

The Buddhist Approach to Economic Development: The Path to A Wisdom-based Economy

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ABSTRACT

From a historical perspective, economic development in human society can be divided into several evolutionary stages or modes. The early gatherers' economy was followed by an agricultural economy, industrial economy, and very recently an information or knowledge-based economy. The Buddhist approach to economic development represents the next stage of economic evolution: a wisdom-based economy. Just as suggested in the Mahayana literature, sentient beings are not ready to receive Buddha's teaching of the perfect wisdom until they have been prepared through different stages of cultivation. The time is ripe for the world to adopt the Buddha's wisdom into their economic lives.

Introduction

The human race has made long strides in economic development in the last several centuries. Because of the advance in technology and science, goods and services can be produced and delivered in mass quantity and at low market price. The living standards of many people, measured by the goods and service consumed in developed countries, has risen significantly. However, the economic progress does not come without its costs either. There are signs that such costs, in the form of environmental pollution, natural resource depletion, cancers and mental illness, crime and social unrest, may outweigh the economic gains. It is clear that our current approach to economic development is far away from perfection and that there is a need to search for an alternative (Carson, 1991; Nelson, 2003).

Before one starts to search for or propose any alternative, it would make sense to understand the history of human responses to economic problems. Things exist or evolve due to causes and conditions. The solutions that humans adopted or developed to solve their economic problems depended on their needs and capacity at various stages of their evolutionary path. Knowledge of this history will allow us to design a system that best suits the future. Without such understanding of the past, to prescribe any alternative is like shooting a target in the dark.

An Evolutionary Perspective of Economic Development

Economic development is an integral part of human activities. It is the human response to the fundamental struggle for survival and prosperity. Economics, in a nutshell, is the ways how our ends are met. Human beings are born with needs and desires, but their endowments are limited by nature. How to best utilize the limited resources to meet the needs and desires of most

members of human society is the focus of economics. The approach taken, therefore, depends largely upon what was perceived as the salient need and desire at a historical moment, what kinds of know-how and technology were available, and what natural resources were relatively abundant at a certain time/space.

When humans first emerged on earth, their immediate need was survival; their know-how was very limited and the natural resources were abundant everywhere. People gathered fruits, nuts, vegetables and hunted animals for foods. They had to fight and compete for survival. Economic units consisted of families or clans. Production and distribution functions did not exist. Wealth accumulation was not practiced. At a later stage, barter transaction might have emerged.

Then as man learnt how to farm and grow grains and vegetables, agricultural society started. Land became the most important resource in production. Families and social lives were expanded to provide sufficient labor for the production of food. Surplus food had to be bartered and/or traded for other daily necessities. Coins and monetary currencies were invented. Crafts items and merchandise were manufactured to meet increased desires for convenience and comfort in everyday life. Division and specialization in labor took place. As social life became more complicated, government was formed to administer the exchange and distributions of land, the assurance of social order, and the facilitation of agriculture production and trade. Cooperation and coordination replaced competition and fighting as social norms. The goals and needs were the production of sufficient foods to feed the entire population and to reduce uncertainty or threat from nature.

The discovery and control of steam power started the industrial age. The advance of science and technology allowed humans to construct equipment and plants to produce goods and services in mass quantity. Capital became the most important resource in the production. Wealth accumulation accelerated. Labor became relatively cheap and unimportant as a production factor. The disparity between the rich and the poor increased. Consumption and comfort became the primary need and desire of the time. The market became the dominant force in setting values and norms. Competition and self-interest became virtues that propelled economic growth and development. Natural resources were depleted. Pollutants and garbage piled up.

