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A New Viewpoint on the Nature of Money Based on the Theory of Social Capital in Islamic Thought

İslam Düşüncesinde Sosyal Sermaye Teorisine Dayalı Paranın Doğası Üzerine Yeni Bir Bakış Açısı

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Abstract

The purpose of this paper is to provide a new understanding of the nature of money. It aims to analyze the credit behind money based on Islamic thought and to explain the real truth behind the formation of money. It also aims to study conventional issues arising from money creation and propose solutions by introducing a new view on the nature of money to help governance of the monetary system. Also this paper uses a qualitative method by analyzing relevant studies and literature about money to understand the nature of money and Shariah-related issues. The paper finds that the real truth behind money is social capital. This social capital comes from the trust and confidence of people in the government, and it can be accumulated and stored. This paper provides a new viewpoint on money and considers it as a social institution and public property, which means its management is in the hands of the government so it can create money for society's interests. The paper provides a new understanding of money based on Islamic thought, which can be useful in monetary governance and shariah compliance with money creation.

Keywords: Monetary Economics, The Nature of Money, Credit Money, Social Capital, Monetary Governance

Öz

Bu makale, paranın doğasına ilişkin yeni bir bakış açısı sunarken İslam düşüncesine dayanarak paranın arkasındaki krediyi analiz etmeyi ve paranın oluşumunun arkasındaki gerçeği açıklamayı amaçlamaktadır. Ayrıca, para yaratımından kaynaklanan geleneksel sorunları incelemeyi ve parasal sistemin yönetişimine yardımcı olmak için paranın doğasına yeni bir bakış açısı getirerek çözümler önermeyi amaçlamaktadır. Bu makale, paranın doğasını ve Şeriat ile ilgili konuları anlamak için para ile ilgili çalışmaları ve literatürü analiz ederek nitel bir yöntem kullanmaktadır. Çalışma, paranın ardındaki asıl gerçeğin sosyal sermaye olduğunu ileri sürmektedir. Bu sosyal sermaye, insanların hükümete olan itimadından kaynaklanır ve biriktirilip saklanabilir. Bu makale parayı sosyal bir kurum ve kamu malı olarak görmektedir; bu da yönetiminin hükümetin elinde olduğu ve böylece toplumun çıkarları için parayı üretip ortaya çıkarabileceği anlamına gelmektedir. Özetle bu çalışma, parasal yönetimde ve para yaratımında şeriata uygunluk konusunda faydalı olabilecek İslam düşüncesine dayalı yeni bir para anlayışı sunmaktadır.

Anahtar Kelimeler: Parasal Ekonomi, Paranın Doğası, Kredi Parası, Sosyal Sermaye, Parasal Yönetişim

Introduction

Money, as a social phenomenon, has been interpreted in many different ways among schools of economics. Money is very demanding and complicated for economists. Undoubtedly, it has preoccupied their minds for many years and will continue to do so (Anikin, 1979). Money has become one of the most important issues in our social lives and sometimes the first priority. There is an exaggerated claim about money which says: "Money makes the world go around" (Davies, 2010). Due to the different dimensions of money, significant studies have been done in economics and other sciences such as sociology, psychology, anthropology, and political science about money and its effects. Therefore, we know that the phenomenon of money has been considered with various views. Issues related to the understanding of ontology and the nature of money are contentious among social scientists. However, this big picture can be divided into more detailed segments, like: what is money? How many types of money are there? Where does the value of money come from? and etc. Answering these questions takes us into other questions that are indirectly related to the nature of money. What is the meaning of the revaluation of money? What is the shariah laws of money market and the formation of interest rates? Or even other serious questions about the governance of the monetary system come up. For example, which institution should be in charge of money supply in the economy? Can we increase the money supply to make up for the budget deficit? Who is responsible for the inflation created through making up the budget deficit through money creation?

There are efforts to understand the nature of money, but there are some drawbacks too. First, many studies are one-sided and no attention is paid to the mutual effects of the social and economic aspects of money. Second, in economic studies over the past few decades, almost all opinions about banks and their prudential regulations have a microeconomic view (Jakab and Kumhof, 2015). The financial crisis of 2007-2008 led to a reconsideration of the macroeconomic dimensions too. Third, money has had a special place in human interactions in society for a long time. Today, our lives depend on money. If you have money, you can buy what you want. "Therefore, it is not something you can earn easily. You have to work hard to earn it. We also know that money is something scary and it has long been a source of conflict between us human beings. People steal, fight, lust, and even kill for Money" (Nishibe, 2014, p. 7).

Given the points that we discussed above, it follows that money should be viewed as a social phenomenon, and money and the process of creating money should be studied with a comprehensive socio-economic analysis. Therefore, in this study, contrary to several studies which circulate around explaining the process of money creation with a one-sided view of the economic or social aspects of money, we will explain the correct understanding of the nature of money by using an analytical-descriptive method, while we will explain the process of creating money too. The real truth behind the credibility of money will be studied by using the considerations that come up in Islamic philosophy about the relationship between truth and credit. Therefore, we introduce trust and social capital as the underlying truths of credit by explaining the social relations formed around the phenomenon of money.

