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Islamic State Says It Plans to Issue Its Own Currency

By RICK GLADSTONE

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They have paraded their own flag, formed courts and ministries and issued license plates. Now, the leaders of the Islamic State, the violent jihadist group that has seized parts of [Syria](#) and [Iraq](#), have created their own currency, part of a plan to restore the caliphate era that dominated the Middle East more than 1,300 years ago.

In an announcement on Thursday heralding a liberation from the “satanic usury-based global economic system,” the Islamic State said it would begin minting gold, silver and copper coins, in likenesses similar to the days of the seventh-century caliphs.

The coins will have standardized weights and values, the announcement said, and they will be the legal tender of the lands controlled by the group, also known as [ISIS](#) or ISIL.

Important details such as the exact timing of when the coins would begin to circulate, and how they would be minted, were not disclosed, and a question remained: Can the group really create a viable currency?

Many money historians and other experts said no, describing the announcement as a propaganda exercise, meant largely to reinforce the Islamic State’s self-anointed legitimacy.

They said practical problems could doom the currency, notably its stigma elsewhere, severely limiting its use for money’s basic purposes of buying and selling other goods and services.

“What central bank is going to accept an ISIS coin?” said David L. Phillips, a former adviser at the United Nations and the State Department, now at Columbia University’s Institute for the Study of Human Rights.

“It’s like blood diamonds,” he said. “No credible financial institution is going to take this.”

Some questioned how the Islamic State, even with its profits from oil smuggling, hostage ransoming and stealing, could accrue enough gold and silver to produce coins for mass circulation. Others said the minting of such coins, in what is essentially a war zone, could also be problematic.

Even more puzzling, some said, is the Islamic State's assertion that the coins would be unaffected by movements in the dollar and other prevailing world currencies. The value of gold often moves in the opposite direction of the dollar, which lately has been rising.

"Of course this is nonsensical," said Steve H. Hanke, a currency expert at Johns Hopkins University. The purchasing power of gold, he said, "is determined in the world market, and has nothing to do with ISIL."

Some economists said there could be something to the Islamic State's aspiration to use gold for money, seeing it as a potential new venue for smuggling and thievery.

They noted that since charging interest is forbidden under strict interpretations of Islamic law, gold as a non-interest-bearing investment could be an ideal way for more strict Muslims to transact business and amass wealth.

Even with its ups and downs, gold has long been treasured for its retention of value and its universal recognition as a so-called safe haven alternative to paper money, especially in times of uncertainty. The world's major central banks all maintain large stockpiles of bullion.

In the history of money, coins of gold and other precious metals, which first circulated around 500 B.C., predate the introduction of paper currency by roughly 1,300 years.

"There's not a place in the world that won't take gold," said James G. Rickards, a lawyer, economist, financial commentator and author of "The Death of Money: The Coming Collapse of the International Monetary System," an explanatory book about the stresses accumulating in the system, especially since the 2008 financial crisis.

Mr. Rickards said groups like the Islamic State, excluded from conventional banking methods, are known to use bitcoin and other crypto-currencies to transfer wealth across borders. Their other way, he said, is gold.

"We've always talked about gold as part of the threat matrix," he said. "It's not surprising to see this."

Mr. Hanke said the more important element of the Islamic State's currency was its symbolism.

"They're producing money," he said. "Money is produced by states. So this gives this outfit the patina of being a state."