Zakat or Not?: How the Presence or Absence of Religious Tenets within Public Policy Affects Social Welfare Reform

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Abstract: *Why hasn't the United States implemented an institution similar to the zakat system, which exists to address poverty in Islamic law states by drawing on mores related to social responsibility and compassion for the poor. After juxtaposing the way that zakat functions in Pakistan and Malaysia with the history of social welfare reform in the United States, it appears that a system like zakat is best suited to countries in which religion and public policy are intimately intertwined and, thus, not tenable in the States. My analysis illuminates the strong implications of shared, cultural understandings, and how the trajectory of legislation is impacted according to how local and national legal systems incorporate those understandings.*

Introduction

Human civilization has always developed in tandem with poverty. While some states have adopted the view that poverty is the natural outcome of social hierarchies and, thus, an inevitable component of modern society, others have conceptualized it as an extension of personal, moral failures on the part of inept individuals (Hamburger 2009). Broadly speaking, the political institutions used to address poverty vary according to the cultural understandings of poverty within a state. More specifically, feelings of responsibility for citizens' standard of living can be deeply informed by religious and philosophic tenets that are ultimately incorporated into nation-wide policy or left to individuals and communities to address independently (Trattner 2007). The zakat system is an example of a state-enforced, political institution that stems from the former cultural understanding.

As one of the five pillars of Islam, zakat is an obligatory form of worship that requires Muslims to pay a certain amount of tax on their accumulated wealth in order to alleviate the grievances of the poor and the needy (Johari, Aziz, and Ali 2014). Although

zakat is an essentially religious principle, economists and political scientists have shown that there is potential for it to have a supplementary impact on social welfare reform in countries like Pakistan and Malaysia. While it is not the end-all-be-all when it comes to eliminating poverty, the system of zakat exemplifies the intermingling of religious practice and political enforcement within Islamic jurisprudence (Powell 2010).

This paper addresses the following question: given the prevalence of poverty and the failure of extant social welfare legislation to adequately address it, why does an institution like zakat (and the legal practices associated with it) not exist within the United States? A deeper understanding of what zakat entails, in addition to an in-depth analysis of social welfare reform in the United States, reveals that the system of zakat is fundamentally incompatible with the American conception of poverty and, more importantly, the cultural understanding about who is responsible for addressing it within the States. Simply stated, the absence of an American-style system of zakat can ultimately be attributed to ideological and legal differences regarding religion.

The paper proceeds as follows. First is a review of the history of zakat, assessing it as a form of tax and welfare in addition to its role as a religious requirement within Islam. The second section entails the trajectory of social welfare legislation in the United States. Here, great emphasis is placed on how *cultural* understandings of poverty evolved over time, and how the latter has implications for the way that poverty is addressed in the States at present. Next, two case studies about how zakat is implemented and enforced within Pakistan and Malaysia are outlined in great detail. These case studies will provide the basis for evaluating whether or not zakat is preferable to social welfare legislation in the United States. The paper ends with an analytical defense of the following conclusion,

which stems from an analysis of the case studies: it is unlikely that the U.S. federal government will implement a system like zakat, in spite of the fact that many aspects of its social welfare system are based on cultural and ideological biases towards the poor.

Although the bulk of this paper entails a practical comparison of how certain types of welfare legislation operate within the Islamic and common legal systems, at the crux of this comparison is the idea that sociocultural ideology permeates political institutions in a way that fundamentally shapes the legal practices of a state. While the Pakistani and Malaysian legal systems have continued to encompass spirituality and religion within their legislation, the United States has rejected these qualities as a legitimate basis for public policy, which has, therefore, resulted in a more decentralized approach to poverty alleviation in the latter. Ultimately, it is pertinent to understand the historical trajectory of a country's legislation when assessing the effectiveness of existing legal practices or considering the possibility of a legal transplant from one state to another.

The Historical and Modern Practice of Zakat

As defined by Ahmad and Mohamad (2012, 195), zakat is "… the third pillar of Islam and it is an obligatory payment that a free and rational Muslim who owns a certain amount of wealth has to observe." In simpler terms, it is the portion of a man's wealth that is designated for the poor (Azeez 2003). According to literary term, zakat has a wide range of meanings including blessing, growth, development, purity, praise, and neatness (al-Qaraḍāwī 1999; Hassan 2007; Mahmud et al. 2008). Although many contemporary Islamic scholars analyze zakat as a system of taxation and welfare law, zakat is traditionally understood to have "…spiritual, moral, social, political, and economic

implications" stemming from the Qur'an (Powell 2010; Anwar 1995). Indeed, for many scholars, that the main objective of zakat is the achievement of socioeconomic justice is an undisputed fact (Kahf 1989; Yusoff 2011). Like many practices that stem from religious doctrine, zakat has a rich and dynamic history that contributes to its practice at present.