Literature

If we think about the social realities around us, we will realize that money as a social phenomenon has been interpreted in many different ways among schools of economics. From the viewpoint of Islamic fiqh, knowing the nature and features of economic phenomena like money is very important. Because a slight difference in understanding of the nature of money can make big differences in the application of the shariah rules to money and also, based on the type of monetary policy adopted, it is necessary to understand money and its nature. Therefore, making rules on money as an emerging phenomenon among jurisconsults is very dependent on their perception of the nature of money. For example, Shahid Sadr in *Eqtesadna: Our Economics* says that the laws in shariah will change from one type to another if money changes (Sadr, 1981). As a result, despite mastery and professionalism in religion and ijtihad[1] methods, different or incorrect understanding of this phenomenon may lead to differences or errors in making religious rules.

Money as a Social Phenomenon

Money is a social phenomenon. Phenomenon comes from Greek and it is used for something that is visible and tangible or something that appears. In the humanities, a phenomenon refers to something that has a comprehensible or proven reality (Bourdieu *et al*., 2011). In sociology, the term "phenomenon" refers to a social reality in any form that is objective and certain to all (Birou, 1968).

Social phenomena rely on human associations like organizations, institutions, and other various displays of social life such as art, literature, religion, ethics, customs, habits, education, language, ideas, and other countless events that everybody finds useful in communicating with other people (Sharma, 1996).

Theories about the Nature of Money

The question about the nature of money is one of the questions that has been discussed and argued a lot in economics. When we come to ontology, there are two conventional theories about "the nature of money." Therefore, questions like "What is money?" and "Where does the value of money come from?" And "How is money generated?" come up. " What is money?" is a question that just a few people can answer, even though everybody thinks they know the answer (Crowther, 1950, p.13). Actually, everybody knows what is used as money and how to earn it, but only a few people can define money or can say its distinctions from goods.

The definition of money based on its functions differs from the definition of money based on its nature. The study of the nature of money in the history of monetary economics has led to the formation of two conventional approaches, "metallism" and "chartalism". The roots of this division can be traced back to the ideas of Aristotle and Plato, but Knapp first mentioned this division in 1905 (Rossi, 2007). When we look at some of the definitions in economics textbooks, the main emphasis of these texts about money is on the functions of money. Just like what Hicks and Walker stated: money is what money does. According to this view, the functions of money are more important than those of its concrete form. In addition to being a "unit of account" for measuring price (unit of measure), money also has two main functions: "medium of exchange" and "store of value" (Graziani, 2003).

Why the definition based on the functions of a phenomenon replaces the essential definition of the social phenomenon of money refers back to the structure of institutional realities. Social and institutional realities are realities that their existence requires the existence of human. These social realities are created for specific purposes, so they are comprehensible to us in relation to the same purposes. The social conditions of our lives presume this fact for us. If we do not want to look at social realities from a functional viewpoint and if we want to define them on

[1] Ijtihad is an Islamic legal term referring to independent reasoning by an expert in Islamic law, or the thorough exertion of a jurist's mental faculty in finding a solution to a legal question.

the basis of essential features without referring to interests and purposes, it will require a rigorous intellectual operation (Searl, 1995).

Therefore, if the main question of this research is the ontological question about money as a social reality, then we can provide a definition of the nature of money. Searle spends much on Construction explaining of how social objects are generated. Here we look for the real truth behind money's existence. First, we need to go through the two approaches that have been a topic among economists, and then we will reveal our view.

Metallism Approach

To answer questions about the nature of money, we must consider the metallism and chartalism approaches in the history of money. In the "metallism" approach, money is seen as a commodity, so "matter" and the physic of money become principle. This theory is known as the metallism theory for a number of reasons that give independent value to precious metals, which money is made from. In historical discussions about economists, they ascribe the origins of the commodity view of money to Aristotle (Ingham G. , 2004).

Money, as an economic phenomenon, has been transformed into a generally accepted medium of exchange throughout history because of market interactions and private interests. From this viewpoint, money is essentially a commodity with certain features. Because exchange requires a general intermediary to avoid the problem of "asynchronous needs", money appears in various forms in each period of time by playing the role of a store of value (Fisher, 1911, p. 16). Therefore, money is used in the market. In this view, money is a creature of the market.

The metallic theory of money, which is prevalent in neoclassical literature, sees money as a commodity similar to other commodities, and they draw demand and supply curves for money just as they do for other commodities by drawing their demand and supply, utility curves, etc. In the theory of "money as a thing", money has a certain volume and velocity in circulation. Money is a commodity that is tradable and valuable, so it can play the role of an intermediary in exchange.

Considering money as a commodity has two levels. Money is a special commodity, or it is a claim on a commodity or a set of commodities that have intrinsic value, and this claim can be backed by those commodities. We can see the formal evolution of money throughout history. Money has changed its form from a cow to precious stones, silver and gold, and in the current century from coin to paper, bank notes, checks, plastic cards, and now to e-money (Nishibe, 2014). Human was looking for a unit of value that was valuable while having a small form. Eventually, he found metals like gold and silver that could be selected as a medium of exchange. Ricardo (1951), while referring to his theory of value, mentioned that just like standard criteria used to measure length and weight, which have their own length and weight, we must look for a criterion to measure value which has value by itself.