And then came the information age. With the invention of computers and advances in telecommunication and information technology, information and knowledge became the most important production factor. In a knowledge-based economy, virtual reality eliminates all the physical, spatial or temporal boundaries and limitations. Productivity and economic growth increase at an exponential rate. Knowledge truly explodes. Specialization of labor is carried to the extreme. Individual freedom and sensual enjoyment are the primary needs and desires to be maximized. Living standards in term of goods and services consumed are unprecedented. Unfortunately, all the negative consequences of the industrial age are also magnified millions times in an information age if

knowledge is not properly converted into wisdom, and individual consumption constrained to yield true happiness, that is, if our economy does not become a wisdom-based economy.

What Is A Wisdom-based Economy?

A wisdom-based economy is an economy that utilizes the totality of human wisdom in solving the entire spectrum of human economic problems to ensure the achievement of the highest human happiness. A wisdom-based economy differs from a knowledge-based economy in two major aspects.

First, in a wisdom-based economy, fragmented complex human knowledge from all facets of life is integrated into holistic whole wisdom that reflect correct understanding of true reality. In accordance with the doctrine of interdependent co-origination, the universe or Nature is understood as an intricate inter-related and inter-penetrating system. In such an integrated system, the role of the human race is properly defined and directed to yield the highest benefits to all beings, animate or inanimate. The actions of human beings, guided by perfect wisdom, are coordinated to yield the highest internal and external harmony within the human race and among all beings.

Second, in a wisdom-based economy, the economic focus is not only on the production of maximal goods or services for consumption, but on the achievement of maximal utility or happiness given a fixed level of goods and services produced. In other words, the human consumption function and the distribution function are optimized, in addition to the maximization of production function. In a wisdom-based society, each individual in our society becomes such an efficient consumer that the whole society's well-being is maximized without excessive production and uneven wealth distribution. Put differently, each individual in our society does not have to rely on accumulation of wealth and consumption of resources to feel happy or satisfied. Individuals in the society have high levels of insights into themselves, the outside worlds, and the correct causes and conditions of human happiness. They have correct understanding of what leads to true happiness and satisfaction, what path and means are conducive to the achievement of such happiness, and the right livelihood for themselves and for the whole society.

In a wisdom-based economy, therefore, the goal is to maximize human happiness, not consumption or the satisfaction of sensual desire. The most important production factor is wisdom, not knowledge or capital. The biggest investment is in whole-person education, not information technology or computers. People and nature are considered as capital assets to be maintained and enhanced, not means to be exploited or depleted. Natural resources and endowments are shared in community ownership. Production of goods or service is constrained to maintain the ecological balance of the natural environment. People cooperate and assist each other for mutual benefits rather than compete for self-interest. The roles of government and market are constrained in areas where their functions produce positive rather than negative

benefits to the society (Bowles and Gintis, 1999).

Buddhism As The Key To A Wisdom-based Economy

To build a wisdom-based economy, Buddhism as a philosophy and as a psychological enquiry has a lot to offer. In its 2500 years of tradition, Buddhism has investigated extensively into the nature and the source of human happiness. It looked into a broad spectrum of factors that people consider the determinants of human happiness. It experimented with these factors on millions of practitioners to see which of these factors produce long-lasting happiness. In fact, there is no other contemporary science that has so thoroughly researched human happiness or human utility function as Buddhism. It will not be an exaggeration if we call Buddhism "the Science of Happiness."

From his first teaching on the four noble truths, Buddha laid down unequivocally the fundamental objective of his inquiry. The first noble truth he observed is: suffering is everywhere and therefore the pursuit of happiness is universal. The second noble truth he observed is: satisfaction of sensory desires, consumption, and ownership actually lead to more unsatisfied desires, endless accumulation, dysfunction and eventually the destruction of a person or an entity. Using the terminology of economics, the individual utility function may be a positively-sloped linear function of consumption in the short-run and in a static analysis; but in a multi-period dynamic analyses, the individual utility function turns out to be a non-linear function with total negative value from consumption. This truth, commonly interpreted to be applicable to the pursuit of individual happiness, is equally descriptive of a society or an economy, if we take a holistic or organic view of a society. More and more economists have come to realize this important truth about the nature of human happiness or wellbeing. The recent effort to bring all nations to sign the Kyoto Agreement on global warming is only one example.

