



## **Baha'i Faith and economics: a review and synthesis**

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**Abstract**<sup>(1)</sup>: This article reviews the secondary literature on the Bahá'í Faith and economics. Bahá'í writings include important teachings on the spiritual dimensions of work, distributive justice, industrial relations, and the importance of cooperation in commerce. A survey and critique is provided of published articles. This review also discusses some important issues of methodology.

### **The divine economy and a Bahá'í economist?**

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else.<sup>(2)</sup> - John M. Keynes.

Be anxiously concerned with the needs of the age ye live in, and centre your deliberations on its exigencies and requirements.<sup>(3)</sup> - Bahá'u'lláh

That Bahá'ís are concerned with economic issues should not be surprising. The Bahá'í Faith includes many social teachings, and economics is, after all, a social science. Issues of economic justice and development are among the key social teachings of the Faith. In his *World Order* letters the Shoghi Effendi notes that Bahá'u'lláh has "provided for the essentials of a Divine Economy,"<sup>(4)</sup> and later in the same letter he calls this Divine Economy Bahá'u'lláh's "inestimable gift to mankind."<sup>(5)</sup> Economic issues are at the heart of Bahá'í conceptions of social justice, suggesting the existence of a constructive role for the Bahá'í economist to play. However, it is important to define what this role entails.

The exploration of the Bahá'í teachings on economics has occupied an important place in the Bahá'í community for many years. Indeed it was the social teachings of the Faith that formed the basis of many of 'Abdu'l-Bahá's talks in the west. However for most of the century the Bahá'í community, while utilizing the social teachings of the Faith in its proclamation and teaching activities, has done little to develop and articulate them beyond the level of quotation of 'Abdu'l-Bahá or Shoghi Effendi. The phrase "spiritual solutions to economic problems," is included in most Bahá'í "principles" lists and introductory

pamphlets, yet many Bahá'ís's would have difficulty articulating the exact nature of these "spiritual solutions." Clearly there is a need for further scholarship in this field.<sup>(6)</sup>

Fortunately this pattern of negligence is eroding. The Universal House of Justice's 1983 call for renewed emphasis on social and economic development, the publication of *The Promise of World Peace*, and the activities of the Bahá'í International Community at the United Nations have increased awareness of the Faith's social teachings. This increased awareness is reflected in the expansion of scholarly work on the Faith. This article reviews some of the more recent articles written by Bahá'ís on economics.<sup>(7)</sup>

Selecting articles to include in a review is an inherently subjective task. The rationale employed below is as follows. First, only articles are reviewed. Second, only materials published since 1975 are included. Third, only materials that are relatively easy to obtain are included. In practice this means that only articles published in books or in readily available journals are reviewed. Finally, a somewhat narrow interpretation of "economics" was adopted. Anyone who begins to explore this literature will soon realize that while existing materials are limited, the range of topics discussed is vast. The use of a narrow definition has resulted in some significant holes in the review, for example none of the several articles on Marxism are discussed. However, the approach allows for a more in-depth treatment of several key topics in the literature. This review has sought to extract those themes which emerge as "key" in the literature and discuss them more thoroughly in recognition of their centrality.

The articles reviewed are necessarily preliminary in nature, and indeed all of their authors emphasize that the discussions are largely speculative as "Bahá'í" economics would only occur within the context of a Bahá'í commonwealth - an as yet unrealized stage of human development. As Huddleston puts it: "Bahá'í economic views acquire real meaning only when considered in the context of a Bahá'í civilization."<sup>(8)</sup> Furthermore it is important to keep in mind Shoghi Effendi's statement that "Bahá'u'lláh did not bring a complete system of economics to the world."<sup>(9)</sup> Therefore, in an important sense, there is no such thing as "Bahá'í" economics, at least not when understood as a narrow set of "orthodox" normative and positive principles.

The Bahá'í writings include teachings that have a bearing, indeed sometimes a critical bearing, on our conceptions of what constitutes a ideal economic system or the Divine Economy discussed by Shoghi Effendi, but they do not constitute an economic system unto themselves. Therefore, Bahá'í economics is somewhat of a misnomer. Economics, as an academic discipline, is a social science that employs a set of analytical, theoretical, and empirical tools developed over the past two hundred years. Bahá'ís have a vital role to play in the development of this discipline, but this role does not include supplanting "secular" economics with a poorly constructed "Bahá'í" paradigm. Indeed Shoghi Effendi repeatedly emphasized that Bahá'ís must keep up with the cutting edge of knowledge and current affairs in order to correlate the Bahá'í teachings with modern thinking.<sup>(10)</sup> With this in mind we might modestly define a Bahá'í economist as nothing more than an economist whose normative framework is informed by the Bahá'í teachings.

Two issues have significant bearing on the task of a Bahá'í economist. First, we must remember that, according to Bahá'u'lláh, the fundamental purpose of religion "is to safeguard the interests and promote the unity of the human race."<sup>(11)</sup> Second, we must remember Shoghi Effendi's warning "that many [economic] issues at present baffling the minds of the world are not even mentioned" in the Bahá'í writings, and therefore we can not view the few technical teachings on economics found in the writings as anything approaching a comprehensive "Bahá'í" system. These two statements at once define the basic objectives and parameters of the Bahá'í economist: to breath life into an existing shell of the economics discipline and thereby to transform it; to apply the spiritual to the material.

Broadly speaking, all of the articles surveyed below operate within the framework outlined above. The lack of a clearly formulated Bahá'í system of economics is, indeed, an advantage. As Dahl notes in "Evolving toward a Bahá'í Economic System," the lack of technical teachings on economics in the writings means that "Bahá'ís can thereby hope to avoid narrow orthodoxy, which has been a stifling influence on so many intellectual disciplines."<sup>(12)</sup> There is clearly room for constructive disagreement.