Walras (1954), in his general equilibrium model, considered the Nth commodity as a "numeraire." Walras also frequently used the term "commodity money." Walras mentioned that our measure of value must be a specific quantity of a given commodity. Later, many economists tried to explain their monetary theory based on Walras's general equilibrium model like what Aupetit *(1901)* did in his *Essay on the Theory of General Money*[2] (Walker, 2006, p. 279). Later, Schlesinger (1914) developed Walras's theory of money in a state of general equilibrium. Fisher

[2] Essai sur la theorie g´en´erale de la monnaie

(1931) pointed out that any commodity called money must be generally accepted for exchange, and everything that is generally accepted in exchange must be called money.

This view was a prevailing idea for centuries, but in the last century we experienced a new phenomenon, and it was a change in the matter of money. The issuance of banknotes, pieces of paper without independent value in themselves, was a strong dispute against commodity money. Paper money was common in Europe in the eighteenth and nineteenth centuries (Gilbert, 1998). The important point was that people considered those pieces of paper to be backed by some valuable things (like gold), so nobody raised a controversial point about commodity money. When fiat money became common in the twenty century, money could not be explained by a metallic view any more (Dowd *et al*.,2012). Although some tried to give the government repression as a reason for publicly accepted fiat money, this explanation was not accepted.

Also, after the emergence of banknotes and credit, the metallic approach to money faced new questions. In these new points of view, which paved the way for the formation of the chartalism approach, a banknote was an obligation to pay or credit (like IOU[3]) and there was no back for it. Schumpeter (1994) mentined that a bank is not a financial intermediary, but a generator of credit. In other words, a bank alone creates the purchasing power that is lent to the employer.

Chartalism Approach

In the opposite approach, there is a "chartalism" view. The term "chartalism" has been derived from "charta" and it means token or ticket (Knapp, 1924). This approach has significant differences from the metalism approach in explaining the origin of money, the nature of money, the position of government in its general sense, and the way money works. The chartist approach, or government money, was first proposed by the German economist Georg Friedrich Knapp in *1905* in his book *The State Theory of Money*. Contrary to the theory of metallism, which considers money as a creature of the market, from the chartalism view point, money is a creature of the norm. It means the regular behavior of individuals in society gives credit to money (Knapp, 1924). Even there are some exaggerated views about money and its relation with market like what Nishibi said in his *Enigma of Monney*: "money creates market" (Nishibe, 2014, p. 31).

In this theory, there is a distinction between the two aspects of "credit" and the "physical" of money, and they give more originality to the credit aspect. Simmel separates money from its functions and puts more emphasis on money itself than its functions (Simmel, 1978). Money, according to this viewpoint, is a credit rather than a commodity or a physical object. In other words, in their ideas, money is a "social phenomenon" and not an "economic phenomenon." Marx pointed out this distinction and stated that the price or money form of commodities, like their value, is quite different from their tangible material and real form, and it is purely subjective and virtual (Marx, 1988). In this approach, the existence and survival of money requires a social agreement or convergence, so there is no self-interest in its emergence or survival.

In metallism theory, the credit of money is given to the material essence of money, while in chartalism, they say taxes give money its value. They even go to the topics of civilization and attribute the value of money to taxes throughout civilization (Mosler, 2010). Masgrave (2009) criticized this idea and stated that demanding a tax on a particular commodity does not necessarily make that commodity common money, nor does it have to be paid in "fiat money."

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[3] I owe you

To conclude, this point needs to be added that various statements have been made about the description of money in the above views, including: money is created by social contract, money is created by moving the tip of the pen, money is representative of abstract value (Simmel, 1978, p. 120) and money is a claim upon society (Simmel, 1978, p. 177), so we understand from credit money that there is no essential difference between metal money (gold and silver) and modern money. Therefore, we must pay attention to a constant thing about the nature of money. Thus, we can put both views of money into a new approach.

Our questions about the nature of modern money, and why and how money can have such features, functions, and effects and be publicly accepted in society, remained unanswered. Also, social views of money have not been able to find a proper place in the theories. Any approach only describes part of the reality of money and does not have the comprehensiveness to answer two basic questions about the nature of money and the value of money.

The Process of Money Creation in the Modern Monetary System is a Proof of the Credit Money

In the first two decades of the twentieth century, a new kind of approach has come up, and it says that each bank alone creates all money from "nothing" and does not need to receive deposits beforehand. This approach is called money creation theory in banking, or money creation financing theory. According to this view, the bank creates money when lending or investing without receiving any deposit beforehand. In fact, the process of money creation begins when the bank lends money to a borrower by putting this amount into his deposit at the same time. Given this point, it can be understood that in this view, the bank by no means has the role of an intermediary of funds. When this loan is recorded in the bank accounts as a new asset, at the same time, a deposit of the same amount is recorded in the bank accounts as a debt. By lending, the bank creates new purchasing power, or better to say, new money.

Therefore, creating new bank deposits is the unintentional effect of lending and asset management, and it is not the cause of the process. In other words, in the banking system, deposits are not the source of funding but rather the medium of money creation. Lindner (2015) pointed out that a lender, who can create money, increases his financial assets and financial debts simultaneously; if he cannot create money by himself, he will have to decrease cash money and change it to other financial assets. This is the main difference between banks and other financial institutions. To do this, a bank increases both sides of its balance sheet simultaneously while those increased assets and debts belong to one person.

