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Buddhist Economics

Buddhist economics is a major alternative to the Western economic mindset. It challenges the basic principles of modern Western economics, namely profit-maximization, cultivating desires, introducing markets, instrumental use of the world, and self-interest-based ethics. Buddhist economics proposes alternative principles such as minimizing suffering, simplifying desires, non-violence, genuine care, and generosity. Buddhist economics is not a system but a strategy, which can be applied in any economic setting.

No-self

Thomas Schelling characterized modern Western economics as an “egonomical framework.” Modern Western economics is centered on self-interest, understood as satisfaction of the wishes of one’s body-mind ego. Buddhism challenges this view because it has a different conception of the self, which is *anatta*, the “no-self”. (Elster, J. 1985)

Anatta specifies the absence of a supposedly permanent and unchanging self in any one of the psychophysical constituents of empirical existence. What is normally thought of as the "self" is an agglomeration of constantly changing physical and mental constituents, which give rise to unhappiness if clung to as though this temporary assemblage represented permanence. The *anatta* doctrine attempts to encourage Buddhist practitioners to detach themselves from the misplaced clinging to what is mistakenly regarded as self, and from such detachment (aided by moral living and meditation) the way to *Nirvana* can be successfully traversed. (Figure 1)

(Figure 1 should be placed somewhat here)

Modern neuroscience supports the Buddhist view of the self. What neuroscientists have discovered can be called the selfless (or virtual) self, “a coherent global pattern, which seems to be centrally located, but is nowhere to be found, and yet is essential as a level of interaction for the behavior.” The nonlocalizable, nonsubstantial self acts as if it were present, like a virtual interface (Varela, F.J., 1999).

The Buddhist cosmology has the entire universe at its center in contrast to the anthropocentric worldview of Western culture. For Buddhists human beings are humble in the totality and are essentially just grains of sand in the vast limitless ocean of space (Welford, R. 2006).

The Four Noble Truths of the Buddha address the dynamics of human life:

(1) Life is suffering. This has to be comprehended. With the increasing secularism and dissociation from nature and the environment, and rising expectations inside and outside work, people are becoming less satisfied with life and lifestyles.

(2) The cause of suffering is desire. This has to be abandoned. Heightened dissatisfaction arguably has implications for consumerism. First, there is an erroneous perception that purchasing goods is going to make one happy; and second, we are increasingly dissatisfied and thus unhappy or stressed because we are unable to deal with what is needed to change.

(3) The cessation of suffering is the cessation of desire. This has to be realized. By becoming aware that there is a root to the general societal malaise and avoidance of environmental and social responsibilities, we can understand that there is a way of stopping such complacency and beginning a path to sustainability.

(4) The path to the cessation of desire requires practice. To cease doing what makes us dissatisfied, we have to realize the result of that dissatisfaction and keep trying to behave in a more sustainable manner. Buddhism shows us that this is difficult and requires ongoing commitment and practice.

Even if one gets what one desires, greater desires always emerge. The ego mindset cannot be fulfilled and its greed for more satisfaction and recognition becomes the source of its own destruction. This is a source of suffering because the human spirit becomes captured by the avaricious mind. The way through this life of constantly unsatisfied desires is the practice of nonattachment—in other words, developing a distance from all desires (Welford, R. 2006).

Theory

British economist *E.F. Schumacher* (1911-1977) was first to develop Buddhist economics. He argued that the best pattern of consumption is to reach a high level of satisfaction by a low rate of material consumption. This allows people to fulfill the primary injunction of Buddhism: "Cease to do evil; try to do good." As natural resources are limited everywhere, people living simple lifestyles are less likely to be at each other's throats than those dependent on scarce natural resources.

According to Schumacher's Buddhist economics, production using local resources for local needs is the most rational way of organizing economic life. Economies should be based on renewable resources as much as possible. Nonrenewable resources must be used only if they are indispensable, and then only with the greatest care and concern for conservation. Schumacher states that Buddhist economics represents a *middle way* between modern economic growth and traditional economic stagnation. It seeks an appropriate form of development, the "right livelihood" for people.

