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ECONOMICS

The prosperity of the world and the development of nations

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Most economists would likely agree with Harvard University's Richard Cooper (2004) that economic development as a global objective for improving human welfare is a relatively recent concept. It made its way into the United Nations Charter in 1945, which stated: 'the United Nations shall promote higher standards of living, full employment, and conditions of economic and social progress and development'. Landes (1998) suggests that some notions of development, such as improvements in living conditions of the population, were present among the colonizing powers of the nineteenth century, such as the idea that 'landlords' had some responsibility for the upkeep of their lands and the conditions of people living on them. But these concerns did not typically go beyond those territories under their control and were often motivated by the commercial interests of, say, the East India Company, rather than the plight of those living under their control.

Paul Streeten (1981) identifies several factors contributing to the growing interest in economic development in the post-World War II period, and some are worth highlighting. By the late 1940s, the economies of North America, Western Europe, and Japan had experienced over a century of economic expansion and had improved living conditions for their populations. At the same time, growing income disparities were evident between the developed world and countries in the developing periphery, many of which were just beginning to emerge from the colonial era. That Japan, for instance, was able to transform itself from an ancient, poor, developing kingdom in the middle nineteenth century into an industrial power meant that deprivation and technological underdevelopment were not inevitable and that the right combinations of policies and institutions could generate processes of self-sustaining growth in the developing world.

Progress in medicine and public health brought about a drastic reduction in mortality rates, while birth rates remained high. The only way to avoid increasing scarcity and misery was through further technological progress and the implementation of policies that enhanced productivity, broadened opportunity for the masses, and led to improved living standards. Economists, politicians, and others rose to the challenge of identifying better and more promising ways of doing this. Decolonization itself precipitated active interest in economic development. Nobel laureate Gunnar Myrdal (1968: 502) refers to the 'hurricane that swept over the globe after the Second World War', which found economists puzzling over the problems of developing countries, sometimes burdened by 'the false categories under which facts are observed and recorded'.

Not only were conventional concepts such as income, savings, and unemployment subject to different interpretations in the context of developing countries, but the very tools used by economists to analyse the problems of the advanced economies were inadequate for understanding the realities and constraints of the developing world. Indeed—to take an example—it would be several decades before the role of climate in the development of low-income countries would become the purview of conventional economics. Myrdal lamented that economists did not rise to the intellectual challenges of economic development in the newly liberated former colonies.

Right from the beginning, development was understood simply as growth, regularly accounted for in terms of very questionable statistics on aggregate gross product or income. This is still the dominant pattern in much economic literature. Social reforms to decrease inequality in these ordinarily very inegalitarian societies were reckoned as expensive and as hampering to development; it was best to wait for a rise in production. (Myrdal 1968: 502)

By 1975, nearly 100 countries had joined the UN, the vast majority being former colonies intent on experimenting to find ways and means to join the rich industrial democracies with their higher living standards. Indeed, the first wave of independence in the 1950s was accompanied by a sense of optimism about the economic prospects for many emerging countries. Some had inherited substantial infrastructures, possessed significant natural resources, and benefited from a sense of wide-open possibilities after independence.

It was left to economists in the decades after World War II to give meaning to the concept of economic development. The early writings emphasized the close connection between improvements in living standards—termed by Adam Smith ‘the natural progress of opulence’—and the pace of economic growth, as measured by gross domestic product (GDP). As noted by Sen (1988: 12):

the process of economic development cannot abstract from expanding the supply of food, clothing, housing, medical services, educational facilities, etc. and from transforming the productive structure of the economy, and these important and crucial changes are undoubtedly matters of economic growth.

In time, ‘development’ came to be seen as improved economic opportunity through the accumulation of capital and rising productivity. The implicit assumption was that economic growth would lead to continually improved living standards, increased life expectancy, reduced mortality, less poverty, and so on, all worthy social goals.

The debate about economic growth

Let us pause here and examine in some detail the case for economic growth, by returning to the period immediately following the end of World War II and the creation of the United Nations and the Bretton Woods institutions, the World Bank, and the International Monetary Fund. An excellent starting point is *The Theory of Economic Growth* by Nobel Laureate W. Arthur Lewis (1955). For Lewis

the advantage of economic growth is not that wealth increases happiness, but that it increases the range of human choice. . . . The case for economic growth is that it gives man greater control over his environment, and thereby increases his freedom. (Lewis: 420–421)

For large portions of humanity, the previous centuries had involved the struggle for subsistence, characterized by periods of famine, starvation, and unremitting drudgery. High infant mortality and brutishly short life spans were a permanent feature of human existence. Economic growth, Lewis wrote, 'enables him to escape from this servitude' and from the many other menaces which detract from the quality of life. Economic growth allows women to escape from household drudgery and other backbreaking tasks and empowers them to develop other capacities. Growth, coupled with technological innovation, creates leisure and opens new possibilities, sparing more people for other activities and new occupations.