The third noble truth Buddha discovered is: complete cessation of human suffering is possible, and therefore true and lasting happiness is obtainable. The fourth noble truth he revealed is about the way to find happiness. Happiness is possible if the eight noble paths are followed (Hettiarachchi, 1991, pp.77-88). Here Buddha prescribed a comprehensive program of feasible and effective measures for the achievement of human happiness. First, happiness is only possible when one has the insight into the reality of impermanence, dependent co-origination, and the true nature of the human utility function. The acceptance and appreciation of impermanence prepares one to anticipate and calmly deal with unexpected personal tragedies and natural disasters, offering comfort to people suffering from illness, sorrow, and death. It serves as an antidote or vaccine to major illness and misery in life. The understanding and appreciation of dependent co-origination and selflessness removes the subject from the main stage of all the emotional commotions and afflictions, and shifts the attention to happiness from the narrowly-defined self perspective to a more communal, global, or even cosmic perspective. One would view one's fortune or misfortune as natural result of the working of a complex system of causes and conditions, thus

relieving one from the feeling of being penalized or victimized. The insight into the human utility function, that is, what makes one happy or what makes a person better off in the end, is of the utmost importance. Without this wisdom, all the pursuit and efforts for human happiness will be misdirected and futilely wasted.

Second, happiness is only possible when one think positively, based on the correct wisdom prescribed in the first noble path. Here the understanding of the true nature of life and happiness will guide an individual to form the correct frame of reference, the correct thinking and decision rules, and the correct values and attitudes. One will refrain from all incorrect reasoning and thoughts that result in decreasing his or her happiness or wellbeing. One is encouraged to cultivate wholesome thoughts that increase one's happiness and wellbeing. Positive thinking plays a very important role in an individual's utility function. It transforms individual utility curves from a lower utility plateau to a higher utility plateau. It converts adversary environments and negative encounters into positive utility. Given the same consumption or inputs, a person with positive thinking always enjoys higher satisfaction or enjoyment from the same goods or service. This is a straightforward fact too often ignored in the discussions of economic textbooks.

Third, human happiness is only possible when one communicates with benevolent intention, positive contents, at the right time, and in an amicable manner. The role of speech and language in human life can not be overemphasized. Everything is communicated through language and speech. In fact, people do not live in an objective physical world, they live in a virtual world defined and delimited by language and speech. Incorrect speech will lead to misunderstanding, mistrust, confrontation and even wars among people and nations. The production of happiness and the enhancement of human well-being are definitely impossible without correct speech and positive communication. Again, classical economic theory and discussions on human utility function have never recognized this important factor.

Fourth, human happiness is impossible if people do not behave ethically and benevolently to each other. Unethical behavior and malevolent conduct always result in adversity and hostility. The capacity of a society to produce happiness or collective wellbeing is severely hampered if society has a tendency to promote self-interest, callousness, competition, and violence. In the neoclassical economic theory, social wellbeing is only improved through economic gains if competition is fair in the market place and if self-interest is bounded by morality and ethics. Adam Smith may have specified the perfect conditions under which self-interest and individual freedom lead to human collective happiness. He never anticipated, however, that his theory could be so widely used to justify unlimited expansion of the market economy and individual economic gain, when these perfect conditions clearly deviate from current economic and social reality. The misinterpretation and misuse of his economic philosophy has created a society in which self-interest and competition are norms; personal wealth and material consumption are the paramount goals; and individual wellbeing has overshadowed societal welfare. Unethical behavior and hostile confrontations

are everywhere, in the media and in the communities. There might be a total increase in goods and services consumed by all people measured in monetary terms but it is rather doubtful that collective human happiness has increased.

