

principes bahá'ís aux
 in line with the high moral standards and
 principles of compassion and service in
 the teachings of their Faith. At the same
 time, the economics profession is more
 en la co-
 open to new directions of thought and
 campo de la
 research following the financial crisis of
 perspectivas
 2007–08 and the subsequent global re-
 principios bahá'ís a
 cession, which exposed the shortcomings
 en la te-
 of the macroeconomic models that the
 comunidad
 profession had spent the previous several
 suficiente para que
 decades constructing. Some of the fields
 en su men-
 that appear most fertile for the application
 pidió a los
 of Bahá'í principles to current economic
 cada vez más de
 problems are reviewed in this article.

problèmes économiques actuels.
 Resumen
 Los desarrollos recientes tanto
 munidad bahá'í como en el
 economía han abierto nuevas
 en la aplicación de los
 las preguntas económicas, tanto
 oría como en la práctica. La
 bahá'í ha crecido lo
 la Casa Universal de Justicia,
 saje del 1 de marzo de 2017,
 bahá'ís que se preocupen
 las desigualdades en el mundo y
 traigan
 sus vidas personales y las acciones de sus
 comunidades bahá'ís más

Résumé
 en línea con los
 Des développements récents, tant dans la
 los principios
 communauté bahá'íe que dans le domaine
 las enseñanzas
 de l'économie, ont ouvert de nouvelles
 profesión de
 perspectives pour l'application théorique
 abierta a nuevas di-
 et pratique des principes bahá'ís aux ques-
 investigación
 tions d'ordre économique. La communauté
 financiera de 2007-08
 mondiale bahá'íe ayant atteint un niveau de
 global, que expuso

altos estándares morales y
 de compasión y servicio en
 de su Fe. Al mismo tiempo, la
 la economía está más
 recciones de pensamiento e
 después de la crisis
 y la posterior recesión

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 las deficiencias de los modelos macroeco-
 on Bahá'ís to engage in the
 discourses

nómicos en la cual la profesión duro dé- of society and has encouraged them, as a natural result of their growth as local communities, to address social issues (Ridván 2008; Ridván 2010).

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económicos actuales se revisan en este
Indeed, a major theme of the junior artículo
youth spiritual empowerment pro-
BACKGROUND gram pursued by Bahá'ís around the world is to sensitize youth ages 12 to 15 to the needs of their local communities and to encourage them to take initiatives aimed at improving the so- cieties in which they live. Recently, the Universal House of Justice has addressed a significant message to the Bahá'ís (“Evolving Toward a Bahá'í Economic System”), there have, of course, been dated 1 March 2017 regarding “extremes of wealth and poverty in the world [that] are becoming more untenable.” They call to identify ever more strongly the plight of their fellow human beings, as “[t]he welfare of any segment of humanity is inextricably bound up with the welfare of the whole,” and to increasingly “make their own

spiritual ed by petty conflicts and the clamor of opinions to pay much attention to of, or idealistic pronouncements. And any inseparable effort at systemic reform, even with “eco- a well-conceived plan of action, re- found quires an enormous social impetus to overcome existing power structures eth- and vested interests. ics, morality, and community building.

The Universal House of Justice has been calling Bahá’ís to an entirely dif- ferent approach to social progress, one involving community building at the 2016 local level. They are now asking that Association this process of learning about commu- nity building be expanded to include considerations of economic justice. Bahá’ís Bahá’ís are at an early stage of engag- should ex- ing with such broad social issues, but they may well find that there are many opportunities for individuals and local useful communities to begin addressing the teach- causes of inequities at a practical level, Given starting not with economic or politi- cal theories but with their own actions House based on their observations of those in causes and motivated by their desire and quotes

or the material, the local or the al.¹ Economics is only one aspect perspective on, this whole, from the rest, and solutions to nomic” problems may well be in what we normally view as other aspects of life, such as religion, ics, morality, and community

Needless to say, this approach is different from the usual academic field of economics. In his keynote address to the annual conference of the for Bahá’í Studies, former the Universal House of Justice Dr. Farzam Arbab suggested that in every field of endeavor amine the work of their discipline and begin a process of identifying which aspects might be seen as in the context of the Bahá’í ings and which might not (15).

¹ For example, the Universal of Justice warns against thinking terms of “false dichotomies”

to serve their communities. As a result of experience gained in this way, new methods of tackling social problems must take whole” may emerge. These methods may involve intangible factors such as social attitudes and prejudices, rather than

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that social and political structures in the world appear to be crumbling, it would not be surprising if a large part of the intellectual underpinnings of the present (dis)order, including the field of economics, might need to be rethought, or even replaced.

While the Bahá’í community has been gradually increasing its involvement with economic issues, there has simultaneously been turmoil within the field of economics. When I began my doctoral studies in economics at Harvard in 1969, computers were new and the ability to analyze data and draw conclusions about relationships between different variables was exciting. I was coming from an undergraduate major in electrical engineering, and although I was not the most outstanding student as an undergraduate, the Economics Department evidently was looking for

a letter written on behalf of fendi in which he states “[w]e the teachings as a great, balanced (Message to the Conference of the Continental Boards of Counsellors December 2010).

time as misguided, and nothing that have encountered since has changed that view. Human societies are not machines. They are highly complex and unpredictable, and they evolve, sometimes with sudden changes.² In electrical engineering, one works with actual black boxes (integrated circuits are almost always encased in black plastic boxes), but the way behave is well understood and quite precise, so the relationship inputs and outputs is highly stable and predictable.³ Economic systems,

2 Economist Paul Ormerod this viewpoint in his 1994 book, of Economics, in which he writes: to abandon the economist’s notion economy as a machine, with its concept of equilibrium. A more way of thinking about the economy

is to students with my background. Macro- (151). He imagine it as a living organism”

economics was beginning what would also points out that, like natural systems, economies are subject to

prove to be several decades of devel- un- predictable ex- ternal shocks and sudden changes

opment of econometric models at- (211). 3 Tellingly, in contrast to

tempting to measure and then predict engineering, with its calculations that include

the relationships between influences known margins of error, e.g., 232+/- 5,

on the economy and how the economy there is no effort in the mathematics of

would respond to those influences. The economics to explicitly take into account the

modeling, and thinking, was of an en- often very large margins of error of the data

often very engineering mindset: in terms of mecha- that are used as inputs. Economic data

that are nistic systems or “black boxes” whose usually de- rive from heterogeneous sources and

internals were unknown but which are subject to wide variations in

had inputs, such as “policy levers,” and quality and accuracy. Anyone working with

outputs, such as employment levels and economic statistics understands the

prices, that could be observed and pre- uncertainties in- volved, but that understanding is

uncertainties in- often not preserved as the data are reported

dicted, much like the electrical circuits I had been studying. on by

often not I had been studying. preserved as the data are reported

on by the press or used in models or as the

Coming from my engineering back- basis of policy decisions.

basis ground, this approach struck me at the New Directions for Economics 37

ground, this approach struck me at the New Directions for Economics

however, are not natural phenomena. but about how they change and can

be improved.

