

Money Problems In An Ideal And Real Context (Analysis of Al-Ghazali and Al-Maqrizi's Perspective)

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Abstract

Capitalism defines money as wealth, and considers the purpose of economic transaction as activities to generate money as much as possible. The concept triggers people who have money to fulfill their desires. As a result, money is no longer used as a productive tool. Long before capitalism, Islamic thinkers had already succeeded with their intelligence. This paper discusses the concept of money in the perspectives of Imam Al-Ghazali (1058-1111 AD) and Al-Maqrizi (1058-1446 AD). Their thoughts provide great ideas and become the source of contemporary Islamic economics. The thoughts of Al-Ghazali and Al-Maqrizi related to the concept of Islamic money have expanded the Islamic economy to a greater extent for its conceptualization and application. In the context of idealism, the concept of Islamic money does not allow cash hoarding leading to speculative motives as unproductive cash hoarding means reducing the circulation of money. This can be a solution to the reality of the concept of money today which still implement speculative principles.

Keywords: *Concept of Money; Ideal context; Real context; Imam Al-Ghazali; Al-Maqrizi*

Introduction

Economic life has become a country's standard of living for individuals and collectives. Its superiority is often measured by the level of economic progress, while the measurement is quite materialistic. Thus, economics is of paramount importance for a country.¹ Various studies have been conducted to solve economic problems, and the well-known economic systems are capitalism and socialism.² However, the two economic systems have not been able to solve the economic problems that continue to arise from time to time.

The conventional economic system is indicated as a failure and unable to create comprehensive and sustainable social welfare. Conventional economics is based on behavior occurring in economic units characterized by the absence of certain *sharia* (norm) boundaries. In practice, the conventional economic system prioritizes the fulfillment of

¹ Akhmat Mujahidin, *Ekonomi Islam: Sejarah Konsep, Instrumen, Negara, Pasar Edisi Revisi*, (Jakarta: Raja Grafindo Persada, 2013), hal. 6.

² Eko Suprayitno, *Ekonomi Islam (Pendekatan Ekonomi Makro Islam dan Konvensional)*, (Yogyakarta: Graha Ilmu, 2005), hal.1.

individual rights and interests rather than the interests of society, and in fact, the gap between the rich and the poor is widening.³

A new system, which was deemed to be an intermediary and solution in the human economy namely Islamic economics, then emerged. Similar to other fields of study, economics is not separated from Islamic values aiming to guide people to be on the straight path (*Siraatal Mustaqim*).⁴ The Islamic economic paradigm booms when the world encourages the emergence of various thoughts and ideas. Productivity, reality, creativity and the morality of the current conceptions and paradigm are questioned.

The problem is not solely related to the perception of thoughts and ideas, but includes basic assumptions about human nature, motivation, and business that form the basis of the economy and the institutions in which economic agents work.⁵ Islamic economic thought was the response of Muslim thinkers to the economic challenges at that time. This thought is based on the sources of the *Qur'an*, *sunnah*, *ijtihad*, and empirical studies. Their thoughts provide great ideas and become the source of contemporary Islamic economic thought.

The thoughts of Al-Ghazali (1058-1111 AD) and Al-Maqrizi (1058-1446 AD) in relation to the concept of money have expanded Islamic economics to a greater extent for its conceptualization and application. One of the centers of Islamic economic scholars' discussion is the concept of money with its various problems. Money has always been an interesting theme to discuss in Islamic economic studies because it is the heart of the economy.

The major mistake in the conventional economic system is to turn money into a commodity. It results in the existence of money currently being traded rather than used as a medium of exchange in trade. Conventional banking institutions also use money as a commodity in the process of providing credit with interest as the instrument.⁶ Money is the standard of use found in goods and labor. Therefore, money is defined as something that can be used to measure every item and energy. For example, price is a standard for goods while wages are a standard for humans. Each of which is society's estimate of the value of goods and human labor.⁷

In addition, in the perspective of Islam, money always follows the flow of the economy or is often referred to as the *flow concept*. Over time, the concept of money from Imam Al-Ghazali is no longer used and is considered incompatible with the current development. At this time, people are generally introduced to the concept of *fiat money* which comes from paper or coins which do not have an equivalent value with their nominal value.⁸ Initially, the creation of *fiat money* was based on existing gold reserves, but then gold reserves did not become a basic foundation for printing money.⁹

³ Ma'ruf Abdullah, "Perbedaan Paradigma Ekonomi Konvensional dan Ekonomi Islam Dalam Teori dan Realita", *Jurnal At-Taradhi Studi Ekonomi*, Volume 3, Nomor 1, 2012, hal. 42.

