

## The Bahá'í Faith and the Market Economy

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### Abstract

The eighteenth-century (Scottish) philosophers advanced a powerful economic and moral case for the market economy predicated on the propositions that human beings are naturally endowed with a desire to better their lives and that the pursuit of this goal in the marketplace generally contributes to society's economic well-being. The present essay traces the intellectual origin of this system and analyzes the roles of self-interest and morality in its operation. We will also analyze this system in the light of Bahá'í teachings and discuss aspects of the market system that the Bahá'í Faith accepts as well as those that it rejects.

### Résumé

Les philosophes (écossais) du dix-huitième siècle ont apporté de puissants arguments d'ordre économique et moral en faveur du système de marché, en posant l'hypothèse que les êtres humains sont naturellement mus par le désir d'améliorer leur condition et que la poursuite de ce but dans la pratique du commerce contribue en général au bien-être économique de la société. Le présent essai retrace les fondements intellectuels de ce système et examine les rôles que jouent l'intérêt personnel et la moralité dans son fonctionnement. Il en fait également l'analyse à la lumière des enseignements bahá'ís et présente les aspects du système de marché que la foi bahá'íe accepte, de même que ceux qu'elle rejette.

### Resumen

Los filósofos (escoceses) del siglo dieciocho avanzaron un poderoso argumento económico y moral para el sistema de mercadeo comercial basado en las proposiciones que los seres humanos son naturalmente dotados del deseo de mejorar sus vidas y que la búsqueda de esta meta en el mercado generalmente contribuye al bienestar de la sociedad. Este ensayo rastrea el origen intelectual de este sistema y analiza los papeles del interés propio y de la moralidad en su funcionamiento. También analizaremos este sistema a la luz de las enseñanzas bahá'ís y discutiremos tanto los aspectos del sistema comercial que la Fe Bahá'í acepta como los que rechaza.

[H]istory, Economics or Sociology ... cover subjects  
which our teachings cast an entirely new light upon.  
—Shoghi Effendi, in *Scholarship* 17

### Introduction

A fundamental question in every society concerns the choice of an economic system, which primarily determines the allocation of resources (labor, capital, land, and so on) and the distribution of income. There are two rival systems that may be adopted for the coordination of economic activities: command and market. In a command economy, a planning organization allocates resources and decides what and how much to be produced, while in a market economy the outcome is determined by interactions between buyers and sellers who ostensibly pursue their own interests. Income distribution in a command economy is centrally dictated, whereas in a market economy the demand for and supply of workers set their wages. More fundamentally, in the command system economic order is designed and implemented by a group of experts, while in the market system the order is expected to emerge spontaneously. The choice of either system or a mixture of the two depends on which one is believed to be viable as well as capable of achieving a set of predetermined goals.<sup>1</sup>

If a future society is to be founded on the teachings of the Bahá'í Faith, it must have an economic system; however, according to Shoghi Effendi, "Bahá'u'lláh did not bring a complete system of economics to the world." Rather, He "has given us a few basic principles which should guide future Bahá'í economists in establishing such institutions which will adjust the economic relationship of the world" (*Directives* 20). These principles include elements of the market as well as of the command system. Shoghi Effendi states: "The Cause can and indeed will in

the future maintain the right balance between the two tendencies of individualism and collectivism, not only in the field of economics, but in all other social domains” (qtd. in Badii 107).

A study of Bahá'í literature shows that some aspects of the market system (that is, “individualism”) figure explicitly in the Bahá'í teachings. Shoghi Effendi says, “There is nothing in the teachings against some kind of capitalism; its present form, though, would require adjustments to be made” (*Directives* 20). Further, ‘Abdu’l-Bahá, in no uncertain terms, approves of commercial activities and encourages “the expansion of trade, and the development of industry” as part of “carry[ing] forward the divine civilization” (in *Scholarship* 1). In *The Secret of Divine Civilization*, He advocates “to widen the scope of commerce, Industry and arts, to further such measures as will increase the people’s wealth,” calling these “vital agencies which would constitute an immediate remedy for society’s chronic ills” (39). Moreover, ‘Abdu’l-Bahá’s endorsement of profit sharing (thus, implicitly, of profit making) and Bahá’u’lláh’s permission of charging interest on financial loans and regarding it as a business transaction testify to the fact that a Bahá'í economic system would incorporate some elements of the market economy.<sup>2</sup>

The concept of the market system was developed intellectually in the eighteenth century, dubbed the Enlightenment, largely based on the propositions that human beings by nature are self-interested, and that the pursuit of private interest in economic activities promotes social interest, albeit unknowingly and unintentionally. In the twentieth century, the market economy received a further intellectual boost when some economists argued that the processes of production, distribution of goods and services, and allocation of resources are too complicated to be managed by a central authority. And thus, they argued, a decentralized system is necessary for the operation of the market. The market system continues to be analyzed on the premise that the impulse of self-interest dominates economic behavior.

This essay will analyze the roles of self-interest and morality in the operation of the market system, of leading economists on whose writings we draw, Adam Smith (1723–1790) stands out because of his fundamental contribution in shaping economics and the fact that he also wrote on social psychology and ethics. Moreover, we draw on Smith because his writings reflect the prevalent ideas of the Enlightenment.<sup>3</sup> This essay will also present a Bahá'í perspective on the economic paradigm that emerged from the Enlightenment. Of Bahá'í literature on which we draw, ‘Abdu’l-Bahá writings, particularly *The Secret of Divine Civilization*, stand out. Although ‘Abdu’l-Bahá wrote this book in 1875 to address the economic and social problems that Iran faced at that time, Shoghi Effendi has described it as ‘Abdu’l-Bahá “outstanding contribution to the future organization of the world” (*World Order* 37).<sup>4</sup> Therefore, the content of the book, for the most part, has universal application. It should be noted that this essay does not survey Bahá'í teachings on economics. That has been done elsewhere.<sup>5</sup>

## **Human Nature**

It is almost axiomatic to propose that the success and indeed the viability of any social order depend on its consistency with human nature. Quite significantly for this essay, the Bahá'í teachings endorse this proposition. Consider ‘Abdu’l-Bahá’s statement that the goal of eliminating poverty and extreme wealth cannot be achieved “by bringing to pass absolute equality between men. Equality is a chimera! It is entirely impractical! Even if equality could be achieved it could not continue—and if its existence were possible, the whole order of the world would be destroyed. The law of order must always obtain in the world of humanity. Heaven has so decreed in the creation of man” (*Paris Talks* 151–52). Thus, according to ‘Abdu’l-Bahá, a viable social system must account for the reality of human conditions rather than try to achieve a seemingly lofty but impractical goal such as equality of income. Similarly, in *The Promise of World Peace* the Universal House of Justice states that “social forces which ... are consistent with human nature ... will encourage harmony and co-operation instead of war and conflict” (15). Thus the correct understanding of human nature is a necessary (although not a sufficient) condition in designing a social order.

The study of human nature in relation to a proper economic system inevitably takes us to the seventeenth- and eighteenth-century Europe of the Enlightenment. The philosophers of this period laid the intellectual foundation of a social system—in particular an economic system—which has since dominated the Western world.<sup>6</sup> The historian Jacques Barzun points out, “It is from the new, radical opinions of the eighteenth century in western Europe—the so-called Enlightenment—that the two centuries following derived the notions of Individual Liberty, Political Rights, Equality, Democracy, and ... Participation” (692). The Enlightenment thinkers aimed to shift the center of authority from kings and ecclesiastics to people, and attempted to empower them to shape their own lives. Thus John Locke (1632–1704) declared liberty and private property to be the natural rights of individuals, Jean-Jacques Rousseau (1712–1778) advocated representative democracy, and Adam Smith (1723–1790) advanced a strong case for the market economy. The theories and ideas of the Enlightenment continue to be analyzed and debated in scholarly circles.

