ISLAMIC PHILANTHROPY: RATIONALITY FOR A NEW ECONOMICS WELFARE SYSTEM

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ABSTRACT

Seeing the reality lack of welfare society, it’s requires new concepts to improve economics, social, cultural and religious comprehensively in a welfare system. To achieve this objective is needed a new paradigm of thinking about the concept, that is new thinking to create system welfare in all side. To realize these goals, must find an ideal concept; one way is to look from religion perspective. In this paper we propose Islamic concept, as primary basis, where in Islamic theory philanthropy is a main factor inside economics welfare. Then will see how function and position of Islamic philanthropy in terms of Maqasid al-Syariyyah, combined with the current economic welfare. This paper brings two issues, first how authenticity Islamic philanthropy itself and whether it has rationality value in economic? Second is whether Islamic philanthropy gave an affect for economic welfare system? Method used is the thrusts of economic welfare theory involving with philanthropic activities that have been applied by west society, what weaknesses of it, and then compared with the concept of Islamic philanthropy. Results of this study found that Islamic philanthropy having rationality in economic theory; this can be proved by a function of income, expenditures and life satisfaction by personal utility. These functions having wide implications, this may be able to affect in welfare system at the macroeconomic level.

Keywords: Economics Philanthropy; Islamic Welfare, Personal Consumption, Personal Utility, Economic Justice.

1. INTRODUCTION

Nowadays especially in Islamic community, technology is getting advanced, but in other side multidimensional crises such as economic, social, environmental, and morality also increased. This crisis actually began from the science, when it assumed that the human mind can create knowledge without need of *naql* (source of al-Qur'an and al-Hadith). However, the fact separated science like this is no longer able to answer all the problems of life. Therefore,

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the concept of science as a result of a dynamic process between *aql* (human intelligence) and *naql* is an attempt to find solutions on the multidimensional crisis.

Currently, has emerged the new understanding of "economy" taking back from the source *aql* and *naql* as part of the philosophy of science, which is then called “Islamic Economy”. If we look at history, Islamic economics has been able to prosper the community, but the glory has suffered a setback along with falling of Islamic empires that has prevailed around of the 13th AD. This is the dark age of Islam in which political and social issues among Muslims has become messed, thus making the vacuum of scientific institutions. Muslims scientist no longer able to dominate the world civilization by research of science and toward modern *ijtihād*. They were only able to *taklīd* and gladly shut the door of *ijtihād*. Islamic Economics initiated by Ibn Taymiyya, Ibn Khaldun and others are not developed and just stored only in *turāth* books.

Thus, when we discuss about economic, no other basis were born besides from western economic thinkers such as Adam Smith’s (1776) and other. Smith's thesis believes that a large system will regulate themselves by running activities each part individually without having to get a certain direction or the term "invisible hand" and still the central idea of the market economy and capitalism itself. Then in the early 19th century, Karl Marx (1883) a figure appeared with the thought called "Marxist" who think that capitalism based on exploitation of workers class: their earned income is always lower than the value of the work they produce, and the difference was taken by the capitalist in the form of profit. Then John Maynard Keynes (1920) who have separated microeconomics from macroeconomics, Keynes's theory eventually became a common consensus in 1930, in which Keynes was a key figure in the idea of the importance of the existence of central banking and government interference in economic relations. Besides the above figures, there many other thinkers which to base any economic action has been practiced in the world today.

Likewise, when discussing about economic welfare, we will just find a system that has stood from western economists thought. In an effort to restore the glory of Islamic economics, it is appropriate that the ummah must to look back at the history of how economic theory practiced today is formed, from which the origin of the theory, and see whether it is according to the teachings of Islam, or the fact that even many that are contrary to the teachings of Islam. Therefore, this article will discuss about the economic welfare that has been applied now, how are now assessed in terms of Islamic view, after that we discuss about Islamic philanthropy how its become as one of important variable in economic welfare.

### 2. STUDIES OF ECONOMIC WELFARE

Achievement of prosperity and welfare for all people is one of the goals desired by the government. Development process that only provides an opportunity for a small number of people to enjoy results of development and marginalize other groups is the denial of earlier
goals. The researchers argued that the social economy in the process of economic development has been getting away from goals social justice, prosperity and well-being for all people. This occurs because the development policies that do not favor the people and economic trends in the market so strong who will be able to access resources more productive economy while more people are considered as objects of development, so accustomed to being passive and resigned to the circumstances. Consequently, poverty and social inequality emerged as a result of a development process that is run in its present condition.

Welfare seeks to reduce the negative effects arising from pure liberalism as in capitalism, as well as activating the role of the state. With this move they hope can reduce the appeal of socialism, while strengthening the position of capitalism. According to Bessant, Watts, Dalton and Smith (2006), the basic idea of the economic welfare moved from the 18th century, when Jeremy Bentham (1832) promotes the idea that government has a responsibility to ensure the greatest happiness (welfare) of the greatest number of their citizens. Bentham used the term 'utility' (usefulness) to explain the concept of happiness. Based on the principle of utilitarianism which he developed, Bentham argued that happiness is something that can cause extra is a good thing. Conversely, anything that causes pain is bad. According to him, government actions must always be directed to increase the happiness of many people as possible.

2.1 Welfare’s Concept

Welfare in economics is a branch of economics that uses microeconomic techniques to evaluate well-being from allocation of productive factors as to desirability and economic efficiency within an economy, often relative to competitive general equilibrium (Arrow, 1951, 2nd ed., 1963). Other classifying terms in welfare economics include externalities, equity, justice, inequality, and altruism. (Atkinson, 1975). Welfare economics is a branch of economics that uses microeconomic techniques to simultaneously determine the allocative efficiency of the macro economy and the effect of income distribution associated with it. (O’Connel, 1982).

The concept of welfare not only includes a description of a way of organizing the state or social services. But also a normative concept or ideal system approach which emphasizes that every person must obtain social services as a right. The welfare state is also a child of the struggle ideology and theory, especially from Marxism. But nevertheless, the concept of welfare state actually thrives in democratic states and capitalist, not socialist countries. (Spicker, 1995).

Three main approaches of Economic Welfare ie Utilitarian Classical, Neoclassical Welfare and the New Welfare Economics. First Utilitarian Classical, this theory was developed by Bentham (1832), Mill (1873) and Sidgwick (1900) that assumed actions are approved when they are such as to promote happiness, or pleasure, and disapproved of when they have a
tendency to cause unhappiness, or pain. This theory supporting hedonism behavior who argued that the good was some state of consciousness such as pleasure is not simply strive to greater average utility, but to increase population to the point where we maximize the product of the number of persons who are currently alive and the amount of average happiness.

