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AN OUTLINE OF

BUDDHIST ECONOMIC THEORY AND SYSTEM

by

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Abstract

The vision of the latest economic development plan (1997-2001) in Thailand has been influenced by the movement which has appealed to Buddhism as the foundation for a renewed Thai-style economic system. Besides the works by this movement and scholarly works in search of Buddhist economics, there is no explicitly developed economic theory based on Buddhist teachings. This study attempts to (i) develop a theoretical framework for Buddhist economics from the fundamental Buddhist principles and (ii) explore basic features of a Buddhist economic system.

The study first lays out the basic philosophical framework and methodology based on the fundamental principles and ethical values of Buddhism. It also reviews the existing literature of Buddhist economics to place itself in the proper context. It then develops a basic theoretical framework for Buddhist economics which comprises two parts: positive and normative. The positive theory consists of three fundamental axioms which characterize the properties of economic phenomena: non-self, impermanency and unsatisfactoriness. The normative part consists of the criterion of cost-effectiveness and Buddhist principles of actions—responsibility, harmlessness, generosity, and discernment.

Based on this theoretical framework, the study then identifies the broad contours of a Buddhist economic system. The outline illustrates economic activities consistent with the Buddhist principles which comprises the acquisition, protection and utilization of wealth. It also discusses the characteristics of major economic institutions in a Buddhist economy: the market, firm, community, and state. The study concludes with some constructive suggestions for planning Thailand's long-term socio-economic development, should it choose to develop a Buddhist economy.

Dedication

To All My Teachers

Especially

The Buddha and My Parents

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Introduction

Background and Scope of the Study

Thai notions of destiny, whether grounded in the past as sanction or in the future as prophecy, are inextricably linked with the promises and goals of the Buddhist religion.
(Tambiah 1976)

1. Background

During the past three decades, Thailand has undergone many significant changes. Modern economic development began with the introduction of the first five-year National Economic Development Plan (1961-1966), which was developed following recommendations from the World Bank. Subsequent five-year plans have promoted economic development through the utilization of natural resources and relatively abundant human capital. As a result, we have seen GNP per capita increase from US$100 in 1960 to US$2400 in 1994.[1] The World Bank has ceased classifying Thailand as a poor country since 1990.

If the advantage of economic growth is to increase the range of human choices, then Thailand can claim to be successful in this regard.[2] Since the late 1980s, electricity and basic health care have been brought to most villages. Small-scale industry and small irrigation projects have also developed throughout the country during the same time. As a result of progress in medical services and health service expansion, average life expectancy has improved from 56 years in 1960 to 69 years in 1992 (UNDP 1995). The benefits of rapid economic growth notwithstanding, costs have been imposed

[1] At current market price National Economic and Social Development Board (NESDB), Economic Annual Report (1994)

[2] According to Lewis' (1955) concept of economic growth

on society that have not been captured by these numbers. Many have questioned what this development has really achieved for the society.[3]

The dominant negative aspect of the economic progress of the past 30 years is said to be income disparities, which include an increasing discrepancy between the rich and the poor and also among the regions. In 1993, the total income of the top 20 percent of households was an amazing 15.8 times the total income of the bottom 20 percent, increasing from 12.2 times in 1988 (NESDB 1995a). Also, the average income of people in the northeast was 12 times lower than average income in Bangkok, compared to 10 times in 1991 (Ibid.). Arguably, other unfavorable side-effects of recent development are the deterioration of mental health, natural resources and the environment, and changing values of society, some of which have led to an erosion of traditional virtues. As an example, more than 75 percent of the forests are said to have been destroyed during the past three decades (Ibid.).

Both the positive and negative effects of economic progress have accelerated during recent years. Sharp economic growth at a rate of 13 percent in 1988 marked the launching point of the Thai economy. Since then, Thailand has undergone the most phenomenal economic progress in its modern history. The country's GNP has grown at an average of 10 percent annually during the past seven years (NESDB 1995b). The driving factors of this continuing rapid growth are said to be the increase of manufacturing output and its resulting exports. Meanwhile, the country has observed a decline in its agricultural sector, the traditional backbone of rural economy.[4]

Observing the recent growth, the Thai government recently expressed the need to incorporate traditional Thai social conceptions into its development plan. The 8th National Economic Social Development Plan (1997-2001) focuses on human development as the main objective as well as stability and peacefulness in society (NESDB 1995a). It criticizes past

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[3] For example, Prawase Wasi (1989, 1990), Sen Phongphit (1988, 1989) most articles in Rural Development Centre (RUDOC) News (1986 - present)

[4] Manufacturing output expanded by 11 percent in 1994 and its contribution to the GDP was 31 percent, compared to the 11 percent share of the traditional agriculture sector Bangkok Post (December 1994)

development as paying less attention to human potential and intellectual capability. Furthermore, the plan contends that the education system has not been consistent with the Thai community and societal way of life, which is historically based on Buddhism.[5]

Towards a Buddhist Economic Development Paradigm

The new vision of the 8th Plan has been partly influenced by the promotion of what is called the Buddhist Economic Movement (BEM), which describes itself as a grassroots-level activity "in the struggle against poverty" (Phongphit 1989).[6] The movement focuses its concern on the costs of modern economic progress: specifically the disintegration of the agriculturally based rural economy, which constitutes three-quarters of the population. Although the productivity of agriculture has increased through new technology, the conditions for sustainable agriculture have been deteriorating because of extensive deforestation. Moreover, because each farmer is a small producer in a global market, the instability of the market prices for the agricultural products is said to be a major factor contributing to the huge debt of village families (Phongphit 1988a).

The BEM believes that the modern economic system has changed the foundations of society, which has critically affected life, the community, the environment and the values of society. Economic progress is said to be accompanied by "dissolution" of family bonds and community life in the rural areas (Wasi 1988). This phenomenon has resulted in *en masse* migration of rural people into the urban areas, resulting in slums in the cities. Crime, child abuse and prostitution are also said to be rampant (Ibid.).[7]

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[5] It has been said that 95 percent of Thai population registered as Buddhists, regardless of their practices

[6] The group of people who participate in this movement include scholars, social leaders, monks, politicians, individual villagers, NGO workers, some government officials and businessmen--both Thais and foreigners. The movement expresses its view and reports its activities through the works of the Thai Institute for Rural Development (THIRD), the Village Foundation, and the quarterly RUDOC news

[7] Wasi claims that prostitutes have outnumbered monks—an incredible historical aberration. It is said that there are now about 200,000 monks compared to 500,000 prostitutes in the country

The BEM contends that the economic system has changed from production for basic consumption to production for the market. This change is a factor that enables "a rich and influential minority to take advantage of the poor majority" (Phongphit 1989: 59). It also asserts that Western style economic development is the root of the problems in modern Thai economic development.[8] It argues that the main causes of this change are Western culture, modern education, modern development, and media and entertainment, all which mainly serve commercial purposes. The negative effects of modernization and westernization in Thailand have also been said to erode the significance and meaning of traditional Thai Buddhism—its beliefs, practices and institutions— and Buddhist based cultural values in nearly all aspects of life.

Thus many scholars and villagers themselves have called for action to protect the rural community and its traditional values. They have appealed to Buddhism as the foundation for a renewed Thai-style economic system. Their idea is to develop a new development paradigm based on Buddhist principles that would revitalize the traditional rural economy. As one proposal for a new paradigm, Wasi (1988), a main supporter of the BEM, offers a Buddhist vision of rural development in a controversial but provocative article, "Buddhist agriculture."

According to Wasi, a Buddhist economy has five characteristics. First, the mind that understands Buddhist teachings, will have the least greed and avoid extravagant spending. Second, production should focus first on self-consumption where basic needs are adequately met. Third, production technology and patterns must be in balance with the natural environment. Fourth, an economic system has to be self-reliant where everyone has enough to eat and spend with no debt. Finally, community welfare has to be fostered through generosity, while Buddhist monasteries must function as social welfare centers for the community. Although these main characteristics seem

[8] For example, Wasi (1988, 1989), Hewison and Phongphit (1990), and Sivaraksa (1992)

compatible with Buddhist views in general, it should be noted that they are not developed explicitly nor systematically from Buddhist principles.[9]

Despite the strength of the BEM's argument, the interaction between Buddhist values and the rapid modernization of the economy is complicated and has not been clearly articulated by the BEM. Their belief that Westernization is the main cause of the problems is debatable. Because Buddhism views the cause of the problems as internal to oneself, the cause should then be partly attributed to strong desires of the population towards wealth and an ignorance of natural phenomena.[10] Buddhism would rather view westernization and modernization as conditions that accelerate the problems, but not as the direct cause.

Historical Buddhist Revitalization in Thailand

The characteristics of the BEM, which have a basis in Buddhist principles, including the involvement of monks in developmental activities, are, however, nothing new to the Thai modern history. The Buddhist economic movement in Thailand can be viewed as one movement along a continuing process of Buddhist revitalization in Thailand's contemporary history. Since the 19th century, Thailand has gone through several Buddhist reform movements. They are seen as stages in an integral process of the purification of religion. The Buddhist revitalization process carries an ideology of political action as well as relevant religious conducts for all different groups of people.[11] The BEM is the most recent movement that carries a similar spirit of revitalization, but with the further step of focusing on incorporating Buddhist values into the social and economic development strategy.

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[9] Hewison (1989: 39) in reviewing Wasi's works noted that: "[Wasi] has a very clear view of his Buddhism, but it is certainly not the same as [that of others]."

[10] The study clarifies this argument further in the following chapters when discussing Buddhist philosophy.

[11] Tambiah (1976) observes the social dynamic of Thai history and notes that Thais believe in progress, although that progress has to be a combination between the imitation of certain Western technical achievements and the preservation of Buddhism.

During the 1850s, King Mongkut initiated a major reform regarding monastic disciplines.[12] Based on the study of the Pali Canon, the original texts of Buddhist teachings, the King saw serious discrepancies between the Buddhist scriptures and the actual practices of Thai monks.[13] Thus he reformed the monastic disciplines by basing them on the traditions practiced during the historical Buddha's time. This historical Buddhist revitalization has not only improved many standards of monastic practices compared to the period before, but also has had several repercussions on contemporary Buddhist reform movements in Thailand. For example, there were two periods during which the promotions of both doctrinal and organizational aspects of Buddhism were the main focuses of the movements: the 1930s and the 1960s. The former period was driven mainly by laypersons, whereas the latter was maintained primarily by scholarly and activist monks within a system of monastic education. Regardless of the main actors, the spirit of the movements throughout history has been the same in terms of scripturalism, intellectualism, and rationalism.[14]

The movement in the 1960s began with the state-sponsored Dhammaduta (missionary) program. The program provides an opportunity for monks to participate in development as well as to promote Buddhist teachings and morality in rural areas and areas with minorities such as the hill tribe people in northern Thailand (Tambiah 1976). Besides the state-

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[12] Tambiah (1976, 1978), Kirsch (1978). As a result of the reform, King Mongkut set up the Dhammayut, "those adhering to the doctrine," in contrast to the Mahanikaya majority of that time. This reform has created two Buddhist sects in Thailand, each with different monastic rules for monks, but without disputes over the doctrines and beliefs. Tambiah (1976) maintains that the Thai sectarian split situation is dramatically different from those of Mahayana Buddhism in China and Japan, which have had a tradition of "separatist religious sects." Kirsch (1978) also distinguishes sectarianism in Theravada Buddhism from the problem of "heresy" and its resolution as in Christianity.

[13] The importance of the Pali Canon is discussed in Section 3.

[14] Tambiah (1976) notes that "scripturalism" in Thailand has been a process of several interpretations of the canonical truths as either consistent with or not invalidated by the causal perspective of positive science. He also reflects that Thai "scripturalism" does not conclusively fit with the definition provided by Geertz (1968), quoted in Tambiah, in his manifestation of its implications into Islam cases in Indonesia and Morocco. According to Geertz, scripturalism leads to an idealization of religion which is combined with nationalist self-assertion, where the scripturalists are left behind at the end of the process.

sponsored program, there are several activities organized by local monks who established forest monasteries throughout the countryside regions.[15] These forest monks, through their practices, have been active in revitalizing the traditional form of Buddhism practiced during the historical Buddha time. They either seek enlightenment for oneself, or provide *dhamma* teachings to lay people, or engage in other tasks to improve the conditions in the society, or a combination of these.[16]

A strong commitment by monks to Buddhist values has also encouraged many local leaders, including school-teachers and local traders, to focus on the original Buddhist teachings based on the Pali texts. This contrasts with the more popular rituals and ceremonies that are widely practiced. The local leaders, in cooperation with monks, are the main supporters, if not leaders, of community developments in villages across Thailand in recent years. They are also the main actors of Buddhist revitalization and the BEM occurring since the 1980s.

The emerging Buddhist economic movement in Thailand has been stimulated by the work of its leading thinkers and activist groups from other countries. The Buddhist State Revolution of the late Prime Minister U-Nu in Burma and the Sarvodaya Movement in Sri Lanka are the best known examples. These political movements are viewed as explorations for a model of "Buddhist socialism" in countries that have Theravada Buddhism as a national religion.[17] The movements in Burma and Sri Lanka have also sparked interest among Buddhist scholars to examine the Buddhist vision of an ideal community.[18]

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[15] Phongphit (1988) reviews eight different developmental activities lead by mostly northeastern monks, then concludes that it is the virtues of these monks that is the most effective factor in the success of the community development projects

[16] Phongphit (1988) provide assessments of the forest Buddhist tradition in Thailand and its legacy

[17] Tambiah (1976) and Swearer (1986) argue that this type of political paradigm was appealing in the Buddhist cultures of Asia at the end of the colonial era and the beginning of the modern nation-state

[18] For example, Sarkisyanz (1965) and Smith (1978a, 1978b) The literature regarding the Buddhist political economy is discussed further in Chapter 3, literature review

The Need to Develop a Structural Framework of Buddhist Economics

In opposition to the BEM, some interest groups and scholars consider the Buddhist economic reform movement only as the basis for opposing economic growth and technological progress. The main proponents of this group are politicians, bureaucrats, business groups and scholars who support the current path of economic growth and modernization. They believe that an economy with a continuously high growth rate will eventually eliminate the problem of unequal income distribution in the long run. They also dismiss Buddhist ideas as either a return to backwardness or romanticism.[19] The debate between the reform group, whose ideas are based on traditional Buddhist principles, and the group who prefers the current path of economic development has always been central in setting many development policies in Thailand.[20]

The debate, however, has not been constructive for two reasons. First, no comprehensive economic theory based on Buddhist ethical foundations has been developed to enable us to verify whether the ethical foundation of Western-style economic development, or capitalism, is incompatible with Buddhist values. Second, based on the lack of such fundamental knowledge, we are unable to evaluate current economic development in Thailand against Buddhist principles, let alone justify what is called the practice of Buddhist economic development in various parts in Thailand.

Besides the works by the BEM and scholastic works in the field of Buddhist political economy as noted above, both Western and Thai scholars have shown the impact of Buddhism on their models of economic development.[21] Although these studies have based their arguments on Buddhist principles, there is no benchmark economic theory developed explicitly from the teachings. Some studies have applied parts of the

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[19] Phongphit (1989: 1-7) dismisses the typical criticism of the movements as being "nostalgia for a lost paradise" by suggesting that the two sides were "talking" different languages in analyzing community development. With different pre-analytical views of the village community, both the approaches and solutions are accordingly different.

[20] Nakabutra (1988) discusses several aspects of rural development policies in the past and provides a basis for differences among several approaches.

[21] See the literature review in Chapter 3.

teachings to assert their arguments, which may be consistent with the interpretation of the teachings in general. The method, however, lacks the holistic spirit of Buddhism.[22] What is needed is a clearly defined economic theory, developed in a systematic way from the fundamental Buddhist principles.

2. Objective of the Study

Although a major goal of the BEM is based on Buddhist principles, to date no comprehensive assessment of whether its vision and various practices are consistent with the original teachings of the Pali Canon has been carried out. It is also unclear whether Buddhist ethical values contribute positively or negatively to economic development.

The thesis, therefore, attempts to examine these issues by providing a theoretical framework of Buddhist economics developed from Buddhist teachings in the Pali Canon. To adequately examine these issues, the thesis addresses the following questions:

1. What does Buddhist economics look like in theory?

2. How would a Buddhist economic system operate in practice?

The answers to these questions are also expected to fill part of the gap in the existing literature of Buddhist economics. Moreover, the answers might help to provide a structural framework for planning Thailand's long term social and economic development, if it chooses to develop towards a Buddhist economy.

3. Methodology and Scope of the Study

The study consists of seven chapters. Following this introduction, Chapter 2 explores the fundamental philosophy and ethical values of Buddhism that relate to economics. The chapter provides the basic philosophical framework and the methodology for developing the analytical framework in Buddhist economics. It explains the importance and role of economic well-being in the

[22] This issue is discussed further in the literature review

Buddhist teachings, and also illustrates fundamental Buddhist social and economic ethics. The philosophical framework also provides a background in Buddhist principles necessary to review the existing literature of Buddhist economics in Chapter 3.[23] While reviewing the literature in Chapter 3, the study also notes its shortcomings and places itself in the proper context in the field of study.

Chapter 4 develops a basic framework of analysis in Buddhist economics. The framework comprises three fundamental axioms that characterize the properties of economic phenomena, and the goal and means of economic activities. The axioms are: (1) all economic phenomena are the results of interaction among conditional factors, (2) the continuous interaction among factors gives rise to a dynamic and interdependent system among economic events, and (3) an economic activity is an attempt to eliminate unsatisfactoriness which is caused by ignorance about the process of interaction. The goal of economic activities is to effectively eliminate unsatisfactoriness while maintaining stability in the system. The effectiveness can be achieved through actions that are both cost-efficient and skillful. Moreover, based on the axioms, the study also derives Buddhist principles of actions that provide a systematic guideline for effective actions.

The study applies the axioms, the criteria of effectiveness and the principles of actions to identify the broad contours of a Buddhist economic system. Chapter 5 describes the type of economic activities consistent with the Buddhist principles. Three main activities are discussed: acquisition, protection and utilization of wealth. Chapter 6 outlines the characteristics and roles of major institutions in a Buddhist economy: the market, firm, community and state. The discussion includes an assessment of the practice of the Buddhist economic movement in Thailand and also constructive suggestions for planning Thailand's long-term development toward a Buddhist

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[23] In general, a chapter on literature review should follow the introduction chapter. This is not the case here because there are several Buddhist concepts used in the literature that need clarification for readers in the field of economics.

economy. Chapter 7 concludes the study with few comments of its contributions and suggestions for further research.

The study is based on documentary research, interviews and descriptive analysis. The study uses Buddhist scriptures of the Pali Canon in Theravada Buddhism, the Buddhist sect in Thailand, as the source material for Buddhist principles. These scriptures are said to be the original and earliest texts in Buddhism, being first written more than 2500 years ago.[24] They are generally recognized as the direct teachings of the Buddha and his disciples at that time.

The primary reason for using the Pali Canon in this study is an attempt to base the theory on the original teachings of the Buddha as much as is possible. The canonical texts of Buddhism, as with the core texts of other religions, are said to be complex, paradoxical, and capable of different levels of interpretation at critical points (Tambiah 1978).[25] It has been contended that the only way one can understand the teachings is through examining them with a concentrated mind—one which is calm and stabilized to a sufficient degree—and then attaining the insights by oneself.[26] This is a view shared among most meditation teachers in Theravada Buddhism. The interpretation of the teachings is, therefore, based mainly on my understanding, and as such, any errors arising from the interpretation related to this study are solely my own.[27]

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[24] Lopez (1995: 4-6) disputes the assumption that the Pali texts represent original Buddhism by noting that the original teachings of the historical Buddha are difficult to recover. Nevertheless, he implicitly recognized the Pali texts of the Theravada school as older than all other texts in different Buddhist traditions.

[25] The interpretations of Buddhist teachings are said to depend largely on the pre-analytical backgrounds and perceptions of each individual. The similar and different views of secondary sources are reviewed in Chapter 3.

[26] See for example Ajahn Sumedho (1995).

[27] It would be fair to the readers to note that my interpretations of Buddhist teachings basically follow the tradition of forest monasteries in Thailand. The core interpretations of this tradition can be found in a series of teachings by, for example, Ajahn Chah (1980, 1992a, 1992b), Ajahn Maha Boowa (1994), Ajahn Lee Dhammadharo (1987), Ajahn Sumedho (1995), and others.

Chapter II

Fundamental Principles in Buddhism

Philosophy and Ethics

Hunger is the severest ailment;
Life in the cycle of existence is the worst suffering;
If one knows this truly as it is,
that is nirvana, the highest bliss.
(Dhammapada XV.203)

1. Introduction

Buddhist teaching is based on the enlightened knowledge of the Buddha who lived in India around 500 BC. The word 'Buddha' literally means 'awakened.' He is said to be awakened to 'the way things are' or dharma. Dharma is the fundamental doctrine in Buddhism that describes the true knowledge of life and nature. By attaining this knowledge, the Buddha achieved what Buddhists believe is the final state of bliss: a state marked by the absence of suffering. To reach this state, called nirvana, is the ultimate purpose in a Buddhist life.

Dharma is said to exist and would exist whether the Buddha existed or not because dharma is itself the true nature of life and phenomena. The Buddha only discovered or was awakened to this knowledge; he did not create it. He had no power to provide enlightenment to anyone, but could only teach the doctrine and guide others to achieve awakening by themselves. In its true spirit, Buddhism is not a philosophical system in the Western sense, but rather a way of life leading to enlightenment. It is a way to understand the true nature of life and phenomena by developing an intuitive awareness of reality. In Buddhism, every human is able to achieve enlightenment by developing insight into the dharma.

Buddhist teaching, therefore, focuses on how one should live a life that ultimately leads to enlightenment. It is summarized in the doctrine called the

Four Noble Truths. It is this doctrine that the Buddha taught in the First Sermon, and which describes Buddhist fundamental view of life. It consists of four messages: (1) there is suffering in life, (2) there is a cause of suffering, (3) there is an end to suffering, and (4) there is also a way of training to end suffering.

The Four Noble Truths give four functions that a Buddhist should perform to attain enlightenment: to comprehend suffering, to eradicate the cause of suffering, to realize that suffering can end, and to practice the path of liberation. In general, the Buddhist way of life should follow four steps: to locate the problem, to diagnose the cause, to envision the solution, and to prescribe the remedy. These four steps are considered the central methodology in Buddhism. The Four Noble Truths are applied throughout this study to provide the philosophical foundations of Buddhism that form the basis of a Buddhist economic theory.

This chapter focuses on Buddhist philosophy and the ethical foundations that relate to economics. After this introduction, the teaching of the Four Noble Truths is presented in Sections 2 and 3. The Truths are divided into two parts: the problem and the solution. The first part discusses the first two Truths which form a framework for investigating and analyzing the foremost problem in human life, i.e. suffering (Section 2). The second part, the solution, consists of the last two Truths: the characteristics of the goal and the Buddhist way of life (Section 3).

It will be clear from the discussion in Sections 2 and 3 that there is a defined system of ethics internalized in Buddhist teachings. These ethics form the Buddhist way and means of living an economic life in harmony with the true nature of life and phenomena. Economic livelihood is considered a part within the Buddhist way of life. That is, although Buddhism recognizes the importance of economics, economic activity cannot be separated or practiced by itself. Instead, it is interrelated with all the other factors in a Buddhist life. The inter-relatedness of all factors in human life characterizes the holistic feature of Buddhist teachings. The fundamental Buddhist social and economic ethics are summarized in Section 4. The summary follows in the last section.

The Buddhist view of life and the ethical system discussed here provide the methodological foundation for reviewing the secondary literature related to Buddhist economics in Chapter 3, developing a Buddhist economic theory in Chapter 4, and outlining Buddhist economic activities and institutions in Chapters 5 and 6 respectively.

The sources of literature are the Buddhist texts and scriptures of the Pali Canon in Theravada Buddhism, which is the Buddhist sect in Thailand.[1] They are the teachings found in the earliest records, so called the Ti-Pitaka (the three baskets): the Vinaya Pitaka (the Discipline Collection); the Sutta Pitaka (the Discourse Collection); and the Abhidharma Pitaka (the Higher Doctrine). Buddhist doctrinal words in Pali, the common language used in Theravada texts, are noted after their English translation in [ ]. The Pali terms in this text are meant to introduce root words whose precise meanings may not have English equivalents. Some words that are widely known in Sanskrit, i.e., dharma, karma and nirvana are, however, noted in their popular form. All scriptural sources are referred to in abbreviated forms, which are noted in the footnote section, based on the translation of Buddhist Scriptures by several scholars. All abbreviations used are explained in the Bibliography.

2. The Buddhist View of Human Life

The most important doctrine in Buddhism is simply called the 'Noble Truths' because understanding these Truths thoroughly is the way to bring the highest benefit to oneself and others by ending suffering. In Buddhism, there are two levels of truths: conventional and ultimate. Conventional truth is the empirical, relative phenomenal level of truths that are named and labelled in order to be validly understood. In contrast, at the absolute level, existence is a mere process of ever-changing physical and mental phenomena within

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[1] Theravada Buddhism or the "Doctrine of the Elders" is the school that covers Sri Lanka, Burma, Thailand, Lao and Cambodia. The other main sect is the "Mahayana" school which covers Tibet, Mongolia, China, Korea and Japan. The differences between the two schools are focused mainly on the central texts on which each school bases its teachings. While Theravada bases the teachings on the Pali Canon, other schools may base their central teachings on different texts, such as the Lotus Sutra, which were mainly written in Sanskrit. See Appendix A for further discussion on differences among schools

which no real entity, nor any abiding substance can ever be found.[2] The Noble Truths are real in conventional terms, although the understanding of them will lead to insight into the absolute truth.

"There is suffering in life" is the first statement of Buddhist teaching. Suffering [dukkha] includes unsatisfactoriness, unbearableness and dissatisfaction.[3] (See Appendix B: Classifications of Suffering in Human Life.) The Four Noble Truths [ariyasacca] focus on suffering—the central problem of human life.[4] It starts with an investigation of suffering, the first Noble Truth, and its cause, the second Noble Truth. These two Truths constitute the Buddhist view of human life and nature. While the first Noble Truth is about the comprehension of suffering, the second Noble Truth analyzes the cause of suffering. The Buddha observed that suffering in life arises when there is a craving for or clinging to impermanent phenomena due to ignorance [avijja] about the true nature of life and phenomena.[5] The idea of suffering in human life is fundamentally derived from a set of Buddhist hypotheses about human beings and nature. These hypotheses are first discussed to provide the background for the Buddhist understanding of suffering.

2.1 Three Characteristics of Nature

In Buddhism, the true nature of all things and phenomena, both natural and man-made ones, are said to have three basic characteristics. They are: (1) without-a-self [anatta], (2) impermanence or transience [anicca] and (3) suffering or unsatisfactoriness [dukkha].[6] These three characteristics are

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[2] Existence here includes both beings with consciousness, and things without consciousness

[3] The word dukkha literally means unbearableness. Based on this original meaning, some painful feelings, such as physical pain that are bearable and do not give rise to actions are classified as a neutral feeling. Humphreys (1987) notes that although dukkha is usually translated into suffering, it signifies rather disease in the sense of discomfort, frustration or disharmony with the environment

[4] Vin I 10; A III 61; S V 422; S L VI 11; for examples

[5] Ignorance in Buddhism does not mean lack of education, but rather lack of the capacity for true discernment, or lacking knowledge of the Noble Truths. Ignorance has the same meaning as delusion about the true nature of life and phenomena, or wrong view of existence

[6] S IV 1. The usual order is impermanence, suffering and non-self. They are re-ordered here in this way for the purpose of explanation

always presented in, or connected with, every existing thing and phenomenon. To see things as they really are, or to have insight into dharma, means to perceive existence in the context of these three characteristics, each of which is discussed below.

