand because of poor planning, despite the availability of silver. DOMESTIC SILVER SUPPLY

However, there is an incredible amount of confusion about a second law which allegedly states that the US Mint must supply its silver "blanks" from domestic resources. At present, two of these resources are the Sunshine Mint and Stern-Leach. On June 5th, 2008, during the first massive Silver Eagle shortage, the director of the US Mint published the following statement:

"***By law, the United States Mint's American Eagle silver bullion coins must meet exacting specifications and must be composed of newly mined silver acquired from domestic sources. The United States Mint will continue to make every effort to increase its acquisition of silver bullion blanks that meet these specifications and requirements to address continuing high demand in the silver bullion coin market.***"

This interpretation of the law is extremely relevant because Silver American Eagle sales are now on the verge of surpassing total domestic silver mine production.

WHAT DOES THE LAW ACTUALLY SAY?

However, many contend that the ‘domestic supply’ law doesn’t actually exist for silver, but has been confused with a different law on the books for gold, **PUBLIC LAW 99-185—DEC. 17, 1985 99 STAT. 1179**.
[http://www.coinlink.com/Resources/coinage-acts-by-congress/gold-bullion-coin-act-of-1985/]

“(4) ***The Secretary shall acquire gold for the coins issued under section 5112(i) of this title by purchase of gold mined from natural deposits in the United States, or in a territory or possession of the United States, within one year after the month in which the ore from which it is derived was mined.***”

There is no mention of silver in this law. In fact, the only mention we found for silver supply chain requirements comes from **Title 31 U.S.C. § 5112 : US Code - Section 5112** : Denominations, specifications, and design of coins: [http://codes.lp.findlaw.com/uscode/31/IV/51/II/5112]

“*(C)* ***Sources of bullion.*** *- The Secretary shall obtain silver for minting coins under subparagraph (B) from* **available resources***, including stockpiles established under the Strategic and Critical Materials Stock Piling Act.*”

With respect to the law on the books for gold, the phrase “available resources” is somewhat ambiguous. Are there any qualifiers to an “available resource”?

This ambiguity is so serious that in 2002 Representative Frank Lucas of Oklahoma proposed the **Silver Eagle Coin Continuation Act of 2002 (H.R. 4846)** to the House of Representatives “to amend title 31, United States Code, to clarify the sources of silver for bullion coins, and for other purposes.” [http://www.govtrack.us/congress/billtext.xpd?bill=h107-4846]

On June 25, 2002, this bill passed the house by a count of 417 Ayes to 1 No (16 Abstain) and moved onto the Senate as **S. 2594 [107th]: Support of American Eagle Silver Bullion Program Act.**
[http://www.govtrack.us/congress/billtext.xpd?bill=s107-2594]

However, the Senate referred this legislation to the Committee on Banking, Housing, and Urban Affairs, where it has since remained, and has **never been signed into law.**
[http://www.govtrack.us/congress/bill.xpd?bill=h107-4846]

So where does that leave the situation? It apparently leaves us with an ambiguous law that is open to interpretation by the only party with the authority to make one - the Treasury Department.

We will discover the ramifications soon enough. If the United States Mint decides not to source in the open market or tap into strategic reserves, the data would indicate that there will be extreme domestic shortages. If they do decide to source from the open market, well, who knows? . . . What happens when the US Mint begins buying physical bullion on the open market?

‘Til next time, that’s my Saab Story.
Tarek Saab is a former finalist on NBC’s “The Apprentice” with Donald Trump. He is an international speaker, syndicated author, entrepreneur, and a managing partner at Trusted Bullion.
[http://www.trustedbullion.com/]
Source: http://www.trustedbullion.com/blog/item/243-us-mint-running-out-of-silver-and-excuses

The Definition of a Gold Bug?

A gold bug is someone who consistently and aggressively buys gold, and may advocate for others to do the same. Gold bugs consider gold to be among the safest investments, believing the value of gold will always rise, making investment in gold a sound decision. In the investment community, gold bugs are sometimes mocked or questioned for their loyalty to gold, especially when gold prices decline and they lose money on their investments. A gold bug may see the investment position as long term and won't take the mockery to heart.

Gold bugs are consistently bullish about buying gold, and will buy anything from gold coins to bullion. Some expand their interests and purchase shares in companies related to the gold industry, such as mining companies.

There is a commonly held idea that gold and other precious metals have inherent value and hold their value, making them fiscally sound investments.

Usually, the tendency to buy gold increases when there is economic or political uncertainty. Fear about the market can turn someone into a gold bug, at least temporarily, in response to concerns that other types of investments may be more risky and highly unstable. After disasters and other major events hit the newscycle, the price of gold often climbs in response to increased investment activity.

There are a number of venues for people to buy and sell gold. A gold bug usually wants to operate on a large scale and may trade gold certificates, rather than actual physical gold, because it is not practical to move large volumes of gold around. Like other investors, gold bugs will jostle for position to get the best price on their investments and are alert to trends so they can move quickly to take advantage of changing circumstances in the market. Investment trade publications usually include information about gold and other precious metals, including profiles discussing the pros and cons of taking investments in gold.

The merits of investing in gold are a topic of debate. A gold bug may believe gold is a financially sound, stable investment with minimal risks. Other investors may argue that gold bugs are basing their investment decisions on an era when gold and other precious metals backed currency, when they were indeed a strong investment, and the lack of gold and silver standards today makes gold just as unpredictable and potentially risky as other commodities. Ultimately, investment in gold or anything else should make up only a share of a portfolio to distribute risks as much as possible.

Do you agree with the WiseGEEK's definition?

http://www.wisegeek.com/what-is-a-gold-bug.htm
Image source: http://www.wildlifeartjournal.com

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Statement of Congressman Ron Paul Introducing the Free Competition in Currency Act

December 9, 2009

United States House of Representatives

H.R. 4248 would repeal the legal tender laws, to prohibit taxation on certain coins and bullion, and to repeal superfluous sections related to coinage.

Madame Speaker, I rise to introduce the Free Competition in Currency Act of 2009. Currency, or money, is what allows civilization to flourish. In the absence of money, barter is the name of the game; if the farmer needs shoes, he must trade his eggs and milk to the cobbler and hope that the cobbler needs eggs and milk. Money makes the transaction process far easier. Rather than having to search for someone with reciprocal wants, the farmer can exchange his milk and eggs for an agreed-upon medium of exchange with which he can then purchase shoes.

This medium of exchange should satisfy certain properties: it should be durable, that is to say, it does not wear out easily; it should be portable, that is, easily carried; it should be divisible into units usable for every-day transactions; it should be recognizable and uniform, so that one unit of money has the same properties as every other unit; it should be scarce, in the economic sense, so that the extant supply does not satisfy the wants of everyone demanding it; it should be stable, so that the value of its purchasing power does not fluctuate wildly; and it should be reproducible, so that enough units of money can be created to satisfy the needs of exchange.

Over millennia of human history, gold and silver have been the two metals that have most often satisfied these conditions, survived the market process, and gained the trust of billions of people. Gold and silver are difficult to counterfeit, a property which ensures they will always be accepted in commerce. It is precisely for this reason that gold and silver are anathema to governments. A supply of gold and silver that is limited in supply by nature cannot be inflated, and thus serves as a check on the growth of government. Without the ability to inflate the currency, governments find themselves constrained in their actions, unable to carry on wars of aggression or to appease their overtaxed citizens with bread and circuses.

At this country's founding, there was no government controlled national currency. While the Constitution established the Congressional power of minting coins, it was not until 1792 that the US Mint was formally established. In the meantime, Americans made do with foreign silver and gold coins. Even after the Mint's operations got underway, foreign coins continued to circulate within the United States, and did so for several decades.

