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Buddhist economics as a return to rational model of economic management

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Abstract. The concept of Buddhist economics is gaining increased appeal in a world where external (global) factors are once again becoming more of a threat than a salvation. Buddhist economy is a return to the values of agricultural production, but taking into account the experience and achievements of the industrial and post-industrial economy. Care for the environment, personal development, community development, especially spiritual development – these are the priorities of the Buddhist economy. In particular, agricultural production appears as only the most convenient means for achieving these goals. However, Buddhist economics is not a rejection of the achievements of modern and postmodern society – it is an attempt to use these experiences and achievements for a more intelligent and effective implementation of the goals of the economy, which were defined by Aristotle. The rational model of economic management according to these views consists in thrifty but full consumption and restrained production with environmentally friendly aims.

Keywords: Buddhist economics, optimal consumption, personal development, economic rationality.

Introduction. The concept of economic rationality and Buddhist economics

For some time the global economic system worked mainly to solve the problems of national economies, providing benefits to the world market, but in recent decades it has created more and more problems for national economies – not only weak national economies suffer, but also developed economies indeed. Is it failure of the economic strategy or tragic accident? The answer is between these two opportunities – exactly in Western *habitus* of life. Anyway the current concept of economic rationality should be improved.

In his article Peter DiRita stated that ‘the economic rationality principle is based on the postulate that people behave in rational ways and consider options and decisions within logical structures of thought, as opposed to involving emotional, moral, or psychological elements’ (DiRita 2014, p 1803). Meanwhile it should be taken into account ‘logical structure of thought’ in every sphere – not only in science. But it should be scientific approach to the each sphere, when research of rationality is conducted. Wolfgang Drechsler assess that

Buddhist economics (BE), like most religion-based economics, is not only an extrapolation from the basic texts but is also how BE has recently been practiced... Buddhism, as such, is at odds with standard textbook economics (STE). BE thus potentially forms its own economic paradigm, but BE as practiced often coexists with STE (Drechsler 2019, p. 523).

So researcher should study not dogmatic basis, but pragmatic reality of Buddhist economy. On this ground it could be reconstructed Buddhist model of economic management. So it should be formulated new features of economic rationality that will push the limits of STE.

The growth of problems in the world economy indicates the need to change the conceptual values and worldview that underlies the modern global economic system: the expansionist and aggressive strategy of ‘world domination’ inherent in the Abrahamic religions should be

contrasted with a more restrained and moderate strategy of peaceful ‘coexistence with the world’ that, according to Max Weber, is inherent to Eastern religions, especially Confucianism and Taoism as a form of legitimation of world affirmation (Ertman 2017; Weber 1989; Weber 1951). But more interesting and less elaborated by economists is the Weber’s concept of India economy as based on world-averting, contemplative or ecstatic worldview and corresponding to its economic attitude to the world (Weber 1958). These relations between religion and economy need to be re-examined from a modern perspective.

Judaism, Christianity and Islam are the Abrahamic religions: they have an origin from the prophet Abraham’s concept of freedom. This concept pretends to give God’s people an exceptional right to manage all the world. That is why these religions sanction world domination of the God’s people. It is monotheistic doctrines of monistic world order: every of them propose own version of world domination. Despite of religious peculiarities all of them construct moral approval of expansion in all spheres of social life, including economy. Hinduism, Buddhism, Confucianism, and Taoism are all the eastern religions. Andreas E. Buss stated Weber’s assertion on ‘Buddhist ritual formalism and its ethic of conviction’ (Buss 2015, p. 178). This ethics is opposite to the western, especially protestant ethics of responsibility. Ethics of responsibility is individualistic and material, it orients on the personal merits and achievements, whereas ethics of conviction is collectivistic ethics and it orients on common wellness of all members of community. Ethical differentiation determines different understanding of rationality and rational economic actions in particular – in western economy, based on Abrahamic religion, and in Buddhist economy of many eastern countries.