(1) All phenomena are without-a-self or without-substance [sabbe dharma anatta].[7] There is not an abiding or real self, nor an *atman* (or soul) that is eternal in Buddhism. What we usually call 'self' is a mere process of physical and mental phenomena. This perception of 'self' is only a temporary entity, made up of a desire to exist and clinging to the perception of the present existence. The anatta concept can be compared to the existence of a 'car.' Once we break down all parts of a car into pieces, what we have left is only tires, metal, seats, and so on. No real car exists, but only a right combination of parts that are carefully put together, with the word 'car' attached to the combination. Similarly, what we call a 'being' or 'I' is only a convenient name or label given to the combination of the body and mind. In Buddhism, the view of 'I am' is an imaginary and false belief which has no corresponding reality and produces harmful delusion. The delusion of 'I,' or 'mine,' or 'self' is regarded as an ultimate root of all unwholesome actions.[8]

(2) All conditioned things are impermanent [sabbe sankhara anicca]. Conditioned things [sankhara] include all things and phenomena whatever in the world, which come into existence because of causes and supporting conditions.[9] Existence in Buddhism is viewed as the arising, changing and vanishing of forces; there is no self. The physical body and mental activities, for example, are impermanent because all things that are subject to arise, are subject to change and then to disappear. Impermanence happens with everything not only beings, but all phenomena in the world, if they are

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[7] The anatta concept is applied to 'dharma' not 'sankhara' as the other two features. Dharma here means the object of the mind, while sankhara means 'the act of forming' or 'the state of having been formed,' that is, conditioned things. The only 'state' which is said to be non-anatta, and also non-atta, in Buddhism is nirvana.

[8] The next sub-section discusses how self-delusion, or ignorance, is a root of all unwholesome actions.

[9] The only unconditioned in Buddhism is nirvana.

conditioned by something.[10] Whether it is a man-made phenomenon or a natural one, once the conditioning cause changes, the effect will also change and so will the phenomena. There is, therefore, no unchanging conditioned existence, but only an ever-continuing flux.[11]

(3) All conditioned things are suffering or unsatisfactory [sabbe sankhara dukkha]. Suffering is largely the effect of a being's reaction to impermanent phenomena. By ignoring that all things are subject to change, one can not let go of a craving for or clinging to all things, therefore one is dissatisfied and thus suffering.[12] The process of suffering is conditioned by karmic actions and reactions among individuals. Each individual comes into being through the karmic interactions and has no real permanent identity.[13]

These three characteristics are applied to the existence of all phenomena in the world. They are the most fundamental view of life and phenomena in Buddhism. In Buddhism, the understanding of the world in the light of these three characteristics will lead one to the ultimate end of suffering. All practice in Buddhism, therefore, is aimed at achieving more understanding of these three characteristics, while suggesting the way of life that is consistent with this understanding. The study directly derives the basic axioms of Buddhist economics from these three characteristics in Chapter 4.

2.2 *Diagnosis of the Cause of Suffering*

Buddhism regards suffering as a reference point to prescribe a way to live one's life in a beneficial way. Suffering, however, has to be understood in the context of the three characteristics of nature. The understanding of life in this context is crucial to cease suffering because it will remove delusions of seeing

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[10] In Buddhism, there are four types of beings divided by the way of their generations. They are womb-born (cats, dogs, etc.), egg-born (birds etc.), moisture-born (worms etc.), and spontaneous-born beings (gods, ghosts, etc.) (D 33).

[11] Narada Maha Thera (1973) summarized that although the whole process of psycho-physical phenomena, or the five aggregates, which are constantly becoming and passing away, is called in conventional terms the 'self,' it is merely a process, not an identity.

[12] See Narada Maha Thera (1973) for a comparison of several modern scientists and philosophers' view with Buddhist teaching on these three characteristics.

[13] "No god, no brahma can be found, no matter of this wheel of life, just bare phenomena roll dependent on conditions all." (From Visuddhimagga, quoted in Narada Maha Thera (1973: 240).

existence as permanence, happiness, and having an eternal self. Based on the insight into these characteristics of nature, one can develop an attitude of non-clinging toward existence and subsequently can cease suffering. To understand the mechanism of uprooting clinging and delusion, it is necessary to explore how Buddhism diagnoses the origin of suffering, or the second Noble Truth.

The second Noble Truth [samudaya] states that "all suffering has craving [tanha] as its cause." Craving is a strong desire associated with clinging to sensual pleasures, to the state of being, and to the state of non-being, and is, fundamentally, conditioned by delusion. In Buddhism, delusion about the true nature of existence is also termed 'ignorance.'

The chain of causation among factors—ignorance, craving, and suffering—is explained by the law of dependent co-arising. The intention arising along the chain, however, ripens into conditions in life over space and time through the law of karma. The law of dependent co-arising and the law of karma constitute the Buddhist view of conditionality [idappaccayata]—the natural law governing the material and mental conditions in life and the world.[14] Conditionality means phenomena do not exist by themselves, but are caused to arise and be sustained by some underlying conditions. It explains how suffering arises, how individuals react to it, and how the outcome of actions affects them and the society. While the law of karma is a general mechanism of conditionality, the law of dependent co-arising specifically focuses on conditionality of suffering within oneself.

2.2.1 The Law of Karma

The process of conditionality is indeed the mechanism of the law of karma which governs the invisible workings of the intentions of actions and their results. It is a natural law that works in the same way for every karmic actor.

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[14] S XII 23. Conditionality is the general causation law which has been applied by Buddhist scholars as a general system to understand many phenomena in both nature and society. See Joanna Macy (1991) as an example of applied research in general system based on the law dependent co-arising. Garma Chang (1971) and John Wilson (1991) apply the law to explain the ideology of totality in Buddhism.

The intention of each action ripens through the karmic links both internally and inter-personally. Interactions cause changes in conditions, where changing conditions may change the state of suffering, either causing it or ceasing it. The Buddha discovered the law of karma which explains the causal relationships among conditions at the time of his enlightenment. It is part of his *perfect knowledge* [vijja-sampanno], which is said to contain the insight of the infinite past lives of beings throughout the cosmos.[15]

The law of karma constitutes the Buddhist idea of the round of rebirth, denoted as *the cycle of existence* [samsara].[16] It also provides the concept of cause-and-effect of actions in the cycle of existence, and a basis for the right view of the ownership of action.[17] Moreover, the Buddhist view of interconnectedness and interdependency among beings can be best understood through the law of karma.

Karma literally means volition or intention.[18] In Buddhism, karma applies to only an action with an intention behind it. Karmic actions are performed because they have an aim, or an objective, driving them. The mind that produces each action, with desire at its root for something specific to happen, constitutes an intention. Through volition or intention, one performs the karma by mental, verbal and bodily actions. Among these, thoughts are considered to be the most important because they are the motivating factor for the other two.[19]

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[15] Perfect knowledge enables the Buddha to fully understand the causal relationships between the actions and their outcomes. This insight leads to his ability to use different discourses for different people in order to assist them in attaining enlightenment.

[16] The Buddha stated that, "If there were no karma ripening in the sphere of existence, there would be no becoming" (A.III.76). The concept of rebirth can be perceived as one hypothesis that Buddhism uses to explain how all phenomena occur from the long term perspective. Unfortunately however, this hypothesis is difficult to test directly within one's life period. See Stevenson (1974) for a study of 20 cases of rebirth experiences.

[17] One important idea in Buddhism is faith in the law of karma, or believing in the causes and effects of one's own actions. Buddhists chant every day-and-night: "Beings are the owners of their actions, the heirs of their actions; they spring from their actions, are bound to their actions, and are supported by their actions. Whatever deeds they do, wholesome or unwholesome, of those they shall be heirs." (A.III.33)

[18] A.VI.63.

[19] The mind is said to be the chief of the world in Buddhism. "All mental phenomena are the result of what we have thought, are chieftained by our thoughts, are made up of our thoughts. If a man speaks or acts with an evil thought, sorrow follows him, as the wheel follows the hoof of the ox that

Karmic actions consist of actions produced by one's own impulses and those induced by others.[20] Each volitional action constitutes a force; the stronger the intention, the stronger the karmic force.[21] This force creates a linkage between one life and another, which produces the cycle of existence. It includes the rebirth-linking force and all other karma in the past, which will come to produce the results [vipakka] at some later stage when conditions are favourable for their ripening.[22]

The process of how karma and its results create the mechanism of cause and effects is often compared to the way "apples are stored in an apple tree."[23] Given the right conditions of climate, soil, and nutrition, the forces within the apple tree will cause apples to grow on its branches. In the same way, given the right conditions, the forces within the life-continuum will project or precipitate experiences according to the nature of these forces. The action is, however, not always followed by results invariably of the same magnitude. The force of a stronger karma may suspend or counteract the force of opposite weak ones.[24] This aspect of karma is called the "modifiability" mechanism; the law of karma does not operate with mechanical rigidity but rather allows for a wide range of modifications in the ripening of the results. It is important that karmic action can be modified, so that liberation from the cycle of existence would be possible.[25] Each individual

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draws the cart. ... If a man speaks or acts with a pure thought, happiness follows him, like a shadow that never leaves him." (Dhp.I.1-2).

[20] A.IV.171

[21] Francis Story (1990) notes that this force is similar to the other great unseen, yet physical, forces that move the universe.

[22] The full results of karma is considered one of the four unthinkables that if pondered upon, would lead one to insanity and distress (A.IV.77).

[23] A.III.33. See also Leonard Bullen (1990. 35).

[24] Karmic actions can be classified into several types, depending on the different ripening times of the result. They are generative, sustaining, counteractive, and destructive karma. Some karma can dominate others. For example, thought of forgiveness is one type of destructive karma that can prevent any karmic actions from taking effect in the future.

[25] "If one says that in whatever a person performs a karmic action, in that very same way he will experience the result–in that case there will be no possibility for a religious life and no opportunity would appear for completing an end of suffering. But if one says that in a person who performs a karmic action with a result that is able to experience variably, will reap its results accordingly–in that case there will be a possibility for a religious life and an opportunity for making a complete

can modify the results of his past karma from within by one's actions and through one's interdependent relationship with others.

The active and reactive karmic forces generated by beings in the "beginningless" cycle of existence create an interdependent relationship among every existence.[26] When one performs karmic actions that affect another existence, a linking-force—positive or negative—is constituted between them.[27] If there are volitional reactions to these actions, karmic force is then accumulated. The results of both active and reactive forces are conditioned by intentions and the roots of each intention, and is interwoven into a life of each being. These forces create interdependent relationship among individuals and most conditions of communities. The conditions, however, can always be modified by the present karmic actions.

The law of karma is thus, a teaching of moral and ethical responsibility for oneself and others. It forms a basis of ownership of actions in Buddhism: one has to take responsibility for one's action. According to the law, the conditions in life that one is facing are mainly influenced by one's own karma.

2.2.2 The Law of Dependent Co-arising

While the law of karma describes the cause-and-effect of one's actions in general, the karmic process within oneself is called the law of dependent co-arising [paticca samuppada], or the great wheel of causation. The law of dependent co-arising illustrates and analyzes the causal mechanism of suffering. The law is described through a causal chain of twelve factors: ignorance, karmic or volitional formations, consciousness, mental and physical factors, six sense-faculties, contact, feelings, craving, clinging, process of becoming, rebirth and suffering (ageing and death; sorrow, lamentation, and

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end of suffering" (A.III.110). The modifiability mechanism of karma indicates an impermanent feature of results of karma, and forms a basis of actions lead to an end of suffering, or the Noble Eightfold Path. This subject is discussed in Sub-section 2.3.2.

[26] S.II.178, 185. In Buddhism, the round of rebirth is perceived to be a world-without-end, no-beginning-can-be-seen, incalculable, and so on.

[27] The karmic links between beings in the past result in their relationships in the present; the present links also constitute the relationship in the future.

so on).[28] The process explains how ignorance is said to be the root of volitional actions, craving and clinging, and how these factors can lead to suffering through rebirth in the cycle of existence. Figure 2.1 below illustrates the causal mechanism of suffering.

In Buddhism, the *true* state of the mind is said to be clear and luminous.[29] Because of the clear character, the *true* mind sees things as they truly are—impermanent, unsatisfactory and non-self; this quality of the mind is characterized as having *discernment*. Discernment gives rise to compassion which is marked by generosity and loving-kindness. The true mind, however, is tainted by defilements—greed, hatred and self-delusion—which are rooted in an ignorance to the true nature of phenomena (factor 1).

Ignorance causes volitional formations—bodily actions, speech, and thoughts—which are the basis of karmic linkage forces in the cycle of rebirth (factor 2). All volitional formations are recognized in the mind through consciousness. Because the process of rebirth is a continuous one, the first volition in the present life is the same as the last volitional thought in the previous life; it also gives rise to the first consciousness (factor 3).[30]

Because the volition carries past karmic forces of that being within it, it provides all necessary information to shape the body and the mind when rebirth is taken place (factor 4).[31] The initial endowments also comprises six sense-based faculties (factor 5): eyes, ears, nose, tongue, all other parts of the body, and the mind.

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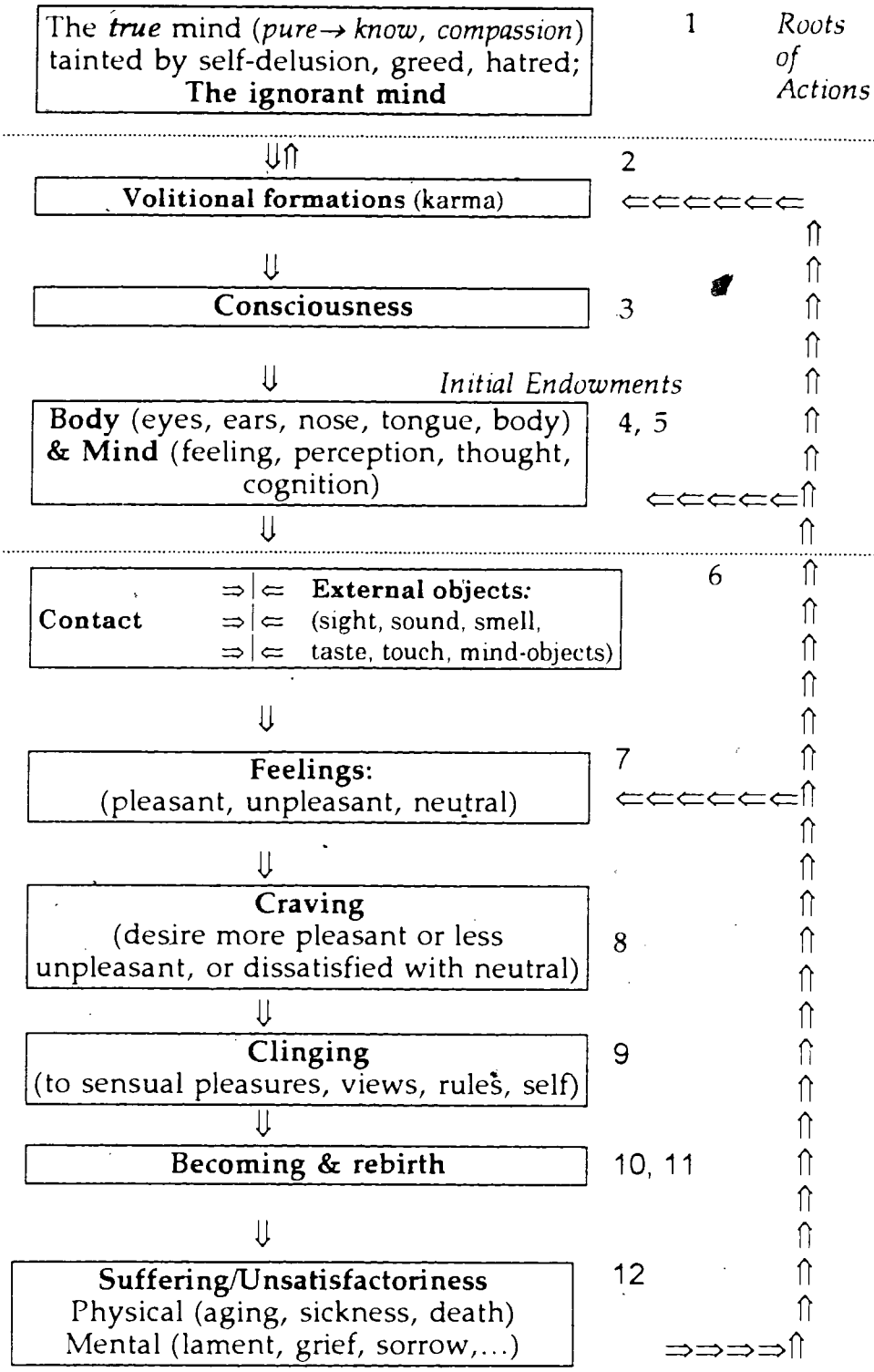
[28] D.15; M.9.

[29] A.I.5 (9-10).

[30] Because both volitional formations and consciousness are merely mental activities, the believed-to-be self is then only a created-in-the-mind self, not a true self (A.IV.171).

[31] Achan Sumedho (1995) compares the transfer of karmic force during rebirth to transferring flame from one candle to another.

Figure 2.1: The causal mechanism of suffering



Contacts (factor 6) between the sense-based and external objects give rise to feelings (factor 7). The external objects comprise sight, sound, smell, taste, touchable objects, and mind-objects. In other words, they include all environmental conditions that are objects of the physical body; and values, ideas and thoughts that are objects of the mind.[32] Meanwhile, there are three types of feelings: pleasant, unpleasant, and neutral.[33]

Craving (factor 8) arises when the actor (1) wishes to maintain or increase pleasant feelings, or (2) to eliminate unpleasant feelings, or (3) when there is a discontentment with neutral feelings. Craving gives rise to one of the four kinds of clinging (factor 9): clinging to sensual pleasures, clinging to views, clinging to rules and observances, and clinging to a doctrine of self.[34] Clinging has two aspects: clinging to favourable states cause suffering when an individual does not experience that state; and clinging to unfavourable states, or an aversion to something, causes suffering when that state arises. Clinging causes becoming and rebirth (factor 10 and 11). Once rebirth occurs, ageing, death, sorrow and all kinds of suffering follow (factor 12).[35]

We can summarize that self-delusion, or ignorance, causes craving of and clinging to life. It is craving and clinging that link the process of becoming and rebirth, which is followed by all kinds of suffering. Suffering, which is an unpleasant feeling, reverts back to the mechanism in three ways: to feeling factor, to mental function and to volitional action. When suffering feeds back to the feeling factor, it causes unpleasant feeling, and thus more craving and clinging. When it feeds back to mental functional feeling, it

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[32] M.137, M.146

[33] M.44. Pleasant feeling is whatever is felt bodily or mentally as pleasant and soothing. Whatever is felt bodily or mentally as painful and hurting is unpleasant feeling. Whatever is felt bodily or mentally as neither hurting nor soothing is neutral feeling. Pleasant feeling is pleasant when it persists, but painful when it changes. Painful feeling is painful when it persists, but pleasant when it changes. Neutral feeling is pleasant when there is knowledge of it, but unpleasant without the knowledge.

[34] M.11.

[35] The Buddhist view of the causation-link in a cycle of rebirth can be summarized as follows: "Karma is the field, consciousness is the seed, and craving is the moisture. Of being hindered by ignorance and fettered by craving, their consciousness takes a hold in a sphere. Thus there is, in the future, a re-becoming, a rebirth." (A.III.76).

causes more contacts and feelings. When suffering feeds back to volitional formations, it creates new karmic actions and subsequently more karmic forces in samsaric lives.

Ignorance gives rise to craving when one does not see all things as they are: impermanent, non-self and suffering. Only when one understands this and subsequently does not have a strong craving for or aversion to those things are craving and suffering are eradicated. When one sees existence as merely the activities of physical and mental forces equipped with three characteristics, one will be awakened from this delusion, unbind oneself from all bondage to re-becoming in the cycle of existence, end the cycle of existence, and cease suffering completely.[36]

3. The Goal of Human Life and the Means to Achieve it

The Buddha achieved a state of ultimate bliss, nirvana, marked by the absence of suffering because of enlightenment. Such a state is called nirvana and said to be the ultimate goal of life in Buddhism. The existence of that goal envisions a Buddhist solution for the problem of suffering. Although suffering in life may be taught by others, the Buddha is said to be the first to discover the way to cease suffering. The fourth Noble Truth, known as the Noble Eightfold Path, is a way of life, which the Buddha invited everyone to examine and to experience the benefits for oneself.[37]

This section first discusses the characteristics of the goal, that is, a definition of the cessation of suffering, then followed by the Eightfold Path. The discussion of the Path provides a general framework of Buddhist ethics, while the fifth factor in the Path, right livelihood, takes on a central role for Buddhist economics. It also verifies the relevance of economic well-being in the Buddhist way of life.

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[36] These bondages are called 'fetters' [Samyojana] and have ten elements: false view of personality, doubt, adherence to rules and rituals, sensual lust, repulsion or aversion, greed for fine-material existence, greed for immaterial existence, conceit or pride, restlessness and ignorance (S V.61)

[37] M I.37, A.III.285.

3.1 The Cessation of Suffering

Buddhism contends that there is suffering in life, but also that there is an end [Nirodha] to suffering. The third Noble Truth ensures that the stage of cessation exists and is attainable. It follows that a practical goal of human life in Buddhism is to cease suffering.[38] The stage of cessation is called nirvana.[39] When one ends suffering completely, one is said to realize nirvana.

Nirvana literally means 'unbinding," and often is described as "an unborn", "an unbecome", "an unconditioned", and also "the profound."[40] However, there is no precise definition of nirvana. It is only said to contrast with everything in the cycle of existence that is conditioned and impermanent. The Buddha often characterized nirvana as follows: liberation from the cycle of existence, ultimate bliss, and purification or destruction of all defilements.

First, nirvana is realized when the link of causation of rebirths is severed, and consequently rebirth will end. Thus one is liberated from the cycle of existence and suffering ends completely. Subsequently, nirvana is positively characterized as the ultimate bliss. The third characteristic describes a stage in which the causes of suffering are uprooted. Defilements—greed, hatred and delusion—are roots of unwholesome actions and cause negative karmic forces. Nirvana is realized when these roots have been completely destroyed.[41] Understanding these characteristics in combination with the law of karma and the law of dependent co-arising, sets the direction to be taken and identifies a clear and practicable task.

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[38] The wish to cease suffering is supposed to be the natural innermost urge of one's being to be free from afflictions. This type of desire, or desire for liberation, is wholesome, though still rooted in ignorance. It is right aspiration that keeps a being striving towards liberation. It has to be, however, eradicated at the end to completely extinguish the delusion of self. Meanwhile, craving which arises from delusion and can be increased by wrong desire is reduced by the right desire or the Noble Eightfold Path.

[39] Nirvana is different from annihilation. For annihilation implies something to be annihilated, whereas there is no permanent self in Buddhism for that objective. Moreover, craving for extinction in the sense of annihilation is indeed one type of craving, which is condemned in Buddhism.

[40] The unconditioned is said to have three marks: no origination, no vanishing and no change (A.III.47). See S.XLIII.12-44 for designations of nirvana.

[41] A.III.55.

Based on the modifiability mechanism of karma, the task focuses on substitution of negative karmic forces by positive ones. The task is called the purification path. Following this path weakens the causation link of rebirths and subsequently alleviates suffering. The next section outlines the Path.

3.2 The Way to Cease Suffering

The fourth Noble Truth, or the way [Magga] to cease suffering, is primarily the path of purification. The Buddha said that man has an ability to tread the path of purification and achieve its fruition, and thereby liberate oneself from the cycle of existence. It is not only the path to purify a being from defilements, but also the path leading to the extinction of karma. One can gradually develop the path, by not to do unwholesome but to cultivate the wholesome factors, then to purify one's mind. The path consists of three methods: discernment [paññā], moral restraint [sila], and concentration [samadhi].[42]

These three methods are practiced through a set of actions that fit together in a systematic structure. There are eight actions in the set, and subsequently they are called the Noble Eightfold Path.[43] They are:

1. Discernment	1. Right View
2. Morality	2. Right Thought 3. Right Speech 4. Right Action 5. Right Livelihood
3. Concentration	6. Right Effort 7. Right Mindfulness 8. Right Concentration

The essence of all Buddhist teachings, which encompass about 84,000 discourses, is said to be summarized in the Path. Each element of the Path is examined below.

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[42] While morality restrains the defilements in their coarsest form, their outward unwholesome actions, concentration removes their more refined manifestations as distractive and restless thoughts. Discernment eradicates their subtle tendencies by penetrating with direct insight into the three characteristics

[43] D 2; M 117

(1) Right View [samma ditthi]

The right view is the first factor of the Path because it lies behind all action choices. Only by changing one's view will one change one's attitude.[44] Views are divided into two classes: right views and wrong views. Right views are those views that lead to right actions that can eventually lead to the end of suffering. In contrast, wrong views will lead to courses of actions that perpetuate suffering. In Buddhism, the right view is to understand things as they truly are, which is twofold: to understand that there are results of karmic actions, and to understand the Four Noble Truths.[45] Right view is the opposite of the primary cognitive defilement, delusion. The person who has developed right view understands the mechanism of karma, i.e., the causes and effects of one's own actions.

(2) Right Thoughts [samma sankappa]

Right view provides the basis for three right thoughts: thoughts of renunciation from sensual desires, thoughts of good-will or loving-kindness, and thoughts of harmlessness. Conversely, there are three types of wrong thoughts: thoughts of sensual pleasures, thoughts of hatred or ill-will, and thoughts of hostility or cruelty.[46] Having right thoughts is part of a process of substituting the roots of unwholesome thoughts. By replacing wrong thoughts with opposing thoughts, the unwholesome thoughts can be vitiated and fade away.

Thoughts of renunciation is to be mindful of actions in order to resist and eventually abandon the pull of craving.[47] Thoughts of loving-kindness

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[44] A view in general is an attempted description of reality. It is how one sees and understands oneself and the world. It structures perceptions, creates values, which in turn govern attitudes and conditions actions Views lie behind choices, goals, and also efforts to turn these goals from ideas into reality.

[45] M.117. The twofold nature of right view corresponds to two levels of the truths; understanding the law of karma leads to doing good/bad within the range of the conventional truth, while understanding the Noble Truths leads to a non-clinging attitude that can transcend karmic forces and a realization of the absolute truth. The fact that the last element of the Four Noble Truths is the Noble Eightfold Path, while the first factor of the Path is the understanding of the Noble Truths, guarantees the internal unity of Buddhist teachings.

[46] A.III.65.

[47] The idea of renunciation in Buddhism is not about having to live physically in a forest and devoting oneself to ascetic practices The monkhood life, however, may make it easier to purify oneself from

are developed by considering how all beings desire happiness in the same way as we do. Finally, thoughts of harmlessness are developed through reflection on how all beings desire to be free from suffering. If one frequently contemplates in these ways, the right thoughts become the inclination of one's mind.