Economic historians generally maintain that Thomas Hobbes's *Leviathan* (published in 1651) marks the beginning of debates among the Enlightenment philosophers on human nature and society.<sup>7</sup> Hobbes argued that human beings are materialistic and by nature self-centered. He identified self-love as the strongest impulse, leading to a destructive competition in society. People are enemies of one another, he argued, living a life that is "solitary, poore, nasty, brutish, and short" (qtd. in Myers 32). To live in peace, Hobbes said, rights to everything should be submitted to a government with absolute power. His argument led to the question whether an orderly society, in which people ostensibly pursue their own interests, can emerge spontaneously or must be imposed externally.

In response to Hobbes, a group of philosophers including Richard Cumberland, the earl of Shaftesbury (Anthony Ashley Cooper), and Joseph Butler argued that self-love is only one of many impulses in the human psyche. Cumberland believed that actions are driven by benevolence, a motive that includes virtues such as "kindness, generosity, charitable feelings, and a disposition to do good" (Myers 43). Shaftesbury argued the impulse of self-love is balanced by virtues that motivate us to show concern for others and act selflessly. Butler went a step further, maintaining that we act to promote our own interest but we also act to promote society's interest. These two actions, he argued, are harmonious.

These thinkers believed in the principle of design according to which the universe is an orderly place and there exists an inherent harmony among all parts of nature including human beings and society. Since self-love is implanted in us by nature, they argued, it cannot be inherently evil and thus it should not conflict with social interest. The scientific discoveries of Galileo Galilei (1564–1642) and Isaac Newton (1642–1727) provided a solid foundation for the design principle. In particular, Newton's publication of *Principia Mathematica* in 1687, which demonstrated that the universe is a self-operating and orderly machine, influenced the debate over the moral and social implications of self-love. To resolve the Hobbesian dilemma, some philosophers borrowed from Newtonian physics and suggested that self-love creates harmony in society just as gravity creates order in the physical world.

These writers believed that self-love is the moral equivalent of the force of gravity. Among them was the French philosopher Helvetius, who asserted: "As the physical world is ruled by the laws of Movement so is the moral universe ruled by laws of interest" (qtd. in Hirschman, *Passions* 43). Similarly Soame Jenyns referred to self-love as "the great principle that operates in the political world in the same manner that attraction does in the natural" (qtd. in Myers 65). Francis Hutcheson (1694–1746), a leading Scottish moral philosopher, believed that self-love is necessary for social cohesion just as gravity is necessary for cohesion among various parts of nature.

### **The Role of the Market**

A major breakthrough occurred when some thinkers focused on the economic consequences of self-interested actions in the marketplace. They saw economic benefits to society in pursuit of self-interest. In attempting to advance our own well-being (dictated by self-love), they argued, we engage in division of labor leading to specialization of what we do most efficiently. We then exchange the fruits of our labor for those of others. Such exchange must be necessarily beneficial because it takes place voluntarily. Self-sufficiency reduces, while division of labor and the consequent exchange increases, standards of living, providing the opportunity to create wealth and combat poverty. Writers who advanced this idea include William Durham (1657–1735), James Harris (1709–1780), and Joseph Priestley (1733–1804). They believed they had found an economic solution (specialization and exchange) for a moral problem (self-love). These writers provided an intellectual foundation for the market system.<sup>8</sup> The most influential figure in this group was Adam Smith, who articulated the economic ideas of the Enlightenment in *An Inquiry into the Causes of the Wealth of Nations*, published in 1776.

A fundamental proposition in *The Wealth of Nations* is that the market economy is inherently orderly. In other words, seemingly unconnected and disparate individual actions without central planning and direction generate stable economic outcomes. The twentieth-century economist Friedrich Hayek coined the term "spontaneous order" (*Counter-Revolution*) in reference to the unplanned order that emerges from the uncoordinated actions of individuals. In a classic piece, "The Use of Knowledge in Society," Hayek argued that the proper operation of the economy depends upon the utilization of enormous amount of knowledge about consumption, production, and individuals' tastes and talents, which are dispersed across market participants. Since central planners cannot have access to this knowledge (because it is so widely dispersed), they can never properly manage the economy. The marvel of the market lies in its ability to efficiently use this knowledge and transmit it to consumers and producers via the price mechanism. In his words:

The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess. The economic problem of society is ... how to secure the best use of

resources known to any of the members of society, for ends whose relative importance only these individuals know. Or, to put it briefly, it is a problem of the utilization of knowledge which is not given to anyone in its totality. (“Use of Knowledge” 77–78)

Later in his essay, Hayek describes how markets communicate and utilize that knowledge:

Assume that somewhere in the world a new opportunity for the use of some raw material, say, tin, has arisen, or that one of the sources of supply of tin has been eliminated. It does not matter for our purpose—and it is significant that it does not matter—which of these two causes has made tin more scarce. All that the users of tin need to know is that some of the tin they used to consume is now more profitably employed elsewhere and that, in consequence, they must economize tin.... the effect will rapidly spread throughout the whole economic system and influence not only all the uses of tin but also those of its substitutes and the substitutes of these substitutes, the supply of all the things made of tin, and their substitutes, and so on; and all this without the great majority of those instrumental in bringing about these substitutions knowing anything at all about the original cause of these changes. The whole acts as one market, not because of any of its members survey the whole field, but because their limited individual fields of vision sufficiently overlap so that through many intermediaries the relevant information is communicated to all. (“Use of Knowledge” 85–86)

In the market, the process of communication and utilization of knowledge is entirely decentralized. In fact the process goes on while individuals pursue their own economic goals. One of the tenets of the market system is that this process (driven by self-regarding actions in the marketplace) brings about unintended consequences, which as a whole are beneficial to society. Smith observes: “Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society” (*Wealth of Nations* 454).

In the market process, consumers “communicate” what they want by expressing their willingness to pay for it. And producers respond by producing what the consumers desire. Consider the following simple example. If a sufficient number of people decide to consume more organic food, entrepreneurs (farmers) who foresee an opportunity for financial gain devote more resources to production of organic food and fewer resources to nonorganic food. Thus the farmers’ pursuit of their own interests would lead them to allocate resources in a way that would satisfy consumers’ desires. The prospect of earning profit attracts more producers, increases the supply, and holds prices down.

In the pursuit of self-interest in the marketplace, everyone will wind up producing what others are willing to purchase, that is, doing something beneficial for society. Otherwise, workers cannot sell their services nor can businesses sell their products. For the process to work, prices must be free to fluctuate in response to shifts in demand and supply, providing the necessary signals for market participants. Price signals convey considerable information about the needs, wants, interests, talents, and productivity of individuals. The market facilitates the use of this information to the benefit of society.

To describe how self-regarding actions benefit others, Smith invoked his famous metaphor of the “invisible hand.” In his own endeavors the individual

neither intends to promote the public interest, nor knows how much he is promoting it.... he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. (*Wealth of Nations* 456)

The invisible hand doctrine—individuals in pursuit of their own interest promote society’s interest without intending or knowing it—is one of the most influential and controversial ideas in the history of economic thought. Note, however, Smith says that by pursuing his own interest the individual *frequently*—not always and not under all conditions—promotes society’s interest. In fact Smith identifies cases in which private interests clash with public interests. For example, he describes “merchants and manufacturers” as “an order of men, whose interest is never exactly the same with that of the publick, who have generally an interest to deceive and even to oppress the publick, and who accordingly have, upon many occasions, both deceived and oppressed it” (*Wealth of Nations* 267).

