Buddhist Economics

An Enlightened Approach to the Dismal Science

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BLOOMSBURY PRESS
NEW YORK • LONDON • OXFORD • NEW DELHI • SYDNEY

Bloomsbury Press
An imprint of Bloomsbury Publishing Plc

1385 Broadway	50 Bedford Square
New York	London
NY 10018	WC1B 3DP
USA	UK

www.bloomsbury.com

This book grew out of an article originally published in 2015 in *Challenge: The Magazine of Economic Affairs* © 2015, 2016.

First published 2017

ISBN: HB: 978-1-63286-366-9
ePub: 978-1-63286-367-6

LIBRARY OF CONGRESS CATALOGING-IN-PUBLICATION DATA
Names: Brown, Clair, 1946- author.
Title: Buddhist economics: an enlightened approach to the dismal science / Clair Brown.
Description: New York: Bloomsbury, 2017. | Includes bibliographical references.
Identifiers: LCCN 2016025284 | ISBN 9781632863669 (hardcover)
Subjects: LCSH: Economics—Religious aspects—Buddhism. | Economics—Philosophy.
Classification: LCC BQ4570.E25 B76 2017 | DDC 330.1—dc23
LC record available at https://lccn.loc.gov/2016025284.

2 4 6 8 10 9 7 5 3 1

Typeset by RefineCatch Limited, Bungay, Suffolk
Printed and bound in the U.S.A. by Berryville Graphics Inc., Berryville, Virginia

To my family and friends for their love and caring,
To Mother Earth for nurturing life through the ages.

from the free market model. In fact, Buddhist economics is diametrically opposed to the free market model in explaining how the economy delivers prosperity, justice, and sustainability. Once we move beyond the notion that no matter what we have, we want more, and getting more is always good, we can measure economic performance holistically. Buddhist economics takes into consideration the protection of the environment, the state of the human spirit, and the quality of life of all people. Once we start to measure economic growth to incorporate these values, we will have new measures of well-being to guide us in changing the world.

Most likely this book won't have enough rigor for some economists or enough dharma for some Buddhists. But I am not writing this book for them. Drawing upon the best economic thinking and Buddhist teachings being done today, my goal is to expand the dialogue among people around the world who seek meaningful lives for all, on a planet with thriving ecosystems.

Hopefully people from all walks of life and disciplines will add to this dialogue of how to create a global economy that provides prosperity, equity, and sustainability and ends suffering. No matter whether you are Christian, Jewish, Hindu, Muslim or some other religion or atheist, read along with me and think about how economics can help make life more meaningful, just, and sustainable.

May we all live together with prosperity and compassion in harmony with Nature.

Chapter 2

WHAT IS BUDDHIST ECONOMICS?

Ideally, economics should play a part in providing [humankind] with opportunities for real individual and social growth rather than simply being a tool for catering to selfish needs and feeding contention in society, and, on a broader scale, creating imbalance and insecurity within the whole global structure with its innumerable ecosystems.

Our ethics—and the behaviour that naturally flows from our ethics—contribute to the causes and conditions that determine who we are, the kind of society we live in and the condition of our environment.

—PAYUTTO, *BUDDHIST ECONOMICS*

AT THE OUTSET, let's confront the perplexing problem of how to integrate the spiritual approach of Buddhism with the intellectual approach of economics. Indeed, the very term "Buddhist economics" is oxymoronic. Buddhism is spiritual, not conceptual, and economics is a system of concepts.

The Buddhist distinction between relative and ultimate truth can provide a way around this conundrum. As Khyentse Rinpoche teaches, relative truth covers the daily practices of mindfulness, nonviolence, meditation, vegetarianism, and many others, while ultimate truth is beyond conceptualization and cannot be described. Relative truths are useful in daily life, even if they are not the ultimate truth, and studying them can be very helpful. In this book, I use relative truths as our Buddhist guide in daily life.

THE THREE ELEMENTS OF A BUDDHIST APPROACH TO ECONOMICS

The core Buddhist teaching used in setting up an economic system is *interdependence*. Buddhism teaches that we are all one, and that our interdependence extends to Nature and all beings. Interdependence provides the path for leading happy lives as individuals, as well as for creating policies to support a prosperous and sustainable life for everyone. We all share the same basic motivation—to be happy—and this makes us alike and equal.

Interdependence in Buddhist economics is expressed in three ways. The first involves using resources to enhance the quality of life for ourselves and for others. The second integrates caring for Nature and our environment into all activities. And the third involves reducing suffering and practicing compassion, both locally and globally.