(3) Right Speech [samma vaca]

Right speech comprises four verbal actions: (1) avoid lying and not knowingly speaking a lie for the sake of any advantage; (2) avoid malicious speech, and instead, speak to unite the discordant, encourage the united, and utter speech that creates harmony; (3) avoid harsh language and instead speak gentle, loving, courteous, dear and agreeable words; and (4) avoid frivolous talk, to speak at the right time, to speak according to facts, what is useful, moderate and full of sense.[48] Besides the practice that one should not speak falsely, one should not cause or allow others to speak falsely and one should avoid every action that involves untruth. Right speech is a set of speech action choices to replace wrong speech. Present karmic right speech can modify or suspend the forces resulting from negative karmic speech and defilements in the past. The result of right speech in the present, therefore, somewhat compensates for suffering caused by past karma.[49]

(4) Right Action [samma kammanta]

Right actions are wholesome bodily action that replace wrong actions. The result of present right action will undermine defilements and also suffering caused by past unwholesome karmic actions. Right action will also lead to peace and harmony in the society. There are three types of actions that are

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defilements, be free from suffering, and eventually devote one's whole life for the benefit and the happiness of the many. Monks who devote their lives to their own spiritual and intellectual development should be supported and respected by laypeople because they set an example of an ideal life for an ordinary person and also do the service to others by advising laypeople on several issues concerning life. Meanwhile, the Buddhist monastery traditionally becomes not only a spiritual refuge, but also a center of learning and culture for that society.

[48] A.V.266.

[49] For example: hearing unpleasant words for no reason may be a result from coarse speech in the past, getting wrongly accused may result from lying, or friendship breaking up from malicious tale-bearing.

considered to be righteous: not to kill, not to steal and not to commit sexual misconduct.[50]

First, to avoid killing is the basis of laying aside violence by respecting all beings' right to live.[51] Thus one should not kill a living creature, nor cause to kill, nor allow others to kill. Next, to avoid stealing is to reduce greed over material things which do not belong to oneself.[52] One should avoid knowingly taking anything that is not given, and should not cause to take, nor allow others to take. The object covered by this right action include every kind of property, both living and non-living, that is still rightfully owned by someone. Those things for general or public use, although without any individual owner, are also included in this case. Finally, one should avoid sexual misconduct, adultery, and not transgressing sexual morals.[53] The underlying purpose of the last type of right action is to prevent disunity and to promote mutual trust in the society.

(5) Right Livelihood [samma ajiva]

Right livelihood is a practice of earning a living in a righteous way, by not violating right speech and right action. One should earn a living by legal means, peacefully or without violence, honestly not by deceit, and in ways which do not entail harm and suffering for others.[54] In addition, there are forbidden trades of five products which should be avoided by the layperson: trade in weapons, in human beings (slavery trade and prostitution), in living beings for meat or flesh (butchery), in intoxicating drinks or drugs, and in poisons.[55] On the other hand, wrong livelihood is defined by gaining one's

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[50] M.117.

[51] The purpose of right action is to be mindful of the welfare of all lives and to develop the virtues of loving-kindness and compassion, which are to be extended towards all kinds of beings.

[52] This morality is based on the view that everyone has the right to the ownership over his own property. It prohibits an offense against other people's property, thereby encouraging a right means of livelihood. See Chapter 5 (3.1) with regard to the Buddhist justice

[53] As far as a man is concerned, there are three kinds of women which are for him objects of immoral conduct: a married woman; a woman still under protection, such as, of a family; and a woman who is conventionally prohibited, for example, by religious vows

[54] A.IV.62; A.V.41; A.VIII.54

[55] A.III.207

livelihood by wrong means such as deceiving, persuasive words, hints, slandering, eagerly hankering after ever greater gain.

Right livelihood is the basis of Buddhist economics and deals directly with the issue of economic well-being.[56] It provides a guideline on how householders should deal with wealth and is discussed further in Section 4.

(6) Right Effort [samma vayama]

Right effort is applied to mental states in order to stimulate oneself to make an effort, to stir up energy, to exert one's mind, and to strive to do the following four right things.[57] They are: (1) to prevent the arising of not yet arisen unwholesome actions, (2) to overcome unwholesome actions that have already arisen, (3) to develop not yet arisen wholesome actions, and (4) to maintain wholesome actions that have arisen, not to let them fade away, but to bring them to greater growth and the full perfection of development.[58]

(7) Right Mindfulness [samma sati]

Right mindfulness is the most important practice in Buddhism to cultivate the mind. It is the only way to completely cease craving and ignorance. It focuses on a constant intuitive awareness to ensure one's way of life is consistent with the Noble Path. There are four foundations for right mindfulness: contemplation or reflections on (1) the body, (2) feelings, (3) the mind, and (4) phenomena.[59] The aim of reflection is to gain insight into the true nature of life.[60]

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[56] It should be emphasized that right livelihood is one factor among the Eightfold Path; it can not be practiced separately by itself. This ensures a holistic view of economic activities in a Buddhist life.

[57] A II.74.

[58] The right effort is an exercise to develop oneself and demonstrates that a Buddhist life emphasizes diligence and development. It ensures that Buddhism does not support backwardness of any wholesome actions, but rather encourages development towards positive actions which benefit all.

[59] The first two objects of reflection are concerned with bodily actions and reactions, while the last two are concerned with the mental activities. It is to reflect on the way the body and the mind process phenomena and how phenomena arise, change and then disappear according to the three characteristics of impermanence, suffering and non-self (D.23).

[60] Nyanaponika Thera (1972) states that right mindfulness undermines delusion and weakens the link of causation in the dependent co-arising. It works right through the link between feeling, craving and clinging. It is a factor in the Path which actualizes liberation from samsara. If one is mindful of the activities of both the body and the mind all the time, it is easier for one to

(8) Right Concentration [samma samadhi]

Right concentration is a practice to purify one's mind through meditation, by increasing the clarity and the power of the mind to be able to see things as they naturally are.[61] It demonstrates that in Buddhist teaching even the ecstasy of concentration is shown to be impermanent and not to be attached to.[62] The highest stage of the mind in Buddhism is equanimity and mindfulness based on discernment and purity. Wholesome thoughts are said to be cultivated best when the mind is evenly balanced. With an equanimous state of mind, the practice of right understanding deepens. A new insight into the Truths can then be acquired and a deepening of practicing the Path follows along with a purification of body, speech, and mind.

In sum, the Noble Eightfold Path is an indication of a holistic system of Buddhist practice. Right view is the first factor in practicing the Path because whatever state the mind is in, be it based on the wrong or right view, it expresses that particular view outwardly through speech and actions. The Path begins with the minimal degree of right understanding, therefore, right thought is required to induce the practice of righteous outward actions. Once desires are controlled by letting go all forms of sensuous desires, hatred and cruelty, then speech and actions will be purified as well. An inwardly purifying practice, or cultivating the mind, creates mental happiness that is not conditioned by any material factors, but instead, by only one's own body and mind. It is only through mindfulness and meditation that true insight wisdom can be gained. Right concentration purifies the mind and brings the Path of practice to a deeper understanding. The practice in Buddhism thus is a continuation along the process—the Path.

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understand how suffering occur, and one will eventually eliminate clinging to existence and end suffering

[61] M.40. Right concentration includes entering into and remaining in the four stages of absorption [jhana]. These four absorptions has several characters as follows: thought-conception, discursive thinking, rapture and joy, inner tranquillity and one-pointedness of the mind, equanimity, and mindfulness. The higher the absorption stage, the finer and purer the mind will be

[62] M.22. "O monks, who understand the Teaching's similitude to a raft, you should let go even good teachings, how much more the false ones." This implies that at the end, one has to let go even all dharmas, including the Truths and the Path, to liberate ultimately from samsara. This principle is consistent with the anatta feature of all dharmas.

4. Fundamental Social and Economic Ethics

Right livelihood is the favourable economic way of life for a Buddhist practitioner. Its application forms the basis for Buddhist economic theory and focuses mainly on the righteous way to earn a living; that is, to acquire material well-being. In Buddhism, material well-being is a necessary condition to support the cultivation of the mind. This implies that insufficient material well-being, or the problems associated with poverty, can cause suffering that may impede the practice of mental development. Therefore, the primary objective of economic activities in Buddhism is to alleviate poverty.

Buddhist teachings proffer several actions based on its ethical principles in coping with the problem of poverty within society. At the individual level, Buddhism suggests practicing right livelihood as a basis for each person to attain material well-being by oneself. Moreover, because economic activities are conducted within society, the practice of right livelihood by each individual is related to, and assisted by, the conditions in society. The conditions include the community, economic, legal, political and spiritual aspects of society. To illustrate the Buddhist view and principles related to economics, further investigation into the Pali texts is necessary.

This section first discusses the problem of poverty from the Buddhist perspective (4.1). Then, it lays out the principles related to the right livelihood of the individual (4.2). Next, it focuses on the social and economic ethical principles in a favourable community (4.3). Finally, it explores the Buddhist view of the state or government which also provides insight into the characteristics of a favourable Buddhist society (4.4).

4.1 The Problem of Poverty

In Buddhism, poverty [daliddiyam] is defined as a deficiency of basic commodities needed for maintaining physical well-being. A pauper is a person who is destitute, indigent, and in great need of four basic commodities: food, clothing, shelter, and medicine.[63] A test of sufficiency is the minimum quantity of basic commodities that would provide an endurance

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[63] Vin I 58; A VI 45

and continuance of the physical body and also an end to physical discomfort.[64] Without a sufficient amount of basic commodities, the individual is incapable of undertaking mental development activities—right effort, right mindfulness and right meditation—which are necessary in realizing enlightenment.

The Pali Texts also provide an explicit guideline of the sufficient consumption level for each of the four basic goods.[65] Food is to be consumed just enough to survive and continue one's life physically as well as ending bodily afflictions. Sufficient clothing is only that amount which is needed to counteract the weather, heat or cold; protect one from undesirable contact with insects such as flies and mosquitoes; and to cover parts of the body that cause shame. Housing is required for protection from the inclement weather and for seclusion. Medicine is required for curing sickness, pains, and for maximum freedom from disease. Consumption of each basic good for purposes beyond these described is considered in excess of a sufficient amount.

Not having enough basic commodities to avoid poverty causes two primary problems according to Buddhist teachings. The first problem is regarded as the root of bodily suffering. It is realized as hunger, sickness and short-life, which creates an immense obstacle to the cultivation of the mind. The second problem is that poverty, which is also a cause for some unwholesome conduct, leads to many problems in society, such as, immorality, conflicts and disharmony.

4.1.1 Poverty as a Cause of Suffering

In Buddhism, poverty can cause suffering for those who enjoy sensual pleasures in two ways: bodily suffering and indebtedness.[66] First, poverty causes bodily suffering primarily as it induces sickness brought on, for example, by hunger, or exposure to unbearable weather conditions. The

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[64] M.53.

[65] Vin.I.58, and also the morning chanting.

[66] A.VI.45. This implies that poverty is not mental suffering for those who renounce sensual pleasures, for example a monk or an ascetic who renounces sensual pleasures and prefers to live a simple life. Nevertheless, if poverty causes hunger or sickness which obstruct the practice of mental development, it is then a cause of bodily suffering.

Buddha declared that hunger is the most severe of all illnesses because it is a hindrance to mental development and impedes the ability to practice along the Noble Eightfold Path.[67] Second, poverty is also suffering for an individual if it induces indebtedness. If a pauper, gets into debt, then this indebtedness may cause other types of suffering as well. For example, the inability and pressure to pay the interest when it is due induces harassment from creditors and possibly imprisonment.

Based on the Buddhist view of human life, the primary objective of economic activities is, therefore, to alleviate suffering that is caused by poverty. Economic activities that create wealth can lead to the elimination of some form of bodily suffering, such as hunger and sickness.[68] They can also eliminate indebtedness that is induced by poverty. By contrast, possessing wealth only cannot alleviate suffering caused by indebtedness without reducing the desire for unnecessary goods and/or services beyond one's income. Rather, an understanding of how debt can cause mental suffering and a restraint over desire are the critical factors.

4.1.2 Poverty as a Cause of Instability in Society

The second part of the problem of poverty is that it can induce unwholesome conduct, which has the potential to cause instability in society. This social aspect of poverty is illustrated at length in one discourse.[69] There are four

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[67] Dhp.15.6. One day, Buddha perceived that the spiritual faculties of a certain poor peasant living near the city of Alavi were mature enough for him to understand the teachings, and that he was ready for enlightenment. So Buddha went to Alavi, where its inhabitants welcomed him warmly and prepared a place to listen to a discourse. However, as Buddha's particular purpose in going to Alavi was to enlighten this one poor peasant, he waited for him to arrive before starting to talk. The peasant heard the news of Buddha's visit, and because he had already been interested in Buddha's teaching for some time he wanted to go and listen to the discourse. But it so happened that one of his cows had just disappeared. He quickly searched for the cow and drove it back to the herd, then he went straight into the city to listen to the discourse. By the time he arrived at the place set up for a talk, he was exhausted and very hungry. When Buddha saw the peasant's condition, he asked the city elders to arrange some food for the poor man. When the peasant had eaten and was refreshed, Buddha started to teach; and while listening to the discourse, the peasant realized the first stage of enlightenment.

[68] While the impermanence of the body must be contemplated, it does not prevent one to do the best to cure bodily sickness.

[69] *Cakkavatti-Sihanada Sutta* (D 26). The story began at a time when people had an eighty-thousand-year life span. There was a time when people did not prosper as before, and the King, instead of giving property to the needy, established guards and protection. As a result, poverty

implications that can be drawn from the discourse: (1) favourable characteristics of society; (2) a link between poverty and immorality; (3) the role of confidence in karma; and (4) the role of the government in society.

First, the story envisions a prosperous, peaceful, stable and secure society, where people have long life spans, beauty, happiness, wealth, power, and know only three kinds of disease: greed, hunger and old age. These conditions within society are achieved and maintained because everybody strictly observes the ten courses of moral conduct--three right thoughts, four types of right speech, and three right actions of the Noble Path.

Second, it provides a profound link between poverty and immorality. First, economic well-being is a prerequisite condition for a peaceful society because poverty is the main cause of immorality and social disorder. In addition, immoral conducts cause a decrease in life-span, beauty, happiness and wealth in the long run. When assistance is not given adequately to the needy, poverty becomes widespread. Because poverty raises improper desires and does not permit one to be generous, it is the root of many crimes and

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become rife and some people began stealing. At first, the King solved the problem by giving away property to those thieves. This response was unsuccessful because of a moral hazard problem and resulted in more and more thieves. The king, then invoked a new punishment by killing all thieves. Hearing about this and fearing from being caught, people launched murderous assaults on villages and killed all their victims. From the increase of theft, the use of weapons increased, and also the taking of life increased. As a result, the average of life-span of the people and their beauty declined. The next generation lived for only forty thousand years. Afterwards, thieves who got caught started telling deliberate lies by refuting their crimes, their beauty declined further and their life-span decreased to twenty thousand years. When people started to accuse and speak ill of others, their life-span decreased to ten thousand years. Of this generation, some were ugly and some were beautiful. Those who were ugly, being envious of those who were beautiful, committed adultery (five thousand years), harsh speech and idle chatter (two-and-a-half thousand years), covetousness and hatred (a thousand years), false opinions (five hundred years), incest; homosexuality and deviant sexual practices (two-and-a-half hundred years), lack of respect for parents, ascetics and the head of the clan (a hundred years—our present generation)
There will be a time when the children of these people will live for only ten years, and the ten courses of moral conduct will completely disappear. For that generation, there will be a "sword-interval" of seven days, during which they will kill each other with those swords. Meanwhile, there will be some beings who do not want to be killed, nor want to kill others, go to hide in a remote area. After this interval, these people will emerge from their hiding places and rejoice in each other. They will agree that the addiction to evil courses is what caused the suffering, therefore they will abstain from immoral conduct, starting from not taking of life. Because of the moral conduct they undertake, they will increase their life-span and their beauty. Appreciating the good results from wholesome practice, these people and their children will improve their moral conduct until their life-span goes back to eighty thousand years. It is during this generation that the next Buddha will arise in the world.

unwholesome actions. It causes theft and robbery, then killing ⇒ telling deliberate lies ⇒ speaking evil of others ⇒ committing adultery ⇒ harsh speech and idle chatter ⇒ covetousness and hatred ⇒ false views ⇒ incest, homosexuality and deviant sexual practices ⇒ lack respect for parents, ascetics and the head of the community ⇒ fierce enmity, fierce hatred, fierce anger, thoughts of killing and actual killing among beings.

Third, the story demonstrates that confidence in karma can bring forth a prosperous and peaceful society, which facilitates the cultivation of the mind. In Buddhism, the practice of moral conduct can give rise to conditions that promote prosperity, health and long-life, immediately and eventually. The practice of morality, including these favourable conditions, can be maintained by confidence in the results of good actions. Confidence here can arise through a clear understanding of karma, or right view. The mechanism of how confidence in karma can induce a peaceful society can be understood as a co-operative condition in which each individual believes in the same moral set, thus leading to a higher moral society. The peaceful condition is, however, unstable because some individual may deviate from that set of beliefs and action, causing social disorder again.

Finally, the discourse shows that some type of institution is required to enforce the stable condition in the short term (i.e. one life time). In other words, confidence in karma is a necessary condition to sustain a prosperous and peaceful society whereas the government has a duty to maintain order among individuals with different levels of confidence. In Buddhism, it is considered unwise to eradicate crimes through greater punishment. The appropriate remedy is to improve the economic conditions of the people first.[70] Once everyone is able to make his or her own living, morals can be observed and crime will disappear. This is the subject of the role of the government as discussed below.

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[70] *Kutadanta Sutta* (D 5)

4.2 The Right Livelihood of the Individual

From the Buddhist perspective, the main objective of economic activities is to alleviate suffering. It is possible to alleviate some physical and mental suffering through the economic activities associated with wealth. The way one acquires and utilizes wealth constitutes his/her livelihood. Livelihood is a part of the whole way of life, dealing directly with creating and maintaining material well-being. In Buddhism, a favourable economic life for the individual is called right livelihood. Right livelihood has three characteristics: (1) it is based on right view, (2) it is consistent with the Buddhist ethical system, and (3) it leads to both material well-being and mental development. Each of them is discussed in turn.

First, by definition, right livelihood, i.e. Buddhist economics, has to be based on the right understanding of life and phenomena. This implies that economic mechanism is based on the right understanding of the law of karma. Secondly, right livelihood is consistent with right thought, right speech and right action. It entails the practice of changing one's attitude of oneself to handle wealth in accordance with the right view and with Buddhist ethics. Finally, achieving material well-being through right livelihood is not the end of a Buddhist's way of life, but only a means to the end of suffering in the cycle of existence. For this to occur, right livelihood has to be followed with the cultivation of the mind. This last characteristic implies that Buddhism recognizes that the condition of sufficient material well-being is necessary for the practice of mental development.

Because right livelihood is one factor along the Path, it creates a balance between bodily welfare and mental happiness. Furthermore, it encourages a balance between the benefits in this life and benefits in subsequent lives. The discussion below outlines how an individual can manage wealth to create material well-being, while also acquiring additional virtues to create mental happiness. The following two sets of principles form the basic principles of actions in Buddhist economics.

4.2.1 Wealth and Material Well-being

The cessation of suffering gives rise to happiness. Practicing right livelihood, the individual can attain two types of happiness: temporal and permanent.[71] Temporal happiness is happiness that one can achieve in this life or this world, and is based upon the wealth and happiness resulting from wealth. Meanwhile, permanent happiness refers to mental happiness in this life, and both material and mental happiness in subsequent lives.

Regarding temporal happiness, lay people are said to deserve four types of happiness related to wealth in this life [Gihisukha].[72] They are: happiness from ownership, happiness from the enjoyment and consumption, happiness from debtlessness and blamelessness. Happiness from ownership is experienced when possessing wealth, treasures, assets, etc. By owning this type of wealth, one can also enjoy the use of or the services that flow from it. The third and the fourth types of happiness are constraints on the management of wealth. Wealth can generate happiness only if the possessor is debtless. Furthermore, the way one acquires and enjoys the wealth be blameless, i.e., morally and legally.

Each individual engages in economic activities primarily to eradicate poverty. In Buddhism, there are some fundamental ethics related to the management of wealth that can preserve and increase prosperity while avoiding the loss of wealth. They are called the four conditions leading to temporal happiness[73] and are described as: (1) being endowed with skill, efficiency, earnestness and persistent effort in his/her profession, (2) protecting his/her righteously earned wealth with attentiveness, (3) associating with good people or having good friendships, and (4) conducting a balanced

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[71] A.II.69. The Buddha reminded laypeople that economic and material happiness is not "worth one sixteenth part" of the mental happiness arising from a faultless and wholesome life. This implies that although economic welfare is required for happiness, such progress is not considered to be true happiness if it is devoid of moral foundation. Though not condemning material progress, Buddhism always stresses the development of morals and the cultivation of the mind as the reasons for long term benefits.

[72] Ibid.

[73] A.IV.281. This set of virtues is often called 'The Science of Becoming Wealthy.'

livelihood or a life with contentment. These four conditions provide the scope of economic activities in Buddhist economics.

The first condition focuses on how to acquire wealth. Having the skill and knowledge to fulfill or manage one's duties at work or profession are the conditions of creating wealth. Education is one way to acquire the skills one needs, training and experience are other ways. Moreover, lay people should obtain wealth legally and morally by diligent effort and hard working. There are also three qualities suggested to succeed in business.[74] They are: (1) to be shrewd by knowing products or one's own work so well that he/she can set an adequate price and estimate the right profit, (2) to be capable of administering business, knowing the buying and selling markets well, capable of purchasing, marketing, and understand customers, and (3) to establish a good credit rating and to earn trust of financial sources.

The second condition focuses on how to protect wealth with attentiveness. Lay people need to guard and watch their wealth so that the country does not seize it, thieves do not steal it, fire does not burn it, water does not flood it away, and ill-disposed heirs do not remove it.

The third condition is related to associating with good people. Good people and good friends will bring joyful and righteous way of consuming wealth. They create a good environment and give security in a layperson's life. Friends who are considered good friends are those who are faithful, learned, virtuous, generous and wise. This condition leads to positive relationships among people in society, and is discussed in Sub-section 4.3.

The last condition is concerned with the utilization of wealth. This condition is called the balanced livelihood because it implies a balance between one's expenses and income, that is, to know and live in a way that one's income will stand more than expenses. A person who enjoys his/her wealth in this way will lead a life without extravagance nor miserly. To conduct a balanced livelihood, it is helpful to know activities that can destroy, and those that can increase, the amassed wealth.[75] It is said that there are

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[74] A.I.116.

[75] D.31

four sources for the destruction of the amassed wealth: debauchery, drunkenness, indulgence in gambling, association with evil-doers. On the other hand, the four sources for increases in wealth are: abstinence from debauchery, abstinence from drunkenness, non-indulgence in gambling, and having friendships with good people.

Furthermore, there are two sets of guidelines on how to utilize wealth within the context of right livelihood. The first set is called the Fourfold Division of Money.[76] It is a discipline on how to divide money for consumption, investment and saving. That is, one should live and do duties towards others on one part, expand business with two parts, then save the fourth part for the rainy days.

The second set of guideline is a discourse on the benefits one should get from wealth.[77] It gives reasons for earning and having wealth, i.e., to bring benefits to oneself, a family and society. It includes utilizing wealth: to make oneself and a family happy and live in comfort; to share the happiness and comfort with friends and colleges; to protect oneself secure against all misfortunes; to make offerings to relatives, guests, to the departed family, to the country by paying taxes and duties, and to the deities that who are worshipped according to one's faith; and to support those monks and spiritual teachers who lead a pure and diligent life.

4.2.2 Virtues and Mental Well-being

In Buddhism, wealth alone does not make a complete individual nor a harmonious society. In contrast, attachment to wealth often creates more desires and induces the individual to pursue more wealth and more power. This unrestrained craving may leave a person dissatisfied and eventually lead to the suppression of his/her inner growth. It may also create conflict and disharmony in society through the exploitation of others. Therefore, material well-being should be balanced with the conditions for mental welfare—a concept of balanced well-being in Buddhism.

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[76] Ibid.

[77] A.3.45.

True happiness in Buddhism is said to be balanced between bodily happiness and mental happiness. Thus, it is necessary to contemplate on virtues conducive to mental welfare and benefits in the future. There are four conditions which conduce lay people to happiness in spiritual life and in their future lives. They are endowment with confidence in the law of karma, morality or virtue, generosity or charity, and discernment.[78] These four virtues encompass basically the basic factors which constitute the Noble Eightfold Path, the noble qualities of human beings and the criteria for human development.[79]

4.3 Social Ethics in a Buddhist Community

As discussed earlier, association with good people is one important condition in right livelihood. Considering the interconnectedness of the karmic forces in society, the actions of each individual—right or wrong—can influence conditions in society. The basic principle of social ethics in Buddhism is that one should not pursue only material concerns, but also be aware of one's duty towards society.

A favourable community in Buddhism is characterized by the inter-relationship among individuals and responsibilities each person has towards others in accordance with their relationships. In Buddhism, individuals as members of the society, have duties and responsibilities to fulfill, depending on their positions. Associations among people are divided into six groups: parents and children, teachers and students, wife and husband, friends and companions, workers and employers, and ascetics or monks and laypeople.[80] These six ways of inter-relationships outline important institutions in a Buddhist society: the family, the educational institution, the work place, the community, and the spiritual institution. These institutions constitute the

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[78] A.4.284.

[79] D.14, D.27.

[80] *Sigalovada Sutta* (D.31). To follow the noble doctrine in the lay life, with its family and social relations, is considered to be a perform of meritorious deeds. It is said that even Sakka, the king of heavenly beings [devas], declares that he worships not only the monks who live a virtuous life, but also lay disciples who are virtuous and maintain their families and relationships righteously (S.I.234).

private sector side of an individual's life. Combining with the government which is a public sector, these institutions form important external conditions in a Buddhist society.

Among the six-ways of inter-relationships, three of them are directly related to economic activities. They are: friendships in the community; workers and employers at work place; and monks and lay people.

There are five ways a person should associate with friends and companions: by liberality or gifts, kindly words, being helpful, treating them with respect and sincerity, and keeping one's word. There are also five ways in which friends show their compassion: by protecting others and their property when they are inattentive, becoming a refuge when they are afraid, not deserting them when they are in trouble, and showing consideration for their family.

There are five ways an employer should relate with employees: by arranging their work according to their ability, supplying them with food and wages, looking after them when they become ill, sharing special delicacies with them, and setting reasonable and fair working hours. In return, employees should start working before employers but finish work after them, take only what they are given, perform the duties well, and uphold the employer's praise and good reputation.

There are five ways lay people should relate to ascetics and monks: by lovable deeds, words and thoughts, by keeping an open house to them and supplying their material needs. In return, ascetics and monks should show their compassion: by discouraging them from evil, informing them of the benefit of good actions, loving them with a kind heart, helping them hear what they have not heard, clarifying what they have already heard, and pointing out the path to a heavenly state.

4.4 *The State and Its Roles*

There is one discourse that indicates that a peaceful, stable, and secure society is favourable for the practice of the cultivation of the mind by individuals.[81] The discourse is often called a 'Buddhist genesis,' which describes the origin of some human activities including socio-political order and institutions. The Buddhist genesis can be divided into three movements. The first movement starts from the dissolution and re-formation of the world to the point of differentiation in nature. The second movements starts when there arises differentiation among human beings because of the occurrence of increasing immorality and greed. The third movement describes human beings in association, and, as a result, instituting kingship to regulate their affairs; and under the protection of this institution there develops a caste society including monks who seek deliverance from such society.[82]

The discourse also illustrates that having an institution such as a kingship is necessary in order to provide and enforce stability, prosperity and

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[81] A.III.65, 103. "There are five unfavorable times for mental striving: herein a monk is old; a monk is ill; there is a famine; there is fear about perils of robbers, and the country folk mount their carts and drive away; the order is rent and there is accusation and so on."