They are created by human beings as part of our social systems. In this Another problem I saw with eco-

as part of our social systems. In this sense, economics could be considered nomics as a discipline was that it

sense, economics could be considered as overlapping with law, as many of was becoming far too isolated and

as overlapping with law, as many of the parameters of modern economic concerned only with its own models.

systems are prescribed in laws and regulations and administered by institutions that have legal charters. Just as simply people often fail to obey other laws and the scope regulations, they often fail to obey economic “laws,” such as those governing equilibria rational behavior. When economics Essentially, is viewed in this way, it is clear that economies are not smoothly functioning machines; rather, they reflect the characteristics of humans, including emotions, irrationality, herd behavior, all and the need to understand complex realities through simplifications. This major In fact, the economic system, including modern money, doesn’t exist often at all except as social contracts and which mental constructs. As member of the Universal House of Justice Paul Lample has noted, “most of what we perceive to be reality—the world with re- which we interact every day—is not that physical reality at all. It is social reality” (7). ‘Abdu’l-Bahá remarked that “invisible [t]he reality of man is his thought” famous in (Paris Talks 9). Indeed, almost all the his book problems and issues that humanity is (Ormerod

Macroeconomists tended to see the sometimes abrupt and unforeseen shocks to economic systems as “exogenous,” that is, outside of their analysis and models, ring to focus on the beautiful predicted by their models. their view was that economics is a separate discipline from political psychology, medicine, anthropology, or any other discipline, and economists could not be expected to take these other factors into account. rather isolationist attitude was a departure from the earliest practice of macroeconomics, which was called “political economy” and took a much more holistic view of man society.⁴

⁴ Adam Smith, who is primarily remembered today for the assertion self-interested behavior would lead to economic prosperity through the “invisible hand” of the market, was also his time as a philosopher and for The Theory of Moral Sentiments

facing in today's world are created by about the humans and are thus part of "social the find-reality." This reality, having been created and be-ated by humans, is not immutable and that, in can be changed or even completely re-world made by them. So, the most important rational questions about economic systems are rather not about their internal parameters human

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My reactions to the field were also digression in the work of most aca- informed by my Bahá'í upbringing. As demic macroeconomists. a Bahá'í, I saw the human experience While the mainstream of macro- economics was moving in a different as a highly integrated whole, with direction, a few isolated voices main- ones. Thus, like other people profess- tained a social consciousness per- ing religious values, I saw analysis of spective within the field over these economies as normative and not just decades, emphasizing the inequalities and injustices that are inherent in positive. For me, the interesting ques- the capitalist system. For example, Ste- tions were what an economic system phen Marglin has been teaching an should look like, not so much what the alternative (or "heterodox") present systems looked like, although economics course for undergraduates at Harvard for some years and has written a book titled *The Dismal Science* that conceptualizing possible futures and empha- sizes the importance of community, how such futures could be achieved a direct challenge to mainstream in practice. And any consideration of economics.^{5,6} The principal shortcoming of such critiques of capitalism, economic problems would need to in- clude questions such as whether ma- how- terial consumption is really the main ever, has been the lack of

convincing

source of human happiness and how socialist

moral and spiritual values should be reflected in economic systems, going far beyond simple questions of the level of economic output and its incor-

distribution.

Given these various misgivings about the field of economics, I was not

very happy to be able to pursue a career as an economist at the International Monetary Fund (IMF), engaged in real-world policy issues facing countries—issues usually more political than economic in nature, involving

simple accounting relationships rather than complex economic relationships.

In this way, I was able to avoid what I felt was a relatively fruitless

protect me from the 40-year detour into mathematics” (Ashraf, Camerer, and Loewenstein 142).

of economics was embarking at that time.

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weaknesses in the “orthodox” or “neo-classical” economic theories and made all to

efforts to modify or extend those theories—for example, by introducing the possibility of multiple equilibria

these in their models. Younger economists tended to move into microeconomic data,

fields of inquiry such as health, educational, and statistical

alternatives, given that the

experiments of the twentieth century collapsed spectacularly from serious inefficiency and corruption and that capitalist systems have already

incorporated many socialist elements of social protection and welfare. Tearing down one intellectual structure is

the same as building a new one.

During this time, more and more economists also began examining the

⁵ See also his talk

“Economics”.

⁶ I am personally indebted to

Marglin for his required

course, one of the first I took as a

graduate student at Harvard, which helped

mathematical abstractions upon which

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credit and the concomitant

in economic activity, revealed for

see that many of the assumptions underlying macroeconomic models were unrealistic and that reliance on

models and similar methods of financial analysis based on historical

such as value at risk (the

tion, and behavioral economics, where the restrictive assumptions of the neo-classical view of economic man as a enormously utility-maximizing machine didn't apply and greater integration with other disciplines was possible. Perhaps as a Queen result of the obvious weaknesses in the neoclassical framework for addressing 2008, current economic problems, the field of economics has also been moving away from pure theory, or theory with simulations, and toward more empirical work (Hamermesh 168). Economists have taken the analytic tools of their profession and applied them to a wide variety of interesting but narrower questions, as popularized in the 2005 book *Freakonomics* by Steven Levitt and Stephen Dubner. However, Professor the result has been that less attention is being paid to the big structural and policy questions of macroeconomics that used to be the main focus of the crisis will field, such as economic justice, employment, growth, trade, global integration, economic and financial stability, and curbing abuses of the free market economy such as monopoly power and pollution. Then, in 2007–08, events gave a big impetus to these trends. The global financial crisis, with its collapse of important financial institutions and that method by which banks would assess the riskiness of their assets), had to anticipate or prevent an costly economic downturn. Elizabeth, after hearing a briefing the financial crisis in November 2008, famously asked, “Why did no one coming?” (Giles). This obvious failure has prompted a certain amount of soul searching among leading economists and policymakers. In March 2013, at a London School of Economics seminar in honor of Mervyn King, the retiring Bank of England governor, Olivier Blanchard, economic counselor of the IMF, said, “Humility is in order,” and Lawrence Summers of Harvard University, former Treasury secretary of the United States and former president of Harvard, said, “This force a substantial reconstruction of macroeconomics” (London School of Economics). It had become apparent that the macroeconomic models economists had spent most of their time formulating had been calibrated with data covering a period of relative financial stability, that financial crises were actually much more frequent and severe than assumed (Taleb), and that

most models failed to incorporate the new directions, a space has opened up financial sector at all, although problems arising from finance turned out to be a much more important cause lies of economic shocks and decline than the loss of output due to imperfect fine-tuning of economic cycles (Broadberry and Wallis). While econometric models are now still being used, they are being treated with more caution in policy circles. Of course, it is still useful to study macroeconomic relationships in terms of cause and effect, every such as what the likely impact on an economy would be from raising interest rates or adjusting tax laws. People respond to incentives as well as laws, and this is the essence of public policy. But it is now increasingly recognized that these relationships are not as stable and predictable as previously thought, that there can be huge gaps between economic models—both calculated models and those mental frameworks by which we make sense of the world—and real-world out-

new directions, a space has opened for more innovative approaches. Perhaps the solution to these problems in the economics profession in the recognition that economic systems cannot be fruitfully studied isolated from other aspects of society (Etzioni). The barriers between economics and other fields of study, and between economists and the general public, need to be demolished. There seems to be a natural tendency for specialists in field to develop their own perhaps as an insecurity-fueled defense mechanism, to keep others seeing clearly the weaknesses of discipline (as when doctors refer “nosocomial infections,” are contracted primarily in Certainly, economics has its share such specialized language. Although it is hard to know whether this phenomenon is greater in economics than in other fields, perhaps the of outsiders to the sense of

superior-comes. For example, a current issue of considerable importance is that the direct-models used by Western central banks and to guide their policy decisions—re-under-garding the links between monetary affect-policy and the response of prices and economic activity—are not yielding archeology or the expected results, calling into ques-visible in tion the entire framework of mone-simi-tary policy (Yellen). The realization to that the existing models may not be correct presents a fundamental chal-lenge to the accepted concepts in the a field of macroeconomics, and while nation-the field has already started to move in important

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countries, resulting from growing PRINCIPLES dissatisfaction with the status quo on the part of large segments of the Bahá'í Faith, population, is also providing an im-fundamental petus to question current economic principle and political systems and to consider far-reaching reforms. As the respected chief economics commentator of the that “[y]e Financial Times, Martin Wolf, wrote leaves recently, “It is time for re-thinking is the along many dimensions” (11).

ity many economists exhibit may be due to the fact that everyone is ly affected by economic policies therefore naturally wishes to stand better the forces that are ing them. This effect would be much less noticeable in, say, astronomy, but it is clearly fields such as medicine that are lar to economics in their relevance daily life.