⁴ Zainal Abidin, *Dasar-dasar Ekonomi Islam*, (Jakarta: Bulan Bintang, 1979), hal.17.

⁵ Asdar Yusup, "Paradigma Kontemporer Ekonomi Islam", *Jurnal Studia Islamika*, Vol. 11, No. 2, 2014, hal. 215.

⁶ Septi Wulan Sari, *Perkembangan dan Pemikiran Uang Dari Masa Ke Masa*, *Jurnal An-Nisbah*, Vol. 03, No. 01, Oktober 2016, hal. 40.

⁷ Ichsan Iqbal, "Pemikiran Ekonomi Islam Tentang Uang, Harga, dan Pasar", *Jurnal Khatulistiwa-Journal of Islamic Studies*. Volume 2 Nomor 1 Maret 2012, hal. 2

⁸ Nurlaili, "Uang Dalam Perspektif Ekonomi Islam (Depresiasi Nilai Rupiah)", *Jurnal Ekonomi dan Bisnis Islam (Journal of Islamic Economics and Business)*. Volume 1, No. 1, Mei 2016, h. 89

⁹ Juliana, "Uang Dalam Pandangan Islam", *Jurnal Amwaluna*. Volume. 1, No. 2 (Juli, 2017), h. 219

Furthermore, Imam Al-Maqrizi also expressed extraordinary thoughts about money; money as a medium of exchange, the implications of the creation of a bad currency, the purchasing power of money, and their relationships to inflation. Based on the aforementioned problems, more attention should be given to the function of money based on the two Islamic scholars as the function of money has shifted lately.

This paper discusses the concept of money in Islamic economics and examines aspects of the concept of money through a historical approach of two Islamic economic scholars, namely Al-Ghazali and Al-Maqrizi. The two were very helpful in finding the sources of contemporary Islamic economic thought and finding a broader understanding of the history of Islamic economic. This study was intended to find important ideas needed in the field of Islamic economic policy, especially in relation to the concept of money.

Literature Review

Al-Ghazali Biography

The main philosopher of this study is Imam Al-Ghazali. He was born in the 5th century of *Hijriyah* precisely in 450H / 1058 AD in Tuts, a small town in Khurasan, Iran. His full name is Abu Hamid Muhammad Ibn Muhammad Ibn Ahmad al-Ghazali al-Thusi. Since his childhood, he was familiar with *Sufism* as he grew up in the care of a *Sufi* after his father, who was also a *Sufi*, died.¹⁰

His works were translated into various languages such as Latin, Spanish, English and others which were used as references for approximately 44 Western thinkers.¹¹ Imam Al-Ghazali concerned about economic activity, especially on matters of money. His discussion of economics can be found in his phenomenal work *Ihya ulum al-Din*, *usufiqh*, *al-Mustofa*, *Mizan alamal* and *al-Masbuk fil-Nasihah al-Muluk*. In general, they can be grouped into the exchange and evolution of markets, production, bartering and evolution of money, and the role of the state and public finance.¹²

His very influential discussion was regarding the concept of money dealing with the losses of the barter system and the importance of money as a medium of exchange and a measure of the value of goods and services.¹³ He believes that equitable injustice emerges due to *fiat money*¹⁴ including invaluable goods that can be exchanged for valuables.¹⁵ *Fiat money* also provides unfair benefits on the issuance of the money for the money issuing authority.¹⁶ His discussion of money seems quite comprehensive, starting from the evolution of money

¹⁰ Imam Al-Ghazālī, *Terjemah Ihya 'Ulum al-Din*, Vol. 3, terjemahan Moh. Zuhri (Semarang: CV. Asy-Syifa, 1992), hal. 24.

