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Zakat: Islam's missed opportunity to limit predatory taxation

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Abstract
One of Islam's five canonical pillars is a predictable, fixed, and mildly progressive tax system called zakat. It was meant to finance various causes typical of a pre-modern government. Implicit in the entire transfer system was personal property rights as well as constraints on government—two key elements of a liberal order. Those features could have provided the starting point for broadening political liberties under a state with explicitly restricted functions. Instead, just a few decades after the rise of Islam, zakat opened the door to arbitrary political rule and material insecurity. A major reason is that the Quran does not make explicit the underlying principles of governance. It simply outlines the specifics of zakat as they related to conditions in seventh-century Arabia.

Keywords Zakat · Islam · Taxation · Predation · Governance · Property rights · Poverty

JEL Classification N25 · N45 · O43 · O53 · K34 · H13

1 Introduction

Islam has five canonical requirements, all mentioned in the Quran with varying frequency. By the time Muslim children are old enough to learn about religion, they already are familiar with three of them: the daily confession of faith (*shahāda*), prayer performed five times a day, and fasting during the month of Ramadan. Children born into wealth may also know of a fourth requirement: the duty, incumbent on believers of means, to make at least one pilgrimage to Mecca. The last requirement is unfamiliar to most children: the duty to pay zakat once a year. Though zakat often is translated as alms, in fact it constitutes a mildly progressive transfer system that restricted the state's fiscal options. As such, it could have formed the doctrinal basis for predictable taxation, limited government, and secure property rights. Instead, barely a few decades after Muhammad declared himself a "prophet of Allah" in 610 CE, it opened the door to arbitrary governance and material insecurity. States ruling under Islamic law have been able to prey on their subjects more or less with impunity.

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In the early years of Islam, payments that Muslims made under the rubric of zakat financed the nascent Islamic state. Zakat revenue compensated state employees, delivered public goods, and provided what we now call social security. Before long, though, various wealthy constituencies gained exemptions for one reason or another, reducing the transfer system's resource base. In the process, zakat lost its relevance to Islamic rule. Among the byproducts of that transformation was the fall of a barrier to arbitrary government takings. From the 660s to modern times, Islamic tax practices evolved without reference to the transfer system laid out in the Quran. Although initiatives were pursued to place alternate fiscal constraints on the state, they all limited individual freedoms in ways that the original zakat system did not.

If enforced, the transfer system laid out in the Quran would have raised funds for the government without stifling investment or discouraging initiative. It would have delivered assistance to the poor and needy without removing private incentives to expand employment opportunities. Although it could not have prevented arbitrary rule or authoritarianism on its own, it would have limited departures from liberal principles of governance. To serve such a role, interpreters of the Quran would have had to give it more specificity by defining, in more detail, what counts as taxable income or wealth. They also would have had to elaborate on what categories of individuals, and what personal and collective pursuits, are entitled to zakat resources. Such classifications could have emerged as part of the development of Islamic law (sharia), which operationalized the commandments and principles of the Quran.

Every social order requires a system of taxation, if only to finance collective defense, provide public goods that are not financed privately, and enforce property rights. The optimal levels will depend on circumstances, such as threats to peace and contract enforcement costs. Such factors will vary through time. In a healthy liberal order, though, any given period's tax requirements are specified clearly; they also are bounded.

The most important alternative to zakat-based fiscal constraints was the distinctly Islamic form of trust, the waqf. Unincorporated, a waqf was established by an individual through an income-producing endowment to provide a designated service in perpetuity (Kuran 2001; 2011, chaps. 6–7). The waqf's assets and income were exempt from taxes. Because the waqf was considered sacred, it was also immune to expropriation; until modern times, sultans rarely confiscated waqf property for fear of appearing impious. Absorbed into Islamic law about a century after Muhammad began propagating Islam, the waqf served as a wealth and tax shelter for more than a millennium, in the face of chronically weak property rights.

Wealthy Muslims of the seventh and eighth centuries went looking for ways to shelter assets precisely because zakat had ceased to constrain rulers as intended. The waqf substituted for zakat also as an instrument for providing public goods. It thus met various social needs that zakat transfers were supposed to fulfil. But for all of the resources in their control, waqfs were politically powerless. Indeed, they failed to generate the political checks and balances necessary for the flourishing of individual liberties. They did not constrain the ruler's capacity to tax or expropriate private property, as zakat might have done (Kuran 2016).

From the late-seventh century to the mid-twentieth century, for about 1250 years, zakat remained an unenforced canonical requirement in almost every part of the Muslim world. No government collected or distributed zakat, nor did Muslim communities do so systematically. Whether individual believers paid zakat essentially was left to their own discretion, as were the forms, amounts, and recipients of any transfers. Not until the mid-twentieth century did movements emerge under the Islamist umbrella to resume the enforcement of zakat. To that end, certain states took to collecting zakat from their Muslim citizens, ostensibly for poverty alleviation.

The modern revivals of zakat have not advanced personal liberties in the way that the original system probably did, for about three decades. They have done nothing to restrain Muslim-governed states from preying on their citizens. Insofar as states of the Muslim world respect property rights, their limits are based on constitutions grounded in secular movements rather than Islamic law. That historical trajectory will not surprise readers familiar with the emergence of individual rights or checks and balances in England, France, and other countries that played critical roles in advancing liberalism. The movements that brought about those developments were not led by churches; in fact, they restricted the powers of clerics and the scope of sectarian discrimination (Cantoni et al. 2018; Johnson and Koyama 2019).

The focus of this article is not on Islam's current political potential. The purpose is to identify a missed opportunity in the early centuries of Islam. Nevertheless, the article will serve to correct misperceptions about a period that all Islamists treat as a source of inspiration. We shall see that Islam's zakat requirement, if properly understood and faithfully operationalized, could have contributed to putting the Muslim world on a liberty-broadening trajectory distinct from widely familiar trajectories observed in the West.

2 Origins of zakat

Like many other institutions that came to be recognized as "Islamic", zakat grew out of the ideals and practices of communities living in the Middle East around the time that Muhammad began spreading his message. The region's pagan, Jewish, and Christian tribes practiced tithing and almsgiving; in several ancient languages, cognates carried meanings that zakat appropriated. The Aramaic *zakūt* originally conveyed a sense of "purity", and it was used also to mean "virtuous conduct" (Bashear 1993, pp. 84–85; Ibrahim 1990, pp. 19, 76; Hurgronje 1882/1957, pp. 152–153). Early Muslims used zakat in a sense consistent with those two usages.

Zakat appears 32 times in the Quran, where it designates a transfer system under which donors purify their properties by giving away small portions periodically.[1] The contributions enable the financing of eight broadly defined constituencies: the poor, the needy, zakat administrators, potential and recent converts, manumitted slaves, debtors, God's servants, and travelers.[2] The earliest converts to Islam came from communities already familiar with the concept of parting with some of one's resources in order to cleanse the rest ritually. That familiarity probably helped to legitimize the Muslim duty to pay zakat. On the expenditure side, too, the categories must have been familiar. Assisting the poor and needy were major themes of earlier monotheisms, Judaism and Christianity. In the Middle Eastern polities of antiquity, rulers commonly alleviated debt burdens as a means of limiting discontent; Judaism formalized that process through the forgiveness of debts every fiftieth year, known as the Jubilee.[3] All rulers of the region taxed their subjects to cover

[1] On the Quran's economic vocabulary and comparative counts of particular usages, see Kuran (2010, pp. 493–494).