The approach adopted below is as follows. Themes common to all the articles, or a significant subset of them, serve as the basic organizing principle of the review. The areas discussed are: (1) the spiritual and ethical dimensions of work; (2) distributive justice; (3) industrial relations; and (4) issues of cooperation and competition. Where appropriate, material from the mainstream economic literature on these topics is included. In addition to the topics outlined above a few clarifying and critical remarks on Bahá'í attitudes towards "economics" and "capitalism" are included. Finally, areas for further research are outlined.

## **The spiritual and ethical dimensions of work**

One theme that underlies all Bahá'í scholarship on economics is the notion that the spiritual and material dimensions of existence are connected, mutually reinforcing, and indeed reflected in one another. All of these articles proceed from the premise that "the material and spiritual worlds are closely interlinked."<sup>(13)</sup> William Hatcher most forcefully articulates the implications of this notion in his article "Economics and Moral Values." Hatcher argues that the interconnectedness of the spiritual and material worlds implies that "our economic system is simply an external and concrete reflection of our collective inner life."<sup>(14)</sup> Shahrzad Mohtadi in "Economic Justice in the New World Order" makes a similar argument, noting "that among the fundamental causes of economic injustice are such attitudes of selfishness, greed, competitiveness, and apathy."<sup>(15)</sup> The implication is that today's material impoverishment is merely a reflection of our collective spiritual impoverishment.

The close relationship between the material and spiritual worlds suggests that there are significant material gains to improvements in the moral fabric of society; reciprocally, moral decadence is costly. One way this link is nurtured in the Bahá'í Faith is through the "spiritualization" of work. Work is a "calling" and a divine injunction: "The best of men," writes Bahá'u'lláh, "are they that earn a livelihood by their calling and spend upon

themselves and upon their kindred for the love of God."<sup>(16)</sup> Work becomes a spiritual act, and thereby becomes imbued with virtue; honesty, hard work, and a spirit of service come to characterize our actions.<sup>(17)</sup>

The literature on the economics of asymmetric information gives one illustration on the economic implications of a virtuous society. Information, its accuracy and flow, is a critical determinant of market efficiency. Therefore the quality of information we use to make our decisions directly affects the ability of the market to meet society's collective material needs. For example, consider the market for used cars; this market is dominated by what is known as the "used car salesman," a caricature of dishonesty. The used car salesman is interested solely in selling a car at the highest price possible. In order to achieve this goal he is willing to lie; that is, to give the potential car-buyer inaccurate information about the quality of the car (e.g. not to disclose full maintenance records). In this case the used car salesman is using information to extract (i.e. steal) money from the buyer; money that the buyer would not willingly part with if he had all relevant information at his disposal.<sup>(18)</sup>

An efficient market transaction - one where the exchange is mutually beneficial - is conditioned on the availability of all information by all parties. If the used car salesman is dishonest the car-buyer will purchase a low quality vehicle for a high price, thus his welfare will be less than optimum as his costs will not be commensurate with his benefits. The used car salesman is the "winner" of the transaction; he has sold the car for an exorbitantly high price. However, society as a whole loses because if the transaction had been open and honest the car-buyer would have paid a "fair" price (i.e. the true market value of the car) and the exchange would have been mutually beneficial instead of asymmetrically exploitative.<sup>(19)</sup>

The notion of honesty and its economic implications was of concern to the classical economists. Adam Smith argued in his *Theory of Moral Sentiments* that a well functioning society was dependent on adherence to what he called a "code of honour."<sup>(20)</sup> These concerns have often been lost in the mathematical abstraction of modern economics but are increasingly of concern to economists.<sup>(21)</sup> The current *World Development Report*, produced annually by the World Bank, argues that public service and business sector "corruption" (i.e. the pervasive absence of Smith's "code of honour") are serious barriers to sustained social and economic development in the developing world.

Bahá'ís have a great opportunity to bring Smith's "code of honour" back into the mainstream of the economics discipline. This process is started in a few of the articles (e.g. Sabetan provides a simple game theory analysis of how the Bahá'í "ethical position of selfless service" leads an optimal outcome) and its continued development is crucial because the social and economic implications of a spiritually-imbued "sense" of work are profound.<sup>(22)</sup> The Bahá'í teachings are rich on this subject; charity, voluntary giving to the fund, *huqúqu'lláh*, and honesty are all areas of potential further analysis.

Dahl, in his earlier *World Order* article, outlines the implications of the Faith's emphasis on voluntary giving. He envisions a world where "a simultaneous process of transformation, as inward-looking, self-centred lives become more outward-looking and society-conscious,

and the economic structure of society shifts from a preponderance of personal consumption, to the provision of more services and 'public goods.'"(23) Today, public goods such as schools, roads and parks are government provided; however in the context of a Bahá'í civilization private provision of public goods would alleviate some of the current strain placed on governments.(24)

The economic implications of voluntary giving, as opposed to involuntary giving (i.e. taxation) are profound. Voluntary sharing of wealth does not result in a distortion of incentives or compromise the work ethic, therefore there may be significant social returns to a world where voluntary giving is a significant source of revenue for the provision of public needs. Huddleston, in his *World Order* article, points out that the Bahá'í community is funded by voluntary donations, thus giving the world a concrete example of a volunteer-funded system.