On the desk in my office I have a sign that says: "Don't steal – the government hates competition." Indeed,

"Paper should never be money (but) only employed as a representative sign of value existing in metals or produce ... at first this was the mode in which paper currency was actually used among merchants. The government borrowing, the intervention from private individuals, wished to make a real money paper, and thus the original contrivance was perverted".

Quote: Ma Twan-lin – General Examination of Records and Scholars published after 20 years research in 1321 (almost 700 years ago)

any power a government arrogates to itself, it is loathe to give back to the people. Just as we have gone from a constitutionally-instituted national defense consisting of a limited army and navy bolstered by militias and letters of marque and reprisal, we have moved from a system of competing currencies to a government-instituted banking cartel that monopolizes the issuance of currency. In order to reintroduce a system of competing currencies, there are three steps that must be taken to produce a legal climate favorable to competition.

The first step consists of eliminating legal tender laws. Article I Section 10 of the Constitution forbids the States from making anything but gold and silver a legal tender in payment of debts. States are not required to enact legal tender laws, but should they choose to, the only acceptable legal tender is gold and silver, the two precious metals that individuals throughout history and across cultures have used as currency. However, there is nothing in the Constitution that grants the Congress the power to enact legal tender laws. We, the Congress, have the power to coin money, regulate the value thereof, and of foreign coin, but not to declare a legal tender. Yet, there is a section of US Code, 31 USC 5103, that purports to establish US coins and currency, including Federal Reserve notes, as legal tender.

Historically, legal tender laws have been used by governments to force their citizens to accept debased and devalued currency. Gresham's Law describes this phenomenon, which can be summed up in one phrase: bad money drives out good money. An emperor, a king, or a dictator might mint coins with half an ounce of gold and force merchants, under pain of death, to accept them as though they contained one ounce of gold. Each ounce of the king's gold could now be minted into two coins instead of one, so the king now had twice as much "money" to spend on building castles and raising armies. As these legally overvalued coins circulated, the coins containing the full ounce of gold would be pulled out of circulation and hoarded. We saw this same phenomenon happen in the mid-1960s when the US government began to mint subsidiary coinage out of copper and nickel rather than silver. The copper and nickel coins were legally overvalued, the silver coins undervalued in relation, and silver coins vanished from circulation.

These actions also give rise to the most pernicious effects of inflation. Most of the merchants and peasants who received this devalued currency felt the full effects of inflation, the rise in prices and the lowered standard of living, before they received any of the new currency. By the time they received the new currency, prices had long since doubled, and the new currency they received would give them no benefit.

In the absence of legal tender laws, Gresham's Law no longer holds. If people are free to reject debased currency, and instead demand sound money, sound money will gradually return to use in society. Merchants would have been free to reject the king's coin and accept only coins containing full metal weight.

The second step to reestablishing competing currencies is to eliminate laws that prohibit the operation of private mints. One private enterprise which attempted to popularize the use of precious metal coins was Liberty Services, the creators of the Liberty Dollar. Evidently the government felt threatened, as Liberty Dollars had all their precious metal coins seized by the FBI and Secret Service in November of 2007. Of course, not all of these coins were owned by Liberty Services, as many were held in trust as backing for silver and gold certificates which Liberty Services issued. None of this matters, of course, to the government, which hates competition. The responsibility to protect contracts is of no interest to the government.

The sections of US Code which Liberty Services is accused of violating are erroneously considered to be anti-counterfeiting statutes, when in fact their purpose was to shut down private mints that had been operating in California. California was awash in gold in the aftermath of the 1849 gold rush, yet had no US Mint to mint coinage. There was not enough foreign coinage circulating in California either, so private mints stepped into the breech to provide their own coins. As was to become the case in other industries during the Progressive era, the private mints were eventually accused of circulating debased (substandard) coinage, and with the supposed aim of providing government-sanctioned regulation and a government guarantee of purity, the 1864 Coinage Act was passed, which banned private mints from producing their own coins for circulation as currency.

The final step to ensuring competing currencies is to eliminate capital gains and sales taxes on gold and silver coins. Under current federal law, coins are considered collectibles, and are liable for capital gains taxes. Short-term capital gains rates are at income tax levels, up to 35 percent, while long-term capital gains taxes are assessed at the collectibles rate of 28 percent. Furthermore, these taxes actually tax monetary debasement. As the dollar weakens, the nominal dollar value of gold increases. The purchasing power of gold may remain relatively constant, but as the nominal dollar value increases, the federal government considers this an increase in wealth, and taxes accordingly. Thus, the more the dollar is debased, the more capital gains taxes must be paid on holdings of gold and other precious metals.

Just as pernicious are the sales and use taxes which are assessed on gold and silver at the state level in many states. Imagine having to pay sales tax at the bank every time you change a $10 bill for a roll of quarters to do laundry. Inflation is a pernicious tax on the value of money, but even the official numbers, which are massaged downwards, are only on the order of 4% per year. Sales taxes in many states can take away 8% or more on every single transaction in which consumers wish to convert their Federal Reserve Notes into gold or silver.

In conclusion, Madame Speaker, allowing for competing currencies will allow market participants to choose a currency that suits their needs, rather than the needs of the government. The prospect of American citizens turning away from the dollar towards alternate currencies will provide the necessary impetus to the US government to regain control of the dollar and halt its downward spiral. Restoring soundness to the dollar will remove the government's ability and incentive to inflate the currency, and keep us from launching unconstitutional wars that burden our economy to excess. With a sound currency, everyone is better off, not just those who control the monetary system. I urge my colleagues to consider the redevelopment of a system of competing currencies and cosponsor the Free Competition in Currency Act.

New Kelantan Silver Dirham

Statement on the Shariah Currency and Legal Tender

http://www.muamalahcouncil.com/component/content/article/105-statement-on-the-shariah-currency-and-legal-tender.html

STATEMENT FROM IMAM HAJJ ABDALHASIB CASTINEIRA
Shariah Counselor of World Islamic Mint and Former Imam of the Great Mosque of Granada
Kuala Lumpur, 16th of August 2010

Regarding the matter of the Gold Dinar and Silver Dirham and Legal Tender in Malaysia.
The Gold Dinar and Silver Dirham known as Shariah currency or Shariah coins in the Fiqh are not legal tender. The Shariah currency has no relation to present fiat currencies on many accounts and should not be legally or practically be compared or treated as the same. The Gold Dinar and Silver Dirham relates to religious matters, most important of which is the matter of payment of Zakat, rather than constitutional matters. Its introduction can only occurred on voluntary basis since freedom is a command from Allah in all commercial transactions including the acceptance of money. Its usage has been throughout history open to Muslim and non-Muslims alike.

In relation to the present concern of the people regarding the Launching of the Shariah currency in the State of Kelantan on the last 2nd of Ramadhan 1431, as a witness of the momentous ceremony of the Launching in the city of Kota Bharu and as Shariah Counselor of World Islamic Mint, I would like to state in a manner of clarification and support to this initiative the following:

1.- The Gold Dinar and Silver Dirham are not legal tender. Legal tender or forced tender is an offered payment that, by law, cannot be refused in settlement of a debt, and have the debt remain in force. Personal cheques, credit cards, debit cards and similar non-cash methods of payment are not legal tender only the notes and coins of Malaysia are Legal Tender. The issuing of Legal Tender is the exclusive prerogative of the Federal Government and the Government of Kelantan never had nor has the intention to issue Legal Tender as that is legally impossible.

2.- The Dinar and the Dirham are known in the fiqh (see [a] Muqaddimah of ibn Khaldun) as the "Shariah currency"or "Shariah coins". The term "Shariah coins" is specific to the Dinar and Dirham and is not applicable to any other coin made in gold, silver or any other material. Any other coin is known as "non-shari'i" (ibn Khaldun).

