

Will Globalization Lead to a World Commonwealth?

SOHRAB ABIZADEH

Abstract

This paper draws from modern economic theory, the recent surge of interest in globalization, stronger global interconnectedness, and expanded cooperation among nation states to discuss their impact on world governance. It attempts to explain how emerging international crises, such as global epidemics, when combined with the fundamental principles of unity and social justice prescribed in the writings of the Bahá'í Faith, are impelling the world toward the formation of a world commonwealth.

Résumé

Le présent article fait fond sur la théorie moderne de l'économie, la nouvelle vague d'intérêt à l'égard de la mondialisation, l'interdépendance grandissante à l'échelle planétaire et l'élargissement de la coopération entre les États nations pour en examiner l'impact sur la gouvernance mondiale. L'auteur tente d'expliquer comment les nouvelles crises internationales, telles que les pandémies, alliées aux principes fondamentaux d'unité et de justice sociale promulgués dans les Écrits bahá'ís, poussent le monde vers l'établissement d'un commonwealth mondial.

Resumen

Esta disertación se vale de la teoría económica moderna, el reciente surgimiento de interés en la globalización, el refortalecimiento del acoplamiento global, y la cooperación expandida entre las naciones para discutir su impacto sobre el manejo gubernamental mundial. Procura explicar cómo las crisis internacionales, tales como las epidemias globales, al combinarse con los principios fundamentales de la unidad y justicia social preceptuados en los Escritos Bahá'ís, impulsan el mundo hacia la formación de una mancomunidad mundial.

INTRODUCTION

Much has been written about the Bahá'í principles and their implications for spiritual and social issues,¹ but few scholarly works exist that correlate modern economic theories to the core principles of Bahá'u'lláh's "New World Order" and their implications for world governance.² Economic theories of externalities, public goods, market failure, and globalization have much to offer in understanding the shortcomings of nation-states in the pursuit of social and economic objectives. Bahá'í principles such as the elimination of extremes of wealth and poverty and work as a form of worship, directly or indirectly, influence both economic and social issues that are universal by nature.

Economic theory has focused on the market as an institution for accommodating exchanges between individuals and business firms. It argues that in a perfect market system, as assumed in neoclassical economic theory, economic agents (individuals and business firms) will try to maximize their satisfaction or profit. However, markets are far from perfect and fail to simultaneously ensure the maximization of individual satisfaction and business profit, thus, at times resulting in the inefficient allocation of resources. Markets fail to deal with externalities of different kinds such as pollution. They also fail to facilitate the production and provision of public goods. In addition, markets also fail to ensure the equitable distribution of wealth. The economic literature has used these market failures to justify the existence, authority, and economic role of the state, whose mandates include, among other things, acting on behalf of its citizens to maintain law and order, correcting for market failures, and solving a variety of social and economic problems.

Nation-states often fail to deliver all that is expected of them. These failures are due to structural problems within governments, rent seeking,³ and the inability of national administrators to satisfactorily resolve economic and social problems which cross national boundaries. Such issues include environmental and "international public goods" phenomena. The task of governments is further complicated by the surge in globalization spurred by innovations in communications, unprecedented technological progress, and the rapid flow of information, all of which have created a

more interdependent world community. It is in light of such interdependence among nation-states that we are witnessing extensive movements toward the formation of economic and political blocs and unions, a welcome trend in the direction of the international commonwealth foreseen in the Bahá'í Writings.

In this paper, I focus on the Bahá'í principle known as the oneness of the world of humanity, recognition of which constitutes the fundamental prerequisite “for the establishment of a world commonwealth in which all nations, races, creeds and classes are closely and permanently united, . . .” (Shoghi Effendi, *World Order of Bahá'u'lláh* 203).

My objective is to show that the existing institutions of the market and the nation-state fail to help societies achieve their dual aims of fostering economic prosperity and social justice. This failure has initiated a search for alternative arrangements between nations, leading to a surge in global cooperation and a move toward world government. First, I will examine the established arguments to the effect that

- nation-states and national economies must have two institutions: markets and government in order to function efficiently;
- markets alone fail to reach some of their assigned economic and social goals;
- government action is needed to correct market failures and to provide public goods;
- governments may also fail to ensure that the economic and social needs of their citizens are met, that social justice is promoted and preserved, and, more important, that all the benefits and costs of their actions are internalized within their borders.

Second, building upon these established theories, I will argue that

- under current world conditions, elements such as freer trade, globalization of production, advances in systems of communication, and unprecedented innovations in technology are leading to both political and economic interconnectedness of nations;

- international cooperation is a means of addressing some of the problems associated with government failure, particularly as regards international public goods, the free-rider issue, and other international social problems;
- globalization will lead to further integration of the world community and could provide a base for the formation of some kind of international governing body capable of solving the problems associated with markets, nation-states, and international public goods.

ECONOMIC GOALS AND INSTITUTIONS

Economics is aimed at satisfying the wants of consumer groups and individuals by efficiently utilizing the limited resources of nature. Economic theory is unidimensional in that it often ignores the ethical and psychological dimensions of life cherished by civil societies. Market-based economics is individualistic, and thus does not fully incorporate in its theories the effects of policies and practices on people as social beings. Each person's action, knowingly or otherwise, can affect other persons and thus, by implication, the society as a whole. Modern neoclassical economic theory operates on the assumption that perfect competition is an important operational requirement for an efficient market. The Bahá'í view of the market modifies this by incorporating moral, ethical, and social values.⁴

Both economics and the Bahá'í Faith have recognized that for a society to function there must be order. This is achieved through the functioning of two distinct but interrelated institutions: the market, which organizes most of our economic activities, based on individual decision-making processes, and government, which manages many of society's activities, based on collective and communal process of decision making. Historical experience suggests that both are required.

How tasks are divided between these two institutions in the pursuit of personal and social goals is a matter of ideology and societal preference, depending on how individualistic or communally based a society wishes to be. Every nation relies upon both market and government involvement,

with differing degrees of importance assigned to each in maximizing happiness and well-being. The Bahá'í Faith recognizes the significance of both, and emphasizes the importance of the right balance between them when it comes to dealing with economic and social issues.

THE ROLES OF MARKET AND GOVERNMENT

To correlate the two institutions of market and government in the existing economic order with the Bahá'í view of world order, it is necessary to briefly review how they operate in the context of the nation-state, and identify evident shortcomings.

