

Zakat and Social Capital: Reflections on a Possible Union Between Modernism, Post-Modernism and Faith

Prof. Robin Matthews

Prof. Issam Tlemsani

Kingston Business School,
Kingston University
Kingston-Upon-Thames
Surrey
KT2

Tel: 0208 547 8674

E-mail: i.tlemsani@tcib.org.uk

ABSTRACT

Islam is not only a central Western concern, but as a source of fear, as the *other*, the *shadow*, it has come to drive politics and diplomacy. Raising the shadow to consciousness by pointing up correspondences is a matter of some urgency. The area of correspondence we choose is as between Zakat and social capital. We sketch the essence of the tension between the triad, modernism, postmodernism and Islam. We outline of the notion of social capital. We describe key elements of Zakat in relation to social capital. We discuss common elements that exist in the triad of relationships. Finally, we outline some implications.

Islam
Modernism
Post modernism
Social capital
Zakat

INTRODUCTION

Tensions between Western¹ and Islamic traditions are very much in evidence. 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, adjacent to Europe, has been the source of its richest colonies, an integral part of European civilization and culture and, he writes, “*one of the deepest and recurring images of the other.*” The Orient has provoked conflicting reactions, from fascination with the exotic to fear. From the seventeenth century, 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. America especially had reinvented the *other* aspect. Originally dissociated from colonialism, concerned mainly with the Far East (China, Indo China and Japan), the expanded role of the USA in the Middle East since the Second World War, has recently culminated in the terminology rogue states, failed states, harbingers of terrorism, re-evoking the crusading tradition (Said, 2002; Chomsky, 2001; Spivak, 1999).

Some Islamists enthusiastically cast themselves in the role of the *other* (Gray, 2003). Jihad, primarily a quest for virtue and practiced as such by all but a small minority of Muslims, has become equated with terrorism, not only in the Western mind, but on web sites such as 'Azf al Rusas (*The Music of the Bullet*) and of course in the mind of the likes of Osama Bin Ladin: fighting infidels is presented as a Muslim duty (Ernst, 2004; Rodenbeck, 2004). So there is important work to be done in carefully articulating common ground between Islamic and western traditions, recognised by moderate opinion, Islamic or not.

The common ground we discuss is social (or organizational) capital, which is the source of behavioural norms that both increase the benefits to all of living in society rather than isolation, and reduce the costs designing and enforcing laws that moderate conflicts of interest, between individuals living together. Aspects of social capital are institutionalised in Islam, especially those concerned with distribution and justice. In that sense, Zakat is the equivalent of social capital, an alternative name. Of course Zakat contains more than a social, utilitarian function, stemming from the differences between a secular and a religiously driven society, but in more relaxed and variants of Islam, practiced in Indonesia, West Africa, parts of the Middle East and in many of the major cities of Europe and North America, Zakat is a voluntary transfer; a voluntary transfer of a proportion of income (annually approximately 2.5% of net worth) from rich to poor.

Just as the term Western encompasses a variety of values, methodologies and traditions (here we focus the modern and the postmodern as very broad categories in themselves), so Islam has contains variety. The biggest difference is between Sunnis and Shias: but differences have always existed, as they have in the Christian tradition, between literalists (focussing on what they *judge* to be the *letter* of Islamic texts, the Koran, the *hadith* and the *sunna*, the two latter being, respectively, the recorded sayings and the doings of the Prophet), and humanist (seeking the *presumed* essence appropriate to spiritual and temporal needs). Often, in both traditions, legalistic norms are equated with faith. Greek inspired Muslim philosophers, such as Avicenna, Averroes, and Ibn Arabi, and Sufism, which emphasise direct, individual or mystical perception, are seen as threatening in the much the same way as Darwin and Freud (for example), are seen as threatening by traditionalists in the West (Corbin, 1969; Matthews, 2003; 2004).

To see Islam and the West as polar opposites is to ignore the variety contained in these categories, the fact of migration between the two and the history of their co-evolutionary past. The influence of Islam on the West, founded on trade was strengthened by the crusades. The two societies were influenced by co-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 has sizeable indigenous Muslims population. Muslim students, poets, writers and scholars have been deeply influenced by Western education. Middle Eastern wealth is deposited in Western industrial and financial institutions. Although the legal traditions of Islam and the West emanate from different sources, Sharia and Roman law, the messages of three religions of the Book, Christianity, Islam and Judaism, coincide substantially.