Second is *Neoclassical Welfare* was developed by Pareto (1923), Marshall (1924) and Edgeworth (1926) assumed that rests on three assumptions, although certain branches of neoclassical theory may have different approaches:

1. People have *rational preferences* among outcomes that can be identified and associated with a value.
2. Individuals *maximize utility* and firms *maximize profits*.
3. People act independently on the basis of *full and relevant information*.

In his book Pareto written "We will say that the members of a collectivity enjoy maximum ophelimity in a certain position when it is impossible to find a way of moving from that position very slightly in such a manner that the ophelimity enjoyed by each of the individuals of that collectivity increases or decreases. That is to say, any small displacement in departing from that position necessarily has the effect of increasing the ophelimity which certain individuals enjoy, and decreasing that which others enjoy, of being agreeable to some, and disagreeable to others" or in simpler language an optimal allocation of resources is Achieved when it is not possible to the make anyone better off without making someone else worse off. When these conditions achieved, so the welfare have achieved too its mean maximum welfare = no change could make anyone better off without making someone worse off. The implication of this theory is optimal income/output distribution, optimal technical efficiency, optimal technical allocation of resources and optimal output (Maximal output). With this theory the welfare condition occurs when: all agents have identical marginal rates of substitution between pairs of goods, firms optimize, marginal rates of technical substitution between factors are equal, marginal rates of substitution between each pair of goods = marginal rates of transformation.

Meanwhile, Edgeworth creates a theory called *Edgeworth Box* is used frequently in general equilibrium. It can aid in representing the competitive equilibrium of a simple system or a range of such outcomes that satisfy economic efficiency. It can also show the difficulty of moving to an efficient outcome in the presence of bilateral monopoly. Imagine two people (Octavio and Abby) with a fixed amount of resources between the two of them say, 10 liters of water and 20 hamburgers. If Abby takes 4 liters of water and 5 hamburgers, then Octavio is left with 15 hamburgers and 6 liters of water. The Edgeworth box is a rectangular diagram with Octavio's Origin on one corner (represented by the O) and Abby's origin on the opposite corner (represented by the A). The width of the box is the total amount of one good, and the height is the total amount of the other good. Thus, every possible division of the goods between the two people can be represented as a point in the box.
Third is New Economic Welfare was develop by Robbin (1984), Kaldor (1986), Hicks (1989), Scitovsky (2002), Galbraith (2006), Arrow (age 92), and Sen (age 80). In the 1930's as Robbins argued that interpersonal comparisons of utility are essentially normative and unscientific. Robbins' critique had a great impact, and old welfare economics with interpersonal comparisons was transformed into new welfare economics without interpersonal comparisons. Robbins' main argument was that "introspection does not enable A to measure what is going on in B's mind, nor B to measure what is going on in A's." His conclusion was that "there is no way of comparing the satisfactions of two different people.

Kaldor’s contributions to development economics have two origins: his writings on taxation and on growth. Kaldor’s analysis of development hinges on four fundamental concepts: (1) increasing returns in the manufacturing sector; (2) effective demand-constrained growth; (3) the agriculture-industry relationship; and (4) internal-external market relations. In terms of development policies, Kaldor believed that: (1) economic development requires industrialization; (2) this in turn presupposes an ‘agriculture revolution’; (3) entering into the global market with a temporary stage of protection for newly established industries; (4) this must be accompanied by export-led growth policies.

Hicks has been famous with his theory “Theory of Wages” this theory contributed in resetting of marginal productivity, the workings of the labour market, labour supply theory, technical change, growth and distribution, strike activity and wages, and macroeconomics (just) before Keynes. Beside that Hick introduces of the labour-saving capital-saving invention classification and the role of relative factor prices in inducing inventions of these two types (as compared with autonomous inventions).

Scitovsky in his analysis of welfare conceived as the “well-being of the individual person”. He began an examination of the nature of human welfare from a broader viewpoint than is customary among economists. Behavioural economics has studied these issues in some depth by providing new analysis and empirical evidence but with a focus restricted to the underprediction of future taste changes irrespective of the underlying reasons. Scitovsky referred uncertainty by introducing novelty in the option set, because people in this case may have limited knowledge of both the available options, and their competence in dealing with novel options that argued the preference for novelty may change by acquiring ‘consumption skill’, which means general mastery over one’s relationship with the environment and with others. His adopted the economist’s principle of consumer sovereignty, the assumption that the consumer is the supreme and ultimate judge of his or her own welfare.

Galbraith highly critical of traditional approaches to understanding the way the economy works and the economic policies that are pursued. He has criticized economic theory for ignoring and obscuring the economic power accumulated by large corporations. He has criticized politicians who align themselves with the objectives of the large corporation instead of acting in the public interest. He also has censured his fellow economists who perform
sophisticated mathematical analysis but who do not seek to understand the real world. These critical efforts to ‘emancipate belief’ by urging the public to question the prevailing structure of economic knowledge and to challenge the conventional wisdom, argues that the emancipation of belief is required in order to challenge the hegemony of accepted beliefs, which exclude the possibility of all contrary thought and prevent a proper understanding of how the economy works. Galbraith argues that the power and prestige of large firms is sustained through the conventional wisdom and that this leads to economic analysis that is neither socially relevant nor useful. Galbraith has elucidated the ramifications of the concentration of economic power. First, the large firm has acquired economic power, thereby emancipating it from the vagaries of the market and, thus, giving it increased control over the market. Second, the large firm has acquired power over the consumer, over workers and over other firms. This has led to pockets of poverty amidst affluence as well as leading to other social problems. Therefore, when the goals of society are identified with the industrial system, the interests of the modern corporation dominate the government and public opinion. This results in the pursuit of economic policies that serve the interests of the powerful. To recognize this is to begin to open the door for government policies that will operate in the public interest.

Arrow was made major extensions to the fundamental theorems of welfare economics, based on Adam Smith’s. The first theorem describes the circumstances under which a competitive general equilibrium results in a Pareto optimal allocation of resources. He provided foundational work in endogenous growth theory and information economics. His most significant works are his contributions to social choice theory, notably "Arrow's impossibility theorem," and his work on general equilibrium analysis. Implication is that the government should not control prices to redistribute income, but instead, if it redistributes at all, should do so directly. Arrow’s insight is part of the reason economists are almost unanimously against price controls, under certain conditions an economy reaches a general equilibrium that is, an equilibrium in which all markets are in equilibrium.