In the early Islamic years, the Prophet did not regulate assistance to the poor. Voluntary giving was enforced through pre-Islamic, Arabian customs in which individuals who failed to meet the social norms of generosity were rebuked or even ostracized from their small, "face-to-face" societies. In other words, charity, not law, regulated almsgiving amongst Muslims. It was not until C.E. 622 when the Muslim community moved from Mecca to Medina that zakat became a formal and compulsory transfer system (Kuran 2012).

Following the formalization of the zakat obligation, the voluntary aspect of monetary contributions (*sadaqa*) was widely debated amongst Muslims. Even though the Qur'an mentions the word 32 times and in three places, it does not provide specific guidelines for how zakat should be enforced (Powell 2010; Johari, Aziz, and Ali 2014). On the contrary, the Qur'an does establish eight categories of expenditure on which zakat should be used rather explicitly. According to verse 9:60, the poor, "…the needy, zakat administrators, potential converts and Muslims who might yet renounce Islam, manumitted slaves, debtors, people fighting for God, and wayfarers…" are all entitled to the use of zakat funds (Kuran 2012; Johari, Aziz, and Ali 2014). Although the Qur'an does not specify how zakat funds should be distributed among these categories, it is a widely held convention that they should be allocated such that the alleviation of poverty

through assistance to the poor and the needy is the first and most important priority (Bakar and Ghani 2011; Khairuldin, Firdaus, and Mohammed 2013).

Although Yusuf and Derus (2013, 61) argue that "[zakat] is the first universal welfare system in human history that has played a significant role in smoothing the consumption of the poor," there is much historical evidence that suggests the contrary. Similar to the way in which many medieval clergymen used tithes for personal gain under the guise of collecting funds for the poor, after the first four caliphs, evidence suggests that the Islamic state treated zakat as a "…fungible component of a broader revenue stream controlled by powerful social groups" (Kuran 2012, 281). Although zakat was supposed to entail a transfer of payment from the wealthy to the poor "…for the purpose of [redistributing] wealth and income in the society," government officials purposefully protected wealthy citizens through broad exemptions, particularly during Uthman's time (Kahf 1989).

During the Ottoman Empire, soup kitchens, hostels, schools, and the Islamic inheritance system contributed to poverty alleviation at a significantly greater rate than zakat. While the poor were never completely ignored, ultimately, bureaucrats, clerics, religious institutions, and "descendants of the Prophet" used zakat as they saw fit (Kuran 2012). It is only in the last several decades that scholars (namely economists and politicians) have voiced the need to develop the institution of zakat as a tool for financing development in Muslim countries (Anwar 1995).

In spite of the fact that the collection and distribution of zakat did not function as ideally as many proponents of the system would hope, the importance of the practice has never been undermined. Zakat was established by the Prophet Muhammad himself; all of

his successors (including but not limited to Abu Bakr, Omar, and Usman) have gone to great lengths to codify and clarify the rules and expectations associated with it (Sharif 1979; Clark 1986; Yusuf and Derus 2013). Indeed, the Battle of *al riddah*, which was initiated against zakat evaders during Saidina Umar's reign, demonstrates its importance within Muslim culture and the integral part that it has played throughout Islamic history. If for no other reason, zakat is justified by deep-seated religious convictions, and by its potential to unite and build better relations among Muslim communities (Bakar and Ghani 2011).

In all government sponsored zakat systems, "…rates, exemptions, collection methods, and disbursement patterns have varied over time" (Kuran 2012). In the early Islamic eras, zakat was almost exclusively levied on agricultural products, camels, sheep, cows, and goods designed for trade. Personal property like cloth and furniture were exempt from zakat (Kahf 1989). At present, zakat rates remain quite diverse; it is paid once a year during the month of Ramadan "…on wealth held more than a year," and it varies according to the amount of labor, degree of risk, and degree of "good fortune" involved in acquiring said wealth (Maududi 1980; Clark 1986). In general, the zakat rate is two-and-a-half percent on money, gold, and silver and 20% on "the produce of mines" (Aghnides 1981). According to the Qur'an, items that are subject to levy are major kinds of wealth (i.e. livestock, inventory of trade, gold and silver), found treasures, agricultural products, and saved income. Exempted items include, human skills and resources, items of wealth used for personal and family purposes (i.e. horses, slaves, personal weapons, and residence), trivial items not meant for trade (e.g. occupational tools), and consumed income (Kahf 1989).

