International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

Reconsidering Dinar Gold Money As International Trade Currency: Literature Study

Andri Soemitra[1], Rifki Ismal[2], Sanusi Gazali Pane[3], Bambang Lesmono[4], Ridha Alhamdi[5], Muhammad Zulkifli Hasibuan[6]

Email: sanusi.gazali.pane@uinsu.ac.id
[1,3,4,5,6]*Universitas Islam Negeri Sumatera Utara, Medan*
[2]*Sekolah Tinggi Ilmu Ekonomi Islam Tazkia Bogor*

ABSTRACT
It is common knowledge that the economic crisis is caused by the failure of paper money to maintain price stability, devaluation, and redistribution effects. Exchange rate fluctuations severely hamper international trade and finance. On the other hand, gold has a more stable exchange rate and is relatively exchangeable for various needs. Gold has the same intrinsic value as any other commodity. However, it can serve as an international unit or units of account. The funds can be used as settlements in international trade payments. In the context of the optimum currency area (OCA), trade barriers between countries are increasingly being removed, including forming a common currency. The use of gold as a form of union currency would facilitate payments and benefit member states. International payment arrangements can also be made within the framework of bilateral and multilateral payment agreements. We support the analytical model of Ahmed Kamel Mydin Meera which reveals that the gold dinar can replace the fiat money as a payment transaction, as well as as a settlement in international trade with a note after economic and monetary integration is formed.

Keywords : ***Gold dinar, fiat money, optimum current area (OCA), international trade***

INTRODUCTION

Exchange rate instability is one of the causes of the economic crisis since the Great Depression hit America until the 2008 quandative crisis. After the fall of Bretton Wood in 1971, the gold standard period was over and it was time for international monetary to rely on fiat money systems, particularly the American dollar. Every dollar printed by the Fed is inflation that must be paid by the rest of the world. The debt of the United States is the debt burden of all countries. The dollar's volatility sparked concerns around the world. Economic activity will be affected and disrupt the smooth flow of goods and capital across the country caused by an unstable dollar. Balance of payments difficulties are increasing in many countries, especially in some developing countries due to the hampering of international trade.

Meera (2002) asserts that the fraction of bank reserves and interest rates causes asset bubbles, especially after the potential GDP level of an economy is reached. There are five stages of the process for creating cycles in a banknote-based economy: First, a period of money creation without significant inflation. Second, the period of inflation of excess money supply with low interest rate funds. Third, the period of the amount of money in circulation, Fourth, the transition of the crisis from the financial sector to the real sector. Fifth, a period of recovery that brought the economy back to the first period. The five-stage process ends with the burst of bubbles. This is what happened during stock market inflation from 1997 to 2008.

Therefore the economy must grow and become a development stimulus; the world needs another global monetary system that can be applied as a measure of relative value and a stable

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

store of value. Meera (2004) states that five effective characteristics serve as the current currency, among others: standardized, widely accepted, divided, easy to carry, and stable. This criterion is best suited to be embedded in a currency that has long been used by the world community, long before the life of the Prophet Muhammad SAW namely the gold dinar. In Muslim history it has not scored gold dinars or silver dirhams. The Prophet Muhammad accepted the Roman-Byzantine gold solidus and the silver dirham of the Persian Sassanid empire as monetary standards for Muslims. Therefore, the Prophet (pbuh) allowed the coin as a fair trade settlement between Muslims and non-Muslims. These coins circulated in arab societies for decades before Muslims minted their coins. Bimetalism must also be adequate, stable, and facilitate trade and business even among Muslims and non-Muslims. The first Islamic gold dinar, printed half a century by the fifth Umayyad caliph Abdul al-Malik ibn Marwan, in 75H or 697 AD.

Slight difference between the gold standard and the gold dinar; The gold standard monetary system is a country's currency or banknote with a value directly related to gold. Under the gold standard, countries agreed to turn banknotes into fixed amounts of gold. For example, for every $1 banknote printed, it is guaranteed with 0.05 grams of gold. Thus banknote holders can exchange $1 for 0.05 grams of gold. The gold standard for protecting currencies, in short, the volume of gold determines the volume of money. On the other hand, the gold dinar is a currency made of gold. It has been used since Persia and Rome and has been a historical standard among Muslims for centuries. Gold dinars are not modern innovations or theoretical constructions. Even when gold and silver were used side by side, as in the Fatimid and Ayyubid times (969-1250 CE), the relationship between the two metals was significant. According to Mithqal Open Standard guidelines, pure gold means 1 mithqal equivalent to 1/7 troy ounce and pure silver 1/10 troy ounce.