The Market

Markets bring together buyers and sellers of products, factors of production, and financial assets. They are exchange mechanisms which facilitate transactions between buyers and sellers and, if efficient, allocate resources to their best economic use. They do so based purely on the economic motives of different economic agents (individuals, business firms, or corporations). Each is interested in maximizing its own utility (as individuals) or profit (as business firms or corporations). Under Adam Smith's "invisible hand" argument, a society based on such maximization behavior on the part of its participants will automatically optimize, that is, maximize its material well-being. The logic is that the choices people make will tend toward the best possible trade-off. In other words, it is supposed that the resources available to a society will be used efficiently, and lead to maximum output. However, as discussed below, this simplistic economic argument fails to hold up, given that individual economic agents, as part of a social fabric, both affect, and are affected by, other agents.

One of the fundamental reasons advanced for the legitimacy of the market is human nature itself, and relates to individuals' varied taste and preferences. These variations lead to the desire for exchange, central to the foundation of a market. If one is not completely satisfied with one's original endowments—natural or acquired—one will engage in exchange in order to enhance his/her satisfaction, in economic jargon, to "maximize

their utility.” The market is there to facilitate such an exchange. Exchange requires respect for property rights, since, without them, there is chaos. For exchange to be meaningful, society must be ordered. Safeguarding property rights is a prerequisite for such order.

Except under special circumstances—in which transaction costs are very low and agents have rather similar endowments—markets themselves are incapable of establishing and enforcing property rights. Therefore, governments are agents, whose role includes, among other things, establishing law and order, enforcing property rights, and facilitating exchanges between interested parties. This creates a natural link between the market and the government as two institutions working together for the proper functioning of the economy and society. As Anderson puts it, “Markets are not natural phenomena: rather, they depend on government for their existence” (19). Governments are there to correct for all kinds of market failure.

Market Imperfections and Market Failures

In neoclassical economics, markets are assumed to be “perfect.” However, for a market to be perfect, certain restrictive assumptions must hold. First, all business firms and consumers in an industry must be price-takers; that is, prices are determined by the market, since the size of each firm’s output and each individual’s demand in a perfectly competitive industry is too small relative to the size of the industry as a whole to have any impact on the price of the product in question. Second, all the firms in the industry sell identical products; that is, every unit of the product is identical to every other unit in the eye of the consumer. Third, information is perfect; that is, customers know the exact nature of the products and the prices charged by each firm. Finally, there is a freedom of entry into and exit from the industry, and the cost of these actions is minimal to the firm.

In practice, however, many of these assumptions are violated, leading to market “imperfections.” These imperfections manifest themselves in the inability of the market to allocate resources efficiently, or to help societies achieve, among other things, the ultimate social goals of prosperity, well-being, and social justice. As a result, markets are not only imperfect but

fail to automatically lead the economy to efficient solutions.⁵ That is to say, markets are incapable of achieving all the individual and social goals simultaneously.

The causes of market imperfection go well beyond these assumptions. The market fails to incorporate in its operational model some of the values that are important to individual citizens, including those related to equity, social justice, and the environment.

Failure to take proper advantage of economies of scale⁶ prevailing in an industry is another reason the market may become inefficient. A good example is public utilities. By benefiting from economies of scale, one single firm can supply the output of the entire industry, leading to a monopoly. Unless owned and operated by the government, the price charged by the company holding such a monopoly will not reflect the optimal value to society, resulting in a misallocation of resources, market imperfection, and inefficiencies.

In addition to the above-mentioned imperfections in the markets, externalities of different kinds can result in market failures. Externalities take one of two forms: technical and public goods.⁷ A technical externality is said to be present when actions by individual economic agents (consumers or producers) affect others (positively or negatively) without compensating the affected party for the costs or benefits incurred by the acting party. For example, a chemical factory that discharges waste in a river imposes a cost on the fishermen who use it, without taking their cost into account. Similarly, when someone plants flowers in her garden, the neighbors will enjoy the view without being asked to pay for such "benefits." If these costs and benefits are not reflected in the market and thus prices, then the market fails to lead the economy to efficiency. The traditional view is that if the markets were perfect, these costs and benefits would be manifest in the price mechanism, and would be reflected in the market transactions associated with those activities. Likewise, when a benefit or cost is excluded from market prices, markets receive the wrong price signals and end up misallocating resources.

Coase argued that when externalities exist the optimum level of output can only be achieved if property rights are clearly defined and honored.

Thus, governments are responsible for enacting laws that will lead to the proper definition and protection of property rights.

Street lights are an excellent example of the second type, known as a “public good” externality. Once they are turned on, every one benefits from them. It is impractical to charge a price for street lights, because no one can be excluded from their use. Moreover, once such a product or public good is provided, the additional resource cost of another person consuming it is zero. It is thus neither efficient nor practical to ration consumption of a public good by charging a price for it. Since the availability of public goods adds to the well-being of society, the market’s inability to provide them translates into a “failure.”

The breadth and extent of the above-mentioned issues point to a deeper problem facing the market, namely, its exclusive reliance on the self-interest of its actors. According to Rassekh, ‘Abdu’l-Bahá “rejects the proposition that the pursuit of individual private interest necessarily promotes the public interest” (47). “The Bahá’í Faith teaches that individuals’ actions be governed by ‘the common good’ and by what ‘profiteth mankind’” (50). One such aspect of the common good relates to the eradication of extremes of poverty and wealth as envisioned in the Bahá’í Writings. Indeed, left to themselves, the actions of individuals do not automatically lead to collective well-being, and without controls or management, a free market economy can lead to a widening gap between poor and rich. Therefore, the central authorities have the moral responsibility to correct for an unjust distribution caused by the market. While emphasizing the importance of the market economy in leading economies to higher levels of material well-being, Shoghi Effendi recognized the shortcomings of the market and proposed that there be a critical balance between the free market and socialism:

Complete socialization is not only impossible but most unjust, and in this the Cause is in fundamental disagreement with the extreme socialists or 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. . . . 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.⁸

On the basis of his research in the Bahá'í literature, Sabetan argues that the current economic system is inadequate and unable to lead the global community to the desired level of prosperity, due to the absence of ethical principles in market-based systems. As a social science, economics, he says, must not only incorporate ethical and moral dimensions into its operational models, but also take into consideration our social interactions, and the implications of these interactions on our own and others' well-being. If we accept these views, then the ultimate goal of economics and the markets will take a new form. Rather than aiming to meet only material needs and wants, optimization should focus on maximizing the potential for human happiness as well.