The first interdependence emphasizes overcoming one's self (our ego) and the self's need to maximize its own well-being (i.e., selfishness), which is at the heart of free market economics. Other Eastern philosophies, such as Hinduism, also emphasize

universal connectedness and overcoming one's mental construct of a separate self. Some Western philosophical approaches, including those of Hume and Nietzsche, share a compatible view of no separate self or a minimal concept of self as well.

The second interdependence involves being connected to our environment. Our interdependence with Nature leads us to measure the value of all the resources we use, as well as any damage we do to the environment, both right now and into the future. We harm ourselves when we harm our environment. Pollution is no longer considered a "free good" as it is in free market economics, where people and companies do not have to pay to pollute the air or water or land.

In 1971, a founder of modern ecology, Barry Commoner, expressed this interdependence as one of the four laws of ecology: "Everything is connected to everything else. There is one ecosphere for all living organisms and what affects one, affects all."

Being interconnected with our environment provides a different economic valuation than does traditional cost-benefit analysis for policies that reduce carbon dioxide emissions, protect endangered species, or preserve rivers, lakes, and groundwater. Free market economics assumes that environmental damage of all sorts is acceptable as long as the benefit to people is at least as large as the cost. Future generations are not provided a voice, except to the extent that people today want to include the value of the damage to people in the future in the cost calculation. However, people tend to be shortsighted and averse to paying for public goods, and so we usually undervalue the benefits, and overestimate the costs, of protecting the environment. This biases the economic analyses in favor of damming rivers, polluting bays, pouring carbon dioxide into the atmosphere, and destroying coral reefs.

In Buddhist economics, in contrast, we regard future generations as being as important as we are, as are natural ecosystems such as an unpolluted atmosphere and biodiversity. To put it in economic language, the Buddhist model states that Nature's ecosystems require *strong sustainability* and must be protected. Free market economics uses *weak sustainability*, which assumes that use of natural resources (natural capital) is interchangeable with the use of machines (man-made capital) or human capital in the production process. This shortsighted approach can lead to ecological disaster.

The third interdependence of Buddhist economics connects the suffering of one person to the suffering of all people. This circle of suffering includes people you have never met, even though you may wear the clothes, eat the food, or play on the devices they made. No longer is "out of sight, out of mind" an excuse for paying a pittance for high-tech running shoes made by a ten-year-old girl working ten-hour days in a Chinese factory. Now we must care about the suffering of extremely poor families who lack the basics required to be healthy and live comfortable lives, no matter if they live across town or halfway around the world.

Interdependence provides us with powerful mandates. We no longer see ourselves as separate beings and no longer strive to maximize our own well-being. We find freedom from our own suffering, and we help to relieve the suffering of others. The personal is connected to the national and global. Individual and community goals merge into the one goal of promoting the well-being of all.

This all sounds idealistic and out of reach. Can we really find a way to sync Buddhist economics with our materialistic culture? Can we really restructure our economic system in such a way that it embraces new values? My answer to both questions is yes. Throughout this book, I focus both on the individual level of Buddhist economics: how we can create meaningful and happy lives for ourselves; and on the societal level: how our governments can support policies that benefit everyone in a sustainable way.

Buddhist economics wants to move economics beyond being the "dismal science." Thomas Carlyle coined that term in 1849, and it has endured through the ages to indicate that economics is the science of scarcity, where few people satisfy their wants or even their basic needs. And indeed, our global economy does provide too little for most people, along with extravagant lifestyles for a few. But it doesn't need to be that way. Our global economy can, and should, provide prosperity, justice, and sustainability with happiness for everyone.

HAPPINESS

We all want to be happy! Yet as we wander through life searching for happiness, we feel overwhelmed by the demands of our jobs, families, and friends. We worry about how we look, fret over mistakes we just made, while our endless to-do lists roll through our minds. Worry, fret, regret.

Why is happiness so hard to find? Many of us are not even sure whether long-lasting happiness is possible, because feeling happy seems so fleeting. It comes and goes.

Happiness in free market economics means personal pleasure and the avoidance of pain. The focus is on making yourself happy by pursuing money and buying things that make you feel good, at least in the moment. This *hedonic happiness* is measured by one's subjective judgment of life satisfaction right now.

Buddhist economics takes a different approach. It shares the view of Aristotle, who held that happiness comes from self-realization and living a worthy and moral life. This *eudaimonic happiness*, as it is known, is based on people developing their full potential and living a life in service to others and the community. Aristotle teaches us, "He is happy who lives in accordance with complete virtue and is sufficiently equipped with external goods, not for some chance period but throughout a complete life." He also says, "The contemplative life is happiest."