But it would be false to affirm that western economy always was expansionist and aggressive. At one time before Christianity, Aristotle focused the economics on meeting the domestic needs of the economy and avoiding surplus products (Aristotle 1999). It is Aristotle's understanding of economics that is basic for the European world, as well as for any traditionalist economy. While the idea of the Western economy as aggressive and expansionist is formed mainly under the influence of Weber's studies of Protestantism. The modern global economy has departed from this canon and is more close to that kind of economy what Aristotle called ‘chrematistics’ (χρηματιστική), or uncontrolled monetary enrichment, and which leads to death for the economy through a permanent disease of the economy. Chrematistics, like the modern global economy course, is a loss of economic rationality – when individuals and whole economics make their best, but still have complicated economic problems. Therefore it is worth looking for other examples of rational management, such as the so-called Buddhist economy.

The economic rationality is the systematic economic behavior that leads to profit and minimization of economic losses. Different cultures offer different ways of achieving this goal.

The Buddhist economy approach seems to be a more consistent embodiment of economic rationality, while the economic aggression that prevails to this day in global economy leads to increasingly irrational consequences, including overt military aggression, attempts to put the economy on a course of militarism and destruction rather than material and cultural creation.

The concept of Buddhist economics is also elaborated by modern economists, such as Bashu Dev Deshar, professor and PhD at Rissho University. Doctor Dev Deshar study the economic phenomenon of Buddhist communities as a social and basis of Buddhist economics (Dev Deshar 2020). There are also many other aspect of Buddhist economics that are studied by several researchers such as participants of special conference devoted to the values of Buddhist economics (Buddhist Values and Economics 2019). Clair Brown and Laszlo Zsolnai made an overview of recent research in Buddhist economics (Brown, and Zsolnai 2020).

Economic management from the standpoint of Buddhist economics

The inefficiency, and often fallibility of modern economic approaches to humanity and the environment, makes it increasingly necessary to look for reasonable alternatives. They exist, but they are not used – primarily because little is known about them. One of these alternatives is the

model of 'recovery economy' (or the so-called 'Buddhist economy') by German-British statistician and economist Ernst Friedrich Schumacher, who proved the fundamental 'unprofitability' of uncontrolled large-scale industrial production in the fifties of the twentieth century. Schumacher published his major work 'Small is Beautiful: A Study of Economics as if People Mattered' in 1973. While working as an economic adviser to the Prime Minister of Burma, Schumacher became acquainted with Buddhism and tried to apply the values and worldview of this religion to create an economic model capable of long-term stable development. He presented the results of his research in the essay 'Buddhist Economics' and several other works. The followers and developers of modern ideas in this direction are united, in particular, by the research and experimental organization The E. F. Schumacher Society and the New Economics Institute, which operates under the association with it, the purpose of which is to achieve economically and environmentally sustainable society. Ideas and applied models of representatives of this direction (in particular, Manfred Max-Neef and Philip B. Smith (Max-Neef and Smith 2011), Arthur Zajonc (Zajonc 1997), Greg Watson and Hildegard Hannum (Watson and Hannum 1997), etc. (Guruge 2008; Inoue 1997; Payutto 1994; Sivaraksa 2009)) are successfully used in countries of various types and have begun to be actively studied in international institutions and the UN to develop a new effective strategy for world development. Also the 'Japanese Economic Miracle' absorbed directly or indirectly the ideas of Buddhist economics, which explicitly or implicitly influenced and improved Japanese work ethic, industriousness and management methods. The Japanese ethics of loyalty, lifelong employment, collaborative decision making, brainstorming, the Quality Control Circle (QCC), Total Quality Management (TQM), meditation, constant self-control and self-improvement have certainly been influenced by Zen Buddhism, Madhyamika philosophy, Buddhist philosophy of Dependent Origination and Identity (Hua-Yen), elements of Taoism and Confucianism (Sivaraksa 2009).

Shinichi Inoue is one of those original and respected world economists who are trying to combine the ideas of Buddhist philosophy with modern economics and management based on the successful experience of Japan. The economic model that he formed is based on his concept of the 'Buddhist Economy of Japan'. His Buddhist economic philosophy influenced Japanese economists, industrialists, entrepreneurs, businessmen and corporate leaders. Inoue worked at the Tokyo Bank, since 1975 he was appointed president of the Miyazaki Bank. Sh. Inoue develops the Buddhist idea of 'dependent origination' (Pāli: paṭiccasamuppāda; Sanskrit: pratīyasamutpada) in terms of the relationship between people, economy and culture. With this idea of 'right view' (sammaditthi), he wrote a book on Buddhist economics called "Buddhism at Work: A New Approach to Management and Business" (Inoue 1997).