Another area where the spiritual teachings of the Faith would have a concrete impact on the economic organization of society is in the functioning of a firm. Huddleston, in "Principles of Economic Justice" points out that "at a minimum...a business should be conducted with complete honesty and trustworthiness."(25) However, Huddleston notes that the Faith's teachings on work as service suggest that Bahá'í businesses would focus on providing goods and services that "contribute to the...creation of a noble race of men."(26) In economic jargon this implies a harmonization of concerns about private and social returns in economic decision making. For example, the private returns to an entrepreneur might be the same for two alternative ventures. The first might be opening up a "total-nudity" strip bar next to a prestigious university. The second might be opening up an academic bookshop in the same area. The Bahá'í entrepreneur, recognizing the disparity of social "returns" between these two possible ventures, would suppress any preference for a "total nudity" work environment (as Bahá'í writings do not encourage public nudity) and open up the bookshop. There is a well developed analytical framework in the economics literature for evaluating the relationships between private and social returns. Bahá'í economists might do well to explore the social welfare implications of a Bahá'í "bias" towards work activities with high rates of social return in the context of this literature.

In summary, the implications of recognizing the close link between the spiritual and material dimensions of life are profound. Bahá'í teachings regarding work as service, voluntary giving, and the importance of honesty all have potentially important implications for the economic structure and material welfare of society. Some of these topics are beginning to be discussed again in the economics literature, and Bahá'í economists would do well to explore this literature as a potential way to articulate and evaluate Bahá'í teachings on economics.

## **Distributive justice**

The basest of men are they that yield nothing on earth.(27)

When we see poverty allowed to reach a condition of starvation it is a sure sign that

somewhere we shall find tyranny.(28)

Bahá'í writings have a great deal to say about justice. Bahá'u'lláh calls justice "the light of men,"(29) while in the *Epistle to the Son of the Wolf* he predicates "the establishment of the tranquillity of the nations" on justice.(30) Issues of justice are discussed in all of the articles, however it is in the pair of articles included in *Toward the Most Great Justice* that they are discussed most thoroughly.(31)

Shahruz Mohtadi in "Economic Justice in a New World Order" begins his article by arguing that the foundation of a Bahá'í world order will be "a new and universal standard of justice."(32) Mohtadi goes on to say that the principle of reward and punishment is central to understanding the Bahá'í standard of justice: "The trainer of the world is justice, for it consists of two pillars: Reward and retribution."(33) This concept has important distributional implications.

Bahá'u'lláh clearly affirms the importance of work as a means of securing material welfare in the *Kitáb-i-Aqdas*, writing: "Waste not your hours in idleness and sloth but occupy yourself with what will profit you and others."(34) Bahá'u'lláh emphasizes that the reasons behind this injunction are "to earn the means of a livelihood."(35) Shoghi Effendi elucidates the distributive implications of this teaching, writing that "wages should be unequal and [men] should receive wages that correspond to their varying capacities and resources."(36)

The Bahá'í system does not, to use economic jargon, sever the wage-productivity link. Neo-classical theories of distribution emphasize that efficiency, and thus welfare, is maximized when wages are equated with the marginal productivity of labour. That is, a wage earner should be paid an amount equal to the additional contribution he will make to an enterprise. Therefore, wages in the Bahá'í system are earned.

The theoretical elegance of the unmodified neo-classical paradigm breaks down in the real world; there are many examples where wages and productivity are not closely linked. The severing of the ties between productivity and labour generally occur because the market does not embody complete and perfect information, or simply because people deliberately usurp its functioning.(37) Put simply, there are many examples of exploitation in the world; whether it is a senior executive exploiting corporate shareholders or a local landowner exploiting peasants. To refer to the passage quoted above: "When we see poverty allowed to reach a condition of starvation it is a sure sign that somewhere we shall find tyranny."(38)

The writings clearly envision these circumstances, and while emphasizing the principle of reward and retribution - the link between net pay and net contribution - they do not espouse any brutal form of social Darwinism. There are factors over which people have little or no control; in the Bahá'í system, no one "earns" tyranny and a flood is not some sort of retribution for a farmer's laziness. "O Children of Dust! Tell the rich of the midnight sighing of the poor... To give and be generous are attributes of Mine; well is it with him that adorneth himself with My virtues."(39) Therefore in the Bahá'í system there is an element of basic social provision which modifies justice's primary principle of reward and

punishment.

Dahl interprets the modifying principle of poverty as tyranny as implying that "every human being has the right to a reasonable level of personal welfare," a belief echoed by Sabetan and Fish in their call for the meeting of basic needs.<sup>(40)</sup> Mohtadi emphasizes that the Bahá'í teachings on volunteer giving, progressive taxation, *huqúqu'lláh*, and *zakát* would all operate in such a way as to eliminate extremes of wealth in society. Huddleston highlights similar teachings and identifies the elimination of extreme differences in per capita wealth as one "of the main economic functions of the world government."<sup>(41)</sup> The Bahá'í system, therefore, combines voluntary and mandatory means for the elimination of the extremes of wealth, operating within a framework where wages are conceived as just rewards. The Bahá'í world would be more equal but not absolutely equal.

While all of these articles accurately and adequately summarize the Bahá'í teachings on distributive justice, a major shortcoming is that they fail to draw creative links between the Bahá'í teachings and other theories of justice. Mohtadi gives a brief summary of other theories of justice, but does not connect them to the Bahá'í teachings other than to say that they have common features and important differences.<sup>(42)</sup> Sabetan provide an interesting, though confusing, critique of utilitarianism. His emphasis on the more philosophical dimensions of the school (he questions the adequacy of viewing humans as "seats of utility") is useful but obfuscates some of the more positive dimensions of the approach. For example, under the relatively standard economic assumption of diminishing marginal returns to consumption, a theory of distribution based on utilitarianism implies a more equitable distribution of income - an important Bahá'í teaching. That is, transferring resources from the rich to the poor "helps" the recipients more than it "hurts" the donors, therefore net social welfare is raised. Exploring the limits of these links would be useful.<sup>(43)</sup> The other articles give at best passing reference to alternative theories of distributive justice. This is unfortunate.

