

Towards a New Paradigm for Economics

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I write these lines in appreciation of Dr. Asad Zaman's contribution. I agree with his approach. One must introduce some basic changes in the assumptions of economics to make it more serviceable for humanity and, thereby, more relevant. The departure from conventional wisdom suggested by Zaman makes sense. It opens a window to reality from which fresh insights can flow to make economics cater to the needs of billions of people rather than those of the billionaires.

Splitting the utility function in two in order to bring (consumer) choices closer to reality needs to have a counterpart in the production function too to enable a more realistic (and humane) study of the behavior of entrepreneurs. As a matter of fact the points made by Zaman in the last paragraph of page 54 all apply to producers /employers/investors...too. Earlier efforts to make the analysis of behavior of firm more realistic by introducing the notion of satisfactory profits or having a multiple maximand did not make many dents into a theory that refuses to accommodate non-egoistic goals. As Sen has rightly pointed out, "it is important to escape what may be called the "low minded sentimentalism" of assuming that everyone is constantly motivated by personal interest" (Sen, 2003, p. 285. See also pages 23-24 and the list of references in fn.31 on p. 24).

Another interesting take off from Zaman's poor-friendly utility function would be to enquire how entrepreneurial profits appear in its light. Insofar as the focus of profit making is utility enhancement (maximization?), would not this particular view of the utility function influence profit-seeking activity? In fact it should, as that activity is vulnerable to losses and is not above social evaluation (Mantzavinos , 2004, fn.30, page 205).

Can there be a different kind of gradation in the theory of the firm? Every firm being assumed to care for nothing else but profit till it has earned enough to survive and continue (note the parallel with Zaman's basic needs). But once that threshold is crossed it can satisfy other ambitions including service of society! Zaman has rightly observed that: "When a concept cannot be defined within the mainstream economic framework, it becomes invisible." (p. 52). Organizing productive enterprise to serve the people (and, thereby, God) appears to me to be such a concept. From al-Ghazali (Ghazanfar & Islahi, 1997, pp: 24, 27) to Syed Qutb (Qutb, 2000, pp: 185-86), Islamic thinkers are keen to introduce that kind of entrepreneur to us as a protégé of Islamic ethos, only to be told by economic pundits they do not recognize such a one. Where do we go from here?

Another window on the same Islamic view on productive activities is the Islamic concept of *fard kifayah*, the category of duties under which many eminent jurists have included basic (and, strategic?) industries (Siddiqi, 1996, pp: 49-51 and p.73,fn.16). Would economics as we know it accommodate production as a duty?

References

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