Economic growth creates awareness of the needs of others, and as societies prosper, more resources are allocated to the disadvantaged and vulnerable and to the training and education of children. In stable societies with little or no economic growth, the demands of one group in society can only be met by imposing sacrifices on others, a zero-sum world in which 'stability' can lead to social strife. According to Angus Maddison (2006), real GDP per capita in the world expanded annually an average of only 0.05 percent in the 800 years prior to 1820, with only minor regional variations, as compared with zero in the previous 10 centuries. At a rate of growth of 0.05 percent per year, an economy expands by about 50 percent in 800 years. In other words, there is no visible growth within the lifetime of any one individual. Without economic growth, governing becomes a bitter occupation. Since legitimate aspirations for some material progress cannot be met, the outcome is often political repression. Politicians learn this from painful experience, their desire to promote economic growth being linked to the opportunities that rising incomes give them to acquire legitimacy as rulers.

Lewis was impressively open eyed about some of the potential problems and dangers associated with rapid economic growth, seeing it as associated not only with the disappearance of the extended family and the erosion of social systems based on status but also on their substitution by systems based on contract, equality of opportunity, and high levels of vertical social mobility, and these had the potential to upset existing relationships and interact, sometimes in unpredictable ways, with issues of class, religion, and political authority. Economic growth could coexist with rising inequality which, if unchecked, could put increasing pressures on the environment. In the Soviet Union, rapid economic growth was associated with an appalling deterioration in the quality of the physical environment. By the time it collapsed, the Soviet Union was a military giant with an impoverished population, a classic case of 'immiserating growth'.

While emphasizing the substantial benefits of more rapid economic growth, Lewis accepted the possibility that the growth process could have costs 'in social or spiritual terms' and that societies should carefully weigh, in light of their particular circumstances and values, the benefits against such costs. While firmly on the side of economic growth, he understood that some might be ambivalent towards it. He said, 'We demand the abolition of poverty, illiteracy and disease, but we cling desperately to the beliefs, habits and social arrangements which we like, even when these are the very cause of the poverty we deplore'.

Growth and development

Well before it became fashionable, Sen questioned 'the rather straightforward connection between material prosperity and welfare that is sometimes taken for granted in standard economic analysis' (1988: 13). Indeed, a considerable body of recent academic research has examined the supposed correlation between growing income and human happiness. For a long time, within the development community, it was a virtually accepted article of faith that higher growth and income would always be desirable and would increase human welfare and, along with it, happiness. Several insights, however, have contributed to a gradual change of perspective. First,

the realization that, however beneficial the decades of robust post-war economic growth might have been in improving living standards, the global economy was beginning to encounter environmental constraints which could actually be quantified. Second, psychologists were showing that human happiness correlated with income only up to a certain level. Money seemed to be crucially important for happiness when basic material needs had not been met. But once basic needs were satisfied, the sources of happiness shifted to other concerns, reflecting deeper spiritual aspirations, including friendship, love, relationships, a sense of purpose in life, and security, among others. The study of happiness ('subjective well-being') is now considered an entirely respectable academic discipline.

An exclusive focus on GDP sidesteps considerations of its distribution. Martin Ravallion (1997) has shown that income distribution matters initially for how quickly the poor benefit from rising average incomes: the higher the inequality, the lower the rate at which poverty declines. In extreme cases, it is possible for high inequality to result in increased poverty, economic growth notwithstanding. But distributional issues are not the only problem in linking the growth of GDP too closely with improvements in living conditions. There may be no markets for many of the goods produced in an economy; GDP is an abstract aggregation of goods and services which are transacted in the market. By definition, it excludes the outputs produced and consumed at home by subsistence farmers and the time spent by mothers raising and training their children at home. This does not suggest that Adam Smith's 'progress of opulence' is irrelevant to the development process. However, to the extent that it neglects crucial factors which contribute to individual well-being, an undue focus on wealth maximization, as noted by Anand and Sen (1994: 4), is 'deeply limited and defective'.

