

BASIC ELEMENTS OF BUDDHIST ECONOMICS

PERSPECTIVES

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Abstract

This paper attempts to show that the quantitative Buddhist Economics (BE) “can be done” with the modern techniques which are well known and available to the community in any of the society in the world. We wish to emphasize the importance of this point because we feel that it is investigation of this kind which will take BE out of the underworld of economics and make its input and important and necessary part of traditional economics. The data and information were collected from deferent sources available in Buddhist literature and discussion with key informants who practice the Buddhism. BE starts with a belief in the power of the people and in their ability to change their thought and thus their economics and their environment. This shapes the distinction draw between social science and social actions, between thought, descriptions and acts. The world is spun by the mind. Buddhism asks you to give up your ego and this life for the benefit of others and for the happiness of your future life. Buddhist saints, like all the rest of saints, did not have fun. Being with a realized being is no fun: it is being with emptiness itself. BE tries to decipher some of this: to look at this secular and religious lives simultaneously. The conclusion is – as well we know – it is possible to do that but it is not easy. BE tries to explain that and to give some guide-lines: on the demand and supply side.

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INTRODUCTION

For the purpose of this paper, we shall go along with Schumacher's definition of Buddhist Economics (BE). The title: Buddhist Economics may be seen as a proxy for a meta-economics. It deals with the connection among ethics and political economy, as so well explained by Daly (1991). Needless to say, we feel that it is a part of the job of some economists to approach the study of this "inter-disciplinary complex" from the economic end, just as some of the religious leaders, statesman, and philosophers approach this topic from the "other" end. At this point, however, it may be useful to distinguish our line of approach from the important work of Boulding (1968). After Schumacher (1973), we have often seen quoted Boulding's sentences which at the same time contain the words economics and religion. It would be a mistake, however, to conclude that he deals with the interpenetration of religious values or of ethics with economics. In Boulding's work, the causality runs from economics to the religious institutions which are viewed, much as our factories and schools of finance, as the outgrowths or the replicas as the emerge of capitalism. A product of the capitalist environment, he does not see a way out of it. The view of this paper is, in a positive sense, ideological. With this context, this paper attempts to show that the quantitative Buddhist Economics "can be done" with the modern techniques which are well known and available to the community in any of the society in the world.

Buddha¹ was no economist; he left the job to some of us, as he searched for the ultimate answers. Economics was not invented to give ultimate answers. It gives the answers to designing of the way of life, which, if pursued, leads to enlightenment. Buddhist Economics deals with the Eight – Fold path², the middle way, and it stresses what we all know: inseparability of *artha* and *dharma*³, the fact that we practice Buddhism and attain what we are destined to attain this human body.

Buddha did say "prices" on several occasions; he did not say "demand", "supply". He was into the ultimate solutions; he left the footnotes on the day-to-day living in the lectures on the Eight – Fold path and two truths:

¹ A Buddha is an enlightened person who acts spontaneously for the benefit of all others, with compassion, wisdom and energy.

² The Eightfold path includes of right view, thought, speech, action, effort, vocation, mindfulness and concentration.

³ The doctrine of the Buddha; it has two aspects instructions and understanding, former being what one learns latter one's internal realization.

the ultimate and the relative. He showed us several lands of bliss in which economics is irrelevant, in which our needs are satisfied and salvation guaranteed. In the Vimalakirti Sutra he taught the identity of *Sansara*⁴ and *Nirvana*⁵. If you go North of Berkley to Ukiah, take the first exit and turn right you will be in the pure land built by the Venerable Master Hsuan Hua. But when we are at home, you find in your holes that it is easy to dedicate one's self to a better future life.

With all our imperfections, greed, lusts, and depression, we must choose to use this life in worthwhile ways. This is the way of the *Bodhisattva*⁶, even though he looks like me, short, ugly and near-sighted and only but 2% *Bodhisattva*. BE does not deal with perfection; with rich donors; it deals with imperfections, scarcity of time and money; people stuck in dead end jobs; and the path to perfection. Why not?

The root part of BE is the individual and his motives: The precepts we take, the *paramitas*⁷ we strive to achieve. From the point of an economist, these can be regarded as motives to be expressed in action, not only as a set of ethical rules. They become internalized through a practice of many lifetimes and through practice now. The educational value of Buddhism is that it tells you how to transform your motives for the benefit of other sentient beings and not for your own, as in Lam Rim Chenpo⁸. It is the unlearning of Jeremy Bentham and "me-my-I".

