

Applying Buddhist Ethical Principles in Markets

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The Buddhist tradition distinguishes between chanda, desire for things that sustain well-being; and tanha, desire for things which do not sustain well-being but give sense-gratification. Production of goods and services which sustain well-being is to be favoured by Buddhists, whereas production of goods and services for tanha only, are not a good use of resources. This paper attempts to apply these principles to markets that so far, have been largely driven by neoclassical economics.

Economics is often claimed to be free of any ethics.¹ However, there is an implicit ethics in neoclassical economics that governs economic decisions on every level. The basic theory says that individuals act self-interestedly to satisfy their desires, which are infinite.² The assumption is that it is good for the individual to satisfy her desires – that it will make her happy. The best possible outcome, then, for an individual, is when their desires are maximally satisfied, and for society as a whole, when some maximization of desires is satisfied, subject to other ethically-imposed constraints.

The main contention with this way of thinking, brought to light by Buddhist ethics, is that maximally satisfying an individual's desires is not beneficial to her happiness.³ In fact, there is reason to believe it will make them less happy, be worse off for the community as a whole, and may even be propelling the destruction of the planet and the human race.

There are good reasons to believe this is the case outside of a Buddhist framework. Though, in the last 30 years, GDP has increased staggeringly in

¹ Nelson, Julie, 'The Relational Economy: A Buddhist and Feminist Analysis', *GDAE Working Papers 10-03*, GDAE, Tufts University. May 2010.

² *Ibid.*

³ L. Zsolnai. 'Why Buddhist Economics?' In *Ethical Principles and Economic Transformation: A Buddhist Approach*, ch.1, Springer 2011

the US and in Japan⁴, subjective measures of happiness have remained the same, even for people who have gotten richer. Neuroscientific research has given credence to the claim that satisfying many desires don't bring us happiness.⁵

Furthermore, there is neuroscientific evidence that we continue to have desires even after fulfilling our old desires. Buying consumer goods can be addictive, and yet lead to buyer's remorse.⁶

The pressure for continued economic growth is hurting the environment.⁷ There are huge problems with non-renewable and renewable resources being exploited and overused, deforestation, global warming, pollution of the oceans and atmosphere, to name a few.

Buddhism goes against the belief that maximally satisfying desires will be beneficial to an individual's happiness. It separates desire into at least two types: chanda, desire for things which sustain well-being; and tanha, desire for things which do not sustain well-being but give sense-gratification.⁸ Production of goods and services which sustain well-being is to be favoured by Buddhists, whereas production of goods and services for tanha only are not a good use of resources.

Justification for this demarcation between good and bad production can be found in Buddha's Four Noble Truths, which are central to Buddhist thought. These are, briefly, (1) the existence of suffering in life, (2) the cause, samudaya, of this suffering is tanha, desire, and avijja, ignorance, (3) the possibility of nirodha, the cessation of suffering, through stopping its cause, and (4) the path, magga, to stop the cause of suffering is by following the Noble Eightfold Path.⁹

Following the Noble Eightfold Path entails not purchasing out of chanda, which reduces suffering for the 'individual'. In the literature on Buddhist

⁴ Daniels, Peter L. "Sustainable Consumption – Ethical Foundations". In Zsolnai, L. (Ed.) *Buddhist Economics: Ethical Principles and Operational Models*. Springer Verlag: Berlin, 2011

⁵ Ash, Colin, 'Happiness and Economics: A Buddhist Perspective', *Society and Economy*, 29 (2007) 2, pp. 201-22

⁶ Ash, Colin, 'Do Our Economic Choices Make Us Happy?' In Zsolnai, L. (Ed.) *Buddhist Economics: Ethical Principles and Operational Models*. Springer Verlag: Berlin, 2011

⁷ Daniels, Peter L. (2011) "Sustainable Consumption – Ethical Foundations". In Zsolnai, L. (Ed.) *Buddhist Economics: Ethical Principles and Operational Models*. Springer Verlag: Berlin, 2011

⁸ Essen, Juliana, 'Sufficiency Economy and Santi Asoke: Buddhist Economic Ethics for a Just and Sustainable World', *Journal of Buddhist Ethics*, Volume 17, 2010

⁹ Ash, Colin, 'Do Our Economic Choices Make Us Happy?' In Zsolnai, L. (Ed.) *Buddhist Economics: Ethical Principles and Operational Models*. Springer Verlag: Berlin, 2011

ethics applied to economics, different construals of this are shown, empirically, to be the case. In one sense¹⁰, it can be shown that individuals suffer less just because of the change in lifestyle that acting according to the Noble Eightfold Path comes with: they are less preoccupied with trying to satisfy fleeting wants which complicate their lives and cause stress, for example. So, if a society was encouraged to make economic decisions with the understanding that satisfying tanha causes them suffering, each 'individual' by their own change in lifestyle would profit.

Other writers¹¹ say that individuals suffer less because the planet will not be over-used, so (a) there will be less suffering for future generations due to the effects of over-production, and (b) there will be less suffering from those who are unable to satisfy their chanda, because not satisfying tanha means that resources will be freed up to be allocated so that everyone can have enough for their well-being.