Thai Buddhist monk *Venerable P.A. Payutto* (1939–) developed his own conception of Buddhist economics. He suggests differentiating between two kinds of *desires*. One is "tanha" and the other is "chanda". Tanha is directed toward feeling; it leads to seeking objects that pander to self-interest and is supported and nourished by ignorance. Chanda is directed toward true well-being; it leads to effort and is founded on intelligent reflection. By training we can live less and less at the directives of ignorance and tanha and more under the guidance of wisdom and chanda. Economic activity should be a means to a good and noble life. (Figure 2)

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At the heart of Buddhist economics is the wisdom of moderation. In Western economics unlimited desires are controlled by scarcity, but in Buddhist economics they are controlled by an appreciation of moderation and the aim of well-being. Whenever we use things we can take the time to reflect on their true purpose, rather than using them heedlessly. In this way we can avoid overconsumption and understand the middle way.

Nonconsumption can contribute to well-being. Buddhist monks eat only one meal a day and strive for a kind of well-being that is dependent on little. Buddhist economics recognizes that certain demands can be satisfied through nonconsumption. The path to true contentment involves reducing the artificial desire for sense-pleasure, while encouraging and supporting the desire for *quality of life*. Buddhist economics judges the ethical value of wealth by the way in which it is obtained and the uses to which it is put. Harmful actions associated with wealth can appear in three forms: seeking wealth in dishonest or unethical ways; hoarding wealth for its own sake; and using wealth in ways that are harmful. Buddhist economics aims the realization of true well-being by activities that neither harm oneself nor others.

Principles

While modern Western economics promotes doing business based on individual, self-interested, profit-maximizing ways, Buddhist economics suggests to *minimize suffering* of all sentient beings, including nonhuman beings. In Buddhist economics a project is worthy to be undertaken if it can reduce the suffering of all beings, which are affected. Also, any change in economic-activity systems, which reduces suffering, should be welcomed.

Modern Western economics cultivates desires. People are encouraged to develop new desires for things to acquire and for activities to do. The profit motive of companies requires creating more demand. But psychological research shows that *materialistic value orientation* undermines well-being. Psychologists call the mechanism through which people seek to satisfy their desires “auto-projection.” It is a *loser strategy*, whether or not people achieve their desired goals. When they are not able to reach the

goals they envision, they attribute their continuing dissatisfaction to their failure to reach the alleged corrective measures. When they succeed in attaining their goals, this usually does not bring what they hoped for and their feelings of discomfort are not relieved. So striving for satisfying desires never brings people the fulfillment they expect from it (Grof, S. 1998).

Buddhist economics suggests not to multiply but to *simplify our desires*. Above the minimum material comfort, which includes enough food, clothing, shelter, and medicine, it is wise to try to reduce one's desires. Wanting less could bring substantial benefits for the person, for the community, and for nature. Buddhist economics recommends moderate consumption and is directly aimed at changing one's preferences through meditation, reflection, analyses, autosuggestion and the like. (Kolm, S-C. 1985)

Modern Western economics aims to introduce markets wherever social problems need solving. *Karl Polanyi* refers to the process of marketization as "The Great Transformation," by which spheres of society became subordinated to the market mechanism. (Polanyi, K. 1946) In the age of *globalization* we can experience this marketization process on a much larger scale and in a speedier way than ever.

The main guiding principle of Buddhist economics for solving social problems is *nonviolence* ("ahimsa"). It requires that an act does not cause harm to the doer or the receivers. Nonviolence prevents doing actions that directly cause suffering for oneself or others and urges participative solutions.