[2] For example, 2:177, 2:215, 4:8, 9:60, 24:22. "God's servants" is a translation for *fi sabīllilāh*, literally "in the cause of Allah".

[3] Leviticus 25:10. For a history, see Zuckermann (1857/1974).

administrative and military expenses; hence, the idea of mandating compensation for zakat administrators and God's servants would have struck a familiar chord.

The Quran specifies neither the amounts due as zakat payments nor what counts as well-off for that purpose. Likewise, the frequency of payments is unspecified. Such practical details emerged as Muhammad formed his initial community in Mecca during the 12 years to 622. Zakat dues were fixed in proportionate terms, as a flat tax. They were to be paid in kind on the most common sources of income in ancient Arabia, such as farming, and the most common forms of wealth, such as precious metals and animal herds. Payments were due once every lunar year. Exemption thresholds, too, were defined on both income and wealth bases. Farmers producing less than a certain threshold were deemed too poor to pay zakat. Likewise, no zakat payment was due on camel herds below a minimum size.

With the Muslim community's move from Mecca to Medina in 622, the Islamic wars of expansion made booty an additional, and possibly much larger, source of communal revenue. Until then, the sum of all zakat contributions had determined the resources available to finance the eight missions enumerated in the Quran. The contributions went into the communal fund (*bayt al-māl*, literally, its house of wealth) (Cahen 1986; Coulson 1986; Belhaj 2019).

3 Constraints on taxation

The collection side of this transfer system was designed to make taxes predictable. Prosperous Muslims would know what they owed on their assets and incomes. The rates were not variable from one year to the next. Moreover, once zakat was paid, nothing more was due for another year. A gold trader would know what fraction of his wealth he needed to pay each year. A camel dealer would know how many camels he had to part with periodically. A wheat farmer would know how much of his crop belonged to the state. None of that should be taken lightly, for opportunistic taxation, not fixed and predictable taxation, was the global norm at Islam's birth. Even today, many countries are plagued by capricious and erratic taxation, which hinders planning and discourages investment. Remarkably, the tax side of the zakat system, as it unfolded, approximated an optimal tax system (Mirrlees 1986; Benhabib and Rustichini 1997). Specifically, in producing revenue for the government, the system maintained private incentives to produce and accumulate. It taxed final goods, uniformly and predictably. Though it taxed some capital goods—livestock—the rate was low.

Exempting the poorest Muslims from the payment requirement made zakat's tax system mildly progressive. But it is the levels that stand out as particularly striking. Although Islam's schools of law disagree on many specifics, the rates on wealth amounted to around 2.5%. For example, the owner of 36–45 camels had to pay one two-year old female camel; and the rate on both gold and silver was exactly 2.5% of the amount beyond the metal-specific exemption (*nisāb*). An exception was made for "found treasure," such as coins that an unidentifiable person had buried in the ground; for such lucky finds, the rate was 20%.[4] As for income, the maximum tax rate was 10%, on the output of naturally irrigated land. Those rates are astonishingly low in comparison to the typical tax rates of antiquity. In

[4] For a broader list and variations among schools of law, see Zysow (2002, pp. 410–414). Al-Mawardi (1050/1996, pp. 127–139) provides a medieval account of the diversity in interpretations.

Mesopotamian kingdoms, prior to the Roman conquest in 115, between one-third and one-half of a merchant's earnings went to taxes, as did between one-fifth and one-half of a peasant's crops. Rates of 20–30% were common also in Ptolemaic Egypt (330–305 BCE). The kings of Mauryan India (322–187 BCE) claimed one-quarter of each harvest (Webber and Wildavsky 1986, pp. 68–73; Wittfogel 1957, pp. 67–72). Medieval Europe would see some similar rates. Around 1400, wool exported from England was subject to duty of 25% (Holmes 1962, pp. 77–78); and in the communal towns of northern Italy, direct taxes on some goods exceeded 50% (Webber and Wildavsky 1986, pp. 198–200).

As significant as the low rates were the tax exemptions. People whose earnings fell short of category-specific thresholds, and whose assets were sufficiently small paid no zakat at all. In many other places, by contrast, the destitute were subject to the corvée—forced labor exacted in lieu of taxation in kind or coin. Some of the greatest monuments of antiquity were built by corvée teams numbering in the hundreds of thousands. They include the Egyptian pyramids (2670–664 BCE), the palaces and temples of Palestine under the reigns of Kings David and Solomon (1000–931 BCE), the fortifications of Persepolis (550–330 BCE), and the Great Wall of China (220–206 BCE, reconstructed several times) (Wittfogel 1957, pp. 39–40; Mendelsohn 1962; Henkelman and Kleber 2007, pp. 163–166).[5] Forced labor saw regular use also throughout the Roman Empire during the centuries preceding Islam (Millar 1984, pp. 130–145; Scheidel 2017). In all such cases, the corvée's burden fell on the poorest of the governed, who could not buy out their labor duties. As remarkable as the absence of corvée labor among the forms of zakat payment is that people too poor to pay in any given year were not required to make up for their condition by paying double-taxes the following year.[6] Islam's canonical zakat system shows a concern, then, for providing sustainable relief to the poor; it avoids burdening them with substitutes for dues they cannot pay. It simply waives the charges, without stipulating payment in some other form.

In earmarking the contributions of well-off Muslims to the community's governance, the zakat system also capped their obligations. In effect, it restricted the emerging Islamic state's fiscal capacity. It did so without keeping individuals from paying more, if they so desired, to causes of their choices. It put a ceiling on the amount the state could collect from individuals for collective purposes, not on what individuals could spend on any given cause or on social initiatives generally. Hence, zakat might have provided the doctrinal foundation of a social contract involving not only predictable taxation but also equity in taxation and limited government. Such a contract appears to have governed relations among Muslims during Islam's initial Mecca period (611–622) and even, to a degree, during the decade when Muhammad governed a state (622–632). Soon after, though, that notional social contract collapsed under the weight of exceptions made for certain powerful groups. As Islam transitioned from an Arabian faith to a world religion, zakat stopped serving as an instrument of Islamic governance. It even lost significance for individual believers.

At the rise of Islam, Western Arabia lagged behind other parts of the Middle East in technologies such as metallurgy and tool making. Its products also were limited, though it participated in global trade as a minor commercial outpost on the margins of a prosperous region (Crone 1987; Bonner 2003, p. 25). As Islam spread to Syria, Iraq, Egypt, and beyond, its economic base became more and more diverse. Hence, the Muslim community

[5] Slave labor, too, was used to build such structures.