Given the existence of market inefficiencies in general and externalities in particular, and given the fact that market systems function on the unidimensional premise of individualism, economic theory does recognize that markets are not perfect and cannot ensure efficient allocation of resources on their own. In fact, economists also use the evidence of market failure to justify the very existence of government, which not only establishes the order necessary for the proper operation of the market in the first place, but also replaces the market when it fails to function properly.

Markets in and of themselves are incapable of dealing with many pressing social issues, including the application of moral values and principles of social justice, and cannot lead nations to prosperity. Therefore, as proposed and practiced in the Bahá'í community, there needs to be a well-designed administrative system, parallel to the market, in order for society to realize its full potential.

Government and Its Roles

Democratic governments make decisions based on the three foundations of governance: administrative structure, parliament, and judiciary. Decisions of government, made on behalf of society at large, are broadly based and influence many aspects of the political, economic, social, cultural, and religious life of the citizens.

Historically, governments were expected to establish law and order, produce and provide public goods, redistribute income using a tax-transfer mechanism, and ensure price stability in the market. Now, however, based on the theory of externalities and market failure, additional roles are assigned to government. Musgrave distinguishes among four "pairings of state and fiscal theory," three of which relate to the role of government.⁹ The first role is the "service state," in which the state is said merely to "repair certain leaks in the efficient functioning of the market as provider of goods and to do so in a way which stimulates what would have been a market solution" (247). Thus, correcting for, or "internalizing," externalities becomes one of the economic roles of government.¹⁰ This is done through policy instruments, such as taxation and government expenditure, or by legislation and regulation. A government may impose taxes on those activities which cause external costs, such as pollution, and subsidize those which create external benefits, such as charities or public health.

The second role is the "welfare state" which "seeks to correct the market-determined distribution of income and wealth, moving it towards what society views as efficient or fair" (Musgrave 247). This amounts to incorporating social justice into government policy objectives and rectifying possible inequities caused by the market system.

The third role is related to the "communal state" in which "the state is no longer a mere handmaiden to overcome externalities or to add to distributional adjustments, made in line with the private preferences of its members" (Musgrave 252). Instead, "Policy goals are now set by the state's own needs or, put more moderately, by the public (as distinct from private) needs of its members" (247). Here, the government is regarded as an institution made up of bureaucrats and politicians with their unique and, at times, diverse, and often conflicting preferences.

In addition to attempting to assist in the delivery of perfect market information and internalizing externalities, modern governments may also act to encourage competition and prevent monopolies from gaining excessive control over the market. According to Stiglitz, “[G]overnment policies to increase competition—both structural policies that inhibit competition-reducing mergers and policies aimed at reducing restrictive and collusive practices—not only strengthen the efficiency and innovativeness of the economy but ensure that benefits are passed on to consumers in the form of lower prices” (25). In other words, a new role for government is to act as a regulator of the economy.

Thus, government functions by providing regulation, facilitating the flow of information, providing (and sometimes producing) public goods, attempting to improve equity, and maintaining law and order, thus ensuring that property rights are respected. Such tasks expected of the government are designed to promote social justice while facilitating the smooth operation of the market.

Government Imperfections and Government Failures

No one expects governments to be perfect. Government is not a single benevolent planner but a huge organization made up of often self-interested individuals, many of whom are likely to put their own well-being ahead of service to their fellow citizens. Because of this and other arguments presented below, governments have their share of failures.

Much of the literature about government failure focuses on government inefficiency and rent seeking.¹¹ Many scholarly articles deal with the failure of government to achieve desired outcomes for the economy and society.¹² These relate to government actions that affect aggregate economic variables such as the Gross Domestic Product, the distribution of income and wealth, and the efficiency-seeking policies of government.

Governments may fail because they do not operate on an ethical foundation or because of the rent seeking of bureaucrats and politicians. That is, the agency created to promote a common goal may become hostage to the goals of those who are employed in it, a phenomenon known as “bureaucratic capture.” Often, the state will fail to pursue appropriate

policies geared toward social justice and the equitable distribution of wealth, a task that was one of the main reasons for justifying government economic roles in the first place. Recent statistical information shows that the gap between low-income and high-income individuals has been widening during the past decades in such highly developed countries as Canada (Yalnizian). At the same time we have witnessed a widening gap between rich and poor nations (Sheehey).

In addition to the possibility of failure in dealing with social justice issues, government may not be able to deal with the many externalities that led to market failure, which in part justified the government's role in the economy. Beyond these problems, international public goods and interjurisdictional spillover can severely hamper national governments' efficient operation.

If the very bureaucratic organization created to regulate an industry ends up serving its interests, then government fails to control monopolies. Indeed, nation-states may end up encouraging rather than discouraging local monopolies within their borders, particularly if a firm is already, or has the potential of becoming, multinational. Governments may fear that, by limiting the power of local monopolies, they may weaken their competitiveness in international markets. Recent experience shows the unwillingness of governments to take the task of controlling monopolies seriously. It was easier for the United States government to break up AT&T in the 1960s than Microsoft during the late 1990s and early 2000s.

In the case of technical externalities, it is a well-known fact that external costs and benefits can easily spill over the artificial borders of the country in question, rendering the task of internalizing such externalities by the national government very difficult. For example, witness the external cost of acid rain created by the heavy industries in the northern United States when they are carried into another country, in this case, Canada. Clearly, the government of the United States will be reluctant to undertake any remedial actions on its own in this regard, first, because the costs may be too high, and second, because Canada will become a free rider and benefit tremendously from the U.S. action, without sharing the cost of controlling acid rain. In this case, neither the United States nor the Canadian government will act on their own and, in the absence of cross-

border cooperation, no action will be taken. This will lead to the failure on the part of both governments to deal with a technical externality.

Furthermore, governments are often not well equipped to deal with some aspects of market failure, such as transborder and transnational externalities. There are some products—similar to public goods—whose benefits and cost extend beyond the borders of a particular country. For example, marine resources: when two countries share common borders, one country's overfishing can have devastating economic and environmental effects on the other country. Here again we experience a spillover of costs from one country to another, making the culprit country a free rider. These spillover effects give rise to a phenomenon called international public good externalities.