In his book al-Muqaddimah, Ibn Khaldun explains that Allah created gold and silver to measure the value of all goods and obtained them using two metals. According to Maqrizi (1957), three indicators that need to be maintained in order for a country to achieve economic and financial stability include: using dinars and dirhams as currencies, avoiding currency devaluation, and limiting printing of smaller denominations (fulus). Now Muslim countries must introduce gold dinars as account units in their payment systems after becoming victims of western economic exploitation. The current monetary system impoverishes people around the world due to economic instability and wreaks havoc on the world's resources. The system was initially profitable, but ultimately detrimental and caused economic, social, environmental, and political disasters.

Gold dinars played the role of money in his time. It becomes a medium of exchange, facilitating and removing barriers to barter transactions. Everyone can use it according to their goals and desires. Gold dinars can increase productivity and achieve a better standard of living. Therefore, the most important function of the gold dinar as money is to have a stable measure of value. Everyone can exchange goods and services fairly, save or invest, even transact credit or pay debts in the future. So it is true what Ibn Khaldun asserted that Allah SWT created gold and silver to measure the standard of a value. Therefore gold and returning to the gold system will restore order in the chaotic exchange arrangements that crippled the world today.

The standard of a measure should be pure, simple, and easy to use. Length measurements use meters, kilograms for units of mass, and kelvins for temperature units in international

International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

systems. The global world needs a stable unit of measure of value and obtaining a measure of economic value, such as international trade, involving the exchange of goods and services. But we're not going to find it, because money is politics. The dominance of political power in shaping monetary and its landscape has always been and everywhere is political, significant, not diminished in the world. Before Islam, the value of dinars and dirhams was based on the weight of its contents (natural value), or in other languages the value of money was equal to the natural value of the coin content. Therefore the term value for money (purchasing power) is not considered.

Undoubtedly, international trade has increased significantly towards economic growth. Research conducted by Sun and Heshmati (2010) concluded that China's international expansion has accelerated along with dramatic economic growth. Now China is targeting the rest of the world as its market. Until now in the global market, almost everything comes from China. Through trading activities, one enjoys goods and services, and money is everything that is received and payment for goods, services, and debts. People refer to currencies (banknotes and coins) as money, but technically money is everything that is generally accepted as a means of payment. In ancient times, people used stones, shellfish, salt, shellfish, etc., as money. Later in his time it was replaced by precious metals such as gold dinars and silver dirhams over a long period of time in human history. (Meera, 2009). Although according to Muflih (2012), reviving the dinar and dirham currencies in a speculative modern economy is not possible.

Another argument says, reviving the golden era will only fail as the gold standard era. Although we believe the cause of the great depression was due to distortions of the existing system and not of the gold standard system itself. Improper fiscal policy, high tax rates, severe balance of payments deficits, and loss of gold reserves are the triggers. Worse, the country prints more money than it reserves. Allegations of gold price volatility are another common objection. It may not necessarily be due to changes in demand and gold supply, but it could also be due to changes in the banknote itself. If the government prints too many currencies, the price of gold will rise but the fiat currency will fall. Historically, gold has proven more stable than most currencies, including the dollar, in terms of maintaining its value.

ASEAN countries that experienced a financial crisis in 1997 generally responded with similar policies. The establishment of the ASEAN central bank forum is one of which aims to evaluate and address economic and financial risks. The decision is an important step in instituting monetary integration and indeed has the opportunity to determine regional currencies in the future. In September 2005, Mahathir Mohamad insisted Islamic countries should adopt gold dinars as international trade payments. In addition, Indonesian SOE Minister Soegiharto proposed the gold dinar as the currency of ASEAN countries. Even the Vice President of the Republic of Indonesia, Jusuf Kalla suggested international oil prices use the gold standard.