It is crucially important to recognize that the invisible hand doctrine, the cornerstone of the market system, requires certain conditions to operate.<sup>9</sup> For example, one critical condition is that there be no restrictions on entry to the market. It is generally in the interest of merchants and manufacturers to gain monopoly power because it enables them to raise prices and increase profit. Smith observes:

People of the same trade seldom meet together even for merriment or diversion, but the conversation ends in a conspiracy against the publick, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary. (*Wealth of Nations* 145)

Smith gives examples of laws in his own time that facilitated such meetings (*Wealth of Nations* 145). Although he extols the virtues of free markets, he is equally clear about their pitfalls. If self-interest leads one to monopolize the market and raise prices, then self-interest will clash with the public interest even though consumers still benefit from transacting with the monopolist. We will revisit the invisible hand doctrine and the issue of monopoly later.

### **The Role of International Trade**

Mercantilism, which dominated Western Europe from the fifteenth to the eighteenth century, aimed to empower the state in the process of nation building. Mercantilists erroneously believed that the flow of precious metals into a country increases wealth. They also believed (again erroneously) international commerce to be a form of piracy in which the exporting nation gains at the expense of the importing nation. Consequently, they advocated policies that increase exports and reduce imports. The Enlightenment thinkers, led by David Hume and Adam Smith, exposed the fallacy of mercantilist arguments and policies and advanced the case for free international trade on the grounds that trade is mutually beneficial and exerts a unifying force among nations.<sup>10</sup> Indeed, they extended the case for free markets to the international arena and advocated a global trading system without restrictions such as tariffs and quotas. The enlargement of markets through imports and exports results in further division of labor, lower prices, more choices for consumers, and a larger exchange of goods and services across countries.<sup>11</sup>

Moreover, these thinkers regarded free international trade as a vehicle for exchanging ideas as well as an instrument leading to world peace (Barzun 703). Montesquieu declared, “The spirit of commerce unites nations” (qtd. in Lerner 14), and Benjamin Rush (a signer of the U.S. Declaration of Independence) regarded commerce as “the means of uniting the different nations of the world” (qtd. in Lerner 15). Similarly, John Stuart Mill wrote in 1848 of the benefits of international trade:

But the economical advantages of commerce are surpassed in importance by those of its effects which are intellectual and moral. It is hardly possible to overrate the value, in the present low state of human improvement, of placing human beings in contact with persons dissimilar to themselves, and with modes of thought and action unlike those with which they are familiar. Commerce is now what war once was, the principal source of this contact.... [T]here is no nation which does not need to borrow from others, not merely particular arts or practices, but essential points of character in which its own type is inferior. Finally, commerce first taught nations to see with good will the wealth and prosperity of one another.... It is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which are in natural opposition to it. And it may be said without exaggeration that the great extent and rapid increase of international trade, in being the principal guarantee of the peace of the world, is the great permanent security for the uninterrupted progress of the ideas, the institutions, and the character of the human race. (581–82)

The sentiment of economists in support of free trade is so strong that some have considered it to be a sort of divine decree. Richard Cobden in the middle of the nineteenth century referred to free trade as “the international law of God” and declared “*all* artificial barriers to foreign trade ... both *morally* and *economically* evil” (Viner, “Early Attitudes” 42).

### **The Role of Morality**

The Enlightenment philosophers recognized that their system would be operable if in the course of economic activities people adhered to the moral rules of society. In the organic food example, social interest will be promoted if the market participants—farmers, wholesalers, distributors, advertisers, retailers, and consumers—practice

honesty and fairness. Observing moral rules was so important to Adam Smith that in 1759 he wrote *The Theory of Moral Sentiments* in which he focused, inter alia, on the higher nature of human beings.<sup>12</sup> Raphael and Macfie, two foremost scholars of Smith, in their introduction to that work note that *The Wealth of Nations* (a treatise on economics) and *The Theory of Moral Sentiments* (a discourse on morality) “complement each other and that the understanding of either is helped by studying the other” (21). The study of economics and ethics shows that the two disciplines can enrich one another.<sup>13</sup>

Although many writers equate self-interest with selfishness, the leading figures of the market system have distinguished between them. What is the difference between the two expressions? The exchange out of *self-interested* behavior is mutually beneficial (as in the organic food example) while *selfish* actions benefit one party at the expense of the other (for example, if organic labels are deliberately placed on nonorganic foods). Actions out of self-interest *generate* benefits while selfish behavior *redistributes* benefits from one group to another. Deceptive and fraudulent practices in business are examples of unethical and selfish behavior.<sup>14</sup>

Smith, in both *The Theory of Moral Sentiments* and *The Wealth of Nations*, approved of actions performed out of self-interest as long as they do not injure others. Raphael and Macfie point out: “Smith recognizes a variety of motives, not only for action in general but also for virtuous action. These motives include self-interest or, to use the eighteenth-century term, self-love. It is this, not ‘selfishness,’ that comes to the fore in WN. Smith distinguished the two expressions, using ‘selfishness’ in a pejorative sense for such self-love as issues in harm or neglect of other people” (22).

Rose and Milton Friedman, two leading advocates of the market system, note:

Narrow preoccupation with the economic market has led to a narrow interpretation of self-interest as myopic selfishness, as exclusive concern with immediate material rewards. Economics has been berated for allegedly drawing far-reaching conclusions from a wholly unrealistic “economic man” who is little more than a calculating machine, responding only to monetary stimuli. That is a great mistake. Self-interest is not myopic selfishness. It is whatever it is that interests the participants, whatever they value, whatever goals they pursue. (18–19)

In fact the Enlightenment philosophers considered the abandonment of selfish and unethical behavior to be a prerequisite for the successful and efficient operation of markets. The economist Jerry Evensky, who has written extensively on this theme, comments:

Ethics is the *sine qua non* of the constructive competition envisioned by classical liberalism. Only in a community of ethical individuals can the invisible hand do its job properly, for it is ethics that keeps the hand of individuals from disabling, and thus distorting the actions of, the invisible hand. In the absence of such an ethical community, competition becomes destructive. In Smith’s master metaphor, it is ethics that stands between a beneficent society and the Hobbesian abyss. (61)

Indeed classical liberalism was founded on the notion that for the free enterprise system to survive and function properly people must adhere to the society’s moral precepts. Smith explains the role of virtue in the creation of order in society:

Virtue is the great support, and vice the great disturber of human society. The former, therefore, is agreeable, and the latter offensive, to every man; as from the one he foresees prosperity, and from the other ... ruin and disorder....

That the tendency of virtue [is] to promote, and of vice to disturb the order of society ... cannot ... be called in question. Human society ... appears like a great, and immense machine, whose regular and harmonious movements produce a thousand agreeable effects. As in any other beautiful and noble machine that was the production of human art, whatever tended to render its movements more smooth and easy, would derive beauty from this effect, and, on the contrary, whatever tended to obstruct them, would displease upon that account; so virtue, which is, as it were, the fine polish to the wheels of society, necessarily pleases; while vice, like the vile rust which makes them jar and grate upon another, is as necessarily offensive. (*Theory* 315–16)

Moreover, for self-interested actions not to turn selfish in the marketplace, justice must be observed. Smith writes that in the “simple system of natural liberty ... [e]very man, as long as he does not violate the laws of justice, is left

perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any man, or order of men” (*Wealth of Nations* 687). The economic historian Jacob Viner points out that to Smith “[j]ustice is a negative virtue; it consists of refraining from injury to another person and from taking or withholding from another what belongs to him.... Smith considered justice, so understood, to be the necessary foundation of a viable society” (“Adam Smith” 252).<sup>15</sup>

Some writers have defined self-interest as indifference to the welfare of other individuals. For example, Adams and Maine state: “Human beings ... are motivated to do whatever it takes to satisfy their individual desires. Further, human beings are relatively indifferent about how their actions affect others. This does not imply that they are mean or spiteful, just that they tend to be disinterested about those effects” (29).