Misunderstanding of the nature of the bank and the process of money creation has caused misunderstanding of the nature of money. Some reasons for this misunderstanding of the bank are discussed in detail in McLeay's *Money Creation in the Modern Economy,* which is summarized as follows: 1) Consideration of commodity money is here again just like what we have seen in neoclassical growth models; 2)Understanding money in another context instead of the balance sheet of the central banks and other banks; 3) Disregarding the principles of double entry accounting; 4) Not making difference between the balance sheet of the Central Bank and other banks; 5) paying no attention by the central banks to the interest rate targeting necessities and the control of the monetary base which causes the interest rate to rise (Mcleay *et al*., 2014). Commodity money's description of modern money is wrong, but credit money's is a more accurate description. Now we are looking to explain the type of credit and the nature of credit money. This is something that is often overlooked in the analysis of economists.

Developing a New Understanding of Money

As mentioned earlier, a correct understanding of money is obtained through the view of money as a social phenomenon. Monetary relations are social relations (Simmel, 1978). In fact, money is a "social construction." Ingham states that money itself is a social relation. This means money is nothing but the result of ownership in social relations. Ingham(2004) also pointed out that money must be understood as a claim or credit that comes to exist through certain social relations, independent of the production of commodities and services.

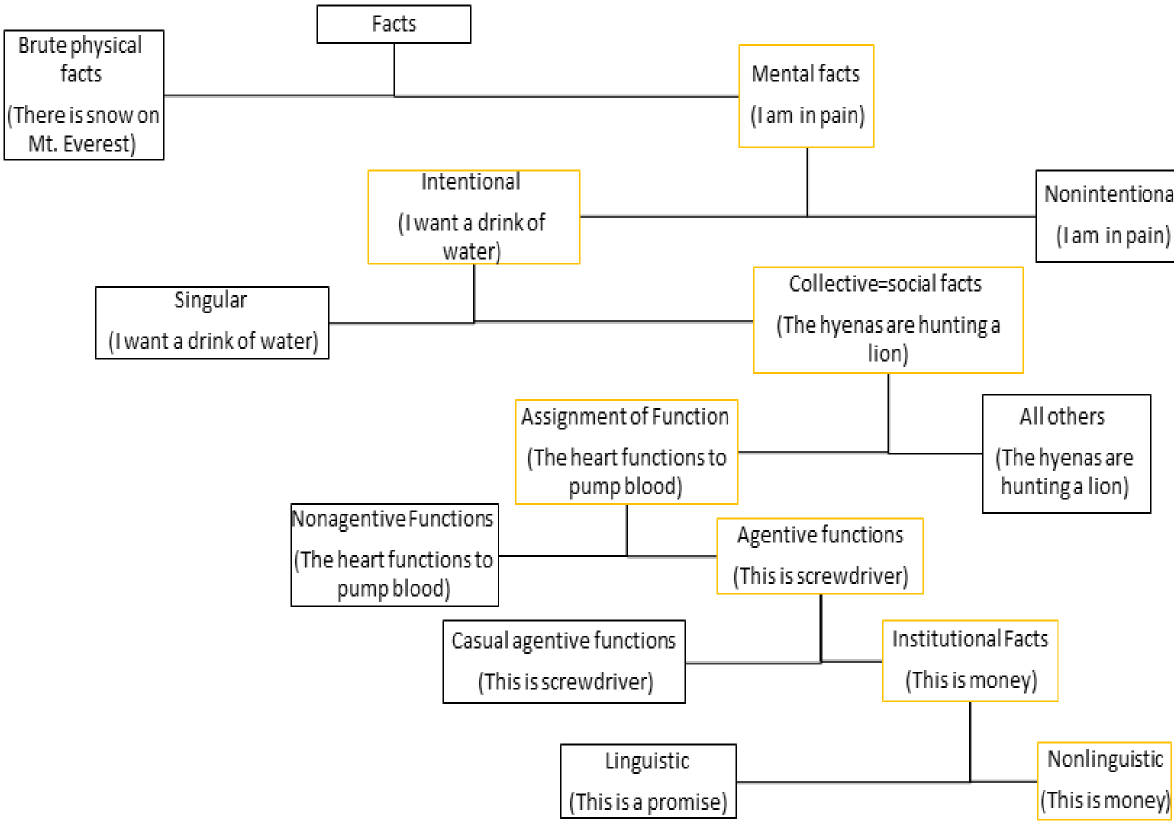
Harris stated in his Monetary Theory that money is a social phenomenon that forms in a social framework because humans are social creatures. Also, he stated that those frameworks are different from each other from a society to another society, so different kinds of money appear based on each social framework (Harris, 1981). Therefore, money is a social subject. The important aspect of social money is that money exists in society within a specific institutional, economic, and social framework. If we look at money as a social institution, we can then explain the origins of money, its nature, and its functions from a comprehensive viewpoint.

The Difference Between Explaining Social Reality in Islamic and Modern Philosophy

To understand money as a social phenomenon and as an institutional reality, we must have a proper understanding of the institution. Searle, in response to this question, says: "An institution is any collectively accepted system of rules (procedures, practices) that enables us to create institutional facts. These rules typically have the form of X counts as Y in C, where an object, person, or state of affairs X is assigned a special status, the Y status, such that the new status enables the person or object to perform functions that it could not perform solely in virtue of its physical structure, but requires as a necessary condition the assignment of the status. The creation of an institutional fact is, thus, the collective assignment of a status function"(Searle, 2005, p. 22).

