



only tells us that at one point there was one particular equilibrium condition and now there's a new set of conditions.

The Monetarists come a little closer to some notion of processes, but they fall short as well. While the initial thrust of the Monetarist school is in terms of the flow of funds in the system, the model bogs down in its focus on changes in the aggregate money supply. The analysis falls back into the same old saw of static equilibria. The analysis can tell us what happens to an equilibrium when one of the factors of that equilibrium changes, and, since the factors analyzed are variables under the control of monetary and fiscal authority, it forms a rudimentary guide for policy. But it still falls short of explaining fundamental behaviors and the relationship of those behaviors to the aggregate quantities that are the model's meat and potatoes.

That leaves us with a glance at the ideas of the iconoclasts and the new radicals. We can reject most of them offhand because, while they are adept at criticizing caricature capitalism, we don't need their help for such a criticism. We need their help for the basis of a new model. Most of these groups have nothing to offer but their criticisms.

Of the iconoclasts, however, one of the most well known is concerned with observing present behavior, and it is to his thoughts that I turn for a point of beginning:

### The Planning Process

John Kenneth Galbraith discusses, in a number of essays, most notably *The Affluent Society* and *The New Industrial State*, something he calls the planning system; a system he refers to as the 'technostructure'. He notes that the production cycle, the time it takes to go from the design of a new product to the actual sale of a new product, takes sufficient time in a significant portion of the economy that firms cannot allow themselves to be at the mercy of markets. These firms are forced, then, to exercise some form of demand management. This demand management can take several forms from the effort to design a product in accordance to the needs of one's customers to advertising designed to convince people that buying a firm's product is worthwhile. Hence, where you see advertising and marketing, you are, in fact, seeing the result of planning.

I have two complaints with Galbraith's analysis. First, he doesn't take his own analysis far enough. While pressing this notion of planning as a means of describing the behavior of large corporations, he still believes that the Neo-Classical

paradigm is adequate to describe supposedly more market-driven entities like dairy farmers in Wisconsin.

This failure isn't Galbraith's fault insofar as he has, likely, never spent time working on a dairy farm in Wisconsin. Nonetheless, the dairy farmer in Wisconsin plans just as much as the CEO of General Motors. Galbraith might be quick to claim that the CEO of General Motors is able, mostly through advertising, to exercise some control over the consumer's demand for the firm's product, but that's only because his busy life precludes him ever seeing his television ask, "Got milk?"

My second complaint with this analysis is its focus on structure rather than process. This is not to say that structure isn't important. Following the biological model pressed by the Universal House of Justice, we can note that certain cells in a human body perform different functions. However, these cells perform these functions through various processes. It is not possible to fully understand the function of the cell without understanding the processes through which these cells carry out their function.

The observation that our economy is planned, as decentralized as that planning process is, is not new. What is new, and what I believe Bahá'ís have the most to offer, is in an understanding of the planning process, for, wherever there exists a planning process, the principles of consultation apply. Indeed, this can form the first positive statement we can make about an economy: the extent to which the planning process conforms to the principles of Bahá'í consultation determines the 'success' of that process.

This leads to some notion of what constitutes 'success' in this model. In a broad sense, success for a planning process depends upon the extent to which the process meets or exceeds the goals set for it. While it's possible to note that we can set whatever goals we want for our economic system, such a step moves out of the model-building mode I want to maintain in the present discussion.

However, if we stay in this model-building mode, we can note that the planning process is capable of setting its own goals. In fact, we can observe that it does. Firms set production goals and earnings goals. Households set various goals of their own. And individuals set their own goals in relation to the planning process. In a sense, then, we can note that the planning process determines its own success.

The breadth of literature discussing Bahá'í consultation is

sufficient evidence that this subject is deep enough to warrant significant discourse. However, the goal of the present essay is to provide some foundational thoughts for the development of a model. The actual development of a model will take the collaboration of minds greater than this essay's author. So, let's leave the discussion of the planning process per se and turn to the second area where I think Bahá'ís can offer some thoughts to students of Economics.

### The Individual and the Planning Process

If we are to fully understand the planning process, we need a more complete theory of the individual. A utility theory which holds the accumulation of material goods and means as the highest aspiration of the individual doesn't adequately explain behavior we can presently observe. The richest human being in the world continues to work despite the fact that he has more money than he can spend in his lifetime on himself (he can, certainly, give that money away, but he simply is not able to spend it on himself).