The categories of permissible zakat recipients are painstakingly clear. However, the fact that the collection of zakat is a predominantly state-sponsored activity should give us pause. Although a large part of the zakat system's success is derived from its ties to religious doctrine, research reveals that the bureaucratic processes associated with zakat fundamentally undermine its effectiveness as a financial source for the poor (Kuran 2012). Thus, it is important to evaluate whether political systems that insist of the separation of church and state provide a better alternative to social welfare systems that are based on religion.

Social Welfare Reform in the United States

Origins of Social Welfare Law

At present, the social welfare system in the United States stems from "…customs, statutes, and practices of the past" (Trattner 2007). Like the institution of zakat, the American welfare system finds its origins in religious doctrine. Ancient Hebraic law and custom dating back to as late as the 11th century B.C. commands Jewish adherents to give *tzedakah* to "…the sick, the old, the handicapped, and the poor, not as a matter of charity but out of a sense of justice (or *tzedek*)" (Niebuhr 1932; Trattner 2007, 2). Similarly, the Decretum (a 12th century legal textbook composed by a jurist and monk known as Gratian) regards poverty as a misfortune for which society had to assume responsibility in an act of justice, not charity or mercy (Winroth 2004; Trattner 2007). As evidenced by these texts, poverty in early American history was not conceptualized as a personal, moral failure but, rather, as a function of circumstance and misfortune. Although this cultural understanding was widely understood within various religious groups in the colonies, ultimately, its codification into public law drew heavily from European welfare

practices.

Throughout early European history, local officials were tasked with the responsibility of alleviating poverty within their communities. Funds to support the poor were primarily raised through the voluntary contributions of church members during weekly services. However, this system was not working; religious citizens were burdened with the monetary obligation of supporting the less fortunate, and it was nearly impossible for churchwardens or government officials to anticipate how much income they could put toward social welfare consistently (Trattner 2007).

In 1572, a statute was enacted giving justices of peace and other local officials the authority to "…tax and assess all and every [inhabitant] dwelling in all and every city, borough, town, village, hamlet, and place" in order to care for the impoverished members of society (Nicholas 1900; Trattner 2007). However, the locally financed and administered welfare system did not prevent punitive measures against the poor from taking place. Those who refused to work could be committed to correction houses, whipped, branded, stoned, or even put to death (Webb and Webb 1927). Although these measures were never completely overturned, in the early 17th century, the government initiated the Poor Law of 1601 or the Elizabethan Poor Law: a comprehensive plan for poverty alleviation that emphasized assistance in the form of direct grants-in-aid to the unemployed and a policy of apprenticeship for youth and able-bodied adults (Salter 1926).

The Elizabethan Poor Law defined three major categories of dependents: children, the able-bodied, and the impotent. According to the statute, each of these groups required fundamentally different remedies to become fully integrated into society. Needy children

were to be given apprenticeships, able-bodied adults to be given work, and the incapacitated, helpless, and "worthy poor" to be provided with shelter in private homes or public institutions (Trattner 2007). The law also established the parish as the principal moderator of welfare funds at the local level. Churchwardens and "substantial householders" who were appointed by the justices of peace served as overseers of the poor and as collectors of revenue. The act was funded through a state-enforced income, "…with the threat of imprisonment for those who failed to pay…" (Salter 1926; Trattner 2007).

In spite of some notable shortcomings (namely the retention of some punitive measures from the years preceding it), the Elizabethan Poor Law "…brought together, in a single coherent statute…firmly placing its operation in the hands of civil authorities and establishing a definite system of obligatory financing outside of the church" (Trattner 2007, 12). More importantly, the law reinforced the idea that the state was responsible for supplementing ordinary efforts to relieve poverty, and the notion that needy people not only deserved state's assistance, but also had a legal right to it (De Schweinitz 1943; Mencher 1967). In addition to its significant contributions to the trajectory of European welfare policy, the Elizabethan Poor Law provided the pattern for social welfare legislation in the United States (Fletcher 1970; Trattner 20007).

Conceptions of Poverty in the Colonial and Revolutionary Periods

Life in colonial America was characterized by hardship, deprivation, and poverty (Jernegan 1929). In spite of the fact that even those who were "well-off" could barely support their immediate kin, colonial populations were determined to address the plight of the poor from the outset (Jernegan 1929). In the creation of their own poor laws,

colonists in the middle and seventeenth centuries turned to the Elizabethan Poor Law, sometimes adopting specific provisions from it *verbatim* (Jernegan 1930[1]). Like the English, the colonists did not perceive the poor as essentially flawed but, rather, as victims that were permanent and integral parts of the community (Trattner 2007). In New England, civil officials, tithingmen, or overseers of the poor distributed welfare funds amongst impoverished community members. In the southern colonies, the board of vestry (a group of—typically—twelve men) was responsible for aiding the poor. Although some families took on the task of caring for the destitute (e.g. housing one or two people in their personal quarters), the most common 17th century practice was to place the poor in publicly funded, private homes. Other forms of relief included taxes and parish dues (Jernegan 1930[1], 1930[2]; Lee 1981).