[82] *Agganna Sutta* (D.27). At first, there were beings dwelling on this world which were just a mass of water. There was no male and female among beings, they were feeding on delight, self-luminous, moving through the air, and glorious. Sooner or later, savory earth spread itself over the water where those beings were; some beings of greedy nature tasted the savory earth, and craved for it. As a result of this, their self-luminance disappeared, the moon and the sun appeared, night and day were distinguished, and also the year and its seasons. To that extent, the world re-evolved.

Next, those beings continued feasting on this savory earth; their bodies became coarser and a difference in looks developed among them. Some beings that are good-looking became arrogant and conceited about their looks, then the savory earth disappeared. A sweet fungus cropped up instead, and those beings fed on the fungus. The more they ate fungus, the coarser their bodies became, the more difference in their looks, the more arrogant some beings became. The fungus disappeared because of that, and creepers appeared. ... Then the rice, free from powder and husks, appeared in open spaces. Feeding on the rice for a long time, females developed female sex-organs, males developed male-organs. Some became excessively preoccupied with another, passion was aroused; their bodies burnt with lust and they indulged in sexual activity. They began to build themselves dwellings so as to indulge under cover. Some beings that were lazy, made a store of rice and lived on that. Then rice began to grow in separate clusters. Those beings agreed to divide up the rice into fields with boundaries. Some greedy-nature beings started stealing rice from others' plot, but lied when caught. They were censured and punished.

Finally, because the arising of these evil things, they agreed to appoint a certain being who would show anger where anger was due, censure those who deserved it, and banish those who deserved banishment; and in return, others would grant him a share of rice. This is the beginning of the leader of the state, his duties, and the tax system.

peace. These are the original functions of the state in Buddhism. In return for performing that duty, tax can be collected from its members In Buddhism, the primary crime that induces social disorder is stealing or violating the property rights of each individual. These types of crimes causes other type of immorality and crimes as discussed above.

Buddhist teachings also explicitly assert that an ideal Buddhist political leader is selected by consensus for his/her relative integrity. The qualities of the traditional Buddhist leader are provided in the teachings called "Ten Virtues of the King."[83] They are charity, high moral character, self-sacrifice, integrity, gentleness, austerity, non-anger, non-oppression, tolerance, and non-deviation from the dharmic norms. The ruler is also required to possess five strengths: arms, wealth, ministers, predecessors, and wisdom.[84]

In addition, another discourse[85] illustrates that the proper way to deal with crime, is to first improve the economic condition of the people. The state should distribute necessary agricultural facilities—grain and fodder—to farmers, give capital to those in trade and business, and assign proper living wages to those who are employed. When people are thus provided with opportunities to earn an income, they will be content, have no anxiety or fear, and will not cause harm to the society. These conditions will lead to a peaceful and prosperous society.

To maintain the society in favourable conditions, Buddhism offers a clear scope and priority for government service and economic policy. The duties of the state from several discourses are summarized as follows.[86]

(1) Respect the supremacy of the law of dharma and righteousness. To lay out a political and legal system based on the five precepts—not taking life, not taking what is not given, not committing sexual misconduct, not telling lies, not drinking or inhaling intoxicants—and also establish a moderate tax collection system.

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[83] J.V.378.

[84] J 5 120.

[85] D.5.

[86] D 5; D.26. The political system during Buddha's time is called the wheel of power [anacakka], and it has a special interrelationship with the wheel of righteousness [dharmacakka]. During the Buddha's time, there were two types of state: the Kingship state and the republics.

(2) Provide protection for the following group of people: a royal family (or politicians at the present time), the military service or the armed forces, colonial kings or head of the provinces, administrative officers or civil servants, householders, the professional, traders and farmers, city and country dwellers, monks and religious ascetics, and beasts and birds.

(3) To let no wrongdoing or crimes prevail in the kingdom.

(4) To assist those who are poor or in need by providing them with basic necessities, or organizing and encouraging charity in society.

(5) To have virtuous counsellors and seek after greater wholesomeness. To seek advice from ascetics, such as monks, who maintain high moral standard by renouncing the life of sensual infatuation and devoting themselves to forbearance and gentleness.

A righteous ruler rules the state in the name of justice, subordinate only to the dharma. The relationship between the ruler and dharma, or righteousness, is important in order to maintain proper social order, attain personal liberation, and forms a basis for the duties of the state. The duties of the state not only provide a guideline of the main policies for the government in a Buddhist economy, but also characterize an ideal Buddhist state. The righteous political authority who strictly follows these duties is said to be able to enable a society to survive and prosper. These issues are discussed in Chapter 6: Buddhist economic institutions.

5. Summary

The fundamental teaching in Buddhism is called the Four Noble Truths. The Truths recognize that there is suffering in life, and therefore, the goal of life is the cessation of suffering. Because the present life is perceived as one birth in the cycle of existence, the end of suffering can then be achieved only through the liberation from the cycle of existence. The path of liberation begins with the acquisition of the true knowledge of life and nature. Based on the acquired knowledge, one will change one's perception of reality. As the view changes, a person will correspondingly and gradually change one's attitudes towards life and phenomena. The process of changing attitudes includes purifying one's actions—mentally, verbally and bodily—to be free from self-

delusion, craving and clinging. Through this purification process, craving or the cause of suffering, will eventually be eradicated.

Right livelihood is the Buddhist means to attain economic well-being which provides the foundation for Buddhist economics. The existence of right livelihood as the fifth factor along the purification path has three implications for Buddhist economics. First, economic activities must be consistent with other factors of the Path. That is, economics must be based on the ethical framework formed by right thoughts, right speech, and right actions. Second, basic material well-being is a necessary condition to mental development. Third, economic well-being is not the ultimate end by itself, but a part of the whole way of life. After basic economic well-being is attained, the cultivation of the mind must follow to fulfill the purpose of Buddhist life.

Moreover, poverty is regarded as the main problem in economic life. Insufficiency of material well-being can lead to suffering such as hunger, sickness and indebtedness. The problem of poverty also has an effect at the social level of society because poverty is a primary source of much immoral conduct that can cause disorder in the society. Based on Buddhist philosophy and ethical principles, there are several means suggested to solve the problem of poverty. At the individual level, right livelihood is a way to manage wealth: to acquire wealth righteously and utilize it in alleviating suffering, not only for oneself but for others as well. Next, the relationships among individuals in society are also important for maintaining stability that can lead to prosperous conditions in society. In Buddhism, each individual has duties and responsibilities to fulfill as a member of society depending on his or her position. Finally, the government also has duties to maintain a peaceful and stable society.

Chapter III

Interpretations of Buddhist Doctrines

A Literature Review

It is a question of finding the right path of development, the Middle Way between materialist heedlessness and traditionalist immobility, in short, of finding "Right Livelihood".
(Schumacher, "Small is Beautiful" 1979: 58)

Buddhist economics must be in concord with the whole causal process and to do that it must have a proper relationship with all three (interconnected factors: human beings, society and nature), and they in turn must be in harmony and mutually supportive.
(Payutto Bhikkhu, "Buddhist Economics" 1992: 70)

1. Introduction

The literature review presented in this chapter is a brief survey of the search for Buddhist economics, which includes an interpretation of Buddhist doctrines as they relate to economic issues. The review identifies how existing literature contributes to this thesis, while also noting their deficiencies and, thus, providing the rationale and necessity for this thesis. Consistent with the previous chapter, this review is restricted to the secondary texts based on Theravada Buddhism. Regarding the methodology of the thesis, the review is also limited to the literature whose main analyses are based on the canonical interpretations rather than historical practice. Although there may be a vast amount of literature written on Buddhist economics in French, German and other languages, this review is limited to the literature written in English and Thai. The translation of Thai literature used here is solely my responsibility unless indicated otherwise.

The first natural question in the literature is whether there is a *nexus* between Buddhism and economics. The discussion began with Max Weber in "The Religion of India," (1958) in which he concluded that ancient Buddhist

teachings cannot be a basis for a rational economic or social system.[1] Since Weber offered his thesis, there have been two contrasting views related to the social ethics of Theravada Buddhism. One is a Weberian analysis that maintains that Buddhism has taken an "asocial" course.[2] According to this view, to practice Buddhism is an absolutely personal matter, having no concern for the economic welfare of others. Thus, any social effects of Buddhism on Buddhist societies are simply unintended consequences. Another view holds that Buddhist social ethics are not simply incidental, but are integrated into the broader Buddhist world view.[3] This view emphasizes mutual dependency in Buddhism, a position upon which most Theravada scholars agree.[4]

Several Theravada scholars, however, re-examined the teachings to analyze Weber's claim. Ronald Green (1990), in summary, states that there are at least three reasons to support Weber's claim. First, the doctrine of non-self [anatta] undermines the individual's moral concern for the welfare of others or of society. Second, the goal of nirvana, or liberation from the world, can produce at best only a minimal social ethic. Third, the law of karma implies acceptance of any status quo and vitiates any possible critical perspective of the existing economic order.

Earlier writing by Emanuel Sarkisyanz (1965) counters Green's first reason. Sarkisyanz observes that the concept of non-self is, in fact, meant to counter the sense of "mineness" that stimulates greed and the desire for

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1 Weber's original work was published in German in 1920 and translated later in 1958. He contends that, "Salvation is an absolutely personal performance of the self-reliant individual. No one, and particularly no social community, can help him. The specific asocial character of genuine mysticism is here carried to its maximum," (p. 213). Therefore, "Buddhism has no sort of tie with any sort of social movement, nor did it run parallel with such and it has established no socio-political goal," (p. 226). Weber also claimed the first political transformations of Buddhism took place in the time of King Asoka, around 200 years after the death of the Buddha. Tambiah (1976: chap. 3), however, rejected this view by identifying discourses in the Pali Texts, which defined the roles of the kings and rulers of the republics during the historical time of the Buddha.

2 See, for example, Melford Spiro (1970) for this account.

3 All literature review in this chapter agree on this latter view.

4 Paul Mus (1965: pp. xx-xxii) concluded that the controversy , advocated by Max Weber's supporters against the consensus of genuine Theravada experts, hinged on a Pali term *upekkha* which usually translated as "indifference" although its true concept should be taken as "equanimity." Sizemore and Swearer (1990) offer general critiques of Weberian analysis of Buddhist doctrines

material acquisition. In contradiction to Weber's view, the non-self doctrine is concerned with releasing oneself from the illusory nature of ego by aiming directly at eliminating all self-centered acts. Hence, the non-self view accordingly gives rise to an attitude of loving-kindness and compassion towards others—the Buddhist view of mutual dependency rather than disapproval of social actions.

The second reason is first countered by Donald Swearer (1970: 64-71) who argues that Nirvana is an ideal social order in which "the ultimate aim of each person can be realized through a combination of both collective and individual actions." Swearer supports his argument by pointing out historical changes based on collective social actions in Buddhist countries such as Burma (Myanmar) and Ceylon (Sri Lanka). Stanley Tambiah (1976) also challenges Weber's claim by citing the teachings on the duties of a righteous ruler in order to stress that Buddhism emphasizes both individual spiritual salvation and the hope for political and economic reform. Although Tambiah (1978: 133) maintains that Weber's view is too simple in this regard, he attributes responsibility to the nature of Buddhist scholarship during Weber's time and the secondary sources upon which Weber relied.

For the third reason, Green (1990: 224) himself disagrees with Weber, stating that belief in karma does not undermine the possibility of social ethic in Buddhism. Rather, Green argues that there are specific moral rules for the employment of wealth and a moral vision of an ideal economic order in Buddhism. Chapter 2 (2.2.1) of this thesis also discusses the modifiability of karma which provides a basis to disapprove any view that suggests Buddhism accepts the status-quo without calling for changes. In fact, a clear understanding of the law of karma leads to a proactive attitude of improving present conditions towards a better and higher realm of existence.

Based on the above discussion, it is apparent that Buddhist teachings contain a solid basis for social and economic ethics. The next question is thus, what has been done in the literature regarding the search for Buddhist economics? Recent literature with analysis based on doctrinal interpretations, encompasses several topics, such as Buddhist political economy, Buddhist

economic development, Buddhist economic system, and Buddhist economic activities. The scope of this literature review is limited to the framework as mentioned above, while highlighting the features that relate to the central concerns of this thesis.

It is important to note that whenever we attempt to interpret human attitudes in different times or cultures, we run the risk of misinterpretation or misunderstanding because we consciously or unconsciously substitute our own attitudes for theirs' or to penetrate into the working of their minds (Schumpeter 1961: 34-38). Schumpeter has warned us of "the problem of ideological bias in economic analysis," because the observer is the product of a given social environment, thus being conditioned to see things that are familiar rather than others. The above discussion regarding Weber's analysis of Buddhist teachings is one example that brings to light this bias problem in the literature of Buddhist economics. Hence, this review carefully identifies the background of each work in the secondary literature, while noting their contributions and also shortcomings, if there are any. As a result, this chapter chronologically organizes the literature into three groups based on their background, emphasis and original motivation.

Section 2 investigates studies in the West during the late 1960s and 1970s, which are partly related to Buddhist sociopolitical changes in some Theravada Buddhist countries in Asia. Several scholars attempt to reinterpret the teachings to obtain theological perspectives on those political economic changes. By considering the different purposes of the studies, the section organizes the review according to the interpreter. Section 3 explores the works on Buddhist economic development during the 1980s and 1990s by Buddhist thinkers in the Theravada tradition in Thailand. Each thinker has offered several works that have a central theme, such as dharmic socialism or Buddhist economics. The section reviews the studies according to thinker to provide a broad outline of each thinker's central arguments.

Section 4 examines recent studies that focus on Buddhist social and economic ethics related to material wealth. In contrast to the studies in Sections 2 and 3, which are primarily books by one author, the studies in this

section are short essays addressing a specific issue. Most of them are studies in the field of comparative religious studies. The section thus arranges the findings of these essays by subject to provide a summary of recent contributions that can be used in the thesis. Section 5 concludes this chapter with some brief remarks about the contributions and deficiencies of the literature. The contributions are used to develop the Buddhist economic theory and its system—the tasks of the following chapters. The deficiencies of existing literature, however, rationalize the contribution of this thesis within the literature.

2. On Buddhist Political Economy

The search for a Buddhist economic model historically began as a political movement in a number of Theravada Buddhist countries aimed at overcoming the shortcomings of Western economic paradigms. Buddhist socialism was revived to serve as the foundation for nationalism under U Nu in Burma from 1948 to 1962 (Sarkisyanz 1965). It has also been promoted as a political platform in Sri Lanka under S.W.R.D. Bandaranake since 1958 (Smith 1978a).[5] The basic principle of Buddhist socialism in these countries is that individuals have to be able to overcome their self-acquisitive interests first before they can establish a national community.[6] Although the movement for Buddhist socialism no longer continues, it has caused interest among scholars in exploring various applications of Buddhist teachings.

There was also an interest among Buddhist scholars in the West to examine the Buddhist vision of an ideal community. These studies focused on

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[5] Smith's essay extensively uses the Pali chronicles of Ceylon as the basis of reference. Written in the late fourth or early fifth century AD by an unknown author, the Ceylonese chronicles are different texts from the earliest Pali Canon. Considering the scope of literature review, thus the review here does not include Smith's essay.

[6] Swearer (1986: 19-20) notes that this type of political paradigm is based on the "Buddhist understanding of the world and the meaning of human existence." In Swearer's observation, the state is to guarantee sufficient material needs of the people–the four Buddhist requisites of food, shelter, clothing and medicine–then encourage all citizens to strive for moral and mental perfection towards nirvana. Although the development path conforms strictly to these ideals, it was later disregarded by other political leaders. Swearer comments that Buddhism is still credited as the fundamental ideology that rebuilt these two countries from a colonial economic and political system.

various aspects of Buddhist teachings that serve as justification for political movements at the end of the colonial era and/or the beginning of the modern nation-state.[7] This section reviews the studies by Sarkisyanz (1965) and Tambiah (1976) which provide extensive canonical interpretations regarding Buddhist political economy.

There is another Western work that is partly influenced by the historical Buddhist socialism movement, but takes a different approach. In "Small is Beautiful" (1973), E. F. Schumacher expounds a notion of an ideal economy with general references to Buddhist philosophy, then proposes right livelihood as the basis for the existence of Buddhist economics. While noting a middle-way economy as a unique character of Buddhist economics, he concludes that it is a question of finding the right path of development. The question itself is left open for answers, some of which are developed from within the Buddhist tradition in Thailand, reviewed in Section 3.

2.1 Sarkisyanz and the Buddhist Welfare State

In "Buddhist Backgrounds of the Burmese Revolution," (1965), Sarkisyanz, as a political scientist, comprehensively examines the attempt to establish a socialist state in Burma, after its independence from the British colonial rule, based on Buddhist doctrinal interpretations. During the 1960s, when the teachings of Theravada Buddhism were not well understood and often misinterpreted in the West, Sarkisyanz's study went a long way to clarify the deficiency and fill the gap.[8] He was also among the first Theravada experts who directly challenged the mistaken conclusion reached by Weber regarding the existence of Buddhist social ethics. His work is thoroughly grounded in both the interpretation of the Pali texts and the analysis of historical Buddhist societies back to the time of King Asoka (circa 300 B.C.). Considering our

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[7] For example, Emanuel Sarkisyanz (1965), Melford Spiro (1966), Stanley Tambiah (1976), Bardwell L. Smith, ed. (1978a, b), Michael Aung Thwin (1979). These studies are also concerned with the relationship between the classical ideals of Buddhist kingship and modern political leaders in Buddhist nations. Swearer (1970) provides a good reference of studies relevant to Buddhism and politics in Burma and Ceylon.

[8] In "Preface," (1965), Paul Mus remarks that Sarkisyanz's study is a learned, vivid and comprehensive work based on his own figurative rather than the Western conceptualized mode of thinking (p. viii).

methodology, the review mainly focuses on the sections related to his doctrinal interpretations of the teachings.

Referring to the Buddhist genesis, Sarkisyanz observes that history was to illustrate the impermanence of all existence: the cyclical regularity and causality of endless change.[9] At the beginning of the present World Age, Buddhist tradition attributes a blissful state to a perfect society before human beings had fallen into self-delusion and craving. Based on his interpretation, the instinct of appropriating wealth caused changes to human original perfection. It also gave rise to social imperfections, including inequalities, which the ruler or king and the legislation were meant to remedy. He conceives that a Buddhist ideal kingship can be compared with the contractual theory of government. That is, the "juridical conceptions of kingship" are a necessary societal institution established contractually to facilitate the welfare of the community and its people. In contrast, he observes that the Buddhist monastic community is a representation of the public conscience.

Based on canonical interpretations, Sarkisyanz builds up his conceptions of the ideal Buddhist state, which may be summarized by three essential characteristics: democracy, universalism and a welfare state. First, the democracy characteristic is derived from the republican structure within the Buddhist monastic community [sangha][10] which the Buddha had founded.[11] His analysis views the sangha as a system of democracy with republican ideals: the desirability of full and frequent public assemblies; an establishment of smaller committees to deal with specific or complicated issues; and the rules of 'quorum, ballot voting, procedures of majority and the

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[9] The discourse on Buddhist genesis is summarized in Chapter 2 (4.4).

[10] The original monastic order during the Buddha's time consisted of both bhikkhus (male monks) and bhikkhunis (nuns or female monks). However, the ordination of Theravada bhikkhunis disappeared around 500 AD, because of the war. Once the ordination of the monks or nuns has ceased, theoretically it can not be restored. There are some movements to re-establish the nun-order in Sri Lanka, Thailand, and England, although the status of these new nun-orders are not recognized as compatible with the original bhikkhuni order.

[11] Tambiah (1976), however, rejects an analysis that the Buddha recommended the republican tribal politics of the Vajjian as a model of the sangha organization. He notes that the republican states during the Buddha's time were not democratic nor republican in the Western sense.

referendum' (pp. 21-23).[12] He also notes that the concord based on unanimity or at least majority vote is essential for the stability of a self-governing community such as the sangha.[13]

Second is the characteristic of universalism which is also one of the features of the sangha organization. Sarkisyanz characterizes the sangha as 'the institutionalized nirvana pursuit' community (p. 25). He observes that the sangha is set up by the Buddha as a community within the state for people who wish to *voluntarily* live a selfless life, communally sharing whatever necessities of life that are received, and demonstrating non-attachment to possessions and social position. The disciplines of monks, as he reasons, minimize economic inequality and personal property: if monks receive things for personal use, they are still considered the property of the *entire* sangha and cannot be transferred back to individuals. In his view, this is the basis of universalism within the sangha that transcends ethnic or geographic particularities and contrasts.

Thirdly, the welfare state characteristic is based on the scriptures indicating that economic welfare is a prerequisite for the Theravada Buddhist path of salvation. The Buddhist state has to, he contends, create a social order including an economic basis that would permit its people to practice meditation, which is necessary for the achievement of nirvana. That is, in an ideal Buddhist kingdom, the state must provide all the basic needs for its people. The goal to maintain such well-being is analyzed and attributed to the insight that poverty and material distress increase cravings for material satisfaction, which in turn will strengthen attachment and suffering. To describe the canonical Buddhist material utopia, Sarkisyanz refers to the growth of wishing trees, which supply all material needs and desired things of

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[12] Sarkisyanz also observes that a leader in the monastic community is elected based on a 'hierarchy' which is based upon length of service, although he may be replaced if found incompetent, by the most learned and competent member

[13] Swearer (1970: 67) agrees with Sarkisyanz that the ideal Buddhist society would be both socialistic and democratic based on the features of sangha organization. Swearer also suggests that the Buddhist ideal social order should be organized around common consent and egalitarian methods, but no scriptural references

mankind. In that utopia, men are to live in universal concord without conflict, free from worries and sickness.

Considering the above characteristics, Sarkisyanz examines the historical Asoka's welfare state as a pioneering case of implementing Buddhist ethics.[14] In what he calls the Asoka's Buddhist welfare state, the government provided public welfare services to facilitate the observation of the Buddhist moral law—the dharma—or at least the opportunities for meditation.[15] Welfare measures were a 'means to permit men to rise within the law of Dharma towards the overcoming of their suffering, the aim of Buddhism' (p.27).

Sarkisyanz views the welfare measures as external conditions created for lay people who strive towards the Buddhist goal outside the sangha. The measures included: providing rest houses, watering services, and medical assistance for the benefit of men and animals; special assistance for the poor, the weak, slaves and servants. Special dharma officers were appointed to conduct public welfare services. For example, attend to the welfare of prisoners, engage in the administration of charities; set up the dharma practice throughout the country; and work among the poor and the aged. Using the means of legislation and persuasion to increase the morality of people, the king also proclaimed the social ethics of owning and keeping only a minimum of property.[16]

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[14] Referring to Nakamura's (1960) study, Sarkisyanz notes that Asoka established 'the ethical and social tradition of public welfare services ... earlier than anywhere in the world, a long time before Christianity engaged in social service' (p. 29).

[15] Paul Mus (1965: xvi) comments that Sarkisyanz's observation of Asoka's charities and foundations could be labelled properly as 'public welfare services.' Tambiah (1976: 61-62) agrees with Mus that Sarkisyanz's assertion of a 'Buddhist welfare state' has gone too far, and notes that these services are similar to the welfare state program in orthodox Socialist or Marxist terms. Tambiah also notes that 'the Asokan tradition of historical Buddhism has transmitted a political lay tradition within Buddhism.'

[16] Sarkisyanz also examines subsequent Theravada Buddhist rulers in history who proclaimed the Asoka's Buddhist principles for government. These rulers included, for example: King Mahinda II of Ceylon (772-792), Burma's King Kyanzitthu of Pagan (1084-1112), and Dhammazedi of the Mon kingdom (1472-1492). Sarkisyanz extensively examines the historical development of Burmese Buddhist socialism. History has confirmed that, as Sarkisyanz concludes, the Burmese pre-Buddhist and non-Buddhist cultures, which satisfy the human needs for dependence, obstructed the continuance of Buddhist socialism in Burma.

Considering the Marxist movement in Burma during the 1960s, Sarkisyanz compares the Buddhist ideal welfare state with Marxism. First, he notes that the non-theistic character of Buddhism makes it "less authoritarian than the post-Hegelian deterministic Marxist methodology of liberation from economic suffering," (p. 200). This is because the ultimate deliverance from suffering in Buddhism is left to the individual's will, the Buddhist state only creates conditions that enable its people to be free from suffering. Secondly, both Buddhism and Marxism are comprehensive methodologies for overcoming suffering: the former psychologically, the latter by the sociological means of applied insights into causality. Nevertheless, the Buddhist quest for liberation is far more comprehensive than the Marxist quest. While Marxism strives to overcome only profit motivation and capitalistic acquisitiveness, Buddhism aspires to conquer attachment of not only wealth but ultimately the self.

There are a few additional comments on Sarkisyanz's conceptions of the ideal Buddhist state. First, there is the question of whether the Buddha intended to found the sangha organization as the ideal model of a Buddhist state for the lay society. Sarkisyanz himself also notes that the Buddha left to his followers the problem of applying this socialist way of life to a wider community. If the answer is yes, then such a model of community should be achieved through *voluntarily* processes, not by coercion from the ruler or the oppression of wants. Because an act of joining the sangha is voluntary, the creation of a Buddhist socialist community should also be developed along the same spirit.

The second comment is related to Sarkisyanz's conception of the personal property of monks and laity. In practice, although a monk cannot possess any personal property in the absolute sense, a monk has a right to use the sangha's property, such as a shelter, as long as the sangha allows. Based on the monk disciplines, Buddhist monks can also possess a few basic necessities for sustaining his monkhood, such as robes and bowls. There is, however, a question of whether the disciplines for monks are applicable to lay people. In Buddhism, lay people are encouraged to be generous and

voluntarily make gifts to society and the sangha. If there is no attribution of personal property in the lay society, how could one experience the joy and happiness from giving and being non-attached to one's belonging? Joining the sangha is an action-choice of the lay to practice non-attachment to personal wealth to the greatest extent. Tambiah (1976), as discussed below, also believes that, based on the scriptures, personal property is a condition for forming a regulated society in Buddhism.

2.2 *Tambiah and Buddhist Political Economy*

In "The World Conqueror and the World Renouncer," (1976), Tambiah, as an anthropologist, first explores the Buddhist scriptures as they relate to socio-political order in general, then later, he extensively analyzes the historical reforms of the polity and sangha in Thailand. The main focuses of the analysis are the interdependence between the kingship and the monastic order, and the roles of these two important institutions in Theravada Buddhist countries. Nevertheless, in his exploration of the Buddhist scriptures, Tambiah has offered some interesting comments regarding socio-political order in the human world, so-called 'the building blocks of the Buddhist construction of social reality' (p. 36). His findings may be summarized into four themes.

First, from the Buddhist genesis, he characterizes the institution of kingship in society as a corrective factor in the economy, which is interconnected in a disorderly fashion through karmic processes. Similar to Sarkisyanz, he asserts that the discourse provides the background for an elective and contractual theory of kingship, whereby the king is elected on the basis of perfect conduct and remunerated by tax payment. Tambiah also notes that Buddhism offers an ethically comprehensive theory of politics because righteousness [dharma] is used as a criterion to elect the ruler. While rejecting the manipulative actions of the ruler class which may be inspired by self-preservation and self-interest, Buddhism considers the governing of the state by a virtuous king as a moral service to the community.