To carry out our task of setting out common ground we use Gellner’s (1992) assertion that three current movements, two Western (modernism and postmodernism) and Islam, are irreconcilable, as our null hypothesis. It has over the last ten years become a widespread hypothesis underlying attitudes and policy to Islam (Lewis, 1993; Huntingdon, 2002). We adopt Gellner as a source of our null hypothesis because he represents a relatively moderate view

politically and because he also represents a common misunderstanding of both faith and postmodernism. His categories, modernism, postmodernism and faith, we argue should be seen as families of resemblance's rather than hard and fast disjoint categories.

The paper proceeds as follows. First, we sketch the essence of the tension between the triad, modernism, postmodernism and 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.

Islam is not only a central Western concern, but as a source of fear, as the *other*, the *shadow*, it has come to drive politics and diplomacy. Raising the shadow to consciousness by pointing up correspondences is a matter of some urgency. The area of correspondence we choose is as between Zakat and social capital.

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.

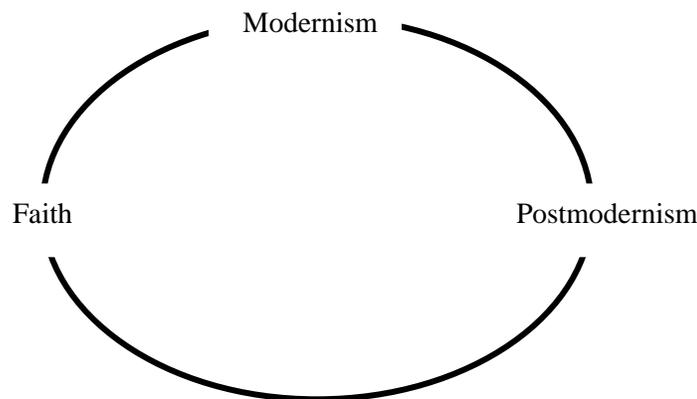


Figure 1

Apparently 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

We sketch some defining characteristics of the three opposed phenomena in a general way. Modernism is reflected by the omnipotence of science, technology and materialism that has brought great wealth but also, according to many authors from many different traditions, east and west, a sense of spiritual void. Relativism is reflected in the postmodern distrust of the grand narratives and 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. Attitudes, language and discourse color everything according to postmodernism. There are many truths and few grand narratives that are explanatory in the widest sense (for all times and circumstances).

Gellner's view of faith (which he equates with religion) can be divided into two sets of propositions.

Proposition 1

- 1.1. Religions are driven by faith and as such
- 1.2. Religions are likely to oppose materialism.

Proposition 2

- 2.1. The scriptures represent universal truths and thus constitute grand narratives.
- 2.2. For the faithful, such universal truths are not subject to scientific verification.

With respect to the first proposition, we argue that religions may be driven by faith but not exclusively so. Faith itself is open to interpretation. Materialism is a very broad concept and religious opposition to materialism is akin to an opposition to consumerism as an exclusive goal. Religions have always performed a social function. The social contract governing behaviour including material welfare and distribution of income is a common tradition: this is the point of Zakat, for example, whose provision strengthens social capital, as well as having, as is the case with *charity*, a spiritual and individually purifying function. We also argue that except in parodies of religions, Islamic or otherwise, science is not anathema to religion. In other words, Gellner's categories are families of resemblances. The three paradigms are not disjoint sets. Gellner's argument amounts to saying that Figure 2 misrepresents reality, since in essence, he asserts that sets X, Y and Z are disjoint. In recognising them as families of resemblance, let us begin by agreeing that in the figure areas X, Y and Z are not empty. Then we focus on areas A, B and C and especially area R, in which we place the institutions of Zakat and social capital.

