

Press Release

The Gap Between the Actual Value and the Nominal Value of Money is a Waste of the Money in People's Hands

(Translated)

On Wednesday, 08/06/2022, the government's Al-Thawra Daily Newspaper in Sana'a issued a warning from the Central Bank in Sana'a to those who refrain from dealing with the 200 riyal banknote of the local currency, it obliged them to trade in it at its nominal value granted by the law, and not to decrease its use.

In origin, all types of money have intrinsic power, or based on intrinsic power, that is, it has a significant value to the people, such as gold and silver, which is the basis for money. As for the obligatory banknotes in circulation today, such as the riyal, they have only a legal value, that is, they have no intrinsic value, and are not based on intrinsic power, but rather a unit that is agreed to be a tool of exchange, and is given power by the law to be a tool of exchange, with which people can obtain goods and services.

The best example for understanding the reality of the actual value from the nominal value of money is the following example: When the Central Bank was established in Sana'a in 1971, it issued a banknote with a nominal value of one riyal, and by law made it equal to the Austrian silver riyal, Maria Theresa, circulating at the time in Yemen. The result is that the bank was able to withdraw what was in people's hands of silver riyals weighing 28 grams, 835 carats in exchange for a banknote equal to what was printed on it only! Today, 2022, the Maria Theresa riyal is approximately equal to 6000 paper riyals for the intrinsic value of the 28 grams of silver it contains, while the riyals paper currency has been removed from circulation due to the loss of its value in circulation. The issuance of a mandatory currency by law has led to the loss of people's money - who trusted the issuance of the Central Bank, and replaced it with their silver riyals - which were taken from their hands unjustly, whether acquired by the Central Bank or others!

The world has dealt with gold and silver coins, then with banknotes covered with gold and silver. Since 1971, US President Richard Nixon issued a decision to separate the dollar from gold and to cancel the recommendation of the Bretton Woods Conference, which set the value of an ounce of gold at 30 US dollars, and so dealing in mandatory banknotes became without the gold cover, wasting people's money with this economic transaction that the entire world is following, which is a sign of the capitalist economic collapse, and one of the indicators of its downfall.

For that, we must put the economic system in Islam into practice along with the rest of the systems of life in obedience to Allah (swt): ﴿يَا أَيُّهَا الَّذِينَ آمَنُوا اسْتَجِيبُوا لِلَّهِ وَلِلرَّسُولِ إِذَا دَعَاكُمْ لِمَا يُحْيِيكُمْ﴾ **“O you who have believed, respond to Allah and to the Messenger when he calls you to that which gives you life”** [Al-Anfal: 24].

For the affairs of life to be regulated by a system that came to us from the Creator of the universe, man and life, and life become upright under the second Khilafah Rashidah (rightly-guided Caliphate) State on the method of Prophethood which Hizb ut Tahrir is working for; and has prepared a draft constitution derived from Islamic Shariah that can address all the problems of life today, Allah (swt) says: ﴿وَابْتَغِ فِيمَا آتَاكَ اللَّهُ الدَّارَ الْآخِرَةَ وَلَا تَنْسَ نَصِيبَكَ مِنَ الدُّنْيَا وَأَحْسِنَ كَمَا أَحْسَنَ اللَّهُ إِلَيْكَ وَلَا تَبْغِ الْفُسَادَ فِي﴾ **“But seek, through that which Allah has given you, the home of the Hereafter; and [yet], do not forget your share of the world. And do good as Allah has done good to you. And desire not corruption in the land. Indeed, Allah does not like corrupters.”** [Al-Qasas: 77].