There is tremendous scope for synergy between theories of distributive justice and the Bahá'í teachings, and Bahá'ís have both a great deal to learn from and a great deal to contribute to these theories. In particular the utilitarian theory of Jeremy Bentham and John Stuart Mill might provide fruitful frameworks in which to evaluate statements from 'Abdu'l-Bahá such as:

If...a few have inordinate riches while the rest are impoverished, and no fruit or benefit accrues from that wealth, then it is only a liability to its possessor.<sup>(44)</sup>  
And perhaps most strikingly, 'Abdu'l-Bahá's description of the nature of belonging to a Bahá'í society:

It means to consider the welfare of the community as one's own. It means, in brief, to regard humanity as a single individual.<sup>(45)</sup>

These statements share a great deal with the basic premises of utilitarianism. However, the Bahá'í emphasis on reward and punishment, for example, signals significant departures from any crude formulation of utilitarianism. The teachings of reward and punishment might be fruitfully analysed in the context of libertarianism, and the writings of John Locke, Adam Smith, Thomas Jefferson, and modern day neo-classical economics. Bahá'í

economists would find it fruitful to explore these avenues.

A second area where discussion would have been useful is on the complementarity of distributive goals with other social and economic goals. In the popular press issues such as economic growth, fiscal sustainability and distributive justice are often portrayed as working at cross-purposes. Huddleston in "Principles of Economic Justice" alludes to these tensions noting that the growth-equity tension lies at the heart of the ideological debate in economics and informs the "capitalism-socialism" divide. On the other hand, the Bahá'í view emphasizes that progress and justice are intimately linked, and are not mutually exclusive goals. Huddleston does a good job of sketching the ideological contours at play but does not make use of the growing literature on the relationship between equity and development. None of the other articles even get as far as Huddleston. Bahá'í scholars would find that this literature lends significant empirical support to many of the normative principles found in the writings. (See, for example, the paper by Geeta Kingdon in this volume, page 39.)

This empirical literature is new, and the theoretical structures informing the empirics are often quite crude. However, these features in some ways increase the scope for constructive contributions by Bahá'ís. For example, Harvard economist Robert Barro in a path-breaking study on the determinants of democracy finds that the level of female education is the single strongest determinant of stable democracy, after per capita income, across a worldwide sample of developing and industrialized nations.<sup>(46)</sup> The result goes almost unmentioned in his article. The Bahá'í scholar has at his or her disposal the necessary normative and positive principles needed to understand and illuminate the implications of this result. The writings note that "until the reality of the equality between man and woman is fully attained, the highest social development of mankind is not possible," and furthermore that the remedy to inequity is education.<sup>(47)</sup>

Much of the recent work in development economics underscores the complementarity, as opposed to the mutual exclusiveness, of key social and economic goals. Roberto Perotti of Columbia University finds that income equality, a teaching at the heart of Bahá'í economic views, is positively related to political stability and stable democracy. Furthermore he finds synergy between education, equity and growth.<sup>(48)</sup> Notions of complementarity resonate well with the Bahá'í perspective. By utilizing this growing literature, Bahá'í scholars can both enhance their own understanding of the Faith's teachings on economic issues and contribute to the normative and spiritual underpinnings of this expanding empirical work.

Unfortunately none of the articles make anything but passing use of the mainstream economics literature, and references, when made, are often dismissive. The implications of these issues are explored more fully below.

## **Industrial relations**

When 'Abdu'l-Bahá visited the west the process of widespread unionization was just starting to occur. The labour shortages induced by the first World War gave new power to organized labour. The Great Depression of the 1930s saw the institutionalization of many



of the demands of organized labour throughout the United States and the countries of western Europe. Prior to this period labour surpluses kept wages and employment opportunities for unskilled labour low, much as David Ricardo had envisioned over fifty years before.

Anecdotes of foreman and plant-manager brutality and exploitation against the first generation of industrial workers abound. Threats of arbitrary dismissal were used to "induce" employees to work unpaid overtime, to physically and sexually abuse workers, and to cultivate a sense of servitude and fear. One illustrative example of the psychological and emotional conditions that urban industrial workers lived under at the turn of the century is given by the case of the foreman who would toss an apple into the throngs of unemployed outside the factory gate; whoever caught the apple was given a job. Destitution was at times so thick that people lined up to be treated like dogs.

As 'Abdu'l-Bahá travelled through London, New York, and Chicago issues concerning strikes and unions were in the newspapers. He often touched upon issues of industrial relations in his talks during the period. While he generally condemned the adversarial nature of unions and strikes he did recognize their root cause, noting that "the principle cause of these difficulties [strikes] lies in the laws of the present civilization; for they lead to a small number of individuals accumulating incomparable fortunes, beyond their needs, while the great number remain destitute, stripped and in the greatest misery."(49)

This passage signals one way in which industrial strife would be alleviated in a Bahá'í world: through a more equitable distribution of income. However, the Bahá'í teachings on this matter are much more sophisticated than this simplistic solution. Huddleston, in his most recent article, emphasizes the teachings on profit sharing and consultation as two ways in which employer-employee relations could be improved.(50) He makes similar points in his earlier *World Order* article. Dahl in both of his articles emphasizes the need to move from confrontational to cooperative approaches in worker-management relations.(51) Mohtadi again makes references to profit sharing.(52) He also emphasizes that profit sharing allows workers to be "partners in every work."(53)

The Bahá'í writings while recognizing the sources of industrial strife, articulate unique approaches to their resolution. 'Abdu'l-Bahá recognized that the strike and the "resort to force...is manifestly wrong and destructive of human foundations."(54) Confrontational approaches to industrial relations are focussed on commanding as large a share of existing resources as possible. The Bahá'í alternative moves away from this zero-sum approach by recognizing the shared interests of workers and management and the gains to cooperation. These approaches have also been emphasized in the recent academic literature. The 1997 *World Development Report* highlights the gains from consultative decision-making in the context of national and local governance, while recent management theory incorporates insights that are shared with the Bahá'í approach. One unique feature of the Bahá'í approach, emphasized by Mohtadi, is that a firm which operates along Bahá'í principles not only conducts worker-management relations in a cooperative spirit, but also structures the firm around both the profit and the service motive. Indeed, the service motive runs deep in

virtually every component of the "Bahá'í" system.