Secondly, the nature of Buddhist teaching is *totality* or wholeness. Dhamma, as Tambiah contends, is not only a universal cosmic law that regulates the world totality but also encompasses the norm in human society. As Buddhism deems the world a collective system, the discovery of the dharma by the Buddha was described as a total phenomenon that had collective social and moral implications. For example, while the teachings on the non-self provide a theoretical basis for rejecting the existence of self and human personality, the Buddhist kingship allows for the development of constructive and positive concerns on the social plane (pp. 38-39). That is, the code of righteous kingship is an ideal manifestation of the dharma in the conduct of worldly affairs. In theory, he argues, the application of dharma to politics implies the principle of non-violence and compassion.

The totality also implies, as Tambiah comments, that the collective action of all living beings produces the world as a whole while human and natural orders affect each other. The teachings thus establish the relationships between the king and the sangha, the polity and society, and this-worldly and other-worldly pursuits. For example, lay people are advised to attend to their economic well-being, their reputation through proper conduct, their state of mind at the present and at death, and their future rebirth chances. Conversely, Buddhist monks are to consider the welfare conditions of the community by showing the way to the ultimate liberation, which breaks the bonds of society and leads to the spiritual realms. The kingship also has a *multiplier* effect on the conduct of the rest of human society and indeed on the cosmos itself, because of the totality.

Thirdly, on the cosmological dimension, Tambiah's analysis maintains that Buddhism views human evolution as a physical and psychological process of 'retrogression and degeneration,' whereas, mental development is a tool to symmetrically reverse the process and allow beings to be free from re-becoming.[17] Based on this analysis, human beings are said to be driven by greed, immorality, lust, and so on. These are socially destructive "unless they

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[17] The Buddhist genesis provides a basis for the Buddhist traditional belief in 'the original purity' of beings.

are regulated through cultural and social impositions" (p. 11). The propensity to accumulate property through private ownership has also arisen from these natural human drives. Tambiah also argues that Buddhism not only "postulates private property as a natural fact of human life but also that it is advanced as the *proximal* and *anterior* fact leading to the formation of regulated society" (p. 13).

Tambiah's final theme is that after the founding of kingship, which provides law and order, the 'gradation' of society forms on a voluntary basis, as individuals may become monks, traders, farmers or hunters.[18] Although human beings are different based on their economic or social conditions, their worldly status does not determine the ethical achievements of individuals. Anyone who can destroy his/her defilements by perfecting one's knowledge about the Truth would become liberated from suffering.

A view of private property as a condition to form a regulated society distinguishes Tambiah's conception of an economic system from that of Sarkisyanz. As commented earlier, there is a question whether the common property feature of the sangha can be applied to the lay community. Based on Tambiah's analysis of the Buddhist genesis, human beings have a tendency to accumulate property through private ownership. In the discussion below, we will observe that most of the teachings for lay people aim at unconditioning that tendency through the development of non-attachment. Whether it be contentment, generosity or moderation of consumption, these principles have a basis on the ex-ante existence of private property in the lay community, while providing the way to detach from it.

2.3 Schumacher and Buddhist Economics

In "Small is Beautiful," (1973), Schumacher focuses on humanistic economics and attempts to place human aspects into the realm of socioeconomic analysis. He successfully points out the importance of human non-materialistic needs and uses them to criticize the modern economic system. He then proposes

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[18] Tambiah's concept of societal gradation can be compared with the division of labour in economics, which is formed on the basis of comparative advantage of each person's skill, knowledge, and preference.

Buddhist economics and specifically the concept of right livelihood as an alternative. In his words, "It is a question of finding the right path of development, the Middle Way between materialist heedlessness and traditionalist immobility, in short, of finding Right Livelihood" (p. 58). In the fourth chapter in the book, he expounds the notion of an ideal economy with general references to Buddhist beliefs, its philosophy and values related to economic activities.

Schumacher reveals his understanding of Buddhism when he notes that it is not wealth that stands in the way of liberation but the attachment to wealth. It is also not the enjoyment of pleasurable things but the craving for them. He thus contends that the main issue in Buddhist economics is "the systematic study of how to attain given ends with the minimum means" (p. 55). In his view, right consumption is the means to obtain the maximum well-being with the minimum of consumption. This distinguishes Buddhist economics, he argues, from modern economics which tries to maximize consumption using the optimal allocation of productive effort.

As there is a universal agreement that a fundamental source of wealth is human labour, Schumacher attempts to compare the modern economic view of labour with the Buddhist one. Because modern economics combines the assumptions of disutility from work for workers and costs of labour for employers, every method to reduce workload is then good. He also argues that the division of labour, commonly perceived as the most effective method, turns the work of man into that of a mechanical slave. By contrast, he argues that Buddhism takes the function of work to be at least threefold: (1) to provide an opportunity to utilize and develop one's faculties; (2) to enable oneself to overcome his/her self-centredness by joining with others in a common task; and (3) to bring forth the goods and services needed for existence.

From his point of view, work and leisure are perceived as complimentary parts of the same living process, while the essence of civilization is not in a multiplication of wants but in the purification of character. Because he views that character is primarily formed by one's work,

the emphasis should then be put on people, not products; and creative activity is more important than consumption. He also claims that Buddhist economics places emphasis on the idea of self-sufficiency. The production of local resources to satisfy local needs, he contends, is the most rational way of life, dependence on imports from afar and the consequent need to produce for export to unknown and distant peoples is highly non-Buddhist and justifiable only in exceptional cases and on a small scale. He concludes vaguely that Buddhist economic planning aims at full employment and especially employment for those who need to work in the market.

There are, however, some shortcomings regarding Schumacher's conceptions of Buddhist economics that cannot be easily overlooked. The first shortcoming is related to Schumacher's notion of maximizing satisfaction. The idea of maximizing something itself contradicts nirvana which is said to be the stage where the individual has extinguished desire and clinging. As discussed in Chapter 2, the pursuit of satisfaction is one form of clinging to worldly happiness. Because the ultimate goal of a Buddhist economic agent is to eliminate suffering, literally speaking, maximizing satisfaction cannot eradicate suffering.

Secondly, Schumacher's view of minimal consumption as a right pattern of consumption cannot be identified as a correct definition of Buddhist right livelihood, although it may support his idea of "small is beautiful." Based on a shared view by the two bhikkhus [monks] discussed in Section 3 below, minimal consumption can be justified as right consumption only if it is consistent with the Buddhist concept of contentment. Moreover, according to the four factors to attain bliss for lay people, Buddhist right consumption does not stand alone by itself, but must be associated with three other factors: the ownership of wealth, debtlessness, and blamelessness. Right consumption in Buddhism is discussed in detail in Chapter 5 of this thesis.

The third shortcoming is Schumacher's perception of "work" as a Buddhist means to purify one's character. The path of purification in Buddhism does not emphasize work itself, but how to work based on right

view and right thoughts with right mindfulness.[19] Therefore, if work performance is consistent with the Noble Eightfold Path, it can then be identified as a Buddhist means to purify one's character. Moreover, to join with other people in a common task as Schumacher stated is not a Buddhist way to overcome self-centredness based on the teachings. It is, however, through the practice of generous giving, morality and developing insight into the true nature of phenomena that a Buddhist can overcome self-delusion. Schumacher's view of work as a method of purification draws the criticism that his philosophical basis is closer to work ethics based on the Judeo-Christian-Hellenic tradition (Batchelor 1990).[20]

Finally, Schumacher's particular idea of a self-sufficient economy may have come largely from his personal experience with the Burmese. It is doubtful, however, that a self-sufficient economy is one of the characteristics of Buddhist economics, or even to what extent the economy should be self-sufficient. In the discourses from the Buddha's time, there are many stories involving traders from afar as well as those in which the ruler is also encouraged to assist traders with necessary capital. There is no indication in the scriptures that the Buddha opposed trade in his teachings. There is, however, a teaching on what trade is permissible and what is not. Schumacher's misunderstanding has partly planted the wrong seed in several countries—Thailand, for one—that a Buddhist economy is an anti-trade system. This issue is, however, left to be verified.

It should be noted also that Schumacher's arguments lack a credible and reliable source of Buddhist teachings to support his view. Although he

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[19] Buddhism emphasizes transforming one's view of the world and phenomena through right mindfulness while working. Sivaraksa (1992: 84) quotes a famous story indicating mindfulness as the primary means of mental development in Buddhism. One day, a religious leader came to visit the Buddha and asked, "When one follows your Way, what does one do in daily life?" The Buddha replied, "One walks, stands, sits, lies down, eats and drinks." The man asked, "What is so special about that?" And the Buddha answered, "An ordinary person, though walking, standing, sitting, lying down, eating, or drinking, does not know he is walking, standing, sitting, lying down, eating, or drinking. When a practitioner of the Way walks, he knows that he is walking. When he stands, he knows that he is standing ..."

[20] In reviewing Schumacher's works, Batchelor (1990) notes that Schumacher believed in the rediscovery of spiritual values, which are so vital for the renewal of economic life, through a profound re-evaluation of the Judeo-Christian-Hellenic tradition alone

mentions some Buddhists whom he talked to, it is still difficult to accept those sources as credible representations of Buddhist teachings.[21] While the nature of his view on Buddhist economics may not be entirely consistent with the essence of the teachings, his work, however, should be credited as offering a forward step toward Buddhist economics.

3. On Buddhist Economic Development

In contrast to the studies in the previous section which proffer Buddhism to support political goals, a more recent view of Buddhist economic communities arises from *within the tradition* of Theravada Buddhism. It is a vision of Buddhist economic development that evolved out of a Buddhist belief system in Thailand, and was based on a thorough understanding of the teachings by Buddhist *thinkers*, monks and lay persons.

To the author's knowledge, a few contemporary studies belong to this category.[22] They are, for example, "Dhammic Socialism" (1986)[23] and "Dhammic Economics" (1988) by Buddhadasa Bhikkhu; "Buddhist Economics" (1988, 1992) and "Foundations of Buddhist Social Ethics" (1990) by Payutto Bhikkhu;[24] "Seeds of Peace: A Buddhist Vision for Renewing Society" (1992) by Sulak Sivaraksa. The works by these three prominent Buddhist thinkers have laid the foundation for the emergence of a Buddhist economic movement

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[21] For example, Ananda Coomaraswamy, "a man equally competent to talk about the modern West as the ancient East" (p. 52) and J. C. Kumarappa, "the Indian philosopher and economist" (p. 52).

[22] There are some studies that can be categorized as Buddhist economics, but they are not based thoroughly on Theravada Buddhism and are not discussed here. For example, Piampongsarn (1988)'s "Dhammic Economics," which is a study based on the examination of Buddhadasa Bhikkhu's idea on Dhammic socialism. Although the study develops some characteristics of a Buddhist economic system, it is based on eastern philosophy and derives its main ideas from the ideologies of universal love and emptiness in Mahayana Buddhism. Though there is some overlap in the principles between the two schools, the study can not be reviewed thoroughly without distinguishing between similarities and differences of Theravada Buddhism and the rest of eastern philosophy, which is beyond the scope of this study.

[23] Dhammic is a Pali adjective of dhamma, or that in Sanskrit is dharmic for dharma.

[24] The works of Payutto Bhikkhu have appeared under his several sangha ranks, depending on the time each work appeared. They are, for example, Phra Dhampidhok, Phra Debvedi and Phra Rajhavaramuni. To avoid confusion from readers who are not familiar with the tradition of the Thai sangha Order, I have chosen to use his original ordained Pali name, "Payutto Bhikkhu," which is a proper way to address a monk in the Thai Theravada Buddhist tradition. I also use a translation of "Buddhist Economics" by Dhammavijaya in 1992 as a supplement in the review.

in Thailand. They have also stimulated interest in research related to Buddhist economics.[25] This section reviews their works.

3.1 Buddhadasa Bhikkhu and Dhammic Socialism

The late Buddhadasa Bhikkhu is the founder of the Suan Mokh Temple, a meditation retreat community in Southern Thailand which he calls a dhammic socialist community. He has been considered one of the great Theravada thinkers of the modern era, and has often been compared with Nagarjuna, a famous historical Indian Buddhist thinker. While he is praised by general Buddhist scholars, he has been naturally criticized from several traditional Buddhist philosophers for his unorthodox views, and by political conservatives for his radical social idealism.[26]

This section comprehensively reviews some of Buddhadasa Bhikkhu's works that have *dhammic socialism* as their main thesis. These essays are: "Democratic Socialism;" "A Dictatorial Dhammic Socialism;" "A Socialism Capable of Benefiting the World;" "The Value of Morality Related to Dhammic Socialism;" and "Dhammic Economics."[27] His work is arranged into four themes. First is a section on modern-age problems and their causes, which provides the background for Buddhadasa Bhikkhu's view of the world. The second theme relates to the characteristics of a dhammic socialist community, which is his concept of Buddhist utopia. Third is a section on economic activities in dhammic socialism, which describes his practical view of a Buddhist economic system. And fourth is a Buddhist political system, which links his view on politic and economic issues together.

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[25] There are two Masters theses related to this subject recently submitted to Thammasat University: "Buddhist Economics and Development in Thailand" (1991) by Thechapalogul; and "Consumer Behaviour of Laymen in Prathom Asoka Community" (1993) by Thammasalee.

[26] See Swearer (1970, 1986) for detailed description of Buddhadasa Bhikkhu: his life, philosophy and work.

[27] For the first four essays, I use a translation of Buddhadasa Bhikkhu's works by Donald Swearer in Buddhadasa Bhikkhu (1986) in our review.

3.1.1 Modern Age Problems

Buddhadasa Bhikkhu (1986) observes human beings and contends they are facing what he calls 'modern age' problems. The problems of poverty, hunger and illiteracy are only symptoms, he observes, but the fundamental problem is the lack of religion and morality. In his view, the lack of religion is an attitude deficient in two ways: not understanding the nature of human existence and phenomena; and not making an effort to apply the teachings to one's daily life. In turn, the lack of morality causes people to lose self-discipline, and gives rise to self-centeredness; a "me" and "mine" mode of thinking. Therefore, people are unable to resist the temptation of desire, which consequently causes them to spend money to satisfy their desire for attractive things. He strongly believes that it is this very desire that makes people become thieves and criminals. These forces, he asserts, do violence to the balance and mutuality in society and causes all of the above symptoms.

Buddhadasa Bhikkhu (1986) also relates religious morality with the concept of *value*. He defines value as the way one evaluates things and makes choices in daily life. He believes that morality is a basis for real value, which is the ability to control and prevent increases in defilements. Based on this view, mere materialistic value that ignores morality, cannot correct the problems of the world. It is rather the cause of all economic problems because it arouses desire and creates a false sense of necessity. To bring peace, happiness and prosperity to human society, he suggests, without systematic lines of reason, incorporation of morality into value.

Buddhadasa Bhikkhu solidly suggests that practising religion will solve modern age problems at their source. In his view, religion can be practised in two ways: (1) to acknowledge how beings live in nature; and (2) to live according to the law of nature. First, the practice of understanding is a form of self-development that enables individuals to perceive the ultimate reality of life and nature to the fullest extent of which they are capable. With this understanding, he believes, one will act in a truly selfless way and become free of attachment. The second practice is a kind of social order that

incorporates this understanding and morality. He then proposes *dhammic socialism* as a way to live according to the law of nature.

3.1.2 Characteristics of Dhammic Socialism

Dhammic socialism is Buddhadasa Bhikkhu's idea of a *truly human community*. Buddhadasa Bhikkhu contends that this type of community retains the character of the original state of nature. Similar to Sarkisyanz (1965), Buddhadasa Bhikkhu explains that the loss of this state of nature is due to ignorance, which ultimately gives rise to attachment and craving. It is thus essential that each individual attains right understanding in order to restore society back to its original state.[28]

Without referring to any specific scripture but only his understanding of the teachings, Buddhadasa Bhikkhu asserts that a truly human community has three characteristics: mutual dependence, balance and harmony. First, the mutual dependence feature of society is based on the law of nature, which indicates that nothing exists independently, but rather, everything exists interdependently. Human survival depends upon the support of others with a mutual spirit of co-operation and care. This character of society, he contends, is a universal vision shared by all religions which have similar features of interdependence, loving kindness and a universal religious precept. Second, the character of balance indicates a middle way economy which is marked by two activities: right consumption and right production. They are discussed in Section 3.1.3.

Third, the character of harmony indicates the necessary condition within a community that the state has a responsibility to maintain. Because a well-ordered society in Buddhism is measured by the allegiance to dharma, he emphasizes that laws and moral systems should be developed along the dharmic norms to limit the defilements of each individual. To encourage life that its citizens acknowledge as virtuous, he also suggests the state needs to promote adherence to dharma.

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[28] Buddhadasa Bhikkhu asserts that understanding can be acquired through mindfulness, continuos attention and meditation. In Buddhism, these methods serve to break through the conditions of greed, hatred and delusion, which are roots of all problems in human society.

3.1.3 Economic Activities in a Dhammic Socialist Community

Buddhadasa Bhikkhu asserts that only in a dhammic socialist community can we deal with the source of problems, and thus their symptoms, in the modern age. This type of community is conducive to creating awareness on how to become increasingly free of defilements. Without offering concrete conceptions, he vaguely argues that an economic and political system should meet basic physical needs and promote balanced development where "matters of spirit assume their rightful dominance." This vision of the dharmic community, he claims, provides the basic principles to guide all societies in recreating the original state of social, political and economic order. His conception, without demonstrating canonical support, is that it is a system where one can take for oneself only what one needs from nature, while producing something extra for the benefits of society as a whole. There are two main economic activities in this system: right consumption and right production.

First, right consumption is narrowly defined by Buddhadasa Bhikkhu as living a simple life with contentment; living with only the materials necessary to sustain a life well enough not to have physical undue hardship, so that the remainder is available for use by other beings. Right consumption also implies not to consume in excess, nor to hoard needlessly. It is to accumulate and own just enough to take care of one's material needs.

Secondly, in the context of right production, as he contends, people have the right to produce more than they need so that the surplus can be shared with others. Comparative advantage of production in dhammic socialism, thus, does not result in trade, but rather sharing and generosity. He emphasizes the overcoming of attachment to self as the basis of this practice. Personal and social well-being can only stem from transforming self-attachment and self-love to selflessness and a love for others.

To support his view of right production, Buddhadasa Bhikkhu refers to the law of karma which explains wealth as a reward for being generous in the past. The right understanding of the law, he asserts, enables a wealthy person to be a benefactor to community. He randomly refers to the scriptures

to show that the status of a wealthy person in the Buddhist tradition was measured by one's generosity, for example the number of almshouses one had. In this sense, he maintains that it differs greatly from the concept of wealthy in capitalism; a capitalist may simply accumulate power and wealth for oneself, while a wealthy Buddhist will use his/her wealth to provide for the well-being of others.

3.1.4 A Buddhist Political Economy

Buddhadasa Bhikkhu asserts that Buddhism can be categorized as *true socialism*, both in principle and in spirit. The basis for his concept of socialism is found first in the setting of the sangha in which every monk is equal under the disciplines and shares the communal monastic wealth with few personal belongings. Secondly, he contends that Buddhism regards all beings as *equal* in the sense that everybody must face suffering in life.[29] He contends that Buddhism is *true* socialism because it promotes the harmonious coexistence of all living beings, but does not give a concrete explanation of the concepts: true and radical. In contrast to *true* socialism, he claims *radical* socialism leads to discrimination, irresponsibility and competition, aimed at destroying others. He contends that human beings can live naturally according to the true ideal of socialism and form a co-operative unit which provides mutual benefits among beings.

Buddhadasa Bhikkhu's idea of a Buddhist political system is a socialist form of democracy. His concept of democratic socialism is that the rights of all beings are respected while one is allowed to take only what one needs. It is a more controlled form of democracy and thus can better cope with the fact that human beings have defilements. Because socialism focuses on social unity and the examination and correction of social problems, in his view, it is opposed to the ideal of individual freedom of liberalism. Liberal democracy,

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[29] Buddhadasa Bhikkhu contends that an example of ideal dhammic socialism has existed in the form of monastic administration since the Buddha's time, and also within the system of Buddhist doctrine. The Buddha saw fellow humans and beings as friends in suffering—in birth, old age, sickness and death—hence we cannot abandon them. With this view of equality, he argues that all aspects of the Buddha's teachings have the true spirit of socialism.

he claims, cannot deal effectively with human defilements, but rather promotes selfish and egoistic interests.[30]

Although democratic, Buddhadasa Bhikkhu asserts that a leader in dhammic socialism should have dictatorship power in making decisions to promote the common good and to abolish self-interest. If dictatorial methods can help expedite moral solutions to social problems, he argues, it should then be used to the fullest extent. He also notes that this system does not imply an absolute monarchy, although the character of the ruler is the crucial factor in the nature of Buddhist dictatorial socialism. A ruler who embodies the ten royal virtues, he suggests, will be the best kind of socialist dictator.[31]

The works of Buddhadasa Bhikkhu are important in identifying the important issues and in directing the development of Buddhist economic theory. The primary shortcoming of his work is that most conceptions are mainly based on his understanding of the teachings as a monk rather than giving canonical support. In addition, while right consumption and right production are significant Buddhist economic activities, and the three features—mutual dependence, balance and harmony—are fundamental for the formation of a Buddhist economic system, there are, however, some questions regarding his concept of dhammic socialism.

First, his concept of right consumption is only one part of the comprehensive teachings regarding the subject. As briefly outlined in Chapter 2 and further discussed in Chapter 5, a life with contentment implies moderate consumption with an understanding that the primarily purpose is to sustain life so that one can practice mental development. Right understanding then gives rise to generosity and non-attachment. Further, his concept of

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[30] Nevertheless, Buddhadasa Bhikkhu also notes that the ideal liberalism promotes ultimate freedom or nirvana. In Buddhism, freedom in the fullest sense is the freedom from defilements, where worldly freedom, which characterizes liberal democracies, fails to adequately account for defilements.

[31] The virtues are charity, morality, self-sacrifice, integrity, gentleness, austerity, non-anger, non-oppression, tolerance, and non-deviation from the dharmic norms. Buddhadasa Bhikkhu refers to King Asoka as an example of a Buddhist dictator. He described King Asoka as a gentle person who acted for the good of the whole society. The king was dictatorial in the sense that if his subjects did not do public works as commanded, they were punished. However, the punishment was socialistic in the sense that it was useful for society and not for personal or selfish reasons.

'accumulation for one's own needs' should also be broadened to include the dynamic aspect in Buddhism. As the teachings suggest an individual should save one-quarter of wealth for a rainy day, because the concept of need is a dynamic concept.

Secondly, Buddhadasa Bhikkhu's idea of right production is vague in the sense that if people have a right to consume only what they need then what is the basis for their right to produce more than that level. The individual's right in Buddhism can be appropriately discussed only based on the principles of Buddhist justice. Further, considering right livelihood, the concept of right production in Buddhism is rather related to right actions based on morality than to produce in excess of one's need.

Thirdly, it is questionable whether controlling economic activities in society is consistent with Buddhist teachings. It is true that the monastic setting upon which he based his idea, is a form of socialist community, but it is doubtful that socialism would be an ideal system for the lay community. Rather, Buddhist teachings emphasize right understanding of phenomena and a righteous life based on that understanding. Right consumption and right production should be based on right understanding, developed through the learning process of each individual, while external conditions should be arranged so that they are conducive to righteous activities. As mentioned earlier, as a person joins the sangha by choice in Buddhism, the arrangement of the external conditions should also offer choices of actions. If members in society attain some level of understanding and collectively choose to arrange their community based on socialism, then that socialist system would be consistent with a Buddhist spirit, but is not necessarily the case.

Finally, there is a question regarding his concept of democracy and dictatorship. It may be necessary to distinguish between the process of electing a ruler and how the ruler exercises power. If a dictator is elected by all citizens and not by the appointment of the former dictator, it then constitutes a democratic system. Also, to assure that a ruler governs society under the law of dharma, a recall process endogenous within the political system is thus necessary. It may not, however, be necessary to pursue

dictatorial socialism to establish a Buddhist society. The issue of dictatorship should be about the extent and the limitations of the ruler's power.[32] In some countries, such as the United States, where the president has wide political power, the political system is not dictatorial. The system of dictatorial socialism can create a very dangerous situation if there is no mechanism within the political system that can ensure that the ruler would act morally.

3.2 *Payutto Bhikkhu and Buddhist Economics*

Payutto Bhikkhu is a Thai monk and scholar who is primarily regarded in Thailand as a scholar of text and doctrine. He provides several doctrinal perspectives on what may be usefully employed in Buddhist economics in several pieces of work written in Thai as mentioned above. While an article (1990) in English is included in Russell Sizemore and Donald Swearer (1990), several of his speeches and works have also been translated into English and compiled as a book entitled, "Buddhist Economics," (1992).

The works of Payutto Bhikkhu are arranged into three parts: (1) the importance of economics in Buddhism, (2) the limitations of the present economic theory, and (3) the characteristics of Buddhist economics. The first part summarizes Payutto Bhikkhu's citation of several discourses in the Pali texts as he attempts to indicate the importance of economic issues in Buddhism. The second part lays out his arguments on the limitations of modern economics or what is known as neoclassical economics. They also put forward important points that distinguish Buddhist economics from modern economics. Payutto Bhikkhu concludes that there is a necessity to develop an economic theory based on the Buddhist understanding of nature; the necessity leads to the third part.

3.2.1 The importance of Economics in Buddhism

Payutto Bhikkhu (1988) refers to one discourse which indicates that basic economic problems—for example, hunger and poverty—must first be overcome

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[32] In a large society, it may not be possible for a dictator to take care of the welfare of all citizens. A delegation of power to appropriate personages may thus be essential in Buddhism, as the Buddha delegated authority and some of his duties to the sangha when there were enough enlightened monks in the monastic community

before a noble life can begin.[33] He explains that when people are overwhelmed and suffer from physical pain, they may be so preoccupied with the mere struggle for survival that they are incapable of understanding dharma or doing anything to further their spiritual development. He defines the problem of poverty as twofold: (1) a problem of material shortcomings, and (2) a problem of having less than what one desires. He contends that insufficient material well-being has to be overcome before one can cultivate mental development. In turn, mental development is a tool to eliminate improper desires, which form an inappropriate attitude towards wealth. Buddhist economics should then aim at solving the twofold problems of poverty.[34]

Referring to the scriptures, Payutto Bhikkhu (1990) notes that the possession of wealth by lay people is often praised by the Buddha, while rightful possession of wealth is pre-determined by the appropriate acquisition of wealth.[35] Based on the law of karma, he maintains that wealth is perceived as a sign of virtue in previous lives and as a means for gaining merit. And because wealth improves social welfare, it contributes to both individual perfection and social good. He also refers to the Pali texts, which emphasize taking oneself as one's own refuge; each individual is at least responsible for his/her own well-being and perfection. In the context of *right livelihood*, it means that one has to be able to support oneself financially through effort and diligence. He also contends that Buddhist teachings exhort lay people to seek and amass wealth in a rightful way. Wealth acquisition is acceptable if it also promotes the well-being of both the individual and the community. If, however, one's wealth grows to the detriment of the well-being of others, that wealth is viewed as harmful and considered a problem.

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[33] See Chapter 2 (4.1.1) for details of the discourse.

[34] Payutto Bhikkhu (1990) also asserts that the main concern in Buddhist economics is not with scarcity, but with the human response to conditions—both physical and mental—in their lives.

[35] Even comparing two monks who are equal in other qualifications and virtues, the one who receives more offerings is praised (Payutto Bhikkhu 1990: 40-41).

