

COMPATIBILITY IN ISLAMIC AND WESTERN TRADITIONS: THE CASE OF SOCIAL CAPITAL

Robin Matthews

Issam Tlemsani

Centre for International Business Policy
Kingston Business School
Kingston Hill
Kingston upon Thames
Surrey, KT2 7LB
Email: I.Tlemsani@kingston.ac.uk
Tel/Fax: 0044 208 547 8674

ABSTRACT

We might predict a decline in faith as a result of material progress, actually has been resurgence in the religion and faith especially in Islam. We view social capital as an essential component of both western and Islamic societies. In Islam Zakat embodies social capital rather than Islamic and western Values (Modernism and Postmodernism) being irreconcilable opposite we see them as having common core embedding in social capital and Zakat.

INTRODUCTION

Tensions between Western¹ and Islamic traditions are very much in evidence currently. Many see the two systems as irreconcilable and conflict between the two as inevitable (Huntingdon and Berger, 2002). Said (1995) notes that the Orient, in the sense of the Middle East, is adjacent to Europe, has been the source of its richest colonies, an integral part of European civilization and culture and, Said writes, “one of the deepest and recurring images of the Other.” In other words the Orient has exercised conflicting reactions, ranging from fascination to fear. From the seventeenth century onwards, the Orient has to a high degree been invented by Western writers’ archaeologists, linguists, historians and politicians in a manner that says more about the West and its fantasies than about the East. So Americans, formerly associated mainly with the Far East (China, Indo China and Japan), but with a greatly expanded political and economic role in the Middle East since the Second World War, in their classification of some Islamic populations there as Rogue States, part of an Evil Empire, are following a long Western crusading tradition with respect to the Other (Said, 2002; Chomsky, 2001), as the Self’s shadow (Spivak, 1999).

To see Islamic and Western traditions as polar opposites is to ignore their co-evolutionary past. The influence of Islam on the West founded on trade was in fact strengthened by the crusades. Both were influenced by colonisation and migration. European notions of Chivalry, Courtly Love and Romanticism emanated from Islam in the twelfth century. Dante’s poetry drew deeply on the Koran and on Sufi influences. Islamic states have been influenced by Western economics and politics, through imperialism, the discovery of oil and other natural resources in the Middle East. Europe contains large numbers of Muslims. Muslim students, poets, writers and scholars have been deeply influenced by Western Education. Muslim minorities. Middle Eastern wealth is deposited in Western industrial companies and financial institutions. So it is hardly surprising that common traditions and values should exist. The legal traditions of Islam and the West emanate from different sources: Sharia and Roman law. However when we compare the three religions of the book, Christianity, Islam and Judaism, it is impossible to deny that that their respective messages coincide substantially.

Values are expressed concretely in institutions. This paper focuses on the institutions of social capital and Zakat. Though the former is primarily secular and the latter spiritual, we argue that they represent a common tradition in Islamic and Western culture. Social capital is an expression of a sense of community, and justice in society and of trust which is the core value upon which efficient trade has to be founded. In the Islamic faith, social capital is institutionalized in Zakat, which is at the heart of Islamic faith, in fact one of the five Pillars of Islam. Muslims with financial means are obliged to give a percentage of their wealth (2.5% of net worth, deducted annually) as Zakat which was institutionalised as an obligatory edict of faith in both

¹ We mean by western society: an attitude of mind which we summarize under the heading of modernism and postmodernism. We are not referring to geographical entity. Clearly the west as geographical entity contains many millions of Muslims.

the Koran and the sunna. The method of payment is outlined in the hadith. The spiritual element is discussed in the paper. Zakat also has the functions of enabling people to access economic capital (means of production) and establishing networks of trust and community, both of which influence economic and social development.

The binary opposition between Islamic and the Western values are, in fact, part of a triad of tensions: between Modernism and Postmodernism in the West, and between each of these with faith. We are particularly concerned with the Islamic version of faith, partly because this is representative of faith generally as a mode of apprehension, and partly because for obvious reasons currently, Islam is a central Western concern, a source of fear, as the Other, the shadow of the Self. Raising the shadow to consciousness by pointing to its relationship of correspondence with the traditions of Modernism and Postmodernism is therefore a matter of some urgency for scholars. To carry out this task we use Earnest Gellner's assertion that the three traditions are irreconcilable, as our null hypothesis.

The paper proceeds as follows. First we sketch the essence of the tension between the triad, Modernism, Postmodernism, Fundamentalism and faith as expressed in Islam. Second we outline of the notion of social capital. Third, we describe key elements of Zakat in relation to social capital. Fourth we discuss common elements that exist in the triad of relationships. Finally we outline some implications.

I. CONFLICTING PARADIGMS

According to Gellner 1992, conflicts between modernism, postmodernism and faith at the ideological level resemble the irresolvable children's game: scissors, paper stone; scissors cuts paper, paper wraps stone, stone blunts scissors.

