

Buddhist Economics - An Ethical Remedy for The Prevailing Neoclassical Economics

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Abstract

The concept of Buddhist Economics proposed in this paper is able to address the issues faced today by the neoclassical economics. However, there are inherently two problems in putting such a concept to execution in reality. Firstly, the world is largely diversified in culture and religion, it is thus not easy to get the acceptance from the West and different religious views for a theory that is originated from the East and based on Buddhist principles. Secondly, the prevailing economy is so engulfed on positive economics that dictate what is to be done with mathematical modelling and numbers but less of the normative or ethical aspect of what ought to be done. The former may be addressed by first building a successful economy model in a Buddhist country that proves the viability in today's context. The latter may require investigating further into the combination of neoclassical economics and Buddhist economics as the initial stage of re-forming the current economy.

Keywords : Buddhist Economics, An Ethical Remedy, The Prevailing
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Introduction

The prevailing economy of maximizing GDP based on mathematical modeling is developed under the assumption that it should improve consumption and result in better well-being for society. This consequently affects the function of the three factors of production in economics, namely natural resources, labor and capital, and results in the wrong focus on increasing materialistic values and desires. The method of mathematical modeling based on a set of assumptions has its origin in the twentieth century when its use on neoclassical economics becomes dominated in the academic institutions, government services and industry bodies. This approach is then extended to financial markets where the behavior and competitiveness of the market is modeled and rationale by prices and thus results in the insane pursuit of virtual wealth fueled by personal greed. Therefore, the neoclassical economy today skews towards inexorable increase of consumptions and incomes that creates a formidable spiral of desires. However, as stated by (Greenham, Tony, and Josh Ryan-Collins, 2013: 164). "the highly restrictive assumptions about human behavior and markets required by neoclassical theories are completely unrealistic". These unrealistic assumptions are used as

a decision basic to justify the economic policy today. Therefore, the current economic models omit important information about ecological and social impacts and result in a series of problem including the abuse of natural resources, financial crises, inequality, social insecurity, poverty. Just as aptly described by (Greenham, Tony, and Josh Ryan-Collins , 2013 : 16-17). that the prevailing neoclassical economy “supports the primacy of the financial system over the economy, and in turn the primacy of the economy over social needs and ecological realities”. This is basically a description of a mechanistic system that creates materialistic value to satisfy personal desires. It is purely materialistic value-orientation, which leads to spiritual poverty

assert that “neoclassical economics and the values of materialism tend to deepen the suffering of humanity and the problems of the world”. This is further demonstrated by the recurrences of financial crisis that are largely due to moral failure (Sharma, Umesh, 2013 : 250-263) Thus, there is a need for an alternative economic theory that is both able to genuine provide for the well-being of the society and manage the lapse of moral and ethical values in today’s economy. This paper makes a comparison of two major economic components, namely consumption and production, between the prevailing neoclassical economy and Buddhist economy, and aims to justify the framework of Buddhist economy can be adopted to replace the neoclassical economy for the genuine welfare of the society. (Kovács, Gábor, and CristianRLozaAdaui, 2014 : 2)

Overemphasis on the growth of GDP

The current overemphasis on the growth of GDP in the modern economics is due to the belief in the concept of utilitarianism adopted by neoclassical economics that judges actions by their outcomes. This leads to a fallacy on any method utilized to attain a worthy end is justified by the worthiness of that end and thus results in the current practice of achieving continue growth without due attention to the consequences of the means to achieve the end. Therefore, in order to achieve the incessant growth of GDP, nations and financial markets devise ways to achieve the end but are oblivious of the ethical aspect of the means such as the abuse of natural resources, replacement of jobs by automation, complex debt instruments, etc. This belief system is reinforced by the success of the reformation of China’s economics in the past two decades and triggers a trend to follow suit by many nations. However, (Greenham, Tony, and Josh Ryan-Collins, 2013 : 19) observes that this approach maybe applicable only to a minor groups of early industrializing nations and it is now outlived its usefulness. This can be seen from the result of increasing conflicts among nations, the ecological problems faced today and the recent recurrences of financial crisis. Payutto (1994) points out in Buddhist perspective that “it is not the end which justifies the means, but rather the means which condition the end.” It is this wrong focus that always

leads to disaster outcomes such as violence, tension, instability or even the collapse of society. The Buddhist teaching of causality not only emphasizes the means over the ends but also necessitates ethical judgment in achieving the end. This facilitates to refocus on the conditions which stresses on utilizing the right ways that are beneficial for the well-being of the human beings knowing clearly that the society is the result of these means.