Another area in which nation-states experience grave difficulties is the recent surge in international, or at times government-sponsored, terrorism. The enormous economic costs, and more importantly the loss of innocent lives that the victimized nations have suffered since September 2001 have been caused by a group of individuals (at times fully supported by a government) who, by committing the act of terror, are pursuing their own self-interest. The costs associated with these acts have clear international implications. Even if terrorism is directed towards one nation, the damage is widespread and crosses many borders. No single nation-state is capable of combating such a rash of terror on its own. Combating terrorism as a collaborative effort between nations would bring about widespread benefits to both collaborating and other nations—a good example of an international public good externality.¹³

Nation-states may suffer from what is commonly referred to as the brain drain. It has become commonplace for usually less developed countries to spend millions of dollars educating their citizens only to see them emigrate, usually to a more developed country, to further their education. Some of these educated people may then decide to remain in the new country to work and, ultimately, live. In this case, although the majority of their education costs have been shouldered by the less developed country, it is the more developed country which reaps the benefits. The brain drain may seriously undermine the incentive of some less-

developed countries to maintain their investment in education and may result in the misallocation of resources, thus failing to help their economies reach greater levels of efficiency and realize their potential. In the absence of artificial divisions in nation-states, such inefficiencies will disappear.

Famine in an African country or an outbreak of a contagious disease such as Severe Acute Respiratory Syndrome (SARS) in China can result in suffering, death, and devastation with consequences that go far beyond the borders of the country of origin. Such issues require international cooperation, in part because the affected countries may not be willing or may not have the resources to deal with them on their own. This lack of willingness or ability constitutes another form of government inefficiency in trying to resolve an internal problem and reach their goal of optimization at the same time.

Recognition of these problems, particularly those related to the notion of international public goods, has led nations to engage in negotiations with each other, in the hope of resolving some of their border-related issues, and thus move toward improving the collective well-being of all the parties involved.¹⁴ Canada and the United States have been involved in continuous negotiations over the acid rain issue, with the goal of controlling pollution jointly and ensuring that both countries share the cost of pollution control. Witness the establishment of the International Joint Commission between Canada and the United States Water Quality Agreement signed by the U.S. and Canada in 1978.

Clearly, pollution is a universal problem and requires more than two nations to address it. The establishment of the United Nations Environment Programme, the signing of regional agreements such as Western Mediterranean Sea Project and others for the great European rivers, acceptance of the Montreal Convention on compensation to victims of air disasters, or the Kyoto Accord on ozone depletion, to name only a very few, indicate how far nations have come in dealing with common issues.

When famine, epidemic, or natural disaster strikes in one part of the world, the international community, either through joint United Nations action, or as independent nations, is often able to come to the rescue.

Outbreaks of communicable diseases such as smallpox and tuberculosis, the most recent outbreak of avian flu, or demands imposed by the Asian tsunami disaster of late 2004 are examples of the urgent need for closer cooperation between nations if satisfactory outcomes are to be expected.

Clearly, nation-states on their own, even with the help of properly functioning markets, are incapable of solving international (transborder) externalities, achieving the social goals of maximization of well-being, and addressing the pressing issue of social justice or disaster. When they fail to address some pressing issues of our time, the implications are far-reaching.

GLOBALIZATION: PRELUDE TO A WORLD COMMONWEALTH?

Just as market failures provide the rationale for government and for corrective government intervention, so government failures, particularly those related to the phenomenon of international public goods and other kinds of externalities, are impelling nation-states into closer cooperation in different economic and political spheres, leading to international cooperation and globalization.

Economists define globalization to mean the increasing internationalization of production, distribution, and marketing of goods and services. It implies increasing integration of economic activities through trade and investment flows, and the production of commodities in different countries through foreign direct investment, in order to increase efficiency. However, globalization represents a continuum encompassing social and economic relations and networks from the local to the regional to the international. Globalization may be taken to refer to the processes of change in the organization of human affairs, linking and expanding human activity across regions and continents, in other words "a *stretching* of social, political and economic activities across frontiers such that events, decisions and activities in one region of the world can come to have significance for individuals and communities in distant regions of the globe" (Held and McGrew 54). Globalization goes beyond economics

and refers to “entrenched and enduring patterns of worldwide interconnectedness” (3).¹⁵

Two Different Aspects of Globalization

Simply put, there are two different but related aspects of globalization which can be advanced. The first refers to the expansion of trade through reduced impediments to the mobility of goods, people, information, and investment across national borders. The second relates to the creation and development of international institutions aimed at facilitating cooperation between nation-states to more effectively deal with the international public good externalities. Indeed, expansion of trade may be one outcome of such cooperation, among others.

With regard to the first aspect, the world community is recognizing that it is becoming increasingly difficult to maintain national economic borders in light of the current surge in the growth of freer trade. Economic theory has long maintained that free trade, based on the law of comparative advantage, will enhance the level of well-being for all the parties involved.

The advent of globalization, followed by the interconnectedness of the nations, has led to the reduction or elimination of tariff barriers. This has led to even more trade,¹⁶ the freer flow of capital, the emergence of multinational production, and the formation of transnational corporations engaged in the worldwide movement of raw materials, goods, and services. As a result, corporations locate their production wherever it is more economically viable, that is, where the lowest cost of production can be realized.

Recent experiences have shown that the global economy, driven by globalization and the desire to expand freer trade, has experienced unprecedented innovations in technology and new approaches to marketing and consumerism.¹⁷ These have been followed by adjustments in policies and governance, which have led, in turn, to an intense debate over the effects of this aspect of globalization on the role and functions of nation-states and the possible implications for their long-term survival.

The other reason for the widespread support for globalization is the fact

that the world community—as a result of radical innovations and changes in communication technology—has become increasingly interdependent. As mentioned earlier, no country acting alone can solve international environmental problems, but all countries acting together can make a significant difference.