3.- Properly speaking the term "alternative currency" is not applicable to the Shariah coins or currency because the term "Shariah coins" is specific to the Dinar and Dirham and therefore is not alternative to any other coins or currency (non shari'i). It stands on its own without alternative. The use of the expression "alternative currency" can only be used if proper explanation is given in regards to the fundamental differences that exist in relation to the legal tender currencies such as the Malaysian Ringgit. The Malaysian Ringgit is an entirely different legal concept and has different functions. The Malaysian Ringgit is not based on a commodity (in Arabic 'ayn, meaning tangible merchandise) like the Dinar and Dirham, the Malaysian Ringgit a promissory note (in Arabic dayn, meaning debt or liability) with no intrinsic value (its value as 'ayn/tangible merchandise is the value of the paper close to zero) but with a fiat value which established by the compulsion law of the Federal Government through the Law of Legal Tender and it can change from time to time. On the other hand, the value of the Dinar and Dirham depends entirely on the market value of the commodity (gold and silver) on which it is manufactured, just like a kilo of rice depends on the value of rice. This difference in important in religious terms, for example, zakat which is a legal obligation of the Shariah has to be paid in 'ayn but cannot be paid in dayn. (see [b] Al-Kasani). Muslims should, if having the choice(if no choice is given or no 'ayn is available then darurah, that is exceptionality, is temporarily applicable), pay with 'ayn rather than dayn.

5.- In linguistic sense, the Dinar and Dirham are not face values, but names that indicate specific weights. The Dinar is a specific weight of 4.25 grams and it is also known as mithqal in Arabic. The Dirham is a specific weight of 2.975 grams or 7/10 of the mithqal. In a way they are legally the same as saying “1kg of rice”. Therefore they are specific weights of commodity (gold and silver) which are mentioned in Qur’an and in many aspects of the Shariah regarding zakat and legal judgments; and thus they cannot be altered in their weight.

6.- In history, the Shariah coins has never been legal tender. In the practice of the early Muslim community the Shariah coins were not only currency used as means of payment. Barley, dates or salt were also used as means of payment and therefore no exclusive right was given to the Shariah coins. The reason for this “freedom to choose the medium of exchange” is that money is considered a part of trading it is regulated under the same Qur’anic injunction that regulates trade: “tijaratun ‘aan taradim minkum”, the meaning of which is “trade according to mutual consent”. “Mutual consent” excludes the idea of compulsion or monopoly in regards to trading. (see [c] Tafsir al-Jalalayn). This is another reason why the Dinar and Dirham are not legal tender and have never been legal tender. Freedom to choose the medium of exchange is a fundamental right granted by Allah to Muslims and non-Muslims alike. The use of the Shariah currency is therefore inclusive of non-Muslims.

7.- The term “currency” is commonly understood as legal tender or as fiat money that carries a face value. Since the “Shariah coins” are not legal tender and do not have a face value the” Shariah coins” should be better understood as a commodity rather than as “currency” in the common use of the term. Regarding current common practices, the use of the “Shariah coins” belongs to the category of barter, that is, the mutual exchange of products and services. It is arguable that in the past, before the introduction of legal tender laws, transactions made with gold and silver were consider normal transactions and the term barter was applicable to all other transactions. Therefore the use of the term “Shariah currency” should be understood with the limitations explained above and in consideration to the historical practice of the Muslims as it is relevant in the Islamic Jurisprudence.

8.- Until very recently in history “paper currencies” were defined as promissory notes in terms of gold and silver. In that sense they represented an ‘amanah’ (trusting wealth to someone who will keep it for you until you demand it) that is an obligation to pay on demand a certain amount of gold and silver. We know from history that this obligation was often not fulfilled and eventually the governments of the world decided gradually to eliminate the obligation to pay in specie altogether. The closest case of the default is the US dollar and its unilateral decision to break their “Bretton Woods Agreement”. This concept of ‘broken amanah’ is known in the Qur’an and carries legal implications as to the prohibition to accept amanah from non-Muslims unless they live under Muslim rule so that they can be obliged to pay their contractual obligations (see [d] Qadi Abu Bakr ibn al-Arabi). This legal injunction, which in theory implies the prohibition to accept British pounds, US dollars, etc. (or any other currency backed by them), has been abrogated long ago since the colonial days by new laws that consider that this legal injunction is no longer applicable. Under the inspiration of the colonial legal systems, the constitutional Law of all Muslim countries including Malaysia grants the right to accept foreign promissory notes from non-Muslim countries (such as USD) to their own Central Bank (Bank Negara) as a reserve value for their own fiat currency. Because of this many Muslims (and non-Muslims) still mistakenly belief that their own fiat currency is backed by gold and silver when in fact no legal tender in the world is fully backed by specie anymore. The gold dinar and silver dirham are commodities and therefore they are not an ‘amanah: they are a tangible commodity (‘ayn), that is, when you pay with them, you hand over a certain amount of gold and silver and therefore they do not require to be backed by any other asset or authority other than itself. This is another reason why the Shariah currency cannot be compared or considered an alternative to “paper currencies”.

9.- Legal Tender is often a misunderstood concept. Coins and banknotes do not need to be ‘legal tender’ in order to be used as money to buy and perform other transactions for which money is intended. Legal tender must be accepted to settle a money debt. For example, US federal law does not restrict private businesses, persons or organisations in what methods of payment they choose to accept or refuse. Businesses are therefore free to insist on payment by credit card, for example, or to refuse larger denomination banknotes. In Canada for example, only Canadian dollar banknotes issued by the Bank of Canada are legal tender; however, commercial transactions may legally be settled in any manner agreed by the parties involved. A significant amount of business in Canada is transacted in United States dollars, despite United States currency not being legal tender. Legal tender can be refused unless or until a person is in debt, therefore vending machines and transport staff do not have to accept the largest denomination of banknote for a single bus fare or bar of chocolate, and even shopkeepers can reject large banknotes. However, restaurants that do not collect money until after a meal is served (a debt has been created) would have to accept any legal tender. The right of a trader to refuse to do business with any person means a purchaser cannot demand to make a purchase, and so declaring a legal tender other than for debts would be redundant.

10.- The minting of the Dinar and Dirham is a known practice of the Muslims from the early days of Islam. The first dated coins that can be assigned to the Muslims are copies of silver dirhams of the Sasanian Yezdigird III, struck during the Khalifate of Uthman, radiallahu anhu. These coins differ from the original ones in that an Arabic inscription is found in the obverse margins, normally reading "in the name of Allah". Since then the writing in Arabic of the name of Allah and parts of Qur'an on the coins became a custom in all minting made by Muslims. In the year 75 (695) the Khalif Abdalmalik ordered Al-Haddjadj to mint the first dirhams, officially establishing the standard of Umar ibn al-Khattab, radiallahu anhu: 7/10 of the mithqal. The next year he ordered the dirhams to be minted in all the regions of the Dar al-Islam. He ordered the coins to be stamped with the sentence: "Allahu Ahad, Allahu Samad". The minting of the coins is considered an obligation of the Sultan that needs to be followed (see [e] al-Qurtubi).