While the field of economics has been facing internal challenges, on a larger stage recent turmoil in al politics in a number of

SOME BASIC BAHÁ'Í

A central principle of the “the pivotal principal and doctrine of the Faith,” is the of the oneness of the entire human race (Shoghi Effendi, *God Passes By* 281). Bahá'u'lláh declared are the fruits of one tree, and the of one branch So powerful light of unity that it can

illuminate the

Against this background of a general questioning of existing social structures, and of the need to break down the barriers between economics and other disciplines and to work toward an inclusive process of the generation, dissemination, and application of knowledge, this article is addressed merely for

to anyone interested in the issues discussed, not just to professional economists. What I will attempt below is a brief and somewhat superficial re-

view of a few of the numerous areas in the fields of economics and public policy that are the subject of current an

debate—areas where fresh work and innovation benefitting from a Bahá'í relationships

perspective could make a positive contribution. The focus is on topics with a potential for immediate applicability or experimentation, rather than subjects, intellectually interesting as they are, such as the outlines of the Bahá'í (Message to

World Commonwealth of the future, for which new political structures will be necessary. Before turning to this economics

endeavor, however, let us summarize a justice?

few of the relevant Bahá'í principles, Western which may serve as a rich resource and separat-

source of inspiration.

output,

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considered the main objective of eco- action

nomics, from the question of the dis-

whole earth" (Epistle 14). This

ple has many dimensions and ramifications. As the Universal House of Justice has observed:

For the principle of the oneness of humankind, as proclaimed by Bahá'u'lláh, asks not

cooperation among people and nations. It calls for a complete reconceptualization of the relationships that sustain society. .

[T]he concentration of material wealth in the hands of a minority of the world's population gives

indication of how fundamentally ill-conceived are

among the many sectors of what is now an emerging global community. The principle of the oneness of humankind implies, then, an organic change in the very structure of society.

the Bahá'ís of Iran)

In this light, can we study

without considering economic

Aside from socialists,

economists have traditionally

ed the question of maximizing

participation. Thus, while social

may involve the provision of goods

tribution of that output of which, as mentioned above, they prefer to think as a political rather than an economic issue. The concept of the oneness of Social humankind, on the other hand, emphasizes the need of a social structure of that encourages each individual to realize his or her own potential and to be a contributing member of society, which in turn will augment the general happiness and prosperity of society as a whole. As ‘Abdu’l-Bahá has stated:

“Wealth is most commendable, provided the entire population is wealthy” (Secret 8). The question then becomes: What might the economic system of such a society look like? When we consider this question, can we avoid falling into the trap of framing the debate in terms of socialism versus capitalism or as a struggle between classes? Can we imagine a new type of society, one characterized by reciprocity and mutual help?

In the Bahá’í view, and in keeping with this principle of the oneness of humanity, efforts to improve human welfare must be seen as a collective enterprise, with everyone participating in some fashion, and thus the es-

and services in some form, its primary concern must be to build capacity within a given population to participate in creating a better world.

change is not a project that one of people carries out for the benefit of another.”

This theme of capacity building⁷ also developed at length in the document “Social Action,” prepared at request of the Universal House of Justice in 2012, in which they

“What appears to be called for . . . is the involvement of a growing number of people in a collective process of learning Such a process allow its participants to engage in generation, application, and of knowledge, a most potent and indispensable force in the advancement

⁷ An example of the importance of capacity building is

agement early in the twentieth century of the Bahá’ís in North America to build a house of worship, not primarily because such a building was needed at that time (it took many years to construct), but because it was a project around which, He ed, the whole community needed to

unite,

 establishment of a sense of unity must be a first step. As the Universal House of Justice communicated in its 20 October 1983 message to the Bahá'ís of the world, "The key to success is unity in spirit and in action." This theme was also stressed in its annual Ridván message to the Bahá'ís of the world in 2010: "Justice demands universal New Directions for Economics of civilization" (OSED 6). Furthermore, in the 2010 message of the Universal House of Justice quoted above, they state: "Access to knowledge is the right of every human being, and participation in its generation, application and diffusion a responsibility that all must shoulder in the great enterprise of building a prosperous world civilization—each individual according to his or her talents and abilities." So what, then, is the role of experts and intellectuals in the Bahá'í view? Bahá'u'lláh writes that those who acquire knowledge should be respected (Gleanings 128; Tablets 96–97), but the Bahá'í teachings see the generation

 learning to work together toward a common objective. The committee charged with overseeing the project was the Bahá'í Temple Unity. The project was conducted and the motives of the individuals involved were

 as important as the outward form of the project, and the main purpose was

 ty building in the community.

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 words and end with words"

 Intellectual accomplishment,

 ever, should not lead to a sense of entitlement or superiority (Arbab

 Economists, like other

 tend to see themselves as playing a central role in society. In the

 economics this may be true, because economies are defined by rules, and those rules, or government

 are often based on the theories

 influence of economists. But just as one wants a highly trained

 working in a well-equipped

 to perform open-heart surgery, and

 is also desirable for the general

 to be well-informed about

health, nu-
and acquisition of knowledge, like trition, and disease and to have
ready
other human activities, as something access to information in these
fields, so
in which everyone should take part, well-trained economists are needed
to
not as the exclusive domain of experts address complex problems of public
or a particular social class. Bahá'u'lláh policy and the functioning of
financial
further states: "Knowledge is one of institutions, while the general
public
the wondrous gifts of God. It is in- should understand the principles of
cumbent upon everyone to acquire it" economic life and should be
encour-
(Tablets 39). And again: "Knowledge is aged to take initiative if they
are so
as wings to man's life, and a ladder for inspired. Knowledge should be
avail-
his ascent. Its acquisition is incumbent able to all, not confined to a
privileged
upon everyone" (Tablets 51). Univer- few. The challenge, of course, is
how
sal education open to all is a central to get different groups to communi-
principle of the Faith, applied since cate effectively with each other
and to
the earliest days of the Faith in Iran benefit from each other's
perspectives
and in the present day in many areas (Ashraf).
of the world through the founding It is notable in this context
that the
of local schools if none are provided 1 March 2017 message of the Univer-
by the state. The Bahá'í vision, then, is sal House of Justice calls on
all Bahá'ís,
one of individuals acquiring whatever as individuals and in their
communi-
knowledge they can, given their abili- ties, to consider the problems of
ineq-
ties and access to education, as long as uity and injustice around them and
do
that knowledge "can profit the peoples what they can to address those
prob-
of the earth" and does not "begin with lems "using the opportunities
their
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circumstances offer them" (Message individuals dedicated to

labouring

to the Bahá'ís of the World). There is no mention of waiting for an expert to tell them what to do. But there is also no reason why they shouldn't consult with an expert if it would be helpful. As the Office of Social and Economic Development (OSSED) at the Bahá'í World Center has observed, "Social and economic development requires the flow of resources, both material and intellectual" (11).

con-

As an aide in understanding the Revelation of

dynamics of social progress, the namely

Universal House of Justice has also human

introduced the concept of three pro- of the

tagonists in development: the indi- Bahá'í

vidual, the community, and institu- tions (Message to the Bahá'ís of the altru-

World dated 26 November 1999 1). forgiveness,

Each has an essential role to play. As explained in the OSSED document on "Social Action" mentioned above, "the this view

increase of capacity in each of these three protagonists does not occur in contrary,

isolation; the development of any one learn,

is inextricably linked to the progress be-

of the other two" (8). The House of Justice has emphasized, in particular, individual,

that those who have previously been age,

excluded must now be included and should become empowered to contribute to this process:

together for the emergence of a united and prospering world that might truly deserve to be called the kingdom of God on earth.