MAKING OF BE

We start with Milton Friedman's definition of economics into the Positive and Normative parts. BE keeps the good parts of Positive Economics and fills in the Normative part. In this presentation, Buddhism is the only content in the normative part and this is a simplification.

⁴ The cycle of existence in the three realms, the desire realm, form realm and formless realm.

⁵ Passed from suffering; the state of ceaseless bliss and extinction of all Fettering passions.

⁶ A *Bodhisattva* is a person who has vowed to attain enlightenment for the sake of all living beings and aspires to behave in daily life as he/she was already a Buddha. His/her behaviour follows the rules of the *paramitas* and the middle way.

⁷ *Paramitas*: perfection; in our case a motive an action.

⁸ Lam-Rim- A Tibetan "how to become enlighten"

Suppose a recursive model of an economy is written as follows:

$$\mathbf{Y} = \mathbf{A} + \mathbf{B}\mathbf{X} + \mathbf{C}\mathbf{V} + \mathbf{E}$$

In which,

\mathbf{Y} = a vector of indigenous variables;

\mathbf{A} = a matrix of constants;

\mathbf{B}, \mathbf{C} = matrices of slope;

\mathbf{X} = a vector of exogenous economic variables;

\mathbf{V} = a vector of value variables which have a significant effect on \mathbf{Y} ; and

\mathbf{E} = the errors of matrix

\mathbf{V} is a value block or, as we shall refer to it, a \mathbf{V} -block, composed of variables which are not traditionally regarded as “economic” variables. The notion of what is an “economic” variable, as we know is both subjective and impermanent. The economic variables of Ricardo and Malthus, for example, were quite different from those in Keynes’ *General Theory*.

The \mathbf{X} and \mathbf{Y} vectors are the economic variables as measured by the important U.S. statistical agencies: investment, consumption, savings, GDP, etc. The “togetherness” of these variables we call the Materialistic Block or the \mathbf{M} -block.

The \mathbf{V} -block, then, can be composed of Buddhist elements -b-elements—the yet unmeasured values, mores, and feelings which influence, in complicated ways and with various strengths, the readings of the empirical values in the \mathbf{M} -block and the variables and coefficients related to them, as well as the \mathbf{Y} vector.

A typical embedded equation of this “Buddhist” model then can be:

$$\mathbf{Y} = \mathbf{a} + \mathbf{b}\mathbf{x} + \mathbf{c}\mathbf{v}_1 + \mathbf{e}$$

If, for example:

\mathbf{Y} = a quantity of automobiles demanded;

\mathbf{a} = a constant or intercept;

b, c = slopes;

x = income of individuals;

e = estimating error; and

V₁ = the b-element variables patience and Mindfulness;

and if the coefficient *c* is significantly from zero, we can say that this is a demand curve of “Buddhist” set of individuals for automobiles. For their purchases, in this example, Patience would enter on the timing of the purchase while mindfulness would relate to the appropriate selection of the model. An effect would be a decrease in impulse buying and an increase in the need for informative advertising.

Ideally, in a Buddhist Economics, only one variable – a constant – would be needed to define the V-block: enlightenment. As enlightenment cannot be captured by “economic language”, we use b-elements as the value variables. They are, then, one basis on workable normative economics can be built.

The Buddhist scriptures give us a good source of b-elements—ethical and psychological elements of human behaviour which describes an essentially Buddhist type of “personality”. Because the Buddha was teaching different individuals with different endowments and aspirations, he gave his teaching in a heterogeneous way. One of these was related to appropriate conduct, another related to the *dharma* of the four truths, another corresponded to the *dharma* of twelve causes and conditions.

It is in the *Lotus Sutra* and the *Maha-vyutpatti* that we found the *paramitas* which related directly to ordinary persons trying to follow the Buddhist path towards enlightenment. From these works, and from discussions of meditation instructions and their experiences, we have derived our b-elements.

The *paramitas* are defined in the Buddhist Sanskrit literature as follows:

- 1) Dana (giving, generosity, liberality);
- 2) Sila (perfect virtuous conduct, morality);
- 3) Ksanti (absolute forbearance, patience);
- 4) Virya (energy);
- 5) Dhyana (un-disturabable contemplation);
- 6) Prajna (wisdom)

These are six chief *paramitas*. The four supplementary *paramitas* are:

- 7) Upaya or upaya – kaucalya (skilfulness in the choice or adaption of means for conversion or succour);
- 8) Pranidhana (aspiration or intention)
- 9) Bala (strength, power); and
- 10) Gnana (knowledge)

These last four *paramitas* can also roughly be expressed (in order) as skilful means, conviction, self-reliance and education.

