
THE EMPOWERING IMPACT OF ZAKAT: REDEFINING SOCIAL JUSTICE AND ECONOMIC WELL-BEING

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Abstract:

This article investigates how Islam's obligatory almsgiving practice, zakat, fits up with the UN's Sustainable Development Goals (SDGs). As a cornerstone of the Islamic socioeconomic system, zakat works to advance financial security, social justice, and the fair allocation of resources. The potential effects of zakat on people's socioeconomic well-being are investigated in this article through reviews of theoretical and empirical studies. It examines how zakat contributes to social justice, economic growth, and the reduction of poverty. It also explores how zakat aligns with particular SDGs, like ending poverty and reducing inequality (Haq, S. G. 2013). The article also covers zakat administration and implementation, including difficulties and suggestions for boosting efficiency. This article illustrates the potential of zakat as a tool for sustainable development and inclusive progress by looking at the junction of Islamic values and world goals.

Keywords: *Zakat, Sustainable Development Goals, Poverty alleviation, Social justice, Wealth redistribution*

1. Introduction

The Islamic teachings attach considerable emphasis to zakat, a crucial component of the Islamic economic system. It strives to promote universal brotherhood, provide financial equality, and promote economic well-being within Muslim communities (Ismail, A. G., & Shaikh, S. A., 2017). In line with the tenets of "*maqasid al-shar'iyah*" (the objectives or goals of Islamic law), zakat is essential to the development of a community that values social justice, equity, and freedom (Chapra, 1992). Zakat is regarded as a religious obligation rather than merely charitable giving in Islam (Masruki, R. B., Sulaiman, & Majid, H. M. A., 2021). It is one of the five pillars of Islam and emphasises the requirement to provide alms to the needy and the destitute. According to Quraishi, M. A. (1999; Rao, P. (2016), zakat serves as a tool for fostering piety and boosting *Iman* (faith) in the pursuit of a society free from prejudice, discrimination, and class distinction. It is a framework created to give every member of society an equal chance to succeed (Bukowski, 2014).

Zakat is frequently cited as a potent tool for reducing poverty and is compared to a formal social security system by many supporters (Shirazi, 2006). Zakat promotes economic and social stability by using resources from the wealthy and allocating them to the less fortunate. In Islam, there are two main types of zakat: *zakat al-fitr*, a tax associated with fasting during Ramadan, and *zakat al-mal*, a wealth tax (HalimatusA'Diyah, I., 2015). These sorts of zakat make certain that people and their assets both contribute to the well-being of society. While some people might think of zakat as a way to reduce personal wealth, it actually promotes wealth circulation on a communal level. Through resource redistribution, zakat boosts economic growth and fortifies social safety nets (Ibrahim, S. M., 2015). Everyone benefits from the wealth transfer, which eventually helps the economy expand and flourish as a whole.

The Sustainable Development Goals (SDGs) of the United Nations cover a wide variety of goals, including environmental sustainability, human development, and economic development (United Nations, n.d.). At least seven of the SDGs are aligned with the institution of zakat in the context of nations with a majority of Muslims (Haque, 2019). According to Shaikh, S. A. (2016), zakat is essential for eradicating poverty, lowering inequality, assuring access to needs, and fostering inclusive economic growth.

In Libya, Malaysia, Pakistan, Saudi Arabia, Sudan, and Yemen, zakat is required by state legislation, claims scholar Powell, R. (2009). There are also government-run voluntary zakat donation programmes in operation in Bahrain, Bangladesh, Egypt, Indonesia, Iran, Jordan, Kuwait, Lebanon, Maldives, and the United Arab Emirates. The overall annual value of contributions made through zakat is reportedly 15 times more than donations made for international humanitarian help, according to conservative estimates. This shows the substantial impact and potential of zakat as a charitable method for addressing societal needs and reducing poverty (IRIN, 2012).

By evaluating both theoretical and empirical data and having discussions with the *ulemas* (Muslim scholars), this article seeks to investigate how zakat could affect people's socioeconomic well-being.

2. Research Objectives

- To examine the effect of zakat on reducing poverty.
- To investigate the function of zakat in fostering economic expansion and circulation.
- To determine whether zakat is effective in promoting social justice and an equitable allocation of resources.
- To look into how zakat fits in with the Sustainable Development Goals (SDGs).