Buddha taught how to relieve suffering, our own and that of others, and the Dalai Lama translated this into the art of living a meaningful, joyful life. The Dalai Lama warned that material gain is based on an erroneous assumption that what we buy "can by itself alone, provide us with all the satisfaction we require," and wrote that "genuine happiness is characterized by inner peace and arises in the context of our relationships with others."

In Buddhist economics, people strive to act ethically, which requires not ruining others' experiences or even their expectations of happiness. For example, you cause harm when your words or actions anger others, or make them feel guilt, fear, shame, greed, or other mental poisons (called *kleshas* in Buddhism).

Hedonic happiness fits in well with our materialistic, goal-oriented economy. We chase our dreams of large wealth or great power or awesome sex or a major championship in the

belief that they will bring us lasting happiness. Our purchase, or promotion, or love affair gives us a high. Yet that high soon wears off, and we are off chasing the next high. Our mental habits make us unhappy and discontented with life, and our minds are taken over by the "five *kleshas*": desire or attachment, hatred or aggression, delusion, pride, and envy.

Finding inner happiness is one of the goals of Buddhist economics. Buddhism holds that we attain true freedom and peace only when we quit our mental habits of reacting with cravings for external stimuli ("I've got to own that!" "Win this game!" "Earn the top spot!") and reacting with aversion to external forces ("I can't stand that!" "Defeat it!" "Get rid of it!"). Instead, Buddhism states, quiet your mind: notice the beauty as you go for a walk, enjoy your food as you eat, connect more intimately with your friends.

Our attitude toward pain illuminates the difference between the two approaches to happiness. To achieve hedonic happiness, we must avoid pain, and so we shop or drink to push away pain. Buddhist economics recognizes that pain is part of life, and that what is important is how we react to painful events, be it a minor cut with a kitchen knife or the death of someone we love. Buddhist practitioners go even further and view pain as a way to practice and cultivate mindfulness, the state of being aware of the moment and enjoying it without making judgments.

The Buddhist scripture "Two Arrows Sutra" shows us how to respond to pain in a mindful way. An arrow hits us and causes us physical or mental pain. If we react by becoming distraught and lamenting that pain, we are hit by a second arrow, this one of mental pain. The second arrow has been created by our own negative reaction, which caused us more pain. But if our response to the first arrow is to remain patient and calm, there will be no second arrow. As the great teacher Shantideva wrote,

If there's a remedy when trouble strikes,
What reason is there for dejection?
And if there is no help for it,
What use is there in being glum?

I'll not fret about such things,
To do so only aggravates my trouble.

Buddhist economics ascribes nothing intrinsically ennobling to suffering. We gain nothing directly from suffering or from feeling guilty. We can always learn from our experiences and make amends if we have harmed someone, which is a noble act and brings us happiness.

INDIVIDUAL BEHAVIOR IN BUDDHIST ECONOMICS

Buddha's Four Noble Truths guide individual behavior in Buddhist economics. Buddha explained that (1) all beings suffer; (2) our suffering comes from our ignorance and desires; (3) we can end our suffering; and (4) the Eightfold Path provides a way to live without suffering. Buddha noted that people suffer needlessly because they are disconnected from their true nature, and that people can end their suffering by giving up their sense of separateness and their delusions.

The Eightfold Path includes three interrelated activities that directly involve economic activities: right action, right livelihood, and right effort. Because each activity in the circular Eightfold Path supports the other seven, all activities are part of our daily life. Here is how the three economic activities work together: *right action* means to do everything with mindfulness and compassion, without harming ourselves or others; this goes with *right livelihood*, earning a living without harming others while nurturing our good qualities; and these are part of *right effort*, which develops our wholesome qualities such as generosity, loving kindness, and wisdom and stamps out our unwholesome, and opposite, qualities (greed, anger, and ignorance).

Our individual personalities and lifestyles still have a place in Buddhist economics, as long as we include caring about others and relieving suffering in our daily activities, sharing our good fortune rather than becoming attached to our material possessions. Instead of rushing about buying things to achieve ephemeral happiness, we stop to look at the shells on the beach, enjoy the wildflowers in the spring fields, watch the dogs running around our neighborhood, savor the colors and shapes galore! We enjoy listening to and playing music. We paint or sculpt ceramic art for our homes. We cook delicious meals for family and friends. Human nature includes both self-regarding (egocentric and taking care of oneself) and other-regarding (altruistic and taking care of others) impulses. Opinions abound as to what degree human nature is egocentric and to what degree altruistic. Economists tend to assume human nature is self-interested, yet Bowles argues that humans developed cooperative instincts with moral sentiments over time to ensure group survival. We don't have to agree to what extent humans act out of self-interest or moral sentiment. What matters is that we agree that people have the desire, and responsibility, to take care of both themselves and others. We can make a living, even prosper, but not at the expense of others or the planet.