As shown in the figure below, facts are divided into two categories in Searle's view: 1) brute facts whose existence depends on the observer and the object; and 2) institutional facts whose existence requires the existence of an institution. Money is one of the institutional realities. The construction of institutional reality depends on four main ideas: the assignment of function; collective intentionality; constitutive rules; the assignment of status functions (Searle, 2005, p. 22).

Figure 1. Searle facts taxonomy



Source: (Searle, 1995, 121)

In this taxonomy, status functions depend on the collective credit of society. Creating institutional facts can only be possible with collective intentionality and status functions, so the institution is the one that created credit.

Relationship Between Truth and Credit in Monetary Relations

When we look at the relationships around money, we find the "reason" why money became credible, and it is the social origin of money. Money is a social relationship and it is independent of any substance. Money is built on social relations. Creating money means creating a "debit-credit" relationship, in which one person becomes a debtor and the other a creditor (Ingham J. , 2004). Thus, here is a bilateral relationship where one side is debt acceptance and the other side is credit creation (Douglas, 2016).

When we look at money, it is a kind of expression of debt that reflects claims upon social creation. Every person in a barter economy, demands services or goods from another in return for providing services and goods to other members of society. In our monetary economy, the debtor gives the creditor a note indicating his debt in return for receiving service. This debt note is generally accepted and approved if the debt is guaranteed by a reliable authority, and this guarantee is one of the constitutive rules that Searle mentioned. In fact, the debt note is backed by the credit of that reliable authority. Thus, in Searle's viewpoint, the institution of money is the debt relationship that is originally intangible and subjective, but it is epistemically objective. Also, the status functions of money are clear to us in common definitions of money based on the money functions. The general acceptance of constitutive rules is also what has made money creation possible.

But in Islamic philosophy, after understanding the social reality, paying attention to the truth behind the credit becomes relevant. In fact, this study focuses on the truth that provides the basis for public acceptance. The truth that strengthens constitutive rules and status functions gains their possibility of fulfillment with it. This truth is the credit and social capital of the debt issuer, an authority whose credit comes to be the guarantee of the debt and the credit of money.

The Relation of Social Capital and Credit Money

When we look at relations around money, we find that these relations are necessarily based on a mutual trust between the bank (the creator of money or the representative of the government) and the borrower. It is mainly through this trust that, first, person "A" goes to the bank and opens an account; second, he accepts the debt note created by the bank; and third, the bank, due to that trust, lends to him. This is also the reason why people use the country's currency in their transactions and use it; if they did not accredit the government and the government did not give them credit, we might have seen several valid currencies. This mutual relationship is based on trust and accumulated social capital. In fact, the debtor's social capital is the real back of the created credit. In other words, the credit created based on social capital is accepted and approved.

In the interaction between banks and customers, when banks lend to their customers, they are actually creating money by crediting their customers' accounts (King, 2012). Here we see the acceptance of the bank debt note by the people, and this is the first stage in the formation of mutual trust. In market transactions, we see that many transactions and relations are due to the credibility and trust that the parties have in each other, which is facilitated by receivables and payable notes. Here we see the emergence and transformation of the form of trust and social capital in the micro and middle layers into other types of credit.

At the macro level, we also see that the banking system can create money through the people's trust in the representative of the government (i.e., the central bank as the issuer of debt notes). In a society, people's trust in the government accumulates, and then social capital is formed at the macro level. In other words, the possibility of creating credit for the government comes from the accumulation of trust and social capital. This social capital initially makes what the government tries to validate become valid among people, and it makes people accept the government's guarantee on the debt notes. Then institutions designated by the government (banking system) are recognized as credible and accredited by the stored social capital of the government and become the places that people go. Without this confidence in the banking system, they would not have been a point of reference and their credits would not have been accepted. The central bank, as the representative of the government, builds this confidence for people so they can go to the banking system and trust it. Thus, the banking system benefits from the trust and social capital of the government, and this credit and confidence are transferred from the government to the banking system. It is mainly because of the central bank's legal tender that banknotes and transactions of the banking system are accredited and accepted (Goodhart, 1989).

Actually, if people did not trust the government and the government was not credible to them, people would not give any value to the official currency of the country, which is backed by the government, and they would not use it in their exchanges. Goodhart explained the discrediting of banknotes of falling governments in that way (Goodhart, 1998). In this view, money is still considered a credit, not merely an intersubjective credit and imaginary numbers, but a credit to a higher truth called social capital. With these descriptions, it is easy to understand Simmel's philosophical sentence: "Money is a claim upon society; money is a bill of exchange from which the name of the drawee is lacking" (Simmel, 1978, p. 176)."

Explaining money based on the truth called social capital makes it possible to put metallic money in our comprehensive system. Metallic money like gold money can have two meanings: either the material of money is gold, or money can be of any material and even be electronic, but it must be connected to gold and backed by gold. Being connected to gold means being convertible, i.e., a certain unit of money is exchangeable for a certain amount of gold. Merely claiming that the money is equal to a certain amount of gold is not enough to give credit to the money; the authority that is accepted and trusted by the community must guarantee that if someone returns the money, that legal tender will give a certain amount of gold.