Sh. Inoue also put forward the theory of the 'middle way' of the Buddhist economy as an 'ideal opportunity' between capitalism and socialism. Capitalism emphasizes respect for basic human rights and private property, while socialism advocates an equal distribution of wealth. The strength of capitalism is in the free market and competition, which make it possible to realize the potential of entrepreneurs. Its obvious shortcoming and defect is the exploitation by the 'strong and greedy' of the weak for personal financial and material income. The advantage of socialism is that the government or the state controls and regulates social protection, collections and distribution of wealth. Excessive taxation of capable entrepreneurs and diligent workers in favor of the low-income and indolent hinders individual initiative and diligence. This limits the development of human potential. Sh. Inoue's economic Buddhist model seeks to overcome these extremes. According to Sh. Inoue, the high benefit of the economic development strategy is the practice of the middle way, in which the ideas of capitalism and socialism are combined.

This economic model is known as the Buddhist mixed economy. For example, the Malaysian government's 'Look-East' strategy borrowed many of the management methods from the Japanese Buddhist economic model, the ideas of the labor culture of Korea and Japan, successfully developing a mixed economy, enhancing Malaysia's economic competitiveness and ensuring its economic growth in a multi-ethnic and multi-religious country in the conditions of risks of fundamentalism, nationalism and globalization (Sivaraksa 2009, p. 46). China is also dynamically developing this mixed economy and has already established itself as one of the world's economic superpowers. The middle way Buddhist economy guarantees sustainable development without damaging or depleting the environment or harming human resources. That is, the mechanism of the free market, competition must develop without destroying either nature or human society. A 'sustainable economy' must be fair and environmentally sound. Buddhism, economics and ecology are interconnected and interdependent.

Sh. Inoue defines the Buddhist economy in terms of three models that are universally acceptable because they are common to the whole world and harmless to the environment. 1. It is an economic system that benefits everyone. 2. It defends the universal values of tolerance and peace. 3. Keeping this way, the frugal economic model will save the earth from depletion and destruction of natural resources (Inoue 1997, p. 109).

People as a main resource of Buddhist economy

The traditional 'Western' economy mainly operates in goods and money, but has little interest in the outside world, people and the level of resource recovery. The goal of the typical modern Western economist is to make the most money with the least amount of investment. The modern economist develops plans and forecasts for the period of a project, a government term, or for the duration of a certain political force in power. It is not interested in long-term development, in which all participants in economic relations will receive benefits and satisfaction of needs. Nevertheless the economy does not exist on its own, but is a derivative of the definition of the purpose and meaning of life, regardless of whether a particular economist knows about it or not. From the point of view of modern Western economic thought, it is more customary to measure the standard of living by the number of goods and services consumed per year, considering that a person who consumes more lives better than one who consumes less. In addition, modern Western economic science mainly considers consumption as the only goal of economic activity, where the means of production are the factors of production: land, labor and capital.

For 'Buddhist economics', this approach is unreasonable and not rational: after all, consumption is only a means, not an end, so maximum well-being with minimum consumption is the real indicator of a better life. The consumption of goods and the possession of them are only the means for optimal development. Buddhist economics explores how to achieve goals with minimal means. Thus, the Buddhist economics is the maximum satisfaction of needs through optimal consumption, while the 'Western' economic approach is focused on maximum consumption through optimal production. Obviously, much more effort must be put into the endless race for maximum consumption than to maintain a lifestyle aimed at optimal, not maximum consumption.

From the point of view of Buddhism, the most rational form of production is production from local resources to meet local needs. The goal is self-sufficiency, not surplus production. 'Economic progress' is needed only to achieve self-sufficiency. Developing beyond this, it brings destruction. Schumacher recalls that the purpose of the economy is to serve the needs of people. But in the 'real' economy, the opposite is true – people exist to serve the economy. The

production of goods is considered more important than the people who consume these goods. It is believed that a person who consumes more has a higher 'standard of living' than one who consumes less. For a Buddhist economics, such an approach is, to put it mildly, 'irrational': consumption and consumerism are only forms of human activity (and far from the most important compared to self-realization, happiness, health, and selfless service to others). From the point of view of Buddhism, a rational goal would sound like 'the achievement of maximum welfare under the condition of minimum consumption'. Instead of increasing consumption, Schumacher proposes the idea of 'completeness'. In his opinion, consumption should not be stimulated – on the contrary, existing needs should be satisfied, and new needs should not be imposed on people (Schumacher 1993).