Sen argued that maximize the sum of individual utilities is supremely unconcerned with the personal distribution. This should make it a particularly unsuitable approach to use for measuring or judging inequality'. He critique of utilitarianism is a welfare, and his proposed alternative, that is capabilities as an approach which has attracted, capability that is meant refers to freedom that a person has in terms of choice offunctionings, where the latter refer to what a person can achieve (such as being able to take part in the life of the community). Sen illustrates this by the example of a bicycle: "It is, of course, a commodity. It has several characteristics, and let us concentrates on one particular characteristic, viz., transportation. Having a bike gives a person the ability to move about in a certain way that he may not be able to do without the bike. So the transportation characteristic of the bike gives the person the capability of moving in a certain way. The capability approach may be interpreted in two different ways. It may be concerned with the actual chosen functioning, or with the options that a person has, the capability set. The example given is of two people who are starving,
one of whom lacks food, the other of who is starving out of choice on account of religious beliefs. Evaluation in terms of actual functioning (i.e., starvation in both cases) is closer to traditional welfare economics, being concerned with outcomes, but this does not capture the difference between the two people, which is that the second person could have made a different choice.

When that concept applied in a governance system, is become a welfare state. It’s would appear from some the definitions; First welfare state is a nation in which the government undertakes various social insurance programs, such as unemployment compensation, old age pensions, family allowances, food stamps, and aid to the blind or deaf also termed welfare regulatory state. Second welfare state is a concept of government in which the state plays a key role in the protection and promotion of the economic and social well-being of its citizens. It is based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those unable to avail themselves of the minimal provisions for a good life. The general term may cover a variety of forms of economic and social organization. Third, welfare state is a system government in which the provides free social services as health and education, and gives money to people when they are unable to work for example because they are old, unemployment, or sick and Fourth welfare state is a state in which organized power is deliberately used in an effort to modify the play of market forces in at least three directions, first by guaranteeing individuals and families to meet a minimum income; second, by enabling individuals and families to meet certain social contingencies which lead otherwise to individual and family crises; and third by ensuring all citizens the best standards available in relation to a certain agreed range of social services.

Hence, from some of the views, the figures classically view that concept of welfare concentrated to material things as a measure of welfare. However, in the modern concept, welfare is not just a material’s satisfaction but also involves other elements, such as ethics, social responsibility and the element of tawhidic (faith). It all means that economic experts today's was beginning to doubt and not satisfied with the concept of welfare existing today, who actually is a result from the creation of his role model.

2.2 Welfare State Classification

Various studies have classified of welfare state. For example, Beveridgean-Bismarckian models, Esping-Andersen (1990) classified into Social Democratic (universal), Conservative (corporatist) and Liberal (residual), and another researcher adds Minimal model.

Bismarckian is based on social insurance; provide earnings-related benefits for employees; entitlement is conditional upon a satisfactory contribution record; and financing is mainly based on employer/employee contributions, this concerned with income maintenance for employees. Meanwhile Beveridgean is characterised by universal provision; entitlement is based on residence and need (or only residence); benefits are typically flat rate and are
financed through general taxation this aims at the prevention of poverty, defined as aimed at the prevention of poverty, is obviously directed at the whole population of a country, rather than limited to a section of it, the eradication of poverty being otherwise impossible. Beveridge–Bismarck distinction emphasises a major difference between the two models of social policy. While the outcome might be fairly similar, i.e., a transfer of resources from the working population to the non-working population, the underlying objective is substantially different.

Social Democratic (universal) offers a high level of collective provision for all residents, giving the state a key role in welfare provision. Entitlements are based on residency and the levels of benefits are high. The collective provision is financed through taxation. The universalistic nature of this regime makes private provision unnecessary. The level of de-commodification is high, depending on the level of benefit. Because of its universalistic nature, this regime promotes equality of citizens. This model often referred as the Scandinavian Welfare States, represented by Sweden, Norway, Denmark and Finland. For example, welfare state in Sweden often referred as the ideal model that provides comprehensive social services to the whole population.

Conservative (corporatist) places the family at the centre of welfare provision. It is characterised by a large number of different social insurance schemes for different occupational groups (with special schemes for civil servants). Entitlements rules are fairly strict and are based on the history of paid contributions. The levels of benefits are high and earnings-related. The collective schemes are financed through compulsory contributions. The private provision plays a marginal role. This model is the model adopted by Germany and Austria its is often also call as the Bismarckian Model.

The Liberal (residual) is characterized by reliance on the market. It provides support only to those in need, i.e., those who are unable to meet their basic requirements in any other way. Entitlements rules are strict and stringent means-testing is used to determine the level of benefit, which tends to be a ‘minimal subsistence level’. There are no separate collective provisions for specific occupational groups (apart from civil servants’ schemes). The collective provision is funded from taxation. The state encourages the market solution by guaranteeing only a minimum and by the tax system making the market the key institution. This model is similar universal models that provide social services based on citizens' rights and have comprehensive coverage. However, as it is practiced in the UK, the number of dependents and services relatively small and short-term rather than a universal model. Social protection and social services are also provided strictly, temporary and efficient.

This model is generally applied in the Latin countries clusters such as Spain, Italy, Chile, and Brazil in Asia such as South Korea, Philippine, Sri Lanka and Indonesia. This model is characterized by government spending for social development is very small. Welfare and social security programs administered sporadic, partial, minimal and generally only given to
civil servants, members of the Armed Forces and private employees who can afford the premiums. In view of Indonesia, via the Constitutional Basis of 1945 about the government spending on social development was little, thus Indonesia can be categorized as adherents of this model of welfare state.

But in its development now been a shift in the meaning of the Welfare State to the Workfare State. Concept of Welfare State which actually emphasizes the responsibility of the state to provide assistance to the people, such as social assistance, health, education, poverty, and so on, shifted toward the obligation and responsibility of the people themselves. Each person will be responsible to solve his problems alone. Indications of it is has tended to shift from the government control to private authority.

3. ISLAMIC WELFARE THEORY

In principle, the current welfare system still relies to a market system, but seeks to reduce market imbalances that lead to inefficiency of market operations and replacing market failure with various government roles. For this effort, the usual steps taken include the various government regulations, nationalization of key companies, strengthening labor unions, optimization of fiscal policy, economic growth, and others. Although this system has been operational technically different from the earlier version of capitalism, but the overall framework remains capitalism. Which is have freedom for each individual property rights; free to use at his will, what he has invested at will, according to the desire to spend without limited and without the intervention of anyone.