3. Zakat: A Pillar of Faith in Islam

According to Ali, A. F. M. et al. (2013) and Al-Qardawi, Y. (1986), the Arabic word "zakat" denotes growth, cleanliness, and purity. Zakat's importance is emphasised by the Qur'an, which mentions it more than 100 times together with *salah* (prayer) as two ways to purify oneself. In order to promote the social and economic wellbeing of society, Muslims are required to give zakat on their total wealth beyond the *nisab* (minimum wealth) (Piketty, T. 2017; Djabatmiko, 2019). According to M. A. Abdelmawla (2014), *Nisab* (poverty line) serves as the dividing line between

essentials and extravagances. The acceptable level of life within a particular society and economic era that meets all fundamental necessities differs among societies and evolves over time. Food, clothing, home goods, personal dwelling, healthcare, education, transportation, and tradesmen's tools and equipment all fall under this category. Not only is zakat dependent on a person's annual income or net earnings but also on their entire net value. Muslims are required to pay a set proportion of their net worth beyond the *nisab* as well as a portion of the net production from mining and agriculture. Depending on the type of asset, the proportion ranges from 2.5% to 20%.

The Qur'an makes a point of saying that God owns all things and has given humanity access to them. Therefore, it is important to use these resources to meet the basic requirements of individuals who are unable to live dignified lives due to no fault of their own. In addition to highlighting the need for zakat in achieving economic justice, this viewpoint emphasises the social obligation of the wealthy towards the less fortunate.

A forward-thinking zakat distribution idea was first presented during the rule of Caliph Umar al-Khattab. With this idea, receivers would go from being poor people to being prosperous contributors, thus improving their socioeconomic status. According to Qaradawi (1999) and Sahata (2003), Umar's goal was to transform the lives of the underprivileged so that they would be able to offer zakat rather than be dependent on others. Zakat is distinct from taxes, as emphasized by the Prophet Muhammad. While zakat fulfils an individual's religious obligation (*fard*), taxes enable the state to perform its functions effectively. By paying zakat, individuals not only fulfil their religious duty but also contribute to the well-being and development of their society (Johari, F., & Ibrahim, P. 2010).

Table 1: List of References to Zakat in the Quran and the Hadith

Reference	Mention of Zakat
Quran 2:43	"And establish prayer and give zakat and bow with those who bow [in worship and obedience]."
Quran 2:110	"And establish prayer and give zakat, and whatever good you put forward for yourselves - you will find it with Allah."

Quran 9:103	"Take, [O, Muhammad], from their wealth a charity by which you purify them and cause them increase."
Quran 2:277	"Indeed, those who believe and do righteous deeds and establish prayer and give zakat will have their reward with their Lord, and there will be no fear concerning them, nor will they grieve."
Quran 70:24-25	"And those within whose wealth is a known right for the petitioner and the deprived."
Quran 2:83	"And [recall] when We took the covenant from the Children of Israel, [enjoining upon them], 'Do not worship except Allah; and to parents do good and to relatives, orphans, and the needy. And speak to people good [words] and establish prayer and give zakat.'"
Quran 2:177	"Righteousness is not that you turn your faces toward the east or the west, but [true] righteousness is [in] one who believes in Allah, the Last Day, the angels, the Book, and the prophets and gives wealth, in spite of love for it, to relatives, orphans, the needy, the traveller, those who ask [for help], and for freeing slaves."

Quran 9:60	"Zakah expenditures are only for the poor and for the needy and for those employed to collect [zakah] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and for the [stranded] traveller - an obligation [imposed] by Allah. And Allah is Knowing and Wise."
Sahih Muslim, Book 12, Hadith 1906/ Sunan Ibn Majah, Book 9, Hadith 1828	The Prophet Muhammad (peace be upon him) said, "Zakat on wealth is obligatory on a Muslim who is in possession of the minimum (<i>Nisab</i>) and is free from debt."
Sahih Muslim, Book 5, Hadith 2162/ Sahih Al-Bukhari, Book 2, Hadith 8.	The Prophet Muhammad (peace be upon him) said, "Islam is built upon five pillars: testifying that there is no deity worthy of worship except Allah and that Muhammad is the Messenger of Allah, establishing prayer, giving zakat, Hajj (pilgrimage to Mecca), and fasting during the month of Ramadan."
Sahih Bukhari, Book 24, Hadith 559/ Sunan Ibn Majah, Book 9, Hadith 2266.	The Prophet Muhammad (peace be upon him) said, "Whoever gives zakat on his wealth, his wealth is purified and blessed."