Thus, the Buddhist economy tries to satisfy the needs as much as possible by optimizing consumption, while the 'Western' economy focuses on maximizing consumption by optimizing production. The pursuit of maximum consumption requires huge efforts and resources. Maintaining a lifestyle focused on optimal consumption requires less investment. Schumacher points out that the average American lives with significantly more stress than the average Burmese (Schumacher 1993).

In general, the Buddhist economy, based on the principle of 'local production – local consumption', is ideal for small closed local communities (Dev Deshar 2020). Such an economy saves on transportation costs, and in addition, it provides the opportunity for permanent employment, the personal interest of all participants in production as the final product, invulnerability to changes in the global environment, stable growth, and ultimately leads to relative local self-sufficiency. People who live in small communities with a high level of self-sufficiency are less prone to violence. In large cities, the psychological state and economic status of people depend on the abrupt changes of the globalized economy; often being under stress, residents of megacities are more prone to give vent to aggression.

From the point of view of Buddhist economics, the transportation of large amounts of resources to meet local needs is not a sign of the well-being of the economy, but of its inefficiency. Modern economics sees the picture differently. An increase in the volume of goods transported is often considered an indicator of economic progress, rather than a deterioration in consumption patterns. To value a product above a person, and consumption above creativity, is to distort reality inside out. This is how Schumacher interprets the Buddhist point of view. Indeed, in this case, the secondary – the product of human labour – is valued above the primary, the producer himself (Schumacher 1993).

The inefficiency of the approaches prevailing now in the modern global economy is forcing politicians and big business captains to increasingly resort to the search for reasonable alternatives in strategic economic policy. One of these alternatives is the model of 'recovery economy' by Ernst Schumacher, who proved the fundamental 'unprofitability' of uncontrolled large-scale industrial production. The followers and developers of Ernst Schumacher's and Buddhist ideas in this direction are united in the research organization: Schumacher Society – The Schumacher Center for a New Economics. They are engaged not only in theoretical, but also in applied research, the purpose of which is to develop concrete practical recommendations and find the ways to achieve an economically and environmentally sustainable society.

A civilization or community that lives predominantly from renewable resources is more perfect than one that depends on non-renewable resources. The latter leads a parasitic way of life, spending not income, but capital to satisfy needs. Chasing external indicators like GDP, according to the principles of Buddhist economics is stupid. These figures tend to show only a handful of large owners growing 'fat in butter' while ignoring the economic situation of the

majority of the population. The same can be said about the idealization of import and export indicators. Now such 'proclamations' are no longer perceived as something revolutionary, but for the economists of the sixties they sounded like complete heresy. Only after the development of the concept of 'sustainable development' did Schumacher's ideas begin to be perceived as reasonable and rational (if only a little strange). The scientist shows how 'Western' and Buddhist approaches to work differ. The Western 'materialist' approach to work assumes that for the worker it is almost compulsory, and for the employer it means costs that cannot be avoided, but he will try to minimize it in any way. The salary is considered just as a some compensation to the worker for lost time and comfort. This dubious and wrong approach to labor needs to be corrected.

Labor in Buddhist economics

From the point of view of Buddhism, human labor has at least three goals. First of all, it is a way to develop human abilities.

As Robert A. Heinlein said in his science fiction novel, specialization is the destiny of insects:

A human being should be able to change a diaper, plan an invasion, butcher a hog, conn a ship, design a building, write a sonnet, balance accounts, build a wall, set a bone, comfort the dying, take orders, give orders, cooperate, act alone, solve equations, analyze a new problem, pitch manure, program a computer, cook a tasty meal, fight efficiently, die gallantly. Specialization is for insects (Heinlein 1973).