In fine Capitalism provided space for the ownership to be used individually freely and Communists removed individual ownership rights, while Islam bringing to the middle way, combining the benefits for individuals and society where admitted the right of individual ownership, but also put the rules to control and preserve the rights of other. Islam forbids few of ownership rights, as for the preservation of human rights, and makes it benefit together, besides that. We can see that the economic welfare is now being run, just only emphasizes in the material sector, regardless of spiritual and moral welfare. Meanwhile, if viewed from Islamic perspective is aimed to achieving the economic welfare human welfare as a whole, which is in addition to material wealth, spiritual and moral welfare also incorporated therein. Meaningful concept of welfare economics is based on the manifestation of Islam not only economic value, but also moral and spiritual values, social values and political values Islami. Thus Islam has the concept of welfare economics is more comprehensive.

Islam gives the rights of ownership to get something and used it well. Therefore, it is appropriate demands and characteristics of human nature and human freedom. Islam also make laws as punishment for the enemies of individual rights, as the maintenance of the rights themselves, as well as reject all forms of intimidation which they are entitled as an individual who has a protected liberty and law. Hence, when the decline of economic balance
in these countries bearers the Welfare State concept are tends to be followed by countries that embrace same economic system, then come the idea to reapply of Islamic Economic in a welfare system that has been proven for centuries. Where in the heyday, Islam is not just talking for the matter of religion, in terms of talking in metaphysical issues but also talking about the problems of physical issues such as social and economic within a state system, this in accordance with the philosophy of Islamic knowledge departs from perfect spirituality then stimulates a sense of gratitude and services for the benefit of human thought, not greed to tame the world. In determining the criteria of welfare in Islam, we need to know in advance the elements the view of welfare policy in Islam. As below:

a) Ethic Factors

Discourse ethics is both a paradigm of normative philosophical moral theory (ethics) as well as a set of beliefs about universally applicable standards for making moral judgments (a postconventional morality or ethos). Karl-Otto Apel (1994) argued that anyone who takes part in an argument implicitly acknowledges potentially all claims of all the members of the communication community if they can be justified by rational arguments. Apel contended that all human needs, as potential claims that can be communicated interpersonally, are ethically relevant and must be acknowledged in as much as they can be justified interpersonally through arguments. This, together with a substantial normative assumption about the nature of morality namely that "one should not unnecessarily sacrifice a finite, individual human interest" led Apel to formulate the following basic normative principle of (Apelian) discourse ethics "all human needs - as potential claims - i.e. which can be reconciled with the needs of all the others by argumentation, must be made the concern of the communication community".

Likewise Islam, with the original teachings has been taught us about this. A hadith narrated from Anas bin Malik that Nabi s.a.w said: "If only humans have a hill of gold, then he wants to have two hills (gold). And no one will be able to fulfill the desire of a man except the ground (as humans buried). And God will forgive anyone who repents to him". From this hadith we can explain, that man in his nature have tendency in wealth. Every man wants to be the one lot of his wealth, otherwise no one who doesn’t want of the wealth. Allah s.w.t said:

"Beautified for mankind is love of the joys (that come) from women and offspring; and stored-up heaps of gold and silver, and horses branded (with their mark), and cattle and land. That is comfort of the life of the world. Allah! With Him is a more excellent abode."

The teachings of Islam do not separate between economics and ethics because Islam is a source of values and ethics in all aspects of human life as a whole, including in the economic field. Ethics in Islam will always exist in every line, starting from the basic principles of economics, the points of damage in trade, factors production, labor, capital, organization,
distribution of wealth, problem of wages, goods and services, until to ethics in socioeconomic regarding of property rights and social relations.

Indeed Islamic economy is all depart from ethical awareness; ethical postulate which has been described by naql, while the other economic systems like capitalism and socialism more tend to ignore this factor so that this aspect was not visible in this second economics building. The absence these from morality discourse because both aren’t departing from ethics, but from interest. Shortly, capitalism departing individual while socialism from the collective interests.

Known Islam was brought by the Prophet s.a.w, in which he is a businessman who has given an example of building a business based on the religious values or ethics. With that basic it was also then evolved build an ethical economic system with his companions. This condition became evidence for many people, that Islamic economic is the economics based on justice is a reality. These values, spirits and teachings are very useful to build a future economic order to create justice and welfare for all. Here are some examples of business ethics that have been applied by the Prophet s.a.w:

i. Ethics on Subject

Business categorized as valid if performed by a balighs person and resourceful, able to choose and able to transact freely and well. Those who deemed unauthorized if the trading doing with the ill of mentally or small child (except in cases of mild or authorized guardian) or people who are forced or who is prevented (for example because it does not understand, bankrupt and sick) and people in danger.

ii. Ethics on Contract

The contract is based on the good pleasure between the two parties must there is agreement, are in one place and not separate by a separator. Therefore, if the contract is performed does not meet the elements deemed invalid in Islam. For example, a business that is associated with a condition or suspended in the future or businesses that do not correspond between ijab and qabul.

iii. Ethics on Object

A transaction was valid if the object is fixed or useful, shaped, can be submitted, can be seen by the people, is not concerned the property with the others ownership, and there is no prohibition by Sharia. Islam has forbidden for example goods that feared nothing, or selling goods that contain ambiguity (gharar), or buying someone throwing like throwing the clothes and clothes that were must be purchased (ba’i munabadzah), or if you purchase shirt or cloth by wipe and shall buy (ba’i mulamasah), or goods that are forbidden by Sharia (alcoholic beverages, pork, etc.).
iv. Ethics on Process

Islam allowed business that meets ethical requirements; however there are some business processes that have been banned by Sharia law. For example, business with *riba* (both of *Nasiah* or *Fadl*), or business with tainted money (if clearly known), or sell the goods to be used to forbidden objects (eg wine if it is clear that the wine will be processed into *hamr*), or using the lottery business (*habsat*), or monopolize the sale (*ihtikar*).

v. Ethics on Time

Islam has set business ethics relating to the time of worship. This is because Islam has always fused between the life of the world who have not forgotten the Hereafter. For example, someone he is busy with his business until the time forgetting to carry out the obligations of worship. This will make the value of the business is not worth ethic, since he was doing business with the other side but do not implement the Islamic way of worship that have been mandated by God. As well as a ban on trade on Friday azan time. Allah says:

"O ye who believe, when called upon to perform the prayer on Friday, then made haste ye to the remembrance of Allah and leave the buying and selling. That is better for you if ye only knew."

