

The Qur'an on Charitable Giving and Contemporary Social Values

SHAUKAT J. GILANI

*Professor of Economics the Laurentian
University, Sudbury, Oritano, Canada*

ABSTRACT. The Qur'an has clear directives on what an individual should do for the sake of welfare of others, i.e., charity. It has established priorities similar to what a rational person may be expected to assign on his own, assuming that utility functions are interdependent. One finds striking resemblance between the Islamic approach to redistribution and the contemporary social values implicit in redistribution in a democratic society. This raises interesting questions for Muslims living in Western welfare societies, which are for the *Shari'ah* scholars to consider. Islamic emphasis on charity for the sake of Allah and the discretion allowed to the giver in the disposal of charitable spending can make significant improvement in the performance of welfare programs.

I

A Muslim living in North America is often faced with a dilemma: on the one hand, he does not fail to get impressed by the general living standard, the social security system and the scientific and technological achievements within his surroundings; on the other hand, he has a deep-rooted conviction that the fundamental principles of Islam can provide a solid foundation for mankind to make progress, both spiritual and material which, to his great disappointment, has not been made in most Muslim nations of to-day.

In this paper* we will talk about the deed of charitable giving. Our main task here is to demonstrate that the system of income redistribution that Western nations have developed over a considerably long period of time comes very close to Islamic ideology.

(*) An earlier draft of this paper was presented at the 1981 Conference of the Association of Muslim Social Scientists at Purdue University. Subsequently, it was delivered as a public lecture at the University of Malaya, Kuala Lumpur, under the auspices of its Institute of Advanced Studies. Constructive comments made by two anonymous referees of this Journal are gratefully acknowledged.

II

What an individual does for the sake of welfare of others can be considered an act of charity. Even kind words, sincerely spoken in order to comfort someone in distress, constitute an act of this nature. Here, we will limit ourselves to consider just the economic aspects. The directives of the Qur'an are very explicit in this context. One who loves his Creator, should spend not only for his own personal comfort, but also for the welfare of those who need his assistance. A sequence of "reasonable gradation" is presented:

"To spend of your substance - despite the love for it - for your kin, for orphans,
for the needy, for the wayfarer, for those who ask, and for the ransom of slaves."
(Holy Qur'an, Surah 11-177)

An individual should start with those who have first claims on him, that is, his kinsfolk (with parents first, according to Verse number 215 in the same Surah). Then, in the sequence, come the orphans, the needy, the wayfarer and those who ask. The ransom of slaves is mentioned at the end of the sequence.

Why should the ransom of slaves be assigned a low priority? A possible explanation would be that in the development of the social order the system of slavery was only transient in nature. Sooner or later it had to become obsolete. This argument is in line with our belief that the importance of Qur'an was not limited to the period immediately following its revelation; it is meant to be a guide for the human race for all times. Alternatively, we can assign a very wide meaning to the word "slavery" as Yusuf Ali does in his translation of the Book. He says that "slavery has many insidious forms, and all are included" within the meaning of this Verse.

One will have to agree that the priorities established in the Qur'an with regard to individual spending are not dissimilar to those that a rational person may be expected to assign on his own, assuming that utility functions are interdependent. This, and other points, will be dealt with more fully in the sections to follow.

Besides charitable giving on a voluntary basis, that is *sadaqat* as commonly understood, Islam advocates collective provision for the welfare of the poor. This task is to be performed through the institution of *zakat* which, in essence, is a tax imposed upon the well-to-do. It constitutes the minimum financial obligation of a prosperous person toward the society he lives in. The *zakat* proceeds are to be used *primarily* for redistributive purposes. It is frequently referred to as *regular charity* or the *poor-due*. It would be the duty of the State to make this collection. The importance of *zakat* can not be overemphasized; in the Qur'an it is very often mentioned together with *salat* (regular prayers).

It should be pointed out that the word *sadaqat* is used in the Holy Qur'an to cover all kinds of charity. *Sadaqat* means to give alms, and also legal alms for which the word *zakat* is used. "*Zakat* has been called *sadaqat* because it is also a kind of compulsory charity. It is an obligatory *sadaqa*, while ordinary *sadaqa* is voluntary". (Raquib-uz-Zaman, 1981, p.6).