Labor automation, when an employee of a factory, office, supermarket repeats the same monotonous actions every day for months and years, turning more and more into a zombie robot, is unacceptable, because it stifles creativity in a person. Secondly, work helps a person overcome one's own selfishness (one of the main tasks that Buddhism sets for the individual) through working with others on a common project. Thirdly, the production of quality goods and services is necessary for a decent standard of living. If an employer organizes work in a way that neglects these goals, so that when work loses its meaning, becomes boring, or annoys workers, it is committing almost a crime.

For a Buddhist, work is not something that should be avoided at all costs, but a blessing – of course, if it takes place in conditions of ensuring human rights and freedoms. Work and labor is not only a production process, it also has a psychological and 'spiritual' significance, as the Thai scholar P.A. Payutto notes in his book 'Buddhist Economics: The Middle Way for the Market' (Payutto 1994). This is clear even to those economists who believe that economic growth is more important than any values.

The 'Western' approach has certain social consequences: while women work in offices and factories, someone else takes care of their children. For a Buddhist economics such use of resources is as effective as, for example, for a Western economics to recruit a highly qualified in peaceful affairs specialist into the army without accounting his competence. The Buddhist system emphasizes interesting details – for example, Schumacher notes the importance of planting trees both for the economy and for the education of consciousness. By planting trees and caring for them, we think about the future, provide next generations with renewable resources, 'get involved' in interaction with nature and become more aware of natural processes and our impact on them. In saving resources, attention is also drawn to the fight against speculation – in particular land speculation – which is a real scourge of all capitalist economies. Schumacher came up with an interesting way to solve this problem. In his opinion, neither private property and the uncontrolled sale of land, nor nationalization, when the land is

controlled by the bureaucracy, can give good results. In the first case, it is impossible to avoid the speculative rise in prices and the destruction of small landowners. In the second, the insanity of the socialist 'management' of the land arises, which are well known to everyone who survived the 'soviet' experiment with collective farms. Schumacher proposes to establish a stable price for each land plot (linked to the inflation index) by law. In developed countries where the 'puzzle' is assembled, it is technically not difficult to do this at all. The seller of the plot cannot get a higher price for it than is established. If, however, in the process of buying and selling there is someone willing to pay a higher price than the established price, he pays more. But the amount of the overpayment does not go to the seller, but to a special state fund (for example, the improvement of farmland, the creation of reserves or the greening of cities) (Schumacher 1993).

Similarly Japanese economist Shinichi Inoue develops the Buddhist idea of dependent origination, demystifying the inextricable relationship between economic, cultural and human development. Appealing to the idea of right view (*sammaditthi*), he created the modern incarnation of Buddhist economics as the middle way between capitalism and socialism.

Discussion

Buddhist economics and, accordingly, Buddhist economy have undeniable benefits and inevitable losses. Its supporters seek the first and do not emphasize the second, while critics do the opposite. Still both parties leave it out of sight as a whole. Let's try to avoid such incompleteness.

The strong feature of *Buddhist management* is its basic value approach: it is an axiomatic believes in interconnection of all things and processes in the world (concept of "dependent origination"). So, economic actors should not destroy their opponents. Instead of this they should choose a more constructive and realistic, accordingly, more rational vision of strategy of economic behavior – model "win – win", when each participant in economic communication could make his own profit without causing losses to his opponent. Probably, it will not be the maximum profit, but there will definitely not be a complete collapse for every participant in economic communication.

This strong trait of Buddhist management has a weak side: caring about an economic opponent weakens competition and provokes economic stagnation: everyone would rather lose together than sink the opponent to stay alive.

Therefore, above and instead of competition, there should be some additional incentives for economic growth.

It may be the saving of *human resources*. It can be the appeal to altruistic and good human nature: while greed and ego are based on mental illusions and lead to suffering and an empty life, avoiding wrong choices frees people from unnecessary and empty desires. People should strive for harmony, not enrichment. Harmony within the family, harmony in the community and harmony with nature are much better than wars and conflicts. It means "redistributing income so that the rich have less choice and the poor have more. Everyone is better off" (Brown and Zsolnai 2020, p. 5). Each person should strive for less, so lesser goods will be enough for everyone.