With this reason a Muslim in community should transact with economics ethics in order to achieve the purpose of the happiness in the world or in the Hereafter which will be perceived impact is the creation of justice in doing business on their personal or social development.

b) Social Balancing

This concepts feature fine balancing between individual action and social responsibility yields the distinctive Islamic concept of 'constrained' individual freedom. These constraints, which are all ethical, have a distinctly voluntaristic strain, emphasizing that true freedom for the individual is best attained simultaneously with the freedom for all. According to this view, individual freedom has meaning only within the framework of the Divine Law, the limits of which Man is not allowed to transgress. There is nothing authoritarian about this view, because such a stipulation comes naturally to the members of a just society who voluntarily accept limitations to their individual freedom with a view to promoting social welfare. Man is essentially views from those individuals. Means each person accountable for all what he had done. "Your creation and your raising (from the dead) are only as (the creation and the raising of) a single soul". Man holds the supreme title of God's vicegerent on Earth: "He it is who hath placed you as viceroys of the earth" (6:166). No aimless gadabout in the Universe, he is its cynosure: "And He hath constrained the night and the day and the sun and the moon to be of service unto you, and the stars are made subservient by His Command." (16:12).
First of all the most basic things that should be known that’s Allah is the only one for the owner, creator, regulator and the ruler of this universe. As following verses:

“…To Allah belongs the kingdom of the heavens and the earth and what is between them, He creates what He wills. And Allah has power over all things.”

“He directs the affair from heaven to earth, and [affairs] is up to Him…”

“Is they who divide the mercy of your Lord? We have apportioned among them their livelihood in the life of this world: and We raise some of them above others in ranks, so that some of them may take others. Mercy of thy Lord is better than that they amass.”

From some verses above, demonstrated that everything contained in this universe was created by Allah swt has, therefore, a matter of determining the use of property and natural resources is also subject under His authority. Thereby property owned during life on earth is only temporary and is not a fixed and immutable right. But rather the property belongs only temporarily as a mandate that will be justified in the end. However, in essence Islam was recognized the individual ownership, that's why we are forbidden to oppressing another man's treasure. In Islam inside this ownership a few things have associated as a form of balance between individual and social responsibility, such as:

i.  Honesty

Honesty is a rare trait and almost nothing this time, especially in economics and business practices. Honesty in order to be a stranger in the middle dominance of dirty work can sweep all of mans to involve inside. So don’t be surprised when then appear a stigma that if you do not follow with the flow, your efforts will stagnate and confidential. With this reality, so it is need to return with Islamic teachings that belief in Allah is the creator of universe and the decider of our profits so that we should don’t justify any desire to reek. Here are taught that to be honest in the business, is one of the reasons blessed effort.

ii.  Trustful

In the ownership, a Muslim required to always apply trustful, both in terms of when he was looking for his wealth or when he issuing it, because in fact wealth is trust given by Allah and all any pleasures in the world will be accounted Allah s.w.t said: “Then, on that day, ye will be asked concerning pleasure”. The consequence of this hadith requires trust is it does not take other than its own right and not diminish the rights of others who became his duty to restore it. Rights may be wages, salaries, appointments or anything that belongs to someone else. If only the nature of trustful is maintained and applied by economic actors, of course, does not happen absence of prosecutions over the rights of someone else, no one feels terdholimi, and will result in the situation the economy is in harmony.
Some verses of the Qur'an strengthen the above statement, Allah S.W.T said:

“And if you are on a journey and cannot find a scribe, then let there be a pledge taken (mortgaging); then if one of you entrust the other, let the one who is entrusted discharge his trust (faithfully), and let him be afraid of Allâh, his Lord. And conceal not the evidence for he, who hides it, surely his heart is sinful. And Allâh is All-Knower of what you do.”

“Among the people of the Scripture (Jews and Christians) is he who, if entrusted with a Qintar (a great amount of wealth, etc.), will readily pay it back; and among them there is he who, if entrusted with a single silver coin, will not repay it unless you constantly stand demanding, because they say: "There is no blame on us to betray and take the properties of the illiterates (Arabs)." But they tell a lie against Allâh while they know it.”

“Surely, Allah commands you to deliver trusts to those entitled to them, and that, when you judge between people, judge with justice. Surely, excellent is the exhortation Allah gives you. Surely, Allah is All-Hearing, All-Seeing.”

Some of the verses of the Quran, as 08: 27; 23: 8; 33:72 dan 70:32.

iii. Rights of the Weak

In everyday, a Muslim obligated to run the business in order to seek the fortune, but after acquired he must see is there are rights of others. This obligation is to give to the weak group. This principle is mutual help; it becomes a necessity because whatever we do need help from others. Help the weak, helping people who need help is a necessity. Islamic economic actors are required in order to help his brother out of the problems faced. This includes helping the weak of knowledges, thus fall to the cruelty of a system.

iv. Giving Obligation

Truly it is social obligation on the treasures that must be accomplished to be given to those in need. Aims to help, assist and nurture them towards a better life and welfare, so that they can meet their needs appropriately, can worship Allah, to avoid the danger of disbelief, while eliminating the nature of envy, jealousy and spite that may arise from social among them when looking at the rich affluent life. He is also a form of tax required by Allah to those who are able to be given to the poor. Position in Islam is parallel to the shahadat; establish prayer, fasting in Ramadan and pilgrimage to the House. Many of the arguments that explain this obligation, also supported the suggestion that gifts are Sunnah others.
v. Feering al-Riqab

This concept is the concept of liberty, in the text of the Qur'an and al-Sunnah, al-Riqab means a slave, the man who has become the servant of his master. Regarding that Islam has a message for the freedmen, it is proved that sent a lot of text to each individual as much as possible gave him his freedom. But at present, this concept implies a broad, means the meaning slaves who had no relevant today, so that need to reinterpreted again by the language base "al-Riqab" that is fettered or imprisoned.

c) Social Effect

In connection with some of the points above, hereinafter requires from that assets acquired after fulfilling the purposes of the levels, then is recommended to be spent in philanthrophy both obligatory or sunnah. From this, it will encourage interfaith understanding by itself a Muslims positive and creative attitude, which will then give birth to a form of action and appropriate practice examples according to Shariah, that will make between government and the public together manage and exploited the resources for the common good. After the fulfillment of this rule, it will create the social economy, such as:

i. Social Security

Social security in Islamic welfare is very important position. There are two purposes for the social security; first is basic social security, which is a concept of responsibility from the government to ensure basic needs for people through the instruments of philanthropy like zakah, donation, charity, waqf, and even including taxes. The Qur'an frequent have mentions arguments of this social security in this form whose funds are used for the common benefit to fulfillment of basic needs and life quality beside that Islam has prohibits instill ethical balance in surplus property in order not greedy and arrogant. Social security in this form does not require people to pay fees to the state agency, because the source of funds comes from philanthropy. While the second type of social security is social insurance. The concept of social security supplemental funding outside of philanthropy by requiring people to pay fees are affordable, the second definition is based on the Qur'an commands that His servants to help each other (ta'awun) and protect each other.