¹¹ Nur Chamid, *Jejak Langkah Sejarah Pemikiran Ekonom*, (Yogyakarta: Pustaka Pelajar, 2010), hal. 218.

¹² Muhammad Masrur, *Diskursus Uang Dalam Kitab Ihya' Ulumuddin Karya AlGhazali*, *Jurnal Penelitian*. Vol. 14, No. 1 2017, hal. 93.

¹³ Nurlaili, "Uang Dalam Persepektif EKonomi Islam (Depresiasi Nilai Rupiah)", *Jurnal Ekonomi dan Bisnis Islam*, Volume 1, No. 1, Mei 2016, hal. 89.

¹⁴ Richard Howard Robbins, *Global Problems and Culture of Capitalism*, (Boston: Pearson Education, 2005), hal. 9.

¹⁵ Juliana, *Uang Dalam Pandangan Islam*, *Jurnal Amwaluna*, Volume. 1, No. 2 (Juli, 2017), hal. 219.

¹⁶ Ali Sakti, *Analisis Teoritis Ekonomi Islam Jawaban atas kekacauan Ekonomi Modern*, (Jakarta: Aqsha Publishing, 2007), hal. 237-239.

to the function of money. His phenomenal work *Ihya Ulum Ad-Din* defines that money is an item functioning as a means to obtain other goods.¹⁷

Biography of Al-Maqrizi

Maqarizah Al-Maqrizi's full name is Taqiyuddin Al-Abbas Ahmad bin Ali Abdil Qadir Al-Husaini. He was born in Barjuwan Cairo Village in 766 H (1364-1365 AD). His family comes from Maqarizah,¹⁸ a village located in the town of Ba'lakbak. Al-Maqrizi is a figure who really loves knowledge. Since childhood, he likes to do scientific activities. Among the famous figures who greatly influenced his thinking was Ibn Khaldun, a great scholar and initiator of the social sciences, including economics.

His interaction with Ibn Khaldun began when Abu Al-iqrishad settled in Cairo and occupied the position of chief justice (*Qadhi Al-Qudah*) of the Maliki school during the reign of Sultan Barquq (784-801 H).¹⁹ Al-Maqrizi was also a *Muhtasib* (market supervisor) who is knowledgeable about economy and was a harsh critic of the Burji Mamluk government. Al-Maqrizi applies Ibn Khaldun's analysis in his book entitled *Ighatsah Al-Ummah bi Kasyfil Al-Gummah* (helping the people by knowing the causes of their disease), namely the economic crisis in Egypt during the period of 806-808 AD.²⁰

In his 22 years old, Al-Maqrizi began to be involved in various governmental duties of the Mamluk dynasty. In 788 H (1386 AD), Al-Maqrizi started his work as an employee at Diwan Al-Insya, a kind of state secretariat. Then he was appointed as the representative of Qadhi in the office of the supreme judge of the Syafi'i school, the preacher at the Jamil Al-Hakim Mosque, and the Hadith teacher at the Al-Muayyadah Madrasah.²¹ Among the works written by Al Maqrizi, works discussing a lot about economic problems are *Ighathah al-Ummah bi-Khasf al-Ghummah*, *Shadhur al-'Uqud fi Dhikr al-Nuqud* and *Risalah fi al-Mawazin wa al-Makayil*. Many of his thoughts were found on economic theories, especially when he told the crisis occurring at that time.²² Al-Maqrizi is known as an Islamic economic thinker who carried out special studies on money and inflation.²³ He mentions that currency has a very important role in human life because by using money, humans can fulfill their necessities and facilitate their activities.²⁴ To achieve this goal, the currencies used were only of gold and silver.²⁵

¹⁷ Pusat Pengkajian Dan Pengembangan Islam (P3EI) UII Yogyakarta, *Ekonomi Islam*. (Jakarta: Rajagrafindo Persada, 2008), hal. 110.