3.2.2 Limitations of the Existing Economic Theory

Payutto Bhikkhu (1988) consistently maintains that there are limitations to economic theory in the present day or what he calls "the Industrial Age."[36] The first limitation is the specialization of knowledge. He notes that economists treat economic activity in isolation from other forms of human activity and from other academic disciplines. In Buddhism, he suggests, economics cannot be abstracted from other branches of knowledge and experience if it aims to remedy the problems facing the human race.

The second limitation is the issue of value judgement. He notes that economics is not free of ethics but inattentive to them. He gives several examples to demonstrate the intimate and significant effects that ethics and values have on economics both directly and indirectly.[37] Based on these examples, he argues that it is impossible for economics to be a value-free science. He points out that the starting point for economics—the axiom of utility maximization—is a function of a value system in society that prefers more-to-less. The goal of economics is also to satisfy those satisfactions. Economic decisions concerning production, consumption, etc., are thus largely value-dependent.

The third limitation concerns a dilemma in economics because it aims to solve the problems of humanity while, at the same time, striving to be a science. He notes two reasons for this point. First, economic theories encompass many unverified assumptions which have no basis in science. Second, science examines only the material side of truth in the world. If economics should actually become a science then it would be limited in its ability to remedy human suffering. To remedy this weakness, he suggests

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[36] Payutto Bhikkhu did not clarify his notion of "modern economics" whether it implies neoclassical economic principles or a capitalist system. In Thai, both words that he often uses—"western economics" or "modern economics" —can imply both principles.

[37] For example, an economy would be negatively affected from a high rate of criminals in the area. Advertisements can stimulate the desire for products and cause consumers to spend more than they earn and plunge themselves into debt. Confidence in the law and regulations keeps those institutions such as banks or the stock market functioning properly. Moreover, human values become economic variables because industriousness, honesty, devotion to work and punctuality have great effects on both productivity and efficiency. Conversely, boredom, cheating, dishonesty, discrimination, conflicts, even anxieties and depressions have adverse effects on productivity.

that economics needs to open itself up, co-operate with other disciplines, and include the question of values to see the whole causal process of economic activities while maintaining its scientific character.

The fourth limitation is that economics lacks clarity in its understanding of human nature.[38] He notes that economics concerns itself only with the quantity of demand while ignoring the quality. He observes that modern economics and Buddhism both agree that humankind has virtually unlimited wants. Buddhism, however, explains further that there are two kinds of wants: the desire for pleasurable experience and the desire for true well-being. While the former is unlimited desire for the things that feed the sense of self, the latter is limited desire for potential self-development. Thus the two tend to be in frequent conflict with each other. For example, food that is consumed to satisfy the desire for taste may not be the same type of food that provides true well-being.

Finally, Payutto Bhikkhu alleges a narrowness of economic thought because of its limited definition of economic activities. Considering two kinds of desire, he suggests that there should be two kinds of values—an artificial value and a true value—as well as two types of consumption activities: consumption as the use of goods and services to satisfy wants; and right consumption as the use of goods and services to satisfy the desire for true well-being. In summary, he maintains that modern economics was not developed with a true understanding of human nature, and the criteria of normative economic behaviour are not based on moral principles. These limitations make it difficult for the modern economic discipline to respond to the symptoms of the problem. Therefore, he contends, there is a necessity to develop an economic theory based on Buddhist principles.

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[38] Payutto Bhikkhu also notes that the relationship of dharma to economics is not confined to the sphere of ethics, but also connected to the nature of things. The word "dharma" means the truth, or in other words the complex and dynamic process of cause-and-effect that constitutes our world. Economics is not in harmony with the way things are if it is disconnected from the truth.

3.2.3 The Major Characteristics of Buddhist Economics

Payutto Bhikkhu (1988) contends that an ideal Buddhist society should be peaceful, stable, and secure to a large extent. He shares Buddhadasa Bhikkhu's view that an understanding of dharma is a prerequisite condition for Buddhist economic life and society. A Buddhist economic system, he contends, has to ensure that all economic activities lead to a life in which people can be creative, develop their potential, and endeavour to be good and noble. Economic activity, he insists, is only a means toward an end: a noble life for the individual, and social development for society. That is, consumption and wealth are merely economic tools for human development and the enhancement of quality of life, but they are not goals in themselves.

Referring to the Pali texts, Payutto Bhikkhu emphasizes that economic principles are related to three interconnected factors of mutual dependency: human beings, nature and society. Buddhist economics, therefore, must be in harmony with, and support the whole causal relationships among these three factors. That is, while each individual enhances one's quality of life through economic activities, one must not cause degeneration in the quality of the ecosystem, nor harm others by causing distress or agitation to society. Payutto Bhikkhu then suggests two major characteristics of Buddhist economics: the middle-way economy and the non-harming principle. While the middle-way economy establishes the interrelationships between human beings and the natural environment, the non-harming principle is a basis for relationships among human beings within society.

The first character, the middle-way economy, is similar to Schumacher's notion of a middle way economy, but more grounded in references to the Pali texts. In the middle way economy, as Payutto Bhikkhu (1988) suggests, each individual should live his/her life according to the Noble Eightfold Path; avoiding the extremes of self-indulgence and asceticism. It is the middle way between too much and too little. Consumption, production and other economic activities thus have to be at the right amount, where the enhancement of true well-being coincides with the experience of satisfaction.

He notes that production always involves destruction because during the process of production we transform one substance or form of energy into another. Production, therefore, can be divided into two types: (1) net production value that offsets destruction; for example, production that entails the destruction of natural resources and environmental degradation; (2) production for destruction, for example, arms manufacture. There are also two kinds of production in both types: production that enriches the quality of life and production that destroys it. Only when net production value offsets destruction value while enhancing the quality of life, can production be justified as right production in Buddhist economics

The middle-way principle suggests that Buddhist economics takes a different path from existing economics. Modern economic principles, as Payutto Bhikkhu points out, weighs the essential value of goods in their ability to bring satisfaction to the consumer. However, heavy consumption and strong satisfaction have both positive and negative results.[39] In Buddhist economics, definitions regarding the benefits from goods and services have to be modified to provide the consumer with a sense of satisfaction that enhances the quality of one's life.

The second characteristic is the principle of not harming oneself or others. Payutto Bhikkhu (1990) asserts that in Buddhism the individual's virtue is linked, or co-arises with the welfare of society. Wholesome acts performed by members of the community will result in social harmony, maintenance of natural order, cultivation of social well-being, and attainment of economic prosperity for the community as a whole. These social conditions can, in turn, help individuals achieve the state of liberation. The mutual dependence among people in a Buddhist society can be characterized by three relationships: associations among people, interactions between the monastery and lay people, and the roles of a political leader.

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[39] For example, people who have enough food for their needs are not encouraged to eat as much as they desire in a Buddhist economic world. People who eat for taste only often overeat and make themselves unhealthy. In some case, they give no thought at all to food value and waste much money on artificial qualities of food. Pleasure and satisfaction in eating are not a measure of value, because they do not guarantee or enrich our quality of life. On the contrary, they can sometimes destroy our true welfare

First, regarding associations among lay people in society, he contends that having noble friends is one pre-requisite of right livelihood.[40] Referring to the scriptures, he notes that in Buddhism, each individual has duties to fulfill as a member of society. The specific role depends on one's position in accordance with their relationships.[41] Because the law of karma ensures that one lives within the community one deserves, it then takes good individuals to create a good society and a good society to sustain good individuals. Each individual can reform society by living life along the Noble Eightfold Path while fulfilling their social responsibilities. Karmic actions along the Path that are performed independently by each individual, although outcomes are interdependent, are non-violent means to gradually reform a society.

The second relationship in Buddhist society is the mutual dependency between the sangha and lay people. Payutto Bhikkhu (1990) examines several Buddhist disciplines that ensure that monks cannot isolate themselves from lay people and the community.[42] The responsibilities of Buddhist monks, as he notes, are: maintaining the teachings for the rest of society, training themselves towards liberation, and helping others in the community to live virtuous lives by giving advice based on the teachings to help them with their daily problems.[43] In return, lay people are to provide material support, such as, food, robes, shelter and medicine. As the disciplines prohibit the accumulation of wealth while encouraging contentment within the sangha, material support, either through donations to individual monks or via financial support to monasteries, is commonly in excess of demand, and is subsequently redistributed back to society. The daily contact between monks

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[40] The Buddha always considered himself a friend to his disciples, helping them to progress along the liberation path. Payutto Bhikkhu argues that Weberian analysis, which attempts to view Buddhism apart from its social dimension, may have resulted from an ignorance of the teachings regarding associations with good friends.

[41] See Chapter 2 (4.3) for details about these relationships.

[42] Theravada Buddhist monks are not allowed to cook or prepare food for themselves, but have to rely solely on the alms round in the morning.

[43] According to the Pali texts, he notes, the Buddha praised one who lives for both his own and others' profit, the highest among four types of persons in the world. The other three are people who live for their own profits, but not for the profit of others; people who live for others' profits, but not for their own profit; and people who lives neither for their own and others' profit.

and the rest of society has thus resulted in a unique aspect of a Buddhist economic society: a co-operative society marked by a spiritual and material system of exchange. This co-operative society, he asserts, is purposefully designed to provide the best social context necessary for the pursuit of liberation.

The last relationship is between the leader of the community and its members. As Payutto Bhikkhu's observations are similar to those of Sarkisyanz and Buddhadasa Bhikkhu, they are not discussed here.

Similar to Buddhadasa Bhikkhu's works, the contributions of Payutto Bhikkhu have provided a vision of how the Buddhist economic system would look based on a thorough understanding of the teachings. Payutto Bhikkhu, in particular, applies his extensive knowledge of the canonical discourses to support his concept of Buddhist economics. Nevertheless, its characteristics are not sufficient to model Buddhist economics, both in theory and in practice.

For example, although mentioning right consumption and production, Payutto Bhikkhu does not clarify the scope of Buddhist economic activities. Based on the scriptures, the scope also includes exchange, services, protection of wealth, and distribution of wealth. The concept of right amount regarding each economic activity should also be concretely defined based on the Buddhist ethical principles. Moreover, the role of sangha community, although unique, is not a main economic function in a Buddhist society. The non-harming principle should also be applied to economic relationships in a system such as between sellers and buyers, or employers and employees. These deficiencies are addressed within the discussion of the Buddhist economic system in Chapters 5 and 6.

Another criticism is that there is no systematic framework to support the derivation of those characteristics. Payutto Bhikkhu has used and interpreted the Pali texts in an *ad hoc* fashion, without developing a set of fundamental building blocks that can be used as a general tool in economic analysis. Buddhist principles do not stand alone by themselves, but instead should be based on a Buddhist holistic view of the world. A systematic

development of Buddhist economics is necessary, which is the main task of this thesis.

Finally, there are also some weaknesses of Payutto Bhikkhu's critique of modern economics. First, it may be true that the traditional view of economics considers human values and ethics a different field from economic behavioural issues.[44] Nevertheless, there have been several attempts by economists to incorporate the moral dimension into neoclassical theory. For example, the normative analysis is always a benchmark in the neoclassical paradigm in this regard. Recently, several works have been written that address moral and value issues in economic principles. They are, for example: Etzioni (1988), and Etzioni and Lawrence (1991).[45] Secondly, there is also another approach, which offers an alternative model to the traditional neoclassical model by incorporating the environmental factor into a new paradigm. The representative work is by Daly and Cobb (1989) who base their analysis and suggestions on a holistic view of the world,[46] which is similar to Buddhism.

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[44] See Lionel Robbins' influential essay (1962) as a representative work that views the nature of economic science as different from values and ethical consideration.

[45] These works aim at developing a new paradigm based on the ontology, and also suggesting ways to synthesize two paradigms. In "The Moral Dimension," Etzioni, taking a deontological position, sees individuals as able to act rationally, advancing their self ("I"), but their ability to do so is affected by their membership in the community ("We"). Individuals pass moral judgement over their urges, and thus, moral commitments are a cause that partly explains behaviour. Individuals are assumed to make decisions largely on the basis of emotions and value judgements, and secondarily on the basis of logical-empirical considerations. The decision-making actor exists only within the social context of communities, and markets and exchanges are understood as subsystems within the broader context of society, culture and polity. Etzioni's I&We paradigm also assumes that no exchange occurs among equals but that one or more parties has a power advantage. Etzioni's emphasis on the role of morals or values in the decision-making process makes it interesting to note for this thesis. The work differs significantly however, in that it does not focus on the specific morals that individuals adhere to such as the Buddhist principles of this thesis.

[46] Daly and Cobb begin by outlining what they call "wild facts"—ozone layer depletion caused by chlorofluorocarbons, global warming caused by CO_2 emissions, and rapidly declining biodiversity caused by species extinction—to question the success of what is commonly accepted as economic growth. They argue that the scale of human activity has grown too large relative to the biosphere, to the extent that further growth will soon become "uneconomic growth that impoverishes rather than enriches." They attribute the problem to "unsound economic policies." They question the basic assumption in neo-classical economics that individuals act to optimize their own self-interests, which implies that other forms of behaviour are not rational. Although they criticize many aspects of modern economic theory in the first quarter of the book, they do not wish to discard it completely. Instead, drawing from a Christian theological background, they propose a model based on market principles, but reconstructed on a paradigm where individuals are motivated as people-in-community, where community can be national or regional and also

3.3 *Sivaraksa and a Buddhist Vision to Renew Society*

Sivaraksa, a prominent Thai social activist and an *engaged* Buddhist, sets out his ideas for revitalizing society along Buddhist teachings. This translated book is a collection of his works on this particular issue. His argument is arranged into two themes: first, Western economic development and second, a Buddhist approach. The first theme describes Sivaraksa's views of Western economic development, which, in association with defilements, are seen as the main causes of all social and economic problems. His criticism of Western economic development partly provides a basis for the arising of the Buddhist Economic Movement in Thailand as an alternative choice. The second theme summarizes his proposal of Buddhist economic development as an alternative solution to renew societies in developing countries.

3.3.1 Western Economic Development and Defilements

Sivaraksa first observes two primary causes that give rise to economic problems in developing countries: external causes and internal causes. External causes have three factors: consumerism, export-oriented promotion policies, and a model of Western economic development. In his view, the first external factor, consumerism, is a means for developed countries to economically colonize less-developed countries. He criticizes consumerism for encouraging consumption patterns that imitate industrial advanced nations before developing nations can establish their own indigenous industrial capacity. He also views education and mass media as causes for stimulating the desire for consumer products.

Sivaraksa also asserts that the second external factor, export-oriented promotion policies, increases the dependence on external economic powers for less-developed countries. People are encouraged to grow food not for their consumption, but for shipment to the national and world markets.

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encompasses future generations and other non-human ecosystems. Their model aims to sever what they see as the destructive belief that economic growth, population growth and technological change are healthy. Their model proposes that we aim for an optimal size in which the community can provide a sustainable life for its members. They examine the broad policy implications on topics such as free trade, population, land use, industry, labour, taxes, environment and development.

Consequently, he argues, village self-sufficiency has been gradually destroyed and replaced by market forces over which the villagers have no control. Local people are forced to become dependent on the market for necessities, such as clothing, electricity, water, and so on, as well as consumer goods from developed countries. He adds that because the vast majority of rural producers have no bargaining power concerning market prices, rent, or wages, their costs of production continue to increase relative to their income. As a result, personal debt is mounting, and problems of migration to the urban areas, child labour and prostitution emerge. He calls this process rural exploitation for the sake of market efficiency.

The third external factor is the dominant model of Western economic development. In his view, this economic theory, which equates to capitalism, is essentially materialistic and causes less-developed countries to be trapped in a vicious cycle of development as described above. Because it is based on economic growth as measured by the GNP, he claims that this type of development focuses on seeking massive funding for industrial enterprises. Consequently, only multinational corporations benefit, while the local people are left at the mercy of international financial institutions. In this type of development, people are perceived only as labour forces and/or consumers.

Regarding internal causes, Sivaraksa argues that capitalism and consumerism are driven by three unwholesome roots: greed, hatred, and delusion. He observes that countries that take refuge in materialism, no matter which ideological camp they belong to, scarcely differ in outlook. Moreover, as development continues, new problems appear faster than they can be solved. Technocrats, however, are unable to stop the spiraling. He maintains that this lifestyle, which is unsustainable and relies on the exploitation of others for survival, is immoral.

3.3.2 Buddhist Economic Development

Considering the vicious circle of development, Sivaraksa develops an alternative Buddhist model based on an examination of some Buddhist discourses focusing on virtues and duties. Without referring to specific

discourses, he characterizes a Buddhist society as one of co-operation, no-property, egalitarianism, and democracy. He suggests that it is a model of development that puts people first in political and economic life. He emphasizes that Buddhist economic development must aim to reduce defilements while promoting equality, love, freedom, and liberation.

In Buddhism, as Sivaraksa asserts, it is the reduction of desires that constitutes development, and thus human values should be taken into account in assessing development plans. His suggestion on the means of Buddhist economic development can be grouped into two approaches: physical development and human development. The former approach aims to provide the basic physical necessities to keep one alive, while the latter aims at internal fulfillment to eliminate defilements and is necessary in sustaining the process of the former. Only when two approaches are combined can development achieve true quality of life.

Physical development has two features: contentment with consumption and a human scale technology. Sivaraksa's view on contentment is similar to that of Payutto Bhikkhu; therefore, it will not be discussed. His view on technology is based on that of Schumacher's idea of 'small scale technology,' but he expands it to include environmental issues. His concept of human scale technology, unfortunately, has no substantial doctrinal support.

In turn, human development is based on a process of personal transformation, which will lead to greater moral responsibility. In his view, people who seek to live spiritually must be concerned with their social and physical environment. There are two means necessary for the process: (1) inner awareness with effective social action, and (2) changes in values.

The first means is consistent with Buddhist practice, which emphasizes a deep commitment to personal transformation. A first step, he suggests, is to be aware of suffering; suffering is universal. As a result, one can then relieve a certain amount of anxiety. The next step is to apply the insights gained from realizing how defilements impact society, into an outer level of practice. Social actions must be based on the principle of non-violence, whereas he suggests the five precepts as the way for individuals to practice.

From his point of view, the end result is less important than the way we act; if the means are righteous, a righteous end will consequently be achieved.

The second means, changes of values, aims to restore balance and flexibility in economics, technologies and social institutions. Similar to Payutto Bhikkhu, Sivaraksa notes that value systems and ethics are not peripheral to science and technology. In fact, they constitute the basic assumptions and the driving forces of science. A shift of value from self-assertion and competition to co-operation and social justice, from expansion to conservation, from material acquisition to inner growth, would be of prime importance in creating a Buddhist economy. These changes are also important, he asserts, in developing new science and new technologies.[47]

Besides the two necessary means mentioned above, Sivaraksa also emphasizes preservation of civil liberties. Regarding liberty, he notes that there are three interrelated levels of freedom: (1) the basic freedom to live without fundamental insecurities that threaten existence, such as poverty, disease, and famine, (2) social freedom which guarantees a tolerant and benevolent social order, and (3) freedom of mind, which means free from greed, hatred, and delusion.

In general, Sivaraksa's ideas of Buddhist economics are similar to those of some studies reviewed above, especially Schumacher, and Buddhadasa Bhikkhu. However, his effort in linking several issues together to create a Buddhist model must be acknowledged. Overall, his interpretation and application of Buddhist teachings to address today's problems and his view on Buddhist economic development are also innovative and offer many new insights. Although he outlines what a system would be like in terms of vision and concept, no concrete operating system has been suggested.

There are also some shortcomings regarding Sivaraksa's view of a Buddhist economic society. First, it is questionable to characterize a Buddhist society as no-property as discussed earlier related to Tambiah's viewpoint in

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[47] Sivaraksa also examines Thai traditions to find some guidance on this issue. In his words, "instead of just absorbing Western values, derived from the Greco-Roman and Judeo-Christian traditions at the expense of our own indigenous models, we must find a middle path, applying the best of both in an intelligent way" (p. 9).

2.2 and a critique on similar view of Buddhadasa Bhikkhu in 3.1. Secondly, the concept of egalitarian also needs to be clarified; in what sense equality is *just* in a Buddhist society. Thirdly, his discussion regarding Buddhist economic development narrowly emphasizes actions at the individual level. It should, however, include how to arrange the structure of society so that it is conducive to righteous economic activities based on the scriptures laid out in Chapter 2. These shortcomings are addressed in Chapters 5 and 6.

4. On Buddhist Social Ethics

This section focuses on recent studies that address the nature of Buddhist social ethics, especially the moral issues associated with material wealth. As discussed above, it is apparent that material well-being is one important factor contributing to the development of a Buddhist economic community. This section reviews the collected essays of nine Buddhist scholars with a focus on Theravada attitudes toward wealth from different perspectives, "Ethics, Wealth and Salvation: A Study in Buddhist Social Ethics," edited by Sizemore and Swearer (1990); and "A Buddhist Economic System" (1990) by Frederic Pryor, which is related to the essays.[48] The essays apply the teachings to illustrate the relationship between the Buddhist path of liberation and material well-being, both at the individual and social levels.

As the collected essays belong primarily to the field of comparative religious ethics, they address a wide range of topics from different perspectives, of which only part relate directly to Buddhist economics. This review arranges their contributions into two main subjects: principles for individuals related to material wealth; and the function of institutions within a Buddhist society.[49]

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[48] The actual collections by Sizemore and Swearer contain the essays of twelve scholars. The essays by Steven Kemper and Charles Keynes are not reviewed here because their analyses are not the doctrinal approach but 'how Buddhists actually behave and interpret their behaviour' (p. 147), while Payutto Bhikkhu's (1990) essay is reviewed earlier in Section 3.2.

[49] Sizemore and Swearer informatively review each essay separately in the Introduction of each section.

4.1 Principles for Individuals Relating to Wealth

Sizemore and Swearer, in their Introduction (1990), summarize the views shared among the contributors of essays pertaining to Buddhist social and economic ethics. There is an agreement among scholars that the attitude towards wealth, and not the level, is the central issue of wealth in Buddhism. They also agree that Buddhism does not reject material well-being, but rather offers many ethical norms for properly handling wealth. The notion of a middle way in Buddhism does not exclude a comfortable lifestyle nor is it anti-materialistic (Pryor 1990). *Right livelihood* is then not a question of the polarities of wealth and poverty, but of how to acquire wealth and how to manage it.

The contributors also share the view that Buddhism stresses an attitude of non-attachment as a virtuous attitude towards wealth. To practice this attitude, wealth has to be acquired through righteous means, utilized with contentment, and be distributed generously, but wisely. This section divides Buddhist ethics related to material wealth for the individual into four topics: righteous actions and the acquisition of wealth; non-attachment and the possession of wealth; generosity and the distribution of wealth; and liberation and the morality of wealth.

4.1.1 Righteous Actions and Acquisition of Wealth

Frank Reynolds (1990) notes that the righteous acquisition of wealth is crucial in a Buddhist economic society because the law of karma demonstrates that virtuous actions lead to increases in both the individual's and the community's wealth. He refers to stories within the teachings to affirm that morality is conducive to not only individual wealth but also the wealth and well-being of the community. This is because the law of karma works to ensure that moral behaviour leads to a higher status as well as the possession and enjoyment of greater amounts of material wealth. Thus, Buddhist teaching advises lay people to observe the five moral precepts. That is, wealth should not be acquired under five conditions: killing, stealing, involving illicit sexuality,

lying, and involving intoxicants. The five precepts are basically a combination of the right actions and right speeches of the Noble Eightfold Path.

4.1.2 Non-attachment and Possession of Wealth

Sizemore and Swearer (1990) summarize non-attachment as the basic moral attitude toward wealth in Theravada Buddhism. Non-attachment is to possess and use material things but not to be possessed or used by them. Reynolds (1990), especially, asserts that wealth is perceived as a means to offer not only the opportunity for renewed giving but also as a temptation toward craving, which ultimately leads to suffering in the cycle of existence. Amassing wealth in this life can lead to rebirth in a lower social and economic status if it was attained by immoral means, stingy habits, or if it gives rise to pride or greed.

Hence, Reynolds argues that lacking true knowledge of why one becomes endowed with current wealth leads to self-indulgent action. He maintains, therefore, that right view plays an important role in practising *right livelihood*. Right view of the law of karma implies recognizing material prosperity as a conditioned, temporal phenomenon. It also rejects self-indulgent craving for wealth as a harmful delusion. In short, right view is the philosophical basis of an attitude of non-attachment towards wealth.

Considering a Buddhist path of liberation, there are two ways of practising an attitude of non-attachment toward wealth. They are contentment and generosity. From an economic perspective, life with contentment implies a purpose in order to avoid irresponsible and wasteful expenditures, while being generous results in redistributing wealth back to society. While Buddhadasa Bhikkhu and Payutto Bhikkhu focus on life with contentment, the contributors in this volume generally focus on generosity.

Pryor (1990) mentions that there is, however, no indication of an optimal path for accumulating wealth and giving it away in Buddhism. His argument in this regard is a question of the intention and attitude of giving.

4.1.3 Generosity and Distribution of Wealth

In Buddhism, the act of generosity relates individual perfection with social good, and the individual's spiritual welfare with the material welfare of the

community. The teachings emphasize generosity as a tool to redistribute wealth, and interconnect the sangha and lay people. Several contributors—Reynolds, Nancy Falk and Green—find that the Buddhist tradition offers guidelines on how to share wealth within society and outline the conditions for social harmony and also spiritual advancement for the individual. Based on their findings, they share the same view that Theravada Buddhism is a vision of a co-operative society marked by spiritual and material reciprocity between the monastic establishment and the laity. This kind of society is purposefully designed to provide the optimal social context necessary for the pursuit of liberation.

The contributors agree that generosity is an important moral idea in Theravada Buddhism which leads to a higher position of wealth in both this life and the lives that follow. The law of karma is a mechanism in Buddhism to ensure perfect harmony between virtue and prosperity. Strong's (1990) analysis finds that virtuous karmic acts lead to an improvement in material well-being through a higher status in the hierarchy of cosmic and social existence. Actions violating dhammic norms will adversely lead to a lower status with increased increments of suffering, poverty, and hunger. Reynolds (1990) also comments that the righteous use of wealth does not only bring benefits to oneself, but also raises the spiritual and material status of the community as a whole.

Falk (1990) examines the stories of exemplary donors in the Pali texts, noting that they illustrate a superabundance of material goods, the results from the non-attached giving of previous wealth. The stories also show that the prosperity of societies can be traced to their compliance with virtuous activities. In this sense, Falk also states that wealth is perceived as a mark of virtue or an appropriate reward for righteous activity in the past as well as a means for gaining merit in the present. It has, however, no ultimate value for attachment.

Some contributors offer two main reasons why Buddhism encourages the practice of generosity. The primary reason is to practice non-attachment, and the secondary reason is to support the sangha as well as to redistribute

wealth within society. Regarding the first reason, Sizemore and Swearer (1990) summarize the findings of the contributors, stating that generosity is a practice by which to overcome greed, craving and excessive hoarding. Green (1990) explains that the principle of selfless giving is a counterbalance to the typical tendency of human beings to take more than their fair share of social goods.[50]

As for the secondary reason, the contributors agree that giving has a redistribution effect because it brings material prosperity to both the individual and society. Sizemore and Swearer (1990) note that the law of karma is used as a moral explanation and justification for the present distribution of wealth and poverty in society. They maintain that although the account of karmic results vitiates moral criticism of that distribution *per se*, Buddhism does possess moral structures on how to use wealth to improve its distribution.