Sen makes an additional persuasive point about the relationship between GDP and well-being. GDP is a measure of the means available for well-being, but it does not measure the extent to which people are successful in achieving their ends, given these means. 'Ultimately, the assessment of development achieved cannot be a matter only of quantification of the *means* of that achievement. The concept of development has to take note of the actual achievements themselves' (Anand and Sen 1994: 15).

One way to proceed, as Sen does, is to define the set of actions and states of being that an individual would consider essential to ensure her well-being. She would want to be safe, well nourished, and free from avoidable diseases; able to express her opinions freely, to control her own finances, to move about and travel abroad, as needed; she would like to enjoy the same opportunities as her male peers and not suffer gender discrimination; she might also like to be governed by duly elected representatives who had gained legitimacy in open and free elections. Sen refers to the ability to 'do' certain things and to 'be' others as the 'functionings' of a human being. The extent to which a person—or a nation—is then engaged in a process of development is a function of the extent to which she can achieve those functionings that are important to her.

The possession of goods and services, having access to education and health, and so on are some of the means available for achieving those ends. Of course, what is regarded as valuable may differ across individuals and may shift over time, partly as a result of the process of development itself. But neither consideration is strong enough to undermine the case that development must be seen from a broader perspective than can be captured simply by such an aggregate indicator of economic growth as GDP. Sudhir and Sen are surely right in affirming that values cannot be regarded purely as instrumental to economic development, but rather that they are 'the ultimate basis of judging the nature of development itself' (1994: 23).

The challenges ahead

One fundamental question which emerges from this discussion is how to reconcile the legitimate aspirations of citizens in developing countries for the high economic growth rates—which led in the post-war period to such remarkable improvements in global standards of living—with the severe stresses which that very economic growth has placed on our planetary system. At the moment, we are far from coming anywhere close to resolving the implicit contradictions in our approaches to management of the global economy and, by implication, the development process itself.

There is a school of thought that sees development mainly in terms of the needs to expand opportunity to the poor, to enable them to gain for themselves some of the freedoms enjoyed by citizens in more prosperous parts of the world. A gradual convergence by the poor to the living standards of the rich developed countries is seen as a legitimate social and moral objective, worthy of the efforts and the support of governments and the international community.

Given the extraordinarily high levels of poverty remaining in the world and the huge gap between the living standards of the developed and developing worlds, the case for growth made by Lewis half a century ago—and by Adam Smith at the outset of the industrial revolution and restated many times down through the decades by leading economic thinkers—would appear to have lost none of its relevance and urgency. There would seem to be no legitimate moral basis, in the face of emerging environmental constraints, to expect the poor in the world to remain in that state because the growth of the global economy during the past two centuries, the overwhelming share of whose benefits are in evidence today in the *developed* world, has brought us to the edge of environmental crisis.

More likely than not, over the next several decades, we will have to do both: continue the fight against poverty—and this will mean supporting the implementation of economic policies in the developing countries that will generate economic growth as this remains our primary tool to pull people out of poverty—and effect a fairer distribution of income. In this task, we will be enormously helped by the accumulated knowledge and experience of those countries which have made a successful transition to rich country status. Sensible policies, improved institutions, and the development of human capital have been vital ingredients in this process.

But we will also have to find creative ways, particularly in the rich countries—still the largest per capita emitters of global warming gases and overwhelmingly responsible for the bulk of CO₂ emissions during the past two centuries—to find, as noted by Homer-Dixon, ‘feasible alternatives to our hidebound commitment to economic growth, because it’s becoming increasingly clear that endless material growth is incompatible with the long-term viability of the Earth’s environment’ (2006: 292). Striking a balance between the needs of the poor and their legitimate claims on the world’s resources and the imperative to move the global economy to a path of development that recognizes that economic growth without limit is not consistent with the laws that regulate our physical environment is one of the key challenges we face in the early decades of the twenty-first century.

Insights from the Bahá’í writings

In a letter dated 25 January 1936 and published in *Bahá’í News* (USA), Shoghi Effendi, the head of the Bahá’í community at the time, indicated that

there are practically no technical teachings on economics in the Cause, such as banking, the price system, and others. The Cause is not an economic system, nor can it

Founders be considered as having been technical economists. . . . The contribution of the Faith to this subject is essentially indirect, as it consists of the application of spiritual principles to our present-day economic system. Bahá'u'lláh has given us a few basic principles which should guide future Bahá'í economists in establishing such institutions which will adjust the economic relationships of the world.