¹⁸ Dewan Redaksi Ensiklopedi Islam, *Suplemen Ensiklopedi Islam*, (Jakarta: PT Ichtiar Baru Van Hoeve, 1999), hal. 42.

¹⁹ Adiwarmarman A. karim, *Sejarah Pemikiran ekonomi Islam*, (Jakarta: Gema Insani Press, 2001), hal. 415.

²⁰ Umar Chapra, *Masa Depan Ilmu Ekonomi (Sebuah Tinjauan Islam)*, (Jakarta: Gema Insani Press, 2001), 143.

²¹ Ibid. hal. 417.

²² Shakir Mushtafa, *Al-tarikh al-'Arabi wa al-Muarrikhun, Dirasah fi Tataawwur 'ilm al-Tarikh wa Ma'rifah Rijalih fi al-Islam*, (Beirut: Dar al-'Ilm li al-Malayin, 1990), jilid 3.

²³ Adiwarmarman A. Karim..., hal. 67.

²⁴ Ibid., hal. 420.

²⁵ Al-Maqrizi, *Al-Nuqud Al-Qadimah Al-Islamiyah, dalam Anastas Mari Al-Kirmily, Kitab al-Nuqud al-Arbiyah wa 'Ilmu al-Namyat* (Kairo: Maktabah Al-Ashriyyah, 1939), hal. 73.

Research Methodology

The writer used argumentative descriptive analysis to study history of Al-Ghazali and Al-Maqrizi and their thoughts about the concept of Islamic money and its implementation in the development of Islamic economics. The method used in the analysis is qualitative by using literature reviews taken from several books, journals, and several other relevant sources.

Discussion

The Perspective of Imam Al-Ghazali about Money

According to Imam Al-Ghazali, the most important matter in economic activity is money, yet its position is only as a medium of exchange (unit of exchange), or as an intermediary tool (intermediation), not a commodity. He thinks that money is like a mirror that has no color, but can reflect all colors.²⁶ Money has no price, but reflects all the prices of goods. In classical economic terms, it is said that money has no immediate use. If the money is used to buy goods, then that item will be of use. The usefulness of money arises from its purchasing power, so money has no immediate use.²⁷ Money is a tool that can be used or received to make payments for goods, services or debts that have been valid in the past and until now.²⁸

The Evolution of Money

From primitive times to the present, money has a long evolution in its development in the history of human civilization. The existence of money is significant and important although money did not exist as well as money that is known today. The development of money started from the barter system to the use of precious metals, in this case gold and silver as people could not use money in ancient times. Trade is carried out by exchanging goods for goods called bartering.²⁹ In this case, Imam Al-Ghazali describes the evolution of money as follows:

“Every human being has necessities such as food, clothing, and other needs. Yet, sometimes he is unable to find these needs while he has things he does not need. Therefore it is necessary to have a medium of exchange (money) and a means of measuring the value of the objects to be exchanged because it is impossible for someone who might have a camel to give up his camel (only) to get za’faran. Besides, there is no correlation between za’faran and camels which can show a price comparison between the two.

The difficulties described are evident in an economy using barter system in every transaction as this type of transactions are difficult to solve without a medium of exchange (money). These lack of common denominator, indivisibility of goods, and double coincidence of wants.³⁰ Barter is not efficient since there are many different needs and

²⁶ Abu Hamid Al-Ghazali, *Ihya’ Ulum Al-din, Juz 4*, (Beirut: Dar Al-Fikr, 1958), hal. 89.

²⁷ Adiwarmar Azwar Karim, *Ekonomi Islam Suatu Kajian Kontemporer*, (Jakarta: Gema Insani Press, 2001), hal. 53.

²⁸ Abdul Aziz, *Ekonomi Sufistik Model Al-Ghazali: Telaah Analitik Terhadap Pemikiran al-Ghazali Tentang Moneter dan Bisnis*, (Bandung: Alfabeta, 2011), hal. 52.

²⁹ Abu Hamid Al-Ghazali, *Ihya’ Ulum Al-din, Juz 4*, hal. 87-88.