The problem of consumption

The emphasis of the growth of GDP is also wrongly based on one of the assumptions that equates consumption to happiness. This assumption is based on the rationale of the increase of incomes or GDP will result in the increase of consumption, thus the increase of happiness. However, there is a flaw in this rationale. The current outcomes of instability and insecure economics indicate that consumption does not equate with happiness. This is further justified by Easterlin (1974) findings that “economic growth in a country did not necessarily lead to a rise in average levels of happiness”. Schumacher (1993) also points out that “consumption and material wealth are poor proxies for well-being and the aim of economics should be to obtain the maximum of well-being with the minimum of consumption”. In Buddhist point of view, the continual increase of consumption is basically the wrong use of goods and services to satisfy the desire for pleasing sensations or ego-gratification (Payutto, Ven P.A, 1994 : 89) This wrong consumption arises from *tanhā* and will ultimately lead to suffering due to the ignorance of human beings. In order to avoid this suffering, another form of desire called *chanda* which is the desire for well-being based on wisdom, is suggested by Payutto (1994) to replace the current interpretation of consumption. Thus, in Buddhist economics, consumption is a requirement for the attainment of well-being and spiritual development.

First factor of production – natural resources

The modern economics does not take due consideration on natural resources such as water, energy, trees, etc. These resources are either considered to be inexhaustible or not properly accounted for in term of the effect on the ecological system, thus have been taken for granted to be wasted or destroyed at the expense for the growth of economics. There is simply no awareness of the dependency of human life on the ecosystem of many different forms of life. There is also no distinction between renewable and non-renewable material because monetary price is the only distinction. On the contrary, Buddhist economics upholds the Buddha’s teaching of a non-violent attitude not only to all sentient beings but also, with great emphasis, to the environment. ThichNhatHanh states that “we should deal with nature the way we should deal with ourselves. We should not harm ourselves; we should not harm nature. Human beings and nature are inseparable”. On this basic,

Schumacher proposes recognizing the essential difference between renewable and non-renewable resources and using non-renewable resources only when is indispensable and with great care. Exploitation of non-renewable energy such as coal, oil, natural gas, at an ever-increasing rate is considered as an act of violence against nature which will eventually lead to violence between men (Guruge, Ananda W.P., 2006 : 12-21)

Second factor of production – labor

The neoclassical economic theory of work treats people as goods and leads to specialization, which is dehumanizing and makes work a meaningless money-earning process (Kovács, Gábor, and Cristian RLozaAdaui, 2014 : 56 - 66). From the perspective of the employer, it is necessary to increase labor productivity in order to reduce the cost of labor to increase the gain of profit. (Sharma, Umesh, 2013 : 250-263) points out that in the view point of neoclassical economy, “labor is seen as an economic resource, a means to a productive end, and a cost to be minimized”. This is simply in accordance with the game of maximization justified by the prevailing economy. The search for ever-rising labor productivity thus resorts to automation in technology that results in the replacement of labor with machines and the so-called specialization of work. This process actually de-skills the workers and makes work monotonous and without meaning. Schumacher (1993) accuses this process as self-defeating as it produces undesirable effects on both the individual and society. The specialization process poses a serious problem in the loss of jobs and unemployment. The International Labor Organization warns of a ‘lost generation’ of youth dropping out of the labor market and having lost all hope of being able to work for a decent living (Bandarage, Asoka, 2013 :232-240).

This approach to production also produces negative social impact for the society. The increase of capital through production based on technology concentrates wealth in the hands of the owners of capital, and thus results in a social problem of widening gap between the rich and the poor. From the perspective of the worker, work is now seen as an essential activity in the acquisition of wealth to be used for consumption and thus to be minimized or even avoided if possible since work is not able to provide any other form of satisfaction than merely monetary. Buddha states that “you should do your work, for the tathāgatas only teach the way”. The essence of Buddhist teaching is thus dependent on individual effort to strive for a better spiritual life in order to attain enlightenment. Therefore, in Buddhist perspective, the functions of work are not just to produce goods and services but also to provide fulfillment, satisfaction and opportunities for collaboration and social interaction that are cornerstones of human well-being based on individual effort. (Schumacher, Ernst Friedrich, 1993 : 79-91).