(*Bahá'í News* 1936: 103: 2)

In a similar letter written to an individual in 1939, Shoghi Effendi again states that the 'guiding principles' embedded in the Bahá'í Writings, 'are mostly intended to guide future Bahá'í economic writers and technicians to evolve an economic system' which would be consistent with such principles (Hornby 1988: 550).

The international governing body of the Bahá'í community echoed these sentiments in 1983, stating:

Thus, we can readily appreciate that although it has hitherto been impracticable for Bahá'í institutions generally to emphasise development activities, the concept of social and economic development is enshrined in the sacred Teachings of our Faith. The beloved Master, through His illuminating words and deeds, set the example for the application of this concept to the reconstruction of society. . . . From the beginning of His stupendous Mission, Bahá'u'lláh urged upon the attention of nations the necessity of ordering human affairs in such a way as to bring into being a world unified in all the essential aspects of its life. In unnumbered verses and Tablets He repeatedly and variously declared the "progress of the world" and the "development of nations" as being among the ordinances of God for this day.

(Universal House of Justice 1996: 602)

Indeed, in many of the talks He gave during travels in Europe and America, often elaborating on various aspects of the teachings of His father, 'Abdu'l-Bahá did, in fact, provide substantial guidance on the application of such principles to a broad range of issues which we would now think of as falling within the purview of economics. For instance, during a talk He gave about the 'readjustment of the economic order' on 6 May 1912 in Cleveland, 'Abdu'l-Bahá explained that references in the Bible to the 'New Jerusalem' (*Promulgation* 101–102) meant that spiritual principles would be at the foundation of a new global order. A few weeks later, in a talk on 9 June in Philadelphia, He reaffirmed that the new order would include 'a readjustment of the social economy' that would ensure not only the elimination of poverty but also the 'stability of the world of humanity' (*Promulgation* 181–182). And in New York on 1 July of the same year, He said that one of Bahá'u'lláh's teachings was 'the adjustment of [the] means of livelihood in human society' so as to eliminate the extremes of wealth and poverty.

A few months earlier, in Paris, 'Abdu'l-Bahá had noted:

Certainly, some being enormously rich and others lamentably poor, an organization is necessary to control and improve this state of affairs. It is important to limit riches, as it is also of importance to limit poverty. Either extreme is not good. . . . When we see poverty allowed to reach a condition of starvation it is a sure sign that somewhere we shall find tyranny. Men must bestir themselves in this matter, and no longer delay in altering conditions which bring the misery of grinding poverty to a very large number of the people. The rich must give of their abundance, they must soften their hearts and cultivate a compassionate intelligence, taking thought for those sad ones who are

suffering from lack of the very necessities of life. . . . There must be special laws made, dealing with these extremes of riches and of want.

(*Paris Talks*: 153)

‘Abdu’l-Bahá was a keen observer of the economic, social, and political surroundings and saw clearly that life in the United States at the turn of the century, for the vast majority of Americans, was extremely difficult. The average workweek consisted of 12-hour workdays, six days a week. Coal miners were dying in large numbers due to accidents and various environmental hazards, child labour was rampant (in the millions), and the few states that had some form of restrictions enforced them poorly (Smolensky and Plotnick 1993). There was no income tax, no social security, no unemployment insurance. These economic and social innovations came later, some during the administration of President Franklin D. Roosevelt in the 1930s. Access to clean water in rural areas was limited, and most Americans did not have access to reliable heating in the winter. The incidence of some diseases, such as tuberculosis, was sky high by today’s standards, as were levels of infant mortality. Conditions outside the United States, particularly in Africa, South Asia, and Latin America were even more appalling. In 1918–19, some 17 million people in India—5.5 percent of the Indian population—perished as a result of the Spanish flu, compared to 675,000 deaths in the United States, 0.65 percent of the total US population, highlighting dire living conditions, including massive poverty, in countries in the developing world.

It is not surprising that in His speeches, ‘Abdu’l-Bahá would refer to the harshness of life for vast segments of the world’s population and the need for substantial readjustments in the economic order. As He noted to an audience in New Jersey on 19 May 1912, ‘the poor are everywhere in the state of abject need’. In stating the urgent need to relieve ‘the poor from the stress of want and misery’, He seemed to be suggesting that poverty not only infers low income but is also often accompanied by psychological anguish, stress, and hopelessness, as has been noted in recent decades in the academic literature on poverty. Decades later, Amartya Sen, in his book *Development as Freedom* (1999), argued that poverty robbed people of the freedom to satisfy hunger, to enjoy adequate nutrition, to acquire remedies for treatable illnesses, to enjoy clean water, and to be adequately clothed. He thus saw poverty more broadly as involving the deprivation of basic needs that would allow the poor to more actively participate in the economy and the life of the nation. Tyranny, intolerance, the absence of economic opportunities, the misplaced spending priorities of governments which led them to neglect the role of public services, and what Sen called the ‘overactivity of repressive states’ all represented, in some form or other, obstacles to freedom and thus barriers to successful development.