((The community-economy models are good examples. Communities of producers and consumers are formed to meet both their needs at the lowest cost and reduced risk by a long-term arrangement. Community economy uses *local resources* to meet the needs of *local people* rather than the wants of markets far away. World prices do not determine what will be produced and the key production processes need to be run entirely without inputs from the world system. Community economy is based on self-reliance that is closely linked to ecological sustainability. Practically speaking, *living within limits* and sustainability are one and the same thing. Every community should

achieve ecological sustainability by exploiting the ecological niche available for itself. (Douthwaite, R. 1996))

In modern Western economics the value of an entity (be it human being, other sentient being, object or anything else) is determined by its marginal contribution to the production output. A project is considered worthy of undertaking if and only if its discounted cash flow is positive. Buddhist economics proposes to abandon this kind of calculative thinking. It urges taking genuine *care* of all the beings affected by one's action. Caring organizations are rewarded for the higher costs of their socially responsible behavior by their ability to form commitments among owners, managers and employees and to establish trust relationships with customers and subcontractors.

The basic problem with the instrumental approach is that it generates the worst response from the beings involved. To get the best from the partners requires taking genuine care in their existence.

Robert Frank developed five distinct types of cases when socially responsible organizations are rewarded for the higher cost of caring. (i) Opportunistic behavior can be avoided between owners and managers. (ii) Getting moral satisfaction, employees are ready to work more for lower salaries. (iii) High quality new employees can be recruited. (iv) Customers' loyalty can be gained. (v) The trust of subcontractors can be established. (Frank, R. 2004)

In modern Western economics there is only a little place for ethics. The Western economic man is allowed to consider the interest of others only if it serves his or her own interest. The self-interest based, opportunistic approach often fails. Buddhist economics encourages *generosity* in business and social life. It usually works because people tend to reciprocate what they get and often they give back more in value than to the doer originally gave to them.

Ernst Fehr and *Simon Gaechter* designed a gift exchange game in which the employer makes a wage offer with a stipulated desired level of effort from the worker. The worker may then choose an effort level, with costs to his or her rising in effort. The employer may fine the worker if his or her effort level is thought to be inadequate.

The surplus from the interaction is the employer's profits and the worker's wage minus the cost of effort (and the fine, where applicable). The self-regarding worker would choose the minimum feasible level of effort, and, anticipating this, the self-regarding employer would offer the minimum wage. But experimental subjects did not conform to this expectation. Employers made generous offers and workers' effort levels were strongly conditioned on these offers. High wages were reciprocated by high levels of efforts (Bowles, S. 2004).

Not a System but a Strategy

Buddhist economics represents a minimizing framework where suffering, desires, violence, instrumental use, and self-interest have to be minimized. The saying "less is more" nicely express the essence of Buddhist economics. Modern Western economics represents a maximizing framework. It wants to maximize profit, desires, market, instrumental use, and self-interest and tends to build a world where "more is more" (Table 1).

(Table 1 should be placed somewhat here)

Buddhist economics represents a strategy, which can be applied in any economic setting. It helps to create *livelihood solutions* that reduce the suffering of sentient beings through practicing want negation, nonviolence, caring and generosity.

Modern Western economics cultivates narrow self-centeredness. Buddhist economics points out that emphasizing individuality and promoting the greatest fulfillment of the desires of the individual conjointly lead to destruction. Contemporary research on *happiness* shows that not material wealth but the richness of personal relationships determines a happy life. Western economics tries to make people happy by supplying enormous quantities of things and services. But what people need are caring relationships and generous love. Buddhist economics makes these values accessible by direct provision. Wanting less and living in a nonviolent way can substantially contribute to *peace*. Permanence, or *ecological sustainability*, requires a considerable reduction in the present level of consumption and production. This reduction should not be an inconvenient exercise of self-sacrifice. In the noble ethos of reducing

suffering it can be a positive development path for humanity.

See also chapters on *Community economy*, *Materialistic value orientation*, *Schumacher's people centered economics*.

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Figure 1 *Buddhist Symbol of No-self*



Picture 2 *Venerable P.A. Payutto*



Table 1 *Modern Western Economics versus Buddhist Economics*

| Modern Western Economics | Buddhist Economics |
|---------------------------------|---------------------------|
| maximize profit | minimize suffering |
| maximize desires | minimize desires |
| maximize market | minimize violence |
| maximize instrumental use | minimize instrumental use |
| maximize self-interest | minimize self-interest |
| “more is more” | “less is more” |