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Buddhist Economics for Business

The paper explores Buddhist economics for transforming business toward a more ecological and human form. Buddhist economics is centered on want negation and purification of the human character. It challenges the basic principles of Western economics, (i) profit-maximization, (ii) cultivating desires, (iii) introducing markets, (iv) instrumental use of the world, and (v) self-interest based ethics. Buddhist economics proposes alternative principles such as (I) minimize suffering, (II) simplifying desires, (III) non-violence, (IV) genuine care, and (V) generosity. Buddhist economics is not a system but a strategy, which can be applied in any economic setting. Buddhist economics provides a rational, ethical, and ecological value background, which promotes happiness, peace and permanence.

The Conception of “No-Self”

Thomas Shelling characterized Western economics as an “ego-nomical framework”. Western economics is centered on self-interest understood as satisfaction of the wishes of one’s body-mind ego. Buddhism challenges this view by a radically different conception of the self, that is, “anatta”, the “no-self”. (Elster, J. 1985)

Anatta specifies the absence of a supposedly permanent and unchanging self. What is normally thought of as the "self" is an agglomeration of constantly changing physical and mental constituents which give rise to unhappiness if clung to as though this temporary assemblage. The "anatta" doctrine attempts to encourage the Buddhist practitioners to detach themselves from the misplaced clinging to what is mistakenly regarded as self, and from such detachment (aided by moral living and meditation) the way to *Nirvana* is able successfully to be traversed.

Modern neuroscience supports the Buddhist view of the self. What neuroscientists discovered is can be called the selfless (or virtual self), “a coherent global pattern, which seems to be centrally located, but is nowhere to be found, and yet is essential as a level of interaction for the behavior”. The non-localizable, non-substantial self acts as if it were present, like a virtual interface. (Varela, F.J. 1999: p. 53. and 61.)

The Buddhist conception of selflessness has enormous implication for economics. In the works of E.F. Schumacher, Venerable P. A. Payutto and others Buddhist economics is emerging as a major alternative to the Western economic mindset. (Schumacher, E.F. 1971, Payutto, P.A. 1994, Zsolnai, L. and Ims, K. J. (eds) 2006)

Minimize Suffering

When Western economics promotes doing business based on individual, self-interested, profit-maximizing way, Buddhism suggests an alternative strategy. The underlying principle of Buddhist economics is to *minimize suffering* of all sentient beings including human and non-human beings.

In more technical terms the suffering minimizing principle can be formulated that the goal of economic activities is not to produce gains but the decrease losses. This is an adequate strategy in the light of experimental decision research.

The *prospect theory* developed by *Daniel Kahneman* and *Amos Tversky* discovered the basic empirical features of the value function of decision makers. The central finding of prospect theory is that decision makers are more sensitive to losses than to gains. (Kahneman, D. and Tversky, A. 1979) Experiments show that the ratio of the slopes in the domains of losses and gains, the “loss aversion coefficient”, might be estimated as about 2 : 1. (Tversky, A. and Kahneman, D. 1991, 1992)

Because humans (and other sentient beings) display loss-sensitivity it does make sense trying to reduce losses rather than trying to increase gains. Losses should not be interpreted only in monetary terms. Also they should not apply only to humans. Suffering, that is the capability of experiencing losses, is *universal* in the realm of natural and human kingdom.

Simplifying Desires

Western economics cultivates desires. People are encouraged to develop new desires for things to acquire and for activities to do. The profit motive of companies requires creating more demand. But psychological research shows that materialistic value orientation undermines well-being. “People who are highly focused on materialistic values have lower personal well-being and psychological health than those who believe that materialistic pursuits are relatively unimportant. These relationships have been documented in samples of people ranging from the wealthy to the poor, from teenagers to the elderly, and from Australians to South Koreans.” These studies document that “strong materialistic values are associated with a pervasive undermining of people’s well-being, from low life satisfaction and happiness, to depression and anxiety, to physical problems such as headaches, and to personality disorders, narcissism, and antisocial behavior.” (Kasser, T. 2002: p. 22.)

Psychologists call “auto-projection” the mechanism through which people seek to satisfy their desires. It is a *looser strategy* whether or not people achieve their desired goals. When they are not able to reach the goals they envision, they attribute their continuing dissatisfaction to their failure to reach the alleged corrective measures. When they succeed in attaining their goals, this usually does not bring what they hoped for and their feeling of discomfort are not relieved. So striving for satisfying desires never bring people the fulfillment they expect from it. (Grof, S. 1998. p. 207.)