ii. Development Infrastructure

After the basic social security policy has been applied, the government duties and responsibilities are not complete yet, but should provide the infrastructure either physical or non-physical. Physical infrastructure can be understood with the physical developments as roads facilities, supply of electricity, water, health houses, worship, communication devices, and other needs developed from the Bait al-Mal (general treasury). Meanwhile non-physical infrastructure is multi disciplinary knowlages like modern science and ethical education
needed for the development. Combination for these infrastructures it would be able to provide facilities in order to creating Islamic welfare to all the people.

iii. Public Interest Projects

The main focus of development is funded by philanthropic funds even tax funds are properly enjoyed by the public. This development shows the benefits back to the people: the establishment of foundations or institutions operator social problems are controlled by the state or private, benefit from this is that most of the return to the people. In this case needs to be recognized that the program is more of a service and focuses its activities on the welfare of the people. There was a distant second advantage, because people's demands and overall satisfaction is more important than profit or development plans that benefit enjoyed only by a handful of people.

The establishment of departments, institutions, agencies or foundations, and bodies could be perceived trust of public utilities in the form of services and welfare can be funded from the public property or property of state. In this case the institutions or systems such as sharia financial institutions, transactions, or other institutions that need to be established. Wadi’ah system, for example is a security system on the Parting Words of goods or financial assets of the public. Similarly, charitable homes stand as a home for orphans, disabled people, and garden nurseries.

iv. Reduce Alleviation

Logically the amount of natural resources that provided by Allah is enough for the human, but if this resources are not managed properly it will happen distribution inequality. Islam has a lot of problem solving for the poverty through the economics behavior in al-Nas, but these postulate is do not stand alone, however need a strategic relationship with other devices. In addressing poverty, first step is know of ownership concept, what is the status of property, individual belongs or common belongs, individual rights or common rights, this step must be clear for each people. Secondly, Islam requires to work, the government create employment opportunities, Allah says “Allah is He Who made the earth for you home, so they went in all directions and eat most of his fortune” and for them who are unable to work, weak or failing, Islam provides a solution among one another to take philanthropy action to ease the burden, were able to help who can not afford, the rich help the poor, and the strong help the weak, it is the concept of sharing the wealth in Islam. The third step is to optimize the distribution of state wealth to follow maqasid Syariyyah of philanthropy concept, with this the capable man pay the obligation to the state, used to help those weaks, accompanied by ethics, which for the weaks does not have begging mentally and government understands that it is his duty.
v. Investment Project

Investment is one of the Islamic concepts. In a hadith, the Prophet Muhammad said, "Know, Who nurture orphans, orphans while it has a property, then let him invest it, he must not let it idle treasure, so wealth it continues to decrease because of zakah". This is in accordance with what is stated in Surah Al-Hashr which means:”.... That the property was not circulate among the rich of you.”

4. PHILANTHROPY IN WELFARE SYSTEM

Philanthropy in Islam is an important element for economic welfare systems, this existed since Islam revealed. When we open Qur'an, almost every sheet contains calling to philanthropy acts, as well as Hadith explains more about it. Philanthropy has made a major economic foundation during the reign of Umar bin Abdul Aziz, the Muslims were so great progress in many areas, economic, social, cultural, defense and security, and others. Especially, in economic field Umar II set the philanthrophic properties, then used to finance the wheels of government and provide for the poor. But we can’t decline, in western society philanthropy also has been known long periods, it has played an essential role in economics.

Historically, from the 18th century, capitalism led to increased poverty in the growing big cities. The church was still in charge of philanthropic efforts but many other private donors played an essential role as well. With the rise of welfare society in Western Europe after the Second World War, private philanthropy began to lose its essential role. The new welfare society took over many of the tasks that formerly had been managed by private donations. From the perspective of welfare state, philanthropy was regarded as something belonging to the past when well-intentioned bourgeoises wanted to show their charity to the poor. Also, when philanthropy and voluntary effort began most forcefully with the election of Ronald Reagan, he famously proclaimed in his inaugural address that “government is not the solution to our problem”. After that philanthropy has played a central role in public discussion of reducing the state’s role in alleviating social problems. George H. W. Bush’s “thousand points of light,” Bill Clinton’s “charitable choice amendment,” and George W. Bush’s “faith-based initiative” (and more recent calls for philanthropic disaster relief in response to the Asian Tsunami and Hurricanes Katrina and Rita), are all manifestations of this drive to link voluntary action to the neo-liberal agenda of smaller government. In this era we can see wealthy individuals like Bill and Melinda Gates and George Soros have the drive and wherewithal to impact public policy on a global scale.

a) Criticism

Many things has encourages philanthropic, to carry out acts of philanthropy, Bekkers and Weipking (2006) has summarized eight people intent in philanthropy such as made in response to the awareness of need, solicitation, costs and benefits, altruism, reputation concerns, psychological rewards, or efficacy or mixture than it all. However, good intentions
were not immune from the criticism that always appeared on the philanthropic practice of the west, such as:

i. Politically

Philanthropy in the west are not always intended to address social issues but following political pressure, with the aim to smooth its businesses to be more politically supported. This is problematic because the social problems that act as an impetus for philanthropy, poverty and marginality in particular are not only personal issues, they are distinctly. The necessity of philanthropy indicates the presence of social problems; it does not indicate that social problems can be eliminated by philanthropy.

The politics of philanthropy is further disguised when it is divorced from the fact that it can only exist through profit, exploitation, and their result, alienation and poverty. For example, today we honor the generosity of mega-wealthy donors for trying to solve “wicked” problems (*The Economist* 2004) with little or no discussion of the system that allows them to own most of the wealth and while billions of people unnecessarily live in poverty around the world (UNDP 2005).

ii. Ethically

Further describes this disconnect: This is what makes a figure like Soros ethically so problematic. His daily routine is a lie embodied: Half of his working time is devoted to financial speculations and the other half to humanitarian activitie that ultimately fight the effects of his own speculations. Likewise the two faces of Bill Gates: a cruel businessman, destroying or buying out competitors, is aiming at virtual monopoly, employing all the dirty tricks to achieve his goals and the greatest philanthropist in the history of mankind.

iii. Superiority

Because it does not no *dalil* that bind, besides giving themselves thenwhen the social world becomes divided into givers and receivers, “haves” and “havenots, a conceit or moral superiority is encouraged among benefactors and a feeling of demeaning inferiority among beneficiaries. A society relying too exclusively on philanthropy can easily fall into moral traps because it creates the fiction of a self-sufficient giver and an insufficient receiver. In this context, donors can become too overbearing and too demeaning, are given to covert control, become too insensitive to long-range negative side-effects of interventions, are too given to monumentalism, are too oriented to their own glory, and are sometimes too narrow or inflexible.