III

Let us now turn briefly to the contemporary views on redistribution. In welfare economics and in the study of public finance, resource allocation and distribution to pious are usually given separate treatment. This approach has been questioned by Hochman and Rodgers (1969) who talk about pareto optimal redistribution. If redistribution were to yield no benefit to the parties who finance it, governmental actions for the sake of distributive justice would amount to legalized Robin Hood activity.

Assuming that the government in power reveals the preferences of the masses, redistribution should be beneficial to the taxpayers, as well as to the recipients. This ought to be the logical conclusion if interdependence among utility functions is assumed.² Tax-transfer schemes which raise the disposable incomes of those in the poorer group may improve everyone's utility level. Thus, pareto optimality is not only consistent with, but requires redistribution.

Why should the State get itself involved in redistribution if the utility functions of the well-to-do individuals were to include concern for the welfare of the poor? Can we not trust individuals to act according to their preferences? The answer lies in those considerations that justify the collective provision of "social goods". Where the number of participants who can be expected to contribute toward the welfare of the poor becomes too large, the problem of "free-riders" will arise. If a large section of the population is in need of economic assistance, a single donor can do very little by himself, and so he will refrain from revealing his preferences. Viewed this way, redistribution becomes a social-good problem requiring a collective approach through the agency of the State.

This is not to suggest that charitable giving on a direct and person-to-person basis can be easily dismissed. The State can be relied upon to adopt a more general approach in the reduction of income inequalities. Voluntary redistribution would still be required to deal with specific problems which may be sizeable within a democratic country. In particular, there will be problems of dissatisfied, smaller interest groups whose preference intensities in respect of some aspects of redistribution may have been ignored in a situation where the majority rule prevails. Depending upon similarities of religious beliefs, ethnic background or, simply the geographical location, an individual may be more inclined to contribute for a particular person or group of persons, or for a particular cause than for the welfare of the masses. These special interests are served by encouraging private charity through tax exemption and tax deduction schemes. For example, a Canadian taxpayer may claim exemption (up to a prescribed maximum) on account of support provided to his parents and grandparents and other deserving relatives. He may also claim deduction for contributions that he makes to registered charitable organizations that serve special interest groups.

IV

The foregoing discussion suggests some striking resemblance between the Islamic approach to the question of redistribution and the approach based upon contemporary social values that are implicit in redistribution that takes place in a democratic society. Now, we shall explore the nature of an individual's utility function that Islamic ideology projects. An individual consumer places his own well-being and the well-being of his

immediate family above anyone else's. If we stop at this point, then we get the familiar microeconomic analysis of consumer behavior. In real life, however, an individual is not insensitive to the levels of welfare attained by others around him, so that utility functions would appear to be interdependent. This interdependence will not be of the same order of magnitude with respect to everyone else that matters. When an individual starts to look beyond his own household, he first sees his kinsfolk, and some of these may be in need of economic assistance. He would feel more keenly about the welfare of this group of persons, say Group 1, than about the welfare of others. Next come the families that have lost their breadwinners. Their economic needs should be quite obvious and do not have to be established. Consider them as forming Group 2. Then, in Group 3 there would be those whom the individual may happen to know well because they live in the neighborhood, or because of his other associations. Some of these people may be real destitutes; but they would not ask for assistance, perhaps, because of their pride. Strangers in the township and those who just come across and ask for charity would make Group 4. The individual's perception of someone else's needs, and therefore his willingness to contribute (which would indicate his satisfaction received from such action) becomes less and less as we move from Group 1 to Group 4.

The situation may be described more formally. Let our individual consumer have, initially, a disposable income of Y_c , and let there be one person in each of the four groups with much lower (than Y_c and more or less equal incomes Y_1 , Y_2 , Y_3 and Y_4). Since our consumer cares for others, and in a descending order, his utility function,

$$U_c f(Y_c, Y_1, Y_2, Y_3, Y_4)$$

will be subject to the condition:

$$\frac{\partial U_c}{\partial Y_1} > \frac{\partial U_c}{\partial Y_2} > \frac{\partial U_c}{\partial Y_3} > \frac{\partial U_c}{\partial Y_4} > 0$$