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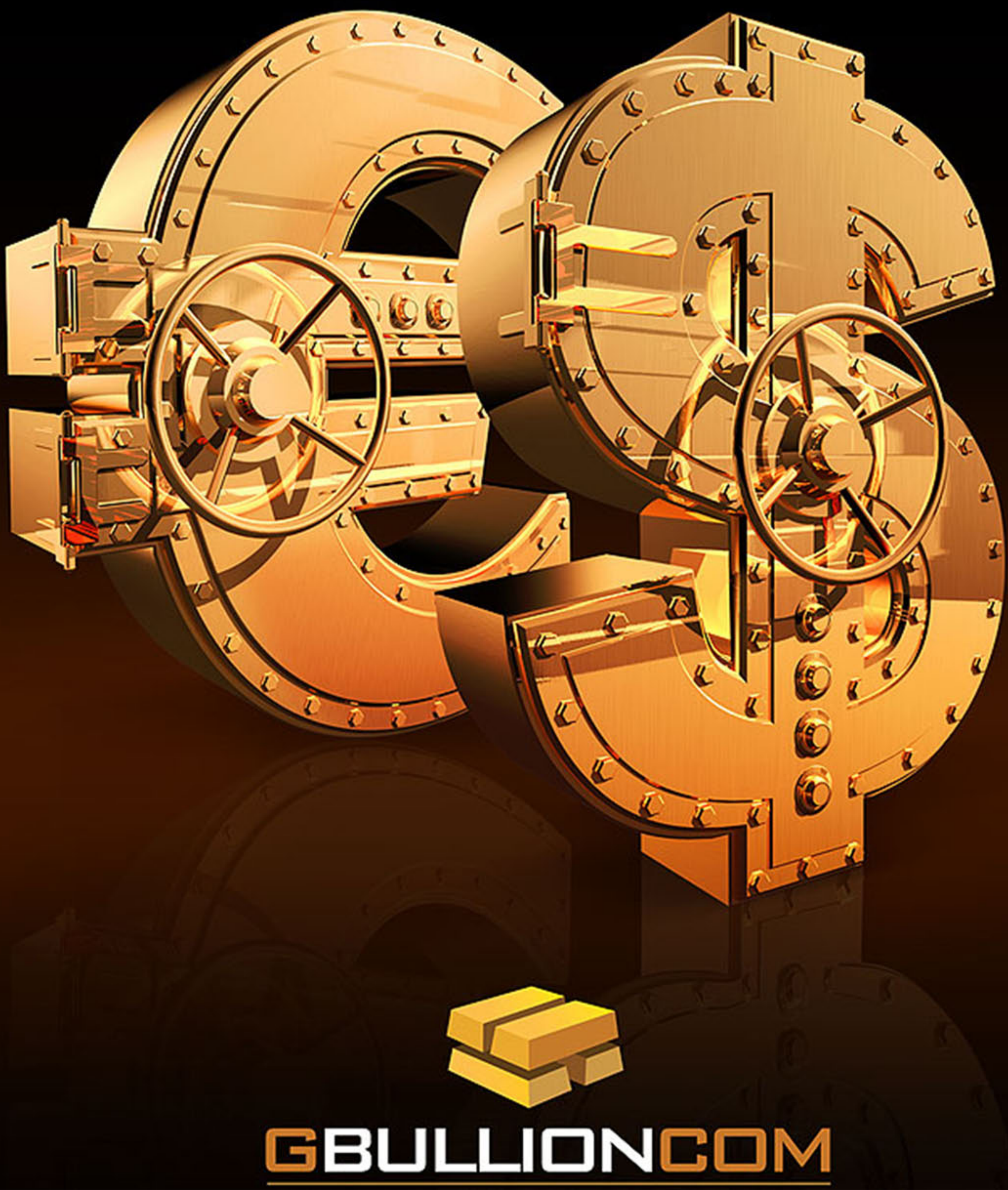
Small portions of this original article were excluded because of space requirements. Please visit either of these article links to view the entire piece.

http://www.islamicmint.com/news_articles/articles/statement_castineria.html

http://www.muamalahcouncil.com/component/content/article/105-statement-on-the-shariah-currency-and-legal-tender.html http://www.gbullion.com



GBULLIONCOM

China Promotes Gold Ownership

By Patrick A. Heller
August 06, 2010
http://www.numismaster.com/ta/numis/Article.jsp?ad=article&ArticleId=12933

Over the past several years, the government in China has set up infrastructure to enable the nation's citizens to purchase physical gold. It has also periodically issued pronouncements urging the public to buy gold. During this time, the Chinese government has been a stronger advocate of the private ownership of gold than any other country.

This effort to increase domestic demand is above and beyond the huge amounts of gold that China's central bank has added to its reserves since 2003.

One thing you have to keep in mind about the potential demand for gold in China is that there are not the social (government) safety nets as there are in the United States. As a result, the Chinese save more than 50 percent of their income as "insurance." Compared to the typical American, the average Chinese citizen has a huge amount of funds available to allocate to purchasing gold.

There have been significant problems with Chinese citizens being able to acquire physical gold. There are simply too few outlets carrying insufficient inventory. From 2007 to 2009, private physical gold demand in China quadrupled from almost 580,000 ounces to more than 2.3 million ounces. I have heard multiple stories of people having to wait in line at gold stores for as long as four hours in order to make a purchase.

On Aug. 3, the People's Bank of China announced several developments to broaden access to gold for private citizens and increase competition in the markets.

According to a statement posted on the PBOC website, more commercial banks will be authorized to import and export physical gold. In addition, the banks will be encouraged to offer yuan-denominated gold derivatives, which would provide paper evidence of the ownership of some of the rights of owning physical gold.

The PBOC also promised to improve policies with respect to the gold market. For instance, it will improve policies to speed development of foreign exchange activities. Until recently, it was technically illegal to take yuan in or out of China, though I have talked with a number of people who have traveled there who said that the customs people never asked about transporting Chinese money.

The central bank has instructed commercial banks to provide better services in loaning funds to domestic gold companies looking to establish foreign branches. In turn, the PBOC will further open the Chinese market to foreigners who wish to trade gold there.

The PBOC also said it was considering allowing foreign suppliers to provide physical gold directly to the Shanghai Gold Exchange.

The end result of these changes is that there will be more physical gold available for sale and more outlets where people can go to purchase the yellow metal.

The bank further stated that it would strengthen supervision of the gold market to ensure balanced development (with the definition of balanced development left up to the Chinese government).

China is already the world's largest gold producing nation, but domestic physical gold demand is much higher than domestic supplies. As years pass, expect gold imports into China to continue to grow.

Another item:
Last Friday, the jobs and unemployment report released by the Bureau of Labor Statistics as so poor that, for only about the third time in the past 50+ months, gold and silver prices rose at the time the report was issued.

That the prices of gold and silver were "allowed" to rise this particular time is one more sign that the U.S. government may be running out of ammunition to use to continue to suppress prices.

As I have explained before, one way the U.S. government overstates employment has been with the use of a birth/death adjustment. After counting the changes in jobs, the BLS then pads the number of employed workers simply because the population of the U.S. has increased. Even though the statisticians at the BLS acknowledge that this double counts new jobs, they still do it. Once a year, most recently in the January 2010 report, there is a major correction in the adjustment to undo the error that has crept in over the past year through applying the birth/death adjustment.

In the previous three months, there were huge numbers of fictitious jobs added through use of the birth/death model (188,000 for April, 215,000 for May and 147,000 for June) which helped make it possible to report that the unemployment rate was stable instead of deteriorating. There were so many Census Bureau positions eliminated in July, against other anemic employment data from the private sector and other government sectors, that I suspect that the BLS didn't want to "waste" another large fudging of the reports. Consequently, the July birth/death model in total only added 6,000 jobs. This was the lowest adjustment since July 2009, other than the annual correction in January 2010.

Of course, as bad as the July unemployment numbers were, be prepared for revisions later that could make the results even worse. Along with the release of the July numbers were revisions for May and June that showed a further net decrease in employment of 35,000 compared to the original reports that were issued.

As more bad financial news gets reported, that will only stimulate further demand for gold and silver.

Patrick A. Heller owns Liberty Coin Service and Premier Coins & Collectibles (http://www.premier-coins.com) in Lansing, Mich., and writes "Liberty's Outlook," a monthly newsletter on rare coins and precious metals subjects. Past newsletter issues can be viewed at www.libertycoinservice.com. Other written commentaries are available at Coin Update (http://www.coinupdate.com).