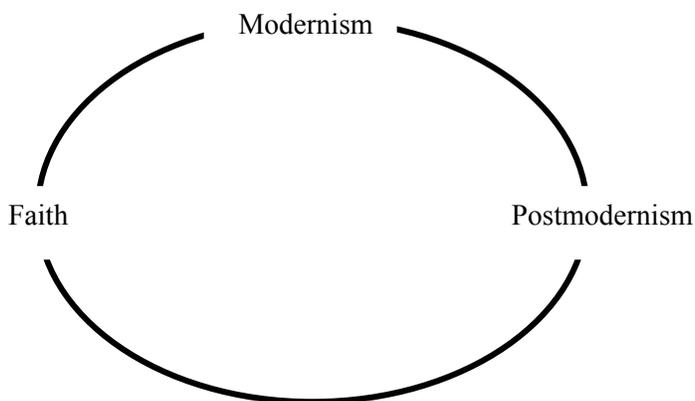


Figure 1

So we have three irreconcilable methodologies or paradigms and tension exist between

- *modernism* as expressed in the *enlightenment project* that produced modern science and technology
- *relativism*, as expressed in *postmodernism*
- *faith* as expressed in *fundamentalist* interpretations of religion

Modernism is reflected by the omnipotence of science, technology and materialism that has brought great wealth but also a sense of spiritual void. Relativism is reflected in the postmodern distrust of the grand narratives of modernism rejection of the notion that absolute truths exist; emphasis on the influence of discourse (programmed systems of reasoning) that reinforces existing power structures. Postmodernists oppose the grand narratives and what they see as the search for universal truths in modern science and academia. Everything according to postmodernism is coloured by attitudes, language and discourse of the observer. There are many truths, all relative to the observer. Those driven by faith seek universal truth in the scriptures, are likely to oppose the emphasis upon materialism, and try to resurrect faith as a means of filling the spiritual void. Further faith becomes the refuge of those who see themselves as marginalized by globalization and by the influence of Western values. We argue that the three paradigms are not disjoint sets and that considerable intersections exist between them. Thus we admit that divergence exists symbolized by areas X, Y, Z in figure 2. Perhaps they are irreconcilable. However there are commonalities, between modernism and post modernism, area A, between modernism and faith, area B and between faith and postmodernism, area C. Most important there exists an area of mutuality between the three, area R. Let us consider the three paradigms in more detail.