Third factor of production – capital

As mentioned above, the prevailing economy places financial system above the economy, social needs and ecological realities. This order of priority is established not without reasons under the objective of ever-rising GDP for the prevailing economy. Firstly, without capital, other factors of production such as natural resources and labor will become handicapped and the successful economic development of a nation depends on how much capital is available to the nation. Thus, under the current assumptions, the increase in capital results in the increase in production and will thus facilitate maximizing GDP. Secondly, in the ordinary language, capital is used in the sense of money and money is basically a social construct and man-made. The easier way to create money in the neoclassical economy is through the financial system by extending credit with interest rate and expanding the bank's balance sheet. Therefore, it is important for the neoclassical economy to focus on financial system in order to achieve the objective of maximizing GDP.

These rationales foster the opportunity for the financial industry to be creative on money creation instruments especially under the movement for the call of de-regulation in the last two decades. Today, the financial system is so familiar with the creation of virtual wealth with interest-rate debt which Nobel Prize winning scientist Frederick Soddy termed it as 'virtual pig'. The virtual pig, unlike the real pig that is subjected to real situations with limitations and death, is capable of multiplying without limit. It is the exact description of virtual wealth that is an innovative instrument of the current financial system and "can grow by itself by the addition of interest, and even interest upon the interest (compound interest)". (Greenham, Tony, and Josh Ryan-Collins, 2013 : 169). This innovation in the financial industry aiming originally to achieve the very objective of the neoclassical economy results in the frequent recurrences of financial crisis nowadays and thus the rise of social problems such as insecurity, unemployment, etc. Many scholars have investigated into the recent financial crises such as the recent collapse of Lehman brothers and proposed that the frequent occurrences are due to a lapse in moral values in the financial system. It is greed and conceit that are supported by the financial system and motivate the unethical creation of virtual wealth that builds up an excessive amount of debt without due considerations for the harmful consequences for the entire society. Faugère (2014) has clearly pointed out that the current system has allowed the gamble of "enormous amount of money that put entire economies in peril" and thus "strayed away from its original purpose of providing capital for greasing the wheel of economic growth". Therefore, there are earnest calls from various scholars now to incorporate the concept of Buddhist economy with proper ethical values to salvage the flaws of the prevailing neoclassical economy. Buddhist economy promotes selfless motives that provide genuine well-being for the society by eliminating greed and conceit through the practice of noble eightfold path.

The concept of Buddhist Economics

The objective of Buddhism is to achieve enlightenment by liberating from suffering, which is caused by desire, hatred and delusion. Thus, the teaching of Buddha encourages restriction of sensual pleasures and living in a non-materialistic way of life in order to reduce craving for desire. This teaching of promoting the virtue of less desire often results in the query of the possible relation between Buddhism and economics. Buddhist Economics is first coined by (Sharma, Umesh, 2013 : 250-263) in an article proposing a “middle way” of development with ethical considerations based on his experiences as the economic consultant with Burma. In contrast with the neoclassical economics that focuses on the end results and excludes values such as ethical in the process, Buddhist economics follows the law of causality as discovered by the Buddha to work on the means that are aligned with right livelihood of noble eightfold path and emphasizes well-being for both individual and society. Consumption is taken as maintaining basic wealth and is a necessity for individual in order to progress in the spiritual path. This approach facilitates to contend the unnecessary desires and thus manage the ethical issues of greed and conceit generated by the neoclassical economy. Therefore, production is re-directed towards individual efforts and to serve the needs of people, not the demand of the economic system. There will be the awareness of living in harmony with the nature and the wisdom of utilizing natural resources with great care. The human effort is emphasized instead of focusing on technology improvement. More importantly, the ethical issues in the financial system that impact the stability of society are properly addressed by refocusing on the spiritual well-being that will eliminate greed and conceit. Such an economic system will not be required to emphasize on ever-rising growth that germinate social and ecological problems, instead transit to a secured and harmonious environment that is conducive for spiritual progress.

Conclusion

The concept of Buddhist Economics proposed in this paper is able to address the issues faced today by the neoclassical economics. However, there are inherently two problems in putting such a concept to execution in reality. Firstly, the world is largely diversified in culture and religion, it is thus not easy to get the acceptance from the West and different religious views for a theory that is originated from the East and based on Buddhist principles. Secondly, the prevailing economy is so engulfed on positive economics that dictate what is to be done with mathematical modelling and numbers but less of the normative or ethical aspect of what ought to be done. The former may be addressed by first building a successful economy model in a Buddhist country that proves the viability in today's context. The latter may require investigating further into the combination of neoclassical economics and Buddhist economics as the initial stage of re-forming the current economy.

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