Though this interpretation isn't directly linked to the causal relationship between tanha and dukkha explained above (instead relying on a different causal relationship between them, due to the scarcity of resources), this is an interpretation which dovetails well with conventional Buddhist wisdom. For example, the thought that my decision to satisfy my tanha is directly linked to another's satisfaction of their chanda, is well in-line with the Principle of Conditionality, in which everyone's actions effect everyone else in profound ways. The principle of ahimsa (roughly: non-violence) might be brought into consideration. Alternatively, the principle of anatta can be appealed to: there is no 'individual', and thinking that there is one involves clinging onto a changing entity as though it were constant, which Buddhists are to avoid. So then the Four Noble Truths must apply to humanity as a whole, or all living beings, and thus we must act to reduce the suffering of all.

DISTINCTION BETWEEN TANHA AND CHANDA STABLE?

One potential problem with this is that it relies on a distinction between tanha and chanda, which may be difficult to delineate for both producers and consumers, because it is hard to assess which goods and services contribute to well-being and which do not.

In the vinaya pitaka¹², the livelihood of a member of the sangha (Buddhist community) is outlined, apparently as Buddha saw fit. Yet, following these

¹⁰ L. Zsolnai, 'Why Buddhist Economics?', *Ethical Principles and Economic Transformation: A Buddhist Approach*, ch.1, Springer 2011

¹¹ Daniels, Peter L. (2011) "Sustainable Consumption – Ethical Foundations". In Zsolnai, L. (Ed.) *Buddhist Economics: Ethical Principles and Operational Models*. Springer Verlag: Berlin, 2011

¹² <http://www.accesstosight.org/tipitaka/vin/>

ordained guidelines exactly is worrisome for many reasons. Firstly, the guidelines are outdated, and cannot be applied to the modern world where production is different, the global economy is an unassailable reality, and there are consumer goods available which, very plausibly, facilitate well-being. Secondly, it is likely that the understanding of well-being is outdated. For example, bhikkus only eat one meal a day. But the science of diet and nutrition has progressed in the last two millennia, and probably has guidelines as to how much of a particular nutrient we ought to eat, or when and how often we ought to eat, to stay sufficiently healthy that we have wellbeing (sukha). A Buddhist would understand deeply that everything changes, and conventions suited to the past – ordained or not by an enlightened figure such as the Buddha – are susceptible to becoming outdated.

It is plausible the distinction between tanha and chanda, and an understanding of well-being, is something that each individual ought to experiment with. Clearly, what is an appropriate amount of something to consume for one person, may not be for another. In experimenting, the Buddhist practitioner will assess whether they are feeling well after a certain amount of time consuming a certain amount of goods and services, and if so, they may try to consume less to see if they are still feeling well with that amount. They may look to guidelines given by scientific studies of the average person for guidance. The ability to discern products which contribute to well-being is called ‘panna’, and it is a virtue in Buddhism.¹³

By ‘consuming less’, I do not just mean consuming less in amount of goods and services attained, but also with some measure of the external costs involved – a carbon footprint measure, for example. So in the case of nutrition, if the prevailing science suggests that a vegetarian diet is sufficient to sustain wellbeing for most people, then the Buddhist practitioner will switch to this diet, which has far less of a negative impact on the environment.

BUDDHIST ECONOMICS

We have mentioned that, in neoclassical economics, there is the assumption that having more goods and services leads to increased well-being and happiness. In Buddhism, there is mattanutta: the right amount of material acquisition, which is not maximal for any ‘individual’.

Peter Daniels¹⁴ gives three forms of capital needed for sustainable development:

¹³ Essen, Juliana, ‘Sufficiency Economy and Santi Asoke: Buddhist Economic Ethics for a Just and Sustainable World’, *Journal of Buddhist Ethics*, Volume 17, 2010

¹⁴ Daniels, Peter L. (2011) “Sustainable Consumption – Ethical Foundations”. In Zsolnai, L. (Ed.) *Buddhist Economics: Ethical Principles and Operational Models*. Springer Verlag: Berlin, 2011

- (I) produced or manufactured capital, for means of satisfying needs and wants;
- (II) natural capital, for environmental sustainability;
- (III) social capital, for social sustainability.

Economics has normally just focused on (I), and even treated (II) and (III) as merely preconditions for (I).

The assumed ethic of neoclassical economics is: the goal and measured progress of economics is not just efficiency, but to maximize personal consumption in a short-term, individualistic manner. We are addicted to an irrational process of short-term satisfaction of desires.

Production normally meets increased demand in a free market economy. This need not be the case in Buddhist economics. Also, firms act to maximize profit, and this is believed to increase efficiency and social welfare.

The Buddha says, in Sammyutta Nikaya,¹⁵

1. As to how wealth is made, it is praiseworthy to do so in a moral way, and blameworthy to do so in an immoral way.
2. Use wealth to (a) give ease and pleasure to oneself, (b) share it with others.
3. The attitude to wealth ought not to be greed or longing.