(Message to all who celebrate the Glory of God dated October 2017)

The message of the Universal House of Justice of 1 March 2017 also highlights the "foundational

cept" in Bahá'u'lláh's

"the spiritual reality of man,"

"the nobility inherent to every

being" (Message to the Bahá'ís

World). Like other religions, the

Faith views man as having a higher, nobler nature characterized by

ism, integrity, generosity,

and many other virtues, a view that emphasizes man's character and role in society. Importantly, in

human behavior is not, and should not be, something static. On the

it sees human beings as able to

progress spiritually, and strive to

come better by developing inherent qualities. Even if, for the

the ability to develop slows with

society can progress through education so that each generation is more developed and capable than the pre-

vious one, and mankind thereby fos-
Many who have long suffered are
civilization”

finding their voice and becoming
protagonists of their own devel-
economic

opment, resourceful and resilient.
From villages, neighbourhoods,
towns and cities are arising in-
stitutions, communities, and
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self-interest and that this condition is
the
static and simply “human nature.” It
(Compila-

sets forth a concept of the individu-
al as an inherently social being, one
the

thus influenced by social context and
collective incentives, but always in a
qual-

condition of changing and growing,
humil-

potentially serving as an agent of so-
stable
cial change in a reciprocal relationship
serve

with society.
resolu-

This brings us to the importance
of trust. The glue that holds society
next

together is trust. No society can long
in

function successfully without trust
to

and altruism.⁸ There is now a growing
concern in the world regarding the
aspects.

decline in trust in social institutions.
detachment of

Unfortunately, we nevertheless see un-
spir-

trustworthy people rising to positions
the

of great power and influence in society,

ters “an ever-advancing

(Bahá’u’lláh, Gleanings 215).

Thus, a Bahá’í view of the

dimension of human society contrasts
starkly with the view central to most
economic thinking—namely, that hu-
man motivation is primarily based on

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to an integrity that is immune to

promptings of self-interest”

tion of Compilations 342).

More generally, Bahá’ís and

followers of the other major faiths
believe that personal or spiritual

ities such as honesty, integrity,

ity, selflessness, commitment to

family relationships, a desire to

others, a dedication to peaceful

tion of conflicts, and a consciousness
of spiritual preparation for the

life as opposed to material rewards

this one are of central importance

the successful functioning of human
society, including its economic

In the Bahá’í view, the

modern societies from these core

itual truths is the main reason for

breakdown in social structures and

notably in the political, financial, and business worlds. Hardly anyone actually expects politicians to speak only the truth these days. Young people might thus quite reasonably assume that being dishonest is the easiest path to success. In contrast, there are many passages in the Bahá'í writings regarding the importance of trustworthiness and truthfulness, such as the following exhortation of 'Abdu'l-Bahá to those in public service positions: "In discharging the functions of the office to which thou hast been appointed, thy conduct and actions should attest to the highest standard of trustworthiness and honesty, to a degree of sincerity that is altogether above suspicion, and thinking on competition as the key to

cohesion and to the successive crises being faced by humanity. An important general principle here is that man is a social creature and society depends on cooperation and reciprocity, not competition. 'Abdu'l-Bahá explains: "man cannot live singly and alone. He is in need of continuous cooperation and mutual help. For example, a man alone in the wilderness will ally starve. He can never, singly alone, provide himself with all the necessities of existence. he is in need of cooperation and reciprocity" (Promulgation 102.2). Bahá'í view, the emphasis in modern economic and social science prosperity is entirely misplaced (Karl-berg). Rather, prosperity comes

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collaboration and from a sense of reciprocity resulting in equitable sharing. In this view, for example, economic structures should emphasize the mutual interdependence of labor and capital, with the interests of each, as well as the broader social interest, taken into account ('Abdu'l-Bahá, Promulgation Golden Rule status of fact or define truth as the compromise between opposing interest groups. (Message to the Bahá'ís of Iran) Beyond simply recognizing that human beings are social creatures, Bahá'í teachings take the

tion 102.33). a step further and emphasize service to others as being the path to individual spiritual growth as well as the principle of consultation. For Bahá'ís, the progress of society. As Bahá'u'lláh writes, consultation means sharing one's ideas and virtues in a group while being detached from wealth and riches" (Tablets 138). 'Abdu'l-Bahá further declares: "And the honor and distinction of the individual on the best way forward. Bahá'u'lláh in this, that he among all the world's multitudes should become a source of social good" (Secret 1). writes: "Take ye counsel together in all matters, inasmuch as consultation is the lamp of guidance which leadeth member Part of being a productive member of society is to have an occupation and standing" (Tablets 168). 'Abdu'l-Bahá earn a living, within the means and opportunities available. exhorts: "Settle all things, both great and small, by consultation. Without writes: "Every person must have an occupation, a trade or a craft, so that he may carry other people's burdens, and not himself be a burden to others" Concern yourselves with one another. Help along one another's projects and (qtd. in Universal House of Justice, Message to the Bahá'ís of the World plans" (Research Department). And dated 1 March 2017). In fact, we read the Universal House of Justice has written that decision-making can in Bahá'u'lláh's book of laws that: "It is incumbent upon each one of you to

benefit from a diversity of perspectives through a consultative process which, understood as the collective investigation of reality, promotes detachment from personal views, gives due importance to valid empirical information, this does not raise mere opinion to the rank of worship of the one true God” (Kitáb-i-Aqdas ¶33). In a note, the Universal House of Justice explains that the implementation of this law is “the mutual responsibility of the individual and society” (Kitáb-i-Aqdas note 56). So work is seen not only as a material necessity, but as a spiritual exercise as well, in that it confirms the individual’s dignity as a contributing member of society, no matter how lofty or meagre one’s particular role or station might be. Bahá’u’lláh has poetically summarized this principle in *The Hidden Words*: “The basest of men are they that yield no fruit on earth. . . . The best of men are they that earn a livelihood by their calling” (Persian nos. 81–82). One example of this perspective is the unique and interesting law of Huqúqu’lláh ordained by Bahá’u’lláh in his Most Holy Book

seen as in conflict with a spiritual life ¶ 97). In addition to extolling charity, but rather as part of a coherent life— He decreed that those Bahá'ís whose that is, if one's wealth is "acquired income exceeds their needs must pay by an individual's own efforts" and is nineteen percent of the excess to the "expended for philanthropic purposes" Center of the Faith, in a spirit of "the utmost joy and radiance" to be or "upon themselves and upon their ex- pended for the betterment of kindred for the love of God" ('Ab- human- kind (Huqúqu'lláh no. du'l-Bahá, Secret 8; Bahá'u'lláh, The Hidden Words, Persian no. 82). As has stated that these payments of the Universal House of Justice states, Huqúqu'lláh "purify" one's wealth (Kitáb-i-Aqdas ¶ 97). Thus, "The oneness of mankind, which is at the indi- vidual can feel at peace mate goal of His Revelation, implies prefers to keep the remaining 81 per- cent. The law encourages the achievement of a dynamic coher- Bahá'ís to think of wealth as a means of ence between the spiritual and prac- promot- ing social good while helping tical requirements of life on earth" them be detached from such wealth, (Message to the Bahá'ís of the World and it focuses their attention on what is dated 20 October 1983 602).⁹ Thus, truly "needful" materially in their lives. As another example of how prac- 9 For an excellent statement on coher- tical matters intersect with ence between the spiritual and the materi- spiritual principles in the Bahá'í al, see [http://www.bahai.org/beliefs/god-teachings,](http://www.bahai.org/beliefs/god-teachings, his-creation/ever-advancing-civilization/) Bahá'u'lláh has specified that the charging of interest is permitted, coherence-between-spiritual-material. in

contrast to other faiths, but He warns given us a system. Bahá'u'lláh has against "illicit gains obtained by usury" and counsels "moderation and fairness," "justice," and "tender mercy and compassion" (Tablets 133–34). Similarly, in many passages He extolls forbearance, presumably using the word in its broader sense of showing patience and resignation and not always insisting on one's rights but perhaps also in its narrower meaning of being lenient regarding the repayment of loans if repayment would entail hardship. He has also prohibited gambling but did not elaborate (Kitáb-i-Aqdas ¶ 155). Therefore, it is for the Universal House of Justice to determine in the future whether this prohibition might include speculation in financial markets (Kitáb-i-Aqdas note 169). Although there are some specific teachings of the Bahá'í Faith, such as those mentioned above, that could be considered economic in nature, there is no economic system per se envisaged in the writings of the Faith. In a letter written on his behalf, Shoghi Effendi states: Bahá'ís of the world dated 1 March 2017, "The aim is to learn about how to participate in the material affairs of society in a way that is consistent with the divine precepts and how, in practical terms, collective prosperity can be advanced through justice and

few basic principles which guide future Bahá'í in establishing such which will adjust the economic relationships of the world. (Hornby 551) Economists inspired by the teachings may study such issues as taxation, trade, the financial system, public policy in general, about some thoughts are presented below. However, they might be well-advised to keep in mind that there are many worthwhile ideas for improving economic systems, but vested interests and the failings of political systems stand in the way of implementing them. Although it might be useful to prepare the ground intellectually for reforms, most have little prospect of being implemented any time soon. In this context, the emphasis placed at this time by the Universal House of Justice on individual and community action is most interesting. As they explain in their message to the Bahá'ís of the world dated 1 March 2017, "The aim is to learn about how to participate in the material affairs of society in a way that is consistent with the divine precepts and how, in practical terms, collective prosperity can be advanced through justice and

as having been technical economists. The contribution of the Faith to this subject is essentially indirect, as it consists in the application of spiritual principles to our present-day economic New Directions for Economics

generosity, collaboration and mutual assistance.”
There is much work to be done to better understand how this process might unfold.