Some contributors observe a definite hierarchy, ranking the benefits of giving according to three factors: virtues of the recipient; virtues of the donor; and the attitude towards and reason for giving.[51] First, regarding the virtues of the recipient, Reynolds (1990) notes that the more virtuous and accomplished the recipient of the gift, the more merits the giver gains.[52] Because giving to the community as a whole is superior than giving to a particular person, the most effective form of social giving is one that directed to the sangha. It is the most effective, as Reynolds notes, because it materially aids in the teaching of dharma, while serving both to integrate the layperson's quest for a better rebirth and the monk's search for nirvana.

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[50] Spiro (1970: 460) points out that a Buddhist can reach a religious goal by giving wealth away in the form of dana, but not by accumulating and creating new wealth. ("Dana" can be used as both a noun and a verb meaning "gift" or "giving".)

[51] The hierarchy ranking can be viewed as the effectiveness of generous giving, which is measured by the marginal benefit of one extra unit of giving. Since dana is an act of exchanging consumption or wealth between two periods of time for one person, it constitutes a trade-off. One unit of today's dana does not necessary result in exactly one unit of tomorrow's wealth, but rather depends on the effectiveness of that dana. This issue is discussed further in the next chapter.

[52] Reynolds (1990) uses the concept of "fields of merit" to explain the hierarchy ranking the benefit. The Buddha often compared an act of giving to growing merits in the "merit-field."

Secondly, Falk (1990) contends that the recipient's virtue must be matched by the virtue of the donors. Falk also argues that the attitude with which gifts are given is also an important criterion for the effectiveness of the gifts.[53] Finally, he remarks that a gift is most effective when a donor has a proper attitude with an intention to practice non-attachment to wealth. . The most proper attitude in Buddhist giving is ungrudgingly, by oneself, with proper concern and mindfulness. A gift with an expectation of some benefits in return, although better than not giving, reveals an attachment to wealth.

The contributors in the volume also remark that giving can redistribute wealth in two ways: to improve one's material prosperity, and to redistribute wealth in society. The first way, as Falk (1990) remarks, is an exchange of wealth between periods of time in a person's cycle of existence. Based on the criterion for ranking the effectiveness of gifts, Falk also observes some ironic contrast between the size of the gifts and the amount of merits produced. She contends that the dynamics of one's attitude toward giving brings the practice of giving within the reach of even poor members of society. In short, generosity leads to a dynamic improvement in status and wealth during the cycle of existence.

The second way to redistribute wealth is among people with different status and wealth. Reynolds (1990) notes that although giving to those in need, to one's family, and to the sangha is a practice to be cultivated for one's own merits, the acts generally result in a redistribution of wealth in society. He contends that the right view of generosity enables a wealthy person to be a benefactor to labourers, workers and the community. Green (1990) observes that the practice of giving to the sangha is another way to redistribute wealth in a Buddhist society. Historically, he notes, the sangha plays an important role in providing education, food, and housing for the destitute. In this regard, similar to Payutto Bhikkhu's analysis, a Buddhist monastery is viewed as a welfare institution of last resort within society. Sizemore and Swearer

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[53] Regarding the attitude of giving, there is an issue of the intention underlying generosity. Sizemore and Swearer (1990), and also Pryor (1990) claim that gifts given for the expectation of material return usually backfire in some way. This is because a person approaching dana in this manner reveals too much attachment to wealth.

(1990) remark that this type of setting, based on social philosophy, promotes a gradual reform and mutual advancement in social welfare and religion.

4.2 The State and Allocation of Resources

Sizemore and Swearer (1990) contend that the political authority in a Buddhist society has duties to allocate social resources, opportunities and powers, based on a Buddhist moral rational perspective. John Reeder (1990) especially notes that the responsibilities of the state depend largely on the characteristic of that society. He classifies a Buddhist economic society as a unitary society where liberation is the unanimously acclaimed purpose of life.[54]

Referring to the Pali texts, Green (1990) notes that Buddhism permits the possession of private property on the part of laity. He contends that the toleration of private property is an efficient means of stimulating economic effort and for allocating products. He claims that private ownership is introduced in a Buddhist society not just as a remedy for greed, but as a consequence of greed.[55] His explanation is that the human contest for scarce resources produces theft, violence and a harshly punitive political order.

Green analyzes the negative effects of private ownership and finds that private property produces new evils as violence and punishment. He also contends that Buddhism views selfish hoarding as counterproductive. His explanation is that those who try to buttress their positions by excessive acquisition or those who are greedy and lazy, ultimately undermine their own positions. In addition, they risk jeopardizing the welfare of the whole community. Moral distribution of wealth is therefore emphasized in Buddhism to transcend the negative effects of private ownership.

While the redistribution can be carried out through individual generosity and the sharing of material goods, it is in everyone's interest not to

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[54] Reeder (1990) also notes that this contrasts with the pluralistic character of most societies in the West. His classification is based on the concept of equality. In Western societies, every citizen has to be treated equally under such conditions of religious and philosophical diversity. That means a society has to let each choose his own vision of the proper end and meaning of life.

[55] In Buddhism, Green (1990) analyzes lust for sense pleasures and material satisfactions and views them as the driving forces in a degenerative process within human society. Material lust gives rise to sensual lust, Green maintains, nature then becomes debased as her uncultivated bounty gives way to sterility.

allow unregulated accumulation, possession or consumption. These regulations are thus Buddhist guidelines for the duties of state. Green concludes that the state has to set a guideline for a moral settlement of social disputes to prevent continual strife and disharmony.

The contributors refer to the Pali texts to argue that the state has to abstain from non-righteously coveting others' properties. Regarding this issue, Reynolds (1990: 64) determines that the state should not tax its citizen more than "ten percent" of the produced crop. The levies should, however, be less in times of drought and special difficulty; and it should never be increased beyond the level established by the predecessors. Those profits from commercial and trade, he maintains, should be refrained from tax, while the treasuries loan for the purpose of commercial and trade should be without interest. Excessive labour should be prohibited; in addition, the elderly should be exempted from royal services. These are the basic guidelines for the state to rationally allocate resources in a Buddhist community.

5. Summary and Comments

The conceptions and suggestions of the reviewed literature are summarized in Table 3.1 below. The summary is arranged into 4 main subjects: characteristics of a Buddhist ideal society, Buddhist principles of economic activities, roles of the state, and the political and economic system. As the roles of the sangha are mainly discussed by Payutto Bhikkhu without major differences in their essence, they are not included in the summary table.

The findings may be summarized as follows. In general, an ideal Buddhist community is founded on the *right livelihood* of each member, while a righteous leader has a role to facilitate stability and order in society. Right livelihood can be conducted through the attainment of material well-being and mental development. Material wealth should be used to alleviate physical suffering while an attitude of non-attachment to wealth is essential for the elimination of unfulfilled desires. A non-attachment principle is associated with three karmic actions: righteous acquisition of wealth, contentment in consumption, and generosity towards others. The goal of a unitary Buddhist

society is for each individual to live a high quality of life while striving towards liberation. The state and the sangha are important Buddhist institutions in formulating well-ordered, prosperous and harmonious conditions in a mutually dependent society.

Table 3.1: Summary of findings in the existing literature

Author	An ideal society	Economic principles	Roles of the state	Political economy
Sarkisyanz	Universalism		Provide public welfare services: basic needs	Democracy & welfare state
Tambiah	Non-violence, Non-injury, Compassion, Equality.	Five concerns: economic well-being, reputation based on conducts, states of the mind at present & death, future rebirth chances	A corrective factor of disorder in human affairs	A regulated society with private property
Schumacher	Self-sufficiency	Maximize well-being with minimum consumption Three functions of work: utilize and develop faculties, overcome self-centeredness, acquire wealth		
Buddhadasa Bhikkhu	Mutual dependence, Balance, Harmony.	A middle way economy: Not to consume in excess, Not to hoard heedlessly, Produce extra to share with others.	Provide basic needs, Maintain well-ordered, Laws based on dharma, Social unity.	Socialism: Common property, Equality, Democratic, Dictatorship.
Payutto Bhikkhu	Peaceful, Stable, Secure.	Right livelihood: Contentment & moderation in consumption, Net production value enhance the quality of life	Alleviate poverty Provide conditions conducive to potential human development Endeavour to be good and noble	Virtuous leader
Sivaraksa	Co-operative, No-property, Egalitarian, Democracy.	Physical development: basic necessities & human scale technology. Human development: inner awareness and social action, changes of values.		
Sizemore and Swearer, ed.	Morally advanced, Materially prosperous, Properly functioning.	Righteous acquisition, Non-attachment, Contentment in consumption, Generosity toward society and the sangha, Private property as means to stimulate effort and allocate wealth.	Maintain ideal conditions in society Prohibit excessive acquisition, possession & consumption Abstain from non-righteous confiscation of property	Equality & procedural justice Public consent Righteous leader

The main dispute in existing literature is whether the Buddhist teachings is in favour of common or private property. The answer, based on the review, is that common property involves the practice of absolute non-attachment, in an ideal setting. Based on the voluntary spirit of Buddhism, however, a condition of sharing common property in a community must be established through public consent, not coercion or suppression from the ruling class. Until that form of ideal community is reached, private property plays a major role in Buddhist economic activities, such as production, consumption and giving. Without private property in an ordinary society, there is no means for the lay people to practice righteous actions based on their own understanding of the teachings.

The findings and suggestions of existing literature are contributive in the sense that they offer a primary framework for the basic elements in Buddhist economics. They also provide a rough sketch of Buddhist economics and a Buddhist political economic system, although in a relatively *ad hoc* fashion. Regarding the search for Buddhist economics, however, there is no scholarly works that have explicitly developed an economic theory or a system based on Buddhist teachings. These gaps in existing literature suggest an opportunity to contribute to the study of Buddhist economics. Furthermore, the interpretations of Buddhist principles related to economics has to be further explored, and a systematic framework of Buddhist economics also needs to be developed. These will be the main tasks of the following Chapters which attempt to (i) develop a theoretical framework for Buddhist economics from the fundamental Buddhist principles and (ii) explore basic features of a Buddhist economic system.

Chapter IV

A Theory of Buddhist Economics

Basic Framework of Analysis

Economics is a study of wealth and a part of the study of man.
For man's character has been moulded by his every-day work,
and the material resources which he thereby procures,
more than by any other influence
unless it be that of his religious ideals.
(Alfred Marshall, "Principles of Economics" 1930)

All conditioned things are transient,
All conditioned things are unsatisfactory,
All phenomena are without self,
When these are realized, one is free from suffering.
(Dhp.277-279)

1. Introduction

This chapter attempts to develop a theoretical framework for Buddhist economics using the set of fundamental Buddhist principles discussed in Chapter 2. Buddhist economics can be defined as the study of managing material well-being from the perspective of Buddhist philosophy. The literature reviewed in Chapter 3 supports the notion that the Buddhist principle of right livelihood forms the basis for Buddhist economics. However, given that right livelihood is the fifth factor of the Noble Eightfold Path, it must be understood within a holistic system of Buddhist practice as discussed in Chapter 2.[1] Economic activities cannot be analyzed in isolation from other activities. It is within this holistic context that this study develops a theory of Buddhist economics.[2]

Leibenstein (1966) argues that the purpose of social-scientific theories is to obtain coherent explanations of phenomena and events with predictive capacity as a subsidiary condition. He also distinguishes an analytical

[1] Right livelihood is not only an essential part of Buddhist virtues, but it is also a prerequisite for progress along the next step of the Path, mental development.

[2] See Chapter 2 (2.2.1 and 2.3.2) for a discussion of the holistic features of Buddhist teachings.

framework from a theory: while the former contains a set of relationships that do not lead to specific conclusions about events, the latter does predict at least changes in direction. He then outlines the elements that we should expect from the theory: consistent vocabulary, sound behavioural assumptions, logical consistency, consistency with past experience and at least directional predictability.[3] Regarding an economic development theory, he especially propounds two main roles of the theory: (i) as a tool to analyze an existing situation or explain a historical one (positive), and (ii) as an instrument for policy determination (normative). These issues provide the basis of discussion on the Buddhist economic theory.

Considering Leibenstein's viewpoint, the theoretical framework for Buddhist economics is both an analytical tool and a theory. The development of the framework is based on the Four Noble Truths, which form the Buddhist philosophical foundations as described in Chapter 2. It has been carefully developed with the goal of ensuring consistency with Buddhist philosophy and to be logically consistent internally. The basic elements of the framework, such as vocabulary and behavioural assumptions, are also based on Buddhist principles. As a result, the framework provides both coherent explanatory hypotheses and directional predictability.

To qualify as a theory of economic development based on Leibenstein's proposal, the theoretical framework for Buddhist economics contains two parts: positive and normative. The positive part comprises the fundamental axioms which attempt to fulfill the requirements for the conceptual and analytical framework. In contrast, the normative part consists of the Buddhist principles of actions. It recommends Buddhist ethical constraints on economic activities that can be applied for policy determination. The positive and normative partition is also consistent with the arrangement of the Four Noble Truths into two parts in Chapter 2—the analysis of the problem, and the proposal of for solution.

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[3] Schumpeter (1961) shares Leibenstein's view by contending that economic theories are not only explanatory hypotheses but also analytical instruments. According to Schumpeter, theories constitute concepts, relationships between concepts, and methods for handling these relationships

The positive part of Buddhist economic theory is postulated from the First and Second Noble Truths, which outline the Buddhist holistic view of the world. The positive theory consists of three fundamental axioms:

1. The non-self axiom states that all economic phenomena are a combination of interacting conditional factors.
2. The impermanency axiom states that all conditional factors are ever-changing through the process of interaction.
3. The unsatisfactoriness axiom states that economic activity is an attempt to eliminate unsatisfactoriness that has arisen from clinging to ever-changing phenomena.

Together, these three fundamental axioms are instruments that can be used to explain and analyze economic events from the Buddhist perspective. The contents of each axiom are discussed in Sections 2 through 4, respectively. Section 2 discusses the first axiom which explains the non-self nature of all economic events and phenomena. Section 3 discusses the second axiom which explains the process of how phenomena arise and are sustained. The first and second axioms together characterize the Buddhist economy as complex, ever-changing, and interdependent.

Section 4 discusses the third axiom which explains the Buddhist view of human nature and the motives behind economic activities. An economic agent is assumed to be ignorant, or have incomplete knowledge. The concept of the ignorant individual has a major consequence in predicting the possible outcomes of different economic actions. That is, the agent's action(s) may or may not effectively end unsatisfactoriness at the individual level, and even has the potential to cause instability in the interconnected system.

Section 5 discusses the normative part of Buddhist economic theory. The normative theory is postulated from the Third and Fourth Noble Truths, which comprise Buddhist ethical principles. It consists of: (i) the criterion for choosing an effective action, and (ii) guiding principles for making an action-choice. The criterion and the principles together have significant policy implications because they provide guidelines for the arrangement of conditions in society that facilitate desired behaviour toward the right direction. Actions undertaken along the right direction can effectively eliminate unsatisfactoriness and advance the progression towards

enlightenment at the individual level, while sustaining stability in the system. Together, the three fundamental axioms and the set of principles of actions provide the framework of analysis for Buddhist economics.[4]

Section 6 summarizes the framework while outlining an application of the framework to illustrate a Buddhist economic system in Chapters 5 and 6.

2. The Non-Self Axiom and the Conditional Factors

The first axiom in Buddhist economics—the non-self axiom—states that all economic phenomena are a combination of interacting conditional factors. This axiom is postulated based on the non-self characteristic of things and phenomena as described in Chapter 2. The non-self characteristic states that all phenomena are without self; all things and phenomena are conditioned by other interacting factors and merely a combination of ever-changing conditioned things.[5] In this analysis, the causes and supporting conditions are denoted as *conditional factors* because they condition the way things and phenomena appear, exist and change.

At a fundamental level, Buddhist teachings contend that all conditional factors are a combination of six basic elements or forces: earth, water, heat, wind, space and the functions of the human mind.[6] The cause of events related to human activities is karma, or intentional action.[7] Any intentional action is a reaction to some conditional factor that arises through the contact between external objects and the six sense-based faculties. An intentional action of all beings, including human beings, produces things and/or creates

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[4] From the holistic character of Buddhist teachings, it should be noted that all concepts are interrelated with one another, and thus are difficult to define or discuss separately by themselves. The meaning of a concept that is introduced earlier, therefore, will be more thoroughly understood with the subsequent introduction of concepts later in the Chapter.

[5] See Chapter 2 (Section 2) for a detailed explanation of the terminology used in this section, such as conditioned things, karma, the functions of human minds and the six-sense based faculties.

[6] The first four basic elements (earth, water, heat and air) do not imply the visible form such as a solid earth element. Rather they imply the forces of which these elements are the result: the element of extension (earth), of cohesion (water), of expansion (heat), and that of vibration (air) (S.I.15).

[7] Actions and their results are governed through the law of karma; a person acts or reacts with an intention, and reaps the results of that intentional actions within a complex net of karmic forces

phenomena that we observe and experience via the aggregation of the basic elements. The basic elements interact and manifest themselves in many different ways under natural laws.[8] In this framework, economic phenomena are thus said to arise from intentional actions, or concretely speaking the interactions among conditional factors themselves.[9]

Therefore, economic factors and phenomena such as labour, natural resources, markets, money, price, technology and so forth, are understood as the results of interactions among conditional factors. For example, an individual is viewed as an aggregation of ever-changing conditional factors. A human body is a combination of food, water, air and heat, which are intentionally taken by a person to sustain life. These elements are transformed into a physical body under biological laws. Consider also the example of an economic product, say, a car. It is also a complex combination of six basic elements that has been formed because of an intention to build a car. The factor inputs of production include not only raw materials but also the functions of the mind—creative thinking and knowledge—and human labour, which is also a combination of the physical body and the functions of the mind. The price of a car at time t is also a result of an intention to make profit by the producer, while the level of desirable profit is a combination of perceptions and thoughts of interacting people in the market regarding the value of the car until that time t.

Further, a combination of conditional factors cannot be identified as a permanent or separate self. Instead they are impermanent, because the interactions among conditional factors causes things to continually change throughout their existence. Each being or phenomenon cannot exist separately because all causes and conditions are connected together through

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[8] Lily De Silva (1992) refers to the commentaries of the Pali Texts and notes that there are five natural laws of forces at work in Buddhism: the physical law, the biological law, the psychological law, the karma law and the universal causal law. While the first four laws operate within their respective spheres, the universal causal law links all the other laws together.

[9] Verses in Dhammapada (165) emphasize the importance of actions in Buddhism:
"By oneself is wrong done, by oneself is one defiled,
By oneself wrong is not done, by oneself, surely, is one cleansed,
One cannot purify another; purity and impurity are in oneself alone" (Dhp 165)

the process of interaction. That is, once there is a change in any conditional factor, the appearance of phenomena will change accordingly. The impermanence and inseparable characteristics are discussed more in the second axiom. In sum, the non-self axiom implies that things or phenomena including human beings, exist as combinations of several ever-changing conditional factors, and change as a result of their interactions.

The Buddhist concepts of intentional action, impermanence and inseparable self are significant in characterizing human nature in this framework. Although the world of events and beings are viewed as interconnected, the only controllable factor in this framework is an individual's intentional action.[10] Fundamentally, the intentional action can be divided into two factors: intention and action.[11] Hence, the economic analysis in this framework focuses on the intention and action of each individual within the ever-changing and interconnected system.

Considering the characteristics of the system, the analytical framework attempts to provide coherent explanations for three questions: (i) what are the underlying conditions and/or constraints which determine the intention and action? (ii) how are the intention and action are formulated? and (iii) how do they affect the individual him/herself and the system, both in the short and long terms? The discussion in this section attempts to verify the conditions that form the range of action-choices, which partly answers question (i). The next section—the impermanency axiom—discusses the mechanism of causal-related interactions, which answers question (ii) and partially answers (iii). Section 4—the unsatisfactoriness axiom—discusses the underlying intention and possible outcomes of an action; and completes the answers for questions (i) and (iii).

Because the cause of any economic phenomena is an intentional action, the main unit of analysis in Buddhist economics is a karmic actor. The karmic

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[10] It can be comparable to the concept, "Think globally, act locally," in preservation of the environment

[11] Section 4 discusses in length that the underlying intention of any action is to eliminate some type of unsatisfactoriness, although there may be several action-choices to choose from

actor is a person who intentionally, albeit consciously or unconsciously, conducts an action in one of three ways: bodily, verbally or mentally. In this framework, a karmic actor is denoted as *an economic agent*, or in short, *an agent*. For analytical convenience, the aggregated basic elements are arranged into several conditional factors based on the discourses discussed in Chapter 2, such as the law of dependent co-arising, and the six ways of inter-relationships. Further, from the perspective of an economic agent, the conditional factors are classified into two sets: internal and external. These two sets of conditional factors are underlying conditions that form an intentional action and also are altered by the action.

The conditional factors are classified as internal if they pertain directly to an economic agent. The internal conditional factors are basically personal characters of each agent. The quantity and quality of internal conditional factors result directly from one's karmic actions, both past and present. In contrast, external conditional factors refer to resources that can be utilized or shared by all related members in the economic system. They are the environment within which the agent undertakes his/her actions. They develop and form as a consequence of the connected interactions among economic agents, and between agents and the environment. In this framework, the conditional factors constitute a set of constraints that determine the action-choices related to material well-being.

Based on the nature of each set of conditional factors, an economic agent is assumed to have the ability to, quantitatively and qualitatively, alter and/or control internal conditional factors more than external ones. For example, an economic agent can choose precisely how much physical labour he/she would like to supply in the labour market at any time. However, an agent's supply of labour is typically very small relative to the total supply of labour. The agent therefore will have relatively little power to influence the wage level, which is an external conditional factor determined through the interactions among several agents in the labour market.

2.1 *Internal Conditional Factors*

The internal conditional factors are a combination of conditional factors that define and distinguish the existence and characteristics of each individual. They can also be viewed as personal conditional factors. There are six internal conditional factors: physical, mental, personal wealth, morality, knowledge and behavioural.

The first two conditional factors—physical and mental—form the most basic concept of human nature in Buddhist economics. Each individual is, first, assumed to be born with an initial set of physical and mental conditional factors, and second, live within an ecosystem and an economic system. With his/her own physical and mental ability, each agent internalizes and transforms external conditional factors, such as natural resources, social values, through a process of interactions between oneself and external objects during his/her lifetime.[12]

The initial conditional factors then change through a process of transformation and become characterized as ever-changing internal conditional factors over a life-time. Therefore, in this framework, an economic agent cannot be analyzed separate from the surrounding conditional factors. If an agent perceives him/herself as an *independent* and *separable* individual unconnected to external conditional factors, he/she is said to be ignorant of the true nature of phenomena. Chapter 2 discussed in detail how ignorance causes self-delusion; a discussion of ignorance related to economic activities is explored in Section 4.

Through the process of transformation, the economic agent subsequently acquires the next three internal conditional factors: wealth, morality and knowledge. These three conditional factors are considered the personal assets that each agent can use to eliminate unsatisfactoriness. Respectively, they are the results of three types of actions: giving, moral

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[12] The process of transformation is explained in the discussion of the law of dependent co-arising in Chapter 2 (2.2) and below in Section 3.1.

behaviour and development of the mind.[13] The last internal conditional factor, behavioural, is directly related to the action itself.

(1) The Physical Conditional Factor

This conditional factor is the physiological state of the body, which relates to the strength and/or health of the physical body. Strength and health together affect an economic agent's physical ability, a critical conditional factor for the production and acquisition of wealth. This conditional factor, in combination with other internal conditional factors, determines the demand for goods and services in the economic system. The physical conditional factor is directly shaped by interactions with material things such as food, air, noise, physical contact and so forth. It also effects a change of an agent's mental and behavioural conditional factors.

(2) The Mental Conditional Factor

This conditional factor is the intrinsic quality of an economic agent's mind. It consists of two groups of factors: (i) mental functions and, (ii) all other mental factors that affect the mental functions. Mental functions arise from the natural ability of an agent's mind to function in four ways: feeling, perceiving, thinking and consciousness. Feeling is of three types: satisfactory, unsatisfactory and neutral. A satisfactory feeling is similar to positive utility, while an unsatisfactory one is disutility.[14] The act of perceiving is the way the mind interprets and labels things and events based on its memory. Thinking includes all volitional thoughts or intentions, which is the karmic factor. Consciousness is an awareness or cognitive function of the mind.

The second group of mental conditional factors are those factors that influence the quality of the mental functions. They can be further classified into two subgroups of conditional factors: the *true* mind itself and the tainting factors. Buddhist teachings contend that the true mind has the ability to

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[13] In Buddhism, these three actions are called the meritorious types of actions. They are the causes for wealth, morality and knowledge, which are important factors for the personal development towards enlightenment (A.4.241). See the explanation of each conditional factor below.

[14] See Appendix B for more details on feelings; also Section 4 here on discussion of satisfactoriness and unsatisfactoriness.

perceive the true nature of all phenomena—non-self and impermanent—thereby generating generosity, loving-kindness and discernment; the so-called wholesome roots of actions. In contrast, the tainting factors—ignorance, desire and clinging—affect mental functions through the internal causal mechanism and give rise to greed, hatred and self-delusion. These are known as the unwholesome roots.[15]

(3) The Wealth Conditional Factor

This conditional factor is the quantity and quality of personal wealth which an individual holds. An economic agent's personal wealth includes both the stock and flow of material wealth. Stocks includes all assets and material goods such as land, houses, furniture, cars, machinery, bonds, and shares in public and private companies. Flows include all types of income as measured over a period of time. Conversely, the debt that an agent owes to others is considered negative wealth.

Fundamentally, an economic agent has the right over his/her wealth if it was acquired as a karmic result of generous actions such as giving [dana]. That is, righteous wealth arises either from working or from the generosity of others. When an agent contributes to society via his/her internal conditional factors, such as physical labour, skill and knowledge, he/she receives assets or income as a result. An inheritance or a lottery prize, for example, is perceived as a karmic result from past giving over the cycle of existence.[16] Wealth that is obtained through stealing or conquering, for example, is considered non-righteous wealth. Non-righteous wealth is also considered to be negative wealth in the long-term lives cycle; it must be paid back at some time based on the law of karma. After wealth is obtained righteously in either the short or long term, an economic agent may save or spend it as he/she wishes. In sum, the level of personal wealth is determined through three main economic activities: acquiring, saving/protecting and spending wealth.

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[15] An understanding of the true nature of self gives rise to compassion, whereas compassion leads to generosity and loving-kindness. In contrast, self-delusion is a basis for greed, while greed may lead to hatred. See the discussion of characteristics of the true mind and tainting factors in Chapter 2 (2.2)

[16] See Section 3 for a discussion of the cycle of existence, also Chapter 2 (2.2)

For an economic agent, the wealth conditional factor is both a budget constraint on consumption and investment. Lack of wealth may contribute to the arising of unsatisfactoriness, and co-determine the set of action-choices. A poor person is more likely to suffer from hunger and famine than a rich person, while the level of personal wealth affects the range and choices of goods and services an agent can afford.

(4) The Morality Conditional Factor

This conditional factor is the quality of an economic agent's mental functions with regard to moral and ethical values. It is a result of a series of interactions among mental, and external conditional factors, such as social, educational and spiritual value in society. It is co-determined by all other internal conditional factors such as behaviour and knowledge at the time of action. The morality conditional factor appears as a moral constraint for an economic agent, and influences whether the agent's behaviour is based on wholesome or unwholesome roots.

In Buddhist economics, most economic agents are assumed to conduct both unwholesome and wholesome actions when attempting to end unsatisfactoriness. He/she can be honest but violent, or generous but use harsh words and lies. In Buddhist economics, morality conditional factors, especially the morality of humanity as a whole, can have great influences on all other conditional factors, including natural resources (see Sub-section 3.3: the interdependent relationship among conditional factors).