According to this definition, although people may not inflict harm on others, they make no efforts to prevent or reduce it.<sup>16</sup> Examples of such actions in business include withholding relevant information that someone else needs to make a rational decision. The leading figures of the market system, however, particularly Smith and the Friedmans, reject such behavior if justice (for Smith) is violated or anyone’s freedom to choose (for the Friedmans) is restricted.<sup>17</sup>

### **Whence Morality?**

Although the Enlightenment thinkers were concerned with morality and believed that people ought to act virtuously, they were unable to provide a definitive answer to the question: whence morality? Their inability stemmed from the fact that most of these philosophers, particularly the leading figures, were deists, believing in God but not in revealed religion.<sup>18</sup> An “all-perfect Being,” they said, created the universe, and then left it to run its natural course. The historian Carl Becker captures the prevalent view of the time that God “Having performed his essential function of creation, it was proper for him to withdraw from the affairs of man into shadowy places where absolute being dwells” (50). These philosophers attempted “to establish a theology which was independent of revelation and a morality which was independent of religion” (Campbell 53). The modern secularization of ethics is a legacy of the Enlightenment.

But the question remains: what would motivate people to be virtuous, particularly given their frailty? Of several different paths which were proposed for moralizing society, the dominant view held (and some scholars still hold) that in a free society commercial activities themselves *generate* the necessary and socially desirable virtues. The economist Albert Hirschman calls this view the *doux-commerce* thesis (“Rival Interpretations”). Montesquieu, a leading proponent of this view, believed “Commerce ... polishes and softens barbaric ways as we can see every day.” He also offered an empirical argument in favor of commerce: “It is almost a general rule that wherever manners are gentle (*moeurs douces*) there is commerce; and wherever there is commerce, manners are gentle” (qtd. in Hirschman, “Rival Interpretations” 1464). In a textbook published in 1704, Samuel Richard argued that “Through commerce, man learns to deliberate, to be honest, to acquire manners, to be prudent and reserved in both talk and action. Sensing the necessity to be wise and honest in order to succeed, he flees vice, or at least his demeanor exhibits decency and seriousness so as not to arouse any adverse judgement on the part of present and future acquaintances....” (qtd. in Hirschman, “Rival Interpretations” 1465).

Hirschman describes how such optimism all but disappeared in the nineteenth century as many writers held the opposing view that commerce encourages immoral behavior and destroys character.<sup>19</sup>

### **Self-interest versus Benevolence**

The Enlightenment thinkers sought to design an economic order that would be consistent with human nature as well as beneficial to society. To this end, they chose the market system, predicated on the premises that self-interest is a natural impulse, which (if pursued without violating the laws of justice) will promote the public interest. But why not design a system predicated on benevolence? The theologian Michael Novak, who has written extensively on moral and cultural aspects of the market system, comments:

No wise social system is designed to be peopled only by saints; there are not enough saints to people a whole system....

Thus, a workable human system—especially a system of political economy that must harness the passions of the willful, the passionate, and even the unscrupulous cannot be designed solely for saints. It must allow for the faults, sometimes serious faults and self-delusions, of all of us....

A wise system needs to supply remedies for the moral defects of all. When errors ... are spotted, hopefully in timely fashion, it relies on mechanisms of self-reform and self-correction. It needs to diffuse as widely as possible the powers of decision making. It needs to recognize the dignity and creative capacity of every person. (71)

If Novak is right, a successful economic system must account for the reality of human conditions and encourage creativity. Moreover, markets, as opposed to central planners, must allocate resources and coordinate economic activities because in central planning the powers of decision making are concentrated in the hands of a few, whereas in the market system such powers are diffused across the whole society.

Smith's response to the question why not design a system based on benevolence is that only God can be benevolent all the time; human beings are too imperfect and too weak to act only on benevolent terms:

Benevolence may, perhaps, be the sole principle of action in the Deity, and there are several, not improbable, arguments which tend to persuade us that it is so. It is not easy to conceive what other motive an independent and all-perfect Being, who stands in need of nothing external, and whose happiness is complete in himself, can act from. But whatever may be the case with the Deity, so imperfect a creature as man, the support of whose existence requires so many things external to him, must often act from many other motives. (*Theory* 305)

Smith accepted self-interest as a proper motive for guiding "so imperfect a creature" in the marketplace. A fundamental premise of his economic paradigm is that we are naturally endowed with a powerful "desire of bettering our condition, a desire which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into grave" (*Wealth of Nations* 709). As a deist, Smith strongly believed that a proper social system must be in concord with the will of God, and in this regard, to him, the invisible hand doctrine embodies very deep meanings. Campbell, in a detailed analysis of Smith's moral philosophy, comments:

The "invisible hand" is no capricious intervener in the natural course of events, but is a figure of speech used to suggest that the total operations of nature betoken the ultimate planning of a benevolent God. It involves no suggestion of a *deus ex machina* brought in to establish the principle of the harmony of interests. It is the total "economy of nature" which has this result, and thus demonstrates the work of a divine maker. The analogy is explicitly drawn between the universe and a watch: the working of blind causes produces a result of which the parts of the mechanism are unaware. The invisible hand makes the watch but does not intervene in its operation. (61)

The economist William Baumol in an analysis of the Smithian system argues that Smith equated the invisible hand with the hand of Providence. Baumol points out that according to Smith when we pursue our self-interest we are "led by an invisible hand" not "led *as though* by an invisible hand" to advance the public interest (121). He notes that Smith considered the market system to be "an instrument of Deity designed to curb the frailty of humanity.... It is a device adopted by a very practical Providence to deal with the unfortunate but very weakness of human character" (117).

Viner points out that the Smithian paradigm reflects the optimistic deism of the time, according to which God desires happiness for people, and thus He has endowed them with moral sentiments that bind them together and create happiness ("Adam Smith"). Smith distinguished between sentiments that bind people together outside the market and those that do so inside the market. As a general principle, he believed, "The wise and virtuous man is at all times willing that his own private interest should be sacrificed to the public interest...." (*Theory* 235). Moreover, the perfection of human nature lies in being benevolent: the restraint of selfish affections and indulgence of benevolent ones "constitutes the perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety. As to love our neighbour as we love ourselves is the great law of Christianity, so it is the great precept of nature to love ourselves only as we love our neighbour, or what comes to the same thing, as our neighbour is capable of loving us" (*Theory* 25).