All of the articles do a good job of summarizing the basic teachings on profit sharing and consultation as they relate to industrial relations. However, their one shortcoming is the unquestioning linking of the profit motive with greed. Mohtadi emphasizes that the profit maximization motive leads employers to treat labour like a commodity, while Hatcher emphasizes a manipulative approach to human relations that is characteristic of modern society. In their condemnation of the profit motive they ignore a critical result of organizing economic production along profit driven lines: efficiency. This shortcoming stems primarily from their treatment of cooperation and competition.

### **Cooperation vs. competition?**

Many of the articles place great emphasis on the shift from competitive economic structures to cooperative economic structures that would characterize the emergence of a Bahá'í civilization. Hatcher argues that a cooperation-centred society is a natural corollary of the service motive. He writes, "cooperation rather than competition implies a less selfish kind of relationship between groups."<sup>(55)</sup> Mohtadi cites "competitiveness" as a fundamental cause of economic injustice.<sup>(56)</sup> These statements are not problematic on the surface, but without further elucidation they could be.<sup>(57)</sup>

Competitiveness and competition have become highly misunderstood and politicized terms. In economic terms they imply nothing more than structuring an economy along efficiency lines, that is, along the principle of comparative advantage. Organizing economic production according to comparative advantage maximizes aggregate welfare and efficiency. As Adam Smith wrote in *The Wealth of Nations*:

The shoemaker does not attempt to make his own clothes, but employs a tailor...What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it off them with some part of the produce of our own industry, employed in way in which we have some advantage.<sup>(58)</sup>

Mohtadi and Hatcher would have done well to qualify more of their statements on the benefits of cooperation and be less dismissive of the benefits of competition. Would anyone pay \$50 for a banana? No, that is why we import them from Costa Rica instead of growing them in heated greenhouses in the Yukon. Both Sabetan and Huddleston make the key point: "opportunities to cooperate should be pursued, as a matter of principle, so long as the intent and result is not a reduction in the quality of service to the public."<sup>(59)</sup> That is, cooperation can have welfare-reducing implications. For example, a country could unite behind a failing industry, perpetuating its existence and inefficiency. Perhaps the best example of this is the common agricultural policy of the European Union. Two-thirds of the EU budget is spent saving a mythical French countryside and impoverishing developing-country farmers by denying them fair market access; similar policies exist in the United States. Collusion is another form of destructive cooperation as the OPEC oil shock and the de Beers diamond cartel illustrate.

In sum, cooperation is beneficial, and there are many areas of human endeavour, economic and non-economic, where its greater application could result in significant gains. However, there are many cases where pursuing what on the surface appears to be a cooperative economic strategy can have larger negative welfare effects. In the future Bahá'í economists should qualify what they mean by cooperation. Failure to do so will lead to the same sort of gross distortions and misunderstandings that surround the concept of competition today. Furthermore, Bahá'í scholars have an opportunity to qualify and deepen the parameters underscoring constructive competition. Competition, in the economic sense, is nothing more than a situation characterized by the equation of marginal costs with marginal benefits. Is a concept where the price of a product is a function of its costs so alien to the Bahá'í teachings? Equating competition with destructive behaviour is as simplistic as it is dangerous. For example, Sabetan describes "perfect competition" as a situation where "innumerable producers compete so vigorously with each other that no one producer can possibly charge a higher price than the other."<sup>(60)</sup> It is an accurate definition but nonetheless somewhat misleading. Another approach, highlighted above, would be to emphasize that perfect competition is a state characterized by the equation of marginal costs with price; that is, a market structure where price does not exceed the costs of production, or alternatively a situation where the merchant does not, and can not, cheat the buyer; a situation that is clearly advantageous.

Competition is not a celebration of immorality or dishonesty. Adam Smith was quite clear about the qualifications which constrained the exchange relationship. Man is free to pursue his own interest in his own way "as long as he does not violate the laws of justice."<sup>(61)</sup> Smith, as a moral philosopher, was interested in what types of social structure lead to a harmonization between private and social goals, not in the sanctification of "self-interest" as Fish and Sabetan assert. Sabetan is particularly forceful, arguing that self-interest is "perhaps the single element most destructive of well-being."<sup>(62)</sup> In fairness to both Fish and Sabetan the assertion of an almost monomaniacal obsession with "rational self-interest" in modern economics contains a large element of truth, and, as both authors argue, Bahá'ís have an important role to play in extending the definition of "economic man." What is disconcerting however is the failure to fairly summarize the teachings of the classical economists themselves. A close reading of Smith leads to a much more balanced view of the foundations of modern economics. Richard F. Teichgraeber, one of the foremost historians of economic thought, argues that "we impoverish Smith if we see his case for economic freedom as argued mainly on the grounds that the fundamental explanation of man's conduct can be found in the rational, pursuit of self-interest."<sup>(63)</sup> Bahá'ís, instead of dismissing the foundations of modern economic thought, might more fruitfully focus their attention on helping modern economists see the foundations of their own discipline more clearly. Economics is a discipline, after all, that began as a branch of moral philosophy.

The Bahá'í conception does not dismiss Smith's basic formulation, but rather deepens it. In the Bahá'í world integrity and honesty are bare minimums, service and generosity are the highest goals. However these are spiritual and social goals and not systemic or legal ones. When Bahá'ís approach a technical discipline terminology is critical and underlying assumptions must be clearly stated. The right question to ask is not "competition" versus

"cooperation," but rather under what conditions are competition and cooperation socially constructive? When are they destructive? As noted above, Huddleston briefly alludes to this question, without really exploring it; the other articles fail to even allude to the question.