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THE RUMOR MILL

Additional information from Bloomberg:

China and Russia plan to start trading in each other's currencies as the world's second-biggest energy consumer and the largest energy supplier seek to diminish the dollar's role in global trade. China may start trading its currency against the ruble within weeks, three bankers with knowledge of the matter told Bloomberg, and sent out a document last week allowing lenders to apply for ruble trading licenses, one of them said.

"Given the risk to the dollar and U.S. assets from their fiscal position they want to reduce their dependence on the dollar as an invoicing currency," Bhanu Baweja, global head of emerging markets fixed income, currency and credit research at UBS AG, said in a phone interview from London. "It makes sense for two large economies to exclude a third, overly dominant economy from their trading equation."
Read the full story here...Source: http://www.bloomberg.com/news/2010-09-08/china-russia-push-yuan-ruble-trading-to-diminish-dominance-of-u-s-dollar.html

FUBAR

In our continuing effort to help our community comply with legal requirements both written and implied (including the "spirit" of the law) we present the following information to readers regarding disclosure of foreign accounts valued at more than $10,000. While DGCmagazine cannot provide legal or tax information to anyone under any circumstance, we can cut and paste from the IRS web site in an effort to share information with our readers.

Report of Foreign Bank and Financial Accounts (FBAR)

Do You Have a Foreign Financial Account?

If you own or have authority over a foreign financial account, including a bank account, brokerage account, mutual fund, unit trust, or other types of financial accounts, you may be required to report the account yearly to the Internal Revenue Service. Under the Bank Secrecy Act, each United States person must file a Report of Foreign Bank and Financial Accounts (FBAR), if

1. The person has a financial interest in, or signature authority (or other authority that is comparable to signature authority) over one or more accounts in a foreign country and
2. The aggregate value of all foreign financial accounts exceeds $10,000 at any time during the calendar year.

The FBAR is required because foreign financial institutions may not be subject to the same reporting requirements as domestic financial institutions. The FBAR is a tool to help the United States government identify persons who may be using foreign financial accounts to circumvent United States law. Investigators use FBARs to help identify or trace funds used for illicit purposes or to identify unreported income maintained or generated abroad.

Who Must File an FBAR

United States Person: Refer to the definition of "United States person" found in the July 2000 version of the FBAR. Under this definition, the term "United States person" means (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, or (4) a domestic estate or trust.

Note: Announcement 2010-16 temporarily suspends, for persons who are not United States citizens, United

States residents or domestic entities, the requirement to file Form TD F 90-22.1 for the 2009 and earlier calendar years. The Announcement supplements and supersedes Announcement 2009-51.

Note: Notice 2010-23 provides relief for some persons with signature authority, or other authority, and who own commingled funds. The Notice modifies and supplements Notice 2009-62.

Reporting and Filing Information

A person who holds a foreign financial account may have a reporting obligation even though the account produces no taxable income. Checking the appropriate block on FBAR-related federal income tax return questions (found on Form 1040 of Schedule B, the "Other Information" section of Form 1041, Schedule B of Form 1065, and Schedule N of Form 1120) and filing Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, satisfies the account holder's reporting obligation.

The FBAR is not to be filed with the filer's Federal income tax return. The granting, by the IRS, of an extension to file Federal income tax returns does not extend the due date for filing an FBAR. You may not request an extension for filing the FBAR. The FBAR must be received by the IRS on or before June 30 of the following year. File by mailing the FBAR to:
U.S. Department of the Treasury
P.O. Box 32621
Detroit, MI 48232-0621.
If an express delivery service is used, file by mailing to:
IRS Enterprise Computing Center
ATTN: CTR Operations Mailroom, 4th Floor
985 Michigan Avenue
Detroit, MI 48226
Delivery messenger service contact telephone number: 313-234-1062

Account holders who do not comply with the FBAR reporting requirements may be subject to civil penalties, criminal penalties, or both.

Exceptions to the Reporting Requirement

Exceptions to the reporting requirement can be found in the FBAR Instructions. These exceptions include:

- Accounts in U.S. military banking facilities operated by a United States financial institution to serve U.S. Government installations abroad are not considered to be accounts in a foreign country for purposes of the reporting requirement.
- An officer or employee of a bank that is subject to the supervision of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, or the Federal Deposit Insurance Corporation, is not required to report having signature or other authority over a foreign account if the officer or employee has no personal interest in the account.
- An officer or employee of a domestic corporation whose equity securities are listed on a national securities exchange or which has assets exceeding $10 million and 500 or more shareholders of record, is not required to report having signature or other authority over a foreign account if the person has no personal financial interest in the account, and the officer or employee has been advised in writing by the chief financial officer of the corporation that the corporation has filed a current report that includes the foreign account.

Proposed Changes to FBAR Reporting and Instructions
On February 26, 2010, the Treasury Department issued a Notice of Proposed Rulemaking (NPRM) proposing to revise regulations implementing the Bank Secrecy Act (BSA) regarding reports of foreign financial accounts. The Treasury Department also issued draft instructions to the FBAR which accompanied the NPRM.
Written comments on the NPRM and draft instruction may be submitted to the Financial Crimes Enforcement Network (FinCEN) on or before April 27, 2010.

FBAR Assistance
Help in completing Form TD F 90-22.1 (PDF) is available at 800-800-2877, option 2. The form is available online at IRS.gov and Financial Crimes Enforcement Network Web site or by telephone at 800-829-3676. Questions regarding the FBAR can be sent to FBARquestions@irs.gov.

http://www.irs.gov/businesses/small/article/0,,id=148849,00.html

DGCmagazine would like to encourage all U.S. readers to visit the link above at the government's web site and learn more about this process.

GLOBALIA Magazine

Quarterly | Issue 08 | August 2010
EUR 4, USD 5.5, GBP 3.5, AED 20, MYR 20, ZAR 44

A new focus on the world

Cover story: A global trend. The world moves to alternative currencies.

Africa: On the Western Sahara. When will the solution arrive?

Culture: The shores of Azania. Impressions from a journey to the Swahili coast.

Image: picture-alliance.de (c) dpa-Report

A GLOBAL TREND

THE WORLD MOVES TO ALTERNATIVE CURRENCIES

The question naturally arises as to what drives the trend towards alternative currencies. The answer is simple: the recent financial crisis (which is certainly not over as the media like us to believe) has brought the world closer to a post-globalisation era which will be marked by uncontrollable sovereign debt and, as a consequence, a reversal of policy, away from globalisation towards regionalisation.

The trend towards alternative currencies, originally started on a 'community' level have increasingly turned into local, state-sponsored, payment systems gaining broad global appeal and acceptance.

The oldest and best known of these is the "WIR" payment system, established in Switzerland in 1934 in response to the severe monetary shortages during the Great Depression. A Wikipedia entry states:

"The WIR Bank, formerly known as the Swiss Economic Circle or WIR, is an independent, complementary currency system in Switzerland that serves small and medium-sized businesses. It exists only as a bookkeeping system to facilitate transactions. WIR was founded in 1934 by the businessmen Werner Zimmermann and Paul Enz as a result of currency shortages after the stock market crash of 1929. Both Zimmermann and Enz had been influenced by German libertarian economist Silvio Gesell. 'WIR' is both an abbreviation of *Wirtschaftsring* and the word for 'we' in German, reminding participants that the economic circle is also a community. According to the cooperative's statutes, 'Its purpose is to encourage participating members to put their buying power at each other's disposal and keep it circulating within their ranks, thereby providing members with additional sales volume. Although WIR started with only 16 members, today it has grown to include 62,000 – among whom is traded approximately 1.65 billion Swiss francs annually (as of 2004). The WIR bank is a not-for-profit bank. It serves the interest of the clients, not the bank itself. It is a very stable system, not prone to failure as the current banking system is. It remains fully operational even in times of general economic crisis. In this sense, WIR may have contributed to the remarkable stability of the Swiss economy, as it dampens downturns in the business cycle."