Asean consists of 10 countries Economic and monetary level indicators between Asean countries can be seen from five countries, namely Indonesia, Malaysia, Thailand, Singapore and Philiphina, otherwise referred to as Asean 5. Based on the population, indonesia's population reaches 54.55% of the total population, but the total trade volume is only 42.31% of singapore's total trade volume of 4.62 million people. That number is still below Malaysia and Thailand after Singapore. While the nominal amount of Indonesia's GDP is the largest in Asean 5, followed by Malaysia and Thailand. However, Singapore's foreign exchange reserves are the largest in

International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

Asean 5, with 38.14% followed by Thailand and Malaysia. The amount of GDP and international reserves of Asean 5 provides a very large portion to influence economic policy in the Asean region, amounting to almost 96 percent in 2008. In short, asean-5's ability to cooperate based on the above general indicators is visible and will support the common goal of successful regional economic cooperation, ultimately gradually benefiting all participating economies as well as peripheral economies in the region.

Realizing gold dinar as an international trade payment is very possible, one of which is by forming a single currency or currency area. According to Bayoumi (2000) the similarity of economic level development and monetary system is the main requirement to support economic integration and monter. Fidirmuk (2001) stated that optimum currency area (OCA) encourages the increase of international trade. The key is the convergence of intra-industrial trade in the business cycle. While the direct relationship between the intensity of bilateral trade and the business cycle cannot be proven. In addition to labor mobility, the imbalance stemming from the demand for external labor has a strong effect on the well-being of the population. On the contrary, the impact of internal labor mobility has little effect on prosperity. The government has a major role to play in pushing migration out of depressed areas.

Table 1.
Indikator Ekonomi ASEAN 5

Negara	Tahun	Populasi (Juta)	Volume Perdagangan (Juta Dolar AS)	Nominal GDP(Juta Dolar AS)	Cadangan Devisa (Juta Dolar AS)
Indonesia	2004	216.44	127,172.50	256,837.28	34,952.50
	2006	221.95	182,273.80	364,570.73	41,103.10
	2008	227.35	277,407.00	510,779.50	49,596.70
Malaysia	2004	25.17	231,042.63	124,749.47	65,881.10
	2006	26.10	291,450.80	156,408.90	82,132.30
	2008	27.01	372,880.81	222,049.98	91,148.80
Philippines	2004	83.91	82,039.04	86,930.02	13,116.30
	2006	87.10	101,450.08	117,566.44	20,025.40
	2008	90.35	108,823.01	168,580.26	33,192.90
Singapore	2004	4.20	362,382.04	109,668.50	112,579.00
	2006	4.36	510,080.99	139,177.30	136,260.00
	2008	4.62	655,676.88	181,938.84	174,193.00
Thailand	2004	65.28	190,838.68	161,688.26	48,664.00
	2006	66.51	259,175.33	206,247.03	65,291.40
	2008	67.39	351,200.27	273,247.92	108,661.00

LITERATURE REVIEW

The impact of wage levels and internal prices on the trade balance is a key factor in a country's exchange rate change. However, according to Mundel (1961) as long as the exchange rate remains constant, rigid wage rates, and internal prices will be a particular feature of the balance of payments crisis. Exchange rate flexibility will reduce the impact of balance of payments changes, and balance of payments surplus shows exchange rate appreciation and can replace inflation. How can we control the positive effect of exchange rates on the balance of payments? Whether to establish economic integration as the best option or a form of currency union is more important. The currency area is the domain of the irrevocable fixed exchange rate regime or the single currency in the region, and maintains a flexible exchange rate regime with the rest of the world.

Injects International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

The Gulf Cooperation Council (GCC) and ASEAN are regional countries that have the opportunity to form currency regions. In addition to being in the same geography, GCC and ASEAN have reliable economic potential to institutionalize currency areas as long as they meet the OCA criteria. According to Labbas and Limam (2002), the oil sector is the main source of GDP of gulf states which reaches 10.79% of the GDP of the European Union. But unfortunately intra-regional trade is still limited. There is no visible convergence of key macroeconomic fundamentals, and synchronization of business cycles or mobility of economic factors as prerequisites for the establishment of an optimal currency area. "Optimal" describes the single currency in which flexible fiscal-monetary policy and external exchange rates are used.

According to Grubel (1970) the currency area is a region with one or more currencies of relatively the same value but floating against other currencies. Its main focuses on asymmetric shocks, mobility of production factors, flexibility of prices and wages, economic openness, single currency transaction value, fiscal, monetary and political integration include considerations relevant to the decision on whether to improve the exchange rate or form a monetary union. OCA union countries must deal with the benefits and costs of an independent union currency and ignore the domestic currency. The euro currency is a successful OCA model, which is stable and becomes the second currency after the dollar.