In either case, we have no choice but there should be an authority to guarantee the exchangeability of money and gold or a commodity. In the second case, it is clear that the authority must determine its equivalent value, and what matters is the guarantee. In the first case, where money is made of gold, there must be a guarantee that the gold coin has a certain weight. What is important and basic is the guarantee of a credible authority. As coins were presented to people, those coins were often debased by the authorities. Historically, even with gold and silver coins, the concept of being money has been different from the concept of being gold for people.

As it turned out, in both cases, confidence in the obligation and guarantee of authority by people is the cause of money sustainability. Historically, it is shown that the introduction of gold or commodities as money to be a natural barrier to preventing the inflation of money is an illusion, and what matters here is the financial discipline of the government in preserving the value of money. It is the obligation and commitment of the government that requires the gold money to play its right role, not the gold itself. Throughout history, we can see that gold can play the role of a natural barrier if this guarantor adheres to its commitment and does not change the quality of the coins. Money is the debt note (IOU[4]) and acceptability and credibility of the issuer play a major role in gaining trust and accumulating social capital.

Today, central banks usually implement monetary policy by setting the price of reserves (i.e., interest rates) instead of controlling the amount of reserves. In other words, Central banks do not focus on determining the amount of reserves to set short-term interest rates. Instead, they focus on setting interest rates (Mcleay *et al*., 2014). If the central bank wants to reach inflation and interest rate targets, it must pay serious attention to controlling the expectations of players. The credibility and social capital of policymakers at all levels: micro, medium, and macro are critical components in managing expectations. It has even been stated that the purpose of monetary policy is a set of purposeful actions to control money supply with the aim of stabilizing the economy (stabilizing prices and maintaining confidence in the national currency), which is done by the monetary authorities (Servat, 2014). The greater the credibility of the central bank, the lower the cost of disinflation. It helps hold down inflation once it is low, makes it easier to defend the currency, and helps gain public support for central bank independence (Alan, 1999).

In a bank panic, when depositors make a run for the banks, simultaneously fearing the banks will become insolvent, depositors lose confidence in the banking system. This loss of confidence effects social capital. Therefore, in order to maintain the social capital of the banking system, the central bank always closely monitors the balance sheets and activities of the banks. Because the power of money creation in the banking network is borrowed from the social capital of the government.

[4] I owe you

Features of Social Capital

The question may be asked, "Is social capital really capital?" In economics, this question is the same as this one: "Is social capital a reality?" And for a comprehensive response, we will explain the similarities and differences between social capital and capital and express its real effects.

Numerous economists have discussed social capital as capital. Westlund (2006) points out that social capital, like other types of capital, can be accumulated, depreciated, or even destroyed. Social capital has particular features that make us count it as economic capital. Exchangeability to other capital is one of the capital goods' features which can be converted from an input to an output, or from an output to an input. In this case, the services provided by capital goods will also depend on other used inputs. Social capital can also be combined with other inputs to meet basic human needs (Lin *et al*., 2001; Portes, 2000; Robinson & Williams, 2001; Coleman, 1988).

Exchangeability is an important feature of social capital. Another feature of social capital is durability. Economic capital is either immortal or depreciable. Social capital is a type of economic capital that can be decayed. Unlike other kinds of capital, if social capital is used constructively in the direction of society's goals, it is not depleted by use. This kind of use will strengthen the foundations of social capital and strengthen the relationships formed in society. It needs to be noted that by leaving social capital unused, we weaken its foundations in social relations.

Another feature of economic capitals is their flexibility. Some capital is created only for a specific function and has a limited function. Social capital is like that; some aspects of it are only available to a particular class or race, and this will depend on the size of the society and the degree of mutual trust between the society's players. Another feature of economic capital is substitution and complementarity capabilities. It can be argued that social capital also has the ability to be a substitute and complement. For example, Lutz (1997) pointed out that commitment and responsibility at work can be a substitute for the cost of monitoring. Lazerson (1995) stated that social capital can improve the productivity of physical capital by reducing transaction costs and can be a substitute for surplus physical capital. Putnam (1993) argues that social capital increases the benefits of investing in physical and human capital. Therefore, social capital is not only the input of the production function but also a motive to transfer the production function, and in this way, it works like technology. Another feature is reliability. In the economy, reliability for input functions has two dimensions: the intensity of the effect and the longevity of the effect. These are dimensions of social capital.

Social capital is a concept that forces individuals to come together to strengthen their social relations and to establish a government in order to defend their interests and desires and support their collective requirements (Fukuyama, 2002). Social capital is a set of values and customs that are among the members of a group and cause the creation and strengthening of cooperation between them (Fukuyama, 2000).

Social interactions can have constant economic effects in some ways. First, increase investment in physical capital. Second, social interactions increase social capital. Third, the effects of social interaction are stored directly in another form of social capital, like increasing confidence. The other effect is investment opportunities. It means the ability to build or destroy existing capital. Coleman (1988) argues that social capital is a side effect of other activities. Westlund (2006) states that investing in social capital is possible and can be created by making the proper plan.

In short, the word "capital" in "social capital" is not a metaphorical phrase, and social capital has many features of capital. Social capital is strong in many features, and it is weak in some of them, but weakness in those features does not indicate that it is not capital. Strong and weak points in some aspects exist among types of capital. The important part is that all of them are capital.