In Buddhism, you can enjoy your own unique personality without becoming overcome by self-imposed negative feelings that cloud your mind and cause you pain, making you say and do things you later regret. These mental habits not only make us unhappy, they also sow social discord that harms those around us. The Buddhist way of handling negativity is to sit mindfully, to allow thoughts and feelings to come and go without getting caught up and distracted by them. We become more aware of the beauty of the present moment, and quit madly worrying about the future or beating ourselves up about the past. With practice, we become more mindful throughout the day in all our activities.

In Buddhist economics, we discriminate between real happiness built upon a fully developed mindful life, and temporary happiness built around money and never-ending desires. Because the goal in Buddhist economics is to minimize the suffering of all beings, we do not aim to maximize our own income, because we want to ensure the happiness and well-being of all people.

What does this mean for your approach to life? No longer do you fill your closets and home with all kinds of stuff, no longer do you rush off to the mall or scroll through online shops when you are feeling low. In my Buddhist economics class, students explored how to apply consuming less in their own lives, because they liked shopping occasionally and wondered how to buy fewer things without feeling deprived. One student's

approach was to have fun looking at shoes on sale, and felt great about not buying another pair to toss in her closet. Another student, who celebrates payday by shopping, bought a bottle of special nail polish instead of an outfit. We stop buying things we don't need and barely use, and move from a closetful (free market) to a mindful (Buddhist) approach to life. You can still be happy with new purchases and enjoy material things, but you are no longer attached to them. Consumption becomes only one aspect of your multifaceted life.

If you have taken Introductory Economics, you might ask, "Is Buddhist economics a microeconomic approach (focused on the individual and the firm) or a macroeconomic approach (focused on the national economy)?" In Buddhist economics, the micro and macro are interconnected and come together to create a high quality of life. Individuals pursue happiness for both themselves and all people, and this mindful pursuit leads to national well-being in a sustainable world.

COMMUNITY AND NATIONAL APPROACHES

In Buddhist economics, prosperity is not equated with market goods and services (gross domestic product) as in free market economics, where activities are ignored unless they include a purchase of some sort. Having dinner with family and friends, sitting quietly to enjoy our surroundings, reading a good book—the free market values these activities by the goods and services purchased, not by how much we are enjoying the experience.

In Buddhist economics, income is just one element used to measure a person's prosperity. More important is how a person is able to use resources to create a meaningful life. Central to creating a meaningful life are a person's "capabilities," that is, to what extent people are able to achieve the kind of lives they value, and how well they function on a daily basis. The capabilities of a family include their health, education, consumption of basics (such as food, shelter, and transportation), and other goods and activities that make their days interesting, comfortable, and safe, as well as their ability to participate freely in community and national life. Our capabilities support the development of our relationships, talents, and full potential.

To evaluate how a national economy is performing in Buddhist economics, we look at the distribution of well-being across its population, including equal access to opportunity. The country's institutions and services promote people's functioning in daily life and provide a safety net and security. The model also considers quality of life in terms of the ecosystem legacy that the society will pass on to future generations, including the remediation of pollution and environmental deterioration.

Let us apply the story of the two arrows to a national economy. The first powerful arrow of profit motivation in free markets is launched, and though it makes a few people rich, it harms many people and the environment. The second arrow hits people as they work hard to earn enough money to buy lots of goodies, only to find fleeting happiness on a treadmill that won't stop. People then begin to look closely at the first arrow, questioning the viability of an economy run by competition for profit. And as they come to understand the limits of free market economics, they stop shooting the second arrow at themselves and begin to develop and practice Buddhist economics. No longer is the pursuit of income the only goal. Now the "pursuit of happiness" means creating meaningful lives for everyone

within a healthy ecosystem. A Buddhist economy can improve the lives of all people, even the archers of the first arrows.

National economies are integrated into the global economy, and here again free market economics and Buddhist economics take us down different paths. Free market economics teaches us that international trade can result only in higher incomes for all countries, with no country losing. This outcome is based on the concept of "comparative advantage," where differences in two countries' resources and capital supposedly result in their using different ways of producing specific goods, which provides a basis for specialization in production that results in higher national incomes for both countries through trade. For example, an industrialized country makes capital-intensive machines and trades with an emerging country that makes labor-intensive fabrics and sews clothes, and both profit.