Modernism and the Enlightenment Project

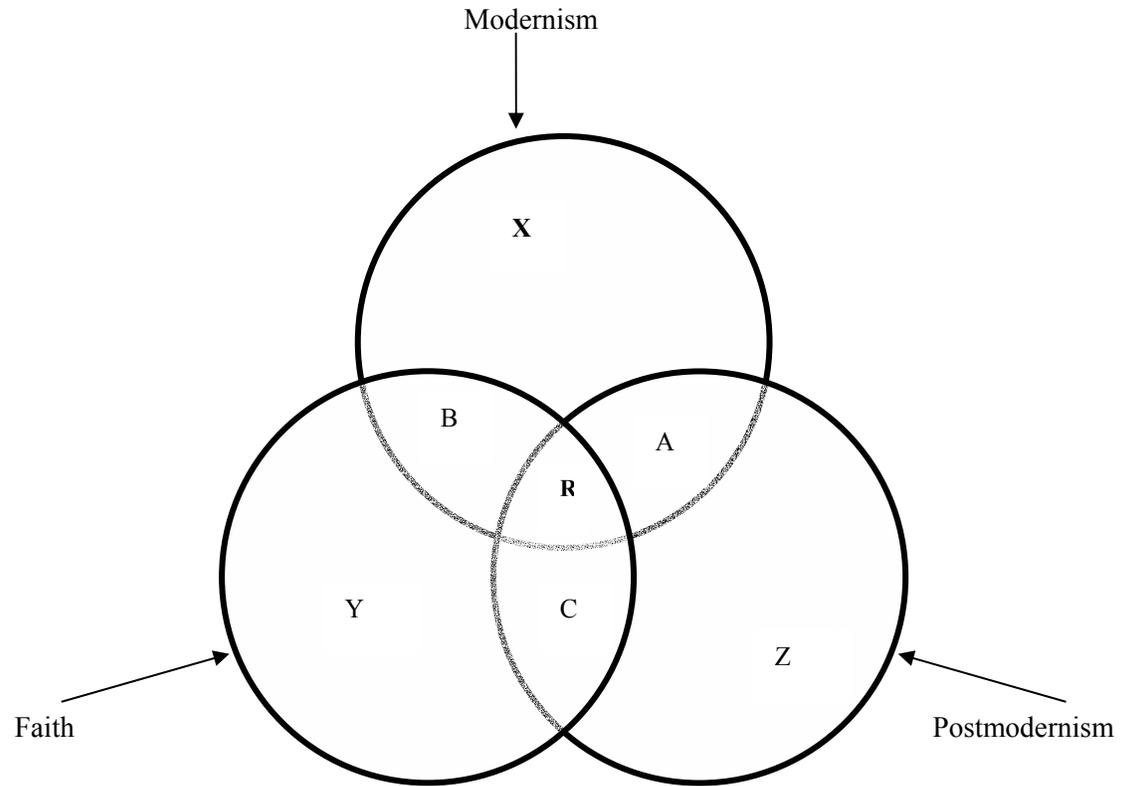


Figure 2

The enlightenment project repudiates substantive absolutism of fundamentalist religions. Instead it absolutizes some formal procedural principles of knowledge and moral valuation. According to its tenets and values we must proceed in a certain way with our inquiries and this procedure is independent of culture. Procedural rationality is the only way to understand the world and the world consists of substantive truths that are verifiable by an independent and objective observer. Reason is the critical tool of mankind. According to the project, there are no self evident truths. There are no privileged sources. All hypotheses are subject to scrutiny, all facts to novel interpretations. What is absolute is the method itself; procedural rationality. We make our world as a shadow of our cognitive procedures.

Kant the deepest enlightenment thinker held that everything inside nature was subject to its laws, but knowledge and morality were outside it. Inside nature there was only

room for causation. Kant's ethics amount to an obligation to be rational, where rationality is conceptual orderliness: the refusal to make exceptions, determination to treat all cases as alike and unify them as far as possible. There are no privileged sources of illumination. There is no revelation. Only a procedure is absolutized. There can be no revelation that is free from scrutiny. Scrutiny is a moral obligation.

Postmodernism and Relativism

A number of notions personify relativism (we are equating relativism with postmodernism). Everything is a text; the basic content of texts is meaning; meanings are there to be decoded or deconstructed; the notion of an objective reality is suspect. All meanings are deconstructed in a way that brings in their opposites; *difference*. Pursuit of generalization is labeled as positivism. Sometimes the author is exiled from the text; readings of the text, reader interpretations are as valid as the intention of the author; reader and author have at least equal status in interpretation.

Relativism is a consistent theme in postmodernism. Truth is ambiguous elusive, inward subjective. Postmodernism is associated with hermeneutics: *Everything is meaning....Whatever is, is made by the meaning conferred on it...It is the meaning with which it is endowed which has singled it out from the primal flow of uncategorized existence, and thereby turned it into an identifiable object. The subject himself or herself is subject to hermeneutics - to be distrusted as much as objectivity.*

Positivism is interpreted by postmodernism as a belief in the existence of objective facts and the possibility of testing such facts by objective and testable theory, not essentially linked to a particular culture or (subjective) interpretation.

Theory cannot be assessed without reference to its author and his or her social identity. According to postmodernism facts are inseparable from the observer who claims to discern them, and the culture, which supplied the categories, used to describe them. Positivism is linked with colonialism. The notion that objective facts exist is associated with expressions of domination. A link is made between political liberation and cognitive subjectivity.

Faith and Islam

The core of a religion is doctrine rather than ritual and doctrine is final and fixed. It is written and presupposes further writing, scholarship, or exegesis. In the fundamentalist view of faith, religion is not to be interpreted as saying that it does not really mean what primitive and uneducated people in the past originally took it to mean: it means what it says, literally: faith is faith in something that is literally and unquestionably true.

Fundamentalism occurs in many religions. Sociologists have long entertained a theory of secularization according to which religion declines as science advances. This has not happened in Islam. Increased wealth in some Muslim countries has led

to a strengthening of Puritanism rather than its weakening. Contemporary fundamentalism is strongest in Islam. Islam is stronger now than it was 100 years ago. We see fundamentalism in some of the evangelical religions of the West. Again we should not tie fundamentalist psyche too closely to Islam. Taliban attitudes exist in science (in the rejection of alternative methodologies) in certain type's political correctness.

Inherent in the contrasting attitudes of reason, relativism and faith are self reinforcing mechanisms in the form of irresolvable conflicts of ideology.

- Their impact is seen in the defense and opposition to globalization, materialism and religion
- In geopolitical conflicts and terrorism.

II. SOCIAL CAPITAL

Social capital generally refers to trust, concern for one's associates and willingness to live by the norms of one's community and to punish those who do not. Social capital describes relationships among people. It focuses attention on what groups do rather than what people own, and upon social justice. Many people have come to believe that failures in global capitalism, especially in the financial sector, are the rule rather than the exception and that governments and international institutions like the World Bank and International Monetary Fund are neither sufficiently informed or sufficiently accountable to correct all market failures. We see social capital as a schema that determines the development of business systems and their norms and behavior.

Social capital generally is understood as the ability of individuals to secure benefits by virtue of membership in social networks or other social structures. The term originates from the work of Bourdieu (1985), who used the metaphor of capital to discuss the instrumental benefits for individuals by virtue of their being involved in groups. Through social capital, individuals potentially gain access to real capital (economic resources), or they can increase their store of cultural capital through contacts with experts or through participation in prestigious associations. Coleman (1998), refined the concept by suggesting that the most useful relationships for individuals are those that act as a form of social insurance. Provide communication, information networks, creates norms and sanctions that facilitate social action. Coleman (1988) distinguishes between three groups of social capital:

- obligations, expectations and trustworthiness of structures norms
- effective sanctions (corporate culture) and
- information channels.