This will make him redistribute his income in favor of the other four (with the total of the five incomes remaining unchanged at $Y_c + Y_1 + Y_2 + Y_3 + Y_4$) until the marginal utility that he derives from the last dollar spent for his own consumption equals the marginal utilities *derived* by him from the last dollars that he donates to each of the four welfare recipients. He will be in equilibrium, maximizing his own satisfaction, when he keeps an income Y_c for himself, while the incomes of others have gone up to Y_1 , Y_2 , Y_3 , and Y_4 . It follows that the consumer's total donation $(-)\Delta Y_c$ would be equal to $\sum_{n=1}^4 \Delta Y_n$ and, presumably, donations will be received in descending order of magnitude when we move from Person 1 to Person 4, that is, $\Delta Y_1 > \Delta Y_2 > \Delta Y_3 > \Delta Y_4$.

Are we involved here in an interpersonal comparison of satisfactions? That would be an obvious question. Economics loses the objectivity of a science when such comparison is made. Problems arise when a change in economic conditions makes some individuals better off and some others worse off. How does one know whether the group as a whole is better off or worse off? In our present discussion on charitable giving on a voluntary basis, welfare gains accrue to both the donor and donee. Thus, interpersonal

comparison of satisfactions does not enter as a problem in the above sense. Of course, the donor makes some sort of estimate of the satisfaction that the donee will get out of his contribution; his own satisfaction depends upon this estimate. However, this situation is very different from those gain-and-loss type situations where a third party (the policy-maker) has to make a judgment about the direction of change in social welfare.

V

How about the manner of giving? Charity given in secrecy is highly recommended by the Holy Qur'an:

"If ye disclose (acts of) charity even so it is well; but if ye conceal them and make them reach those (really) in need, that is best for you - -".

(Holy Qur'an, Surah 11-271, Translation by Yusuf Ali)

Economists can very well see that a recipient of charity who attaches value to self-respect and social standing will have his satisfaction level raised considerably more when other parties have no knowledge of this gift. Indeed, there may be some individuals in dire need who will refuse to accept any gift if this condition is not met. For the same amount given, if the increase in donee's satisfaction is greater under conditions of secrecy then, as economists often argue, efficiency consideration will suggest this to be the preferred course of action.

Believers are instructed not to "cancel charity by reminders of generosity". There are individuals who would publicize every act of charity for their wordly achievements. These individuals

"believe neither in God, nor in the Last Day. They are in parable like a hard, barren rock, on which is a little soil. On it falls heavy rain which leaves it (just) a bare stone--"***.

(Holy Qur'an, Surah 11-264, Translation by Yusuf Ali)

Shari'ah takes the view that such charity promises no reward in the Hereafter.³

It is a common observation that politically powerful individuals publicize their involvement in acts of charity in order to improve their image in society with the intention of making further gains in political and economic power. Through tax deductibility of their charitable contributions, the society subsidizes them, unintentionally, in maintaining this power structure. (Unfortunately, this subsidy would be sizeable in view of higher marginal tax rates applicable to higher incomes.)

(**) [Editors' Note: The verse quoted in the text likens the "good" achieved by charity to thin soil on a rock which is easily wiped out by rain i.e. a good destroyed by the giver's reminders of his generosity or by hurting the feelings of the recipient.]

VI

Summing up, if one assumes that preferences are revealed through the political framework, and the tax and expenditure Systems of the government are based on this process, the contemporary social values in advanced Western societies are quite compatible with Qur'anic instructions. It may, perhaps, be argued that behind these social values one can trace Christian ethics. This may be true, but should it bother a Muslim? I am inclined to interpret this more as a confirmation of our belief that the Holy Qur'an completed rather than contradicted the messages of the Creator sent to mankind through the earlier Books. To the extent that the contents of these Books have remained unaltered, they must be consistent with the last and complete message embodied in the Qur'an.

Should the participation of a Muslim in the welfare system of a predominantly non-Muslim society justify his exemption from the payment of *zakat*? Some Muslims now living in North America are raising this question. An economist may analyze the circumstances in this manner: Muslims settled in this part of the world are paying taxes which are considerably directed toward social welfare and the reduction of income inequalities. If one takes the view that the proceeds from *zakat* are to be spent for Muslims alone, then he should note that Muslims are not only taxpayers, but also welfare recipients, and benefit from government expenditure activities which have equity as a major objective. There is no reason why the benefit to tax ratio for the Muslim group should be lower than the same ratio for other groups of the population. In fact, since the majority of Muslims are new arrivals in this part of the world and have not had enough time to establish themselves, it is more likely that for them this ratio is higher than for other groups.

