

**SPEECH BY TUN DR MAHATHIR BIN MOHAMAD ON “THE DINAR – THE
WAY FORWARD” AT PWTC, KUALA LUMPUR ON TUESDAY,
24 JULY 2007 AT 9.00 AM**

1. Firstly I would like to thank the Kelantan Research Institute and Strategic Studies for this invitation to speak on a subject that is so close to my heart – The Gold Dinar. I despaired ever achieving any progress on this proposal because of forces beyond my control even when I was a person of some authority in this country. Now of course I am even more powerless.
2. And so I welcome this opportunity to talk once again on this very important subject.
3. We use money everyday but few of us even think about the validity or otherwise of the money and monetary system that we accept. Is the piece of paper that we happily used to pay for the goods and services worth the amount it was supposed to be worth?
4. Actually the paper currency that we use is worth nothing. But our willingness to be a part of this fraud is what gives it its value. At one time the Governments guaranteed the exchange of the notes for gold of a fixed amount. Today fiat money cannot be redeemed in any way.
5. Real and meaningful value of any transaction can only be when we exchange goods for goods, or for services, i.e. when we barter. Then we get what we consider to be of the same value as what we give in exchange.
6. But bartering has its limitations. The padi farmer cannot possibly carry a sack of padi to exchange for chilly and onions at the kampong kedai runcit all the time. So long ago some smart people invented the coins of precious metal of specific size and weight which roughly correspond to the value in gold that it represented. Transactions became easier until dishonest kings started mixing the precious metal with base metal. Today our 1 Ringgit coin can be copied easily.
7. But as the value of transactions became bigger the weight and bulk of the coins became an inconvenience. Again a smart person came to the rescue and invented the “Bank note” which literally enabled the bank to print money.
8. Still there was an undertaking by the bank to redeem the notes with the specific amount in currency notes or precious metal. But later this promise was just ignored. Nobody really wanted to claim the amount stated in the bank notes. They would rather have the amount credited to their accounts. With this the need even for the pieces of paper was eliminated. Banks can now lend huge

amounts of money without actually having in its possession the bank notes or the currency notes issued by agencies authorized to issue them.

9. So what happens? Central Banks, which in countries like the United States are owned by private banks, are able to print money and lend them at fixed interest. The Federal Reserve Bank of America was and is still owned by private banks. When it was first set up it raised capital from the private sector and keeping this money as surety, lent the same amount to the Government. The effect was to double the amount of money owned by the Federal Reserve as it still retained the capital that it had raised and yet in its book it records the amount it lent to the Government. It is like having your cake and eating it as well. In addition it would collect interest on the amount lent. There is no surer way of making money. Very quickly the Federal Reserve Bank was able to control the country's financial system.

10. Today we do not really know how much money had been issued by the Federal Reserve. Very little is known about its operations. Yet we accept payment in US Dollars for international trade.

11. We know that the US Dollar is being used all over the world, is used even for domestic trade in some countries. It is the least secured of currency notes. There are absolutely no security features. The design remains the same for ages. There has never been a time when new designs have been introduced and old notes recalled. At one time the US Dollar was backed by gold at 35 dollars per troy ounce of gold. But today there is not an ounce of gold in Fort Knox or anywhere.

12. When new notes are issued and no old ones are recalled, it means that the amount of money in circulation is unlimited. Supposing we keep on printing Ringgits without recalling or destroying old ones, the value of the Ringgit would surely fall. But the unlimited number of US Dollar being printed all the time and in circulation must mean that control over the amount in circulation is not possible and not enforced. Besides there must be a huge amount of counterfeit US Dollar in circulation. There is nothing to back this fiat money, not even the performance of the US economy. Really the US Dollar is worth nothing and should not be accepted in payment of anything. The only reason why it has a value at all is because the gullible world is willing to be accepting the US Dollar as legal tender and to give value to it. Countries are afraid that if US Dollar is not accepted in payment then the US might take military action against them.

13. But our own currency, the Ringgit, is issued under the authority of the Central Bank which is a Government Bank and the printing of the Ringgit is controlled and limited. Periodically the old notes are destroyed and new notes printed to replace them. So the number of currency notes in circulation is not unlimited.