However, Smith argued, given the reality of human relationships, benevolence plays a limited role in the marketplace. His famous remarks are:

[M]an has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them.... It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chuses to depend chiefly upon the benevolence of his fellow-citizens. (*Wealth of Nations* 26–27)

Note that in carrying out market transactions, Smith assigned the primary (although not the only) role to self-interest because when it comes to market transactions people are not benevolent enough: it is in vain to expect it from their benevolence only. Further, the last sentence of the foregoing statement implies that human dignity would be diminished if people depended on the benevolence of their fellow citizens. Clearly Smith accounts for the reality of human relationships in expounding the market system.<sup>20</sup> Viner comments on Smith's views on benevolence and self-interest: "For his theory of society outside the market-place, for the explanation of man's behavior in his family, towards his friends and neighbors, and as a citizen of his country, Adam Smith stressed the Shaftesburian 'moral sentiments' of sympathy, benevolence, propriety, desire for public approval and for self-approval. For the market-place, he relied on the Cumberlandian rationality of good behavior and on the efficient functioning as an economic organizer of free competition," and suggests that "Smith's divergent treatment of social behavior inside and outside the marketplace" is owed to the fact that "he assumed that in the market-place social relations were basically mechanical or 'anonymous,' so that the social sentiments were insufficiently strong as a disciplinary force, and self-interest, moderated by an inner sense of justice as well as by politically-enforced justice, would be the dominant psychological force" ("Economic Man" 74).

That Smith distinguished between the sentiments governing human actions inside and outside the market is fundamental to his social paradigm. All these sentiments, he believed, reflect a grand Providential design in which the market system plays its rightful role because it allows people to exercise their natural impulse to better their own conditions and through the invisible hand improve society's conditions as well.

The depth of Smith's belief in the role of Providence in society can be discerned from his observation that, since the purpose for which the Author of nature had brought mankind into being was happiness, "by acting according to the dictates of our moral faculties, we necessarily pursue the most effectual means for promoting the happiness of mankind, and may therefore be said, in some sense, to co-operate with the Deity, and to advance as far as in our power the plan of providence" (*Theory* 166).

### **A Bahá'í View on Self-interest and the Market System**

The Bahá'í teachings assert the duality of human nature: man possesses a "spiritual or higher nature and [a] material or lower nature. In one he approaches God, in the other he lives for the world alone.... In his material aspect he expresses untruth, cruelty and injustice; all these are the outcome of his lower nature. The attributes of his Divine nature are shown forth in love, mercy, kindness, truth and justice, one and all being expressions of his higher nature". ('Abdu'l-Bahá, *Paris Talks* 60). The impulse of self-interest belongs to the lower nature of human beings and is potentially the source of all vices. 'Abdu'l-Bahá states, for example, "Self-interest is at the bottom of every war" (qtd. in *Waging Peace* 15). The virtue of benevolence belongs to the higher nature of human beings and is a source of human perfection. In a Tablet to Andrew Carnegie,<sup>21</sup> 'Abdu'l-Bahá reaffirms the notion that we achieve perfection by exercising benevolence: "In the Teachings of Bahá'u'lláh benevolence (is enjoined) and this is greater than equality. Equality is attained through force, but benevolence is a voluntary act (or is a matter of choice). Man's perfection is achieved through good deeds done voluntarily, not by good deeds done through compulsion, and benevolence is a good deed performed voluntarily" ("Tablet" 333)<sup>22</sup> However, 'Abdu'l-Bahá unequivocally states that self-love is a natural impulse. But human beings must overcome the temptation of this impulse if the common good is to be promoted:

[A] religious individual must disregard his personal desires and seek in whatever way he can wholeheartedly to serve the public interest; and it is impossible for a human being to turn aside from his own selfish advantages and sacrifice his own good for the good of the community except through true religious faith. For self-love is kneaded into the very clay of man, and it is not possible that, without any hope of a substantial reward, he should neglect his own present material good. That individual, however, who puts his faith in God and believes in the words of God—because he is promised and certain of plentiful reward in the next life, and because worldly benefits as compared to the abiding joy and glory of future planes of existence are nothing to him—will for the sake of God abandon his own peace and profit and will freely consecrate his heart and soul to the common good. (*Secret* 96–97)

Quite significantly for this essay, 'Abdu'l-Bahá rejects the proposition that the pursuit of private interest promotes the public interest. To advance "the common good," the individual must "disregard his personal desires" and "abandon his own peace and profit." In fact 'Abdu'l-Bahá on numerous occasions strongly condemns the pursuit of self-interest. For example, He states: "Today, all the peoples of the world are indulging in self-interest and exert the utmost effort and endeavour to promote their own material interests. They are worshipping themselves and

not the divine reality, nor the world of mankind. They seek diligently their own benefit and not the common weal. This is because they are captives of the world of nature and unaware of the divine teachings.... (*Selections* 103–4).

Such pronouncements against the pursuit of self-interest, however, do not constitute a rejection of the market economy. As we have seen before, ‘Abdu’l-Bahá considers commerce to be one of the “vital agencies which would constitute an immediate remedy for society’s chronic ills” (*Secret* 39). Moreover, He states, “Wealth is praiseworthy in the highest degree, if it is acquired by an individual’s own efforts and the grace of God, in commerce, agriculture, art and industry, and if it be expended for philanthropic purposes” (*Secret* 24). Indeed by encouraging commercial activities, ‘Abdu’l-Bahá endorses a fundamental tenet of the market system that commercial pursuits are beneficial to society.

Nevertheless, the Bahá’í Faith rejects the doctrine of laissez faire, the extreme version of this system. Shoghi Effendi states:

In the Bahá’í, economic system of the future, private ownership will be retained, but will be controlled, regulated, and even restricted. Complete socialization is not only impossible but most unjust, and in this the Cause is in fundamental disagreement with the extreme socialists and communists. It cannot also agree with the other extreme tendency represented by the “Laissez faire” or individualistic school of economics which became very popular in the late eighteenth century, by the so-called democratic countries. For absolute freedom, even in the economic sphere, leads to confusion and corruption, and acts not only to the detriment of the state, or the collectivity, but inevitably results in the end in jeopardizing the very interests of the individual himself. (Qtd. in Badii 106)

Furthermore, Shoghi Effendi envisions that in the Bahá’í commonwealth of the future, the world’s “markets will be coordinated and developed, and the distribution of its products will be equitably regulated” (*World Order* 204). The extent and details of such coordination, development, and regulation, however, are not yet known. A society may adopt the market system as a superior (and some would argue as the only viable) method of economic coordination, but alter its undesirable outcomes such as inordinate income disparity.

The foregoing analysis is inextricably linked to the notion that a viable and successful social order must account for the reality of human relationships. To illustrate this point, consider Bahá’u’lláh’s statement in *Isḥráqát* on charging interest on financial loans:

Many people stand in need of this. Because if there was no prospect for gaining interest, the affairs of men would suffer collapse or dislocation. One can seldom find a person who would manifest such consideration towards his fellow-man, his countryman or towards his own brother and would show such tender solicitude for him as to be well-disposed to grant him a loan on benevolent terms. Therefore as a token of favour towards men We have prescribed that interest on money should be treated as other business transactions that are current amongst men....