While the WIR complementary currency system in Switzerland and other more recent community-based payment systems such as the *Chiemgauer* in Southern Germany remain purely paper systems, we observe a growing trend towards bi-metallic currency systems.

With our two companies e-dinar FZ LLC in Dubai and Emirates Gold Europe GmbH in Switzerland we are directly involved in the production and coinage for some of the best known of these complementary bi-metallic currency systems: namely the *Kelantan Dinar* and *Dirham* and the *Ilmtaler Silber Thaler*.

The state of Kelantan (Malaysia) has been in the national and international press for their efforts to distribute the gold dinar through their state-owned pawn-brokers. Since 2007, when they first started distribution, they have sold some 10,000 gold dinars to the public.

During the last one and a half years, we have worked closely with the government of Kelantan to issue a new bi-metallic series of the *Kelantan gold dinar* and *silver dirham* with the state emblem on the face of the new medallions. We were finally been awarded that contract in March 2010 and received the funds for the first batch which went into production during April 2010.

This new series of the dinar and dirham will be broader in denominations and will comprise both silver and gold pieces rather than just gold pieces as in the past:

Kelantan dinar denominations
1/2, 1, 2, 4, 5, 8, 10 (one dinar = 4.25 grams of 22 ct gold)

Kelantan dirham denominations
1, 5, 10, 20 (one dirham = 3 grams of .999 silver)

Kelantan's past efforts were exclusively focused on the gold dinar. As we know however from history, silver coins have played a more significant role in everyday life than gold coins for the simple fact that gold coins tend to be too valuable for everyday purchases such as bread or groceries. Having understood this, the state government of Kelantan has now decided to issue a bi-metallic series comprising both the gold dinar and the silver dirham in a wide range of denominations.

The new Kelantan series is already being widely advertised; when leaving or entering Kelantan airport, one cannot miss the large billboards advertising the new medallions with the state emblem on their face. The purpose and aim of the Kelantan coins is to pay *zakat* (the Islamic wealth tax) in hard assets which have intrinsic value and not, as is done today, in promissory notes which, according to Islamic Law, are unlawful means of *zakat* payment.

in February 2010, we were approached by a German group who were planning to issue an alternative community currency purely based on silver medallions – the *Ilmtaler* series. Face motives include historic figures from the German renaissance, particularly from the area of Erfurt and Weimar (*Ilmtaler* denominations: 1/10, 1/4, 1/2 and 1 ounce silver pieces – .999 silver)

A related group had previously issued one of the better-known paper-based alternative currencies in Germany – the *Rheingold*. Over the years, they came to realize that sound money (i.e. gold and silver) is far superior to paper receipts. It was for this reason that they wanted to issue an alternative silver 'currency' in denominations comparable to the silver dirham.

In early 2010, we submitted a competitive offer for the production of the coins including the artwork, die production and coinage. In April 2010, we were awarded the contract and are now in the stage of die production. Their first order comprised of more than 40,000 silver medallions and we anticipate similar sized orders every three to four months.

If however a single large country such as Mexico coverted its paper pesos into silver pesos, the current total of silver in storage would not be sufficient to satisfy demand (Mexico in fact has a long-standing project to do just that). It is important to note that in the not too distant past – actually only 30 years ago – the coins of several currencies, including the Swiss franc were still made out of silver. Only in 1980, when the Hunt brothers drove silver to 50+ USD an ounce and the silver content of these coins began to exceed their nominal value, was the Swiss government forced to replace its silver coins with cheap nickel alternatives.

Should silver coinage become popular again, the world would quickly use up its depleted silver storage and run out of available metal. Inevitably, this would push the price of silver bullion sky high.

The question naturally arises as to what drives the trend towards alternative currencies. The answer is simple: the recent financial crisis (which is certainly not over as the media would like us to believe) has brought the world closer to a post-globalisation era which will be marked by uncontrollable sovereign debt and, as a consequence, a reversal of policy, away from globalisation towards regionalisation.

Why is the financial crisis not over? Because governments have tried to treat the symptoms by injecting massive amounts of paper money into a structurally flawed financial system; failing to address the root cause of the crisis which is the parallel market of out-of-control derivative products, amounting to no less than 15 times the world GDP or roughly 600 trillion USD. It was a tiny fraction of this parallel market (i.e. derivatives based on subprime mortgages) which caused the financial collapse in the first place. Yet policy makers continue to close their eyes to the real problem hoping that somehow everything will magically turn around. A dangerous illusion since the next crisis is just below the surface and waiting to erupt; the difference being that next time around, the world will have run out of options.

Modern economies could not survive another financial meltdown of the kind we have just faced for the simple fact that our governments have run out of options to buy more time. The next financial crisis will result in massive sovereign defaults, social unrest and revolts leading to the eventual collapse of democratic governance. For the people, the outcome could at its worst become comparable to the German situation at the end of World War II.

The signs for the advent of a new post-globalisation era are visible all around us. First, the massively increased sovereign debt levels which are quickly separating the bad from the good and, secondly, the increasing formation of regional power centers.

Let us first talk about debt. Governments all over the world have tried to buy their way out of the financial crisis, incurring debt of alarming proportions. While economic conditions in developed countries have not really improved since the start of the crisis, the size of government debt has increased dramatically. Before the crisis sovereign debt was already staggering, today it is beyond repair.

Everyone is concerned about the debt crisis in the PIGS countries (Portugal, Ireland, Greece and Spain), but few dare to even think what might happen if the US (where government debt will soon be reaching 100 per cent of GDP) or Japan (which has the highest sovereign debt to GDP ratio worldwide) default. While a sovereign default of the PIGS countries would certainly be traumatic for their citizens, Europe and the rest of the world could survive such an event. If the US however defaults on its sovereign debt, which is definitely in the cards (a downgrade of US sovereign debt is today openly discussed), the economic world as we know it today would cease to exist. Why? Because the US dollar would in the event be devalued to close to zero, thereby destroying more than half of all monetary value in existence.

The BRIC countries on the other hand, although they also have increased their debt ceilings to combat the financial crisis, have formidable foreign reserves and sovereign wealth funds which insulate them to a significant extend from the risk of sovereign default.

Let us now turn to the issue of regionalisation. The disproportionate rate of sovereign debt levels and foreign currency reserves has increased the rift between the well-to-do countries in Asia, the Subcontinent and South America ("the good") and the not so well-to-do countries in Europe and the US ("the bad"). This is a fundamental shift of power away from the developed countries to a new economic power axis extending from China through India, the Middle East, Africa and South America - the so-called BRIC countries. The results of this shift in economic power are increased regionalisation and a reversal of economic focus away from export at all costs towards internal development and consump-1tion (we can observe this new trend most clearly in China and India).

What brought this shift in economic power about? The answer is obvious: it has to do with the ratio of sovereign debt to foreign reserves and savings. While the BRIC countries have accumulated high levels of foreign reserves due to their singular focus on 'export at all costs' and have managed their debt fairly well, the developed countries continue to spend beyond their means, amass unmanageable debt levels while at the same time facing decreasing levels of savings and sovereign reserves.

In short, developed countries have for too long lived too far beyond their means. As everyone of us knows from experience, such a situation will inevitably end in disaster.