As Barney (1986a) points out, some organization cultures may be efficiency enhancing, whereas other cultures are not. The information channels part of social

capital refers to the way individuals within an organization communicate with each other through informal channels; through social networks within the organization. Social capital in regard to firms emerges as a concept, which covers “*the willingness of individuals within a given firm, as well as associated firms, to contribute... (Loyally, non-opportunistically) to the attainment of joint objectives*”. For the stock of social capital to remain stable, the social structure:

- has to be characterized by closure,
- have unambiguous norms, and
- display credible commitments to enforcement.

If these structural traits are absent, the social-capital norm may be relatively vulnerable to problems of free riding. The value of the concept of social capital is that it assigns an economic meaning to the social context in which exchanges occur in the sense that social capital emerges as a result of individuals' cumulated actions. Social capital complements the concept of organizational capital, which does not consider context at all. Social capital is a meta-routine; corporate culture is meta-routine, which constrains the actions of individuals in the society.

Social capital was swept to prominence not on its merits, but on the defects of its alternatives. Those to the left of center are attracted to the social capital idea because it affirms the importance of trust, generosity, and collective action in social problem solving, thus countering the idea that well-defined property rights and competitive markets could successfully harness selfish motives to public ends as to make civic virtue unnecessary. Proponents of *laissez faire* are enchanted because it holds the promise that where markets fail in the provision of local public goods and many types of insurance for example neighborhoods, parent, teacher, associations and bowling leagues, indeed anything but the government, could step in to do the job table 1 explain two major schools of thought (Lesser 2000). Social capital is seen as the value of an individual's relationships with other individuals in helping to get things done in a firm (*Egocentric*). Social capital is still held by individuals, but has more to do with the added value of their position in the structure of a firm than with their interpersonal relationships *Sociocentric*.

Motives

Woolcock (1997) argued that definitions of social capital should focus on its sources rather than its consequences. It will be argued that it is important to distinguish the capital good, or *factory* from its products (or behavioral consequences) and from the means for building factories. What are the alternative factories? It is easy to see that people will invest in social capital if their benefits exceed their cost a rational utility maximization motive. This is an instrumental motivation. But as Portes (1998), asked. What motivates people to create social capital for others if there are not immediate returns? Putnam (1993) asserted that norms and trust are the source of social capital people learn to do the right thing from a process of socialization. These deeply internalized norms are called *consummatory* by Portes (in contrast to

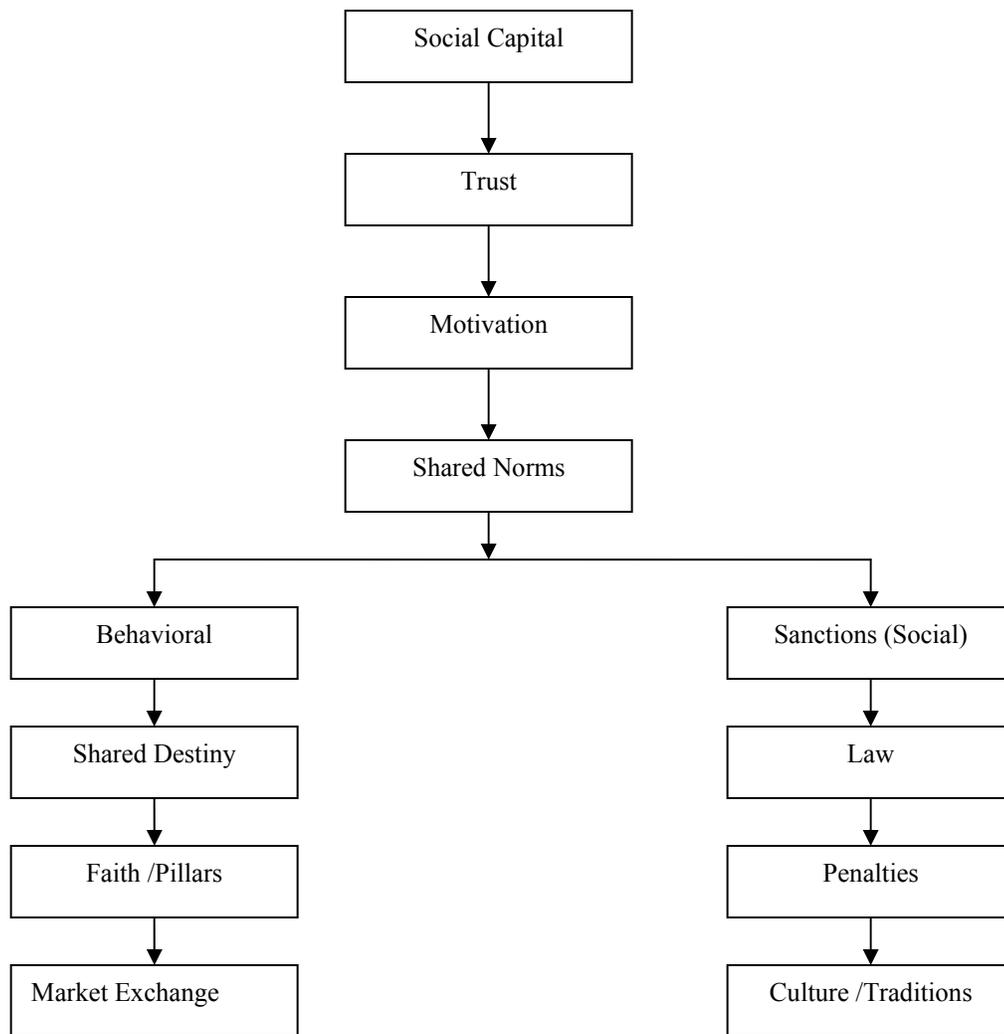
instrumental) and come from the experience of a shared destiny. Following norms can also have a calculated rational dimension when a person considers the consequences of sanctions by the community in what Portes labels *dyadic social exchange*. It can also have an emotional element such as commitment to a cause. Another motive has not been given much attention in the social capital literature. People go beyond narrow self-interest to help those they have affinity for moral value and caring can be a motive with the characteristics of capital. Most researchers acknowledge that people usually act from a mixture of motives.