Although colonial "poor laws" borrowed from English law quite extensively, by the beginning of the 18th century, the growth of intimate communities and the additional burdens that accompanied them lead to a new conception of the ideal, American individual. In particular, Calvinistic theology—which emphasized the virtues of hard work and the "sin of idleness"—began to undermine the widely-held belief that able-bodied persons were entitled to the same degree of assistance as other categories of dependents. Simply stated, "…powerful religious and economic forces converged to see to it that there would be little sympathy for 'sturdy beggars'" (Trattner 2007, 22). The methods and techniques for classifying the "deserving poor" became more sophisticated and exclusive, with particular emphasis on rehabilitation and prevention. By the middle of the 18th century, America was on the path to a more individual-centered view of

culpability that would have profound effects on the scope of welfare policy in subsequent years (Trattner 2007).

While there are many defining moments in American history that contributed to the gradual shift in ideology regarding poverty, the American Revolution had a particularly strong impact in several ways. Before the onset of the Revolution, social welfare increasingly became a partnership between public and private organizations. Although communities continued to enforce local poor laws, private organizations like nationality groups, fraternal societies, and social clubs began to take on the task of providing aid to the poor (Trattner 2007). Thus, religious institutions and local governments were no longer the only resources that struggling citizens could turn to in times of need. Rather, the idea that poverty alleviation should come from a mixture of public and private organizations began to take hold as a fundamental, cultural understanding.

On one hand, feelings of national unity and comradery following the Revolution intensified philanthropic attitudes toward the poor; colonists felt that, as a new, independent nation, the fate of their neighbors was now an entirely American obligation. On the other had, countless communities went spiraling into social and economic turmoil in order to fund the war, which, in turn, resulted in the breakdown of poor law enforcement (Mencher 1967). Although the immediate effects of this dissolution did not overturn the social welfare system as a whole, many of the measures taken to address poverty after the Revolution would have long-term effects extending to modern welfare policy (Trattner 2007). First, "…the establishment of a federal political system and the failure to delegate specific responsibility for needy citizens to Washington…" meant that

the nature of welfare legislation greatly varied across states" (Trattner 2007, 41). There was "…no single code affecting social welfare matters throughout the nation," resulting in "…confusion, uncertainty, inefficiency and tardiness in matters of social welfare" (Trattner 2007, 41). In addition, the decentralized approach to social welfare policy permitted states to be exceptionally flexible in their interpretation of poverty, making it even more difficult to distinguish who deserved public aid from one state to the next. In short, the new political order following the American Revolution emphasized states' rights, and minimized the role that the national government played in providing public aid (Trattner 2007).

Another development following the Revolution was the emphasis on the separation of church and state. The absence of a central, state church encouraged the growth of sects, which, in turn, reinforced individual efforts to alleviate poverty through private, religious institutions (like orphanages and hospitals) (Jernegan 1931). It also cultivated the general sentiment that the voluntary contributions of these private organizations were an integral component of social welfare reform (Mencher 1967; Jernegan 1931).

Finally, the expansion of colonial territories, and, in particular, the rush to claim land in the west, fostered the idea that all citizens had ample opportunities to acquire wealth. Americans began to reject that idea that poverty was an inevitable byproduct of society, which fostered a "…harsh and suspicious view of the poor" (Trattner 2007, 53). In other words, by the late 18th and 19th centuries, "…Americans began to believe that poverty could, and should, be obliterated—in part, by allowing the poor to perish" (Trattner 2007, 54).

Social Welfare Legislation during the Great Depression and Modern America

The welfare reform that occurred in the wake of the Great Depression is a particularly important moment in the development of America's modern welfare system. Ample research attempts to explain exactly why the Great Depression occurred. Economists and historians often argue that the abandonment of the gold standard, debt deflation, monetary policy, and productivity shocks were responsible for the economic crisis (Shughart 2011). Most scholars agree that the rapid expansion of bank credit during the 1920's was the ultimate culprit (McElvaine 1993; Shughart 2011). Regardless of its source, the Great Depression was a national catastrophe that prompted the creation of numerous welfare programs to help citizens get back on their feet (Moran 2011).