A portion of the *zakat* proceeds should go for religious purposes. Muslims living in North America can meet this requirement in a round-about manner. If their charities are directed toward registered, tax-exempt religious institutions, then indirectly they would have diverted some government funds to this end. The government, in effect, becomes a partner in making contributions. In the study of public finance the phenomenon is now commonly referred to as "tax-expenditure" which implies giving by not taking (McLoughlin and Proudfoot, 1981).

There remains the question of "spiritual gains" that a Muslim is expected to make through a *strictly formal* payment of his *zakat* dues. He may not get this kind of satisfaction by making his contributions toward redistribution in other forms. Can it be considered as a real cost of his living in a non-Muslim society? Is it not possible for him to find consolation by intensifying his activity along the lines of *sadaqat* paid on a voluntary basis? An evaluation of the situation and a reasoned answer to such questions ought to be provided by Muslim jurists. An economist can only lay down the facts as he observes them.

VII

There is one feature of *zakat* which I find quite interesting. Within limits, an individual can exercise his discretion with regard to the disposition of his *zakat* dues. Some advantages of this procedure can be observed immediately. The donor's preferences matter in a very direct manner if this option is exercised, whereas if payments go into a public fund for redistribution purposes, then, as in the case of any social good where preferences have to be summed up in order to arrive at a social welfare function, his own intensity of preferences may become too much diluted. I may be deeply concerned about what happens to my neighbor, the rest of the society may show only a very general concern about his welfare. Besides, this procedure should reduce the cost of ascertaining the needs of the recipient. The donor should also be in a position to watch how his contributions are being used. His willingness to contribute in the future will depend significantly upon his observation. At the same time, direct giving should reduce the element of envy and jealousy.

On the other hand, such direct method of giving would mean that some deserving persons may end up getting very little assistance, while others get relatively too much, depending upon how they are positioned within society. Individual A may have quite a few rich relatives and neighbors; but B might be unlucky in this respect. The sensitivity of others around such deserving persons is yet another consideration. There may also be some individuals who would not ask for assistance from others out of self-respect; but who may accept assistance if it is provided by the State. It is clear that such direct giving can work only in the context of redistribution; it does not remain meaningful for other uses of *zakat* funds.

VIII

By pointing out similarities between the social values of the advanced nations of the West and the Islamic ideology, I am not suggesting that Muslim nations ought to photocopy the tax and expenditure systems of those nations and forget all about the institution of *zakat*. *Zakat* is one of the important pillars of Islamic societies, and since it has the backing of religious injunctions it should be acceptable to the Muslim individual, if properly instituted. This would minimize the "spite effect" of taxes which at times becomes observable in Western societies. Tax systems differ widely between nations. There is no reason why Muslim nations cannot develop their own variety with a major emphasis placed upon *zakat*.

Let us now look briefly into some of the disturbing features associated with Western-type redistribution programs. To begin with, the entire thrust of the argument regarding the social values of the West hinges on one fundamental assumption: that these values reflect individual preferences as revealed through the political process. This assumption can be accepted only on a tentative basis, in view of the general observation that pressures exercised by interest groups may influence governmental action. Actual policy measures will thus reflect only imperfectly the true social values.

Then, there is Buchanan's argument about the taxpayer-voter being unable to make a rational choice in view of the fact that he does not see the two sides of the coin simultaneously. He may be an enthusiastic supporter of public expenditure programs including Welfare programs without being conscious of his increased burden that goes

along with these. The result would be an over expanded public sector. Buchanan (1983) advocates earmarking of taxes for this reason.⁴ Because redistribution may be viewed as a social-good problem, one may logically conclude, following Buchanan's argument, that Western societies must have overcommitted themselves in the field of distribution. The current mood of conservatism that prevails in several advanced nations of the West, including Canada, the United States and the United Kingdom, may have, at least in part, resulted from the unaffordable social welfare programs.