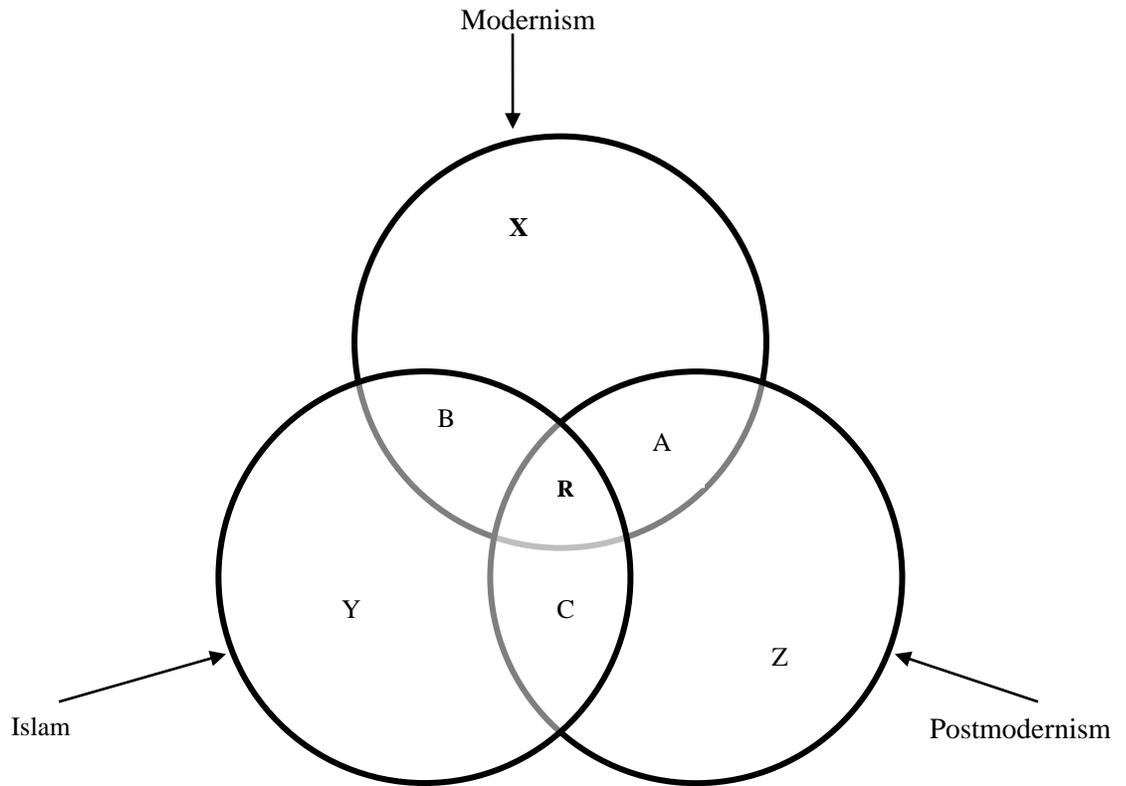


Figure 2

Consider the intersection, area A between modernism and relativism. Positivism can become doctrinal: a belief that in properly conducted science, the observer stands behind a plate glass window, permeable to the discovery of truth by properly conducted research, but impermeable to the thoughts feelings and moods of the observer. This is a useful simplification in many situations. Without such simplification, progress (according to some broadly agreed criteria) in science, technology and human well being would not have been possible. Perhaps the Vienna Circle took a more doctrinal view about absolute objectivity of pure science, but such a view has limited approval. The idea that language is far from being a transparent medium color and the faculty of observation is not a *tabula rasa*, is part of a tradition of thinkers and practitioners, too long to nominate or enumerate.

Consider the intersection area C, between relativism and religion (here in the form of Islam, but our comments are not limited to one religion). Relativism is a consistent theme in postmodernism. Truth is ambiguous elusive, inward, subjective. Since this is so, it is associated with hermeneutics, and personal interpretation. The link between this and mystical activities, especially sufism is discussed elsewhere. Both are concerned with exegesis and interpretation of texts. The question arises as to the status of interpretation and the interpreter. Gellner's world view that people driven by faith, seek universal truth in the scriptures may be true, but this is not to deny the reality of personal religious experience and revelation (James, 1936).

Now consider area B. Gellner asserts quite rightly that religions are opposed to emphasis upon materialism, to the exclusion of all else. But they have always been concerned (among other things of course) with laying down the law in a temporal sense. Nor are religions opposed to material considerations altogether. John Maynard Keynes observation that too much inequality under capitalism was not only unjustified but a source of disruption, was made by many Prophets (who appear in the Koran, the Bible and the Torah). In particular the institution of Zakat was created to deal with the issue of material welfare. In so far as modernism as expressed in the Enlightenment project has been associated with technological progress it has contributed to material welfare and welcomed by most religious *faiths*. Similarly, exegesis and hermeneutics (of nature and of texts) is the practice of scholars, secular, mystical, religious and scientific.

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*: (Gintis and Bowles, 2000) provide a (perhaps unintentional) Foucaudian twist in their classic definition. 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. Social capital is a schema that underlies the development of business systems and their norms and behavior. In the global sphere it is underdeveloped: confined to co-evolutionary forms that (a) result from interchange between nations and ethnic groups and (b) hold empires tenuously together.