## **Attitudes towards "economics" and "capitalism"**

There is an pervasive anti-economics and anti-capitalism attitude in all of these articles. Dahl begins his *World Order* article with a two paragraph discussion of the shortcomings of economists, who "prefer to take refuge in self-consistent theoretical worlds...comprehensible only to themselves." (64) Hatcher begins his article with the following statement: "There is a pervasive modern sentiment that economics and morality are peculiarly incompatible." (65) These statements are as inaccurate as they are unconstructive.

Since the beginning of their discipline economists have devoted their energies to the underlying ethical and moral issues of human endeavour. Adam Smith set the tone for the discipline in his *Theory of Moral Sentiments* writing:

And hence it is, that to feel much for others and little for ourselves, that to restrain our selfish, and to indulge our benevolent affections, constitutes the perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety. (66)

This hardly seems to indicate an incompatibility between economics and moral values. Indeed Smith's comment compares favourably with 'Abdu'l-Bahá's question, asking if it is ...possible that, seeing one of his fellow-creatures starving, destitute of everything, a man can rest comfortably in his luxurious mansion? (67)

There are serious problems with modern economics, not the least of which is 1996 Nobel Prize winner William Vickrey's statement that his prize-winning paper was one of his few "digressions into abstract economics" and at best of "minor significance in terms of human welfare." (68) However in many respects Vickrey's observation is an anomaly both in terms of his own work and that of the disciplines in general.

Jeffrey Sachs, whom *Time* magazine referred to "as the world's best known economist," identified the overwhelming motive in his professional life through asking the question: "What makes for a good society?" (69) Economists from ideological backgrounds as diverse as those of Hayek and Friedman to the recent work of Krugman have taken great pains to explain economic issues to the wider educated public. Bahá'ís have a great deal to learn from economists, in many ways, and to take a dismissive posture towards economics, either implicitly or explicitly, is not conducive towards creating the necessary dialogue.

Attitudes towards "capitalism" in the Bahá'í literature are, at times, equally as conflated as those pertaining to the economics discipline. The confusion generally arises from failing to separate analytically the concept of a "market system" from that of a "consumer society." Capitalism is necessarily a system where the market is the principal allocative mechanism, It does not follow, however, that consumerism is an inevitable by-product of the capitalist

system.<sup>(70)</sup>

The origins of capitalism have been traced in detail by sociologists such as Max Weber and, more recently, Daniel Bell. What Weber noted in the beginning of the century was that the rise of capitalism resulted from the creation of an "elective affinity" between character and work, or, according to Bell:

In the Protestant worldview, all work (from the highest to the lowest) was a "calling" and thus sanctified, as against the [Catholic] view that work was a punishment for man's sin of disobedience. The idea of a calling, then - which Weber argued did not exist in previous religious or ethical codes - is a moral obligation that projects religious behaviour onto the everyday world.<sup>(71)</sup>

Bahá'ís would do well to remember that capitalism's rise to prominence was largely the result of a world-view not dissimilar to our own. Furthermore, capitalism has been associated with the most massive reduction in poverty in world history, in the United States and western Europe in the last century and East Asia and other places in this century. Indeed, impoverishment has more often been associated with abandoning the market system than participating in it, as the Soviet Union, Albania, Tanzania, Cuba, and a host of other examples indicates.<sup>(72)</sup>

Where capitalism is probably incompatible with Bahá'í ideals is in its historical, though not inevitable, tendency to give rise to consumerism, which as Bell points out, is in fact an erosion of the original motive force behind the Protestant ethic of restraint. Consumerism is clearly incompatible with the Bahá'í teachings. Consumerism infects virtually every arena of thinking in the industrialized world. Think how often we misuse the word "need": "I need a new sweater," "We need a new car," etc. Perhaps the biggest spiritual cost of affluence is a complete loss of understanding about what constitutes necessity. Modern society has tried to compensate for this moral contradiction by creating what Bell calls a "culturati" of consumerism. Fashion becomes "art," Gillette becomes the best a man can get, women's magazines tie notions of self-esteem with certain products and consumer habits, "SAFARI" by Ralph Lauren becomes a "post-modern fragrance" and is associated with "Living without boundaries."<sup>(73)</sup>

Bahá'í ideals of charity and the oneness of mankind necessarily imply a movement away from "the best a man can get" to giving something to someone who needs it. Indeed, there is nothing wrong with the market as an allocative principle, what is lacking is the moral backbone in society to constructively guide and set its parameters. It is in this regard that Bahá'ís have a great deal to say. However, crude equations of markets = capitalism = consumerism are inaccurate and unconstructive. Bahá'ís would do well to more explicitly recognize the differences as well as the connections between these concepts, and incorporate this understanding into their research.

## **Areas for further research**

There are many areas where valuable analysis could be undertaken. One area in particular is in the economics of gender. Notions of gender increasingly inform research across the

social sciences and economics is no exception. The scope for Bahá'í contributions to this area are immense. For example, the teaching in the *Aqdas* that female education should be given priority in the presence of scarce resources is potentially radical given that cross-country measurements of the social returns to education are almost universally higher for women. According to the economics literature investment in women is economically efficient and socially advantageous, a finding which corresponds to Bahá'í notions.<sup>(74)</sup>

Another area that might be constructively explored is in the economics of crime, morality, and peace. Dahl alludes to the potential returns to "peace" in his discussion of defence budgets. Indeed the numbers are staggering; "defence" spending in the United States is greater than the entire gross domestic product of Australia. For a fraction of the United States' defence budget the cities of Sydney, Melbourne, or Brisbane, or a few national highways, or a score of universities could be maintained. Extending discussions of the "peace dividend" to the economics of "law and order" would be fruitful. The costs of crime in today's world are immense. Whole industries revolve around crime: prisons, security, locks. The social and economic returns to a world with less crime are potentially gigantic. Bahá'ís, with a positive vision of mankind, could be at the forefront of sketching out the economic implications of something as simple as pervasive worldwide honesty.