Using the measurement of differences in intra-Asean trade thrust is also still relatively small, in 2007 the number of exports and imports was only 23.2% and 22.3%, far compared to the intra-Euro of 51.1% and 48.8%, so it is natural then, the benefits obtained from monetary integration are very small, especially for Singapore whose income is 40 times that of Indonesia. Therefore, the next initiative is to expand Asean economic cooperation taking into account other East Asian powers (China, Japan and South Korea), otherwise known as ASEAN5+3. Based on Chiang Mai agreement (CMI) embodied Bilateral Swap Agreement, East Asia as a donor for 5 Asean countries (Indonesia, Malaysia, Thailand, Philippines and Singapore). Expand the scale of foreign currency reserves from $80 billion to $120 billion. Meanwhile, the Asian Board Market Initiative (ABMI) aims to support efforts to overcome currency mismatch and maturity mismatch issues. To reach the currency area stage, anchor currency can be used as an alternative such as China renminbi. (Ito, 2007; Kawai &Pontines, 2014). The renminbi after adopting flexible exchange rate can be relied on during the global crisis as well as when china's economy weakens.

According to Salvatore (2014) the establishment of the OCA can reduce the uncertainty of the flexible exchange rate regime, reduce transaction and conversion costs, encourage specialization in production, and improve integration in capital and goods markets. While the main cost is the loss of independence of member states to adjust monetary policy to their local needs (Kunroo, 2015). The OCA pattern will go one step further with the adoption of a common single currency among union members (Bacha, 2008). Many researchers write about the impact and efficacy of OCA arrangements in member states. Broadly speaking, empirical evidence appears to indicate three key findings. First, there seems to be a huge positive effect of currency unions on trading. Rose (2000) showed that bilateral trade between two countries using the same currency has a 200% greater effect than bilateral trade between countries that use different currencies. Ling's research (2001) shows the scope among selected East Asian economic groups for potential monetary integration. The implication is that smaller subgroups can eventually peak

International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

in forming a single currency area, depending on the fulfillment of the necessary prerequisites and harmonization requirements. Regional countries need to improve their strong political stance and determination in realizing economic and monetary integration. Returning to the gold standard is not a technical issue; but purely a political issue and is the quest for freedom and economic growth (Askari, 2014).

In the context of international trade, gold dinar can be used as a means of international payment. Gold dinar in this case is not a gold coin or a form of gold with special specifications as used in the classical century, but it is an international unit or unit of measurement that can be used as a settlement by the banks of each country. Indonesia and Malaysia can conduct international trade transactions by using gold dinar as a means of payment. Using a cooperation scheme similar to the local currency bilateral swap agreement (LCBSA) that has been formed with a maximum value of 28 trillion rupiah, Malaysia and Indonesia can form a gold currency bilateral trading agreement (GCBTA) or use other schemes such as bilateral payment agreements (BPA). In this cooperation, gold transfer does not need to be done on the spot, but simply made payments with a certain medium whose value is equivalent to using real-time gold prices. Malaysia and Indonesia may appoint custodian banks such as IDB (Islamic Development Bank) and Bank of England to reduce risk and increase trust in the payment system (Meera, 2009).

Table 1. Indonesia-Malaysia Trade Balance (Million Gold Dinar).

No.	Description	Indonesia (IDN)	Malaysia (MYS)
1	Exsport	10	8
2	Import)	8	10
	Surplus (Minus)	+2	-2

In the table above Indonesia has a trade surplus from Malaysia worth 2 million gold dinars, and therefore Malaysia must pay through custodian banking to the Indonesian account. With this concept Malaysia does not need to provide 8 million gold dinars to conduct trade transactions, but simply provides 2 million gold dinars to achieve a trading value of 8 million gold dinars. This concept led to the use of gold dinar resources that are more efficient than conventional concepts, but the effect is able to improve the quality and quantity of trade between countries. In its development, bilateral cooperation can be improved into multilateral cooperation between regional countries such as Asean. For example, intraregional trade between Indonesia, Malaysia, Thailand, Phipilina and Singapore can be used as a model to explain multilateral cooperation in the context of multilateral payment agreements. Trading transactions will be visible as shown as follows:

Tabel 2. Perdagangan Internasional Antar Negara Kawasan Asean (Juta Gold Dinar)

Export	IDN	MYS	PHL	SGP	THA	Total
Indonesia (IDN)		8	6	5	4	23
Malaysia (MYS)	4		7	6	3	20
Philipina (PHL)	2	4		4	4	14
Singapura (SGP)	8	6	2		5	21
Thailand (THA)	3	5	4	5		17
Total Import	17	23	19	20	16	95

International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

Jumlah transaksi ekspor Indonesia ke Malaysia, Philiphina, Singapura dan dan Thailand sebesar 23 juta gold dinar, sedangkan jumlah import ke seluruh negara Asean sebesar 17 juta gold dinar.

Description	IDN	MYS	PHL	SGP	THA
Export	23	20	14	21	17
Import	17	23	19	20	16
Surplus (minus)	+6	-3	-5	+1	+1

Based on this account, Indonesia's balance of payments surplus is 6 million gold dinars, as well as Singapore and Thailand which have surpluses of 1 million gold dinars each. However, Malaysia and the Philippines have international trade deficits of 3 and 5 million gold dinars, respectively. The total amount of international trade realized was 95 million gold dinars, but the amount of payments required by Malaysia and the Philippines in the above transactions was only 8 million gold dinars to pay Indonesia 6 gold dinars, Singapore, and Thailand 1 million gold dinars each.

The illustration above was created to answer a question often asked by many: Is the amount of gold reserves available sufficient for the growth of international trade volume? The answer is that in international trade contests on gold only acts as a unit of measure. Only the net balance of such transactions must be paid in gold. David Ricardo in his paper on tax principles and political economy states: when money works at the peak of efficiency, the central bank does not have to hold back gold. Perhaps we do not expect such peak efficiency, so some gold should be stored to complete the net balance. However, the central bank did not have to stockpile large amounts of gold. The efficiency of this system can be further improved if trade experts sit together and analyze the export potential and import needs of each participating country and thus produce a more efficient trade matrix.

Thus, in the golden dinar system, the central bank does not need to stockpile gold reserves as suggested by some international institutions. It would be better to start small with whatever gold reserves the state has, in a small group of participating countries. Countries with small gold reserves can trade with gold producing countries such as South Africa, Mali, Russia, etc., to increase their gold stocks. This way we can solve the problem as a child without putting undue demand pressure on the existing gold market. If countries rush to apply the gold dinar, this can bring upward pressure on international gold prices. Looking at the benefits and benefits obtained by the state, it is certain that there is no payment without using gold, should not be dual window. for if two currencies (fiat and gold dinar) apply in one area then gresham law will apply "bad money expels good money". Gresham's law occurs when simultaneous use of two currencies of different intrinsic values occurs in financial markets. Bad money (banknotes with lower intrinsic value) will drive good money (gold dinars with higher intrinsic value) from financial markets (Yacoob, 2012).

The advantages of international payment transactions using gold are inseparable from the superiority of gold itself compared to other forms of money. Gold has the same intrinsic value as any other commodity, but it distinguishes itself because people of every race, creed, and nationality wanted it for its own sake as evidenced by man's obsession with this metal throughout history. Fitrah, God has leaned on the desire of man to gold and silver as a symbol of prosperity

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

in the world after the love of women and their descendants as mentioned in the Qur'an: "Made beautiful in the eyes of men love for what is desired, in the form of women, children, property piled up in the form of gold and silver...." Qur'an, Ali-Imran [3]:14).

The main advantage of gold versus banknotes is that it has intrinsic value and cannot be created or destroyed. The issuance or production is also not a monopoly of any party, i.e. there is no unfair seigniorage. Gold is scattered throughout the earth and can be mined by anyone, unlike banknotes, whose issuance is under the prerogative of some issuing bodies such as central banks and commercial banks. Commodity money, such as gold, is superior and desirable money compared to banknotes. It promises a fair and stable monetary system while protecting wealth (al-māl), sovereignty, culture and religion (Meera &Larbani, 2009).