In response to the Great Depression, President Theodore Roosevelt "…launched the most dramatic peacetime expansion of the federal government in U.S. history" (Fishback et al. 2005, 36). The Roosevelt Administration created and funded a multitude of federal programs to revive economic activity including the Public Works Administration (PWA), the Federal Emergency Relief Administration (FERA), the Civil Works Administration (CWA), and the Works Progress Administration (WPA) (Fishback et al. 2005; Moran 2011). President Roosevelt divided nearly $5 billion among several agencies to ensure that the programs would be administered at the state level. However, the vast majority of the funds ($1.39 billion) were granted to the WPA (McElvaine 1993). Under the WPA, state and local governments were granted funds to "…provide work relief and direct relief to and to build and maintain infrastructure" (Fishback et al. 2005, 37).

Because of its wide reach and the multifaceted nature of its programs, there is an

ongoing debate about the extent to which the New Deal was successful. Although some insist that programs like the National Industrial Recovery Act (NIRA) resulted in lower levels of unemployment (Cole and Ohanian 2004; Eggertsson 2012), others contend that New Deal programs bolstered the monopoly power of banks and firms instead of providing support to poverty-stricken citizens (McElvaine 1993). While many of the former programs had unintentionally adverse effects (Arrington 1969; Higgs 1997; Fishback et al. 2006), the larger and more important point about the New Deal Era is that the Roosevelt Administration "…made an effort to secure what the New Dealers came to regard as a human rights entitlement—the right to work…" (Harvey 2012). Regardless of whether their policy initiatives failed or succeeded, the New Deal philosophy revitalized the contention that the federal government should assume an active role in citizens' standard of living.

Since 1990, social welfare reform in the United States has mainly consisted of revisions to existing policy. However, in 1996, the Clinton Administration enacted major welfare reform legislation under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The primary provisions of PRWORA included the devolution of greater program authority to the states, changes in financing and work requirements, incentives to reduce nonmarital births, a five-year maximum time limit on the receipt of Temporary Assistance for Needy Families (TANF), and changes in child-care assistance (Blank 2002).

As was the case with the New Deal reforms, the effects of PRWORA are mixed. On one hand, PRWORA provisions related to TANF and the Aid to Families with Dependent Children Program (AFDC) have had substantial a substantial impact for

women: the total consumption by mothers increased during the mid-1990s, waivers enacted during the same time increased income among low-income women, and there were (slight) improvements in the percent of women working in addition to their monthly earnings (Loprest 2001; Schoeni and Blank 2000; Meyer and Sullivan 2001). Unfortunately, on the other hand, poverty in modern United States was still widely prevalent (Tanner 2012).

According to the United States Department of Commerce, 38.1 million (11.8% of) Americans lived in poverty in 2018 (Semega et al. 2019). Thus, in spite of its centuries of social welfare reform, the United States continues to struggle with poverty alleviation on a national scale and, while existing legislation helps certain members of society, the majority of impoverished citizens in America continue to struggle on a daily basis.

Case Studies: Pakistan and Malaysia

Zakat in Pakistan

Similar to the way in which it started in early Islamic eras, zakat in Pakistan was entirely voluntary until the late 20th century. A national institution of zakat was first implemented in Pakistan through the *Zakat* and *Usher* Ordinance of 1980 (Toor and Nasar 2001). The Ordinance overhauled voluntary payments on a self-assessed basis and replaced the once highly subjective practice with the state-led collection and distribution of zakat funds (Mohammad and Anwar 1991). The zakat system in Pakistan involves a mixture of highly professional civil servants and unpaid volunteers that work within a five-tier administrative structure (Clark 1986; Shirazi 1996).

In modern Pakistan, zakat is a yearly, compulsory, income deduction. The valuation of assets for zakat is done on the first day of *Ramadan*. There are 11 zakat-deductible assets stipulated by the *Zakat* and *Usher* Ordinance of 1980: (1) Saving Bank Accounts; (2) Notice Deposit Accounts and Receipts; (3) Fixed Deposit Accounts and Receipts; (4) Saving/Deposit Certificates Accounts and Receipts; (5) National Investment Trust (NIT) Units; (6) Investment Corporation of Pakistan Mutual Funds Certificates; (7) Government Securities on which the return is receivable by the older periodically; (8) Securities including Shares and Debentures of Companies and Statutory Corporations on which return is paid; (9) Annuities; (10) Life Insurance Policies; and (11) Provident Fund Credit Balances (Ahmad 1983; Butt 1990; Mohammad and Anwar 1991, 1120). Assets that are not subject to zakat deduction include gold, silver, cash, prize bonds, animals, agricultural produce, and things of the like. Zakat is collected at the rate of 2.5% on the zakat-deductible or "first schedule" assets listed above (Shirazi 1996).