[6] Zakat also has anti-avoidance rules. Transactions undertaken specifically to avoid zakat, such as transferring assets to another person right before the tax is due, do not eliminate the legal duty (Askari et al. 1982, p. 81).

had to decide whether and how new sources of income and types of wealth would be taxed. Although the sequence of steps is unidentifiable, the surviving recollections of Islam's first century provide a general idea. Influential groups, some located in Arabia and others in the broader Middle East, demanded exemptions for numerous categories of wealth and income. Backed by jurists, caliphs granted many requests to pacify powerful groups and build political alliances. Consequently, the tax code of the zakat system began to look like the modern American tax code: riddled with loopholes and regressive at the upper end of the wealth scale.

Having curtailed the coverage of zakat, influential groups then began to treat as sacred and thus unmodifiable the specifics of the restricted tax code, rather than the principles of predictable taxation, taxpayer equity, and limited government inherent in its initial design. In the process, they curbed the state's capacity to finance the expenses that it had been covering through zakat. Hence, barely a few decades after the birth of Islam, Muslim-governed states had to raise taxes unknown to Muhammad's generation. Taxes no longer were capped or predictable; they varied substantially across time, space, and communities (Løkkegaard 1950; Cahen 1956; Sijpesteijn 2013, pt. 2, texts 2–5, 8, 21–23, 35–36). Among politically dominant groups, the goals of limiting and fixing taxation gave way to the self-enrichment and the buttressing of sovereigns.

One might expect the beneficiaries of zakat-financed expenditures to have defended the Quranic system. But that would have been complicated, because on fiscal matters the Quran lends itself to multiple interpretations. The principles of limited and predictable taxation hardly are self-evident; they require evaluating each verse within its original context.[7] Consider the verses that discourage stinginess and hoarding (for instance, 9:34–35, 17:26–29, 102). In isolation, those passages can be used to justify arbitrary taxation. Another source of ambiguity is the Quran's inconsistency on whether or not zakat is obligatory; some of its verses say the payment is voluntary (2:261, 59:9).[8] Such apparent contradictions reflect changes over time in the challenges that the Muslim community sought to address. Verses that treat zakat as a tax appear to date from a period when the Muslim community was growing explosively through conquests in Arabia. By contrast, those that treat zakat as charity given out of devotion are from Islam's earliest years, when the Muslim community numbered at most in the hundreds (Hurgronje 1882/1957, pp. 157–160).

Alas, such changes cannot be gleaned from canonical compilations of the Quran, which order chapters by length, from longest to shortest, rather than chronologically.[9] The length-based ordering detaches the content of each verse from its historical background. Consequently, the typical reader of the Quran easily overlooks the principles of limited, fixed, and predictable taxation that are implicit in certain verses.

Within the span of a few decades, then, zakat ceased to constrain Muslim rulers on taxation. Before long, Islamic taxation turned out to be whatever the state could get away with.

[7] Illiteracy can pose a complementary problem. Illiterate persons depend on what literates select to read from the Quran; they cannot browse through it on their own. Even for literate readers, however, understanding the meanings of verses can be challenging. Few modern Arabs understand classical Arabic, the language of the Quran. The challenge is even more serious for non-Arab Muslims, who form three-quarters of the global Muslim population.

[8] Verse 2:261 says that "those who give their wealth for the cause of Allah" will reap rewards; and verse 59:9 that "those who preserve themselves from their own greed shall surely prosper." Neither requires resource sharing. On that basis, a plausible interpretation of these verses is that payment is voluntary.

[9] See N.J. Dawood's introduction to his translation of The Koran (1974, 9–14); and Pearson (1986, pp. 414–419).

Thus, Islam failed to establish a sustainable system capable of enforcing strong property rights. Officials derived immediate benefits from the ineffectiveness of the Quran's constraints on predation; they were able to manage crises by imposing new taxes and arbitrary confiscations. Over the long run, however, the region paid a huge price. The failure to limit predation contributed to keeping states untrustworthy in the eyes of the ruled. Moreover, zakat became a factor in keeping states governed under Islamic law politically unconstrained. Among the consequences is that Muslim states failed to acquire a capacity to borrow internally, as European states eventually did, partly through constitutions that tied their hands.[10] That unintended effect is analogous to the waqf's constriction of incentives to strive for stronger private property rights. In serving as a wealth and tax shelter, the waqf dampened the urgency of campaigning for general material security.

The Umayyad caliphs who governed from Damascus between 661 and 750 continued to collect zakat for a while, if irregularly. So did the Baghdad-based Abbasid caliphs who followed. Abu Ubayd (770–838), a scholar who wrote about almsgiving and taxation during the early Abbasid era, reports that the state was enforcing zakat collections patchily. Moreover, some zakat payers were choosing recipients on their own, as they saw fit. Abu Ubayd himself did not discourage such decentralization, possibly because of corruption in the state's zakat operations (Mattson 2003, pp. 33–40). Collections were no less decentralized a century later, in the age of al-Mawardi (974–1058), a renowned scholar based in Basra. In his best-known treatise, al-Mawardi (1050/1996, pp. 138–139) reports that refusal to pay zakat to the Abbasid ruler's officials was common. This observation is particularly revealing because, even though his work was almost certainly commissioned by the Abbasid dynasty, he refrains from condemning the practice.

Both the Umayyads and Abbasids also collected other taxes. Under their watch, zakat turned into a fungible component of a broader revenue stream. Having gone outside the Quranic fiscal system once, caliphs found it easy to add new taxes as well as to adjust and re-adjust rates. Net taxation became whatever rulers could get away with. The pattern continued in later regimes. For instance, in Fatimid Egypt (909–1171) and Mamluk Egypt (1250–1517), zakat was regarded as a matter of personal conscience for each believer, and sultans raised revenue almost entirely through other taxes.[11]

4 Role of coercion in enforcement

Prior to 622, as the size of the Muslim community in Mecca grew to a few hundred, it faced growing persecution. In hostile environments, small communities tend to develop norms of sharing and solidarity as a matter of survival. In this particular context, such norms did not need to be developed from scratch. Arabia's pre-Islamic customs required everyone of means to assist orphans, widows, the infirm, and the hungry. They also mandated that tribe members participate in communal defense. Under the circumstances, zakat could have been enforced reasonably well through multilateral social pressures (Greif

[10] North and Weingast (1989) provide key insights into the connection between constraints on government takings and government capacity to borrow. For refinements and corrections, see Cox (2012), Stasavage (2002) and Greif and Rubin (2015).

[11] Zysow (2002, p. 410); Sabra (2000, p. 40). Up to the 1280s, the state collected zakat dues from the Karimis, a prosperous community of long-distance merchants, and one pastoral community in Libya. Sultan Al-Mansur Qalawun (reigned 1270–1290) abolished even those collections.

2006, chap. 3; Platteau 2001, chap. 6). As in all primitive face-to-face societies—communities small enough that everyone knows everyone else—wealthy individuals who failed to meet social norms of generosity would have been rebuked, even ostracized.[12] Revealingly, in this period the term zakat was used more or less interchangeably with *sadaqa*, which referred, and still refers, to voluntary almsgiving. At least some donors must have chosen the beneficiaries and extent of their assistance on their own, in a decentralized manner, perhaps sometimes with guidance from Muhammad.