14. Our currency is also backed by reserves held in gold and foreign currencies. The US currency is not backed by any foreign currency. In fact the US is a bankrupt country, having twin deficits in its Government Account and Trading Account. Besides the US Government owes various creditors, particularly the Arab countries, 14 trillion dollars. There is no way it can repay these debts. By any criterion the US is bankrupt. It is ridiculous that currency traders should try to bankrupt Malaysia by devaluing our currency against the US Dollar which really has no value at all. Today we see the US Dollar depreciating against all the major currencies of the world, including the Ringgit. It should really have happened earlier. But it is unlikely that it would strengthen again. Its wars will drag it down.

15. Because so many countries hold trillions of dollars in reserves and US Dollar bonds, they are held to ransom. If they reject the US Dollar as being valueless than they will lose all the reserves they hold in US Dollars. And so they help sustain the fiction that the US Dollar has a certain value. But they are deluding themselves. The collapse of the US Dollar is all but inevitable.

16. Today of course we do not even bother to transact in the printed paper which we accept as fiat money. Our wealth is represented by figures in the ledgers of banks and in their computers. Payments are represented simply by changing the ownership of these figures in the banks computers and books to another person. No gold, no coins and no currency notes are involved at all. Yet not only people but Governments and countries can be bankrupted simply by changing the ownership of these figures.

17. This is the world's Monetary System. As we have seen the system lends itself to all kinds of speculation, manipulation and fraud. The Currency traders sold billions of Ringgit without actually owning even a single Ringgit in currency notes or figures. They invented short selling so they could make billions of dollars for themselves. For them the transaction involved nothing more than the ownership of the figures in the bank books. But for the poor countries and the poor workers they impoverished, the effect was very real. They lost their jobs, the little that they earn could buy much less, they starve and in desperation they rioted and kill and burn their own cities, blaming fellow citizens for their misfortune. Of course they were told it was all the fault of their Government. The Governments may be at fault but why did the devaluation take place only when the currency traders moved in.

18. But still the Monetary System must be maintained, currency trading must go on, the markets must determine the exchange rates and they must have the right to make money from the uncertainties they themselves create. The sufferings of the poor are none of the business of the IMF or the World Bank.

19. Currency traders are privileged people. They need not reveal their transactions, their borrowings, their profits. They do not even pay taxes on their ill-gotten gains. But recently when they started attacking the currency of their own country, the United States, they were forced to reveal their trading activities, their accounts and they are required to pay tax on their ill-gotten gains. However the International Monetary System remains intact.

20. The banking system and the International Monetary System were all invented by the people and Governments of the powerful countries of the Europeans. In Asia prior to our becoming Euro-centric there was only money-lending based on usury. It was only Islam which forbids usurious money lending. Paper money was first used by the Chinese but the Jewish money-lenders of Europe developed it to what it is today.

21. But for the Europeans money-lending was not just a business. It was a means of exercising power. It was a powerful weapon. The lenders wield tremendous influence over their clients including kings and countries. Quickly the big private bankers, like the Rothschilds, discovered that wars were profitable. They lent money to both sides and no matter who won or lost the bankers made money. They are still doing it today.

22. Today the bankers of Europe can impoverish a country simply by refusing to accept LCs issued by its banks. By insisting the valuation of trade be in US Dollar for example they can force the world to use the US Dollar for payment and so give value to the currency of a bankrupt country. We have seen in this country how our prosperity could be undermined simply by devaluing our Ringgit against the US Dollar. No one would accept payment in Ringgit except when exchanged with US Dollar or other "hard" currencies at the exchange rate with US Dollar.

23. Truly the International Monetary System and the banking system are not only means of financing international trade but are also instruments for exerting power over the countries of the world. Governments and Government leaders are really powerless. The true rulers of the world are the men who control the Central Banks of the so-called powerful countries. Simply by manipulating the interest rates economies can be destroyed, or sustained or made to grow. Leaders of countries literally cringed before the people who control or own banks.

24. Today the Muslims are richer than they had ever been before i.e. in terms of their earnings of US Dollar. But they have not learnt to use the banking system or their money to their advantage. They merely keep their dollars in foreign countries particularly in the USA. By doing so they are in fact allowing themselves to be held hostage of these countries.

25. These same dollars are being used by the US to finance the production of weapons to kill Muslims, to kill the Palestinians, Iraqis and Afghans. The higher

the price of oil the more money would be placed at the disposal of the US and by extension Israel. There is no such thing as the Oil Weapon. The real weapons are the Petrodollars. The more the petrodollars are kept with the oppressors of Muslims, the more powerful will they be, the greater and more widespread will be the oppression. OPEC is today as much a Western institution as the IMF or World Bank. Increased in oil prices simply strengthen the bankers in the West and boost the capacity of their countries.