Social Capital in Islamic Philosophy

Social capital has also been considered in the minds of Muslim philosophers. The word "social capital" may not have been used, but this concept has been expressed in other words. For example, Allameh Tabatabai explained the concept of social capital and its truth by explaining the concept of brotherhood in Islamic society. He stated: "It should be known that the sentence (Enma al-Mu'minun Akhwa [5]) [6] in Quran legislates a law among the Mu'minun [7], and establishes a relationship that was not established before, and that is the brotherhood which comes with shariah (Tabatabaei, 1955).

Social capital is also explained in the concept of velayat [8] .The main meaning of guardianship is the proximity of two things to each other. Suppose that when two strings are twisted tightly together and it is not easy to separate them from each other, it is called Velayat in Arabic. Velayat means the close and intimate connection and proximity. All the meaning defined for velayat are the meaning of love, the meaning of guardianship and the rest which are seven or eight meanings in Arabic try to describe the intimacy between the two parties. For example, guardianship means love; Because the lover and the beloved have a spiritual connection with each other and it is not possible to separate them from each other. By dividing velayat the into transverse and longitudinal velayat in which transverse velayat means the union of the people together, which forms the nation, and longitudinal velayat means the connection of the people with that command center that leads the society in one direction. Clearly, one of the main elements of such a connection, and even the most important one, is public trust and confidence. Many religious advices have also been formed around confidence, which shows its importance. For example, the advice to be optimistic, the principle of correctness of Muslims' actions, the advice to trusteeship and the advice to fulfill the obligations, which have individual aspects along with serious public aspects and are formed around the public trust and confidence.

Implications of this View about the Nature of Money

In the following, we will discuss the implications of this view, which can help in future studies. Since we introduced social capital as the real truth behind credit money, we can also know the features of credit by understanding the features of the real thing because these features extend from the real matter to the credit matter. Since the ownership of social capital is public, the ownership of money will be public as well.

Endogenous money is not pure credit in that it has no sense of truth. Rather, it is a credit matter that has always had a constant nature and has taken on variable forms over time. That constant nature has been credibility for centuries. In simple and traditional societies, credibility and trust between people have been the basis of interactions. Through the formation of governments and states, the credibility of the government has made money have social credibility

[5] Believers of the God are brothers
[6] Quran, 49/10
[7] Believers
[8] Guardianship

and be valuable among people. Various factors, including various types of economic and social capital, etc., affect the formation of social relations.

The shariah challenges of money creation originate from two general ways: 1) the effects of creating money and 2) the fundamentals of money creation. Rules such as the rule of *gharar*[9] and the rule of *hifz al-ma*[10] are the rules that consider the effects of money creation as the subject of quarrel. Rules such as banned *unjust discrimination, akl amwal alnas bi al-batil*[11] *& usurpation* are rules that consider fundamentals of money creation as the subject of quarrel. What we have discussed above about the nature of money is a great argument to answer these challenges. For example, to answer the challenge of *unjust discrimination,* which means inequality of distribution in the way that the banking system uses the social capital of the government for itself, it is true that no private bank can do it, but how about state banks. Money is public property and its management is in the hand of the government, which is a representative of the people, so the government and its representatives can create money in order to get society's whole interests.

In the institutionalism literature, in Elinor Ostrom's thought, a distinction is made between different levels of property rights. She defines the different levels of property rights into five categories: access rights, use rights, management rights, circumscription rights, and transfer rights. Now, given that point, how can we define different levels of property rights in relation to money? Should there be any regard to the use of money? The study of these issues should be considered in future research.

Money creation is not the same as unjust discrimination in favor of a particular group because the government represents the people in managing their social affairs, including the redistribution of wealth. If the government suffers from severe disruptions due to a lack of proper management and monitoring, it will not make us throw away the money creation. In fact, money creation is one of the most important things in the hands of the government, and if it is not well managed, it will cause disruption, and such problems do not make us disagree with money creation if it is well managed. Others point to the rule of *akl amwal alnas bi al-batil*. This type of argument is based on a misunderstanding of money and its creation. They imagine metallic money and note the money multiplier approach, so they conclude an incorrect order. According to the view of creating endogenous money based on social capital, the commodity is not the back of money but just a channel for creating social capital. So the numbers printed on money by central banks are not absurd; they represent social capital and trust in the government, central banks, and banking system. Therefore, it does not apply to the rule of akl amwal alnas bi al-batil and it is not right to put it in this way and ban money creation. Second, the argument is based on the necessity of the relationship between inflation and money creation. However, this is a point of contention, and this relationship is not necessarily true, and it can be avoided. The main argument of those who have considered money creation corrupt according to its fundamental comes from their misconception of money creation in the sense that they still consider money as a commodity or pure credit, while money as a facilitator of social interaction, despite being credit, is based on a truth called social capital. If such a view of money is accepted, money can be considered public

[9] Gharar means uncertainty, hazards, or risk. Gharar is a significant concept in Islamic finance and is used to measure the legitimacy of a risky investment pertaining to short selling, gambling, the selling of goods or assets of uncertain quality, or to any contract that is not drawn out in clear terms. Gharar is prohibited to prevent loss.

[10] Respectively preservation of wealth

[11] Unrightfully acquisition of others property

property, so the only possession is exclusively in the hands of the government, and the creation of money can be done as a payment from public property.