The hierarchical model of the zakat system in Pakistan makes the distribution of zakat funds quite complicated and, thus, there are mixed reviews as to whether the system has been effective or not. Members of the most influential tier in the zakat system are responsible for determining eligibility for zakat funds (Clark 1986). They also keep records of where the funds are allocated and disburse them (Clark 1986). However, ultimately, the success or failure of the system depends on locally elected volunteers, more specifically, their ability to distribute zakat funds fairly and efficiently.

Some scholars suggest that, in spite of the systems' complexity, those who should be receiving zakat funds are. Suhaib (2009) claims that zakat "guarantees" that the poor Pakistanis are able to get the basic needs of life. Jehle (1994) finds that zakat did

redistribute income from the affluent to the misfortunate in Pakistan from 1987 to 1988. Shirazi (1996) shows that zakat and ushr transfers were made to residents in the lowest income decile of Pakistan from 1980 to 1981. However, before jumping to conclusions about the utility of Pakistan's system of zakat, it is important to look at its effects in greater detail.

Using data from a survey conducted by the Social Policy and Development Center (SPDC), Toor and Nasar (2001) provide a comprehensive account of zakat distribution in the four poorest districts of Pakistan (Muzaffargarh, Badin, Haripur, and Khuzdar). Their report illuminates the strengths and weaknesses of the Pakistani zakat system. In some respects, Toor and Nasar (2001) confirm Jehle's (1994) findings. According to their analyses, the majority of zakat funds were allocated to large families with few earners in 2001. A large number of the recipients (75% in Muzaffargarh and Badin) were unemployed and had no regular source of income (Toor and Nasar 2001). Furthermore, households that received zakat were found to be lacking in essential housing services. 56% to 93% of the urban and rural households surveyed were using wood for fuel purposes, 46% of them had no electricity, and 66% had no piped water (inside or outside). In addition, the same households reported spending up to 70% of their income on food, indicating a high level of deprivation (Toor and Nasar 2001).

For every positive effect that zakat has had in Pakistan, a comparably negative effect has followed. Zakat recipients who participated in the SPDC's survey indicated that they received their subsistence allowance irregularly; recipients were not paid for more than six months in some instances. These allowances also did not account for the number of dependents in the household, and, at times, receiving them proved to be a great

burden. The majority of recipients faced major difficulties in opening a bank account, which is a requirement for receiving the funds. Because zakat recipients must possess an identification card, illiteracy prevented many participants from eligibility altogether. To complicate matters even further, recipients complained that their local officials were not monitored on a regular basis. They also reported that these officials were highly politicized, resulting in a distribution system that favored some recipients over others (Toor and Nasar 2001). Thus, in spite of some notable distributional effects, many Pakistani scholars, economists, and politicians argue that there is "…no evidence that the zakat system currently in operation [combats] poverty more effectively than relief systems lacking an Islamic identification" (Timur 2012; Shirazi 1996; Clark 1986; Mohammad and Anwar 1991).

Zakat in Malaysia

From the moment that Islam arrived in Malaysia during the 13th century, the accumulation and distribution of zakat also began. During the pre-colonial period, zakat was distributed through religious teachers who collected goods from voluntary givers and distributed them to zakat beneficiaries according to the severity of need. This practice continued until the creation of the State Islamic Religious Councils (SIRCs). The SIRC is a religious council whose task it is to centralize religious administration at the state level (Rahman, Alias, and Omar 2012). Following their creation, SIRCs acquired the task of regulating all matters associated with zakat.

The next major shift within the Malaysian zakat system occurred during the 1990's, when the collection of zakat became highly privatized. The process of privatization included provisions that gave subsidiaries under the SIRCs the power to

collect zakat funds separately, utilize advanced computer technology in the maintenance of zakat related matters, and set up a corporate system that was not bound by bureaucratic measures (Rahman, Alias, and Omar 2012). At present, these subsidiaries—namely the zakat division of SIRCs—remain primarily responsible for the collection and distribution of zakat funds in each state.

Unlike Pakistan, Malaysia does not have a federally enforced, compulsory zakat law. Great deference is given to local authorities when it comes to the administration of zakat, which falls under state, not federal, jurisdiction. As a result, "…the practice of zakat varies according to the state's 'will'": each state formulates independent policies on methods of collection, disbursement policy, administrative aspects, execution, and the degree of enforcement (Bakar 2007, 76). As evidenced by Table 1, even the interpretation of zakat varies according to location.