However, this is a matter that should be practiced with moderation and fairness. (*Tablets* 133–34)

In this passage, Bahá’u’lláh abrogates the prohibition against charging interest on the grounds that the prohibition causes “the affairs of men” to suffer “collapse or dislocation,” and that “seldom” is a loan granted “on benevolent terms.”<sup>23</sup> Thus Bahá’u’lláh reveals a (business) law based on the reality of human relationships in the marketplace. Further, He says, “interest on money should be treated as other business transactions that are current amongst men.” This injunction, “in economic terms, ensures that both borrowers and lenders will benefit from the loan. In business transactions, buyers look for goods and services they consider to be beneficial to themselves, and are unwilling or unable to pay beyond a maximum price, while sellers supply goods and services they believe are profitable, and refuse to sell them below a minimum price. Interactions between the buyers and sellers, however, set the price somewhere between the maximum and the minimum, which would be acceptable and thus beneficial to both. Transactions in financial markets illustrate Smith’s observation that market exchanges are mechanical and anonymous, in which case benevolence plays a limited role.”<sup>24</sup>

While Bahá’u’lláh approves of business transactions, He forbids people from pursuing their self-interest. For example, in the Tablet of Wisdom (*Lawh-i-Hikmat*) He states: “Dissipate not the wealth of your precious lives in the pursuit of evil and corrupt affection, nor let your endeavours be spent in promoting your personal interest.... Guard against idleness and sloth, and cling unto that which profiteth mankind, whether young or old, whether high or low” (*Tablets* 138). Shoghi Effendi states that forms of narrow self-interest must be subordinated to the collective interest of humanity: the Bahá’í Faith “subordinates, without hesitation or equivocation, every particularistic interest, be it personal, regional, or national, to the paramount interests of humanity, firmly convinced that in a world of inter-

dependent peoples and nations the advantage of the part is best to be reached by the advantage of the whole, and that no abiding benefit can be conferred upon the component parts if the general interests of the entity itself are ignored or neglected" (*World Order* 198). He does not say *all* self-interest is to be subordinated, but only *particularistic* interests, which may be understood as those which are solely self-referential and whose pursuit conflicts with the legitimate interests either of other entities or of the whole.

### Further Analysis of the Market

The Bahá'í Faith teaches that individuals' actions must be governed by "the common good" and by what "profiteth mankind." The application of this teaching to economic decisions raises some questions. For example, how would one know what profession or business promotes the common good? Should one study physics or philosophy? Build homes or sell insurance? Which activity contributes more to society? A proponent of the market system would respond that in a market economy compensation for a profession reflects its relative scarcity, and society expresses its greater desire for a profession by offering a higher compensation. Thus according to this view, individuals opting for better paying jobs provide a more desirable service, and one does not have to investigate what society desires the most—markets would do it. If there are many insurance agents but relatively few homebuilders for a given demand in an area, markets will reflect the imbalance by compensating homebuilders more handsomely, attracting people to this industry as opposed to the insurance business. In this approach, price mechanism would provide the necessary signals for the provision of goods and services.

The problem with this market approach is that it assumes people are financially *able*, and not just willing, to pay for their needs and wants. If the provision of all goods and services is left up to the market, then it is entirely possible that the needs of low-income people (for example, their medical needs) will go unmet. Low-income people may not have sufficient means to "express" themselves through the market process. As an illustration of this point, the economist Jeffrey Sachs notes that although malaria kills between one million and two-and-a-half million people annually, only a modest amount of \$80 million a year is spent on malaria research. The reason is that malaria is found only in poor countries. He says, "The big vaccine producers ... have much of the in-house science but not the bottom-line motivation. They strongly believe that there is no market in malaria" (Sachs 5).

Therefore, one cannot rely *solely* on market signals to determine which activities confer greater benefit on society. To encourage the development of a malaria vaccine, Sachs offers the following solution: "Rich countries would make a firm pledge to purchase an effective malaria vaccine ... if such a vaccine is developed." This non-market/market solution (an amalgamation of benevolence and self-interest) is expected to motivate the private sector to make the necessary investment in anticipation of monetary gain. But what would motivate rich countries to make such a pledge? Sachs does not address this question, perhaps because it seems obvious that ultimately it would be up to the people in rich and democratic countries to demand that their governments do so.<sup>25</sup> This is a clear example of why markets alone are not sufficient, and moral values can and should influence market outcomes.

Markets play a vital role, but so can individuals regardless of the market signals. 'Abdu'l-Bahá states, "The individual should, prior to engaging in the study of any subject, ask himself what its uses are and what fruits and result will derive from it" (*Secret* 106). In fact many people choose a profession or business precisely because they believe it would help promote the common good.<sup>26</sup> Such intent, however, is not necessarily inconsistent with a broad definition of the pursuit of one's own interest. Recall the definition that the Friedmans give: "Self-interest is not myopic selfishness. It is whatever it is that interests the participants, whatever they value, whatever goals they pursue." The goal of a person in choosing a profession may very well be to serve humanity rather than advancing personal gain.

Consider another scenario. Suppose Brown is the only food supplier in town, and Jones figures that he can profitably supply the same foods at lower cost and with better service. Should Jones enter the market knowing that his business would hurt Brown's? A proponent of the market system would respond that self-interest would motivate Jones to enter the market, which benefits the society because the ensuing competition benefits consumers more than it hurts Brown. Accordingly, Jones *should* and *would* enter the market. Jones's entry to the market indeed illustrates how the pursuit of self-interest promotes the public interest. But if Jones is motivated only by self-interest, he will likely want to monopolize the market, which he might accomplish by lowering prices sufficiently or offering superior service, driving Brown out of business. Thus the same self-interest that destroyed Brown's monopoly is now creating one in which case Jones can raise prices and lower cost by cutting down on customer services.

A free market proponent would say that we need not worry about Jones's monopoly because if he takes advantage of his monopoly power, another food supplier will enter the market just as Jones came to the market when Brown acted as a monopolist. The problem with this market solution is that since it takes some time for another supplier to enter the market, consumers in the interim would pay higher than competitive prices. Now this scenario illustrates how the pursuit of self-interest can clash with the public interest. This case demonstrates 'Abdu'l-Bahá's

injunction that the individual (Jones) ought to “disregard his personal desires” and “abandon his own ... profit” (by not charging monopoly prices) in order to advance “the common good.”

The Bahá’í writings counsel people to let society’s interests guide their actions. Bahá’u’lláh in the *Lawh-i-Dunyá* (Tablet of the World) states, “Let your vision be world-embracing, rather than confined to your own self” (*Tablets* 87). Clearly, the Bahá’í Faith seeks to instill a mode of thinking grounded in global and collective interests. ‘Abdu’l-Bahá in *The Secret of Divine Civilization* says, “Our hope is that reading of this first volume will produce fundamental changes in the thinking and behavior of society” (106).

### **Morality and Religion**

The Bahá’í Faith approves of business practices only if they are conducted virtuously. ‘Abdu’l-Bahá states, “Every business company should be established on divine principles. Its foundations should be trustworthiness, piety and truthfulness in order to protect the rights of the people” (in *Trustworthiness* 14). Similarly, Bahá’u’lláh (metaphorically) states that the most important element in business is trustworthiness: “Commerce is as a heaven, whose sun is trustworthiness and whose moon is truthfulness. The most precious of all things in the estimation of Him Who is the Sovereign Truth is trustworthiness...” (in *Trustworthiness* 9).<sup>27</sup>

Shoghi Effendi, in a letter written on his behalf, explains the kind of business activity he condemns:

[H]e was particularly grieved to hear of the bitter competition you are meeting from ... who seem determined to ruin and force you out of business, despite the fact that you have shown them kindness and refused to deal with them harshly. Though the Guardian would advise that you continue keeping such a true Bahá’í attitude of forbearance, he wishes you at the same time not to give way, and not to allow any threat on their part to discourage or demoralize you. However unethical the methods they may employ it should be your firm conviction that such malicious devices cannot in the long run succeed, and that the most effective way of counteracting them is for you to maintain unreservedly the one true standard of business conduct inculcated in the Teachings. (In *Trustworthiness* 25)

Competition, like other aspects of the market such as negotiations between buyers and sellers, may be conducted morally or immorally. Competition based on price, customer service, quality improvement, and innovative products is beneficial while deceptive and restrictive practices are hurtful to society. False advertising is an example of a deceptive practice, while lobbying the government to curb imports, and collusive behavior among producers of substitutable goods are examples of restrictive practices. Such business practices are unethical and selfish because they benefit one group at the expense of others and result in a net loss for society.