With the community's relocation to Medina in 622 and the establishment of an Islamic state governing an explosively growing population of converts and other monotheists, zakat become a formal and compulsory transfer system. The Quran's chapters that are thought to date from the Medina period contain repeated admonitions to pay zakat. Evidently, some Muslims were neglecting their communal duties.[13] The same chapters also condemn hoarding and greed, presumably to make the delinquent feel guilty and ashamed.[14] Mandatory zakat payments to Islam's communal fund helped to finance the new state's activities. Meanwhile, Islam took to distinguishing between the religious obligation to pay zakat and the praiseworthy, yet ultimately voluntary, act of helping the poor through *sadaqa*. To that end, a key verse of the Quran, one that specifies the beneficiaries of Islamic assistance, was reinterpreted to mean that the right to disburse zakat revenue belongs to the state rather than the individual.[15] The terminological ambiguities on matters surrounding Islamic almsgiving and tithing testify to the political transformation that unfolded during the Prophet's own lifetime—the emergence of a hierarchical and coercive Islamic state out of a loosely administered face-to-face community regulated largely by social norms. If one characteristic of a state is monopoly over violence, another is the right to tax, using compulsion as necessary (North, Wallis and Weingast 2009, pp. 18–21; Finer 1997, pp. 34–58).

Not all converts to Islam accepted the emergence of an increasingly powerful Islamic state. The ensuing discontent may be gleaned from a Quranic verse believed to date from the end of the Prophet's life. It threatens hypocritical payers of zakat with divine retribution: "Some desert Arabs regard what they give for the cause of Allah as a compulsory fine and wait for some misfortune to befall [the Prophet]. May ill-fortune befall them! Allah hears all and knows all".[16] Evidently, certain tribes were meeting their obligations grudgingly, in order to avoid punishment at the hands of Muhammad's officials. Treating zakat as a burdensome tax, they were signaling an intention to suspend payments to the nascent Islamic state if ever they could do so with impunity.

Major challenges to the system were not long in coming. As soon as the Prophet died, large groups of converts refused to make payments to his successor at the community's helm, Abu Bakr (served 632–634). Equating the refusal with apostasy, Abu Bakr declared war on the rebellious tribes and ultimately prevailed. His response underscored zakat's

[12] Bravmann (1963); Schacht (1934, pp. 1202–1204). For the logic of redistribution norms in primitive societies and numerous examples similar to those of early Islam, see Posner (1981, chap. 6; Platteau 2000, chap. 5; Henrich and Henrich 2007; Gaus 2015).

[13] Of the 32 Quranic verses that mention zakat, 20 warn believers that punishment awaits those who do not pay. Sixteen of those 20 verses are from the Medina period.

[14] Quran 9:34–35. Hoarding is condemned also in chapters that Quran chronologists date to the Meccan period; see 70:15–18, 104:1–4.

[15] The verse is 9:60. Its usage of *sadaqa* came to be interpreted as referring to zakat while maintaining the meaning of voluntary almsgiving in other verses. See Benthall (1999, pp, 29–31).

[16] Quran: 9:98. All chronologies of the Quran consider chapter 9 to be among the latest. See Pearson (1986, pp. 414–419).

transformation from charity to a coerced transfer system. As far as the state was concerned, zakat had become a fundamental Islamic requirement, one on par with professing belief in God's unity. In making the most rebellious tribes pay zakat to the Islamic state, Abu Bakr also affirmed the state's obligation to provide the eight categories of social services that the Quran mandates.

The Quran is silent on enforcement of the zakat obligation; and on the disbursement of zakat revenue it does not go beyond an enumeration of recipient categories. Taken as a whole, then, it rules out neither the voluntary and decentralized transfer system of the earliest Islamic years nor the obligatory and centralized system of the Prophet's final decade. That lack of specificity made it impossible to resolve the disputes that flared up after the Prophet's death simply by consulting the Quran. During the ensuing "apostasy wars", neither side could prove unequivocally that the Quran rejects the other's position. To compound the difficulty, each side could ground its position in historical precedent. The rebellious tribes pointed to the voluntary system of the community's beginnings in Mecca.

5 The end of fixed, limited, and predictable taxation

The seventh-century disagreements over zakat were not limited to the legitimacy of centralizing the collection of dues. Many controversies arose over the specifics of the individual Muslim's obligation. Believers who agreed to make payments to the Caliphate did not necessarily agree on what they owed. Barely a couple of decades after the birth of Islam, while the Caliphate remained in the hands of leaders who knew Muhammad personally, drastic exemptions were instituted in response to demands for limiting the dues of property owners. Most significantly, the third caliph Uthman (governed 644–656) exempted housing, slaves, and precious metals—all markers of prosperity (Kuran 2003, p. 277; Ibrahim 1990, p. 140; Shaban 1971, pp. 118–119).

Under the new interpretation, livestock and crops remained taxable. The zakat obligation thus turned essentially into an agricultural tax. Until then, state officials had assessed and collected yearly dues on a broad range of wealth and income. For all practical purposes, payments on many common forms of wealth were now left to the individual Muslim's conscience.[17] In later years, disagreements broke out among Islam's emerging schools of law as to what crops are zakatable. A few examples may serve as illustrations. The Hanafi school of law imposed zakat on all products of the soil. The Shafiis and Malikis imposed it on dates, grapes, and other foods commonly stored as staples, exempting vegetables, spices, and condiments. The Hanbalis, like Twelver Shiis, imposed zakat on crops measured by volume and stored (Zysow 2002, p. 412). On other commodity categories, too, discords arose that have persisted down to the present day. The controversy must reflect variations in the relative strengths of narrow pressure groups across space and time. As a case in point, the writings of al-Mawardi (1050/1996, pp. 128–135) point to huge variations in Islamic jurists' interpretations regarding zakat obligations.

But the conflicts fueled by Uthman's reinterpretation of the zakat obligation are far more fundamental than the specifics regarding particular commodities. They put in doubt the very basics of the zakat requirement. Must well-to-do Muslims pay zakat on their incomes,

[17] The available historical sources do not allow modern interpreters to identify the evolution of zakat practices with confidence. We do not know the full range of controversies surrounding the drastic re-interpretation that occurred soon after the Prophet's death.

their wealth, or both? The zakat entry in the *Oxford Encyclopedia of the Modern Islamic World* defines it as a wealth tax imposed on Muslims of sufficient means (Al-Shiekh 1995, pp. 366–370). For its part, the *Encyclopaedia of Islam* defines zakat as an "obligatory payment" on "lawful property", but it also says, in contradiction, that zakat is due on certain forms of income as well, including agricultural output (Zysow 2002, pp. 406–407, 410). The tension between those two widely consulted modern sources mirror the disarray of juridical discourses on zakat, whether medieval or modern.

Another source of confusion rooted in Islam's formative period concerns whether a Muslim's annual duty to share his or her resources with others ends with payment of designated shares of wealth or income. Certain Quranic verses intimate that any additional donations would count as *sadaqa*, earning divine favor for generosity. But other verses suggest that accumulators will suffer eternal retribution. An example: "Proclaim a woeful punishment to those that hoard up gold and silver and do not spend it in Allah's cause" (Quran 9:34). Well-off readers of that verse could wonder whether being a good Muslim requires regular transfers beyond those paid as zakat; or they might fear, at the very least, that special additional taxes are due on precious metals.