Linkages with the system, the fact must be recognized that has influence welfare in the capitalist economic system. But we have to look carefully with a system how does a capitalist
economic system it is run. How do they conduct economic activities of glory, how to trade monopoly they run? How is the action of a financial monopoly they hold? What about the action which they patented technology monopoly? Shortly they run market-based through the competition, who are strong competing he would become the ruler of the other side attempts to impose its competitors continues to be done. Therein lies the problem in a system, the activities they actually run contrary to their philanthropy, as if they run philanthropy only way to cover a small portion of the negative business impact.

Statement arises, whether the concept of philanthropy is carried by the west is the same with Islam, there is nothing wrong with the current circumstances. Indeed there is a fundamental difference in economic and Tawhidi as one that is not biased separated. In one verse, Allah says "...go to the teachings of Islam and perfect". The word perfect is at the fundamental difference between the concept of philanthropy in Islam and philanthropy practiced by West. In other reason, Islamic philanthropy is original of tawhid, or the teachings of God, this theacing would be easy chainly from upstream to downstream with the ethics factor as a filter. While the west concept is more partial, that action only concentrated on philanthropic action.

Most people acknowledge that capitalism indeed be encourage higher productivity, but it can’t eliminate inequality. Capitalism theoretically provides equal opportunity to all, but in fact in discriminatory because only those who are close to the source of funds, resources, or ruler most often get the chance. Capitalism causes symptoms of alienation and anomie in society. Certain layers of society are thrown in the competition will find it to be nothing, so gripped by feelings of alienation and anomie, finally led to the phenomenon of the lonely crowd and be in another dimension in society. Real example is perceived negative consequences for the emergence of the economic gap between the industrialized countries with poor countries. This gap has started since World War II, when the U.S. has 40 percent of the entire wealth of the world, but has a population of only 6 percent of the entire population of the earth. This result can be felt in July 1997 when the Southeast Asian monetary crisis. The crisis is forcing Thailand and Indonesia was forced to ask for IMF assistance. Indonesia to undertake drastic measures with liquidates 16 banks.

Western theory says function of welfare interprets that to achieve maximum welfare is characterized with the person's individual satisfaction, not all people with the social problems. Given the preferences of each individual i over the allocations, we can construct utility functions, n_i(x). That summarize the individuals' value judgments: person i prefers x to y if and only if n_i(x) > u(y). Uniquility utility representation. Which assumes with $$\Sigma_{i=1}^{n} u1(x) > \Sigma_{i=1}^{n} u1 = (y)$$. Accompanied by a principle that no one be good without the other becomes an ugly, as the concept of balance.
4.1.1 Islamic philanthropy in Welfare System

Here we can see that factor philanthropy is not used as index of economic welfare in capitalist economic theory, but it is evident that social problems are always associated with weak people who require the presence of philanthropic activity. This fact opens the world of economists thought that the act of philanthropy is economically rational action, we can find it in some literature, for example AKDN (2000) notes, "... the place of philanthropy within contemporary, industrialising societies gives rise to overlapping as well as contradictory understanding of 'philanthropy' and its associated terms It is understood in many ways: as 'goodwill to fellowmen; especially active effort to promote human welfare. So far as this is true, the philanthropic sector can be described as a greenhouse in which altruistic activity in cultivated "where altruism is defined as 'behaviour directed towards the benefit of others at sonic cost to the self where no extrimisic or intrinsic benefit is the primary intent of the behaviour'. Philanthropy is a value without which. many researchers believe, societies cannot grow, prosper and survive" sometimes, it is distinguished from 'charity' which is said to be a short term or an immediate relief as compared to philanthropy that is sort of social investment for long term initiative towards building human and social capital. Schwartz (1970) defines "a philanthropic transfer of wealth to be a voluntarily generated, one-way flow of resources from a donor to a donee, the flow is one-way in the sense that it is based upon no donor expectation that an economic quid pro quo (in the usual sense of that term) will reward his act".

The economic rationality behind the philanthropic acts is their characteristic that each act gives some utility to the individual: otherwise it would not have been undertaken The underlying assumption is that individuals' utility functions are interrelated and arc not disjoint. According to Schwartz (1970), if preferences of individual A and B interrelated, these can be expressed as under.

\[ U^A = U^A (C^A, C^B, \ldots) \]

\[ U^B = U^B (C^B) \]

Where \( U^A \) and \( U^B \) are respectively. A's and B's utility, and where \( C^A \) and \( C^B \) are goods consumed by these individuals. It price for giving is assumed to be one, then in a two person's economy B's consumption can be derived as:

\[ C^B = (Y^A + Y^B) - C^A \]

Where \( Y^A \) is A's income before donations and \( Y^B \) is B's income net of donations. In the two-person model, \( D^{AB} \). A's donation to B thus appears as \( D^{AB} = Y^A - C^A = C^B \cdot Y^B \) and \( D^{AB} \geq 0 \).
The equations above indicate that A has a philanthropic attitude towards B and A’s utility is not isolated from B’s welfare as it also includes a term $C^B$. It is obvious from this interpretation, that A enjoys a greater level of satisfaction when B is better off. Therefore, A being a rational consumer would enhance B’s welfare via a philanthropic allocation of resources in order to maximise his own utility.

Hence, it is necessary to enter these elements in a macro welfare index, in terms of philanthropic activities that run not only partial but to be agenda controlled by the the core welfare state incorporated with state income system and allocation system. This is the uniqueness of Islamic philanthropy, where thousands of years before it have implemented, as a whole system, together with the distribution of income and wealth of the country. Islamic philanthropy in question is Obligatory Philanthropy (zakah, Nazr, fidyah, etc.) and Voluntary Philanthropy (donation, endowments, etc.).