Sahih Bukhari, Book 24, Hadith 486	The Prophet Muhammad (peace be upon him) said, "The upper hand is better than the lower hand (i.e., the one that gives is better than the one that receives). The upper hand is the one that gives, and the lower hand is the one that receives."
Sahih Bukhari, Book 24, Hadith 508/ Sunan Ibn Majah, Book 39, Hadith 2340.	The Prophet Muhammad (peace be upon him) said, "Charity does not decrease wealth."
Sahih Bukhari, Book 24, Hadith 577/ Sahih Al-Bukhari, Book 24, Hadith 486	The Prophet Muhammad (peace be upon him) said, "Zakat is a duty imposed on the rich for the poor."
Sahih Muslim, Book 5, Hadith 2188/ Sunan Ibn Majah, Book 9, Hadith 1856	The Prophet Muhammad (peace be upon him) said, "No owner of camels, cows, or sheep who does not pay their due rights [i.e., zakat] except that on the Day of Resurrection these animals will come to him in a bigger size and with bigger horns, and they will tread him under their hooves, and that is only a portion of what he failed to pay in this world."
Sahih Bukhari, Book 24, Hadith 524/ Sunan Ibn	The Prophet Muhammad (peace be upon him) said, "Whoever is made wealthy by Allah and does not pay the zakat of his wealth, then on the Day of Resurrection his wealth will be made like a bald-headed poisonous male snake with two black spots over the eyes. The snake

Majah, Book 9, Hadith 1845	will encircle his neck and bite his cheeks and say, 'I am your wealth; I am your treasure.'"
Sahih Bukhari, Book 24, Hadith 507/ Sahih Al-Bukhari, Book 24, Hadith 667.	The Prophet Muhammad (peace be upon him) said, "Charity given in secret extinguishes the wrath of the Lord."
Sahih Muslim, Book 12, Hadith 1885/ Sunan Ibn Majah, Book 31, Hadith 3706	The Prophet Muhammad (peace be upon him) said, "The believer's shade on the Day of Resurrection will be his charity."

3.1. Types of Zakat on Wealth

Islam's central tenet, zakat, includes a variety of economic endeavours. It is imposed on a wide range of items, including agricultural products, domestic animals, gold and silver reserves, commercial endeavours, and mining-related goods. According to modern interpretations of zakat, any income derived from material and financial assets, as well as labourers' skills, is included (Johari, F., & Ibrahim, P., 2010). 2.5% of a person's zakat-able income is the amount of zakat on income. The amount is determined using the person's annual income after deducting relevant costs.

Table 2: Summary of Types of Zakat

Zakat Type	Nisab Threshold	Zakat Amount	Conditions

Zakat on Gold and Silver	85 grams (gold)	2.5% of the value	Stored for at least one year
	595 grams (silver)	2.5% of the value	Quantity surpasses the <i>nisab</i> threshold
Zakat on Savings	The amount determined by individual savings	2.5% of total	Total savings meet <i>nisab</i> and held for one year
Zakat on Business	Value of zakat-able assets	2.5% of assets	Business assets include net assets and short-term investments
Zakat on EPF (Employee Provident Fund)	The amount determined by individual	2.5% of total savings	Total savings in EPF account for withdrawal year exceed <i>nisab</i> threshold
Zakat on Shares	Lowest share value within a year	2.5% of the value	Calculate after deducting debts or loans from the share value

Islam takes a comprehensive strategy to eradicating poverty, which is seen in the various forms of zakat on wealth. Zakat ensures that a variety of resources are used to improve society by including a variety of economic activity. The values of social justice, economic stability, and equal resource allocation are stressed by each type of zakat, which functions as a tool for wealth redistribution. Individuals give a percentage of their money to help those in need through zakat on income. Zakat

on money, gold, and silver makes guarantee that earned wealth is distributed to the less fortunate rather than hoarded. By motivating business owners to donate a percentage of their profits for the common good, business zakat encourages moral and socially conscious entrepreneurship. According to Nurzaman, M. S. (2010), zakat on EPF acknowledges the importance of retirement savings as a potential source for reducing poverty. Last but not least, zakat on shares promotes openness and responsible investing, guaranteeing that the value created benefits society as a whole.