From our point of view, the *paramitas* or “six perfections” may be regarded as the externally given normative rules of conduct which an aspiring Buddhist, or a *bodhisattva*, or a person the Buddhist path, over a period of years, will attempt to internalize. A brief summary of this discussion is given in table 1.

Table 1, b – Elements and Behavioural Expressions of Economic Assumptions

Aspect	Traditional Economics M – BLOCK	Buddhist Economics V - BLOCK
Type of person	“Economic Man” of Adam Smith	A Buddha A Bodhisattva
Operators	Rationality Maximization Minimization Optimization	Rationality Middle - Way Co – determination Optimization Indeterminacy
Variables	Utility, Profit Costs, Consumption, Investment, Unemployment, Rate of Utilization, Productivities	Perseverance Generosity Patience Compassion Impartiality Perspective Mindfulness
View of the World	One point in time and Space -- Euclidian	Impermanence... Multiple universes and Three Buddhas past, present and future
Behavioural force	Competition	Cooperation

Here are some examples:

ONE

A Buddhist firm would not single minded set out to maximize short run profit, or sales volume at the expense of a labour force or its competitors, trying to squeeze the most out of its capital investment. Alternative solutions exist. By incorporating the b-elements – particularly Generosity and Perspective – in its search for a path between extremes and looking forward to cooperation, retaining, and changes in work-hours to enhance the productivity of its workers the firm can prosper. Similar approaches are a part of the “Japanese” system of management. Many of the new stated efforts of the U.S. Department of labour in 1994 follow similar lines of thought.

TWO

Buddhist economics addresses the problem of exhausted resources and scare supply. Before being confronted by real or imagined shortages, or rising prices, the Buddhist Economist would say “drop your demands”. This is one of the economic meanings of the b-element Generosity – do with less so that others may have more. It hits the demand side. The Buddhist Economist would say that by using the b-elements we can create the best future that can be conceived at this time; the pursuit of the *paramitas* in all walks of life, and at all times, is a good rule that leads to the benefit of all in the long run.

Schumacher’s idea of appropriate technology illustrates the application of “skilful means” on the supply side. Capital equipment must be appropriate or, failing that, “small”, with a high labour/capital ratio. This is appropriate to the total environment. Buddhist Economics also places emphasis on vigorous learning and the application of that learning: on all inventions.

It would be naïve to think that strategies, tactics, and techniques for social change will arise naturally out of love and compassion. They need be love or compassion motivated, but right action needs support and expertise, which Buddhists call wisdom, and an energy drive.

THREE

In 1991 I showed that one can buy cheese and socks and enlightenment, at the same time, in the market place. In this I followed Gary Becker’s theory of consumer behaviour, introduced a new good -- “enlightenment” – in addition to ‘one commodity’ such as food, had six income constraints and four time constraints, did Lagrangean

multipliers, followed Kramer's rule, and used the Jacobians. One result was a price solution both for 'food' and 'enlightenment'. A second result was that the desire for more satisfaction from the "enlightenment" good leads to a "corner solution" in goods choice. In other words, the Buddhist practitioner cuts down on his work time, perhaps income, on consumption expenditures, and practice more.

The conclusion, in other words, is that the solution confirms what we all feel -- that the pursuit of enlightenment is costly.

SPECULATIONS IN MACROECONOMICS

Beyond what many others with a good heart say on the topic of policy, I have little to add. On the whole, one can't go wrong in policy design if one is well intentioned, other - oriented, wise, and ethical and has a team of professionally competent economists. The overlap of Buddhism and Economics, however, provides a Bateson "depth of field". I have, thus, three main points. First, economic policy - making is a highly technical field (like building an ocean liner); it has many buttons to push. What we need, therefore, is young people trained in Economics, ethics and, if you wish, social/cultural anthropology. Two, the conduct of a Buddhist Economic policy could pursue many objectives: full employment, education and so on. But it would be costly in dollar terms, it would lower per - capita disposable income, and step on many egos. In preparation for that, citizens should learn to demand tax hikes and accept bigger deficits. If we are prepared for this type of re-training, we are on a way to thinking the policy uses of Buddhist Economics. This is a test. Three simple policies, like consumption and user taxes and subsidies can work and be legislated first. Individual practices are tools for transforming one's mind and energy and applying it to one's environment. In the U.S. President Clinton's increases on gasoline, liquor and increased progressivity of the whole tax system are some of the examples. The urgings to reduce borrowing by consumers and to raise savings, and investment in industries, and in labour, by President Bush, and, then Clinton, are further examples of "going green", something that even *Shariputra* would agree on.