³⁰ Rina Rosia, *Pemikiran Imam Al-Ghazali Tentang Uang*, *Jurnal Ilmiah Ekonomi Islam*, 4 (01), 2018. hal. 6.

goods' characteristics. This triggered people to use money as a tool to facilitate exchange activities by making certain goods function as money, *a commodity that becomes a medium of exchange is called a money*.³¹

The Motive and Function of Money Demand

Imam Al-Ghazali, in his book *Ihya 'Ulumuddin*, explains three important functions of money. First, money is a tool that can be used to value goods as well as to compare them with other goods, or in conventional economics this function is called a unit of account. Second, money is used as a means of achieving goals and to obtain other goods or in conventional economies it is called a medium of exchange. This function also eliminates the difficulties that arise in barter transactions in determining the ratio of the value of the goods being exchanged. Third, money is merely a medium of exchange in transactions so that new money will have value if it is used in a transaction.³² As a result, a person's motive for money demand is none other than the motive for transactions. Besides, it is necessary to have a type of property that lasts long in order to save and use for future needs (money demand for precautionary).³³

Classification of Money Issuance as Monetary Standards

Imam Al-Ghazali, a prominent Islamic economic figure, has provided a very broad explanation regarding the issuance of currency and its implications for financial and institutional development.³⁴ The following is Imam Al-Ghazali's statement regarding the classification of money:

*"We look for tools derived from a durable commodity to act as intermediaries. Then choose a commodity that comes from metal. This is why money was made of gold, silver, and tin. Then comes the need for a money printing, engraving, and a place to determine its value so comes the need for currency printing and exchange institutions".*³⁵

According to Abdul Aziz, the above statement concludes the quality of a commodity and its properties. First, the quality of a commodity can be used for the benefit of many people. Imam Al-Ghazali also did not ignore the role of the government and financial institutions (banking). Second, in general monetary theory, money can be classified on several grounds such as the physical properties and materials used to make money, the government and the central bank issuing or circulating it, and the relationship between the value of money and value for money as goods.³⁶ Money (gold and silver) is recognized as the world's standard currency.³⁷ As standard money, gold and silver are termed full bodied money and the government is the main authority that issues it.³⁸

³¹ Ibid., hal. 7.

³² Rina Rosia, *Pemikiran Imam Al-Ghazali Tentang Uang*, hal. 8.

³³ Ibid., hal. 9.

³⁴ Abu Hamid Al-Ghazali, *Ihya 'Ulum Al-din*, Juz 3, hal. 221.

³⁵ Ibid., hal. 222.

³⁶ Abdul Aziz, *Ekonomi Sufistik Model Al-Ghazali*, hal. 74.

³⁷ Abu Hamid Al-Ghazali, *Ihya 'Ulum Al-din*, Juz 3, hal. 223.

³⁸ Abdul Aziz, *Ekonomi Sufistik Model Al-Ghazali*, hal. 75.

Prohibition of Cash Hoarding (Speculation)

Imam Al-Ghazali strictly forbids cash hoarding because this will eliminate the function of money itself as new money will have value when used in an exchange. Imam Al-Ghazali rebuked on those who hoarded money:

“If someone hoarded dirhams and dinars, he sinned. They have no direct use on him. The dinar and dirham were created to circulate from hand to hand, organize, and facilitate exchange as symbols of knowing the value and class of goods”.³⁹

Cash hoarding means withdrawing money from circulation, meaning that the money is still in the same and one day it is possible to re-circulate to the society to function as money. Based on modern monetary theory, cash hoarding will slow down the circulation of money and at the same time reduce the number of transactions so that it will slow down the economic growth and decrease people’s welfare due to the decreased income.⁴⁰

The reason Imam Al-Ghazali forbids cash hoarding is because it will eliminate the functions contained in money. As he mentioned that the purpose of making money is so that money can circulate in the community as a means in a transaction process and not to be monopolized by certain groups of people and result in a global economic downturn.⁴¹ It is a transmission of inflation fluctuation.