This feature also has its weakness: who will determine this "smaller/deficient vehicle"? Undoubtedly, it could not be politicians. But can religious authorities or even holy teachers be effective managers of economic processes? It is unlikely. Every individual in society should have intrinsic trust to good human nature: it cannot be imposed from above administratively or ideologically. But even so, Wolfgang Drechsler still doubts: "It seems hardly legitimate in the

Buddhist context to make recommendations about spirituality to others without paying attention to their minimal material comfort” (Drechsler, 2019, p. 546).

So, it may be the optimization of *labor* and producing of long term and recycling goods, as well as quality “products that can be repaired... supporting regenerative practices in ranching and agriculture, and... envisioning a new approach to business” (Brown and Zsolnai 2020, p. 7). If the escalation of production will be a wrong way, then the goods and services should be small, but very targeted.

Every of each of these three component of Buddhist economics could not be performative as isolated technique and could not be used as element of some other, for example Western management. It could not be Buddhist supplement to Western economy – Buddhist economy can be successful as part of entirely Buddhist way of life, as brunch of Buddhist society.

That is why Slavoj Žižek is right when he wrote that “although Western Buddhism presents itself as the remedy against the stressful tension of capitalist dynamics, allowing us to uncouple and retain inner peace and *Gelassenheit*, it actually functions as its perfect ideological supplement” (Žižek, 2001, p.33).

The Buddhist economy seems to require a collectivist ethic that originated in rural communities. But according to Marshall McLuhan modern mankind lives in global village when it is “tied together into a single globalized marketplace and village” (Poll, 2012. P. 160). So, the question is not economics – the task is to discover some new worldview that will have the spirit of Buddhism. It can be a new bioethics as a combination of science, medicine and environmental ethics. This is the task of the near future.

Now Buddhist economy is part of Buddhist practice as a whole life in Buddhism, not as an implementation of some Buddhist economics. Buddhist economics is just theoretical attempt to interpret and conceptualize this practice. Without such practice of the whole society it could not be any Buddhist economy and Buddhist economics, especially in the latter. So, Buddhist economic rationality could not be the rationality of divided economic men, could not be the corporate strategy of some company, could not be the ideology of political party, but it can be only the economic rationality of Buddhist society.

Conclusion

So, to summarize, an industrial or ‘post-industrial’ society based on the extensive use of non-renewable resources cannot exist indefinitely. A return to local economies based on agriculture is inevitable. It is difficult to disagree theoretically with this, but until the situation becomes critical, most people will not accept this opinion. For example, only the escalation of a terrible war of Russia against Ukraine in 2022 shows all the world the vital dependence of huge part of countries from food produced in Ukraine: things that seemed to be natural and inevitable appear fragile and dependent on collective resisting the aggressor. In the near future each country should begin to take care about its own sources of food – and generally make its own economy more independence, like the Buddhist economy is.

The concept of Buddhist economics is getting more and more confirmations and more and more supporters. This concept returns the classical understanding of economic rationality – concern for people and their stable well-being, and not about the accumulation of capital for the sake of capital itself. But in proper sense, a Buddhist economy can only be managed in Buddhist societies. In a very weak sense it could be Buddhist-like economy in non-Buddhist countries. Such management of the economy should be guided not by the external parameters of production, but by its quality and targeted satisfaction of the main needs of people. Work appears

as an excellent opportunity for personal development and care for oneself and loved ones, and not as participation in the functioning of supra-individual systems and unknown consumers. Consumption itself must be subordinated to care for the environment.

Now the implementation and development of the principles of the Buddhist economy is the affair of experimental enthusiasts in some small communes and eco-villages. But it will soon be the case for many, if not for everybody. In the sixties of the twentieth century, when Schumacher published the first calculations of his research, economists laughed at his theories. However, after a few decades it became obvious that humanity needed to come to a more rational economy than is used now. Increasing consumption leads ultimately to nowhere. Perhaps it is wiser not to increase consumption, but to learn to achieve maximum pleasure from a minimum consumption? And it is important to produce only the highest quality goods and services both at the national and regional, continental and global levels.

Buddhist economics should be in a priority interest of forthcoming philosophical research in the area of collective agency and collective responsibility, social dilemma and social agreement, environmental ethics and theory of small communities and creative networks.

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