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PROMISING NEW DIRECTIONS has contributed to this field through

at the London School of Economics,

Let us now turn to some specific areas that are currently the subject of intense policy debate because the shortcomings of the present system are becoming apparent, areas where innovations, experimentation, insights, and research, informed by Bahá’í principles, might be particularly fruitful.

high-profile empirical research confirming a theory that people may voluntarily choose to limit their own options—for example, through a bank savings product that would restrict their withdrawals until they reached a given level—contradicting a

premise of neoclassical economics that people know what they want and

premise of neoclassical economics

NEW PERSPECTIVES ON HUMAN NATURE

that choice is always better.¹¹

Ashraf has more recently been doing pioneering work in her study of As mentioned above, the foundations of modern macroeconomics have Bahá’í

Ashraf has more recently been doing

been increasingly called into question, leading to more attention being paid to microeconomics, or the study of the behavior of individuals and firms, and in particular to drawing conclusions from observing actual behavior. Important work has been done in many areas, such as game theory idea

altruistic behavior, confirming a view of human behavior in line with

and bargaining, limited information, and agency theory, that challenges the Odysseus

principles but startlingly different from the one traditionally assumed in the economics profession. She has shown that altruism not only is important, but can be a greater motivation than monetary reward (Ashraf, Bandiera, and Jack). While economists in recent years have extended the

restrictive assumptions of the neoclassical models of human behavior. Philippines.”

¹¹ See in particular “Tying to the Mast: Evidence from a Commitment Savings Product in the Philippines.”

This shift in emphasis has moved what is now called behavioral economics to center stage, with four Nobel Prizes are

Behavioral economics is now perhaps most famous for the idea that people can be encouraged to make choices that

in the past 15 years being awarded better for themselves and/or society by
to pioneers and contributors to this adjusting the way choices are presented to
field.¹⁰ Nava Ashraf, a young Bahá'í them, e.g., by making the default option in
behavioral economist previously at their paycheck involve putting part of it
the Harvard Business School and now into a savings plan, rather than requiring
them to opt for such an option. This idea
¹⁰ These Nobel Prize winners include was popularized in Richard Thaler and Daniel Kahneman (a psychologist) and Cass Sunstein's 2008 book, *Nudge: Im-*
Vernon Smith in 2002, Robert Shiller in proving *Decisions About Health, Wealth,*
2013, and Richard Thaler in 2017. and *Happiness.*
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of human preferences to include vari- alongside GDP and economic growth, ous aspects of altruism, fairness, and and there is even an OECD Better values, these preferences have been as- Life Index, the difficulty of defining
sumed to be fixed in line with the neo- and measuring happiness has proven classical model of behavior. Ashraf an obstacle, and little practical prog-
has now introduced the notion, in a ress has been made. This field appears
formal model, that altruism can be de- ripe for further investigation, perhaps
veloped, which, from the perspective drawing on data from the experience of ethics and moral philosophy and of Bahá'í communities.

THE ELIMINATION OF PREJUDICE
AND THE RECOGNITION OF GENDER
EQUALITY

Prejudices of all kinds that divide society into distinct groups and treat
Related to the concept of altru- different groups unequally are the-
ism is the Bahá'í principle mentioned antithesis of the Bahá'í
principle of the oneness of humankind. So too
above that the purpose of human life are barriers to the full
is "service and virtue," and that happi- participation
ness and fulfillment lie not in material by women in both economic activity

possessions and pursuing self-interest and in social structures the antithesis of the Faith's teaching that women but in service to others and leading a meaningful life. The new field of "happiness economics" addresses questions of this nature, such as whether wealth increases happiness and what other factors might produce happiness and a sense of well-being. In his general 2005 book *Happiness* surveying the subject, Richard Layard emphasizes man's social nature—that happiness Effendi, comes from social connections such as friendship and marriage—and also observes that "happiness depends on your inner life as much as on your outer circumstances," on "feel[ing] more essence for others" and on our "inner strength of character" (230). While there has been some effort to make happiness an official objective of government policy toward

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the economic prosperity and social unlikely progress of humankind. also the issue of whether the resources thus INEQUALITY to alleviate poverty. Redistribution schemes Economic inequality, and in particular of the startling increase in affluence of the very rich at the expense of the mid-

Of course, this seems highly to happen any time soon. There is raised would be effectively used and foreign aid have a poor record actually promoting equality or development. Many social programs in

dle classes in recent years, has moved well-intentioned center stage in political and economic debate in many Western countries. Oxford social scientist Oxfam announced during the 2017 World Economic Forum that their research showed that eight individuals owned as much wealth as the poorer half of mankind (“Just 8 men”). Although one can question their methodology, the overall picture is of profound concern. French economist Thomas Piketty, after fifteen years of research, published his long academic study *Capital in the Twenty-First Century* in 2014, and it reached number one on the New York Times best seller list for hardcover non-fiction, reportedly selling over 2.5 million copies and presumably breaking records for the sale of any 700-page academic tome (“Hardcover Nonfiction”; Switzerland in Irvine).¹² The rise in inequality is often mentioned as one of the causes of the loss of public confidence in political leadership in some countries, and there has been concern that it is leading to

wealthy countries, although mentioned, have been found to perpetuate poverty or to have other negative effects, and foreign aid programs have been widely criticized as both received and supportive of recipient countries. With regard to the question of the best way to provide support for the poor and needy, an option that is increasingly discussed is the idea of a universal basic or minimum level of financial support for all citizens. Because of the difficulty of targeting income maintenance schemes only to those truly in need, and without creating incentives to seek gainful employment, the universal basic income simply be given to all citizens. It was put to a public vote in Switzerland in 2016 (but failed by a large margin), is being pilot-tested on a limited scale in a number of places such as Finland and Ontario, Canada, and is being tested elsewhere, including by

politicians.

greater social instability.

current-

Piketty's proposed solution—typical of the

for an economist—is to impose new with tar-

taxes on the rich to promote equality. experi-

ments with this approach are worth fol-

12 Another influential writer on in- equality is Branko Milanovic. See in par- ticular his book *Global Inequality*. 13 For a detailed treatment of this

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2017

equality are what is often called of

“top down” rather than “bottom up,” in an entirely

i.e., directed from a central author- the

ity rather than springing from the framing it

grass roots. To succeed, approaches impera-

to inequality may need to give much econom-

greater weight to building a spirit social

of community at the local level, like Individ-

the small, intimate “study circles” in motivated

which Bahá'ís of different levels of by their re-

experience read the Bahá'í writings behavior even

together and share their understand- or eco-

ings as equals, in sharp contrast to changed.

the format of sermons, lectures, or of

However, such schemes do not

ly appear affordable even in most

richest countries, as compared

geted assistance, although the

lowing (OECD, “Basic Income” 4, 6).¹³

13 For a detailed treatment of

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In the same vein, the 1 March

message of the Universal House

Justice puts the issue

different light as compared with

normal view of economists,

as a moral, and thus personal,

tive and not just a political or

ic question to be addressed by

institutions or public policy.¹⁵

uals and small communities

by a moral standard taught

ligion can improve their

before the political structure

nomic incentives to do so are

As urged by the Universal House

the use of media typical in other religions and institutions of learning. address

It is noteworthy that an anti-poverty scheme incorporating some of these causes community-based elements, with local communities identifying those in need and targeting appropriate assistance to them, is being implemented successfully on a large scale in China such as (“China’s New Approach”). Indeed, it has been my observation that in many cultures where there is widespread poverty, anyone doing better than the rest is expected to give support to relatives and friends, whether in the form of food at traditional feasts or direct financial support, as an important element of community solidarity and social cohesion.¹⁴

subject, see Van Parijs, Philippe and Yan- Creating Freedom (2016), Raoul Martinez presents a fairly standard critique Proposal for a Free Society and a Sane Economy. Harvard UP, 2017.