Prohibition of Counterfeiting Money

Attention is given to problems arising from counterfeiting and depreciation by mixing low grade metals with gold or silver coins or eroding the metal loads. Counterfeiting money is not only an individual sin but has the potential to harm society in general. The perpetrator must be punished because it is a fraud and can decrease the value of money. However, if mixing metals in coins is an official state practice and is known to all users, this is acceptable.⁴²

“Counterfeiting money is a great tyranny. All who hold it are harmed. The circulation of a counterfeit coin is worse than stealing a thousand dirham because the act of stealing is a sin, which ends immediately after the sin is committed; but counterfeiting money is something that affects many people who use it in transactions over a long period of time.”

Imam Al-Ghazali allowed the circulation of money that did not contain gold and silver, on the condition that the government declared the money as an official means of payment. However, if there is a decrease in the value of money as a result of fraud, the perpetrator must be punished. If mixing metal in coins is an official government action and is known by all users then this is acceptable. Then indirectly he allowed the possibility of using representative money (token money).⁴³

³⁹ Abu Hamid Al-Ghazali, *Ihya' Ulum Al-din*, Juz 4, hal. 90.

⁴⁰ Amalia, *Sejarah Pemikiran Ekonomi Islam dari Masa Klasik hingga Kontemporer*, (Jakarta: Granada Press, 2007), 129.

⁴¹ Rina Rosia, *Pemikiran Imam Al-Ghazali Tentang Uang*, Jurnal Ilmiah Ekonomi Islam, 4 (01), 2018. hal. 11.

⁴² Adiwarmanto Azwar karim..., hal. 338.

⁴³ Muhammad Zunaidin, *Konsep Uang dalam Perspektif Al-Ghazali dan Al-Maqrizi serta Relevansinya dalam Konteks Kekinian*, Skripsi Hukum Ekonomi Syariah, 2018. hal. 65.

Problems of Usury (Interest)

Riba is a complicated problem to be removed from the culture of society and is controversial in the realm of Islamic economics discussion. Riba is one of the worst forms of economic activity in the perspective of Islam because Allah has forbidden it. Imam Al-Ghazali explained about usury that there is no usury except for money and food, thus, it is obligatory for money changers to protect themselves from *Nasi'ah* usury (tempo) and *Fadhl* usury (usury for adding goods). The occurrence of *riba nasi'ah* is due to the due time for additional money unless the transaction is carried out in cash.⁴⁴

Meanwhile, *riba fadl* is committed because of the three points below:⁴⁵

- a. Sales of different qualities, between good and bad;
- b. The sale of gold for gold and silver for silver is illegal, unless the two types are different and the law is not sinful;
- c. Sales are mixed, lots and a little. For example, dinar is mixed with dirhams of gold and silver, unless the levels of gold and silver are known.

According to Imam Al-Ghazali, the value of an item is not related to time. He argued that there are two ways in which interests can be formed: *First*, interest can arise if there is an exchange of gold for gold, flour for flour, and others at different amounts or at different times of delivery. If the delivery time is not immediate, and there is a demand to overestimate the commodity, this excess is called *nasi'ah usury* (interest due to deferral). *Second*, If the number of commodities exchanged is not the same but exchanged simultaneously, the excess given in the exchange is called *al-fadl* usury (interest arising from overpayment).⁴⁶ He also does not allow money trading because it contains interest which is in accordance with his statement below:⁴⁷

“If someone trades the dinar and dirham to get another dinar and dirham, he makes them as his goal as this contradicts their function. Money is not created to make money. Doing so is an offense. Dinars and dirhams are means of obtaining other goods, they are not meant for themselves”.

Based on Islamic law, the business of trading money is very controversial and even illegal if someone intends to trade money with the aim of obtaining large profits. Currency exchange usually occurs when buying and selling transactions in the form of financial transactions taking place on international markets.⁴⁸

According to Imam Al-Ghazali, currency exchange is an unjust deed, but he allows it on condition that it must occur in cash. Below is Imam Al-Ghazali's statement regarding money exchange.⁴⁹ “Allah SWT has forbidden it, He is harsh on it, and obliged for money changers to guard themselves from *nasi'ah* and *fadhl usury*”.