At this point, the question “whence morality?” arises. The Bahá’í response is that religion is the source of moral behavior. ‘Abdu’l-Bahá states: “True religion is the source of love and agreement ... the cause of the development of praiseworthy qualities” (*Promulgation* 179). Moreover, He says, “It is religion, to sum up, which produces all human virtues, and it is these virtues which are the brightest candles of civilization” (*Secret* 98).<sup>28</sup>

However, ‘Abdu’l-Bahá also expresses a view that resembles the *doux commerce* thesis. In *A Traveler’s Narrative*, written in 1888, He states that after Europe emerged from the Middle Ages and “equal rights of all subjects and the liberty of man’s conscience” were proclaimed, “progress in every direction” was made. He then concludes from the European experience: “liberty thereof produces widening of ideas, amendment of morals, improvement of conduct, disclosure of the secret of creation, and manifestation of the hidden verities of the contingent world (*Traveler’s Narrative* 91).

The liberty of mind and conscience that Europeans enjoyed during this period included freedom and opportunity for commercial pursuits. Nonetheless, ‘Abdu’l-Bahá seems to consider the liberty of mind and conscience to be only a necessary (and not a sufficient) condition for moral behavior. In 1875 He had made the following observation: “The peoples of Europe have not advanced to the higher planes of moral civilization, as their opinions and behavior clearly demonstrate” (*Secret* 61).

### **Economics and the Bahá’í World Commonwealth**

Finally, an aspect of the market that figures prominently in the Bahá’í teachings is a strong support for free trade among nations. In the following statement, ‘Abdu’l-Bahá reaffirms one of the most profound insights of classical economists regarding international trade: “[I]t is apparent that whenever the ties between nations become strengthened and the exchange of commodities accelerated, and any economic principle is established in one country, it will ultimately affect the other countries and universal benefits will result” (*Selections* 301).<sup>29</sup>

A fundamental law in economics is the Law of Comparative Advantage formulated by David Ricardo in 1816. According to this law all countries, whether rich or poor, large or small, industrial or agrarian, and so on, can

engage in mutually beneficial exchange of goods and services with one another. The economist Roy Ruffin in reference to this law says, “Every country has a place at the table of world markets, no matter how high the country’s competitively determined wages or poor its circumstances of production (provided only that the level of real income is one on which people can survive)” (11). This law has provided economists since Ricardo with powerful analytical tools to advocate free international trade.<sup>30</sup> ‘Abdu’l-Bahá’s foregoing statement clearly reaffirms the notion that international trade benefits the participating parties.

‘Abdu’l-Bahá’s statement also refers to what is known in economics as the “Contagion Effect,” according to which through international trade and investment the benefits of technological advancement and economic growth spill over across countries. David Hume ardently advocated this view, and believed in the role of the Deity in this process. In 1758 he wrote, “It was surely never the intention of Providence, that anyone nation should be a monopolizer of wealth” (qtd. in Irwin, *Against the Tide* 157).<sup>31</sup>

As shown before, in *The Secret of Divine Civilization* we find strong advocacy for the expansion of international trade. Quite significantly, ‘Abdu’l-Bahá urged Iranians, mired in poverty in 1875, to “look to the expansion of trade with the nations of the East and the West, develop ... natural resources and increase the wealth of people” (*Secret* 15). He also called upon them to learn “modern concepts new systems and procedures ... progressive enterprises” from “the people of Europe” (*Secret* 13). Moreover, He called attention to the example of Japan, which “has opened its eyes and adopted the techniques of contemporary progress and civilization, promoting sciences and industries of use to the public....” (*Secret* 111). Considering that ‘Abdu’l-Bahá laid out in *The Secret* a roadmap leading to divine civilization which includes (but is not limited to) material progress through commerce, we can infer that “the techniques of progress and civilization” encompass Japan’s economic policy in the 1870s. In this regard, economic historians Peter Lindert and Jeffrey Williamson have referred to Japan’s economic policy at that time as “Probably the greatest nineteenth century ‘globalization shock.’ ... Japan switched from virtual autarky to free trade in 1858. It is hard to imagine a more dramatic switch from closed to more open trade policy. In the fifteen years following 1858, Japan’s foreign trade rose 70 times, from virtually nil to 7 percent of national income” (7). The economist Bradford DeLoog, in an analysis of economic history in the twentieth century, observes: “The source of material prosperity seen today in leading-edge economies is no secret: it is the storehouse of technological capabilities.... This storehouse is no one’s private property.... Governments, entrepreneurs, and individuals in poor economies should be straining every muscle ... to do what Japan began to do in the mid-nineteenth century: acquire and apply everything in humanity’s storehouse of technological capabilities (19).

When ‘Abdu’l-Bahá made His observation about Japan, it was not obvious how its economy would perform in the next 120 years. In fact the Human Development Index (constructed with three components: education, income, and life expectancy) places Japan (HDI = 0.160) in 1870 far below Switzerland (0.457) and the United States (0.467). By 1995, however, the index for Japan (0.940) exceeded Switzerland’s (0.930) and was very close to the U.S.A.’s (0.942). More dramatically, in 1870 income per capita in Japan was equal to or lower than that in many other countries. For example, per capita income (in 1990 dollars) in both Japan and Brazil was equal to \$740. However, by 1996 Japan’s per capita income stood at \$19,582 and Brazil’s at \$5,346. (Over much of the twentieth century Brazil pursued a protectionist trade policy.)<sup>32</sup> To illustrate the significance of ‘Abdu’l-Bahá’s advice to Iranians, consider the fact that income per capita in Iran in 1950 (\$1,892, measured in 1990 dollars) actually (slightly) exceeded Japan’s (\$1,873). By 1990, however, Iran’s per capita income had only doubled (\$3,662) while Japan’s had soared almost tenfold to \$18,548.<sup>33</sup> One can only marvel at ‘Abdu’l-Bahá’s foresight.<sup>34</sup>

Just like ‘Abdu’l-Bahá, Shoghi Effendi condemned restrictions on international trade. In 1931 when much of the world was mired in the Great Depression, he denounced the nationalistically motivated “policy of high and prohibitive tariffs” as “injurious to the healthy flow of international trade and to the mechanism of international finance” (*World Order* 35). In this statement, Shoghi Effendi endorses the validity of an economic theory that an overwhelming majority of economists have espoused since Adam Smith: trade restrictions benefit inefficient producers at the expense of consumers and efficient producers, generating a net loss for society by misallocating resources. In the Bahá’í world commonwealth of the future, according to Shoghi Effendi, “economic barriers and restrictions will be completely abolished” (*World Order* 204).

## A Final Note

The literature against the market system seems at least as large as the literature in support of it. Many writers throughout history have argued for its complete abolition. The historian Jerry Muller notes that during the Enlightenment “Both the Christian and civic republican traditions were suspicious of commerce, regarding it as inimical to the pursuit of virtues” (41). These sentiments are still prevalent.<sup>35</sup> Muller quotes the English political economist Charles Davenant who in 1699 wrote: “Trade, without doubt, is in its nature a pernicious thing; it brings in that wealth which introduces luxury; it gives rise to fraud and avarice; it depraves a people, and makes way of that

corruption which never fails to end in slavery, foreign and domestic. Lycurgus, in the most perfect model of government that was ever framed, did banish it from his commonwealth” (40).