In this respect, ‘Abdu’l-Bahá’s words about poverty and its deprivations echoed those of His Father Who, decades before, had identified lightening the burden of the poor as one of the primary responsibilities of rulers. Bahá’u’lláh expressed it thus in a message to the rulers of the second half of the nineteenth century:

Know ye that the poor are the trust of God in your midst. Watch that ye betray not His trust, that ye deal not unjustly with them and that ye walk in the ways of the treacherous. Ye will most certainly be called upon to answer for His trust on the day when the Balance of Justice shall be set, the day when unto everyone shall be rendered his due, when the doings of all men, be they rich or poor, shall be weighed.

(*Gleanings CXVIII*)

In fact, as early as 1875, ‘Abdu’l-Bahá had written an insightful treatise addressing a range of issues which economists today would recognize as capturing some of the most fundamental

questions of development economics, identifying the factors, policies, and institutions critical for unleashing processes of sustained economic growth and prosperity. In *The Secret of Divine Civilization*, He unambiguously advocates the benefits of interaction with the rest of the world. He chides nineteenth-century Iranian society for its parochial outlook and suspicion of 'new systems and procedures' and 'progressive enterprises' which have made an enormous contribution to the development of other nations. 'Were the people of Europe harmed by the adoption of such measures? He asks. Or did they rather by these means reach the highest degree of material development?' (Secret 13).

He returned to these themes often during His ministry. In a letter written in 1906 to Jane Elizabeth Whyte, the wife of a Scottish clergyman in Edinburgh and an admirer of the Bahá'í teachings, He states that in this day

[M]eans of communication have multiplied, and the five continents of the earth have virtually merged into one. . . . In like manner all the members of the human family have become increasingly interdependent. For none is self-sufficiency any longer possible, inasmuch as political ties unite all peoples and nations, and the bonds of trade and industry, of agriculture and education, are being strengthened every day. Hence the unity of all mankind can in this day be achieved.

(quoted in Shoghi Effendi, *World Order* 1974: 39)

Although He did not use the word 'globalization', it is evident that 'Abdu'l-Bahá was anticipating the process of the gradual lowering of barriers to human interaction which would take place in the course of the twentieth century, mainly in response to rapid scientific and technological change and innovation.

'Abdu'l-Bahá repeatedly touched upon the importance of integrity in public service, in one of numerous such passages writing, 'While the setting up of parliaments, the organizing of assemblies of consultation, constitutes the very foundation and bedrock of government, there are several essential requirements which these institutions must fulfil'. Their elected members must be high-minded and incorruptible; they must be cognizant of the highest principles of law, fully versed in the rules that 'govern the management of internal affairs and the conduct of foreign relations' and 'content with their lawful emoluments' (Secret 16–17). He was likewise forward-looking in emphasizing the importance of education and training, regarding them as essential ingredients for the prosperity of the world and the development of nations, placing 'the expansion of the frontiers of knowledge' at the basis of 'Europe's progress and civilization' (Secret 10). Furthermore, 'the education and training of children is among the most meritorious acts of humankind . . . for education is the indispensable foundation of all human excellence' (*Selections* 129–130).

At various moments during His ministry, Bahá'u'lláh expressed concern for the waste of resources and what this meant for the plight of the poor. For instance, in the early 1890s, when visited by the Cambridge orientalist Professor Edward G. Browne, He told him: '[W]e see your kings and rulers lavishing their treasures more freely on means for the destruction of the human race than on that which would conduce to the happiness to humanity', an observation that remained tragically relevant during the following century (Esslemont 1980: 40). Although, in Browne's account, there is no indication of what might 'conduce to the happiness of mankind', there are numerous other references in the Bahá'í Writings that suggest such things as investments in education and training, in public health, and in those infrastructures that lead to the modernization of the state and enable it to better serve the public.