In economic theory, the individual income balance will affect the national income that is when $Y = C$ where $Y = $income and $C = $consumption. But not for Islamic economics, in his philosophy, Islamic life consists of two elements, ie elements the earth and the hereafter, then $Y_i = C_w + C_h$, where $Y_i = $income in Islamic economics, $C_w = $consumption on world and $C_h = $consumption on hereafter, consisting of consumption of Obligatory Philanthropy ($C_{op}$), add with consumption of Voluntary Philanthropy($C_{vp}$), $C_w = C_{op} + C_{vp}$. So, in Islamic economics, givers condition has had an additional income in the form of provision for mustahiq. This is why the theory of consumption divided the world consumption ($C_w$) and hereafter consumption ($C_h$), $C_i = C_w + C_h$. Thus hereafter consumption($C_h = C_{op} + C_{vp}$), then Islamic consumption becomes: $C_i = C_w + C_{op} + C_{vp}$ which:

For example, when:

$C_w = 25 + 0.75Y$
$C_{op} = 0.025Y$
$C_{vp} = 0.025Y$

Then the equilibrium occurs when $Y = C_w + C_h$ described as follows:

$C_w = a + bY(1 - op - vp)$
  $= 25 + 0.75Y$
  $= 25 + 0.75Y(Y - 0.025Y - 0.025Y)$
  $= 25 + 0.75Y - 0.0375Y$
  $= 25 + 0.7125Y$

$C_h = C_{op} + C_{vp}$
  $= 0.025Y + 0.025Y$
  $= 0.05Y$
\[ \text{Ci} = 25 + 0.7125Y + 0.05Y \\
= 25 + 0.7625Y \]

Because the consumption of Islam \( Y = \text{Ci} \), so:

\[ Y = 25 + 0.7775Y \]
\[ Y = 105.26316, \text{ which} \]

\[ \text{Cw} = 25 + 0.7125 (105.26316) \]
\[ = 100 \text{ (giver)} \]
\[ \text{Ca} = 0.05 (105.26316) \]
\[ = 5.26136 \text{ (mustahiq/reciever)} \]

The above function when incorporated in utility function under of economics framework appears to be of the form:

\[ U_1 = f \{ M, L, H, V, R \} \]

Which is maximized subject to total time resources of individual i.e. 24 hours a day, where personal consumption (C) to philanthropic donations (D) and part of his market time (M) and personal leisure time (P) to religious activities (R) to voluntary activities (V) and time allocated to collective/active leisure of home production like sharing with family, gardening and cooking, coaching to children, watching TV along with family (H).

If the money value of market activities M is converted into commodities we can write this utility function as \( U_2 = f \{ C, D, L, V, H, R \} \) Where C is vector of commodities used by the individual for his own/family needs and D is vector of commodities used for satisfying needs of other human being, a commandment of all devine religious (D may be called charitable donations and includes other philanthropic behaviour oriented commodities).

From above description, it can be concluded, that Islamic Philanthropy by mustahiq is determine level of consumption, while for givers Islamic Philanthropy would reduce of final spending. But it was felt not burdensome because faith factor were heavily influenced in the consumption that is main motive for charity. This model (Muslim personal expenditures) above clearly will have implications on the general model of national income is \( Y = C + I + G + (XM) \). Where the elements C will be modified automatically by entering philanthropic factor, even modification occurred in G which is this element have \textit{Maqasid} similarity as if Islamic philanthropy action, that is to create welfare society.
Case examples, when:

Consumption function: \( C = 25 + 0.75 \, Y \)
Obligation Philanthropy: \( O_p = 0.025 \, Y \)
Voluntary Philanthropy: \( V_p = 0.025 \, Y \)
Mustahiq Consumption: \( C_m = O_p + V_p \)
Investment: \( I = 25 \)
Government spending: \( G = 25 \)
Export: \( X = 7 \)
Import: \( M = 4 \)

Answer:

1. Conventional Economics
\[
Y = C + I + G + (X - M)
\]
\[
Y = 25 + 0.75Y + 25 + 15 + (7 - 4)
\]
\[
Y = 0.75Y + 68
\]
\[
0.25 \, Y = 68
\]
\[
Y = 272
\]

2. Islamic Economics
\[
C_i = C_w + C_h
\]
\[
C_i = a + bY (1 - o_p - v_p)
\]
\[
C_i = 25 + 0.75Y
\]
\[
C_i = 25 + 0.75Y(Y - 0.025Y - 0.025Y)
\]
\[
= 25 + 0.75Y - 0.0375Y
\]
\[
= 25 + 0.7125Y
\]
\[
C_h = C_o + C_v
\]
\[
= 0.025Y + 0.025Y
\]
\[
= 0.05Y
\]
\[
C_i = C_w + C_h
\]
\[
= 25 + 0.7125Y + 0.05Y
\]
\[
= 25 + 0.7625Y
\]

\[
Y = C + I + G + (X - M)
\]
\[
Y = 25 + 0.7625Y + 25 + 15 + (7 - 4)
\]
\[
Y = 0.7625Y + 68
\]
\[
0.2375Y = 68
\]
\[
Y = 286.31
\]
Here we can see that the Islamic philanthropy provide a positive effect to national income. Without Islamic philanthropy, national income is only worth 272, while the presence Islamic philanthropy national income becomes 286.31. Furthermore, these implications seen when applied in conventional economic approach which stated that real GNP can be used as measure of economic welfare in a country. The theory is when GNP goes up; it assumed people are materially improved, of course after divided by the number of residents. But, for Islamic economics, this concept was rejected, because GNP per capita is an imperfect measure. Rejection of this theory because product expressed in GNP generally just products in market, means that family income directly consumed and not marketable is not recorded in GNP. Whereas, GDP should more emphasis on the production of basic needs that must be owned by all people.

Therefore, addition to include elements ethics in economics, the national income calculations based on Islam should also be able to recognize how the interaction of the instruments of philanthropy, for example zakah, waqf, infaq and other instruments in improving the welfare of the people.

5. CONCLUSION

Islam is a universal religion of humanity. The primary objective is to establish an ideal society based on justice, equity and virtue. Islamic welfare which performs a number of functions, that’s aimed in material welfare and spiritual welfare for example provision basic need of life and establishment a system of life to protect the weaks against the strong, also responsibility in protect of poors and helpless from economic exploitation system.

Education and health is two main factor of individuals welfare, this become capital development for state welfare yang dipengaruhi oleh filantropi Islam. Lastly is concept of Islamic philanthropy is original, which was order directly by Allah via al-Qur’an and al-Sunnah, this can be proved almost when open al-Qur’an we will found the commandment to philanthropic action. That is why some of these sentences are very suitable to describe the urgency of philanthropy in Islamic economics, ie be entrepreneurs and do not think the money but think about life happy in the world and hereafter, how to reach the next life after and be happy to others. So the best way to get is to give, the best way to get love is love, the best way to get the blessing is give the blessing and the best way to get a fortune is to give fortune, that Islamic philanthropy.

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