3.2. Payers of Zakat

Zakat entails the redistribution of wealth for the benefit of the less fortunate as a required act of worship. When a person's wealth reaches a certain level, known as *nisab*, they are required to pay zakat. The sort of wealth being taken into account, for example, affects the rate of zakat. Depending on the sort of wealth being taken into consideration, complex criteria are used to determine *nisab*. Zakat rates vary depending on the sort of wealth, such as gold, silver, agricultural products, and mining items. For instance, the zakat rate for mining is 20% while the rate for gold and silver is set at 2.5%. The type of irrigation used affects the zakat rate in agriculture. The zakat rate is 5% of the produce from the land if the owner irrigates it.

The rate rises to 10% if irrigation is carried out using alternative methods. Calculations that take many different parameters into account are necessary to determine *nisab*. Due to the evolving value correlations between gold and silver over time, several difficulties have developed. The thresholds that the Prophet Muhammad specified for wealth and *nisab* are different from the definitions used today. According to the Prophet's directive, the *nisab* for gold is fixed at 7.5 *tolas* or 3 ounces. Based on the historical pricing ratio between gold and silver throughout the Prophet's era, the *nisab* for silver is 52.5 *tolas*, or the equivalent of 21 ounces (HalimatusA'Diyah, I., 2015). The *nisab* must be modified to reflect the ever-changing nature of wealth and economic conditions. When determining *nisab*, modern researchers take into account variables like inflation, currency valuation, and changes in the price ratio between gold and silver.

3.3. Recipient of Zakat

The Quran clearly outlines the guiding principles for zakat distribution and names the deserving recipients. Muslims must comprehend the groups of people who are qualified to receive zakat in order to perform their religious obligations and make a positive impact on society (HalimatusA'Diyah, I., 2015).

Table 3: Categories of Zakat Recipients

Zakat Recipient	Description

<i>Fuqara</i> (the poor)	Individuals whose wealth falls below the <i>nisab</i> threshold and lack the means to support themselves due to physical disabilities, old age, or other circumstances.
<i>Masakin</i> (the needy)	Individuals with insufficient income to meet their basic needs, including food, shelter, and healthcare.
<i>Amilin</i> (administrators of zakat)	Individuals responsible for managing zakat-related matters, such as collection, calculation, and disbursement.
<i>Muallafat al Qulub</i> (converts)	Converts to Islam who require support to strengthen their faith and integrate into the Muslim community, often having severed family ties and relinquished their possessions due to their conversion.
<i>Riqab</i> (people who are not free)	Muslims living under non-Muslim governance, facing restrictions on their ability to practice their faith freely.
<i>Gharimin</i> (debtors)	Muslims burdened with debt and unable to repay their obligations, particularly when it concerns essential needs for themselves and their dependents.
<i>Fi sabilillah</i> (in the cause of Allah)	Muslims engaged in defending and promoting Islam, fighting for just causes to protect Islamic nations from aggression.

Ibn Sabil (wayfarers and travellers)

Individuals who are travelling for a righteous cause encounter financial difficulties or run out of provisions during their journey.

4. The Economic Impact of Zakat: Exploring its Multifaceted Effects

The foundation of Islamic finance known as zakat has substantial economic ramifications. Zakat mandates that people give a set amount of their money to help the less fortunate members of society. Although based on religious obligation, Zakat has economic effects that go beyond altruism (Quraishi, M. A., 1999; Shaukat, B., & Zhu, Q. (2021)). Zakat has a critical role in influencing economies and building a more inclusive and fair society by dispersing wealth, increasing demand, boosting job creation, and advancing economic justice. In this section, we'll examine the several economic effects of zakat and how it could influence people's lives and society as a whole for the better (Bukowski, 2014; Jedidia, K. B., & Guerbouj, 2020).