DISCUSSION

The proposed reuse of gold-standard currencies is one of the stronger phenomena. The issue of banknotes that bring monetary phenomena is one of the objections raised by a number of parties. The value of banknotes should always be maintained by monetary authorities with regard to the benchmark interest rate. This condition then triggers a monetary phenomenon because rising interest rates will generally always be followed by inflation instability which then affects the unstable currency exchange rate. The concept of strict money policy and loose money that is the basis of the policy of setting the bank currency with an inflation rate that always follows it is perceived to be a fundamental issue that certainly also affects the stability of the calculation of international trade transactions.

From an Islamic perspective, conceptually ideally a good type of currency to use in international trade transactions should fall into the category of fair currency. A fair understanding of currency is that it must be able to represent the function of money in the real sector economy. Currencies that reflect the real sector are expected to support an economy that improves people's welfare. In addition, a fair currency must be able to be transacted effectively and efficiently.

In the history of currency evolution, currency justice was found at a time when the currency was supported by gold. Trade transactions conducted with gold-backed currencies are considered to contain elements of fairness. The idea of using gold-backed money was based on the evolution of gold money which then turned into the use of a certain amount of gold-based banknotes. This type of money is called gold standard money. The users of gold-based currency crawlers that the currency has an intrinsic value equivalent to a certain amount of gold have a better level of stability. Claims for stability in the use of paper currency are based on restrictions on the supply of money because the issuance of money must be followed by the availability of a certain amount of gold equivalent to the number of published paper currencies.

In the past Islamic history recognized the use of gold and silver currency in the form of Dinar and Dirham adopted from Greek and Persian culture. Furthermore, the physical use of gold money turned into a currency supported by a certain amount of gold and in the era of the use of gold-standard banknotes. The parties holding the banknotes have the right to exchange the banknotes held for a gold amount equivalent to the representation of the banknotes held. The use of gold-standard currencies promises a strong currency system in the face of inflationary pressures and volatile foreign exchange rates. This condition is believed to provide a stable

International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

currency system situation.

Gold currency is considered capable of controlling money offerings because every printing of money must be supported by gold reserves. If a country has a trade balance surplus where exports are greater than imports then money from the import country supported by gold when entering will increase the amount of money offered in the exporter's country. If the amount of money increases then the purchasing power will increase but due to limited goods will result in the price of domestic goods rising. This condition will lead to a decrease in demand for goods in the next export as the price becomes more expensive. The opposite condition will also occur in countries with trade balance deficits. The situation shows the stability of a gold-standard currency due to the balance between supply and demand for money and the turnaround of goods and services in the real sector.

However, the reality of the world economy today faces the challenge of hegemony of the US Dollar currency. The termination of the Bretton Woods System marked the end of the era of gold-standard currencies into the use of the American Dolla standard in international trade through the use of the U.S. Dollar into the core reserve currency. Through the transition of this system, countries in the world no longer make gold as their currency reserves but instead turn the U.S. Dollar into foreign exchange reserves. The follow-up phenomenon of this policy is the strengthening of the Dollar currency and the weakening of the currencies of countries other than the United States because countries other than the United States must prepare their foreign exchange reserves in U.S. Dollars.

The advantage for the United States is that they can close their balance of payments deficit by issuing debt instruments with the recicusal of the U.S. Dollar. Meanwhile, other countries must follow the U.S. Dollar as the standard of international trade payment and must be willing to sacrifice their foreign exchange if at any time the country's domestic currency is weakened. In addition, the U.S. Dollar also benefits from seignorage because the cost of printing the currency is cheaper than the nominal value listed on the printed eye sheet. This advantage is one of the factors that strengthen the dominance of the dollar against the currencies of other countries in the world.

The idea of re-using gold as a currency in international trade certainly has a strong argument. Shared currencies in a particular region such as Asia or Europe are strengthening after the institutionalization of optimum currency area (OCA) in various countries in the world. At the OIC forum (Organization of Islamic Conference) has raised the proposal for OIC member states to use gold currency as a means of netting international trade settlement both bilaterally and multilaterally for fellow Willing Muslim countries. This includes proposals to create gold-based money for regions such as Asia and Europe, or certain regions of the country. If a country in a particular region has a gold-standard common currency in the settlement of trade only, not with the currency of each country, it will create currency stability rather than having to rely on a particular paper currency.

CONCLUSION

Reviving gold and silver as a payment system is a great job that takes a long time and is done gradually. The failure of the fiat money-based monetary system has created economic crisis and destruction over time, thus becoming an excuse to seek more resistant currency alternatives

Injects International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

and to eliminate the socioeconomic adverse effects of fiat money. Gold dinars have been used since time immemorial as a medium of exchange of payment standards, shops, metering values and also value counter units.

