Part I: Seigniorage of fiat money and the maqasid al-Shari'ah: the unattainableness of the maqasid 🛒

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Purpose

To reason whether the interest-based fiat monetary system is compatible with the objectives of the Islamic law or the Shariah.

Design/methodology/approach

This is a theoretical paper that uses the quantity theory of money and the objectives or maqasid al-Shariah as expounded by scholars as basis for logical deductions therefrom.

Findings

The socio-economic implications of fiat monetary system imply that the maqasid al-Shariah cannot be attained. Indeed, the system is likely to cause a move away from the maqasid.

Research limitations/implications

The paper is based primarily on theoretical deductions. Further empirical investigation would shed further light.

Practical implications

Practical implications are numerous. The definition of what is money is then crucial to address the socio-economic implications caused by the fiat monetary system. For Islamic economics, this would imply that the process of Islamization of knowledge/disciplines is futile without addressing this issue first. Accordingly, the establishment of Islamic economics, banking and finance warrants a serious look into the current definition of money and monetary systems.

Originality/value

It calls for a definition of Shariah-compatible money. This is beneficial to the researchers, proponents and practitioners of Islamic economics, banking and finance.

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