

**THEORY OF
GROWTH OF A FIRM IN A
ZERO INTEREST RATE ECONOMY**

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FOREWORD

I am deeply gratified to write a foreword to this monograph on the micro-economic implications of the elimination of interest for the growth of a firm. The fact that an M.I.T. trained non-Muslim professional economist found the subject interesting enough to devote his energies to it is an indication of the wider attention some of the basic ideas in Islamic economics, such as interest-free financing, are now receiving.

Dr. Mukherji has followed in the present monograph the same methodology as in his earlier paper "A Micro-Model of the Islamic Tax System" (*Indian Economic Review*, Vol. XV, No. 1) where he took as given, the Islamic system position on a certain issue, and analysed in detail some of its economic implications. In preparing for this monograph, the Centre was glad to provide Dr. Mukherji with relevant Islamic economics literature and a list of system's "parameters", and as usual, with the referees' reports and our Academic Committee's notes. The choice of assumptions, method of analysis and the ensuing conclusions are the author's own.

Dr. Mukherji has demonstrated one way of analysing the workings of an interest-free system, and has provided some specific conclusions. As in much of economic theory, not all the conclusions are definitive. This does not detract from the value of this work, which is an important first step into a new field.

We look forward to further contributions on this line from Dr. Mukherji and other professional economists.

Omar Z. Hafiz
Director

Islam is a living philosophy followed by numerous and diverse peoples of the world. If the monograph seems cold to the reader I apologize, but assure him or her that there was no lack of excitement in the work involved, the effort spread out over several years.

The theory of the Islamic economy is being developed largely ahead of its practice. That ought to lessen the burden somewhat when I claim the responsibility of all the errors that remain.

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