Economic and monetary integration is the right step to develop trade and comparative advantage between regional countries towards the formation of a common market and currency union through synchronization of policies and other economic factors. The OCA has managed to demonstrate its success with the establishment of the euro as the single currency, a step forward from the monetary integration of the european economic community. Within the framework of the OCA, the use of gold as a currency settlement becomes very possible. The use of gold as a means of payment for international trade will reduce transaction costs and uncertainty costs among sesame union members. While trade between countries using fiat money there is an additional risk of the exchange rate varying between the time of purchase and payment.

Using gold instead of national currencies eliminates exchange rate risk while allowing countries without international reserves to trade freely. Using the bilateral and multilateral relations model of international trade, the optimization results show the minimum amount of gold each country needs in carrying out international trade. Thus bilateral payment arrangements are more efficient and require much lower amounts of gold to complete the trade balance. Realizing monetary integration in the context of gold currency between several countries in the region provides benefits and benefits for member states. Although there are differences in the economic quality of each country but by using multilateral payment arrangements can be used to maximize trade with only a certain amount of gold ownership. The successful use of gold as an international means of payment depends largely on the political will of each country, because economic decisions only come down to technical issues alone, while strong political attitudes and determinations indicate independence and economic growth.

REFERENCES

Al-Maqrizi, and Taqi al-Ddin Ahmad, *Al-Ighathah al-Ummah bi Kashfi al-Ghummah*, 1957. Kaherah: Matba`ah Li al-Jannah

Azhar Mohamad and Imtiaz Mohammad Sifat. *Gold vis-à-vis money in Islam: The case against Dinarist Movement*. International Journal of Law and Management. 59. 00-00. 10.1108/IJLMA-06-2016-0061.

Bayoumi and Mauro, 2000, On Regional Monetary Arrangements for ASEAN. Journal of Japanese and International Economics 14, 121-148

Belkacem Laabas and Imed Limam, *Are GCC Countries Ready for Currency Union*?, API-Working Paper Series,2002. Arab Planning Institute - Kuwait, Information Center, https://EconPapers.repec.org/RePEc:api:apiwps:0203.

Bernard Lietaer, & Christian Arnsperger & Sally Goerner & Stefan Brunnhuber. *Money and Sustainability*. *The Missing Link*, Axminster UK Triarchy Press, 2012.chapters VII and VIII.

Eichengreen, Barry & Bayoumi, Tamim. *Is Asia an Optimum Currency Area? Can It Become One? Regional, Global and Historical Perspectives on Asian Monetary Relations*. Center for International and Development Economics Research, Institute for Business

International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

and Economic Research, UC Berkeley, Center for International and Development Economics Research, 1996. Working Paper Series.

Eichengreen, Barry & Bayoumi, Tamim. *Is Asia an Optimum Currency Area? Can It Become One? Regional, Global and Historical Perspectives on Asian Monetary Relations*. Center for International and Development Economics Research, Institute for Business and Economic Research, UC Berkeley, Center for International and Development Economics Research, 1996.Working Paper Series.

Emmanuel Farhi & Iván Werning. *Labor Mobility Within Currency Unions*, NBER.2014. Working Papers 20105, National Bureau of Economic Research, Inc

Fidrmuc, Jarko. *The Endogeneity of the Optimum Currency Area Criteria, Intraindustry Trade, and EMU Enlargement*, LICOS Discussion Paper, 2001.No. 106, Katholieke Universiteit Leuven, LICOS Centre for Transition Economics, Leuven

Goldstein, Morris. *The Effect of Exchange Rate Changes on Wages and Prices in the United Kingdom: An Empirical Study*). *Staff Papers (International Monetary Fund)*, vol. 21, no. 3, 1974, pp. 694–739. *JSTOR*, www.jstor.org/stable/3866554.

Grubel, Herbert G. *The Theory of Optimum Currency Areas*. The Canadian Journal of Economics, vol. 3, no. 2, 1970, pp. 318–324. *JSTOR*, www.jstor.org/stable/133681. Accessed 22 June 2021.