Based on the statement above, Abdul Aziz concluded that there are five common things in currency buying and selling transactions:⁵⁰

⁴⁴ Abu Hamid Al-Ghazali, *Ihya 'Ulum Al-din*, Juz 3, hal. 70.

⁴⁵ *Ibid.*, hal. 70.

⁴⁶ Rina Rosia, *Pemikiran Imam Al-Ghazali Tentang Uang*, Jurnal Ilmiah Ekonomi Islam, 4 (01), 2018. Hal. 10-11.

⁴⁷ Abu Hamid Al-Ghazali, *Ihya 'Ulum Al-din*, Juz 3, hal. 90.

⁴⁸ Abu Hamid Al-Ghazali, *Ihya 'Ulum Al-din*, Juz 3, hal. 69.

⁴⁹ *Ibid.*, hal. 70.

⁵⁰ Abdul Aziz, *Ekonomi Sufistik Model Al-Ghazali*, hal. 77.

- a. Purchase of currency should be in the same or similar currency such as the exchange of new Iraqi dinar notes for old banknotes;
- b. Currency exchange for foreign currency such as the exchange of dollars for Egyptian pounds;
- c. Purchase of goods using a certain currency, and the purchase using a foreign currency. For example, purchasing aircraft using dollars, as well as exchanging dollars for Iraqi dinars in one agreement;
- d. Sales of goods in currency such as the exchange of aircraft for Australian dollars;
- e. Sale of shares in a certain company with a certain currency.

The Perspective of Imam Al-Maqrizi about Money

Al-Maqrizi notes gold and silver as currencies that can be accepted as a standard of value according to law, logic, and tradition. He further states that the existence of money is still needed as a medium of exchange for insignificant goods and for various daily household needs. In other words, the use of money is only permitted in small-scale transactions.⁵¹

The excessive circulation of money received special attention from Al-Maqrizi. In his observations, it turns out that the increase in the price of inflation is in the form of the amount of money. For example, for buying the same clothes, more money is needed. However, if the value of goods is measured in terms of gold dinars, prices rarely increase for this reason. Thus, he suggests to limit the amount of money, just to serve small fraction transactions.⁵² As a historian of Islamic economics, he provides several thoughts about money by looking at the history of currencies used by humans. His thoughts include the history of money, the function of money, the implications of creating bad currency and the purchasing power of money. Here are some concepts related to money according to Al-Maqrizi:

Implications of Currency Issuance

Al-Maqrizi states that creating bad quality currency will destroy good quality currency as seen in his description about the monetary situation in 569 H. During the reign of Sultan Saladin Al-Ayyubi, the printed currency was of a very low quality compared to the currencies used in circulation, and the public preferred to keep the currency which is of good quality and melts them into jewelry and releases the bad quality currency into circulation.⁵³ He said that it is inseparable from the influence of changes in rulers and dynasties, each of which sets different policies in printing the form and value of dinars and dirhams. In other cases, there were some additional changes to the metal composition that made up the dinar and dirham. As a consequence, there is an imbalance in economy resulting in the decreasing price of gold or silver.⁵⁴

⁵¹ <http://purnamailmu9.blogspot.com/2016/11/sejarah-pemikiran-al-maqrizi.html>. Di akses tanggal 07 Oktober 2020, pukul 17.00 WIB.

⁵² Sumar'in, *Ekonomi Islam: Sebuah Pendekatan Ekonomi Mikro Perspektif*, (Yogyakarta: Graha Ilmu, 2013), hal. 50.

⁵³ Hamidin dan Dede, *Theory of Money and Inflation in the Analysis of Al Maqrizi Thought*, Paper Fakultas Syariah dan Ekonomi Islam, 2018. hal. 5.