One of the signs of regionalisation is the widespread adoption of barter and alternative currency systems in Europe, Asia and the US. People feel increasingly betrayed by their governments, have lost their faith in the banking system and the financial elite and see their only saving grace in resorting to their own initiatives. Alternative currency systems flourish in Germany, Asia and the US, while barter systems grow like mushrooms in Eastern Europe. While these initiatives are admirable (and certainly on the right track), while wishing them success, I would like to caution that the only true and lasting alternative to paper-based banking is gold and silver – the ultimate currency.

Such a world currency will have to be and must be based on hard assets, namely gold and silver. Gold and silver have served us well since the beginning of civilisation and will certainly serve us well until the end of civilisation.

The author is CEO of e-dinar FZ LLC and Emirates Gold Europe GmbH.

■ Text By Dr. Zeno Dahinden

☐ Educating people as part of the programme: Umar Ibrahim Vadillo (front) and Pak Zaim (middle) are explaining the bi-metallic currency.

IMPLEMENTING THE DINAR AND DIRHAM

ROLE MODEL: A CASE STUDY IN INDONESIA

History is alive with records showing that every time a currency like the Indonesian rupiah has been devalued, there is a massive transfer of wealth. Indonesians have been reduced to humiliating poverty. In the past decade, the man who has been calling the people of Indonesia forward to a future of economic strength in Indonesia, with ever growing response from the people, is the founder of the 'Wakala Induk Nusantara', Pak Zaim Saidi.

Within ten years of the Bretton Woods accord, the Indonesian rupiah stood at 415 to 1 US dollar, in late 1986, 1000 to 1 and today it stands at approximately 9000 to 1. What happened in between was Indonesia's blind following of capitalism; an unquestioning adherence to its dogmatic dictates. The rupiah has been deliberately devalued time and again for reasons never clearly stated.

History is alive with records showing that every time a currency like the rupiah is devalued, there is a massive transfer of wealth from the hands of ordinary people to the hands of those who control the resources and the real wealth of the country; a sleight of hand that amounts to theft, always unknown and justified in ultra-technical language.

The people of Indonesia have been reduced to humiliating poverty and destitution, yet though on the whole they despise the imposed currency – because the rupiah has only been losing its purchasing power ever since first issued – they are still unaware that the problem of their economic condition lies in the very paper money they despise.

In order to move the decimal point three digits to the left, to make the exchange rate at least 9 to 1 US dollar let alone make it equal, the Central Bank has to reduce the money supply in the country – including every kind of central and private bank deposits apart from the small portion of worthless paper and coins in circulation – by a thousand times; then create a new demand for the rupiah.

This would mean a preposterous increase in interest rates and taxation which would in turn result in a dramatic reduction of the average income with a rise in poverty and destitution as a consequence. It would also mean nationalising the resources of the country in order to create an international demand for the rupiah, restrict the powers of the Central Bank etc, and the list goes on. The government of Indonesia cannot solve the problem of the rupiah; the problem of inflation (which is more accurately an increase in the money supply and not merely in prices) but can only regulate it. This is all mathematics while the solution to the problem of the rupiah lies well outside such torturous calculations emanating from air-conditioned bourgeois office buildings. It is, on the contrary, to turn away from all of that.

The mess that modern economic theory has created in the 3,000, vast and rich inhabited islands of Indonesia provides a stimulus to seek a solution to the problem, and that lies in a return to the original economic model of the Nusantara Sultanate that people practised for centuries before the introduction of paper as currency in colonial times.

In the past decade, the man who has been calling the people of Indonesia not merely back to conventional economic practice but forward to a future of economic strength in Indonesia, with ever growing response from the people, is the founder of the 'Wakala Induk Nusantara', Pak Zaim Saidi.

Having established the Wakala Induk Nusantara in 2008, Saidi inaugurated the use of the gold dinar and silver dirham as currency alongside the paper rupiah. He had already established the first *wakala* of Indonesia in the year 2003 and had been a proponent of the function and role of the *wakala* and the coins. This he based entirely on the history and culture of Indonesia and the economic model of the Nusantara Sultanate.

As the dinar and dirham are commodities per se, firstly they are free from inflation and secondly they can be used as a just means of pricing. Pak Zaim often illustrates this by saying that the price of a chicken 1400 years ago in Madinah was 1 dirham and today, if measured in dirhams, remains the same.

The Wakala Induk Nusantara, also known as the Master Wakala, is responsible for minting the coins – in several denominations as will be shown later – with a direct relationship with the Royal Mint of Indonesia (Loga Mulia), and then sells them through the network of *wakalas* functioning under it.

There are currently about 75 *wakalas* which in turn sell the coins to the people who ultimately choose to utilise them in a number of ways as well as keeping them as collector's items, a choice however which does still benefit the owner because gold and silver serve as the best store of value.

The *wakala* is, in short, a private institution that facilitates the exchange of paper money into gold and silver coins. Very importantly, it is not a business enterprise. It is profit-free. The Master Wakala deals with the mint, the *wakalas* deal with the Master Wakala and the people deal with the *wakalas*. This is the basic operational mode that has been established.

The coins – denominations and use

The basic denominations of both the gold coin and the silver coin are 1 dinar and 1 dirham respectively. The dinar is 22 carat gold (91.7 per cent purity), 23 mm in diameter and is 4.25 grams in weight. The dirham is 99.99 per cent pure silver, 25 mm in diameter and 2.975 grams in weight. The dinar has been minted in two other denominations – 1/2 dinar and 2 dinars. The dirham is in three other denominations – 2, 1/2 and 1/6 (the last of which is called the daniq). The *daniq* has been minted very recently and may be considered the most important coin for basic and daily market transactions. Some significant aspects of the recent launch of the *daniq* will be discussed later.

The exchange value of the coins follows the market price at the time of transaction. The *wakala* keeps track of the daily fluctuations in the exchange rate with the Master Wakala – since the prices of gold and silver, in terms of paper money, fluctuate daily. The minting and distribution costs, which amount to about 4 per cent in total, are then added onto the price of the coins.

In a terse brochure published by the Wakala Induk Nusantara entitled, "Use Dinar and Dirham – Daily Transactions, Hand to Hand," the various uses of the coins are seen as follows:

- As zakat payment according to the shari'ah; under which sub-heading are rulings by the imams of the different madhahib that zakat may not be paid in paper money.
- As savings and value protection.
- As sadaqah.
- As dowry.

The brochure states one of the strongest arguments for the use of the coins as currency thus, "Besides the obligation to use them to pay zakat, etc, by using them your wealth will not be affected by inflation. The value of all paper-based currencies is always dropping, but the values of the dirham and the dinar always increase. Their values appreciate by 20-25 per cent annually."

Pak Zaim Saidi argues succinctly that since the coins have been minted according to the culture and traditions of Indonesia and the economic practice of the people of the Nusantara Sultanate and since their use is based on their being a partial payment system alongside the paper rupiah, they are not in any way opposed to state currency, which, though imposed, will naturally, when used in parallel with the dinar and the dirham (themselves minted by the Royal Mint of Indonesia), have its worthlessness revealed over time. There is no reason why the coins should not be used.

Pak Sufyan, a scholar of Islamic coinage and the Islamic model of economics, quite clearly mentioned in an interview with a Dutch journalist that he is not in anyway opposing the banking establishment but that he merely wants the freedom to choose his medium of exchange which, if saved, would also preserve the value of his wealth. The Dutch journalist included her study of Pak Zaim's work in Indonesia and her interview with both Pak Zaim and Pak Sufyan in her internationally acclaimed documentary on capitalism [Time for Change, Bregtje van der Haak, VPRO Backlight 2010].

Finally, the *wakalas* also allow the coins to be redeemed with paper money but with a reduction of 4 per cent of the price that not only covers the minting and handling costs but serves to deter such an action.