Table 1. Interpretation of Zakat According to States in Malaysia (Nasir 1999, 206)

Malaysian States	**Interpretation of *Zakat***
Perlis and Perak	A compulsory donation made by a Muslim from his property and income in accordance with Islamic law.
Kelantan and Pahang	The tithe or crop payable annually under Islamic law in respect of paddy land.
Kedah	A gift required of a Muslim in accordance with Islamic law.
Selangor	A tithe of certain property, payable annually in accordance with Islamic law.
Johor	A tithe upon property, paid by a Muslim in accordance with Islamic law.
Penang	*Zakat* on certain property, which is payable annually in accordance with Islamic law.
Malacca	The tithe of certain property, payable annually in accordance with Islamic law.
Terengganu	The tithe of paddy crop and livestock, such as cattle, goats, and sheep, payable annually in respect of paddy planted and livestock reared, subject to the exemptions prescribed by this Enactment.

There are eight groups of Malaysians that are eligible for zakat funds: the "hardcore poor" (*faquir*), the poor (*miskin*), the zakat administrator (*amil*), the potential convert to or sympathizer of Islam (*muallaf*), the slave or prisoner (*al-riqab*), the debtor (*al-gharimin)*, the defender or teacher of Islam (*fisabilillah*), and the wayfarer (*ibnu sabil*) (Yusoff and Densumite 2012). Two types of zakat are collected by local SIRCs: *Zakat al-fitr* and *Zakat al-mal*. *Zakat al-fitr* refers to the obligation of every Muslim to contribute a specified amount of food or its monetary equivalent to charity during the month of Ramadan. *Zakat al-mal* is a tax on wealth that is paid as a profession of a Muslim's commitment to Islam (Kaslam 2008).

While Yusoff and Densumite (2012) find that zakat expenditure could boost GDP in the federal territory of Malaysia both in the short-run and long-run, there are many flaws within the state-led zakat systems that have significantly undermined its attributes. Although the total of zakat collection in Malaysia has increased every year from the time that SIRCs were established, total zakat collection is quite small in spite of the fact that Muslims make up 61% of the population. For example, in 2009, zakat collection was $0.4 billion compared with $37.27 billion in total tax collection and $54 billion in total government revenue (Ali and Hatta 2014). Some may argue that the numbers associated with zakat collection are admirable given the non-compulsory nature of the system. However, a closer look at *who* contributes the majority of the funds sheds light on fundamental inequalities.

The two types of zakat collected by each SIRC—*Zakat al-fitr* and *Zakat al-mal*—are associated with two different types of contributors. Because *Zakat al-mal* is drawn from wealth, the assets that are taxed are of substantially greater value than the individual

contributions collected as a result of *Zakat al-fitr.* Put another way, the impetus behind *Zakat al-mal* is that zakat on wealth and business will result in the contribution of greater funds at the same rate at which smaller funds are contributed through *Zakat al-fitr*. However, Hassan (1987) finds that zakat funds in Malaysia are mainly contributed by low-income citizens through *Zakat al-fitr*. In other words, although the gross number of funds collected through *Zakat al-mal* is substantially larger than that of *Zakat al-fitr*, there are far more low-income citizens contributing to *Zakat al-fitr* on a more consistent basis than those who contribute to *Zakat al-mal* (Hassan 1987; Kaslam 2008). According to a 2010 report by the PPZ/MAIWP[1], only 160,000 out of approximately two million Muslims in the state of Selangor (8%) paid zakat in that year (Rahman and Omar 2012). In sum, a major drawback in the system of zakat as it currently exists is its inability to identify and target prospective zakat payers (Rahman, Alias, and Omar 2012).

Discrepancies in contribution are compounded by the large amount of discretion given to SIRCs. Most zakat centers operate based on the prerogative of local Imams and the fatwas[2] issued by each SIRC's fatwa council, often resulting in bias and the strict interpretation of largely inconsistent policies (Bakar 2007). Insufficient knowledge on the part of the SIRC often means that zakat funds are not channeled to deserving *asnafs*. For example, Wahid et al. (2004) find that zakat recipients were generally not satisfied with zakat distribution related to fundamental quality of life variables like transportation, communication, health, and shelter. Furthermore, a study by Hussin and Ahmad (2010) shows that only 6.9% out of 537 respondents that received capital aid from zakat

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[1] Pusat Pungutan Zakat, Majlis Agama Islam Wilayah Persekutuan.