Recent trends in globalization indicate that nation-states have found it increasingly difficult to implement economic and social policies aimed at accomplishing their own internal objectives, while simultaneously having to deal with international externalities. The solution has been the formation of regional economic blocks or unions in pursuit of common objectives. Witness the establishment of the Association of Southeast Asian Nations, the North American Free Trade Agreement, the European Economic Union, the Organization of American States, and the euro region. Referring to the report by the Organisation for Economic Co-operation and Development entitled *The World in 2020: Towards a New Global Age*, the International Monetary Fund argued that closer linkages between nations are essential for economic growth and should continue if the world is to experience improved living standards, elimination of poverty, promotion of environmentally sustainable policies, and accelerated movement toward sustainable development in all areas of the world (30).

The Impact of Globalization on Nation-States

What impact will globalization have on the role and power of nation-states? In answer to this question, different and contradictory views have been expressed in both the economics and political science literature.¹⁸ On one side of the debate, there are those who predict the weakening of the economic and political powers of nation-states. This, it is argued, may eventually give way to the formation of an international government. Others argue that globalization will require a stronger role in some areas by nation-states, to ensure their continued existence for the foreseeable future.¹⁹

Hirst and Thompson, for example, argue that, while globalization leads to a new role for national governments, it will continue to make them more relevant in a unique way. In their view, “The emerging forms of

governance of international markets and other economic processes involve the major national governments but in a new role: states will come to function less as 'sovereign' entities and more as the components of an international 'quasi-polity'; the central functions of the nation-state will become those of providing legitimacy for and ensuring the accountability of supranational and subnational governance mechanisms" (256–57). The other task for the nation-state, they argue, is the regulation of populations, since "people are less mobile than money, goods or ideas, and in a sense they remain 'nationalized,' dependent on passports, visas, residence, and labour qualifications." These give the nation-state legitimacy in the international community because it can "speak for that population" (257).

Others argue that globalization poses a threat to the nation-state, not only by preventing the state from carrying out its traditional functions, but also by threatening its long-term survival. The growth of transnational corporations—so the argument goes—can undermine the economic power of the nation-state, while advances in communication weaken their political authority and control. These advances give more power to the citizens by making information readily available to individuals, thus reducing the power exercised by national governments. Spybey argues that with "the organization of communication, production and consumption progresses on a global basis, the organization of the polity in the form of the nation-state is losing its authority in the face of global communication and global economy" (63).²⁰ Samuels claims that "[i]t is already the case—to the dismay of some, of course—that national sovereignty has been eroded. But—and herein lies another irony—much of the erosion is due to the increasing hegemony of corporate governance, increasing globalization of the economy, and the operation of market forces" (282).

Reich makes an even stronger statement regarding the effect of globalization on the nation-state. He argues that globalization will lead to the disintegration of the national economy and the erosion of national sovereignty. According to Reich, this irreversible trend caused by globalization will continue, and any attempt to resist it is politically ineffectual. On the

other hand, Wendt, relying on the teleological logic of anarchy, shows that the emergence of a world state is inevitable. According to Wendt, “The process moves through five stages, each responding to the instabilities of the one before: a system of states, a society of states, world society, collective security, and the world state” (ii). He concludes that, while a world state may not satisfy all demands of justice, “it would be at least a minimum condition for a just world order” (58).

Weiss summarizes this debate eloquently when she writes:

Globalists continue to maintain that there are big, fin de siècle transformations under way in the world at large, which can be laid at the door of something called globalization. This new era—popularized as a “world without borders” and symbolized by the dismantling of the Berlin wall—ostensibly came into its own where the Cold War left off. Globalists of all shades see a new world order in the making, marked by the de-territorialization of economic and political affairs, the ascendance of highly mobile, transnational forms of capital, and the growth of global forms of governance. By the same token, globalization skeptics, scrutinizing very similar empirical terrain, continue to pose the same insistent question. The dispute between globalists and skeptics is *not* about the *reality* of change; it is about the nature and significance of the changes under way as well as the driving forces behind them” (59).²¹

Although they differ in their predictions of future directions, the pace of change, and degree and nature of final impact, both sides of the debate agree that globalization has fundamentally altered, and continues to alter, the ways in which nation-states conduct their traditional economic, social, and political business. Will this lead to a new system of governance worldwide? No reasonable person can doubt that the changes caused by globalization already underway point in the direction of greater international integration. Regardless of which side of the argument is presented, the trend toward globalization will eventually lead to significant changes in the way in which nation-states function.

TOWARD A WORLD COMMONWEALTH: A BAHÁ'Í PERSPECTIVE

The principle of unity is at the heart of the Bahá'í conception of globalization. Saiedi elegantly reflects on this relationship when he discusses environmental pollution, world hunger, nuclear war, and the inequality of opportunities and access to resources facing the modern world. He explains that such issues “can only be resolved if all people regard themselves as members of one human community. . . . It is for these reasons that Bahá'u'lláh talks about a New *World Order* and has always declared the realization of the oneness of humanity to be the ultimate goal of His revelation” (324).

However, reliance on the unity of humanity in the Bahá'í Faith takes us well beyond the simplistic conception and outcomes of the issues as discussed in the current globalization literature. The Bahá'í approach recognizes that unmanaged globalization in its present-day forms can lead to critical social ills which can only be resolved when human unity is acknowledged. In effect, the Bahá'í Faith provides solutions to these problems resulting from mismanaged globalization by including the principles of unity and social justice in the quest for world government. Saiedi explains that “Bahá'u'lláh is designating and establishing a new unit of analysis—the global level—at which to reconceptualize human spiritual, economic, and political culture and institutions” (324).

For globalization to take hold and ensure that its benefits are shared equitably among the citizens of the world, other conditions must be met. The formation of the world commonwealth suggested in the Bahá'í Writings depends on whether they are, indeed, met. It is only in the context of global governance and the establishment of the foundation for an equitable world community that the Bahá'í principles of oneness of the world humanity, a universal auxiliary language, equality of women and men, and eradication of extremes of poverty and wealth, find their relevance. In the words of Bahá'u'lláh, “The well-being of mankind, its peace and security, are unattainable unless and until its unity is firmly established” (*Gleanings* 286).

In its statement “The Prosperity of Humankind,” the Bahá’í International Community’s Office of Public Information clarifies this important precondition: “The bedrock of a strategy that can engage the world’s population in assuming responsibility for its collective destiny must be the consciousness of the oneness of humankind. Deceptively simple in popular discourse, the concept that humanity constitutes a single people presents fundamental challenges to the way that most of the institutions of the contemporary society carry out their functions” (7).

