

Zubair Hasan

Theory of Profit: The Islamic Viewpoint

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Zubair Hasan's paper on "Theory of Profit: The Islamic Viewpoint" is on the whole a learned and well written one. I have, however, to make certain observations on the points raised by the author.

Firstly, the role of the entrepreneur can not be whittled away as appears from the following lines of the writer: "Profit is viewed as a surplus that can not be ascribed to some unique functions performed by the waning entrepreneurs" (p.14).

I think that even though profit is a residual income, a surplus, if he prefers to call it so, it must be ascribed to some "unique functions" performed by the entrepreneur, waning or not waning is besides the point.

Secondly, Islamic economy has to be a mixed economy i.e., it has to be a multi-sectoral model. There has to be a public sector (for example, in defense and strategic industries, atomic energy, central banking, public utilities and octopoid industries, and so on). There must also be a large private sector in the rest of the expanding economy. There has to be a cooperative sector too to achieve several social objectives which are the essence of Islamic moral principles. There may also be a joint-sector i.e. private and public ownership in a proportion adjudged to be expedient.

Most economists agree that accounting profit is a necessity for efficiency and growth. Even public sector undertakings should be so managed as to show enough profits. But a study of public sectors in most mixed economies demonstrates that most of the undertakings therein have become white elephants. Obviously because of lack of incentives and entrepreneurship. The policy question for an Islamic economy is: How long can the public sector be allowed to work with losses or nominal and very low rates of profit, and if it is to run like this, is it worthwhile to maintain and expand it? Does an Islamic economy have a better alternative for the management of such industries where public ownership and control are thought to be most desirable?

In the case of the private sector, the quantum of profit is an index of efficiency and growth. If this causes distributive injustice and other evils in the process, then social legislation and control has to remove these evils and enforce necessary controls to obviate the evils as they crop up.

These very considerations would apply to the cooperative sector also, which is nearer to the private than the public sector, but with lesser exploitation and more of equality and equity.

If, however, there is a joint-sector, decisions regarding it will have to wait till its actual functioning is manifest, and economists and other social scientists are able to determine its good and evil points on grounds of the merits of each case. The principles of Islamic economy have enough guidelines in store to meet any situation as and when it arises. Considerations of *'adl* or social justice must at least be given as much weightage as considerations of efficiency and growth.