[2] An Islamic legal pronouncement, issued by an expert in religious law (mufti), pertaining to a specific issues, usually at the request of an individual or judge to resolve an issue where Islamic jurisprudence (fiqh) is unclear. **Source:** The Islamic Supreme Council of America.

institutions in Selangor and Kuala Lumpur were able to surpass the Had Kifayah or zakat poverty line (Rahman and Omar 2012).

Differences in administrative opinion have resulted in changing eligibility standards and fluctuating financial payments within various SIRCs, making it difficult to assess the overall impact of zakat funds (Mohammad et al. 2011; Shariff et al. 2011; Wahab and Rahman 2012). The inefficiency of the zakat system in Malaysia may be attributed to the non-existence of standardized and compulsory laws, and to uncertainties about the credibility and effectiveness of the SIRCs (Shariff et al. 2011). Although scholars are optimistic about the potential that zakat has to alleviate poverty within the Malaysian states, the variation and inconsistencies within the Malaysian system have become an overarching impediment that will require substantial revision before it can become a viable asset.

Zakat or Not?: The Implications of Religion in the Political Sphere

Unlike Pakistan and Malaysia, the United States does not have a legal system in which religious values and public policy are fundamentally intertwined. Throughout history, financially stable citizens often espoused feelings of social responsibility for the less fortunate members of their communities. However, as evidenced above, the extent to which state and local governments take on responsibility for the poor varies according to the prevalent cultural understanding of poverty at the time. For Muslims in Islamic states, deference toward the sacred teachings of the Prophet reinforces the idea that those in poverty should be treated with respect and sympathy. Conversely, ideas about the "Protestant work ethic" in the United States undermined the contention that the poor had

a right to rely on the charity of others. In many ways, religion became the deciding factor in how poverty was conceptualized and, thus, how social welfare policy was created to alleviate it.

There was a time in American history when a fusion between religious values and government policy may have been possible. During the 19th century, the Catholic Church fought ardently to establish a union between religious tenets and government policy; it justified this effort as an affirmation of the belief that the United States should be governed according to God's doctrine (Hamburger 2009). However, in an attempt to prevent the Catholic Church from exercising political or religious authority, Protestant leaders eagerly adopted the separation of church and state as a fundamental cultural principle and American ideal (Hamburger 2009). If not for their minority status and perceived threat on the part of Evangelicals, it is possible that the Catholic agenda of a union between the religious and political spheres would have been realized, and, perhaps, the United States would have state-led, mandatory welfare efforts stemming from Judeo-Christian beliefs at present.

The former line of thought is merely speculative; however, conceptualizing the issue of policy formation through this lens illuminates the fact that it was not only cultural understandings of poverty that determined the course of Islamic and common-law social welfare reform but, ultimately, the degree of dissension over the value of fundamental, religious texts. America's commitment to maintaining the diversity within its "cultural melting pot" restricts the extent to which one religion can become the dominant source from which national values are drawn. The centrality of Mohammad's teachings within various Islamic sects have undermined the former problem in countries

like Pakistan and Malaysia, so much so that the essence of debate when it comes to appropriate role for religion in politics is not about which religious beliefs the government should inform national policy but, rather, the extent to which the government can bring legislation in line with religious principles. This fundamental distinction between the Islamic and common law systems has wide-ranging effects in a variety of cultural contexts and fundamentally affects the lives of impoverished citizens.

Conclusion

The cultivation of a religious niche marketplace in which citizens can adhere to whatever faith of their choosing has made it such that a system like zakat is untenable in the United States. However, a more fundamental question is whether or not a system like zakat *should* be implemented within the States. In spite of its merits, it is clear that the "…distributional goals of Islamic economics require policies similar to secular transfer policies currently in use throughout the world…." (Kuran 2012, 288). Although more than a dozen countries have an official zakat system, the zakat system does not always result in the transfer resources from the rich to the poor (Kuran 2012).

It is important to emphasize that no social welfare system is without its faults; it is highly unlikely that any type of legal transplant from an Islamic law state to a common law state would be successful because of how different their institutional structures and cultural norms are. However, underlying this discussion is a comparison between a social welfare system in which religion is a central component, and one in which it is not. Is a welfare system based on religious values more effective than one that is not? Given the information presented here, it would be difficult to conclude that the zakat system is a comparable substitute for any type of welfare system let alone the American one.

Although there are benefits to zakat, the disbursement of funds is slow and unpredictable, eligibility requirements are subjective, and access to the system breeds dependence among recipients (Toor and Nasir 2001). Reforms that help low-income citizens make a permanent transition out of poverty are necessary on a worldwide level. However, the institution of zakat in particular will only thrive in a legal system that embraces religion completely, a value that may come at the expense of a country that is supposed to treat religion ambivalently.

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