Pak Zaim's tireless efforts to educate the public on such matters of daily importance as monetary economics and his actual work on the ground in minting and distributing the coins over the last eight years has now resulted in the circulation of approximately 50,000 coins throughout Indonesia. At first look, traders generally express mistrust and

suspicion but on inspecting the small certificate from the Royal Mint of Indonesia that accompanies every coin in a plastic cover, they accept them at once as payment, often astonished that each silver dirham is worth many times more than the ten thousand rupiah note. This is because the only silver-coloured coin they see every day is the 500 rupiah, which has no purchasing power at all on its own.

Zakat and Markets

The most significant element of Pak Zaim's Amirate of Indonesia is the collection of Zakat and the organisation of markets to encourage entrepreneurship and trading links amongst Muslims that will break the barriers of monopolies, oligopolies and the giant private corporations of production in Indonesia.

Zakat is the fallen pillar of Islam. This is because, unlike sadaqah, Zakat is taken – clearly mentioned in the Quran (9:103) – taken by an Amir who is then responsible for its immediate distribution to eight categories of people mentioned in another verse of the Quran, a distribution which, according to some scholars, has to be done before sunset or, according to others, within three days. Neither can Zakat be collected in paper money but rather in real wealth, and in the case of savings or businesses, it has to be collected in dinars and dirhams.

Pak Zaim has taken on this task of collecting Zakat via the coins that he has been minting and then distributing them in the regular markets he organises. He has set up the 'Baitul Mal Nusantara' so that Zakat is collected and distributed by zakat collectors, particularly in markets.

This is because when the coins are distributed to the poor, needy and those eligible to receive them, the next question arises, 'How can they be utilised?' Since Zakat is distributed in parallel with the organisation of markets, those receiving the money may immediately spend it according to their needs. To date seven Market Day Festivals have been organised based on the Islamic model of the free market in the major cities of Indonesia.

Traders are not charged rent for a space in the market, with anyone being able to trade anything there and with those coming to the market being given the freedom to use the coins together with the rupiah. People have freely exchanged their paper money for the coins and have spent them in the markets with pleasure. The Mayor of Depok has taken part in two such markets which stimulated an increasing confidence in the coins.

It is important to mention here that Pak Sufyan, who lives in Cilincing, has achieved tremendous success in convincing the traders of his particular district to accept the dinar and the dirham as a medium of exchange. A *pasar malam* or night market operates every evening in Cilincing, which has attracted the attention of the mainstream media of Indonesia as well as several international journalists. Near to Cilincing, traders in a series of shops beside a fishing village have begun accepting the coins as currency as well.

Umar Ibrahim Vadillo, the Spanish Muslim who pioneered the whole movement of the dinar and the dirham and is the key to its reintroduction in Asia, in 1992 in Spain

minted the first gold dinar since the collapse of the Ottoman Islamic Dawlah.

Vadillo once remarked in a lecture at the International Islamic University of Malaysia (IIUM) that there are only two steps to the establishment of the dinar and the dirham as currency: their minting and distribution, and their being used. In Indonesia, with the problem of the minting and the distribution solved, the spread of their use now begins.

It is important to mention here that the organisation of markets for the use of the dinar and the dirham is the antidote to the current capitalist procedure of establishing shopping malls and giant supermarkets that involve huge corporations supplying them with commodities as well as requiring massive investment, a procedure which has destroyed entrepreneurship and raised too many barriers for the man in the street to be able to engage in trade. As such, the only possibility for the trader is a bank loan, which contains, if admitted, the very seeds of the destruction of that business.

On the other hand, Pak Zaim's efforts have enabled any man in the street to be able to trade. If someone desires to trade but has no capital to start with, the person may get an interest-free loan for the purpose from the Wakala Induk Nusantara in dinars and dirhams. This is called *'qirad'* or a profit-sharing investment in trade. Many people have successfully started trading through such loans and have also begun repaying the loan.

Pak Zaim has recently begun another major operation for the distribution of dirhams through a non-commercial channel. He has called it *Garnissun Bangsa*. It is an acronym taken from parts of an Indonesian phrase that means, *Nationwide Movement for Dirham Spending and Sadaqah for National Resilience*.

It is a campaign for economic strength, to encourage people to use dirhams in all transactions and give dirhams as charity. Besides the numerous activities organised under Garnissun Bangsa, such as the business loans, Pak Zaim has started the Million Dirhams Give Away Campaign. It is to urge people of means to give to people without means doing so in Dirhams, which will help in the distribution of the coins.

People may give via the mosque or any charity organisation or straight to families and individuals. When a million dirhams enter into the economy, they start making a difference because, as mentioned above, the coins preserve purchasing power and are a good store of value and therefore immune from inflation.

The Daniq and the Nisfu Dirham

On 18 April 2010, the *daniq* and the *nisfu dirham* (half dirham) were officially launched at the seventh Market Day Festival organised by Amir Zaim. It was a historic event as the *daniq* has never been minted as a coin in Muslim history; it has only been used as 'odd-shaped clippings' taken from existing silver coins of the respective time. The weight and value of the *daniq* has therefore been determined now.

The festival was attended by a number of significant government officials and leaders of large organisations including the Mayor of Depok, Bapak Dr Ir Nurmahmudi Isma'il, and the Chief of Police, Kiyai Sanwari Ahmad. Zakat was also distributed the previous afternoon and that very morning. Both the people who came to the market and the officials received the launch of the two new denominations of the coins appreciatively.

The *nisfu dirham* and especially the *daniq*, solve the problem of using the dirham in very basic transactions. Now for an *angkot* (minibus) ride, which costs exactly one daniq, the people may freely use the coins without any need to expect any rupiah as change. Secondly, for small transactions like a cup of tea or coffee, even if paid with a dirham, change may be given in a *nisfu dirham* and *daniqs*.

This will help distribute the coins more widely around Nusantara. In short, though the use of the coins still functions together with the use of the rupiah, the introduction of the *daniq* and the *nisfu dirham* has potentially freed Indonesians from dependence on the rupiah. Moreover, now anyone can exchange almost any amount of rupiahs for dirhams and over time they in turn may be exchanged for dinars. This may be the catalyst for the people's completely severing their links with Bank Indonesia. Pak Zaim continues to educate the public about the dinar and the dirham as solutions to the problems created by the fictions of both the electronic rupiah and the paper rupiah. He has given numerous television interviews, authored several books on the subject and organised many seminars and markets to expand the work. *Ilusi Demokrasi* and *Kembali ke Dinar* are two of his most important books. He has also translated Umar Ibrahim Vadillo's book *Heidegger for Muslims* from English into Bahasa Indonesian.

His website www.wakalanusantara.com is constantly updated with news of events and developments with regard to his work. The prices of the coins are also updated twice daily according to world gold and silver prices to avoid any loss due to daily fluctuations.

The very strength of the political establishment in the world today, including Indonesia, lies in banking and imposed currencies. Be it a secular, Islamic, capitalist or communist state, regardless of the name, the modern state has three foundational elements: a constitution, a national debt and an imposed currency.

The economic strength of those in power is due to the latter two – the national debt and the imposed currency. For this reason, no state recognises gold and silver or any other commodity as money. Therein lies both their strength and their weakness since it is in no way against the law to mint coins and use them as a 'barter currency'. The people of Indonesia know them to be money. But the government refuses to acknowledge them and only recognises them as 'barter currency' or means for a partial payment system in buying and selling. In Indonesia there is a model for any serious person in any part of the world who has realised the fraudulence of paper money, it having no intrinsic value and consequently losing its purchasing power irreversibly, and thus its incapacity to function as a reliable medium of exchange.

As the US dollar falls, all currencies pegged to it therefore fall with it. A close study of the working monetary model of the Indonesian Amirate is essential to avoid the massive transfer of wealth from the poor and ordinary people to the super wealthy that always occurs every time the value of paper-based money falls.

■ Text **By Hasbullah Shafy'i**