The Buddhist strategy suggests not to multiply but to simplify our desires. Above the minimum material comfort, which includes enough food, clothing, shelter, and medicine, it is wise to try to reduce one’s desires. Wanting less could bring substantial benefits for the person, for the community, and for nature.

Buddhism recommends moderate consumption and is directly aiming at changing one’s preferences through meditation, reflection, analyses, autosuggestion and the like. French economist *Serge-Christopher Kolm* developed a formal model to treat consumption and mediation together. (Kolm, S-C. 1985)

In a simplified form his model is as follows. Let “u” represents one’s *well-being* (or “sukha”). Let “c” and “tm” represent consumption and meditation. These variables are linked by the relation $u = u(c, t_m)$.

The acquisition of consumption goods takes time, because labor is involved in producing them or needs to earn money to buy them. Let this length of time be “ta”. The quantity of c is an increasing dependent variable of this, so $c = c(t_a)$.

We then have $u = u[c(t_a), t_m]$. Time should be divided between working for consumption and meditation. What is the optimal allocation between these two activities? The Buddha says that the optimum is some meditation to lower the desire for consumption and to be satisfied with less, and some consumption and thus to work that it entails. This is the “Middle Way”. In economic terms this means “the marginal productivity of labor involved in producing consumption is equal to the marginal efficacy of the meditation involved in economizing on consumption without altering satisfaction”. (Kolm, S-C. 1985: p. 240-242.)

Desiring less is even fruitful in the case of money. Western economics presupposes that more money is better than less money. But, getting more money may have negative effect. Overpaid employees and managers do not always produce high-level performance.

Being under financed might be beneficial for a project. If people have smaller budget they may use the money more creatively and effectively. *Jesus* had no budget at all for financing his mission.

Practicing Non-violence

Western economics aims to introduce markets whatever social problems should be solved. *Karl Polanyi* called the whole process of marketization as “The Great Transformation” by which spheres of society became subordinated to the market mechanism. (Polanyi, K. 1946) In the age of globalization we can experience this marketization process in a much larger scale and in a more speedy way than ever.

Market is a powerful institution. It can provide goods and services in a flexible and productive way, however it has its own limitations. Limitations of the market come from *non-represented* stakeholders, *under-represented* stakeholder, and *myopic* stakeholders.

Primordial stakeholder such as nature and future generations are simply not represented in the market because they do not have a “vote” in the terms of purchasing power. They cannot represent their interest in supply and demand. Other stakeholders such as the poor and marginalized people are under-represented because they do not have enough purchasing power to signal their preferences in the market. Finally, stakeholders who are well represented in the market because they have enough purchasing power, often behave in a myopic way, that is, heavily discount values in space and time. Market prices usually show the values of the strongest stakeholders and favor preferences here and now. Because of these inherent limitations the market cannot give a complete, unbiased direction for guiding economic activities. (Zsolnai, L. and Gasparski, W. (eds.) 2001)

Non-violence (called “ahimsa”) is the main guiding principle of Buddhism for solving social problems. It is required that an act should not cause harm to the doer and the receivers. Non-violence prevents doing actions directly causing suffering for oneself or others and urges to find solutions by a participative way.

The community economy models are good examples. Communities of producers and consumers are formed to meet the needs of both of them at the lowest cost and reduced risk by a long-term arrangement. (Douthwaite, R. 1996)

Community supported agriculture is the prime example of community based economic activities. Its essence is simple: a group of people agrees to buy in advance, shares of a farmer's harvest of food grown in an ecologically sound manner. It is a small-scale system whose central decision making body is the group of the farmer and the consumers. Community supported agriculture adopts a long-term perspective, de-commodify food and land, and reject monoculture and chemicals. Community supported agriculture strives to foster trust, to build value-community and to bring people closer to the land and the farm. (Dyck, B. 1994)

Achieving ecological sustainability and non-violence requires altering the underlying structure of dominating configurations of modern business. This means de-emphasizing profit maximization and market systems and introducing small-scale, locally adaptable, culturally diverse way of substantive economic activities.

Genuine Care

According to the famous saying of *Oscar Wilde*: economists know the price of everything and the value of nothing. In Western economics the value of an entity (be it human being, other sentient being, object or anything else) is determined by its marginal contribution to the production output. The problem with this instrumental approach is that it generates the worst response from the parties involved. To get the best from the partners requires taking genuine care in their existence.

Robert Frank developed five distinct type of cases when socially responsible organizations are rewarded for the higher cost of caring. (Frank, R. 2004)

- (i) Opportunistic behavior can be avoided between owners and managers.
- (ii) Getting moral satisfaction employees are ready to work more for less salary.
- (iii) High quality new employees can be recruited.
- (iv) Customers' loyalty can be gained.
- (v) The trust of sub-contractors can be established.