14 A Bahá’í PhD student at Cornell University. See the passage quoted-

Justice, Bahá’ís can attempt local causes of inequality and address them with the means at their disposal. In a village setting, such a scheme might include an inequitable health issues such as or the need for a clinic or lack of access to or the quality of education, local social divisions caste or rivalries between the corruption of local setting, Bahá’ís can just more personal compassion and for those in need, following the long example of A skeptic might say that on people to feel more others is just wishful Pollyanna ing. For example, in his recent

15 See, for example, the

nell, Vesall Nourani, is researching this inherent moral phenomenon. New Directions for Economics

ed above that “there is an dimension” to inequality. 53

waste it produces. His main prescription, at the end, is that people should be made to realize, when they spend In the on non-necessities, that they are actually wasting resources that could be used to save the lives of people in desperate need. One criticism of the book is that his exhortation is unlikely to have any practical effect. Having posed a problem, he hasn't offered a realistic solution. But what he proposes bears a striking resemblance to the Bahá'í law of Huqúqu'lláh mentioned above—the “profoundly private act of conscience that promotes the common good”—which Bahá'ís are obeying with enthusiasm and devotion (Universal House of Justice, Ridván . 1991 Message). their sense of self-worth when they became unemployed. In light of the emphasis EMPLOYMENT AND TRADE placed by Bahá'u'lláh on the importance and value of each individual The inability to provide adequate employment to those willing to work is ety, Bahá'ís would give high priority to

and among certain segments of the population, such as young people (“Total Unemployment Rate”). United States, at the time of ing, although overall is low, wages are stagnant, many couraged workers have stopped ing employment but are not as unemployed, and there are regional problems. Obviously, prolonged unemployment can do permanent damage to one's self-esteem and and make reentry into the increasingly difficult. Those of whose grandparents lived Great Depression of the 1930s were crushed through a loss of their

a major failing of modern capitalism finding solutions to this issue. and an issue underlying much of the Americans, especially, like to refer anger currently being expressed in to their “free enterprise system,” but politics. Unemployment, along with one never hears about a “free work- the corollaries of wage levels and job er system.” The current economic security, is a critical issue in the world, and political system of “free market” especially as it tends to be concentrat- countries encourages and supports ed in areas of economic decline and business, which in turn is expected among disadvantaged populations and to provide jobs, but only in that or- rises abruptly when there are econom- der, and with the jobs being a resid- ic or financial crises. In the euro area, ual and an indirect result after other for example, overall unemployment policies are implemented. Although in reached 12 percent in 2013 and was theory a group of unemployed work- still 10 percent in 2016, with much ers could hire a capitalist to employ higher rates in some countries (Greece them, this never happens in practice at 24 percent and Spain at 20 percent) (although there are other models such

as cooperatives and worker-owned for. businesses that have a mixed record the but are worthy of study). While in im- principle anyone in America can start that a business, and new, small business- whether es are a very dynamic portion of the alter- economy, to start a business one needs

with its consequences is called Although protectionism is not answer, ways need to be found to prove the resilience of industries are subject to competition, foreign or domestic, or to find native employment for those who

find

both know-how and access to capital, which excludes a very large part of the total population.

that ap-

The solution to unemployment is not protectionism—the raising of other infor-

barriers to trade to “protect” domestic technologies. How-

ever, if we step back from thinking

engenders retaliation by trading partners and can lead to a trade war, dam-

aging all countries involved. It also

effectively freezes the status quo, leading to complacency in protected industries and killing the dynamism of the

an economy. On the other hand, free trade can increase inequality. While

and there may be significant economic gains from trade, the way those gains

nature, are divided is subject to negotiation, and the stronger partner is likely to

capture the larger share. Also, while imagine,

proponents of free trade argue that

of the gains are big enough to compensate those who lose, it is challenging

in to find appropriate ways to effect such

difficult-

compensation. Because many of the

for

long-term unemployed are likely to be

pro-

themselves displaced. The concern now is not only with manufacturing jobs, but also white-collar jobs

appear in danger from developments in artificial intelligence and

mation processing

ever, if we step back from

only in terms of the present

structure, we can see that the

is far from having run out of

that need to be done to improve

lives and our environment. Whether caring better for the elderly and

sick, beautifying our cities and

homes, enjoying more live music

drama, reading more creative

reversing the degradation of

improving and extending education,

or other vistas opening before

ity that we cannot now even

there should be an infinite amount

productive work for humanity.

The problem, then, originates

the economic structure, in the

ty of finding ways to pay people

new types of work. It has been

poor as a result of their joblessness, some of the practical considerations work relating to addressing inequality also apply to trade policy. Thus, while protectionism is a crude tool applied, and often misused, in a world of sovereign nation states, a fairer structure for regulating international trade and dealing perhaps

New Directions for Economics

complementary, approach could be to harness and encourage capacity at the local level for social compassion and support, as mentioned above, through an personal interaction with each individual leading to a knowledge of their needs and abilities, which likely would include questions of education, training, and health care. The lack of such compassion can often be traced to prejudices of all kinds, including class, race, and gender; to biases in the education system and in hiring practices; and to a legal and economic system that favors and extols the rich and powerful. Perhaps a greater sense of compassion in communities and a breaking down of the barriers created by prejudice will motivate people at the local level, on their own initiative,

posed that government programs be established that would provide when the private sector fails to adequately fill this need, like the Progress Administration (WPA) program in the United States during depression of the 1930s (Tanden et al.). But a more effective, or

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countries with weak institutions, government regulations and corruption go hand in hand, and dealing with officials is the greatest challenge entrepreneur faces. It can be very hard for a small business to survive when competitors who pay bribes or use side connections enjoy overwhelming advantages. Principled entrepreneurs in such an environment may simply have to give up that line of work and move to something else that may be less remunerative but can help to better align their working life and values.

When someone is starting a new business or is working in a very small business, it is important to think clearly about objectives, priorities, incentives. Fortunately, the current

legal

to find ways to employ the needy. In this way, the needy could contribute entities,

something valuable to the community, as opposed to simply receiving charity, and community solidarity would be enhanced.

pro-

prietorships, with a lot of flexibility in

THE ORGANIZATION OF BUSINESS

al-

ENTITIES

experimentation

specifically aiming to address the needs

For businesses attempting to behave workers,

ethically, it is difficult to know how as

to balance social and moral objectives the

with the profit motive. At a personal entrepreneurship, a

level, an individual can try to choose a ac-

profession that maximizes social welfare still

fare and minimizes conflict with his or her values. But in societies that are riddled with corruption and perverse Marshall

incentives, it can be very hard to avoid Social

difficult moral choices. In the many 56

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limited, with social and environmental Univer-

impact objectives being mostly a mat-March

ter of public relations and spin rather at

than true aims of corporate policy. certainly

The behavior of large and financially powerful enterprises is another

structure in most countries allows for many types of business

including corporations of different sizes, family-owned businesses (the predominant business form in many countries), cooperatives, and sole

internal organization. And there is

ready a great deal of

of all stakeholders, including

customers, and the broader society,

well as managers and investors, in

field called social

field in which Professor Ashraf is

tive.¹⁶ But these experiments are

¹⁶ One of her roles at the Lon-

as research director of the

Institute for Philanthropy and

Entrepreneurship.

accord with the vision of the

sal House of Justice in its 1

2017 message regarding innovation

the working level. There is

plenty of scope for experimentation

in the way businesses are run, and

central issue in many countries. The academic culture that primarily values profit models and outsmarting competitors can lead the organizations into behavior that is extremely damaging to society and even illegal. Witness the recent scandals over emissions produced by Volkswagen automobiles. The general culture is likewise greatly affected by the resultant emphasis on overconsumption, outward appearances, and a superficial, materialistic view of life. Individual workers or managers in such enterprises have to deal with an internal culture as well as an external environment that might not accord with their values. Even the most well-meaning people are affected by the culture and incentive structure in which they find themselves and can face difficult moral challenges.