Fifth, human happiness is possible only when the means to maintain a livelihood does not violate the basic principle of morality or contradict the values implied in all other noble paths. In other words, economic gain should not be the only criterion in selecting economic engagement or activities. For example, if an economic activity produces harmful effects on other sentient beings or the environment, it should not be carried out even though the activity may result in economic gains. In such a case, an alternative activity that does not have the harmful effect should be sought after and designed. Similarly, an economic system or process should not promote values that contradict human happiness or wellbeing even though the system may bring forth economic prosperity. For example, an economic system that promotes only self-interest without the balancing emphasis on individual morality or social responsibility is not only undesirable, but will eventually bring social unrest and destruction.

Sixth, human happiness is not a gift from heaven or god, but needs to be continuously sought and diligently cultivated and maintained. Without continuous efforts and endeavor, the human mind will not be trained to form habits leading to lasting happiness.

Seventh, happiness can only be attained if one is forever vigilant and mindful in guarding negative thoughts and wrongful practices. The pursuit of happiness will be greatly facilitated if one is always aware of those habits that are conducive to happiness and assiduously monitors his or her own progress.

Eighth, happiness will be achieved if one's mind can be trained to concentrate on a task or to be absorbed in calmness and equanimity. An unperturbed mind is in itself a source of continuous happiness, not to mention its benefit of facilitating correct decisions and thoughts. Correct wisdom and correct mental attitudes would not be obtained without correct concentration. Without correct wisdom and correct mental attitudes, correct speech, proper conduct and right livelihood would not follow.

The sixth to eighth noble paths deal with the procedural methods to implement the other five noble paths in addition to its inherent contribution to a happy life. Buddha did not just show us the nature of true happiness but also prescribed what it takes to achieve it in a systematic and complete formula. He showed us the most efficient and effective ways for the creation and production of maximal social utility in the form of highest human happiness, given the scarce economic resources on earth. His theory is so direct and comprehensive. His model is so elegant and parsimonious. No Nobel laureate economist is even close to him in this regard. His elaboration of the causes and conditions leading to human happiness or wellbeing, or his "economics" of human happiness (in terms of how to reach maximum results with minimum costs), may be by far the single most important discovery in the history of "science."

Buddha's teaching was further elaborated and extended later in the Mahayana movement. Many doctrines of Mahayana Buddhism are particularly relevant to the development of a wisdom-based economy. A Mahayana practitioner should have great compassion toward all sentient beings and great insight toward the "Reality."

He or she should not aim at his or own enlightenment, but the collective enlightenment of all sentient beings. This effort of "educating the whole world" would not cease until the last human being becomes enlightened. Among all the virtues and deeds a practitioner is encouraged to do, the greatest is the teaching of dharma to others so they can become enlightened. All the personal resources as well as social resources should be committed to bring everyone to enlightenment; in other words, to build the capital of wisdom, because wisdom is the most important factor in the production of human happiness.

Great compassion also necessitates that a Mahayana Buddhist to practice loving kindness and charity to all sentient beings. Instead of seeking self-interest and compete for winning, he or she should sacrifice himself or herself for the benefits of other beings. A Mahayana Buddhist thus respects and protects other human beings, animals, and the natural environment in which they reside and rely upon. Any form of economic gain can not be justified if the achievement of it requires the exploitation of human and other natural resources. For a Buddhist, human and natural resources are not expendable means or production inputs; they are also goals and objectives of any economic activity. They are "things" to be enriched, enhanced, accumulated, and valued. Using the analogy of a corporation, they are the "equity holders" who should receive the profit or equity of the corporation. The only means that is expendable in a Buddhist economic production function is one's self. The self is the labor, the material, the equipment, and the capital in the production of human happiness and wellbeing.