What would be the "policy ends" of a Buddhist Economics? For consumers, their individual policy would include finding a useful job, curtailing consumption, spending more time and resources on religious practices becoming dedicated to being an energetic and mindful

member of society. In short, one would attempt to “act locally and think globally”, to benefit self, others and future generations.

For producers, the path of the middle way would provide the guide to finding ways of also helping individuals and society. Industries including the government would produce socially useful goods and services to satisfy the needs rather than desires, decreasing the production of those goods which are unnecessary or harmful. Among their ends would be reasonable profits and appropriate hi-sci-technology.

SOME DIAGNOSTICS AND RED FLAGS

1. In the U.S. Buddhism may be middle class and yuppie. No massive Buddhist movement is on the horizon. BE, therefore, is a tool for thought only. As you know, even after a Constitutional Change, it takes some 50 years to reach a new equilibrium.
2. BE – on the personal level – asks the individual to do more and get less: to give up the narcissism of the known “me, my, I”. This rubs us the wrong way. Buddhism in the future, in America, like our education, entertainment and religion industries, may become more consumer driven, more ‘feel good’ - product oriented.
3. The legislature in both of our countries is into privatization and downsizing. HHDL14, several decades ago, and Agvam Dorziev in the 1920’s, felt that Buddhism, although a – political, is more Socialism compatible.
4. Doing Buddhism on the cushion and in the market place, is good for our *Karma*, our future lives; it makes us better people now.
5. This (4) above, minimally, contributes to sustainability and environmental quality in a voluntary way. It is workable even in the most of the Republican regimes.
6. The (5) above may have an aesthetic by-product: we shall see the world as more beautiful and make it so.

SUGGESTIONS FOR FURTHER WORK

- 1) It is a thought to have a discussion, once a year, in the *sangha* on the topic of money management, economics. It is it would be essential to distinguish the good natured advice, as la Benjamin Frankling, from Economics. Without a proper perspective on the latter, it would be hard to make proper decisions in the future; this is what we say in our introductory courses.
- 2) The relating of our sitting to the market place is not out of question. I know of monks who have no dental or medical insurance and have bad gum problems.

But this step has to originate with our Western Economics, and, Political Science, if you wish. There is no need start from zero; it was the West which discovered and refined Economics as a science. The fact that it has been based on the specific, island – type set of assumptions is a historical fact; also, these assumptions in turn have received re-definitions in the hands of the Chicago school and of the Economic Reports of the President of the 1980’s. But, again, so did Amartya Sen. It need to be stressed that the science of managing of the economy or of one’s own lifetime budget is sophisticated.

CONCLUSION

Objective of this paper has been to discuss some basic elements of Buddhist Economics, with a view of relating them to traditional economics, to the mutual development of both. The objective of this paper is not advocate anything- the creation of a “just society,” an appeal for write or wrong, a return to “early ideals”- but it is to attempt to illustrate the possibility and even the necessity of the inclusion of values in economic discussions and resulting decisions.

Our language, our tools, our methods, and solutions-bringing techniques define the problems we wish to attack in real and in intellectual life. This is as true of other areas as of economics. Economics, however, is in a “fortunate’ position; it is both a theory and a technique with a reality check imposed upon it.

Buddhism, as other philosophies and religions, also has a concept of the ideal. The Buddhist notion or definition of the ideal starts internally – as

small point deep within a person's heart- and "many lifetimes" are to be devoted to the reaching of that ideal. In contrast, the Western notion of the ideal is often more external, material, corporeal, and instantaneous.

In this paper, in our discussion of "ideal" motives and values, we have illustrated how the pursuit of "transcendental" goals can act as both a motive and an incentive to economic activity. In our time, the pursuit of an ethical motive may very well be less zealous than the pursuit of those two "materialistic" motives of profits and utility; but historical experience seems to suggest that prices and quantities can be formed, decisions are made, and trade can take place even in the absence of these latter concepts.

We believe that Buddhist decision making would lead to a more satisfactory performance of the economic system. Economic systems fail, in the final analysis, not just because they cannot generate enough bread or wheat (or can generate too much), but because they either tame the minds of men too much.

Economics was meant to be both ethical and useful. It must speak the language of the users. A Buddhist economics might help us to work with current and future situations and could reflect the concerns of an ever-growing number of the world's population.

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