In sum, it is in exploring the implications of evolving personal and social priorities associated with the Bahá'í writings that Bahá'ís have a potentially significant role to play. What are the economic consequences of a reduction in corruption? Of peace? Of an highly educated society? Of good governance? These are the questions that Bahá'í economists can fruitfully ask.

## Conclusion

This review has been somewhat aggressive in its critique, and perhaps because of this posture it has been overly reductive in its treatment of the reviewed articles. However, it is hoped that this strategy has helped to sketch the limits of Bahá'í scholarship on economics thus far, even if at the sacrifice of some of the subtlety and variety of the articles themselves. There is tremendous scope for Bahá'ís to contribute to the social sciences and economics is no exception. The nine articles reviewed above, despite their shortcomings, are truly admirable starting points for further research on the economic implications of the revelation of Bahá'u'lláh and should inspire further research. Several themes emerge from these articles:

- The main Bahá'í teaching on economics is that man's material activities must be imbued with a sense of spiritual purpose. While the idea that man's economic activities should reflect more fundamental spiritual and moral obligations dates at least as far back as Smith and the North American Puritans, the Bahá'í formulation is important in its emphasis on service to humanity.
- Bahá'u'lláh's emphasis on justice extends to the realm of economics in the form of teachings on the distribution of wealth and on industrial relations. Employer-employee relationships should be characterized by a cooperative spirit of partnership.

- Cooperative modes of production are favoured. However, as discussed above the parameters of this statement need to be more fully explored and qualified.

Two main problems emerge from the efforts of Bahá'í scholars on economics thus far:

- A near universal failure to utilize existing social science literature.
- A pervasive undercurrent of hostility towards the social sciences as currently practised.

These are serious problems and need to be addressed in any future work done by Bahá'ís. Anyone involved in the Bahá'í community soon comes to realize that a great deal of our activities are either explicitly or implicitly informed by a triumphalist world-view. While I do not suggest that Bahá'ís suppress the magnitude of the world-view articulated by Bahá'u'lláh there are more constructive ways to frame it. The current dismissive posture towards other forms of knowledge in the Bahá'í community today, which is matched by an equally strong belief that "everything is in the writings," is perhaps the best way to cut-off and hamstring dialogue between Bahá'ís and "leaders of thought" outside the community. The best way to bring Bahá'í teachings on social issues to non-Bahá'ís is for Bahá'ís to remember they have just as much to learn as they have to give.

As Shoghi Effendi wrote over 50 years ago, "Bahá'u'lláh did not bring a complete system of economics to the world."<sup>(75)</sup> This statement in and of itself suggests that a Bahá'í's relationship with the economics discipline should be one of dialogue. A system of economics is not in the writings, rather what Bahá'ís have at their disposal is the spiritual framework which should inform any economic system. It is through utilizing the normative principles of the writings to inform the positive principles of economics that Bahá'ís can make an effective contribution to the discipline. "When the love of God is established, everything else will be realized. This is the true foundation of all economics."<sup>(76)</sup>

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## **Endnotes**

1. Mr Graham has provided a bibliography rather than complete references in the footnotes so that interested readers can more easily refer to his sources.
2. J.M. Keynes (1936) p 383.
3. Bahá'u'lláh *Gleanings* p 213.



4. S. Effendi *WOB* p 19.
5. Ibid pp 23 - 24.
6. The "neglect" of the development of the Bahá'í teachings on economics in the first two-thirds of this century was a function of several factors. Shoghi Effendi commented to the national spiritual assembly of the United States during the midst of the Great Depression that the "time is not right for such activities," suggesting that the community's priorities lay elsewhere during this period. Furthermore the statement indicates Shoghi Effendi's concern that "scholarship" on the economic teachings of the Faith be rigorous, he continues in the same letter, writing that "we have to study the economic teachings of the Faith in the light of modern problems more thoroughly..." cited in H. Badi'i. (1993). p. 20.
7. A list of the reviewed articles is found in the bibliography.
8. J. Huddleston (1975).
9. Shoghi Effendi *Directives* p 19.
10. S. Effendi *The Individual and Teaching* p 28.
11. Bahá'u'lláh *Gleanings* p 216.
12. G. Dahl (1991) p 2.
13. Ibid p 1.
14. W. Hatcher (1974/5) p 14.
15. S. Mohtadi (1996) p 163.
16. Bahá'u'lláh *The Hidden Words* ( #82 from the Persian).
17. For an interesting historical parallel consider the following statement by G.A. Rowntree in reference to the Quakers in the 19th century: "Is it not merely a coincidence or is it a consequence that the lofty profession of spirituality made by the Friends has gone hand in hand with shrewdness and tact in the transaction of mundane affairs? Real piety favours the success of a trader by insuring his integrity and fostering habits of prudence and forethought" Cited in P A Baran (1957) p 48 - 49.
18. The economic term for this "extra" money is monopolistic rent; where the used car salesman exercises monopoly power in information.
19. It is important to note that dishonesty is just one among many factors leading to imperfect or incomplete information. Uncertainty is an unalterable characteristic of this world and the "problem" of imperfect information is unlikely ever to be fully resolved.
20. Adam Smith was a moral philosopher first and an economist second; a fact that is often forgotten by both the public and economists themselves.
21. A referee of this paper reminded me that most mathematical models either operate on certain assumptions regarding information or directly incorporate these issues in their structure. Historically, however, information issues have not been at the forefront of modern economics. This is changing, as are many other aspects of the discipline. A quick search for articles on "incomplete information" in Econlit turned up 500 references. For a recent reference on the economics of honesty see S Nyberg (1997). I would like to thank the referee who directed me to this article.
22. F Sabetan (1997) p 65.
23. G Dahl (1975) p 24.
24. There are many possible examples of how this would work in practice. Dahl in his *World Order* article (1975, p 24) gives some. Additional examples might include public access to privately owned beaches and voluntary private contributions to public schools. Private provision of public goods is not a new idea as Andrew Carnegie (who was praised by Abdu'l-Bahá for his philanthropy) and others indicate. The unique feature of the Bahá'í "system" is that this process becomes more widespread. Of course there would still be extensive scope and need for government provision of public goods and services, such as schools, hospitals, roads and other infrastructure.
25. J Huddleston (1996) p 145.
26. Ibid p 145.
27. Bahá'u'lláh *The Hidden Words* (#81 from the Persian).
28. 'Abdu'l-Bahá *Paris Talks* p 159.
29. Bahá'u'lláh *Tablets* p 66.
30. Bahá'u'lláh *ESWp* 28.
31. The two respective articles are: John Huddleston. "Principles of Economic Justice" and Shahrzad Mohtadi. "Economic Justice in a New World Order."
32. S Mohtadi (1996) p 153.