In the view of money creation based on a truth called social capital, money is the result of the interaction of economic players, both the government and the people. In fact, both the people and the government play a role in the creation of money. Therefore, each of them is responsible for the way they interact with money and must be responsible for society as a whole. When social capital is viewed as a source of credibility for money, the logic of strict supervision and monitoring of the banking system and the money creation process becomes clear. Bafin[12] in Germany, as a government regulator, changes credit ratings of banks by publishing reports on the performance of the banking system, which can impose an extra cost of borrowing[13] if they take risky actions.

It also causes government and people to recognize their rights and duties in relation to the social phenomenon of money and to consider its various aspects in their decision-making. Thus, in Islamic society, possibility of an liquidation and insolvency is reduced; Because the determining factors of the relations between the Imam and the ummah are not personal interests, and consideration about the social outcome of decisions becomes important. Here, the type of these relations is different.

A responsible authority should know that unbridled money creation in the banking system makes banks use the government's credit for their own interest, so the authority should be sensitive and aware of this. If the government thinks that it does not have the ability to properly and completely manage and monitor, it should prevent the banking system from unbridled money creation. It is Now clear that managing and supervising private banks become out of the control of central banks these days.

Misuse of money in a way that devalues money or weakens the sovereignty of money may put us in a position where the money institution is unable to perform its duties properly. One of its duties is to determine the value of goods (the same function as a unit of account).If money does not play this role properly, transactions in society will result in Riba Al Fadl [14]. Riba is very likely when the value of money is volatile and fragile, as the likelihood of gharar and regret in the transaction increases.

One of the most important functions of central banks is to manage inflation expectations. This has a serious impact on people's demand for money. Most analyses of the inflation phenomenon focus on the money supply in the economy, while the demand for money is one of the most important factors in increasing inflation. The emergence of the hot potato phenomenon[15] in the inflation condition indicates a situation in which the value of the national currency has depreciated, the demand for real remnants of money has decreased, and speculative demand has peaked. Management of inflation expectations is correlated with the level of social capital and, in particular, with money governing authority.

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[12] The Federal Financial Supervisory Authority. For more information on Baffin and its operation, see the German Banking Act, July 2014.
[13] Interest rate people want to deposit their money in bank.
[14] Type of Usury. Riba Al Fadl actually means that excess which is taken in exchange for specific homogenous commodities.
[15] It is an idea which says inflation makes people try to spend their money faster, in order to pass it off like a hot potato.

Conclusion

Many common theories in the social sciences explain the nature of money in one-sided ways (economic or social). They all just explain it in terms of an economic theme or a social theme. The complexity of the various dimensions of money and its role in modern life requires a comprehensive and integrated analysis of money. An analysis that can reveal the nature of money, answer many questions about credit, the stability of the basic functions of money, the framework for creating or destroying money, and so on. In this study, an attempt was made to explain the process of money creation as a social phenomenon in relation to social capital and to look for the fundamentals of credit money in the sociological and economic foundations of social capital.

In this study, money is explained as a matter of credit and the relations of truth affairs around it; first, social capital was introduced as the truth behind the process of money creation, and then, the real relations that are formed around the institution of money were explained. We understood that money is a debt note which means IOU[16]. Thus, the acceptability and credibility of the issuer play a major role in gaining confidence, accumulating social capital, and finally, in public acceptance of money. There are different views of credit money, but in the Islamic view and according to the relationship between truth and credit in Islamic philosophy, all credits come from the truth and end in the truth on the other hand.

Some features of social capital are: durability and stability, flexibility and substitution and complementarity capability, exchangeability to other types of capital, and public ownership. On the other hand, social capital will not be depleted if it is used optimally and constructively. In this study, social capital was introduced as the real truth behind credit money, and we discussed how in Islamic philosophy, real matter features extend to credit money. Therefore, we can pay more attention to the corresponding features of social capital and money and find the implications of this kind of view on money. For example, by accepting the public ownership of social capital, we can also talk about the public ownership of money. According to non-depreciable social capital in the case of optimal consumption, the difference between social capital as a back of social phenomenon and other commodities such as gold and silver is clear.

Another implication of this kind of view about money appears in shariah compliance. Some shariah rules, such as unjust discrimination, *akl amwal alnas bi al-batil*[17], and usurpation, which are in disagreement with money creation, challenge money creation fundamentals. By providing a correct explanation of the nature of money, the process of creating money will be properly understood and these subjects will be solved. The main argument of those who have considered money creation corrupt according to its fundamentals is due to the misconception of the creation of money. If money is considered public property, the only possession is exclusively in the hands of the government, and the creation of money can be done as a payment from public property.

Another implication of this view is the developing basis for careful monitoring of the banking system. The reason for more serious monitoring is the preservation of social capital as a public asset. This is one of the functions that the government is responsible for. It means an authority (central bank) must prevent the banking system from using the credibility of the government by stopping unbridled money creation by banks.

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[16] I owe you

[17] Unrightfully acquisition of others property

One of the most important functions of central banks is to manage inflation expectations. The emergence of the hot potato phenomenon in the inflation condition necessitates managing inflation expectations to revalue national money. Management of inflation expectations is correlated with the level of social capital and, in particular, with money governing authority. Strengthening the foundations of social capital will help manage inflation properly. When confidence in the issuer of money and its policies is formed and improved, then inflation expectations will be formed appropriately with government economic policies.

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