26. For as long as the present International Monetary System and the current banking practices are maintained, for so long will the world be dominated by the powerful bankers. They operate through proxies, the Governments of the western countries whom they finance in order to make them militarily powerful.

27. The question is can we change or at least modify the system so that there could be less fraud and manipulation by the Central Bankers of the powerful nations, and lessen the power wielded by them.

28. It has been suggested that we use gold instead of fiat money. Can there be enough gold to finance the huge trade of the world. Obviously there cannot be enough. Nor can we move huge quantities of gold around in order to make payments. Even as a domestic currency gold will not be convenient.

29. So can we use the Gold Dinar as currency? Is there a future for the Gold Dinar.

30. Gold coins of fixed purity can be used as a means of saving wealth without too much risk of losing value and purchasing power as with fiat money.

31. Such coins are not legal tender but may be exchanged with currency at the gold value prevailing at a given time. This is quite simple. It is nothing more than keeping gold billion as savings. We have this in Malaysia and Canada and South Africa do issue gold coins. They can be traded and they retain their value in terms of purchasing power quite well.

32. But when the Gold Dinar was proposed, its use was to be confined to payments in international trade. Unfortunately when the amount becomes big it would be quite risky if not impossible to remit the gold coins for payments.

33. It was proposed that the Central Banks of the countries trading should receive payments from the importer within the country and use it to pay the exporters in the same country. The partner country's Central Banks would do the same. Only when one country has a surplus between imports and exports would there be a need to transmit the gold dinars to the surplus country. The amounts to be remitted would thus be quite small. In fact if the trade is balanced there will not be any need to remit any money. The Central Bank would contra the receipts and the payments by exporters and importers within the country.

34. But even this can be problematic. Transporting gold coin or bullion is very risky. Some kind of legally binding promissory notes will have to be used to indicate that the deficit country is indebted to the surplus trading partner a certain amount of gold. It will then have to export goods to the country with which it has a surplus to the amount owed through future trading. Or it may be able to earn payment from a third country and arrange for the country to contra its trade with the first country.

35. In the end the trade would take the form of bartering for in fact payments would be made in kind rather than directly in gold. The gold dinar would simply determine the equivalent value of the goods or services exchanged.

36. Since payments are not direct but are made through the Central Banks, the trade would no longer be between the buyers and sellers but between countries.

37. Basically the use of the Gold Dinar means a return to the Gold Standard. But because only the balance in the trade is to be settled the actual amount of Gold needed to be carried by the Central Banks would be far less. Occasionally there may arise a need to actually transfer the gold. But this would be quite infrequent.

38. Within a country the Gold Dinar will have a certain rate of exchange with the local currency. Inflation would really involve the local currency only as inflation would also increase the value of the Gold Dinar. What is likely to happen is that the purchasing power of the Gold Dinar would remain almost constant.

39. With the use of the Gold Dinar some of the power of the Western Banking System and the US Dollar would be diminished. With this the clout of these powerful countries would also diminish. On the other hand by refusing to use the Gold Dinar in trade, the rich Muslim countries would actually be impoverishing and weakening themselves, exposing themselves to pressures by the Western powers and as has been pointed out they would actually be financing the killing of Muslims in Palestine, Iraq and Afghanistan. Perhaps the ulamas should make a fatwa about Muslims who finance the killing of fellow Muslims

40. The use of the Gold Dinar as an alternative trading currency would not be easy. It could fail or do damage to the countries attempting it. It has therefore to be done very carefully, limiting it to a small portion of trade between two countries under strict supervision. The bugs will appear as soon as the initial trials are made. They need to be overcome. But I believe they are not insurmountable.

41. The need today is to persuade Governments to enter into bilateral payments arrangements in gold dinar with another country. The system has already been worked out. It remains just to take this first step. There will be pressure from those wanting to maintain the present system. We should be steadfast. However we should not drop the old system completely. When we introduced Islamic banking in Malaysia, we retained the old banking system. They were sceptical but today Islamic banking is a real alternative and the old banks are adopting it. I am quite sure that the same will happen with the Gold Dinar. Eventually they will become a viable alternative. It will never be able to replace the old system completely. But having an alternative will always force the original to adopt good practices. We will see less of the fraud and the manipulations. We will be able to fend off much of the oppression of the weak by the rich and strong using the valueless fiat money that they have invented. False wealth will no longer be able to rule the world.