4.1. Stimulating Aggregate Demand and Economic Growth

The use of zakat monies, notably for the purchase of needs, increases the money supply, which raises demand for products and services (Siddiqi, M. N., 1988). As the purchasing power of the underprivileged rises, their increased consumption drives production, causing it to grow and opening up new job opportunities (Suprayitno, E., Kader, R. A., & Harun, 2013). A balanced economy grows as a result of this cycle of rising employment, demand, and investment.

4.2. Price Stability and Inflation Control

According to Quraishi, M. A. (1999), zakat expenditure on debt repayments (al-gharimun) contributes to price stability and curbs inflation. Zakat removes one of the elements that contribute to the inflationary cycle by helping debtors who are unable to pay their debts because of unforeseen situations, such as illness or natural disasters. Zakat indirectly contributes to overall economic stability by guarding against bankruptcy and maintaining the stability of financial institutions.

4.3. Contingency Funds during Economic Downturns

When the economy is weak and zakat revenues may not be enough to cover societal requirements, the accumulation of extra zakat funds during successful years offers a safety net (Ahmed et al. 2017). In order to maintain social stability and resilience, these emergency funds can be utilised to support the economy and aid those who are impacted by economic downturns.

4.4. Financial Inclusion and Empowerment

By supplying low-income households and zakat recipients with capital that might be shut out of conventional banking systems, zakat contributes to improving financial inclusion. Zakat funds help people become self-sufficient by funding small companies and economic initiatives, which encourages economic empowerment and sustainable development (Patmawati, I., & Ruziah, 2014).

4.5. Zakat as a Catalyst for Government Spending

By substituting for some government budget expenses, zakat can support public spending programmes (Hassan, M. K., & Khan, J. M., 2007). Governments can deploy freed-up cash for other productive expenditures, such infrastructure development or education, further fostering economic growth, by diverting zakat funds towards development programmes (Alim, M. N., 2015).

5. The Social Impact of Zakat: Promoting Equality and Alleviating Poverty

Among Muslim communities, zakat aims to generate economic prosperity, advance social justice, and reduce poverty. In order to alleviate economic disparity and foster a more just society, zakat, which places a strong focus on wealth redistribution, is essential (Aziz, M. N., & Mohamad, O. B., 2016).

5.1. Addressing Poverty and Inequality

Offering financial assistance to people in need, zakat is a powerful strategy for reducing poverty (M Akram, M., & Afzal, 2014). To make sure that basic needs are addressed, it serves as a safety net for families and vulnerable persons (Ahmad Fahme et al. 2013). A more equitable distribution of resources is achieved by channelling wealth from the wealthy to the less fortunate through the collecting and distribution of zakat. According to Mujaini (2005) and Bakar, M. H. A., & Abdghani (2011), this wealth redistribution encourages social fairness by bridging the socioeconomic gap between the rich and the poor.

5.2. Empowering Communities

Zakat serves as a catalyst for economic development by making financial resources available to people and communities. It is possible to encourage business, skill development, and income-producing activities using the money raised through zakat. By giving them the tools they need to launch or grow their enterprises, zakat-funded microfinance initiatives have been successful in helping people escape poverty (Debnath et al. 2013). This economic empowerment improves not only the financial security of the individual but also the general growth of the community (e-Fatwa, 2013).

5.3. Promoting Social Cohesion

By encouraging a sense of camaraderie and support among Muslims, zakat works to strengthen social cohesiveness. As a result, the links of brothers and sisterhood are strengthened (Patmawati, I., & Ruziah, 2014). It inspires people to support the welfare of their fellow community members. Zakat donation fosters empathy, compassion, and a sense of duty towards others who are less fortunate. Additionally, the fair and accountable distribution of zakat payments strengthens communal cohesiveness and peace by fostering trust and confidence among its members.

5.4. Enhancing Human Development

One way to promote human growth in Muslim communities is through allocating zakat contributions to social welfare, healthcare, and educational programmes. It is critical for a person's general development and well-being to have access to high-quality healthcare and education services. To ensure that marginalised people have equal opportunities for personal growth and development, zakat-funded programmes can offer scholarships, upgrade school infrastructure, and

support healthcare facilities (Febianto et al. 2011). By investing in human capital, zakat helps to create a more prosperous and self-sufficient society.

6. Future Research Directions and Suggestions

There are a number of areas that demand more study and investigation to improve our comprehension of the socioeconomic effects of zakat. These ideas are meant to highlight the complex nature of zakat and its potential to influence society at numerous levels for the better.