Both Putnam and Fukuyama emphasized the role of trust. Trust is the name of Fukuyama's (1995), book which points out:

“social capital is a capability that arises from the prevalence of trust in a society or in certain part of it ... Trust is the expectation that arises within a community of regular, honest and cooperative behaviour, based on commonly shared norms, on the part of other members of that community”.

In other words, if you expect others to do the regular, honest, and cooperative thing, you are trusting. While trust is surely an expectation, it also leads to action. A person who trusts another person will place resources at risk of being lost to the possible opportunistic behaviour of others. North (1990), emphasized that an important factor in economic development policy is the ability to ‘trade at a distance with strangers’ the ability of a principal to trust an agent can be an important result of social capital table 2 show the origins of trust.

Table 2.



III. ZAKAT AS SOCIAL CAPITAL

The word *zakat* is the infinite of the verb *zaka*, meaning 'to grow and to increase'. When said about a person, it means 'to improve, to become better.' Consequently, *zakat* means 'blessing, growth, cleanliness or betterment'.

In the *Shari'a* (the Islamic law) the word *zakat* refers to the determined share of wealth prescribed by Allah to be distributed among the categories of those entitled to receive it. It is also used to mean the action of payment of this share. Ibn Taymiyya said that "*the inner soul of the zakat payer becomes better, and his wealth becomes cleansed.*"² Growth and cleanliness are not restricted to the assets from which *zakat* has been taken, but affects the person who pays *zakat*, in accordance with the verse,

² The collection of fatwa sheikh al-Islam Ibn Taymiyya, col. 25, p.8.

*"Take zakat from their wealth to purify and cleanse them."*³ Al-Azhari says that *it makes the poor grow too*, meaning that *zakat* creates psychological and material growth for the rich in his soul and wealth.

The Zakat system financially aids reformers and mediators of disputes to carry on such tasks in order to fulfill the social and moral objectives of Zakat. It has a moral purpose. The objective is to eliminate poverty and the desire for personal accumulation at any cost and to encourage socially orientated behavior. Instructions from the prophet Mohammed (sw) indicate that Zakat in Islam is simply a transfer of the excess wealth, but the foundation of Zakat is justice, a concept whose meaning essentially corresponds to Western notions of social justice in the sphere of distribution. The principles underlying Zakat support both private ownership and commercial capital, which according to Schumpeter are foundations of capital society.

The Islamic social capital system show that material prosperity, based on a strong foundation of spiritual values, constitutes an essential part of the Islamic social capital philosophy. The religion is dedicated to universal brotherhood, social and economic justice, equitable distribution of income, and to individual freedom within the context of social welfare. This dedication is spiritually oriented and is finely interwoven within the entire fabric of its social and economic standards.

To be privately owned within the Islamic system, it is to be considered as a trust from God, because everything in the heavens or the earth belongs to God and man can only enjoy the right of ownership only as a trust. Secondly, because man is the vicegerent of God and the wealth he owns is only a trustee from God, he is bound by the moral values of Islam. The wealth one owns should be acquired in accordance to the teachings of Islam and should be used for the objectives for which it has been created. The prophet is reported to have stated:

*This wealth is certainly green and sweet: but he who acquires it rightfully and uses it rightfully, for him it is an excellent assistant, while he who acquires it without his right, is like one who eats but never satiates.*⁴

Though the 'free market' system has been recognized by Islam, it is not to be considered sacred and unalterable. It is the goals of the Muslim society that are more important. Thus, the market system is only one of the ways in which to attain the goals. However, it must be modified in order to make it conform to the ideals of Islam. The goal of Islamic social capital is to create universal brotherhood community and social economic justice.

Universal Brotherhood Community (shared destiny)

³ The holy Qur'an 9:103.

⁴ Chapra The economic System of Islam, Oxford press, Lahore 1970.