33. Bahá'u'lláh as cited in J. Huddleston (1975) p 40.
34. Bahá'u'lláh *Aqdas* p 30.
35. Bahá'u'lláh *Gleanings* p 202.
36. Shoghi Effendi as cited in S Mohtadi (1996) p 157.
37. J Huddleston (1975) acknowledges these types of "market failures" writing: "It is inconceivable that in a Bahá'í society there would be a continuation of the present extreme and nonsensical differences which exist between those who do the dirtiest and most dangerous tasks for society and those who are able to exploit their position and power to extract greatly inflated payments for their services." p 40.
38. 'Abdu'l-Bahá *Paris Talks* p 159.
39. Bahá'u'lláh *The Hidden Words* (#49 from the Persian).
40. G Dahl (1975) p 23, F Sabetan (1997) p 53, and M Fish (1997) p 6.
41. J Huddleston (1996) and (1975) p 40. (Quote from 1975 article).
42. S Mohtadi (1996) p 155.
43. F Sabetan (1997) pp 48 - 51.
44. 'Abdu'l-Bahá *SDCp* 25.
45. 'Abdu'l-Bahá *SDCp* 39.
46. R Barro (1996).
47. 'Abdu'l-Bahá *Promulgation* pp 76 - 77.
48. R Perotti (1996).
49. 'Abdu'l-Bahá *Questions* p 273.
50. J Huddleston (1996) p 146.
51. G Dahl (1993) p 7 and (1975) p 24.
52. S Mohtadi (1996) p 163.
53. 'Abdu'l-Bahá, cited in Badi'i (1993) p 129.
54. 'Abdu'l-Bahá *Promulgation* p 238.
55. J Hatcher (1974/5) p 21.
56. S Mohtadi (1996) p 163.
57. I will leave aside the some of the implications of these and other associated statements until the section on "Bahá'í Attitudes Towards Economics and Capitalism" below.
58. A Smith (1776).
59. J Huddleston (1996) p 146. F Sabetan (1997) makes that point that "cooperation should not be confused with oligopolistic and collusive behaviour." p 64.
60. F Sabetan (1997) pp 60 - 61.
61. A Smith (1776; p 618 of the 1937 edition). It should be pointed out that Smith is among the most abused economists of all time and unfortunately his name is invariably associated with conservatism. This assignment is misleading and Smith should be read on his own terms and in the context of the historical time period in which he wrote. It is interesting to consider that in 18th century Scotland Smith, as a non-landowner, was unable to vote.
62. F Sabetan (1997) p 59.
63. R Teichgraeber (1986) p 124.
64. G Dahl (1975) p 19.
65. W Hatcher (1974/5) p 14.
66. A Smith. (1812) *TMS* p. 32.
67. 'Abdu'l-Bahá *SAQp* 277.
68. Cited in J Cassidy (1996) p 50.
69. Cited in B Graham (1997).
70. One point I am trying to make here is that Bahá'ís (and the academic community in general) need to de-politicize terms like capitalism, liberalism etc., or make a clearer distinction between their positive and normative dimensions. Capitalism, as I am using it above, is an economic system where markets play the leading role in the allocation of goods. It is not exploitation, imperialism, sweat-shops etc. The fact that these destructive forces are often associated with capitalism is an interesting, but separate, question.
71. D Bell (1996) p 288.
72. There is a very extensive literature of the relationship between market institutions, economic growth, and economic distribution. Many authors have argued that the rise of the "west" to

ascendancy was not a product of the organizational, social, and technological transformations inherent in the market system but of exploitive economic practices such as slavery and imperialism (see, for example, A. Gunder 1969). While the question of the exact determinants of growth is a never-ending debate, the historical facts do not support the belief that imperialism was the source of the west's wealth. If anything imperialism was an unfortunate by-product of growing European wealth. The question of economic growth is discussed very thoroughly in Nathan Rosenberg's *How the West Grew Rich*. For a good summary of the modern literature see Jeffrey Sachs and Andrew Warner's 1995 Brookings Paper on the process of global integration.

73. See D Bell (1996) for a more complete discussion.

74. For a discussion of the economics of education see any recent reference by George Psacharopoulos of the World Bank or Paul Schultze of Yale University. (See also the article by Kingdon in this volume, page 39.)

75. S Effendi cited in Badi'i (1993) p 19.

76. 'Abdu'l-Bahá *Promulgation* p 238.

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