Apart from these considerations, the major drawback of welfare programs in the disincentive effects that they entail. Welfare recipients are generally unwilling to supply work-effort and earn if it means a corresponding reduction in welfare assistance. At the same time, they may become increasingly conscious of their political power (and therefore, more demanding) insofar as the government looks at them as those who "deliver votes" at election times. Indeed, it has been argued that some portion of government redistribution may simply reflect the political power of these recipient (Hochman and Rodgers, 1969).

If these tendencies persist, then the attitude of those who have so far willingly contributed toward the maintenance of welfare programs may change drastically, and this will change the nature of the utility function mentioned at the outset. Additionally, social degeneration may result from what has been characterized as "misguided welfare programs". Americans are in danger of creating a permanent culture of poverty, and there is a crisis of family breakdowns, especially among the "welfare poor". Under the existing welfare rules, a teenage girl who becomes pregnant can make her self eligible for welfare benefits that will set her in an apartment of her own, provide medical care and feed and cloth her. She only has to fulfill one condition - not marry or identify the father.

All these problems point in one direction: without a set of ethical and religious norms, welfare programs are bound to tumble at some stage. In this context I find the observations made by Muhammad Husayn Haykal quite revealing. He acknowledges that "some highly civilized countries in our day do establish hospitals and communal buildings for rescuing the poor, for sheltering the homeless and assisting the deprived in the name of humanity and mercy". However, he adds that "were these constructions and communal services founded upon fraternal feeling and love in God as an expression of praise for His bounty, they would constitute nobler efforts and lead more truly to the happiness of all men." Haykal is rather skeptical about utilitarianism. In his view "morality founded upon utility and mutual advantage is quickly corrupted as soon as the moral subject is convinced that his personal advantage does not suffer in consequence of his immorality" (Haykal, 1976, p.543).

For a Muslim the position is very clear: charitable giving must be inspired by the love of God.⁵ This is the precondition for any reward in the Hereafter. I have no reason to believe that followers of other religions will differ on these issues.

Notes

- (1) One referee of this paper is not so sure that the order in which the categories of charity-worthy persons have been named implies any ranking. His point is that if it were so then in the Verse the conjunction would have been * instead of *. However, in his translation and interpretation of the above Verse, Yusuf Ali does mention ranking, and talks about a "reasonable gradation".
- (2) Richard Musgrave and Peggy Musgrave argue as follows: "After A's own consumption has achieved a relatively high level, A may derive greater satisfaction from giving income to B, whose consumption is low, than from adding to personal consumption. This will generate voluntary redistribution from A to B and offers a rationale for charitable giving." (Musgrave and Musgrave, 1980, p. 102).
- (3) On this point, the reader is referred to M. Anas Zarqa, 1984, p.39.
- (4) Note in this context the fact that *zakat* is very much like an earmarked tax. However, I would not like to put any major emphasis on this point, because the terms of his *zakat* dues are fixed for a Muslim by Islamic *Shari'ah*, and these he is unable and unwilling to change by individual or collective action.
- (5) Because of this fact, the very positive feeling of a Muslim who participates in acts of charity may not be easily understood by a purely "economic man" of modern day. See Anas Zarqa, 1984, p.39.

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الإِنْفَاقُ فِي سَبِيلِ اللَّهِ فِي الْقُرْآنِ، وَالْقِيمِ الْاجْتِمَاعِيَةِ الْمَعَاصِرَةِ

شوكت ج. جيلاني

أستاذ الاقتصاد، جامعة لورنشتيان، سدبري، أنتاريو، كندا

المستخلص : توضح التوجيهات القرآنية ما على الفرد أن يفعله لمصلحة الآخرين وتعد ذلك من جملة الصدقة بمعناها العام. والأولويات القرآنية في هذا المجال شبيهة بما يرجحه الشخص الرشيد إذا افترضنا ترابط دوال المنفعة بينه وبين غيره. ويجد الباحث تشابهاً كبيراً بين المعالجة الإسلامية لمسألة إعادة التوزيع في مجتمع ديمقراطي، مما يثير عدداً من التساؤلات الفقهية تخص المسلمين المقيمين في مجتمعات غربية لها برامج للرعاية الاجتماعية.

إن تأكيد الإسلام على الصدقة في سبيل الله، والخيارات التي فتحتها أمام المتصدق في وجوه صرف صدقته، يمكن أن تكون عاملاً مهماً في تحسين أداء برامج الرعاية الاجتماعية.