Social capital generally is understood as providing a capacity for individuals to secure benefits by virtue of membership in social networks. A recent origin of the term is in 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. Adam Smith's notion of the invisible hand is an earlier (less secular) version of the same idea. In Bourdieu, modernism and postmodernism are intertwined in the discussion of social capital. 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, (1988) refines the concept, by suggesting that the most useful relationships for individuals are those that act as a form of social insurance: they provide communication, information networks and creates the 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.

A Modernist Narrative

Consider a modernist narrative of social capital. If non opportunistic traits are absent, social capital norms become vulnerable to free riding. The value of the concept of social capital is that it assigns explicit value to the social context in which exchanges occur. Social capital complements organizational capital. The role of social capital is that of a meta-routine, that constrains the actions of individuals and groups in many kinds of exchange, social and economic, to a subset of possible actions: those that enable positive sum games to take place. Social capital facilitates linkages in networks, when there are gains from such linkages: it enables gains from trade to be realized where such gains exist. So in so far as modern capitalism is concerned with performativity and competitive advantage, according to this narrative, social capital is contains area A.

The narrative of the last paragraph has wide assent. The Left is attracted to the social capital idea because it affirms the importance of trust, generosity, and collective action in social problem solving: countering the idea that well-defined property rights and competitive markets can, of themselves, successfully harness selfish motives to public ends. 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, social capital emerges, spontaneously as a substitute for government. It may be expressed in neighborhood or parent, teacher associations, in clubs (Buchannan, 1970), leagues, charity and voluntarism (Lesser, 2000). Social capital is has an both an *egocentric* and *sociocentric* features. It adds value to individual relationships that make networks work in firms: it exists within individuals but is expressed in social performative outcomes.

In a Kantian procedurally rational mode, (Woolcock, 1997) argues that definitions of social capital should focus on its sources (internal ethical) rather than its consequences, just as it is important to distinguish a stock (social capital in its unobservable essence) from a flow (added value). It is easy to argue that people will invest in social capital if their benefits exceed their cost a rational utility maximization motive. This is an instrumental motivation: *But what motivates people to create social capital for others, which benefit others, if there are not immediate (instrumental) returns to the individual* (Portes, 1988). Putnam, (1993) and Fukuyama, (1995) asserted that norms and trust are the source of social capital people learn to do the right thing from a process of socialization.

“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”ⁱⁱⁱ.

These deeply internalized norms are called *consummatory* by Portes (in contrast to *instrumental*) and come from the experience of a *shared destiny*. Adopting social capital norms of course has an *instrumental* (as well as a *consummatory*) dimension when a person considers the consequences of sanctions by the community in *dyadic social exchange*. It can also have an emotional element: commitment to a cause. 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. In a manner quite consistent with a modernist philosophical stance, people usually act from a mixture of motives, instrumental and caring.

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 will place resources at risk to the possible opportunistic behaviour of others. North (1990), emphasizes the 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.

ZAKAT

Zakat is one of the five pillars of Islam, at the centre of the religion. (Al-Baqara, 267; Al-An’am 34, 60 and 103). In Arabic linguistics, *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, spiritual purification.

Instructions from the prophet Mohammed (pub) 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. Jesus Christ said:

Angels do not enter the house of a man for seven days who turns out a beggar from his door disappointed.

The principles underlying Zakat support both private ownership and commercial capital, which according to (Schumpeter, 1943) are foundations of capitalism. Thus Zakat embodies the egocentric aspect referred to earlier, which forms the basis of laissez faire capitalism, but also provides the sociocentric function of trying to ensure a fair division of income and wealth: social insurance.

In principle Islam is dedicated to universal brotherhood, social and economic justice, equitable distribution of wealth, and to individual freedom within the context of social welfare. Zakat has a spiritual and materialist aspect: social and economic standards are interwoven. Privately owned economic assets in Islamic system are considered as a trust from God, because everything in the heavens or the earth belongs to God and man enjoys the right of ownership only as a trustee. Wealth 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.*ⁱⁱⁱ

Though the 'free market' system has been recognized by Islam, it is not to be considered sacred and unalterable. In this respect, its political orientation it is neither left nor right. The market system is only one way to attain the goals of Islamic society. Laissez faire 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.

Islamic society 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"^{iv} and the prophet Mohammed (pub) stated "I have been sent to all alike, the red or the black"^v.

A natural effect of this concept of universal brotherhood, in principle, 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"^{vi}. 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. The *consumatory* aspect of social capital, as embodied in Zakat stretches across national boundaries.