Mahayana Buddhists' attitudes toward wealth and material possessions greatly facilitate the formation of community or cooperative ownership of productive means and capital. Community or cooperative forms of production, in many economic situations, result in the most efficient manner of producing goods and service and the most equitable allocation of profits and wealth. Community members work as teams that share the fruits of their labor and investments. They cooperate rather than compete. They work for common interest rather than self-interest. This form of organization promotes humanity and positive work-relationships, which in turn raise morality and productivity (Prayukvong, 2005). In addition, since members are both owners and employees, they work for themselves. There is a minimum need to incur expensive monitoring costs to ensure that employees or managers behave in the best interest of equity owners, the so called "agency costs" in economic theory. The agency costs represent a dead weight loss in the economic system that benefits no parties involved in the contract. Avoidance or reduction of such costs generally improves the wellbeing of our society (Bowles and Gintis, 1999).

The emphasis on great insight into reality in the Mahayana practice can be a real blessing for the development of a wisdom-based economy. In all the training involved with the mind, a practitioner is encouraged to view all phenomena as non-substantial, depending on constantly evolving causes and conditions. Such a fluid perspective on the “empty” nature of all phenomena encourages practitioners to avoid attachment to rigid and extreme views that clearly violate reality. It cultivates an open mind, innovation, and a balanced or middle-way approach to human problems. When applied to economics, it allows policy makers to adopt the most relevant economic policies and measures that suit the problems rather than the particular idiosyncrasy of the policy makers. There has been constant and prolonged debate among economists and politicians about whether free market or government regulation is the answer to human economic problems. It turns out that neither can be the sole solution to our economic problems. In fact, each of them has strength and weakness that works better under certain conditions but not others. For the best result, circumstances and conditions have to be carefully analyzed and evaluated to determine if either approach is overused to yield severe negative consequences to our society, if a mixed mode of both is more suitable, or if other alternatives such as community or cooperative organizational formats are more promising.

Conclusion

As human economy evolved through stages, old problems were solved but new problems also emerged. In our current knowledge-based economy, information and technology allow us to develop new products and production methods at exponential rates. But our social and economic problems are also exacerbated at exponential rates. Global warming, waste disposal, materialistic consumerism, commercialization of mass communication, disparity between developed and developing countries, cultural conflicts, violence and terrorism, fragmentation of human knowledge are just a few examples. Human suffering seems to be everywhere and its acuteness constantly increases. Our economy has evolved to a stage where wisdom is required if human happiness and wellbeing remain our universal yearning and goals. That is, our economy has to evolve into its next stage—a wisdom based economy if we all want to reduce our suffering and increase our happiness. Since pursuit of happiness is human nature, I have no doubt that this will happen.

Because of its emphasis on wisdom and its insight into the nature of human happiness, Buddhism offers a plethora of relevant theories and practices for this next stage of economic development. The teaching of four noble truths, elaborating the sources of suffering and the cessation of it, is a grand theory on the utility of consumption that is traditionally ignored and intentionally avoided by economists. It points out the treachery and paradoxical nature of human sensual satisfaction in a dynamic multi-period analysis. It is also a road map or a technological plan for the production of human happiness. Because it deals with the consumption function and the production function in an integral manner, it is the most thorough micro-economic analysis about how humans can achieve

the highest wellbeing with limited resources.

The great compassion and wisdom emphasized so much in the Mahayana Buddhism provide the foundation for macro-economic policies in a wisdom-based economy. In such an economy, education is the largest public investment. GNP is measured by the number of people, multiplied by the degree of enlightenment per person. Environmental protection is a norm, not an economic trade-off. Ethics and social responsibility are related to the status of public laws. Community or cooperative forms of ownership replace private ownership wherever they are more appropriate. Market mechanism and government regulation carry less weight and are appropriately limited in their roles in the economy. Tax policies provide incentive for charitable contributions and disincentives for consumption and accumulation of wealth. Balanced economic policies are adopted as circumstances justify. Dogma or extreme political ideology and personal idiosyncrasy are avoided. With all these, the wellbeing of the human society is maximized in a wisdom-based economy.

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