To confuse matters further, during Islam's initial few decades the meaning of zakat itself remained unsettled. Under the Prophet and the first two caliphs (610–644), all taxes appear to have been called zakat, including the 2.5% customs duties imposed on Muslim traders. However, under Uthman other taxes, including customs duties, agricultural levies, and real estate taxes, acquired distinct names (Kuran 2003, p. 280; Duri 2011, chap. 2). Even with specialized terms, variations in nomenclature remained. In a treatise on taxation by Abu Yusuf, counsel to the caliph Harun al-Rashid (763–809) and a founder of the Hanafi school of law, taxes on livestock are called *sadaqa*; and *sadaqa* itself signifies not voluntary charity but the individual Muslim's obligatory payment to the Islamic state (Abu Yusuf 790/1969, pp. 134–140).

Why might a renowned jurist of Islam appear to have confused zakat with *sadaqa*, in other words, a tax with charity? That the mixup occurs in a treatise on taxation only compounds the mystery. In all likelihood, when Abu Yusuf wrote, zakat no longer saw treatment as a state-enforced tax. If for several generations payment was left to the individual's discretion, it would have turned, as a practical matter, into charity. That could explain why a man steeped in Islamic law and intimately familiar with economic principles used the terms zakat and *sadaqa* interchangeably. If the Umayyad Caliphate and then the Abbasid Caliphate both taxed subjects under names absent from the Quran, and zakat dues were paid mainly outside the state's purview, Abu Yusuf might have been referring to voluntary payments prevalent in his own milieu.

Whether collected as zakat or under some other name, typically 'ushr, in the early Islamic centuries agriculture normally was taxed at 10% or 5% of farm output, depending on whether irrigation was natural or artificial. The differentiation rested on the principle, followed also in other states of the time, that a farmer using artificial irrigation exerted more effort than if his crops were watered by rainfall alone (Webber and Wildavsky 1986, p. 74). But whatever the motivation for the rate choice, it was not followed consistently. Sharp variations existed across time and space, partly because of diverse exemptions.[18] Rules emerged also for taxing livestock. Animals in a person's possession for an entire

[18] Some examples: Mamluk Cairo, 1315, 12.5% (Lapidus 1969, p. 8); Mamluk Syria and Upper Egypt, 1250–1517, 20–30% (Tsugitaka 2007, pp. 23–24). Iran's Qajar period, 1785–1925, 10–35% (Floor 1998, pp. 320–327); Ottoman Empire, 1601–1700, 10–40% (Coşgel 2006, p. 338).

year were taxed according to their kind, provided they had not been put to work. Exemptions on animals reflected their value in the desert economy of seventh-century Arabia: five camels, or 20 cattle, or 40 smaller animals. Equity across payers appears to have been a key objective. But opinions varied across Islam's schools of law, usually on rules concerning the ages and health of the animals donated to fulfil the zakat requirement (Zysow 2002, p. 413).

But it is the rates rather than the underlying equity objective that retained the attention of Islam's later interpreters. Gaining precedence over the initial motivating principle of the zakat tax itself, the rates acquired sacredness. Had the Quran's zakat requirement spawned a widely accepted redistribution principle, in subsequent periods and in different regions the rates could have been adjusted according to changes in the distribution of income, the extent of poverty, and collective spending priorities.

Keeping zakat rates fixed, with its coverage restricted to a few commodities, made it impossible to continue treating it as an Islamic state's main, let alone sole, source of tax revenue. Among the consequences was the ebb of zakat as a topic in discourses on public finance. Economic histories of the Middle East usually do not even mention zakat, except perhaps if they stretch back to the seventh century.[19] The zakat entry in the *Encyclopaedia of Islam* reports that "virtually nothing is known about the details of the official collection … throughout most of [zakat's] history" (Zysow 2002, p. 409). That is not because economic historians have been negligent; they have written extensively on taxation in general. The reason for zakat's invisibility is simply its absence in the records available to economic historians. Indeed, after Islam's first century zakat stopped playing any major role in public finance. By then it had turned into a personal ritual without the broader social purpose of Islam's initial decades. No longer was it a matter of public policy. High officials who wrote treatises to advise on governance had little, if anything, to say on zakat. No public controversies over rates or coverage emerged, because the state had left payments to subjects' own discretion.

An unfortunate byproduct of zakat's disappearance from policy discussions is that the principles inherent in its design ceased to command attention. Had zakat somehow retained significance as an instrument of governance, jurists of later times might have used its doctrinal foundations and early history as a basis for stabilizing and limiting taxation. They might also have pondered about making taxes predictable. It might have occurred to them that opportunistic taxation and expropriation are both un-Islamic. Whether they would have acted on such thoughts is another matter. Fearing hostile reactions from rulers with a stake in the status quo, they might have kept quiet. At the very least, though, a potential would have remained for rediscovering the core principles of zakat. In times of financial crisis, when a ruler is exceptionally open to demands for change, someone might have invoked the principles of zakat as the basis for putting state revenue on a sustainable path. Those principles would have served as a reservoir of sacred wisdom against state predation.

[19] None of the leading works focusing on the post-1800 period lists zakat in its index. See Issawi (1982), Owen (1993) and Owen and Pamuk (1999).

6 Disbursement of zakat revenue

The eight canonical categories of zakat recipients correspond to the basic functions of any social system. Those encompass many services now generally regulated or directly supplied by the state.[20] In modern societies, the poor and the needy are within the purview of welfare and health ministries, along with a wide assortment of private organizations; "servants of God" form hierarchical staffs reporting to a ruler or a defense department; the zakat administration's job is carried out by a ministry of finance; and so on. To be sure, in even the poorest modern country, specialization goes much farther than in Muhammad's era. Nowadays, every society allocates resources to urban planning and the environment—concerns without salience until modern times. Because the concept of governance has broadened, most modern governments have more than eight ministries.[21] Particularly relevant here is that the Quran identifies multiple spending categories posing tradeoffs. If zakat revenue finances mostly the salaries of zakat administrators, little will remain for poverty alleviation, health services, or communal defense.

Zakat budgeting might well have proceeded smoothly during the first few years of the Medina-based Islamic state. Controversial matters of qualification and tradeoffs could have been turned over to Muhammad. His judgments must have sowed discontent, though. Verse 9:60, which dates from around 630, reiterates the rule that zakat revenue is to benefit eight constituencies; evidently, certain constituencies needed reassurance. In any case, the lack of specificity guaranteed disagreements after Muhammad died. In fact, the distinction between the first two categories, "the poor" and "the needy", quickly became a source of friction (Mattson 2003, pp. 32–33). Can the needy include rich persons? Are all poor persons needy, too? And what makes a person "poor" in the first place? Some jurists drew the line at the exemption limits; a person qualified as poor if he lacked enough income or wealth to pay zakat himself. Though this mechanical definition was easy to implement on any given zakatable source of income or wealth, it raised the issue of whether a person below multiple exemption limits had as many entitlements. If she was short of dates and also grapes, did prosperous Muslims owe her both dates and grapes?