“O mankind! We created you from a male and a female and made you into nations and tribes that you may know each other. Verily, the most honored of you before God is the most righteous of you; surely God is knowing, aware”⁵.

Islamic social Capital aims at establishing a social order in which all individual members are united by bonds of brotherhood and affection like members of one single family. This brotherhood is universal, and not parochial. It is not bound by any geographical boundaries and encompasses the whole of mankind and not any one familial group, tribe or race. The Qur’an states, *“say o mankind! Surely I am a messenger of God to you all”⁶* and the prophet Mohammed (pub) stated *“I have been sent to all alike, the red or the black”⁷*.

A natural effect of this concept of universal brotherhood is mutual co-operation and help. The prophet also stated: *“Mankind is the family of God and the most beloved of them before him is one who is the best to his family....Be kind to those on earth and he who is in Heaven will be kind to you”⁸*. Closely linked to this concept of brotherhood is the emphasis on justice. It is declared in the Qur’an to be one of the principle objectives of the teaching of all God’s prophets.

Economic Justice (shared destiny)

The concept of brotherhood and equal treatment of all individuals within society and before the law is not meaningful unless it’s accompanied by a form of economic justice so that everyone gets his dues for his contribution to society as to the social product and that there is no exploitation of one individual by another the Qur’an urges Muslims to *‘Withhold not things justly due to others’⁹* Implying that every individual must get what is due to him, but at the same time should not deprive others of their fair share. This warning against injustice and exploitation is designed to protect the rights of all individuals in society regardless of whether they are consumers, producers, or distributors and to promote general welfare.

Ratios of Zakat (sanctions)

Lower rates apply when the production process requires more human effort. Accordingly, the rate of Zakat is 10% on grains and fruits watered by rain or river, and 5% when water must be carried mechanically, 20% on found treasures which require little human effort, while the rate on earned wealth is only 2.5%. The system of Zakat is almost unique in these variations of rates according to effort spent in production.

Consideration of Personal Circumstances

⁵ The holy Qur’an 49:13

⁶ The holy Qur’an 9:11

⁷ Chapra.M. “The economic system of Islam” Oxford press, Lahore, 1970

⁸ Chapra.M. “The economic system of Islam” Oxford press, Lahore, 1970

⁹ ibid page 11.

Another important application of the principle of justice is giving attention to the personal circumstance of the Zakat payer:

- the exemption of what is below the nisab (the minimum level of wealth) from Zakat.
- the cost of a minimum standard of living is also exempt from Zakat.
- Debts are deducted from zakatable assets according to the majority of scholars, production costs are deducted from zakatable income.

Principles Underlying Zakat

With Islam's intense and unique commitment to human brotherhood, economic justice, inequalities of income and wealth are contradictory to its spirit. These inequalities could only destroy rather than foster the feelings of brotherhood that the religion tries to create. Thus, the religion emphasized 'distributive justice' of wealth and incorporates in its system a method for redistribution of income and wealth. This is done so that every individual is guaranteed a standard of living that is humane and respectable, and in harmony with the teachings of Islam. This programme for redistribution consists of three parts:

- the teachings imply the rendering of assistance in finding gainful employment to those working.
- it emphasizes the payment of 'Zakat' for redistribution of income from the rich (Have) to the poor (Have not), who because of personal disability, handicaps or conditions external to them, are unable to attain a respectable standard of living by their own efforts, so that in the words of the Qur'an: *'wealth does not circulate only among your rich'*¹⁰
- the estate of a deceased person is divided, in accordance with a given formula, among a number of individuals in order to intensify and accelerate the distribution of wealth in society.

a) The Reduction of the Socio Economic Gap

Zakat aims for is the reduction of socio-economic differences by providing support and financial help to the have-nots to bring them closer to the haves. Islam tackles this problem with much of its legislation, social institutions and economic directives in order to achieve justice both in the distribution of wealth and the distribution of income.

*'Whatever booty Allah give to his messenger from city dwellers belongs to Allah and to the messenger and to near relatives and orphans and the very poor and travelers, so that it does not become something which merely circulates among the rich among you.'*¹¹

¹⁰ The holy Qur'an 59:7.

¹¹ The holy Qur'an 59:7.

b) The Principle of Social Insurance

Zakat is the cornerstone of Islam's social insurance system. The mutual insurance that Islam ordains goes beyond the mere material aspect to include the spiritual, psychological, moral, cultural and civic aspects of a person's life, and to foster solidarity and mutual co-operation among members of Islamic society. In short, mutual social care in Islamic society extends to all branches of human life

The concept of equality in the distribution of income and wealth and the concept of economic justice does not require that everyone be regarded equally, irrespective of his contribution to society. The religion tolerates some inequalities of income because all 'men are not equal in their character, ability, and service to society' thus, the distributive justice within Islamic society does allow differences in earnings as long as they are in keeping with the differences in the value of the service one contributes to society as a whole.

c) The Principle of Certainty

Stability of the taxation system, like stability of business law, help build confidence in the system and its future, and thus in the prosperity of economic activities. Some taxation specialists, like Canard, believe that every old tax is good and every new tax is dubious. All the basic rulings of Zakat are fixed and unchangeable by any human effort. Knowing these basic ruling is obligatory for every Muslim as part of the religion of Islam

IV. COMPATIBILITY

Kawachi, Kennedy and Wilkinson (1997) relate the extent of social capital to both mortality and income inequality. They argue that social capital (measured as social trust and the extent of membership in associations) is the causative variable and that income inequality is a reflection of low social capital. They conclude that low social capital causes increases in mortality. They further suggest that the large gap between rich and poor leads to a breakdown in social cohesion and hence, higher mortality through factors such as the rate of homicide (Kawachi, Kennedy, and Wilkinson 1999).