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'^{vii} 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.

Zakat has instrumental aspects, not confined to its compatibility with market economics. One important aspect is the principle of justice: 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

There are five principles underlying Zakat:

(a) The Reduction of the Socio-Economic Gap

- (b) The Principle of Social Insurance
- (c) The Principle of Certainty
- (d) The Principle of Convenience
- (e) The Principle of Economy
- (f) The Principle of Justice

Following our earlier definition of social capital these five principles are behavioural norms that both increase the benefits to all of living in society rather than isolation, and reduce the costs designing and enforcing laws that moderate conflicts of interest, between individuals living together.

Zakat aims for the reduction of socio-economic differences by providing support and financial help to the have-nots to bring them closer to the have. 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.’^{viii}

(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

(d) 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.

(e) 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.

(f) 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 you deeds*".^{ix}

ZAKAT AS SOCIAL CAPITAL

Perhaps the real significance of the act of Zakat can only be realised through poetic language or the language of mysticism. The way we have posed the issue of Zakat suggests that the act of Zakat is an act of spiritual materialism: that is the kind of spirituality that is designed to produce payoffs. If someone gives Zakat according to the principle of spiritual materialism, that is to benefit him or her spiritually, then he or she, in a sense, gives nothing. To avoid spiritual materialism, the act of Zakat must contribute nothing to social, or in a manner of speaking, spiritual or soul capital, available to the giver: it must be given without the hope of reward material or otherwise. And if there is personal reward, this must be returned completely. In all respects, riba or usury must be absent. This incidentally is the true interpretation of riba: not the fruitless debate about whether or not real interest rate on debt should be zero. The point about the act of Zakat is that it must leave the giver truly poorer, and society, by which we mean all the community sentient beings, the richer. That is Allah's pleasure and the Light.

To understand the relationship between Zakat and social capital it is necessary first to ask the question: *What is capital?* Capital is a source from which emanates a flow. Using the terminology of game theory, speak of a flow of payoffs. Capital then is a source of a flow of payoffs that can be distributed among people, in current terms, among stakeholders. We are not primarily speaking of monetary payoffs appertaining to the material world and wellbeing; more important is the purification of the individual at the level of spirit and soul

Zakat sets out rules for the distribution of payoffs from a particular source of capital monetary wealth or wealth that can be measured in monetary terms. This is perhaps the least important aspect of Zakat, but a very important one for social capital. In a perfect system, distribution would be perfectly decentralised with no need to incur the costs of state intervention and enforcement in welfare. It would be achieved completely voluntarily. Real societies and human nature rarely conform to such an ideal. But the existence of Zakat and a degree of voluntarism goes some way, perhaps a considerable way, to reducing the costs associated with creating a degree of fairness and equity in society: an important function of social capital.

In its lower role, zakat benefits both the giver and the receiver. As such it is a form of social capital in Woolcocks, (1997) terms as a consequence and as a source. As a consequence, it results in a stream of benefits both the giver and the receiver. Since zakat is institutionalized, it is a source of future benefit because it breeds trust and a sense of community in its high role, zakat is a source of spiritual purification, the result of being materially poorer. Ibn Taymiyya, (1328) said that "*the inner soul of the zakat payer becomes better, and his wealth becomes cleansed.*"^x "*Take zakat from their wealth to purify and cleanse them.*"^{xi} Al-Azhari says, "*it makes the poor grow too*".

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 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.

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 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. The difference between the two is rests on two foundations. First, though property is allowed, the Zakat system under-rights government in its roles of social reformer and mediator. It also has a moral and spiritual purpose, absent in secular societies. The objective of Zakat is to cleanse and purify the soul, the spirit or the mind (whatever turn your prefer) from pure selfishness. It aims to train the rich to sacrifice and contribute to the welfare of other people.

We have argued that Zakat alongside social capital lies in area R of figure 2. This not to say it is identical to social capital. It represents *much more* this *much more* is the subject matter of another paper and the concern of ethical thinkers, both secular and religious.