This model may have worked well at one time, but in today's highly mechanized modern global economy, many countries use the same capital, automated methods, and computer applications, even when labor is cheap. Using the same automated production processes eliminates much of the cost advantages of specialization because now labor is a small part of the cost of production. Developing countries face markets already dominated by the industrialized world. Any gains from trade reflect the countries' global bargaining power, and once again the power of the rich dominates the power of the poor. As a result, we observe cases where incomes fall in a developing country after the country has signed a free trade agreement with the United States, as happened in Mexico under NAFTA in the 1990s.

The use of energy highlights the differences between free market economics and Buddhist economics. Although most economists favor a tax on pollution, the free market to produce and consume fossil fuels does not require energy companies to pay for the air pollution and additional environmental degradation that result from extracting oil and coal. As a result, the energy prices charged to consumers do not include environmental costs, and people overconsume gas and oil. Also, in spite of the lip service given to competition in the free market economy, the energy industry is not competitive. In 2014 five of the six largest companies in the global Fortune 500 were petroleum companies, topped only by Walmart at the number 1 spot. The energy companies have used their control over prices and costs to earn high profits, which are close to $100 billion annually, with profit margins around 25 percent. They then use these enormous profits to lobby Congress for special tax breaks and favorable regulations, which make their profits rise even higher. Because consumers do not have to pay for the CO_2 emissions caused by their driving, many Americans buy gas-guzzling SUVs and pickup trucks, in spite of the harm they are doing to the atmosphere as they drive their cars an average of more than twelve thousand miles each year.

In Buddhist economics, the full price of all resources used is included in the market prices for all goods and services. The price of gas includes a pollution tax, often called a carbon tax, equal to the cost to society of the damage done to the environment by gas consumption. Equally important, driving a car with poor gas mileage is frowned upon because of the harm it is doing to the earth. Instead of buying gas guzzlers, people are happy to own cars that are energy efficient and less polluting. Owning an electric car shows you care about climate change, and people driving Hummers are viewed askance. People are mindful of

how much they drive and find ways to reduce their mileage, including carpooling, taking public transit, and picking up bread or milk for a neighbor when making a run to the grocery store. The national carbon tax can be used to develop new forms of sustainable energy, expand the public transportation system, or provide other public goods for everyone's benefit.

Notice that in this example, we have not relied on multinational companies to change their focus on profit maximization. Rather, the oil companies must now pay for their carbon pollution. The government no longer gives them tax breaks, and it closely regulates the extraction of fossil fuels that degrade the environment. Thus new competition from renewable energy companies will grow; most likely, the large oil companies themselves will push ahead in their development of renewable energy sources. Now markets are providing the correct incentives to consumers and companies to speed up the shift from fossil fuels to renewable energy, which is exactly what our planet requires.

The supply and demand curves of the marketplace, which determine prices and output, reflect our values and our customs as well as our government's role and institutions. In Buddhist economics, markets move to new prices and outputs that reflect our new interdependent values. This is a critical point in understanding the power of Buddhist economics: the new market outcomes now reflect how people want to live in a meaningful way.

OUTER AND INNER WEALTH

As you probably suspect, "wealth" means different things in the free market model and in the Buddhist model. Both include "outer wealth," which is material-based and includes our assets—real estate (residence, vacation home, rental property), retirement funds, stocks and bonds, automobiles—minus our liabilities, or what we owe to others (mortgages, loans, credit card debt). Free market economics regards outer wealth as the only kind of wealth, and so we are used to thinking of wealth strictly in monetary terms.

From a social viewpoint, the distribution of wealth in the world has become more and more unequal, and this inequality has both people and nations concerned. In 2014, less than 1.0 percent of people, the world's superrich, owned 48 percent of global wealth. Most of the people in the world, the bottom 80 percent, shared only 5.5 percent of global wealth. In the United States, the top 0.1 percent (yes, one tenth of 1 percent) owned 22 percent of the nation's total wealth, or as much wealth as owned by the bottom 90 percent of families.

Buddhist economics distinguishes between outer (material) wealth and inner (spiritual) wealth. In Buddhism, the wealth of human beings is intrinsic and includes our capacity to appreciate our experiences and relationships and life as it unfolds around us. Buddhist wealth includes our mindful use of resources to enjoy life and to help others, and Buddhism teaches that our true wealth—love, compassion, and wisdom—is inexhaustible. Buddhism does not prohibit being wealthy in the material sense, as long as we do not become attached to material possessions or monetary wealth of any kind, and we share our riches with others.

The cultivation of inner wealth in Buddhism is part of a follower's daily practice on the path to enlightenment. We can quiet our minds and let go of our sense of a separate self and our

illusions about reality constructed by society. Our true self is like a sun that has been covered by clouds of delusion, and once we let go of our attachment to self-importance and ego and embrace our impermanence and our oneness with others and the earth, our suffering ends.