The impact of globalization reveals that the prerequisites for such change, although not perfect, are already in place. The trend toward global governance is underway and it will continue to intensify in the future, ideally following a gradual process rather than a sudden change caused by a war or total collapse of existing structures.

The dual phenomena of market and government failure are linked to the very issues that become relevant in the Bahá’í discourse, particularly the issues of equity, social justice, and income distribution.²² According to ‘Abdu’l-Bahá, “the principal cause of these difficulties lies in the laws of the present civilization; for they lead to a small number of individuals accumulating incomparable fortunes, beyond their needs, while the greater number remain destitute, stripped and in the greatest misery” (*Some Answered Questions* 273). The Bahá’í teachings recognize that governments must be made accountable for solving these problems.²³ However, it is clear that nation-states—in their present configuration and condition—are unable to deal with extraterritorial externalities, international public goods, and income distribution.

From a Bahá’í perspective, nation-states fail not only because of the difficulties they encounter in governing, but because of their inability to address underlying issues of social justice and ethical standards. If decisions are frequently founded on the self-interest of government actors (Musgrave 248), then governments will inevitably be unable to incorporate moral values into their action plan and will fail to move society toward the goal of maximizing well-being. As Saiedi points out, Bahá’u’lláh’s “perspective intentionally transcends the limited nationalistically oriented

discourse of political theory because solutions based on the category of the nation-state are inadequate to meet the needs and moral challenges of a global human society" (324).

While one may argue that nation-states must continue to exist for many economic, political, and sociological reasons, there are many functions which nation-states alone cannot perform satisfactorily. For example, although they may be able to moderate them to some degree, nation-states alone cannot implement a sound and effective international program of environmental stewardship, eliminate or efficiently control transboundary pollution, eliminate or control economic fluctuations, eradicate poverty, manage the monopolistic behavior of transnational corporations, or deal with international public good externalities.²⁴

Given that (a) many of the factors precipitating market and government failure are inherently international and thus spill over the artificial boundaries of the nation-states, (b) many problems facing humanity require more attention than any single nation-state can offer, and (c) there is every possibility that increasing globalization will make the nation-state to some extent less relevant, the need for a more globalized system of governance becomes immediately apparent.

What is proposed in the Bahá'í Writings is the establishment of a world commonwealth comprising all the nations of the world. This would amount to the eventual abolition of the existing artificial and arbitrary barriers which, over the course of history, have separated the peoples of the world and created the conflicts which continue to waste human resources and lives. If the global community is serious about resolving the numerous social and economic problems that it is currently facing then it must take full advantage of the process of globalization to allow for more meaningful cooperation between nation-states, with the view of ultimately forming such a commonwealth.

According to Shoghi Effendi, this commonwealth of nations is one in which the members will, "as the trustees of the whole of mankind, ultimately control the entire resources of all the *component* nations. . . ." (*World Order of Bahá'u'lláh* 203).²⁵ Shoghi Effendi further elaborates by proclaiming that "[s]ome form of a world Super-State must needs be evolved,

in whose favor all the nations of the world will have willingly ceded . . . certain rights to impose taxation. . . . [a] world community in which all economic barriers will have been permanently demolished and the interdependence of Capital and Labor definitely recognized. . . ." (40–41).

The specific emphasis by Shoghi Effendi on the "component nations" has implications for the practicality of such a system of world government. The system is founded on the Bahá'í principle of unity in diversity, and therefore recognizes the importance of the culture and history of different regions and peoples of the world, that is, "nations" or "components." These existing cultural units form the basis for the pursuit of common goals within the world commonwealth. For this, the Bahá'í Faith has proposed a world parliament operating on behalf of a confederation of nations called a "commonwealth." Such an international body will play the vital role of ensuring peace, equity, justice, and social well-being for the world community at large, in harmony with the Bahá'í principles, one of which is the oneness of the world of humanity.²⁶

This is not to argue that nation-states and local governments will totally disappear. Historically, we have moved from local to regional to national levels of government, and are now reaching the stage of world confederation. However, this in no way implies the dissolution of local and national governments, which are necessary for representing local preferences and administering the affairs of whole communities.²⁷ Rather than replacing them, a world commonwealth, functioning as a world government, will be needed to oversee the operation of these national and local governments in a globalized world. The main purpose for the formation of a commonwealth of nations is to ensure cohesiveness, cooperation, and coordination, to deal with the provision of international public goods and other externalities, and, most important, to monitor and enforce the implementation of universal ethical standards for the conduct of international relations.

The notion of world government is not unique to the Bahá'í teachings. Many scholars, including political scientists and economists, have long been interested and involved in discussing the possibility of forming a world government.²⁸ Although many scholars believe that it will eventually

be realized, no consensus has emerged on how the move toward a world government would materialize. Some, such as Hedley Bull, see world government coming about by conquest and domination; others suggest that it will be the result of a social contract among states, or will come about in the form of a "cosmopolis" founded upon some form of consensus. Wendt, using the logic of anarchy, argues that a world state will emerge whether or not the actors involved intend to bring it about, and even suggests that while it might not satisfy all demands of justice, "it would be at least a minimum condition for a just world order" (58).

CONCLUSION

In this essay, I have correlated modern economic theories concerning market and government failure with the problems faced by nation-states in attempting to ensure efficient operation of the economy and society and achieve social justice. I have shown that imperfections inherent in the free market system necessitate government involvement in the economy to help achieve those goals. However, nation-states today confront an array of challenges that extend beyond their borders, requiring regional and international cooperation. Globalization has created the opportunity for freer trade and dramatically increased the need for cooperation between and among nations, as the basis for the formation of a world commonwealth.

While such trends toward globalization are underway, other conditions must be met in order to ensure that every citizen of the world can share in its potential benefits in an equitable and just manner. Such conditions are outlined in the Bahá'í Writings with the ultimate objective of incorporating the principles of unity and justice in the pursuit of well-being, and establishing a world commonwealth responsible for ensuring social justice for all the world's inhabitants.²⁹

NOTES

I wish to thank Pat Gray, John Gray, Natalia Rodriguez, and Gabriel Power for their helpful comments which greatly improved this paper. I am indebted to the

Managing Editor and two reviewers of the *Journal of Bahá'í Studies* for their constructive, professional comments on an earlier version of this paper. My son, Arash Abizadeh, should be credited for having encouraged me to begin work on this project.