Certain jurists considered exemption limits flawed from the outset. For al-Shafii, founder of the law school bearing his name, the key factor was community standards of wealth. The goal was to bring a person who had suffered a misfortune back to his station in life; in other words, redistribution was to restore the status quo ante. If the person generally consumed more than the exemption limits, zakat transfers would be used to prevent his loss of status. That status-based definition of zakat assistance drew support from jurists who favored leaving disbursement decisions to zakat administrators. Objectors complained that it opened the door to perverse redistribution, from poor to rich. Zakat recipients could be wealthier, they said, than zakat payers (Mattson 2003, pp. 41–44).

The status-based definition of zakat entitlements tended to favor the rich facing temporary difficulties. Turning zakat into a risk-reduction instrument, it permitted the poor to remain stuck in poverty without any communal assistance. Both the status-based definition of entitlement and its poverty-based alternative suffered from a lack of realism insofar as they divorced transfer decisions from resource availability. The literature on state-mediated

[20] A similar point is made by Rahman (1974, p. 33).

[21] As of 2018, for the five most populated countries of the Middle East (Egypt, Iran, Turkey, Iraq, Saudi Arabia), the average number of ministries is 23.

zakat lacks a concept of budget constraint. Achieving compatibility between receipts and entitlements became moot anyway after payment effectively became optional.

In antiquity, a common concern of state officials was to dampen the fluctuations of food supplies for themselves, the armies that defended them, and the rest of the population, including merchants and producers. One purpose of taxation was to accumulate food surpluses in periods of prosperity, with the intention of drawing them down in the event of a bad harvest (Webber and Wildavsky 1986, pp. 44–45). Thus, the classical literature on zakat is striking also for its lack of intertemporal concerns. Zakat transfers were meant to occur each year, to eight social groups with immediate needs.

Also noteworthy is the lack of guidance on making the eight-way division in any given year. The Quran says nothing specific about the division among the eight categories. Hence, a single narrow constituency could receive the bulk of the zakat disbursements. In the absence of guidelines, allocations fostered disputes from the start. Another source of disagreement lay in the criteria for assigning people to one beneficiary category or another. Qualifications for the overlapping categories of poor and needy formed just one fount of contention. Certain other categories also bred conflict. Consider "travelers". Even wealthy voyagers could make a case for having the community cover their expenses. Now consider "servants of God". In an Islamic state, building a bridge could be portrayed as serving a divine mission.[22]

A disbursement rule that emerged under the fourth caliph Ali (served 656–661) required the use of zakat revenue in the year it was collected. And, according to a view that also gained currency, each year's zakat fund was to be divided equally among the eight categories. The equal-disbursement rule emerged to alleviate discontentment over the discretion enjoyed by Uthman's admnistration (Zysow 2002, pp. 406–409). Like the same-year spending rule, it aimed at binding the hands of authorities in control of state resources. But it is unclear whether such rules were enforced.

No one familiar with the politics of redistribution in large societies will find it unusual that the Islamic community was perpetually divided over zakat disbursements, except perhaps initially, while the Muslim community remained tiny. Although generosity is a universal human trait, equally common is favoritism toward kin and acquaintances. Hence, the resistance to zakat after Muhammad's death is unsurprising. The tribes that resisted Abu Bakr's zakat collectors were not necessarily uncharitable. They may have been rejecting central control over transfer decisions, in other words, expressing a preference for local redistribution without intervention from spatially distant authorities.

Three of the disbursement categories—zakat administrators, potential and recent converts, and servants of God—transferred zakat revenue to state officials and clerics, who could be among the targeted recipients. Initially, the zakat shares of administrative and clerical officials formed the bulk of their personal earnings. But within decades, booty and taxes on non-Muslim subjects eclipsed zakat in significance. Meanwhile, the Islamic state took to treating zakat as a fungible component of a broader revenue stream controlled by high officials. Insofar as they collected zakat at all, successive rulers seem to have spent revenue as they saw fit, without feeling seriously constrained by the Quran. Nothing has survived in the form of chronicles or recollections to suggest that they worried about using zakat revenue according to Quranic guidelines, such as those about allocating collected funds among eight specific categories. Funds collected partly for the poor and the needy

[22] In modern times, Twelver Shiis have taken this position. Zakat revenue can be used to cover expenses in the community's common interest (Tabātabā'i 1983, pp. 25–27).

may well have contributed to financing their opulent lifestyles. Leading jurists of the early Abbasid era believed that treasuries of the caliphs were filled with funds that they used in illicit ways.[23] At the time, that was nothing unusual. The medieval European Church enriched the clergy through tithes ostensibly collected to provide for the poor (Ekelund et al. 1994, ch. 2; Constable 1964; Tanner and Watson 2006, pp. 414–417).

7 Poverty alleviation

During the period when the Islamic state collected and disbursed zakat, the poor were not ignored. Inasmuch as they received a share of the transfers, the zakat system would have contributed to poverty reduction. Indeed, two economists claim that the formal zakat system of the first Islamic century was progressive. It was collected disproportionately from the rich, they suggest, and its benefits accrued primarily to the poor (Oran and Rashid 1989, pp. 94–96).

In the early Islamic centuries, the poor as a whole may well have benefitted from state-mediated and interpersonal zakat transfers. But we have no way of verifying that conjecture. The available sources have yet to be studied for quantitative indicators. In any case, relevant documentation is scarce. Although some written records on the Egyptian land tax have survived, practically no documentation exists on early Islamic tax practices in Arabia, Syria, or Iraq.[24] Even less is known about disbursements to the poor, since no pertinent records have survived. As for the informal transfers that individuals made to fulfil their zakat duties, they would not have generated records anyhow. Many reasons exist, then, to doubt that zakat had an equalizing effect during Islam's initial expansion.

What is certain is that the radical equalization alleged by some modern writers is a myth. We saw how, in Uthman's time, the wealthy were protected by broad exemptions. The same period also saw the defeat of equalization campaigns. They include a movement headed by Abu Dharr al-Ghifari, who advocated near-equality and considered zakat a barrier to meaningful redistribution; Uthman's regime silenced him and his followers (Rodinson 1966/1972, pp. 25–26; Hurgronje 1882/1957, pp. 161–162; Ibrahim 1990, pp. 145–148). In later times, complaints about the prevalence of zakat evasion were commonplace. The theologian al-Ghazali (1058–1011) listed ruses that allowed believers to fulfil the letter of the zakat obligation while violating its original spirit. For example, a man would make a gift to his wife at the end of the year and take it back through an offsetting gift a few days later (Al-Ghazali 1100/1978, pp. 34–35).

Over time, the task of poor relief passed almost exclusively to waqfs. By the year 1000, privately endowed soup kitchens, hospitals, hostels, and schools were making far greater contributions to poverty alleviation than any zakat-based transfer scheme. But while the poor were among the beneficiaries, a huge share of waqf revenues accrued to clerics. For one thing, clerics redefined the concept of "the poor" (*fuqarā*) to encompass themselves. Accordingly, men of religion were often the primary beneficiaries of waqfs established for assistance to the poor. For another, a substantial share of all waqfs supported mosque

[23] Mattson (2003, p. 39). These jurists included Malik ibn Anas (711–796), Abu Ubayd (770–838), and Ahmad ibn Hanbal (780–855).