REFERENCES

- Al Quaradawi, Y. (1999). *Figh Al Zakat A Comparative Study*. Dar Al Taqwa Limited: London.
- Baker W. R. (2003). *Islam Without Fear: Egypt and the New Islamists* by Harvard University Press.
- Bourdieu, P. (1985). Social Space and the Genesis of Groups. *Theory and Society* 14, No. 6. Pages 723-744.
- Chomsky, N. (2001). 9-11. Seven Stories Press. USA.
- Coleman, H. S. (1998). Social Capital in the Creation of Human Capital. *American Journal of Sociology* 94: S95-S120.
- Corbin, Henry. (1969). *Creative Imagination in the Sufism of Ibn 'Arabi*, Princetown University Press.
- Ernst Carl W. (2003). *Following Muhammad: Rethinking Islam in the Contemporary World* by University of North Carolina Press.
- Friedmann. (2003). *Tolerance and Coercion in Islam: Interfaith Relations in the Muslim Tradition* by Yohanan Cambridge University Press.
- Fukuyama, Francis. (1995). *Trust*. New York: Free Press.
- Fuller Graham E. (2003). *The Future of Political Islam* by Palgrave Macmillan.
- Gellner, Ernest. (1992). *Postmodernism Reason and Religion*, Routledge: London.
- Gintis, H and Bowles, S. (2000), *Social Capital and Community Governance*. Amherst, Massachusetts.
- Gray, J. (2003). *Al Qaeda And What It Means To Be Modern*. Faber and Faber LTD London.
- Huntingdon, S and Berger, P. (2002). *Many Globalizations: Cultural Diversity in the Contemporary World*. Oxford University press Inc.
- Ibn Warraq. (2003). *Leaving Islam: Apostates Speak Out* Prometheus.
- James, W. (1936). *The Varieties of Religious Experience*. New York.
- Jung, C. G. (1933). *Modern Man in Search of a Soul*, Kegan Paul: London.
- Kant, I. (1848). *Critique of Pure Reason*, William Pickering: London.
- Kawachi, I., Kennedy, B. P and Wilkinson, R. G. (1999), Crime: Social Disorganization and Relative Deprivation. *Social Science and Medicine*, 48: 719-731.
- Knack, S and Keefer, P. (1997). 'Does Social Capital Have an Economic Payoff? A Cross – Country Investigation' *Quarterly Journal of Economics* 112: 1251-1288.

- Lesser, E. (2000). *Knowledge and Social Capital*, Butterworth Heinemann, Boston.
- Meddeb A. (2003). *The Malady of Islam by, translated from the French by Pierre Joris and Ann Reid Basic*.
- Matthews Robin. (2003). *Sufi Contemplation and Management: Latifas As Centres of Consciousness* in Alkafaji A and Jerry Biberman, Ed. Business Research Yearbook, Vol. IX, McNaughton and Gunn, Saline Michigan.
- Matthews R. (2004). *Capitalism Correspondences and The Impossibility of Thinking That*. In Alkafaji A and Gardner C, Ed. Business Research Yearbook, vol.XI, McNaughton and Gunn, Saline Michigan.
- North, D. (1990). *Institutional Change and Economic Performance*. Cambridge University Press,
- Portes, Alejandro. (1998). Social Capital: Its Origins and Applications in Modern Sociology. *Annual Review of Sociology* 24, No. 24 1-24.
- Putnam, Robert D. (1993). *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton: Princeton University Press.
- Roberson B.A. (2003). *Shaping the Current Islamic Reformation edited by London: Frank Cass*.
- Safi Omid. (2003). Progressive Muslims on Justice, Gender, and Pluralism *Oneworld*.
- Said, E. (1995). *Orientalism: Western Conceptions of the Orient*. Penguin Books.
- Said, E. (2002). *The End of Peace Process*. Granta Book.
- Schumpeter, Joseph A. (1943). *Capitalism Socialism and Democracy*, Unwin: London.
- Spivak, G. C. (1999). *A Critique of Postcolonial Reason: Toward a History of the Vanishing Present*. Harvard
- Woolcock, Michael. (1997). Social Capital and Economic Development. *Theory and Society*. Pages 1-57.
- Chapra, U, M. (2000). *The Future of Economics: an Islamic Perspective*, The Islamic Foundation.

NOTE

ⁱ 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.

ⁱⁱ Fukuyama, (1995; 26).

ⁱⁱⁱ Chapra The Economic System of Islam, Oxford press, Lahore 1970.

^{iv} The holy Qur'an 9:11

^v Chapra.M. "The Economic system of Islam" Oxford press, Lahore, 1970

^{vi} Chapra.M. "The economic system of Islam" Oxford press, Lahore, 1970

^{vii} *ibid* page 11.

^{viii} The holy Qur'an 59:7.

^{ix} *ibid* page 11.

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

^{xi} The holy Qur'an 9:103.