⁵⁴ Aidit Ghazali, *Islamic Thinkers on Economics, Administration, and Transaction*, (Kuala Lumpur: Quill Publisher,

The Concept of Purchasing Power

Al-Maqrizi points out that currency printing must be accompanied by greater attention from the government to use the currency in future business. Ignoring this can result in an unbalanced increase in money printing and production activities causing the purchasing power of real money to decline.⁵⁵

Table 1.1 The relevance of Islamic money concept from Al-Ghazali and Al-Maqrizi

The concep of Islamic Money		
No	Imam Al-Ghazali	Imam Al-Maqrizi
1	Money as a medium of exchange, a unit of calculation and to fulfill needs	Money as a medium of exchange
2	The motive for holding money is to transact and be on guard	Money holding motive to make transactions easier
3	The physical property of making money is something valuable such as gold, silver, tin or metal	Acceptable money is gold and silver
4	Prohibition of cash hoarding because it will slow down the circulation of money	The circulation of money is limited to avoid inflation
5	Prohibition against counterfeiting of money except under the authority of the government	The existence of money is needed as a medium of exchange on a small scale
6	It is forbidden to trade money because it will result in the emergence of nasi'ah usury and fadhl usury. Money exchanged is allowed in terms of cash	The creation of an unbalanced currency between the nominal value and the metal content of the currency will trigger the circulation of money
7	The government plays an important role in creating and distributing money	The authorities are influential in implementing policies

Source: analysis from theories

The Concept of Islamic Money in the Context of Ideality and Reality

The reality of money today is still characterized by capitalism, which is an understanding that believes that money is a means of accumulating wealth and the goal of economic activity is to generate money as much as possible. Consequently, the government gives freedom to its people to gain unlimited money. This encourages people to speculate by attracting the circulation of money, slowing down the circulation of money in society, and being unproductive; thus, its value being eroded by time causing inflation to occur.

On the other hand, Islamic concept asserts that money must function as a medium of exchange, a unit of account, a store of value and a standard of deferred payment. Although Islam allows saving money, this is just a precaution not for speculation. The role of money is still intended to eliminate injustice, dishonesty, the occurrence of interest, not the other way around as explained by Imam Al-Ghazali in his book *Ihya Ulumuddin*: "Then

1991), Vol. 1, hal. 159.

⁵⁵ Aidit Ghazali, *Islamic Thinkers on Economics, Administration.*, hal. 159.

Allah created the dinar and dirham as intermediate judges between all assets so that all assets can be measured."⁵⁶

Ethics in economic activities in Islam must comply with sharia and be based on faith in Allah and His Messenger. The aim is to achieve happiness in the world and the hereafter through a good and respectful system of rules, and always maintain the principle of balance between the material and spiritual dimensions as well as individual and social. Conflicts in obtaining economic resources will often occur if ethics is unable to play its power and role.⁵⁷

Conclusion

Based on the above discussions, it can be concluded that:

1. Money is an important medium of exchange. The importance of money in Islam is inseparable from the function of money as an intermediary for buying and selling, which is not only seen from the form of its value at the time of exchange but the rules, norms, and matters related to money. With the above functions, money is vulnerable to a number of cheats to obtain it and also acts of injustice that mistreat other parties.
2. The Islamic concept understands that money can play an active role in economic life if the principles of use, circulation, and printing can be applied effectively. Money is created to smooth exchanges and establish a fair value for those exchanges. The use of money based on ethics in Islam and maintaining the intrinsic value of money is expected to be a motor of economic growth.
3. The concept of Islamic money according to Imam Al-Ghazali and Imam Al-Maqrizi is relevant to be applied as the current economic system in order to avoid the destruction of today's capitalism and socialism. In fact, the freedom of rights offered by capitalism makes it difficult for people to give up this system. The Islamic economic ideal has been put aside for speculation. Therefore, the government as the ruler must be able to strengthen the implementation of Islamic economic policies to avoid injustice, speculation and for the welfare of the people in particular and the nation in general.

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⁵⁶ Al-Ghazali, *Ihya Ulumuddin*, Jilid 4, (Semarang: Toha Putra), hal. 88.

⁵⁷ Mul Irawan, *Makalah Peran Moral Dan Etika Ekonomi Terhadap Globalisasi dan Perdagangan Internasional*, Samarinda, 2012.

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