So the question is, how do we change this type of business behavior? and A Bahá'í-inspired organization called ebbsf (ethical business building the future) has been serving for twenty-seven years as a forum and organizer of conferences for businesspeople and anyone interested in ethical business

there is also a clear role for researchers to study different using rigorous methods as part of learning process.

THE ORGANIZATION OF PUBLIC SERVICE AND THE SIZE OF THE PUBLIC SECTOR

Governments are a very large part of modern economies. There is a never-ending political battle over the proper size and scope of

ment and the taxes that support

The private sector is subject to shortcomings, prompting the need

regulation, but the public sector

fers from its own afflictions,

those of perverse incentives. So

aspect of the policy challenge is

to make public service entities

better.

In a bureaucracy, to protect

expand one's domain it is

essary to spend all of one's

resources and find justifications

increase in the next budget cycle.

one's budget is under threat, a

mon tactic is to cut or threaten

to cut practices, helping to meet a need for activi- the most visible and important

the exchange of ideas, best practic- ty. A true effort to eliminate

waste and improve efficiency is rarely

es, and moral support.¹⁷ It seems to rewarded.

Innovation is almost absent. Armies, schools, police and fire

17 For more information, visit their departments, and so forth operate now more or

website at <http://ebbf.org/>. less

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as they did a century ago. How, then, and dense, with so many cross refer-

do we create incentives within large ences, sometimes circular, that it

can be difficult to discern the intent

bureaucracies to improve performance even after careful study. Although it is

while minimizing costs? How do we an attempt to produce a just system

introduce a more consultative and based on clear rules, it ends up becoming

service-oriented culture? How can an enormously expensive, time-consum-

organizations, and indeed whole soci- ing disaster. And that is just the

eties, bring about moral and altruistic US

behavior? federal government. There are also

In Western countries it is wide- state and local codes. For example, the

ly believed that the rule of law, with California code covering general

edu- cation (public schools) has more

appropriate institutions (police and than 8,800 articles, some of which are

courts), are a chief source of motiva- quite lengthy and contain numerous subsec-

tion for citizens to behave well. It is tions. The situation is so

also recognized that a “capitalist” sys- extreme that is has become absurd.

tem based on the incentives of profit Perhaps the solution to this

and personal enrichment produces central dilemma of economic policy—how

many “negative externalities” (neg- to achieve economic justice through

to fair and enforceable rules—is to look

ative effects on others and society), and that such tendencies need to be

at

curbed through laws and regulations imposed by the government. In reality, however, laws and regulations and the institutions that enforce them can only affect marginal behavior, i.e., the most extreme cases of deviation, while the behavior of the general population is guided more by unwritten cultural norms. Furthermore, people are clever in finding ways around laws and regulations. A modern economy is complex and changing, and the challenges of responding to problems as they arise through new laws and regulations means they proliferate, eventually strangling economic activity and innovation. The US domestic tax code (Title 26), for example, contains 100 chapters and almost 10,000 sections, each having up to four layers

of subsections. It is so poorly written

moral behavior. How such an approach can be implemented in practice, however, is probably a question of learning from experimentation, much the same process as innovation in businesses.

quite clear that the sector is still capturing

THE FINANCIAL SYSTEM

the problem from a different

perspective. As mentioned above, instead of assuming that individuals are mainly motivated by self-interest and greed that needs to be constrained,

reliance needs to be placed on the

al development of the individual and the moral standards of society. It

is here that Bahá'ís and those who

empathize with Bahá'í principles

increasingly demonstrate the power of individual commitment to moral behavior, while eschewing the

closed-mindedness, and sense of

priority that many people find so

objectionable in the attitudes of

religions. In organizations as well

as in society as a whole, this approach

entail having fewer meaningless

and regulations and relying more on

a common sense of what is decent and

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argue that the contribution of the financial sector to the welfare and productivity of the US economy actually warrants over one-quarter of

domestic corporate profits. It is

extraordinary benefits because of

its

position of power and access to infor-

The financial crisis of 2007–08

exploitation

demonstrated that problems with the 1–122).

financial system can be extremely econo-

costly and damaging. The average em-
ployment rate of developed countries
only recovered to the pre-crisis level
modern

nine years later (OECD, OECD Em-
ployment 22), prompting political back-
lash and efforts to make the financial
system more stable through increased
Chi-

regulation and higher capital require-
and

ments. However, heaping more regu-
lations on an already highly regulated
revived.

sector brings costs with it, and highly
paid, highly incentivized bankers and
their lawyers continue to find ways to
on

avoid or exploit regulations and max-
the

imize their profits. In this regard, it
is instructive to look at the outsized
proportion of total corporate profits
in America earned by financial sector
differ-

companies. In the 1970s and 1980s
referred

they earned on average 17 percent of
“full-reserve

all domestic corporate profits. The fig-
banking,” or

ure jumped by 10 percentage points in
been

2001 and reached over 37 percent in
2002. Even after the financial crisis of
2007–08 and the scaling back of some
of the speculative and exploitative ac-
Alchemy.

tivity in the sector, the industry still

mation, often by blatant

and even corruption (Kotlikoff

As a result of the crisis, some

mists and former bankers have spoken
out about the need for a fundamental
rethinking of the structure of

banking and finance, among them for-
mer governor of the Bank of England
Mervyn King.¹⁸ Perhaps most inter-
estingly, a proposal known as the

chicago Plan, first made in the 1930s

supported by the famous Yale econo-
mist Irving Fisher, has been

Rather than allowing banks to create
money whenever they make a loan,
subject only to general restrictions

their level of capital and reserves,

plan proposes that only the govern-
ment be allowed to create money and
that banks be restricted to managing
it. This idea, which comes in

ent flavors and is now often

to as “narrow banking,”

banking,” “100% reserve

“limited purpose banking” has

supported and elaborated recently by
a number of respected economists¹⁹

¹⁸ See King’s book *The End of*

¹⁹ See, for example, John Kay’s

arti-

captured 27 percent of all corporate Banking'?"

profits in 2016 (US Bureau of Economic Analysis). Few could seriously

Is Dead;

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and other writers (Jackson and Dyson) and in an IMF working paper (Benes

pre- and Kumhof). One virtue of such a

system is that it would eliminate the largest source of instability in the

current financial system by reducing

arena or eliminating financial risk-taking by

polit- government-backed financial institu-

simply tions (which leads to "moral hazard" can

or excessive risk-taking) and forcing investors to accept such risk directly.