6.1. Quantifying the Economic Impact: The development of a reliable methodology to objectively assess the economic impact of zakat should be the main goal of upcoming studies. This would entail looking at information on zakat distribution and collection, as well as its impacts on important economic metrics including GDP growth, employment rates, and poverty alleviation. In order to help policymakers make wise decisions, researchers can quantify these impacts (Ghassan, H. B., & Al-Jeefri, E. H., 2016).

6.2. Microeconomic Effects: Although the macroeconomic repercussions of Zakat have been addressed in previous studies, more research on its microeconomic ramifications is necessary. Future research can look into how zakat directly impacts different households, small companies, and regional economies. To make sure that policies and actions have the greatest possible impact, it can be helpful to understand how Zakat affects entrepreneurial activity, income distribution, and wealth accumulation on a micro level (Jedidia, K. B. & Guerbouj, 2020).

6.3. Comparative Studies: Comparative research among various nations and regions can provide light on the variances in Zakat regimes and their economic effects. Researchers can find best practices and lessons learned, resulting in more informed policy recommendations, by analysing the effectiveness of Zakat implementation and its economic repercussions in various circumstances.

6.4. Long-Term Impact: It is crucial to look at the long-term impacts of zakat on societal progress and economic growth. Future studies might examine how long-lasting and sustainable the economic advantages brought about by zakat are. Studying Zakat's effects over generations, its potential to end the cycle of poverty, and its contribution to long-term economic stability and resilience would be necessary for this.

6.5. Integration with Modern Financial Systems: Future studies should focus on how Zakat is incorporated into contemporary financial systems. Its effectiveness and impact can be increased by looking at how to more efficiently collect, distribute, and use zakat through digital platforms and financial technologies. A deeper comprehension of the combined economic consequences of Zakat and other Islamic financing instruments can also result from research into the potential synergies and complementarities between them.

7. Limitations of the Study

- Comprehensive understanding is hampered by the dearth of studies on the impact of zakat on socioeconomic well-being.
- Comparison of the results and drawing firm conclusions are hampered by subjectivity and context dependence.
- Generalizability is constrained by differences between nations and communities.

- It is difficult to measure the full impact of zakat and separate it from other factors.
- Research mostly concentrates on areas with a Muslim majority.

Table 4: Quotes about Zakat from Various Islamic Figures

Islamic Figure	Quote
Prophet Muhammad (pbuh)	"Give charity without delay, for it stands in the way of calamity." (Al-Tirmidhi)
Imam Ali	"Zakat is the bridge of Islam. Whoever neglects it, his religion will be incomplete." (Ghurar al-Hikam)
Imam Ali	"Do not feel ashamed if the amount of charity is small because to refuse the needy is an act of greater shame." (Nahjul Balagha)
Uthman ibn Affan	"I will never be miserly in my spending when it comes to the cause of Allah." (Sahih Al-Bukhari)
Imam Abu Hanifa	"Giving zakat purifies wealth and increases blessings." (Fiqh al-Akbar)
Imam Malik	"Zakat is the right of the poor over the wealthy." (Muwatta Malik)

Imam Shaff'i	"Zakat is a means of purifying the soul and attaining closeness to Allah." (Al-Umm)
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8. Conclusions

To sum up, zakat is a powerful example of the principles promoted by Islamic teachings and lays the groundwork for a community that supports social justice, equity, and freedom. Its importance cannot be emphasised because it is a potent weapon against poverty and a supporter of stability and economic well-being. In addition to assisting individuals and the economy as a whole, zakat serves as a wealth-circulation catalyst, assisting in the pursuit of sustainable development goals. Zakat offers a comprehensive strategy for eliminating poverty and fostering economic fairness because to its varied forms that focus on various facets of wealth. Zakat payers actively contribute to the improvement of society by carrying out their duty of wealth redistribution, while receivers enjoy greater social welfare and a higher standard of living. Income redistribution, poverty reduction, stimulation of economic growth, price stability, emergency reserves for economic downturns, and the promotion of financial inclusion and empowerment are all included in the economic impact of zakat. In conclusion, zakat is essential to fostering socioeconomic progress and advancing the principles of a successful and just society.

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