Caring organizations are rewarded for the higher costs of their social responsible behavior by their ability to form commitments among owners, managers and employees and to establish trust relationships with customers and sub-contractors.

Generosity

There is a place for ethics in Western economics, however a little one. The Western economic man is allowed to consider the interest of others only if it serves his or her own interest. The *self-interest based*, opportunistic approach to ethics often fails.

Luk Bouckaert criticizes the EU document of CSR policies is written under the veil of a rational and technocratic conception of ethics. Also, he explains that this conception of CSR is unable to overcome *opportunism* in business and politics. He argues that by reducing ethics to a functional and instrumental management concept we lose something vital. We are crowding out genuine moral feelings and genuine moral commitment, substituting them for rational and technocratic management tools. This substitution fails.

The *ethics management paradox* is the following. By creating new regulations to temper opportunistic behavior in and among organizations, we might temper the symptoms but often reinforce the underlying roots of opportunism. We introduce economic incentives like benefits, such as premiums or tax relief for those who respect the new regulations, but by doing this, we substitute moral feelings for economic calculations. Preaching moral concepts such as trust, responsibility or democracy on the basis of calculative self-interest or as conditions of systemic functionality opens the door for suspicion and distrust because calculations and systemic conditions can easily be manipulated. When the fox preaches, guard your geese. Bouckaert warns that the more economic democracy can be sustained by a rational and economic discourse, the more it risks crowding out the spiritual and moral commitment, which is a necessary condition for sustaining genuine entrepreneurship and stakeholding. Therefore we must put forward not only the question of how to make business ethics operational, but also the question of how to make it genuinely ethical. (Bouckaert, L. 2006)

Generosity might work in business and social life because people are “Homo reciprocans.” They tend to reciprocate what they get and often they give back more in value to the doer than he or she gave to them.

Ernst Fehr and *Simon Gaechter* designed a gift exchange game in which employer makes a wage offer with a stipulated desired level of effort from the worker. The worker may then choose an effort level, with costs to his or her rising in effort. The employer may fine the worker if his or her effort level is thought to be inadequate. The surplus from the interaction is the employer’s profits and the worker’s wage minus the cost of effort (and the fine, where applicable).

Self-regarding worker would choose the minimum feasible level of effort, and, anticipating this, the self-regarding employer would offer the minimum wage. But experimental subjects did not conform to this expectation. Employers made generous offers and workers' effort levels were strongly conditioned on these offers. High wages were reciprocated by high levels of efforts. (Bowles, S. 2004: pp. 495-496.)

Not a System but a Strategy

Buddhist economics represents a *minimizing framework* where suffering, desires, violence, instrumental use, and self-interest have to be minimized. This is why “small is beautiful” and “less is more” nicely express the essence of the Buddhist approach to economic questions.

Western economics represents a *maximizing framework*. It wants to maximize profit, desires, market, instrumental use, and self-interest and tends to build a world where “bigger is better” and “more is more”. (Table 1)

Table 1 *Characteristic of Western Economics and Buddhist Economics*

Western Economics	Buddhist Economics
maximize profit	minimize suffering
maximize desires	minimize desires
maximize market	minimize violence
maximize instrumental use	minimize instrumental use
maximize self-interest	minimize self-interest
“bigger is better”	“small is beautiful”
“more is more”	“less is more”

Buddhist economics does not aim to build an economic system of its own. Rather it represents a strategy, which can be applied in any economic setting anytime. It helps to create livelihood solutions which reduce suffering of all sentient beings by practicing want negation, non-violence, caring and generosity.

Today's business model is based on and cultivates narrow self-centeredness. Buddhist economics point out that emphasizing individuality and promoting the greatest fulfillment of the desires of the individual conjointly lead to destruction.

Happiness research convincingly shows that not material wealth but the richness of *personal relationships* determines happiness. Not things but people make people happy. (Lane, R. E. 1998) Western economics tries to provide people with happiness by supplying enormous quantity of things. But what people needs are caring relationships and generous love. Buddhist economics make these values possible by direct provision.

Peace can be achieved by non-violent ways. Wanting less can substantially contribute to this task and make it happen easier. *Permanence*, that is, ecological sustainability requires a drastic cut back of the present level of consumption and production globally. This reduction should not be an inconvenient exercise of self-sacrifice. In the noble ethos of reducing suffering it can be a positive development path for business. (Zsolnai, L. and Ims, K. J. (eds) 2006)

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