Progress

The fact that Bahá'u'lláh has permitted the charging of interest does not

necessarily imply that the government public's

should assume a major part of the risk in the banking system, as is currently

the case. Because the ups and downs groups

in finance generally benefit "insiders" often

who can make fortunes at the expense local

of the general public, greater financial gar-

stability would also reduce the inequity- proj-

ties in the present system and would exceed

likely encourage capital to flow into itself

cle "Should We Have 'Narrow

and his book Other People's Money;

rence Kotlikoff's Jimmy Stewart

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the classic example in economics of negative externalities. The usual

description is government regulation, although, as noted above, the actual

implementation of regulations can be highly problematic, and in this

highly problematic, and in this

there are large and continuing

ical battles. But pollution, or

trash or lack of maintenance,

be an important local issue as well,

amenable to local solutions.

in reversing environmental

tion may also depend in large part

on education, increasing the

awareness of the nature of the prob-

lem. In this context, it is noteworthy that Bahá'í junior youth

in different parts of the world

choose, on their own initiative, a

cleanup, park beautification, or

dening project as a first service

ect. The benefits can often far

the stated goal of the project

more productive and less speculative or the education of the youth, as the investments. This is a topic that could benefit from further study. community sees the interest of the young people in improving their surroundings and begins to question its

NATURAL RESOURCES AND PROTECTING THE ENVIRONMENT

a blighted neighborhood of Baltimore

Protecting the natural environment and enhancing the manmade environment are natural priorities for a community that emphasizes the

was common good. Environmental pollution, often caused by actions that

might benefit one individual or company but negatively affect society, is youth

(Sobhani). In this process, the youth

and Adair Turner's *Between Debt and the Devil*.

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Of course, although drawing the attention of youth to environmental problems and encouraging them to

take action, however modest, is an important educational step and may have

effectively broader impacts, social structures that

lead to the despoiling of the environment are often linked to the exploitation

of populations, not just of natural resources, and thus are related to the

issues of prejudice, class divisions, and inequality discussed above.

techniques for curbing corruption is use-

CORRUPTION

actually

stop corruption will only arise when

own indifference and inaction. When a junior youth gardening project in

was mowed over by a city worker, the youth involved turned to social media to publicize the incident and soon the local television station

on location filming, resulting in

deputy mayor helping to replant the garden amid more publicity for this public-spirited initiative by the

also develop an important capacity

positive social action.

When moral consensus in society breaks down, corruption flourishes.

Corruption requires access to

The corrupt are therefore in a

to protect themselves very

and can only be constrained when a broad social movement arises in

situation, such as the non-violent

movement spearheaded by Gandhi in India

and the many color movements that started with Solidarity in Poland.

Thus, although studying tech-

ful, the broad political will to

Corruption, broadly defined to include privilege, injustice, exploitation, (UHJ, Mes- and organized crime, is arguably the World dat- most important economic and political problem of our time. In Western countries, public trust in institutions of all kinds regularly hits new lows. For example, in recent Gallup polls with only 8 percent of Americans rate congressmen as highly ethical, below 9 percent for car salesmen (“Honesty/Ethics”). And President Barack Obama, in his first State of the Union address, declared: “We face a deficit of trust.” Economists can argue about the relative merits of different economic systems such as capitalism and socialism, but the reality, as we can see plainly in the world, is that any system can be more or less corrupted, and the degree to which it is—more than any other variable—explains success measured in terms of the general welfare of the population. Corruption has thus moved to the center stage in much of the political struggle of our time.

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populations can rally around a consensus, a “shared ethic” sage to the Bahá’ís of the (ed 1 March 2017). For Bahá’ís, the priority is to work on and developing the moral consciousness of the population, and this is most effective when starting with children and youth. Individuals can also lead by example. As the in public service decline, the people who establish a reputation competence, integrity, and to service increases, and their can help raise the expectations public regarding the qualities for such service. As always, speak louder than words. The impact of dishonesty and selfishness on economic prosperity particularly pernicious, as can in the growing reaction against ruption worldwide. Whether or not corruption is actually getting however, is an interesting given that human beings have been

exploiting their fellow man at least reflects as long as recorded history. It may be that it has merely become more visible and harder to hide as technology has greatly enhanced the general public's access to information and increased the ease of and incentives for leaks of confidential information. The re- action to corruption may also reflect a declining public tolerance for such behavior and a stricter enforcement of laws against criminal behavior, money laundering, theft, embezzlement, blackmail, illegal resource exploitation, etc., with the resultant heightened publicity of such wrongdoing, giving an appearance of an increase in the underlying activity. In any case, it is encouraging that the public is becoming more aware and less tolerant of corruption, raising hope that this central problem of modern governance will be increasingly addressed. David Kelly"; Gilligan). Other exam-
INTEGRITY IN SCIENCE AND PUBLIC DISCOURSE
the field of nutrition and public health, are Corruption in the broad sense is also eroding the foundations of public dis-

to publish, but it also likely financial and other incentives to duce the results desired by parties, as well as the general in moral standards in society. erosion of ethics strikes at the heart of a process of discovery of the truth that has been central to the leap in man welfare in modern history. An extreme, but instructive, ple of the forces at work is the of David Kelly, a Bahá'í authority on biological warfare who was asked by the British government to investigate the existence of ons of mass destruction in Iraq in 2003, when this was a high-profile political issue. He reported that he found none, but his findings were in direct contradiction to a statement on the subject by the ish prime minister and were ignored, although later proven correct ("Dr ples of the overwhelming influence of vested interests, from industry and recounted by Dr. T. Colin Campbell part 4 of The China Study) and Gary

course and scientific endeavor. Scientific method involves the publication of experimental results so that they can either be confirmed or rejected including by the scientific community. Unfortunately, the number of scientific papers published in the leading journals that cannot ultimately be confirmed by other scientists is creating “growing alarm” (“Challenges”; Baker; Nosek et al.). Presumably, this trend partly reflects the pressure on scientists

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leading to useful debates—for example, debates about Piketty’s methodology and whether his conclusions are justified. However, we should not underestimate the difficulties that an economist may face if he or she challenges the accepted wisdom of the field or of public policy or threatens vested interests. Those approaching God-conscious and economics from a Bahá’í perspective (Messages 45). It is trying to harmonize their work with high principles of integrity, honesty, individuals and and an unbiased perspective.

Taubes (in *The Case Against Sugar*). More recently, concern is rising that public discourse is being ed by political propaganda, “fake news” and “alternative and undermined by a tendency in the Internet age for people to listen to opinions and news that they want to hear.

In economics, there has a welcome move to publish the underlying studies and publications,

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than those favored at present, assuming that social structures transformed over time by the influence of a new religious and by the destructive breakdown the present order that, in the the Shoghi Effendi, “welds the humanity into one single divisible, purified, divinely directed” also challenging to visualize how ble spiritual principles can be through the actions of communities in the context of

today's

fractured, disoriented societies. But the

CONCLUSION

Universal House of Justice is now call-

ing upon Bahá'ís to increasingly face

The principle of the unity of man-
actions

this challenge of making their

kind has far-reaching implications. It

coherent with their principles.

This ar-

encompasses the need to break down
what form

ticle has been a reflection on

the barriers between groups of people,
the pos-

such efforts might take and on

including between intellectuals and the
academ-

sible relationship between the

general public, and to involve everyone
actions

ic field of economics and the

in the process of knowledge creation
within

of individuals and communities

and social and economic development,
find

the circumstances in which they

empowering people to become the pro-
tagonists in their own development

themselves.

within a social context characterized
by reciprocity and mutual support. A
economic

When examining some of the ar-
eas of current debate and concern
about the functioning of the

view of God's creation as one whole
becomes ap-

systems of the world, it

also implies the breaking down of
teachings have

parent that the Bahá'í

barriers between fields of study. It im-
these

a great deal to contribute on

plies viewing human society as a single
potential

subjects, opening up the

system, one which we choose to view
pro-

for useful contributions both by

and study from different perspectives,
the

fessional economists inspired by

while becoming increasingly aware of
individuals

Bahá'í teachings and by

the interrelationships within the whole.
It presents enormous intellectual chal-

and communities generating knowl-
edge about how spiritual

principles can

enges but also great opportunities.

be applied to economic life.

Indeed, one

It can be difficult to conceive of a so-
of

could conclude that from the point

ciety based on very different principles

view of the Bahá'í teachings,

much of

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the present field of economics needs
and a

to be rethought. The process of gen-
they

erating knowledge at the individual
change

and local level holds out the promise
those

that as Bahá'ís endeavor to act in accor-
transform

dance with their principles in diverse
general.

life situations, with integrity

desire to be of service to others,

may well find ways not only to

their own lives, but to influence

around them and gradually

the structures of society in

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