Western and Islamic traditions are both based on a capitalist form of enterprise for example in private property and the financial market (commercial capital). But western social capital is based on secular, efficiency, humanistic, self utility, and ethical behavior (kantrain principles). Islamic social capital is based on religious foundation embedded in pillars: zakat, faith brotherhood (community) and justice. But both Islamic and western social capital performs some function nor ignores conflict.

a) The Principle of Convenience

Convenience, the third principle of taxation given by Adam Smith, means that the tax and its collection procedures must be made convenient to taxpayers. So they give the tax with pleasure and satisfaction, or at least without doubt or inconvenience.

- The Prophets instructions command taking Zakat out of the average quality of zakatable assets and not the best of them. In his instructions to Mu'adh, the Prophet (p) says, '*Avoid the best of their wealth,*' since payers usually do not like to give away the best things they own.
- The prophet (p) instructs estimators of Zakat on agriculture to be moderate and to estimate on the lower side. He even orders them to make allowances for errors and for fruits used for family and charity.

Zakat payment may be deferred if necessary, whether for individual or general reasons, like Umar's delay of Zakat in the year of the general famine.

b) The Principle of Economy

The principle of economy means collection costs must be kept at a minimum. These costs include what the state pays, such as collectors' salaries and administrative and transportation costs. Zakat, in principle, must be spent in the same locality in which it is collected, which economizes on transportation costs. Zakat officers occasionally return with no residual funds since they distributed all proceeds in the same area they collected from.

c) The Principle of Justice

The principle of justice, according to Adam Smith, means that all citizens of the state must share in financing government expenditure, each according to his ability, i.e. in proportion to his income, which is protected by the state. This principle is consistent with the Shari'a (Islamic law) in general and with Zakat itself. Justice is a general principle in Islam.

As the religion considers mankind as one family, all its members are alike in the eyes of God and before the law revealed by him. There is no difference between one's wealth, one's status, or one's colour. The only criterion of a man's worth is his character, ability, and service to humanity. The holy prophet stated: "*Certainly God looks not at your face nor your wealth: instead he looks at your heart and your deeds*".¹²

V. CONCLUSION

Currently in the west ignorance exists about Islamic economic system but there is a desire for increased understanding. Islam has its own well-developed forms of social

¹² ibid page 11.

capital, in particular Zakat which is a pillar of Islam. Zakat is social capital in the form of social insurance and justice in Islam. It is mutual insurance that goes beyond material aspects to include the spiritual value, psychological, moral, cultural and civic aspects of life. It aims to foster solidarity and mutual co-operation among members of society. Zakat as such covers the areas called social insurance and security, but the ethical principles underlying Zakat cover all forms of mutual social care in Islamic society.

Similarly there is a feeling in Islam that its own traditions are unique. The principle of justice, which is widely accepted by most states, implies that citizens should share in financing government expenditure, each according to his/her ability and in proportion to income, which is protected by the state. This principle is consistent with the Shari'a (Islamic law) in general and with Zakat itself. The evolution of the global economy as a complex adaptive system has made it increasingly difficult to distinguish between Islam and the West. We argue that the principles underlying Zakat are consistent with any sensible conception of social capital. The only economic system that conforms to a certain degree to the Islamic way of life is capitalism. The market mechanism is an important part of the Islamic economic system for three reasons. Firstly, the institution of private property is not workable without it. Secondly, it offers consumers a chance to express their desire for the production of goods of their liking by their willingness to pay the price. And finally, it gives resource owners an opportunity to sell their resources in accordance with their free will. Though Islam recognizes freedom of enterprise, the institution of private property and the profit motive, it does not mean that the Islamic system is identical to capitalism, which is based on freedom of enterprise. The difference between the two is due to two important reasons. Firstly, though property is allowed The Zakat system financially aids reformers and mediators of disputes to carry on such tasks in order to fulfill the noble social and moral objectives of Zakat. It has a moral purpose because the very objective of Zakat is to cleanse and purify the souls of the rich from selfishness and desire for accumulation. It aims to train the rich to sacrifice and contribute to the welfare of other people.

These instructions from the prophet indicate the Zakat in Islam is simply a transfer of the excess wealth of the nation within itself, since it is taken from the rich and given to the poor. In other words, Zakat only changes control of a proportion of wealth from one hand - the hand that invests and protects - to the other hand - the hand that works and struggles (when the yield of that work is not sufficient for all their needs), or to the hand that cannot work, which is the hand of the poor.