1. See Heller for some of these studies.

2. Huddleston cites historical trends in the formation of international economic organization and in the attempts of policy makers to close the gap between the poor and rich segments of societies, as an indication of a trend toward a world economy. Meanwhile, Dahl offers a normative view of the principles of the Bahá'í Faith relating to economics. Although there are many studies dealing with the Bahá'í views on economic issues (for example, Rassekh and Fish) none has systematically tried to link the Bahá'í principles to economic theory pertaining to market and government failure. It must be emphasized here that the Bahá'í Writings do not set forth an economic system in precise detail. Rather, they outline a number of general principles as guidelines for economists in designing a system which allows for the incorporation of moral values into the process of setting economic goals and policies.

3. See note 11.

4. For a more detailed discussion of the Bahá'í view, see Graham; Dahl. This is not to say that economists themselves have ignored the impact of ethical and social issues. Indeed, volumes have been written on the relationship between economics and ethics. For example, see articles by Buchanan; Miller and Paul; Sen; Crouch and Marquand; Koslowski.

5. The term used in economics is "Pareto-optimality," referring to the optimum allocation of resources by the market to achieve maximum social welfare. The main criterion for this efficiency rule can be termed "minimal harm"; that is, any action that improves one person's well-being without harming another should be taken. This notion obviously ignores the concept of distributive justice.

6. This means that as the scale of a company's output is increased, the per-unit cost of production is decreased.

7. See below for definitions and examples.

8. Shoghi Effendi, letter of 25 August 1939 to an individual believer, cited in Badi'i 106-7. For a fuller discussion of this important subject, see Badi'i 106-7.

9. The fourth perspective is called "the flawed state," and relates to government failure, discussed below.

10. The “internalization” of externalities refers to government policies which ensure the inclusion of all costs and benefits associated with externalities into the functioning of the parties involved. For example, a government may impose pollution-abatement taxes on a company in order to force it to bear some of the costs of pollution it has incurred.

11. “Rent seeking” refers to the activities of individuals who use the political system to redirect income to themselves, in other words, who use the government to obtain higher than normal returns. See Rosen, Dahlby, Smith, and Boothe 152. Note that rent seeking can become outright corruption, as in bribery, the buying of candidates or officials by political or industrial lobby groups attempting to use the political process to redistribute wealth in their favor, influence peddling, and vote buying by government officials, the abuse of public office or the public purse for personal gain, and so on.

12. See, for example, Stiglitz.

13. I am indebted to one of the reviewers who suggested the inclusion of this example.

14. Padoan discusses in detail the role that international public goods play in the formation of regional agreements.

15. For more on the definition and scope of globalization see Held and McGrew 54–55.

16. It is important to note that Shoghi Effendi advocated the elimination of trade barriers in favor of the benefits of freer trade (*World Order of Bahá'u'lláh* 204). Past and present studies confirm that tariffs and custom duties—originally designed to control borders—have lost their value as an instrument of economic control. See articles by Abizadeh and Yousefi; Tosun and Abizadeh.

17. *Consumerism* refers to the phenomenon of encouraging increased consumption of newly produced goods and services through aggressive marketing.

18. For alternative points of view, see, among others, Jones; Hirst and Thompson; Spybey.

19. Using theoretical and empirical results, I have argued that globalization does not always lead to a more intense involvement of the state. Rather, this depends on historical factors and past practices of particular countries. See Abizadeh.

20. There are a number of writers on the subject who attempt to introduce changes to the nation-state in order to help it survive the impact of globalization and the eventual dismantling of its institutions. For a comprehensive study on this issue see Jones.

21. For a comprehensive analysis of the globalization debate see Held and McGrew.

22. The Bahá'í Writings not only contain economic principles concerning the everyday operation of modern economies (see 'Abdu'l-Bahá, *Promulgation* 233), but also take into account the fact that many things may go wrong in this process. It has also provided specific guidelines to address those issues (see, for example, 'Abdu'l-Bahá, *Some Answered Questions* 274–76). Among them is the eradication of extremes of poverty and wealth. Poverty is a phenomenon that can easily materialize if the market is left unchecked. See Graham 5–8 for more on the subject of distributive justice and related issues in the Bahá'í Faith. It is worth noting that recent developments in the literature show that globalization can and does result in positive outcomes regarding redistribution.

23. See 'Abdu'l-Bahá, *Foundations of World Unity* 43.

24. See Stiglitz 32–34 for more on the kind of limitations and constraints that nation-states face in these areas.

25. My emphasis.

26. For a comprehensive discussion of the role of religion in the formation of government in a civil society from the Bahá'í perspective, see Heller.

27. See Hirst and Thompson for a discussion of the role of local governments in globalized society.

28. For an excellent theoretical discussion of the modes of governance in a globalizing world, see Chapter 8 in Jones.

29. In this brief paper I have not dealt with the mechanism by which the nation-state, with all its inadequacies, may come to the conclusion that a new strategy for global government is indeed needed. Neither have I dealt with the impediments that may prevent nation-states from developing such strategies. These, I hope, will be discussed by scholars in the field of political theory in the not-too-distant future.