CONVENTIONAL BUDDHIST WISDOM IMPACTING THE DECISIONS OF A PRODUCER

It's hard to imagine how Buddhist principles can be broadly applied to any existing economy. There would be scenarios in which one firm operating in a Buddhist way is not inclined to take out a loan in order to increase supply to match with consumer demand for their product, because short-term growth of the company is not highly favoured. A firm operating with such practices will be less inclined to take risks to increase short-term growth, and thus it will not reap the rewards in terms of profit that the risks can give. This is not bad in itself for the Buddhist firm, but it shows one way in which a firm operating Buddhist principles will be less competitive.

Efficiency is enforced in profit-maximizing firms because of a desire to decrease wastage and costs that of course mean profit is reduced. For a firm that operates according to Buddhist principles and conventional wisdom,

¹⁵ Nelson, Julie, 'The Relational Economy: A Buddhist and Feminist Analysis', *GDAE Working Papers 10-03*, GDAE, Tufts University, May 2010.

efficiency will be favoured because of a construal of the core argument above, that we ought to be desiring and obtaining only the minimum to fulfill our needs (of production, in this case).

Efficiency being enforced directly from an ethical argument, rather than as a by-product of profit-maximizing, is favourable, as profit-maximizing on its own does not discriminate between steps to improve efficiency which have more external costs. Also, in not encouraging firms to make a profit, a Buddhist firm is less likely to have too much money, and so it is less likely to overfund a project, thus maintaining an environment encouraging efficiency and innovation.

For a public limited company to stop incentivizing short term growth means that investors will not get back dividends as often, and may stop investing.

CONVENTIONAL BUDDHIST WISDOM IMPACTING THE DECISIONS OF A CONSUMER

Buddhist principles essentially call for a consumer to follow a lifestyle which reduces their demand. But consumer demand keeps a lot of the world's population employed, and gives them enough to satisfy their chanda. So it is at least not trivial that my reduction of demand will increase the suffering in the world.

An argument against this would point out that, for a worker who produces a consumer good to satisfy their chanda, the money to purchase the good can go directly to the worker as charity. That way, none of it goes into the production of the consumer good, so there is more money going to the worker. Furthermore, the good isn't being produced, which is likely to involve pollution and damage the environment and use up natural resources that could be better used to satisfy chanda. And, furthermore, the consumer good itself can cause the buyer unhappiness and stress.

A useful analogy is to think of the consumer good as a drug whose production damages the environment. In desiring the drug, through spending £5 on it, the consumer helps the producer alleviate suffering by being able to satisfy chanda. Let's say £3 goes into making the drug. There is also a cost to the environment because of making the drug. And furthermore, acquiring the drug gives a cost to the consumer, because the drug makes the consumer unhappy in the long term. So it would be better on all accounts if the drug was taken out of the picture, and money which we have which isn't needed for sukha was simply given away for someone else's (i.e. the producer's) sukha.

ACTUAL ECONOMIES

Judith A. Nelson, in her chapter ‘Some notes on Actual Economies’¹⁶ from ‘The Relational Economy’, adds helpful qualificatory remarks to the economic structure characterized as Western or capitalist, that writers often pit Buddhist ethics against. She is cautious of arguments against “neoliberals” who think that unbridled profit maximization is good, because actual firms do not act solely to maximize profit, so it is attacking a position which is not put into practice.

Actual firms “do a great many things”, employ many different types of people, emphasize different values and practices; some focus on short-term growth, some on diversification, some on reputation. They are not “abstract ‘profit maximizers’ and spheres of pure exchange”.

If we take off the blinders of mechanical thinking and look at economic life as it is actually lived, we can see that – far from being “locked-up” – it provides numerous interstices for wise and compassionate response. The sorts of gaps or flexible areas in the functioning of actual businesses that allow some CEOs to take excessive compensation out of profits, for example, also create the space for other CEOs to make authentic movements towards better labor or environmental standards – to be the “good and honest businessperson” mentioned by the Dalai Lama.¹⁷ The opportunity to sell can be an opportunity to meet needs; the opportunity to buy can be an opportunity to support worthy ventures; the opportunity to work can be an opportunity to right livelihood. The system can also be shaped through citizen action and cultural mores: the capitalism of France, Japan or Sweden, for example, is quite different from the capitalism of the United States or the United Kingdom, and capitalism of one era is different from that of another. Commerce has the potential to be “an act of participation and compassion”.¹⁸

¹⁶ Nelson, Julie, ‘The Relational Economy: A Buddhist and Feminist Analysis’, *GDAE Working Papers 10-03*, GDAE, Tufts University. May 2010.

¹⁷ Dalai Lama, His Holiness the. “Ethical Economics.” In A.H. Badiner (Ed.) *Mindfulness in the Marketplace: Compassionate Responses to Consumerism*. Berkeley: Parallax, 2002.

¹⁸ Fischer, Norman. Wash Your Bowls. In S. Kaza (Ed.) *Hooked! Buddhist Writings on Greed, Desire and the Urge to Consume*. Boston: Shambhala Press, 2005.