Kirshner, Jonathan. “Money Is Politics.” *Review of International Political Economy*, vol. 10, no. 4, 2003, pp. 645–660. *JSTOR*, www.jstor.org/stable/4177480. Accessed 20 June 2021

Mansour, Zarra Nezhad. *A Brief History of Money in Islam and Estimating the Value of Dirham and Dinar*. Review of Islamic Economics.2004.8. 51-65.

McKinnon, Ronald I. *Optimum Currency Areas*. The American Economic Review, vol. 53, no. 4, 1963, pp. 717–725. *JSTOR*, www.jstor.org/stable/1811021. Accessed 22 June 2021

Meera, Ahamad Kameel Mydin, and Moussa Larbani. *Seigniorage of fiat money and the Maqasid al-Shari'ah: The compatibility of the gold dinar with the Maqasid*. Humanomics: The International Journal of Systems and Ethics. 2009.22. 84-97. 10.1108/08288660610669383

Meera, Ahamad Kameel Mydin. *The Islamic gold dinar*. 2002. Subang Jaya: Pelanduk Publication

Meera, Ahamad Kameel Mydin. *The theft of nations: Returning to gold*. Subang Jaya, Selangor Darul Ehsan, Malaysia:2004. Pelanduk Publications

Meera, Ahamed Kameel Mydin, & Larbani, Moussa. *Seigniorage of fiat money and the Maqasid al-Shari'ah: The compatibility of the gold dinar with the Maqasid*. Humanomics: The International Journal of Systems and Ethics. 2009.22. 84-97. 10.1108/08288660610669383.

Meera, Ahamed Kamil Mydin. (2013). Real money: *Money and payment systems from an Islamic perspective*. International Islamic University Malaysia Press, 2013.

Meera, hamed Kameel Mydin. *Islamic Gold Dinar: The Historical Standard. Islamic Economics and Finance*. 2018.Vol.1(1), DOI: https://doi.org/10.18196/ijief.116

Muflih, Muhammad. *The Impossibility Of Reviving Dinar And Dirham Currency System In The Modern Economy World*, Journal of Indonesian Economy and Business Volume 27, Number 1, 2012, 122 – 133

International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 1 page 109 - 120

Mundell, Robert A. *A Theory of Optimum Currency Areas*. The American Economic Review, vol. 51, no. 4, 1961, pp. 657–665. *JSTOR*, www.jstor.org/stable/1812792. Accessed 21 June 2021

Paul, Krugman, & Maurice. *International Economics: Policy and Theory*. Edisi Kelima. 2009.USA: Addison Wisley.

Ricci, Luca Antonio. : *A model of an optimum currency area*, Diskussionsbeiträge – 1996.Serie II, No. 305, Universität Konstanz, Sonderforschungsbereich 178 - Internationalisierung der Wirtschaft, Konstanz

S.D Goitein. *The Exchange Rate of Gold and Silver Money in Fatimid and Ayyubid Times: A Preliminary Study of the Relevant Geniza Material*. Journal of the Economic and Social History of the Orient, 8(1), 1-46.1965. doi:10.2307/3596341

Soesastro, Hadi. *ASEAN during the Crisis*. ASEAN Economic Bulletin, vol. 15, no. 3, 1998, pp. 373–381. *JSTOR*, www.jstor.org/stable/25773552.

Sun, Peng; Heshmati, Almas. *International trade and its effects on economic growth in China*, IZA Discussion Papers, 2010. No. 5151, Institute for the Study of Labor (IZA), Bonn

Tamim Bayoumi, & Barry Eichengreen, *Ever closer to heaven? An optimum-currency-area index for European countries*, European Economic Review, Volume 41, Issues 3–5, 1997, Pages:761-770, doi.org/10.1016/S0014-2921(97)00035-4.

Umar Vadillo, Ibrahim. *The Return of the Islamic Gold Dinar*. *A study of money in Islamic law*. South Africa: Madinah Press.2002.

Yahia Abdul-Rahman. *The Art of Islamic Banking and Finance: Tools and Techniques for Community-Based Banking*.2010. Published. John Wiley & Son. Hoboken. New Jersey. ISBN:9780470449936. DOI:10.1002/9781118258217

Zubair Hasan, *Ensuring Exchange Rate Stability: Is Return to Gold (Dinar) Possible*?. Journal of King Abdulaziz University: Islamic Economics, Vol. 21, No. 1, 2008, Available at SSRN: https://ssrn.com/abstract=3070144