This concern with the efficient allocation of scarce resources, at the heart of how contemporary economics views the world, was echoed frequently by 'Abdu'l-Bahá and Shoghi Effendi

over the next several decades as they sought to elaborate the implications of the principles laid down by Bahá'u'lláh. For instance, in addressing the question of peace and security, 'Abdu'l-Bahá stated in 1912:

The greatest catastrophe in the world of humanity today is war. . . . All the European nations are on edge, and a single flame will set on fire the whole of that continent. Implements of war and death are multiplied and increased to an inconceivable degree, and the burden of military maintenance is taxing the various countries beyond the point of endurance. Armies and navies devour the substance and possessions of the people; the toiling poor, the innocent and helpless are forced by taxation to provide munitions and armament for governments bent upon conquest of territory and defence against powerful rival nations.

(Promulgation 317)

In His letter to the Central Organization for a Durable Peace, now known as 'The Tablet to The Hague', 'Abdu'l-Bahá referred to the weapons of war as 'the malignant fruits of material civilization' and suggested that had material civilization been imbued with spiritual principles 'these fiery weapons would never have been invented. Nay, rather, human energy would have been wholly devoted to useful inventions and would have been concentrated on praiseworthy discoveries'.

In their emphasis on literacy and education, the importance of an outward-looking orientation in international economic relations and the importance for human prosperity of good governance, and in lamenting the destructive effects of corruption, the writings of the central figures of the Bahá'í Faith were indeed decades ahead of issues which, as noted earlier, emerged later within the economics profession, largely after World War II, as vital ingredients of sustainable economic growth and prosperity, providing invaluable guidance to future generations of economists, policymakers, and other stakeholders.

Furthermore, 'Abdu'l-Bahá did not limit Himself to merely identifying the presence of such problems as poverty and inequality. He also put forward practical solutions to address them. In this sense, the Bahá'í Writings do provide considerable insight into some important elements of an economic system reflecting the spiritual and ethical principles enunciated by Bahá'u'lláh. To take several examples: 'Abdu'l-Bahá argued forcefully for the introduction of progressive systems of taxation. He said:

If the poor person gives one-tenth of his income and the rich person one-tenth of his income, it will be unjust. Thus, in this way a law should be made that the poor person who has only ten kilos and needs them all for his necessary food, be exempt from paying taxes. But if the rich person, who has ten thousand kilos, pays one-tenth or two-tenths taxes on his products, it will not be a hardship to him.

(Star of the West 7(9): 83)

He also addressed the issue of profit-sharing, indicating that it was essential for a better realignment of the interests of owners and workers, of capital and labour:

[T]he owners of properties, mines and factories should share their incomes with their employees, and give a fairly certain percentage of their products to their workingmen, in order that the employees may receive, beside their wages, some of the general income of the factory, so that the employee may strive with his soul in his work.

He added that

the satisfaction of the daily needs and the feeling of justice in the distribution of wealth will change the jealous attitude of labour into one of co-operation and happy industry. For every producer, in the Bahá'í state, will receive not only wages, but a share in his profits.

(*Star of the West* 10(8): 148)

Furthermore, He convincingly argued that bringing an end to centuries of discrimination against women should be central to economic development strategies and would usher in a new stage in the development of humankind; gender equality would not only have vast economic ramifications but would also be a prerequisite for the establishment of peace and security in the world. Further insights regarding the economic implications of phasing out multiple forms of discrimination against women are dealt with in greater detail in Lopez-Claros and Nakhjavani (2018).

Finally, the Bahá'í Writings emphasize the role of the *Ḥuqúqu'lláh*, an ordinance established by Bahá'u'lláh in the *Kitáb-i-Aqdas* that prescribes that each Bahá'í shall pay a certain portion of his accumulated savings after the deduction of all expenses and certain exemptions. These payments provide a fund at the disposition of the Head of the Faith for carrying out beneficent activities; it is thus seen as a potentially powerful tool to address income inequalities. This ordinance has other far-reaching implications. The Universal House of Justice has noted that the institution of *Ḥuqúqu'lláh* will

contribute to the spiritualization of humanity through the promotion of a new attitude to the acquisition and use of material resources. It will provide the material resources necessary for great collective enterprises designed to improve all aspects of life and will be a powerful element in the growth of a world civilization.

(2003)

In a 1931 essay entitled 'The Goal of a New World Order', addressed to the American Bahá'í community, Shoghi Effendi made an additional point which has vital relevance for those who seek answers to the question of how our current dysfunctional economic system can evolve into a more sustainable one that delivers opportunities and prosperity to all. He said that it would be crucial to set aside ideological disputes in discussions of social and economic development in favour of pragmatism and common sense. He noted that 'legal standards, political and economic theories are solely designed to safeguard the interests of humanity as a whole, and not humanity to be crucified for the preservation of the integrity of any particular law or doctrine' (42).