This essay has argued that the Bahá’í Faith rejects such adverse views on commerce. In fact, ‘Abdu’l-Bahá points out that Lycurgus failed to realize his lofty goal of establishing equality. ‘Abdu’l-Bahá says, “the whole system of government he [Lycurgus] had founded collapsed....” He tells the story of Lycurgus in the context that the poor should be helped, but absolute equality is impossible. He says, “Difference of capacity in human individuals is fundamental. It is impossible for all to be alike, all to be equal, all to be wise” (*Promulgation* 217). Indeed a viable social order must account for the reality of human conditions. Otherwise, disorderliness will result.<sup>36</sup>

The Bahá’í Faith, in designing a social order, unites the approach adopted by past religions (in particular Christianity) with the approach that the Enlightenment philosophers adopted. Religions generally set out to transform individuals morally and spiritually while the Enlightenment thinkers considered human nature to be unalterable, and thus they advocated or attempted to craft social institutions that would channel human passions and frailty to the benefit of all. The Bahá’í Faith affirms the necessity of proper institutions (including the market) for society to function effectively. However, unlike the Enlightenment thinkers, the Bahá’í Faith assigns an essential role to religion because of its transforming power in all aspects of life including the economic spheres. ‘Abdu’l-Bahá states, “The fundamentals of the whole economic condition are divine in nature and are associated with the world of the heart and spirit” (*Promulgation* 238). And Shoghi Effendi explains: “By the statement ‘the economic solution is divine in nature’ is meant that religion alone can, in the last resort, bring in man’s nature such a fundamental change as to enable him to adjust the economic relationships of society. It is only in this that man can control the economic forces that threaten to disrupt the foundations of existence, and thus assert his mastery over the forces of nature” (qtd. in Badii17).

The role of the market is to allocate resources toward the production of goods and services that people desire; the role of religion is to edify humanity. These roles are complementary.<sup>37</sup>

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## Notes

1. For an extensive analysis of the variants of the market and command systems, see Berliner; for a concise (short article) analysis, see Komai.

2. On profit sharing, see ‘Abdu’l-Bahá, *Some Answered Questions* 273–77; on charging interest, see Bahá’u’lláh, *Tablets of Bahá’u’lláh* 133.

3. On this point, see Schumpeter 184.

4. For a detailed study of this book, see Saiedi, “Introduction.”

5. For a survey article on Bahá’í teachings on economics, see Dahl; for a review article on several essays on Bahá’í economics, see Graham. See also the compilations of Bahá’í teachings on economics by Badii and by Shams.

6. The economic system that emerged from the Enlightenment is largely the work of the Scottish moral philosophers. In this regard, there are fundamental differences between these thinkers and their French counterparts. See Hayek, “Individualism.”

7. This section draws on Viner, *Role of Providence*; Hirschman, *Passions*; and Myers.

8. For a historical analysis of why the market system emerged in the West, see chapters 5 and 6 in Lal.

9. Economists have identified circumstances that lead to suboptimal market outcomes, known as market failures. These circumstances justify a role for the government in the marketplace. For an analysis of these conditions, see Arrow. See also below, the section titled “Further Analysis of the Market.”

10. For an extensive history of ideas on free trade, see Irwin, *Against the Tide*.

11. Hume argued that international trade and investment help low-income countries catch up with high-income countries. For an analysis of Hume’s argument and other scholars on this issue, see Elmslie.

12. For a detailed study of *The Theory of Moral Sentiments*, see Campbell. Incidentally, Smith considered *The Theory of Moral Sentiments* a more important work than *The Wealth of Nations* (Campbell 16).

13. For an analysis of the interplay between economics and ethics, see Sen, and Hausman and McPherson.

14. A reviewer of this essay has raised an intriguing question: “If ‘self-interest’ is differentiated by whether the exchange relationship is mutually beneficial, could we not also say that ‘collective’ behavior (or behavior based on the collective interest of the parties in the exchange relationship) would also lead to a mutually beneficial

exchange?” To the extent that an individual is capable of discerning the collective interest, the answer to this question is in the affirmative. Later in this essay we will see that the Bahá’í Faith focuses on the collective interest.

15. For a Bahá’í perspective on justice, including two articles on economic justice, see Lerche.

16. For various definitions of selfishness, see Jencks.

17. For an analysis of the ideas of Adam Smith and Milton Friedman on self-interest, see James and Rassekh.

18. One of the most influential writers and deists of this period is Voltaire, who held strong antireligious views. ‘Abdu’l-Bahá criticizes Voltaire for holding these views (*Secret* 72–75).

19. For recent scholarship, see John Mueller, who espouses a view similar to the *doux-commerce* thesis.

20. Incidentally, Smith, as a follower of Stoic philosophy, believed in world citizenship. “Man, according to the Stoics, ought to regard himself, not as something separated and detached, but as a citizen of the world, a member of the vast commonwealth of nature. To the interest of this great community he ought at all times to be willing that his own little interest should be sacrificed” (*Theory* 140).

21. For the business and philanthropic activities of Andrew Carnegie, see Novak.

22. I thank Badi Shams for e-mail correspondence regarding this letter, and James Sacco, director of Green Acre Bahá’í School, for making available the school library where I found a published copy of the letter.

23. A “loan on benevolent terms” is defined as “Such loans as bear no interest and repayable whenever the borrower pleases” (*Tablets* 133 n. 2).

24. Note that Bahá’u’lláh makes interest on money subject to “moderation and fairness.”

25. While the governments of some rich countries are presently considering financial commitment to research on malaria and similar tropical diseases, at least one private foundation (The Bill and Melinda Gates Foundation) has donated \$6 billion towards the development of vaccines for such diseases including malaria (Bank A2).

26. In *Business as a Calling*, Novak gives examples of individuals who have chosen a profession or business by heeding their calling, in the sense of their inner voice. Graham suggests that the Bahá’í Faith considers work to be a divine injunction and a calling because Bahá’u’lláh states, “The best of men are they that earn a livelihood by their calling” (*Hidden Words* Persian no. 82).

27. For a theoretical and empirical analysis of the positive correlation between the level of trust in society and economic growth, see Zak and Knack. For a general discussion on the role of trustworthiness in society and the economy, see Fukuyama.

28. For a detailed analysis of religion as the moral foundation of society, see Heller, “Religious Foundations” Parts 1 and 2.

29. I thank Shahruz Mohtadi for suggesting the inclusion of this passage

30. For a concise analysis of the law of comparative advantage, see Krugman; for an extensive and historical analysis, see Maneschi.

31. For an analysis of the Contagion Effect, see Elmslie.

32. For the HDI and per capita values, see Crafts. The per capita income values are adjusted for inflation over time as well as for cost of living differences across countries.

33. For these per capita income values, see Maddisson.

34. ‘Abdu’l-Bahá remarks do not imply that He regarded Japan as either an ideal society or even as having an ideal economy. Moreover, whether globalization is an effective policy for the economic development of low-income countries is hotly debated among scholars. This essay does not suggest that if Iran had emulated Japan, it would have been as developed as Japan is today. Development requires much more than globalization. Our purpose here is to show that the Bahá’í Faith strongly supports free international trade, which is entirely consistent with the belief “[t]he earth is but one country....” (Bahá’u’lláh, *Gleanings* 250). Saiedi, in an analysis of *The Secret of Divine Civilization*, points out, “‘Abdu’l-Bahá’s concept of development was both decentralized and global” (23).

35. For example, see Nisbett.

36. See also ‘Abdu’l-Bahá, *Some Answered Questions* 274.

37. For perspectives on the organic unity of religion and other social institutions, see Saiedi, *Logos and Civilization* chap. 10; and McGlinn.

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