Why does this man continue to work? He could, if he wanted to, live a life of complete leisure and be none the worse for wear. Clearly, something other than simple remuneration motivates him, and it motivates him to work. In this context, the Bahá'í notion of our dual nature can form the basis of a theory which explains such behavior.

Secondly, we can also note that no scientific, technological or artistic advance in human society came from people who were, at the time, thinking of their own physical comfort. They might have been motivated by the desire for physical comfort, but their efforts required thinking about things outside themselves. This implies that progress in the planning process has to do with the extent to which individuals can transcend their physical needs.

This notion of our dual nature, then, gives us a basis for understanding the individual's role in the planning process, and leads to the second positive statement we can make in this model: the extent to which the planning process is successful is directly related to the extent to which individual participants have developed those qualities inherent in their spiritual nature.

### Planning Units and Structure

The last issue I'd like to address in this model is the concept of a planning unit and the observations we can make about the structure of these units. Again, drawing from the

biological model, we should think of these units as collections of individuals (individuals being the analogue of the cell) where each collection performs a specific function in the planning process (or exercises some form of authority over the domain of a particular goal adopted by the planning process).

If we examine the large firm, it's relatively easy to see these planning units. Research and development, marketing and sales, and finance all operate over portions of the domain of the firm's goals. In addition, we can see hierarchies of planning units within each of these units. For example, the research and development department of a large firm can have development teams which are responsible for specific product ideas, and each product team can be broken down into specific feature teams.

So, we see two kinds of relationships between planning units: lateral and hierarchical. Units which have lateral relationships operate in complimentary spheres of the planning process while hierarchical units operate at different levels within the same sphere of the planning process.

There is a good deal of literature in the field of Business Management which addresses aspects of both of these kinds of relationships. All of this literature can be summarized in the following, and last, positive statement of the present model: the extent to which planning units can appreciate their role in the overall planning process has a bearing on the success of the planning process.

I think these three statements can form the basis of a coherent model of Economic behavior. I think it has a good deal of explanatory power. For example, it can form the framework of an explanation for the failure of Soviet Socialism and some of the difficulties faced by the US capitalist system.

There are, however, some shortcomings I am not yet able to address. For example, the model doesn't directly address questions of employment. Though one could, possibly, draw the question into the planning process itself, that is one can allow full employment to be a goal that the planning process can chose to adopt, but I'm not fully satisfied with that notion since it gives us no way of stating, explicitly, how full employment can be reached.

METADATA

Views11670 views since posted 1997; last edit 2012;

previous at [archive.org.../schaut\\_bahai\\_economic\\_model](http://archive.org.../schaut_bahai_economic_model);  
URLs changed in 2010, see [archive.org.../bahai-library.org](http://archive.org.../bahai-library.org)

Language

English

Permission

author

Share

Shortlink: [bahai-library.com/489](http://bahai-library.com/489)

Citation: ris/489

select Collection:

Archives

Articles

Articles-unpublished

Audio

Bibliographies

BIC

Biographies

Books

Chronologies

Compilations

Compilations-NSA

Compilations-personal

Documents

East-asia

Encyclopedia

Essays

Etc

Excerpts

Fiction

Glossaries

Guardian

Histories

Introductory

Letters

Maps

Music

Newspapers

NSA-documents

NSA-letters

Personal

Pilgrims

Poetry

Presentations

Resources

Reviews

Scripts

Software

Statistics

[Study](#)  
[Talks](#)  
[Theses](#)  
[Transcripts](#)  
[Translations](#)  
[UHJ-documents](#)  
[UHJ-letters](#)  
[Video](#)  
[Visual](#)  
[Writings](#)

[home](#)

[sitemap](#)

[series](#)

[chronology](#)

[search:](#)

[author](#)

[title](#)

[date](#)

[tags](#)

[adv. search](#)

[languages](#)

[inventory](#)

[bibliography](#)

[abbreviations](#)

[links](#)

[about](#)

[contact](#)

[RSS](#)

[new](#)

— [Toward a Baha'i Economic Model](#) (Used by permission of the curator)