Having discussed a range of desirable policies to establish a solid foundation for 'the prosperity of the world and the development of nations' that would phase out poverty, reduce income disparities, and provide opportunities to all for the development of human capacities, 'Abdu'l-Bahá went one step further in saying that, important as these material objectives were, humankind should not lose sight of the fact that the purpose of life ultimately rests on a proper understanding of our spiritual nature. He lamented:

Mankind is submerged in the sea of materialism and occupied with the affairs of this world. They have no thought beyond earthly possessions and manifest no desire save the passions of this fleeting, mortal existence. Their utmost purpose is the attainment

of material livelihood, physical comforts and worldly enjoyments such as constitute the happiness of the animal world rather than the world of man.

(Promulgation 335)

Bahá'í teachings view man as having both a material and a spiritual nature. They suggest that the purpose of life on this material plane is to acquire virtues and that our ultimate fulfilment as human beings depends on our ability to transcend the purely material and aspire to the spiritual. So Bahá'ís would turn away from an approach to economic development which was based on an exclusive concern with the purely material aspects of life. The material world reflects spiritual realities. Spiritual teachings and principles cannot be divorced from daily material life. This, in turn, highlights the importance of such things as service to others, trustworthiness and truthfulness, integrity, and honesty as the basis for all human interaction (Dahl 1991).

Bahá'ís argue that there is a central spiritual dimension to life and that economics should incorporate this reality into its very foundations. Indeed, the Bahá'í teachings argue that solutions to many economic problems will be found in the application of spiritual principles, a key message of the 1995 statement of the Bahá'í International Community, *The Prosperity of Humankind*:

For the vast majority of the world's population, the idea that human nature has a spiritual dimension—indeed that its fundamental identity is spiritual—is a truth requiring no demonstration. It is a perception of reality that can be discovered in the earliest records of civilization and that has been cultivated for several millennia by every one of the great religious traditions of humanity's past. Its enduring achievements in law, the fine arts, and the civilizing of human intercourse are what give substance and meaning to history. In one form or another its promptings are a daily influence in the lives of most people on earth and, as events around the world today dramatically show, the longings it awakens are both inextinguishable and incalculably potent.

(11)

These observations suggest the need to broaden the definition of what constitutes 'well-being' and investigate more closely the relationship between increasing market activity and the welfare of the people participating in the economic system. Properly understood, economics should concern itself less with how to add to the physical dimension of the economic system and more with the long-term welfare of the community whose interests the 'system' is ultimately intended to serve. This distinction is quite fundamental, given what we have learned in the past several decades about the impending impact of climate change and associated environmental disasters.

A new paradigm?

I am in agreement with Homer-Dixon (2006: 295) when he says that the problems we face are not really technical in nature, but rather 'political problems fraught with conflicts over values, interests, and power; surrounded by scientific uncertainty and burdened with deep moral implications'. It is not knowledge that is lacking; what we confront is really the failure of political will.

It is always useful to reflect on the lessons of a particular crisis. Late in 2008, I remember pondering the ongoing global financial crisis and thinking that the key lesson to emerge from it might be the realization that we have global financial markets but no global rule of law. In the past 30 years, the global economy has become both more complex and more interconnected,

but the mechanisms and institutions to deal with crises have not kept pace with the tempo of change. So what has emerged is a 'governance gap', an inability to cope with complex global problems, either because the institutions we have are woefully unprepared or, in some cases, because we do not even have an institution with relevant jurisdiction and adequate resources to address the critical problems in question, such as climate change.

The rapid integration of markets, nation-states, and technologies seems to be the hallmark of our age. To the extent that it is leading to the elimination of barriers among peoples, facilitating communication and interaction in ways unthinkable at the outset of the last century, it is a benign process which, as noted by Joseph Stiglitz, can be a force for good with the potential 'to improve the lives of everyone in the world, particularly the poor' (2002: ix). Underpinned by the rapid progress of science and the dissemination of new technologies, it has already contributed to the creation of a collective yearning for freedom from material want, from repressive regimes, from the conflicts and deprivations that have been a constant feature of human history.