WORKS CITED

- ‘Abdu’l-Bahá. *Foundations of World Unity*. Wilmette, Ill.: Bahá’í Publishing Trust, 1979.
- . *The Promulgation of Universal Peace: Talks Delivered by ‘Abdu’l-Bahá during His Visit to the United States and Canada in 1912*. Comp. Howard MacNutt. Rev. ed. Wilmette, Ill.: Bahá’í Publishing Trust, 1995.
- . *Some Answered Questions*. Comp. and trans. Laura Clifford Barney, 4th ed. Wilmette, Ill.: Bahá’í Publishing Trust, 1981.
- Abizadeh, Sohrab. “An Analysis of Government Expenditures and Trade Liberalization.” *Applied Economics* 37.16 (2005): 1881–84.
- Abizadeh, Sohrab, and Mahmood Yousefi. “International Trade Taxes and Economic Development: An Empirical Analysis.” *International Review of Economics and Business* 32.7–8 (1985): 735–49.
- Anderson, James E. “Government and the Economy: What Is Fundamental?” In Samuels, ed. 17–23.
- Badi’i, Houshmand. *The True Foundation of All Economics: A Compilation*. Kitchener, Ont.: Allprint-Ainsworth, 1993.
- Bahá’í International Community Office of Public Information. *The Prosperity of Humankind*. New York: Bahá’í International Community, 1995.
- Bardhan, Pranab, Samuel Bowles, and Michael Wallerstein, eds. *Globalization and Egalitarian Redistribution*. New York: Russell Sage Foundation, 2006.
- Bowles, Samuel. “Egalitarian Redistribution in Globally Integrated Economies.” In Bardhan, Bowles, and Wallerstein 120–47.
- Buchanan, Allen. *Ethics, Efficiency, and the Market*. Totowa, N.J.: Rowman and Allanheld, 1985.
- Bull, Hedley. “Beyond the State System?” In Held and McGrew 462–67.
- Coase, Ronald H. “The Problem of Social Cost.” *Journal of Law and Economics* 3 (1960): 1–44.
- Crouch, Colin, and David Marquand, eds. *Ethics and Markets*. Oxford: Blackwell, 1993.
- Dahl, Gregory C. “Evolving towards a Bahá’í Economic System.” *Journal of Bahá’í Studies* 4.3 (1991): 1–15.

- Fish, Mary. "Economic Prosperity: A Global Imperative." *Journal of Bahá'í Studies* 7.3 (1997): 1–16.
- Graham, Bryan. "The Bahá'í Faith and Economics: A Review and Synthesis." *Bahá'í Studies Review* 7 (1997): 1–19.
- Harriss, C. Lowell. "True Fundamentals of the Economic Role of Government." In Samuels, ed. 79–85.
- Held, David, and Anthony McGrew, eds. *The Global Transformation Reader: An Introduction to the Globalization Debate*. Cambridge: Polity, 2000.
- Heller, Wendy M. "The Religious Foundations of Civil Society (Part 1)." *Journal of Bahá'í Studies* 10.1–2 (2000): 27–70.
- . "The Religious Foundations of Civil Society (Part 2)." *Journal of Bahá'í Studies* 10.3–4 (2000): 25–56.
- Hirst, Paul, and Graham Thompson. *Globalization in Question*. 2nd ed. Cambridge: Polity, 1999.
- Horowitz, Irving Louis. "The Public Costs of Private Blessing." In Samuels, ed. 97–104.
- Huddleston, John. "Towards a World Economy." *Journal of Bahá'í Studies* 3.3 (1991): 21–34.
- International Monetary Fund. "IMF Survey." Washington, D.C.: IMF, 1998.
- Jones, Barry, R. J. *The World Turned Upside Down: Globalization and the Future of the State*. Manchester: Manchester University Press, 2000.
- Koslowski, Peter, ed. *Contemporary Economic Ethics and Business Ethics*. Berlin: Springer, 2000.
- Musgrave, Richard A. "The Role of the State in Fiscal Theory." *International Tax and Public Finance* 3 (1996): 247–58.
- Organisation for Economic Co-operation and Development. *The World in 2020: Towards a New Global Age*. Paris, 1997.
- Padoan, Pier Carlo. "Globalization, Regionalism, and the Nation State: Top Down and Bottom Up." In *Globalization, Institutions, and Social Cohesion*. Ed. Maurizio Franzini and Felice R. Pizzuti. Berlin: Springer, 2001. 237–56.

- Paul, Ellen Frankel, Fred D. Miller, Jr., and Jeffery Paul. *Ethics and Economics*. Oxford: Basil Blackwell, 1985.
- Rassekh, Farhad. "The Bahá'í Faith and the Market Economy." *Journal of Bahá'í Studies* 11.3-4 (2001): 31-61.
- Reich, Robert B. *The Work of Nations: Preparing Ourselves for 21st-Century Capitalism*. New York: Vintage, 1992.
- Rosen, Harvey, Bev Dahlby, Roger S. Smith, and Paul Boothe. *Public Finance in Canada*. 2nd ed. Toronto: McGraw-Hill Ryerson, 2003.
- Sabetan, Farhad. "An Exploration into the Political Economy of Prosperity." *Journal of Bahá'í Studies* 2.4 (1997): 43-68.
- Saiedi, Nader. *Logos and Civilization: Spirit, History and Order in the Writings of Bahá'u'lláh*. Bethesda: University Press of Maryland, 2000.
- Samuels, Warren J. "The Political-Economic Logic of World Governance." *Review of Social Economy* 59.3 (2001): 273-84.
- , ed. *Fundamentals of the Economic Role of Government*. Prepared under the auspices of the Policy Studies Organization. Contributions in Economics and Economic History No. 98. Westport, Conn.: Greenwood, 1989.
- Sen, Amartya. *On Economics and Ethics*. Malden, Mass.: Blackwell, 1988.
- Sheehy, Edmond, J. "The Growing Gap between Rich and Poor Countries: A Proposed Explanation." *World Development* 24.8 (1996): 1379-84.
- Shoghi Effendi. *The World Order of Bahá'u'lláh: Selected Letters*. 2nd ed. Wilmette, Ill.: Bahá'í Publishing Trust, 1974.
- Spybey, Tony. *Globalization and World Society*. Cambridge: Polity, 1996.
- Stiglitz, Joseph. "The Role of Government in the Contemporary World." In Tanzi and Chu 21-53.
- Tanzi, Vito, and Ke-young Chu. *Income Distribution and High-Quality Growth*. Cambridge, Mass.: MIT Press, 1998.
- Tosun, Mehmet Serkan, and Sohrab Abizadeh. "Economic Growth and Tax Components: An Analysis of Tax Changes in OECD." *Applied Economics* 37 (2005): 2251-63.
- Wagner, Peter. *A Sociology of Modernity: Liberty and Discipline*. London: Routledge, 1994.

- Weiss, Linda. "Globalization and National Governance: Antinomy or Interdependence?" *Review of International Studies* 25 (1999): 59–88.
- Wendt, Alexander. "Why a World State Is Inevitable: Teleology and the Logic of Anarchy." University of Chicago, 2003. Manuscript.
- Yalnizyan, Armine. *The Growing Gap: A Report on Growing Inequality between the Rich and Poor in Canada*. Toronto, Ont.: Centre for Social Justice, 1998.