[24] Løkkegaard (1950), who focuses on Iraq's early Islamic centuries, stresses this point. His work mentions zakat just seven times, which is consistent with its loss of significance. Six of the references define zakat, or point out that rulers preferred other taxes, or report that believers sought to avoid paying zakat.

employees or religious lodges; they thus put resources directly and exclusively in the hands of clerics.[25] In regard to poverty relief, the waqf substituted, then, partially for zakat. But delivering help to the poor was by no means its primary function. Where the poor were among the designated beneficiaries, the founders seldom tried, in drawing up their deeds, to ensure that the endowment income would support the genuinely destitute.

In no premodern city of the Muslim world did local officials or the imperial administration feel obliged to maintain a social safety net—to say nothing of performing that task through zakat. And decentralized assistance through zakat did not eliminate poverty. As in other parts of the pre-modern world, including the Middle East and Europe, eighteenth-century Aleppo featured a large and seemingly irreducible underclass (Marcus 1990, especially pp. 172–174). The existence of poverty, even chronic poverty, was accepted as an unalterable feature of life, like mountains, deserts, and the sea. The patterns observed in Aleppo were by no means exceptional. They have been documented also for Ottoman Algiers (Hoexter 2003), Ottoman Salonica (Ginio 2003), Ottoman Istanbul (Cansunar 2018, chap. 4; Özbek 2009), Mamluk Egypt (Sabra 2000), and Fatimid Cairo (Cohen 2005).[26]

Every pre-modern city governed under Islamic law was served by multitudes of waqfs, which delivered a vast array of social services. Contemporary historians of Muslim-governed states of the past millennium, including the Ottoman Empire, Mamluk Egypt, the Abbasid Empire and Mughal India, pay enormous attention to the waqfs established under Islamic law. To a lesser but still significant degree, they also examine inheritance practices, which contributed to redistribution by dividing estates among extended relatives. But one can read celebrated tomes on the history of those states without encountering a single reference to zakat. A prime reason is that archives contain practically nothing relevant. The paucity of pertinent documentation reflects the states' lack of commitment to enforcing Islam's zakat requirement. Although minor exceptions exist, the standard pattern of the post-classical Muslim world was for the state to leave zakat payments as well as beneficiary selections to the discretion of individual Muslims.

The shift from state-enforced zakat to a laisser faire regime rendered moot the question of apportioning zakat revenue among the eight canonical categories. After the transition, no Islamic state sought to coordinate the zakat transfers of its subjects, to say nothing of directing them with an eye toward meeting Quranic instructions. Decentralized personal zakat transfers left practically no historical traces. They could have provided evidence, of course, if some individuals placed their zakat dues into permanent structures. A wealthy person could have used 2.5% of his wealth to build, say, a water fountain to serve one or more of the eight categories. If any such structure exists, it must be a very rare exception.

This observation admits the objection that the ultimate beneficiaries of every waqf were the poor. Indeed, every waqf deed stipulated that if its designated beneficiaries (such as

[25] In a sample of 7724 Istanbul waqf deeds, 2146 name "the poor" (*fukarâ*) among their initial or subsequent beneficiaries (28.8%), and 1202 name mosque employees or other clerics (15.6%). Moreover, 1399 set aside funds for prayer reading, usually for the soul of the founder (18.1%); typically, those funds accrued to clerics. The deeds in question, catalogued in Aydın et al. (2015), represent about half of the 14,000 waqf deeds that Istanbul courts are thought to have registered from 1600 to the mid-1800s. For complementary evidence, see Hoexter (2003, pp. 150–151) and Ginio (2003, pp. 167–171). Ginio shows that of the 89 new waqfs registered in Salonica between 1694 and 1768, 58 delivered resources directly to clerics; the beneficiaries were "the poor" in 23 cases, with the category defined expansively to include clerics.

[26] The patterns in question are observed also in various modern places, for example, Pahlavi Iran (Jabbari 1981), post-colonial Cairo (Sabry 2010), and post-Ottoman Istanbul (Yılmaz 2008).

students, caravans, or the local imam) ceased to exist, the revenue from its assets should go to the poor. That legal requirement treated the existence of the poor as an unalterable, permanent fact. It assumed that the poor would exist in perpetuity. Local students might dry up because of the pull of other nearby schools; caravans could stop coming because of shifting trade routes; and the closure of the neighborhood mosque might result in the absence of a local imam in need of financial support. Whatever the fate of the beneficiaries named in the waqf deed, plenty of poor would exist to pick up the slack.

Islamic discourses on poverty reduction are replete with commentary on the functions that zakat and the waqf played historically, and on the potentials of those institutions, if suitably updated. Conspicuously absent from the discourses is consideration of the appropriate activity levels for addressing poverty or, for that matter, the implications of Islamic instruments for wealth creation or property rights. Leaving poverty alleviation to waqfs had the advantage of keeping the state small and, hence, of limiting the resources at the disposal of state officials. Waqfs also blocked the expropriation of their own assets. On the downside, the rules of the waqf did nothing to protect ordinary property rights—the security of assets that did not belong to an endowment. In fact, by giving elites opportunities to shelter wealth, waqfs limited incentives to remove the state's rights to confiscate private assets at will. Put differently, they delayed the promulgation of *general* property rights (Cansunar and Kuran 2019).

8 Wealth legitimation and political stabilization

To one extent or another, societies with the broadest freedoms allow the state to finance welfare services through taxation. By definition, taxation constrains the freedom to consume the fruits of one's labor. It puts resources in the hands of state authorities, who may choose to spend resources in accordance with their personal priorities. The spending need not be equitable or efficient. Nothing would differ if the state were subjected to guidelines based on some variant of the zakat system. We saw earlier that caliphs were able to allocate zakat resources essentially as they saw fit.

One should not infer that equity among zakat payers or redistributive efficiency necessarily was the main motivation behind zakat. From the beginning, another important purpose, as its Aramaic cognate and Quranic usages both suggest, was to cleanse the donor's wealth. By relinquishing some of his possessions, a person purified and thus legitimated what he kept; he limited his greed, thus soothing his conscience (Benthall 1999, pp. 29–30; Hurgronje 1882/1957, p. 150; Stillman 1975, pp. 106–107). That interpretation draws support from two sayings attributed to the Prophet: "Goods on which one has paid zakat cease being part of one's treasure"; and "Allah instituted zakat so that you can enjoy the rest of your wealth with a clear conscience" (Hurgronje 1882/1957, p. 150).

The system thus allowed zakat-paying individuals to enjoy their wealth, whatever its extent, without feeling guilty. It released individual donors, and the community as a whole, from the burden of considering the social consequences of zakat transfers—their effects, say, on inequality, poverty, employment, or economic freedom. The system also absolved donors of monitoring and reacting to zakat's observed consequences. They did not have to worry about solving social problems, not even those, like poverty, that the Quran identifies as undesirable. As long as donors gave out of the goodness of their hearts, it hardly mattered whether the recipients were rich or poor, good or bad Muslims, honest workers or lazy cheats.