Just as the global financial crisis exposed a gap between the complexity of our economic and financial system and our ability to effectively manage it, there is another gap that has been exposed by the process of integration and globalization that has underpinned the last several decades of economic development. On the one hand, we appear to have entered a period in which history is becoming increasingly universal: that is, the history of one human family, inhabiting one common earth. This has become abundantly clear not only in the rapid erosion of barriers to trade, the greatly increased flow of capital and people across national borders, and the rapid fall in the cost of travel and communication, but it is also made more evident by the global nature of the problems we face and by the growing recognition that their solution will demand international cooperation on a scale not seen in the past, when the presence of a few dominating powers could provide a measure of stability and order. Today, the distribution of global economic power is far more diffuse; accordingly, so is the geopolitical space occupied by any one nation-state. We have moved from a world in which natural resources, population growth, industrialization, geography, and military might have been the main determinants of a nation's prosperity to one in which, increasingly, what matters for prosperity and stability are the coherence and quality of policies, the development of supporting institutions, and the ability to forge alliances with others in the pursuit of solutions to common problems.

However, we have not adapted the basic assumptions that have provided the intellectual foundations to our approaches to economic development during the past half century, which remain, in essence, materialistic in nature. Despite the efforts of leading thinkers like Sen to broaden the debate and to see development as more than simply the search for higher levels of income per capita, the fact remains that, in practice, at the level of policy, we continue to see the aims of development largely in terms of pursuing those means for achieving material prosperity which are seen to have been effective not only in the developed world, but also among those developing countries which, in the post-war period, have made a successful transition to rich-country status. While this approach may have been appropriate in the past, it seems to be gravely inadequate as a guide to policy in the twenty-first century. A nearly exclusive focus on the amelioration of material conditions has been associated with widening income disparities and brought us to the threshold of untold environmental calamities which risk undoing some of the progress made in boosting living standards during the past half century. It is becoming increasingly evident that a value system that makes material prosperity the source of social and political stability and well-being is fundamentally unstable. It will fail on its own terms.

Most thinking people would agree that the purpose of biological evolution is not limited to the proper, coordinated functioning of our body's parts, useful as that is. It is actually the emergence and expression of human consciousness. I would suggest that the *ultimate* purpose of

economic development is not the achievement of higher levels of income per capita—important as that is as an intermediate objective; rather, it is the cultivation of human capacities through the expansion of knowledge, with the aim of creating a social order that will facilitate the development and the expression of the potentialities latent in the human brain or, if the reader prefers, in human consciousness.

What is becoming clear is that national institutions and governments, in an ever more interdependent world, are less and less able to address key problems, many of which have acquired an important international dimension. Shoghi Effendi (*Goal*: 36) characterized this dilemma with penetrating insight when he said, as far back as 1931, that

the fundamental cause of this world unrest is attributable . . . to the failure of those into whose hands the immediate destinies of peoples and nations have been committed, to adjust their system of economic and political institutions to the imperative needs of a rapidly evolving age.

First, governments are increasingly unable to do what they used to in the past and which, in people's minds, came to be identified with the very essence of government. Or, as Richard Cooper puts it: 'the increasing internationalization of the economy has led to an erosion of our government's capacity to do things the way it used to' (1985: 21). This, in turn, can, and sometimes does, lead to a kind of paralysis on the part of governments, a sense that since the world has changed and it is no longer under their control—or at least they have less control over it than used to be case—the optimal policy response is to do nothing. Yet publics have vastly higher expectations about economic policy and are unlikely to be placated by their leaders telling them that there is very little that can be done because the effectiveness of traditional policies has been greatly reduced by processes beyond their control. The result is a profound sense of public dissatisfaction and/or apathy that one can perceive in many countries. Increasingly, it is turning into anger and anxiety and leading to the emergence of demagogues who are ready to tap into deep-seated resentments for selfish ends.

Thus, an important argument in support of strengthening our institutional framework for international cooperation would say that the process of global integration and interdependence will continue to bring nations and peoples together and will increasingly expose the weaknesses of prevailing international political and economic arrangements. As problems become more global in nature, situations will emerge in which important areas of human endeavour no longer receive adequate attention, risking ever more intense crises. Thus, strengthening our international institutional infrastructure must be seen as a fundamentally preventive measure, designed to bring into being bodies with the appropriate jurisdiction over problems no longer under the control of today's sovereign states. Economic development in the twenty-first century, whether in the principles that guide it or the specific policies that underpin it in practice, cannot be divorced from the global institutional context and its particular flaws. We need to tackle both. We need to see them—the policies and the supporting institutions—as part of a single challenge. Otherwise, our efforts to create a better world with less poverty, a better distribution of income, less corruption, and greater equity and justice will be undermined, and we will have to postpone into the distant future the achievement of the goals that have driven the process of economic development during much of the past century.

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