This religion of Islam has the ability to be strict in realizing the principle of equality by imposing Zakat on every individual, paid to the public treasury and by working against interest loans and indirect taxes that are usually imposed on necessities. At the same time, this religion stands in support of private ownership and commercial capital. Thus Islam stands once more in the middle, balanced between the theories of bourgeois capitalism and Bolshevik communism, so it's a rational to say that there is a strong overlap between the principles underlying Zakat, social justice, fairness

equality and principles underlying modern state or western notion of social capital, this not to say they are identical, but a correspondence idea of social capital 'glue' helps people to co-operate and to trust one another the society which they live.

Social capital in an archetype feature of sustainable socially. Zakat is one representation of the behavior norms underlying social capital. These norms are perfectly consistent with western values. It's this fact that we should bar in mind when viewing the relationship between western and Islamic communities.

REFERENCES

- Al Quaradawi. Y Figh Al Zakat A Comparative Study. Dar Al Taqwa Limited: London, (1999).
- Castells, Manuel. The Power of Identity, Blackwell Publishers LTD: London (1997).
- Chomsky. N, Rouge States: The Use of Force in Would Affairs. Pluta Press, (2000).
- Chomsky. N. 9-11. Seven Stories Press, (2001).
- Coleman, H. S. 'Social Capital in the Creation of Human Capital.' American journal of sociology 94: S95-S120. (1998).
- Corbin, Henry. History of Islamic Philosophy, Translated by Liadain Sherrard with the assistance of Phillip Sherrard. Kegan Paul: London. (1993).
- Fukuyama, Francis. Trust. New York: Free Press, (1995).
- Gellner, Ernest. Postmodernism Reason and Religion, Routledge: London (1992).
- Gintis. H and Bowles, S. Social Capital and Community Governance. Amherst, Massachusetts, (2000).
- Humayon, A. and Presley, J. Islamic Finances A Western Perspective. International Journal of Islamic Financial Services, vol.1, No.1, April-June. (1999).
- Huntingdon. S and Berger.P, Many Globalizations: Cultural Diversity in the Contemporary World. Oxford University press Inc, (2002).
- Jung, C. G. Modern Man in Search of a Soul, Kegan Paul: London. (1933).
- Kant, I. Critique of Pure Reason, William Pickering: London. (1848).
- Kawachi, I., Kennedy, B. P. and Wilkinson, R. G. Crime: Social Disorganization And Relative Deprivation. Social Science And Medicine, 48: 719-731, (1999).
- Knack, S and Keefer, P. 'Does Social Capital Have an Economic Payoff? A Cross – Country Investigation' Quarterly Journal of Economics 112: 1251-1288, (1997).
- Kuran, T. Islamic Economics and the Islamic Sub-Economy, The Journal Of Economic Perspectives, Vol. 9 No. 4 pp.155-74. (1995).
- Lesser, E. Knowledge and Social Capital, Butterworth Heinemann, Boston (2002).
- Marshall, Principles Of Economics 8th Edition, London: Macmillan. (1891).
- Matthews, Robin. Firms Strategies and Co-Operative Games: Elements of a Stake holding Approach, in Arestis. P. Daniel, S.S. and Grahl, J. Ed. Festschrift in Honor of Maurice Peston and Bernard Corry, Edward Elgar: London, (1999).
- Matthews, Robin. The Nature of Work According To The Myth Of Global Competition, Journal of Organizational Change Management, Vol. 11. No 5. (1998)
- Metwally, M.M. Essays On Islamic Economics, Academic publishers and Calcutta. (1993).
- North, D. Institutional Change, and Economic Performance. Cambridge University Press, (1990).

- Portes, Alejandro. 'Social Capital: Its Origins and Applications in Modern Sociology'. Annual Review of Sociology 24, No. 24 1-24, (1998).
- Presley, J and Sessions, J.G. Islamic Economics: The Emergence of A New Paradigm, Economic Journal (104), 584-596. (1994).
- Putnam, Robert D. Making Democracy Work: Civic Traditions In Modern Italy. Princeton: Princeton University Press, (1993).
- Robinson, Lidon, and Allan Schmid. 'Interpersonal Relationships And Preferences.' Handbook of Behavioural Economics edited by R. Frantz. Greenwich: JAI Press, (1991).
- Said. E. Orientalism: Western Conceptions of the Orient. Penguin Books, (1995).
- Said. E. The End of Peace Process. Granta Book, (2002).
- Schumpeter, Joseph A Capitalism Socialism And Democracy, Unwin: London. (1943).
- Simon, H.A. Models Of Man Social and Rational, New York: Wiley. (1980).
- Simons, H. Economic Policy For A Free Society. Chicago Press. (1948).
- Umer Chapra.M. The Future of Economics: an Islamic Perspective, The Islamic foundation. (2000).
- Wilson, R. Islamic Finance And Ethical Investment. International Journal of Social Economics, Vol. 24, No. 11. MCB University Press. (1997).