The zakat system served not only to cleanse wealth in the eyes of the rich, but also to legitimize the Islamic order in the eyes of the poor. “You might feel disadvantaged”, the system says to the downtrodden, “but know that your community is not excluding or forgetting you.” It thus keeps the poor from viewing the social order as hopelessly rigged against them. By the same token, the Quran’s lack of specificity as to zakat entitlements of various recipient groups dampens expectations about the extent of assistance. The rich have no obligation, it says, to eliminate poverty by addressing its root causes.

That is one reason why, prior to the Westernizing reforms of the nineteenth century, the Islamic world produced no major organized movement aimed at eliminating poverty per se. Although countless constituencies rose up to demand a larger share of the economic pie, none took on poverty as a problem to be tackled across a country or even across the entire Muslim world.

In its state-enforced form, then, zakat performed a political role along with an economic function. Through its effects on the attitudes of both rich and poor, it served as a social stabilizer, whether transfers were interpersonal or mediated through the state. On the one hand, it counseled the rich not to feel obligated to eradicate poverty and never to feel guilty for being well-off. On the other, it dampened resentments of the poor and moderated their demands.

Such interpretations may strike a modern reader as unduly pessimistic regarding zakat’s potential. They amount to defeatism with regard to eliminating poverty. They undercut projects such as the World Bank’s goal of eliminating extreme poverty by 2030.[27] Indeed, pessimism on that account was commonplace in Islamic discourses before the 1950s, and it was expressed without apology. In a 1921 treatise, Jamal al-Din al-Qasimi, leader of a Syrian-led Islamic reform movement that evolved into modern Islamism, promoted a zakat system supported by obligatory payments from the rich. But he did not expect zakat to eradicate material deprivation. In fact, he could not even imagine a society without widespread poverty. While his ideal system would meet basic needs, it would also awaken love of the poor and overcome feelings of envy (Commins 1990, pp. 87–88).

Although Islamic states formed after Islam’s initial few decades left zakat decisions to individuals, they were not indifferent to poverty. For legitimacy, they tried to keep it within bounds. But they did so through means other than zakat, principally by encouraging the wealthy to establish waqfs benefiting the poor. In a spirit akin to the “*noblesse oblige*” (nobility obligates) principle of the European aristocracy, they expected wealthy Muslims, especially high state officials and members of the reigning dynasty, to give back to the community something of permanence. Yet, not even the norm of endowing part of one’s wealth required Muslim elites to address the root causes of hunger, poverty, or beggary. Prosperous Muslims never have been required to coordinate their philanthropic activities to ensure that every poor person in their own locality is fed, to say nothing of addressing broader distributional problems. Nor were the rich expected to participate in collective efforts to help the disadvantaged. Provided that the wealthy were not excessively close-fisted, their prosperity would not keep them from attaining a happy outcome on the Day of Judgment.

[27] World Bank (2016). In 2013, the World Bank defined extreme poverty as living on less than $1.90 a day.

9 Stillborn fiscal constraints

Every polity must raise taxes to fund its administration and services. The Islamic state that emerged under Muhammad's leadership was no exception. It could have raised taxes in an arbitrary way, expropriating assets at will when and where it saw them, as much as it found necessary. Instead, it instituted a predictable, fixed, and mildly progressive tax system designed to finance specific causes. Called zakat, the transfer system was considered sufficiently central to early Islam to be included among Islam's canonical five pillars.

Implicit in zakat were personal property rights as well as constraints on government—two key elements of a modern liberal order. The system could have provided the starting point for a political complex conducive to broadening human liberties under a state with explicitly restricted functions. The principles enshrined in zakat might have fueled discourses on religious, intellectual, and expressive freedoms. The discourses might have gained sophistication over time, identifying the virtues of political checks and balances. They might have included competing ideas on matters such as making officials accountable, the pros and cons of centrally provided social services, and the efficiency of alternative zakat collection and disbursement methods.

By itself, the steady implementation of zakat would not have turned the Middle East into a paragon of liberalism. Institutions that blocked the separation of powers and the emergence of political checks and balances would have stood in the way. The waqf, devised as a substitute for zakat, limited political participation, accountability, and the reallocation of resources through decentralized choices. It blocked liberalization by keeping civil society anemic. Nevertheless, zakat would have contributed significantly to limiting predation on the part of rulers. It is worth noting, too, that low taxation is not a precondition of economic development. Every successful development path has entailed some government-provided and tax-financed public goods. But healthy economic development requires predictable taxation as well. Countries whose governments prey on wealth holders repel capital, harming development.

The Quran is not a public administration manual. Hence, it is unsurprising that it contains no theory of government predation. But early interpreters of Islam might have provided the basics of the missing theory. They might have outlined the dangers of putting too many resources in the hands of state officials and allowing them to spend without constraints. If any did so, their thoughts were not transmitted to later generations. Subsequent generations of Muslims learned not time- and space-invarant general principles of limited government, but, rather, the specifics of the initial applications of the zakat system outlined in the Quran. Those specifics were tied closely to the milieu in which they emerged. They were not stated in ways suitable to adaptation in response to variation in economic characteristics. Thus, taxable sources of wealth and income were limited to those known in seventh-century Western Arabia. As Islam expanded to areas with starkly different economic bases, zakat became increasingly unsuited to progressive and equitable taxation. To tax professions such as urban artisans, rulers inevitably went outside the zakat system. Such precedents set the stage for arbitrary taxation. Within a few generations, zakat was simply disregarded as the basis for taxation. The Quran's verses regarding restrictions on predation became a dead letter. Although they continued to be memorized and recited, and even referenced in Quranic exegeses, thinking on their practical implications abated.

At its emergence, Islam's main political mission was to weaken Arabian tribalism and replace it with religious brotherhood. The zakat system was predicated on that mission's success. Transfers were to be targeted at designated constituencies without regard to geographic origins or tribal descent. Even non-Muslims were eligible for certain expense categories. As a matter of practice, though, the officials responsible for disbursing zakat resources were not inclined to treat all Muslims equally, let alone the full population. By and large, they cared more about the poor of their own localities than about those of distant lands. Nepotism and corruption posed additional problems, which afflict all state-run programs. Irregularities on the collection side and favoritism in disbursements jointly weakened the zakat system's legitimacy. Its abandonment prevented the original system's freedoms from initiating a virtuous circle whereby they feed on themselves.

Barely a few decades after Muhammad's death, before the 700s, Muslim rulers were taxing their subjects without reference to Islam's distinct transfer system, not even to the Quran. The Quran's eight zakat constituencies became an anachronism—a directive taught and memorized as central to Islam but disregarded by policy makers ostensibly governing under Islamic law. Islamic states that followed the earliest state founded by Muhammad failed to institute a sustainable fiscal system conducive to strong property rights.

Zakat returned to Islamic discourses in the mid-twentieth century, with the rise of Islamism. But the renewed attention to zakat has had little to do with the seventh-century goals of limiting taxation, cementing private property rights, and preventing state predation. Rather, zakat has become a vehicle for defining and asserting Muslim identity. It continues to be used mainly to convey the distinctness of Islam's socio-economic ethos (Kuran 2010, pp. 484–491).

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