(5) The Knowledge Conditional Factor

This conditional factor is a combination of mental functions that work together to process information. In Buddhist economics, the goal of any economic activity is to eliminate some form of unsatisfactoriness. The study thus is concerned with knowledge related to this problem. The human mind processes three types of related information: (1) recognizing the arising of unsatisfactoriness S_1; (2) formulating a set of possible actions ($\mathcal{A}$) to eliminate S_1; and (3) forming an expectation of the possible outcomes ($\mathcal{O}_i$) for each action A_i. In this framework, an economic agent is assumed to be ignorant

because he/she does not have complete knowledge of $\mathbb{A}$, $\mathbb{O}$, $\mathbb{C}$, t and n; where an action A that occurs at time t ripens and becomes the outcome O, under a set of conditions $\mathbb{C}$, at time t+n.[17]

For the first type of information, all economic agents are automatically aware of the arising of unsatisfactoriness S_1.[18] An agent directly knows when he/she is hungry or wants to buy a new shirt. However, each agent holds different knowledge about the set of possible actions, $\mathbb{A}$ (type 2 of information) and the possible outcomes $\mathbb{O}$ (type 3).

Let's assume an economic agent, X_i, makes a decision on action-choices based on the knowledge he/she possesses at the time of action. While the knowledge of the set of possible actions, $\mathbb{A}$, co-determines the action-choices for X_i the expectations for a set of outcomes $\mathbb{O}$ plays an important role in selecting an action A_1 which will eliminate unsatisfactoriness S_1.[19] The more X_i knows about $\mathbb{A}$ and $\mathbb{O}$, the more likely he/she will be able to eliminate unsatisfactoriness effectively. The knowledge of both $\mathbb{A}$ and $\mathbb{O}$ for each action A_i are determined by an economic agent's knowledge of internal and external conditional factors.[20] Knowledge of internal conditional factors includes knowing one's personal circumstances, abilities and limitations. Knowledge of external conditional factors includes knowing the circumstances of the environment in which an action will be taken.

Knowledge of actions $\mathbb{A}$ and outcomes $\mathbb{O}$ can be acquired from three sources: (1) external sources, (2) logical thinking, (3) insight meditation. First, external sources includes the educational means and media that convey information; for example, radio, television, books, lectures, conversation and so forth. Second, logical thinking is the skill of understanding through the

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[17] Buddhism contends that only a Buddha possesses complete knowledge, that is, knowing the complete set of A, O, C, t and n.

[18] This is called disequilibrium awareness in Boland (1986). This subject is discussed further in Sub-section 4.1 below.

[19] See also the discussion on making a decision on action-choices in Section 4 below.

[20] Richardson (1959), as quoted in Boland (1986), identified two types of knowledge private and public. The former type is knowledge of one's own circumstances such as income, tastes, etc., whereas the latter is knowledge of what other economic agents will demand or supply in the market.

process of reasoning and thinking. This skill can be developed through experiences and education. Finally, insight meditation leads to the ability of intuitive knowing, and is acquired through the process of observing and reflecting on phenomena and experiences in life attentively and with a clear and concentrated mind.

An economic agent can utilize knowledge acquired through the functions of memory, thought and intuition. The function of memory consists of perception in addition to memory. Some knowledge may be stored as perception or instinctive recognition, while other knowledge is stored as memory that the mind must activate and search for to be brought into use. Both perceptions and memories can be changed, lost or forgotten over-time. The second function, thought, is the way an economic agent thinks; it can be logical, rational, speculative or wandering thinking. Finally, the function of intuition is the ability of the mind to perceive all knowledge and information concurrently without the explicit need to think.

(6) The Behavioural Conditional Factor

This conditional factor consists of two factors: an action and the components of behaviour that co-determine the action. An action, including an economic activity, is understood to be a *karmic action* because it is assumed to have underlying intention to eliminate some form of unsatisfactoriness. Given a set of conditional factors C for any individual X_i, if X_i has unsatisfactoriness S_1 at time t, and X_i perceives that action A_1 can eliminate S_1, X_i carries out action A_1. The result of each action is perceived within oneself, and thus changes his/her knowledge conditional factor. A bodily and/or verbal action is observable, and in fact, is a revelation of some internal conditional factors—mental, moral and knowledge—that are not directly observable.

The second factor of the behavioural conditional factor includes all factors of behaviour that are formed and transformed by an agent's past experiences. Experiences are a series of interactions between internal and external conditional factors. These behavioural factors can be grouped into skill and personality. Skill is the ability to use knowledge in the performance

of his/her actions. It is developed through the repetitive experiences of the physical body in education and training. In contrast, personality is formed and transformed through the interactions between an agent's mental conditional factors and external objects. In Buddhism, perception has the most influence in forming one's personality, because every contact is processed through perception and memory. If they perceive a similarity between current unsatisfactoriness and past experiences, most agents tend to act in the same way as in the past.

Personality can be viewed objectively as habitual behaviour and/or preference. A habit is a repeated pattern of similar behaviour in similar circumstances. As long as there is no new knowledge that causes a shift in the pattern of behaviour, an economic agent continues to act based on habit.[21] One aspect of habitual behaviour can be observed as preference. Preference is a tendency to prefer some types of goods and services over others. It affects how an agent utilizes wealth. For example, most agents may desire to see beautiful things, listen to pleasant sounds, smell pleasant aromas, eat exotic foods and indulge in exciting entertainment, although the pleasant sights or sounds may differ for each person. These desires give rise to production, consumption and the exchange of goods and services in the market. Thus, demand is perceived as a result of interaction among conditional factors, such as knowledge and preference.

The behavioural conditional factor determines not only the action itself, but also the range of action-choices A_i. For example, based on logical thinking, X_i may devise a systematic plan to acquire and protect wealth. He/she may utilize wealth in a rational way by comparing all the potential benefits arising from the various choices, and set priorities according to their potential. By contrast, X_j who has a tendency to rely more on faith, may spend his/her wealth mostly on whatever he/she believes in, even if it has little logical basis.

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[21] Ajahn Sumedho (1995) notes that a practice in Buddhism is a way to change habit or the pattern of one's behaviour into a habit based on wholesome roots.

2.2 *External Conditional Factors*

External conditional factors are a combination of factors that characterize the economic system in which each individual lives. They encompass all external objects and environments that have impact on an economic agent but do not directly belong to him/her. The external conditional factors constitute a set of external constraints on an agent's action-choices. An agent can influence the external conditional factors through interactions within the system. Nevertheless, it is more difficult for an agent to control external conditional factors than internal ones because of the complexity and the interconnectedness among all conditional factors. For example, an agent has more ability to control his/her actions than the outcomes of other people's actions on the ecosystem.

Based on the discourse, the external conditional factors are arranged into six groups: natural and man-made material, social, educational and technological, economic, political, and spiritual conditional factors.[22] These external conditional factors constitute two systems in Buddhist economy: the physical environment and the society of beings. The physical environment encompasses all natural and man-made material conditional factors within which economic agents live and conduct economic activities. Material objects in the physical environment are, in fact, the external objects of an agent's physical sense-based faculties; that is, eyes, ears, nose, tongue, and body.

In comparison, the society of beings comprises all other external conditional factors which connect all beings in the world through karmic cause-and-effect relations. The society of beings is the external object of the mind, the sixth sense-based faculty of an economic agent. Each external conditional factor is discussed below.

(1) The Natural and Material Conditional Factors

These conditional factors constitute the physical environment in which economic agents live and interact with one another. The natural conditional factor encompasses all states of the natural environment such as mineral

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[22] This arrangement has a basis on the six ways of relationships discussed in Chapter 2 (4.3).

resources, climate, forest, land, habitat and geographical conditional factors. It forms the natural resource constraints on production. That is, it co-determines the comparative advantage of producing particular goods, such as agricultural products. It also determines the level of basic necessities in consumption; e.g., a person who lives in a cold climate needs warmer clothes than the one who lives in a tropical region.[23]

Man-made material conditional factors include all consumption and capital goods, commodities and products that are available to use if acquired, but do not yet personally belong to an agent at the time of the action. They can be public goods from which individuals can enjoy the benefits, or goods available in the market that individuals can purchase. The material conditional factor forms capital constraints on production, and also determines the set of goods available in the market.

(2) The Economic Conditional Factor

This conditional factor encompasses all factors that are directly related to creating and utilizing material wealth. They include the conditions of the economy in general and the characteristics of economic institutions in society. The conditions of the economy include all conditional factors related to material wealth, such as the level of per capita income, investment, inflation, and so forth.

Economic institutions include the work place, the market, and the public finance system. The conditions in the workplace include the level of wages, income and other benefits, while the market structure is the mechanism that determines the prices of goods and services. For example, through interest rates, the banking and monetary system affects how an economic agent can save and invest wealth. Similarly, the structure of public finance, which comprises taxation and social assistance scheme, determines the allocation and redistribution of wealth in society. The characteristics and mechanism of economic institutions in a Buddhist economy are the main subjects of Chapter 6.

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[23] The Buddhist concept of basic necessities is discussed in Section 4.1.

(3) The Social Conditional Factor

This conditional factor encompasses the relationships within the family, among relatives, friends, neighbours, and all beings in society. It also includes both the structure and number of members in a family. The social interrelationship forms values, traditions and cultures in society. The more and repetitive contacts an agent has with a particular value, the stronger he/she tends to behave based on that value.[24] An economic agent learns, experiences and memorizes social conditional factors through his/her interactions within the family and community at large.

Social conditional factors and economic conditional factors are related in many ways. The social conditional factor influences the quantity and quality of basic necessities, goods and services produced and consumed in society. The father of six children would need a higher level of income to provide basic necessities to his family than a single father of one child living in the same area. Some social values and culture may prohibit consumption and production of certain goods, such as animal meat. Whereas, by contrast, the promotion of consumerism encourages individuals to consume more goods and more services. In a free market economy where profit is most valued, competition among economic agents is encouraged as an efficient way to allocate resources. Further, economic conditional factors that encourage individualistic life styles may have the potential to weaken a communal pattern of social relations.

(4) The Educational and Technological Conditional Factors

This conditional factor set includes all technology, information and knowledge that is available in society and to an economic agent at the time of action. Such knowledge can be acquired through either educational institutions or from other individuals who possess such knowledge. Educational institutions provide the skills and knowledge that are the bases for earning a living. They are also sources of knowledge about values and morals in society.

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[24] In Buddhism, therefore, companionship with good people is one of the most important factors to assist enlightenment; another factor is a skillful way of analytical thinking (D 31)

(5) The Political and Legal Conditional Factors

Political institutions and legal systems form the political and legal conditional factors, respectively. While economic conditional factors may have the largest impact on an agent's economic activities, political conditional factors affect the security and stability of the economic conditional factors. The legal system characterizes the justice system which underpins the security condition within the economic system by establishing property rights and the scope of economic freedom in society.

(6) The Spiritual Conditional Factor

This conditional factor consists of religious and spiritual institutions and their teachings. This factor is an essential element that affects moral and ethical judgements and the mental development of individuals. In Buddhism, spiritual teachers such as monks, and institutions such as temples, have major roles to preserve the teachings of moral judgement and mental development. In addition, they serve as an example of a simple and peaceful life. A society with temples or churches provides an opportunity for interaction between monks or priests with the laypeople in community. That interaction forms and transforms both the moral and behavioural conditional factors of an agent and the social values in society.

In sum, the intention and action of an economic agent is formed through the interactions among the internal and external conditional factors. The conditional factors are a set of constraints that determine the action-choices related to material well-being. The factors themselves also develop as a consequence of the connected interactions among agents in society, and between agents and the environment. The mechanism of how the conditional factors form the intention and action are discussed in the next axiom.

3. The Impermanency Axiom and the Process of Interaction

The impermanency axiom states that all conditional factors are ever-changing through a process of continual interaction. This axiom is postulated from the second characteristic of nature in Buddhism which states that all conditioned

things are impermanent. They are impermanent because all phenomena exist as a result of interactions among the conditional factors discussed above, whereas their appearances and/or properties continuously change along the process. The process of interaction is an instrument in this framework to analyze how the economic agent's intention and action are formed, and how the intentional action can affect the agent and system, both in the short and long terms.

The process of interaction is sustained by the causal relationships among conditional factors, which follow their own natural laws. Among these, the law of karma has the most relevance to the analysis in Buddhist economics, because economic activities are karmic actions as discussed earlier. Under the law of karma, all economic activities and their results interconnect all economic agents and phenomena together, and therefore connect all factors in an interdependent way. A change in any conditional factor will thus change the appearance of related phenomena accordingly.

The non-self and impermanency axioms together imply that the process of interaction among conditional factors creates a dynamic and interdependent economic system. In this framework, an economic system is a manifestation of continuous interactions among interconnected conditional factors that are related to the management of material well-being. The process of interaction is discussed first (3.1), then follow with the dynamic characteristic (3.2) and the interdependent causal-relations among the conditional factors (3.3).

3.1 The Process of Interaction

From an economic agent's perspective, the process of interaction among conditional factors is the mechanism of transforming external objects (☒) into internal conditional factors (□). It is the process of conditionality as discussed in Chapter 2 (2.2.2) which forms and transforms the characteristic of each economic agent. The mechanism of the process is, in fact, the law of karma which governs the causal relationships among all conditional factors.

In Buddhism, the process is characterized as a beginningless cycle; there may be an initial beginning point, but it cannot be perceived by an

ordinary person. For typical humans, the cycle of existence, of which each round begins at birth and ends at death, is assumed to repeat infinitely until enlightenment is realized. This circular characteristic is an intrinsic quality of not only human lives, but also all processes of interaction within the Buddhist economy. The two systems in Buddhist economics—the physical environment and the society of beings—also possess this circular characteristic. The physical environment is the circular process of interactions that relate to material things, whereas the society of beings is a circular process of karmic causes and effects among beings.[25]

The circular economic system is shaped by two modes of interactions: causality over-time and cross-conditional.[26]

The causality over-time mode comprises:

- Interactions among internal conditional factors for each agent;
- Interactions among external conditional factors themselves in the physical environment and the society of beings.

The cross-conditional mode comprises:

- Interactions between economic agents and the physical environment;
- Interactions among economic agents, including all other beings, within the society of beings.

These two modes of interactions form multiple feedback loops both internally for each economic agent, and between the agents and external conditional factors. Figure 4.1 illustrates the two modes of interactions among the two sets of conditional factors.

The first mode of the process is the causality-over-time interaction among conditional factors within the same set. There are two types of causality interactions: interactions among internal conditional factors within

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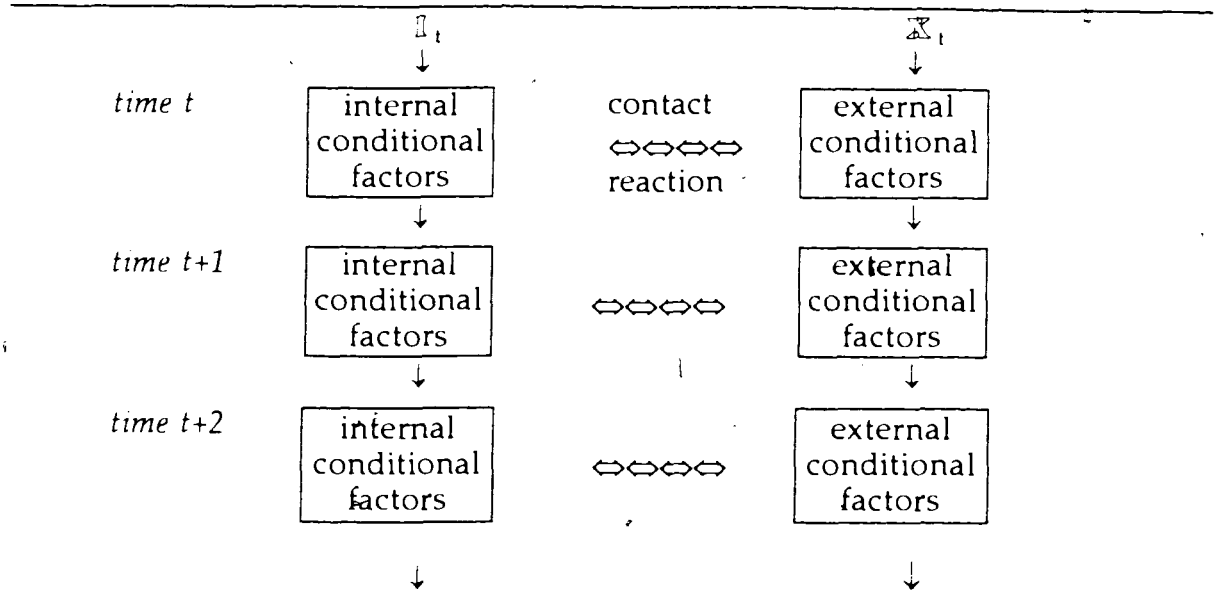
[25] The ecosystem of the earth is a circular system of natural resources. The human body is maintained by taking in food, air, water and heat from the ecosystem and letting out waste through the bio-mechanism functions of the body. The body is literally a throughput system. This circular system is the same for every activity including production and consumption. All natural resources are recycled over and over through human and other beings' activities.

[26] Thanissaro Bhikkhu (1996) derives these two modes of interactions from the teaching of conditionality, although he uses the word 'synchronicity' for the cross-conditional mode

each economic agent; and interactions among different external conditional factors within the physical environment and the society of beings.

Figure 4.1: The process of interacting among conditional factors



From an agent's perspective, there are three concepts of time: the past, the present moment, and the future. The past encompasses all actions and experiences in all past lives and in this present life until the present moment. The present moment, denoted as time t, is an interval starting from a contact between an economic agent and an external object, and ends with the next contact. At any time t, there is one feeling arising from the present contact that leads to unsatisfactoriness.

The future consists of two time lengths: short and long term. The short-term horizon encompasses the present life, a time interval starting from an economic agent's birth and flowing continuously until death. The long term encompasses all lives in the cycle of existence. The length of the long-term horizon can, however, be influenced by an agent's actions; the long-term horizon can be equivalent to the short term if an agent realizes enlightenment in this present life.[27] In other words, an economic agent is assumed to have

[27] The long- term horizon is based on the rebirth hypothesis in Buddhism. The law of karma which includes the rebirth hypothesis, provides a basis for an infinite time horizon for Buddhist

an infinite life-time horizon, but with the possibility of making the present life the last, if enlightenment can be realized.

In Buddhist economics, time is moving in only one direction; it is irreversible and continuous. An economic agent cannot go back in time to undo whatever has been done.[28] Every momentary event in the present comes from the preceding continuum and will continue *ad infinitum.* The changing conditional factors at time t continue over-time and become the initial state of conditional factors at time t+1. For example, the underlying intention of an action at time t constitutes the new karmic force for time t+1 and so forth.

The second mode of interaction is cross-conditional interaction through space; that is, in the two systems within the same time-interval. There are two types of cross-conditional interactions: between the economic agents and physical environment; and among agents, including all other beings, within society. From an agent's perspective, the cross-conditional interaction is initiated by contact between an agent and external conditional factors. A contact is caused internally by an agent's desire to do something, say consuming food, which is a change in the mental conditional factors. Or it can be initiated externally by a change in external conditional factors such as a change in climate, a release of new products, or another agent's actions.

At any time t, there is a simultaneous change in several conditional factors originated by a contact and carried on through interaction. The contact between an agent and external conditional factors causes changes in both internal and/or external conditional factors via the two modes of interaction. For example, if the contact occurs among economic agents at time t, all agents involved in that contact process their feelings and actions through their internal conditional factors. However, from an agent's perspective, others' internal conditional factors are collectively considered as his/her external

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economics. The concept of 'nirvana, here and now,' however, gives rise to a possible ending of the infinite-time horizon. Each individual has the power by one's actions to change the infinite to the finite time period, the present life.

[28] "Let not a person revive the past, or on the future build his hopes; for the past has been left behind, and the future has not been reached." (M 131)

conditional factors. Therefore, when there is an interaction, the essences of internal and external conditional factors change.

Because the process keeps moving and continually transforms the conditional factors, it creates an eternal, yet ever-changing flux of events.[29] The karmic force at time t interacts within an existing connected web among beings and environment, and alter conditional factors. . The outcome of the interactions turns to be a new set of conditional factors for an agent.[30] Thus, the prevailing conditional factors at the time of action not only constrain the available choices of action, but they also affect the outcome of the action.

The two modes of interaction together form feedback loops at every level along the process of interaction whenever there is a contact between conditional factors at any moment. For example, there are three feedback loops within the internal conditional factors. When unsatisfactoriness arises, it simultaneously gives rise to an intention, changing the mental conditional factors and giving rise to an unpleasant feeling within oneself.[31] The interaction through multiple feedback loops within the system creates an even more complex causal relationship among conditional factors.[32]

Consider a series of interactions between an economic agent X_i and the external conditional factors. Say at time t, the process of interaction is initiated when X_i notices that the interest rate decreases. This is a contact

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[29] The ever-changing character of all existence forms the basis of the non-self characteristic in Buddhism. For example, desire is a movement and there is a process of desire. One desire will condition a second desire, which in turn will condition a third desire. What we observe is only the process of desire rolling on and on. There is no separate or permanent entity in the process because each state is merely a condition of the next state of itself.

[30] The economic analysis in this framework, thus, deals only with real time, not logical time. In the real time setting, when analyzing the changes in, say, the quantity of demand when the level of price changes, we cannot treat other conditional factors as being the same over periods of time as we do with logical time, all conditioned things are ever-changing.

[31] See Chapter 2 (2.2.2) on the discussion of the law of dependent co-arising for the mechanism of the feedback loops within the individual.

[32] We may arrange a simple relationship between the two sets of conditional factors—internal (I) and external (E) —as follows:

$$\begin{Bmatrix} I_t \\ E_t \end{Bmatrix} = \begin{bmatrix} a & b \\ c & d \end{bmatrix} \begin{Bmatrix} I_{t-1} \\ E_{t-1} \end{Bmatrix}$$

Within this relationship, not only internal conditional factors (I) and external conditional factors (E) are changing over-time as a result of interaction, but also the parameters of their relationships (a, b, c, d).

between knowledge ($\mathbb{K}_i$) and new information ($\mathbb{Z}_i$). It gives rise to a pleasurable feeling because it provides some hope about the ability to purchase a house (conditioned by the mental and knowledge conditional factors). We assume that, at time t, X_i forms his/her decision based on logical thinking, therefore the desire to buy a house drives X_i to explore and search for a prospective house and an appropriate mortgage (conditioned by behavioural factors). X_i may put an offer to purchase the house (conditioned by wealth constraints), but the offer is rejected. X_i is thus unable to find an affordable place, and unsatisfactoriness arises.

A series of interactions among X_i, a seller, Realtors, bankers, and so forth, has simultaneously caused interactions and consequently altered not only X_i's physical and mental experiences, but also the external conditional factors. Along the process, there are changes in the feelings of and his/her perception towards the property market. While X_i's offer sends a signal to the property market, it may possibly have some affect on the price the seller requests for that property.

The process of interaction also explains how theories and ideas have to be understood from the conditional factors that form the perceptions of the observers.[33] That is, if an observer has repeated contacts with information that forms and confirms his/her idea, he/she tends to believe that it is true, even though the idea may not truly reflect reality. But because conditional factors are interacting with observers and ever-changing through time, events and phenomena can best be explained only by the conditional factors and the interactions among them.[34]

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[33] In Buddhism, theories such as eternalism, partial eternalism, partial non-eternalism, are perceived as being based on wrong view; they are believed to be true only because they are consistent with the observer's limited experiences. While experiences form perception, perception conditions knowledge, thus resulting in theories and ideas (D.1, D.9, D.21). The relationship between the observers and the observed phenomenon is also crucial in quantum physics. Heisenberg, as quoted in Capra (1982), found that the electron may appear as a particle, or it may appear as a wave, depending on how the observer looks at it. That is, scientific descriptions cannot be understood in separation from the observer and his/her knowledge.

[34] The Four Noble Truths should also be perceived as conditionality. They are called *Noble*, because when considering all conditions of the individual, they can lead to actions that can effectively eliminate unsatisfactoriness and will eventually lead to enlightenment. Nevertheless, clinging to the Truths itself is also a barrier to the absolute freedom, nirvana. Therefore, the Truths, and also

3.2 The Dynamic Characteristic

The process of interaction among conditional factors creates a dynamic, interdependent economic system that changes continuously. In this framework, all phenomena, including economic ones, are characterized as a dynamic ever-changing flux, in terms of movement, interaction and transformation. A circular system of arising, changing and dissolution is an intrinsic quality of all conditioned things, both natural and man-made.

Economic factors, such as demand for goods, supply of factor inputs, the level of income, and preferences, are continuously changing, although their rates of change may be different. If a phenomenon appears static, it is only because an economic agent's perception or measurement is not precise enough to perceive the change.[35] A business cycle, which is a fluctuation in the level of economic activity, is a good example of the dynamic characteristic of economic phenomenon. To observe the long-run trend, we may have to collect economic data for at least 100 years.

Based on this dynamic characteristic, the concept of dynamic balance is more relevant in Buddhist economic analysis than the concept of equilibrium. *Dynamic balance* is based on the concept of balanced well-being as discussed in Chapter 2 (4.2). It reflects the appropriate balance between benefits in the short and long terms. It can be achieved and maintained through the process of interaction, and enhances the economic agent's true well-being and progression towards enlightenment.[36] However, dynamic balance itself does not reach a stable static equilibrium, but is ever-changing with the conditions of economy. The economic analysis of stability along a dynamic process is thus more consistent with the Buddhist framework than is comparative static.

Buddhist economics, should be treated not as an absolute theory, but one particular view from which the guidelines of actions are considered effective in terms of eliminating suffering.

[35] The dynamic characteristic is consistent with how modern physics views natural phenomena, especially in the subatomic dimensions. Capra (1975) notes that quantum theory has found the properties of subatomic particles to be dynamic, in terms of movement, interaction and transformation.

[36] We discuss the concepts of true well-being state in Sub-section 4.4.1

3.3 *The Interdependent Relationship*

The causal relationships among all conditional factors—all beings and their environments—give rise to an interdependent economic system. The interdependency arises from repetitive feedback along the process of interaction over a long period of time. A complex net of interdependence implies indivisibility or the characteristic of wholeness where events or phenomena cannot be considered in separation from one another. Therefore, all economic interactions are conducted within the two systems, which are physically connected as a whole. This is the basis for a holistic view in Buddhism: an economic agent exists as a part of the interconnected net, where every conditional factor is part of the whole system.[37]

The interdependency or wholeness characteristic implies that internal conditional factors cannot be classified as endogenous, or the external conditional factors as exogenous variables.[38] In the Buddhist economic system, both internal and external conditional factors play an important role in determining the values of all variables. That is, the properties of any conditional factor are determined by the properties of all other factors. Another implication of the wholeness character is that the understanding of a single part, such as the characteristics of any conditional factor and how it relates and interacts with others, can lead to understanding of the whole. Therefore, an observation that oneself is an outcome of the process of interaction among conditional factors, can lead to an understanding of others as well as the system as a whole. Further, the interdependency also suggests the difficulty in observing the outcomes of karmic actions within the system. Karmic actions and results are linked over time and affect one another at any moment, while the results need not happen immediately but manifest when the conditional factors are suitable. It is therefore almost impossible to comprehend the effects of karmic actions.

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[37] Macy (1991) applies the law of dependent co-arising to explain the interdependence between person and community.

[38] By definition, the value of an exogenous variable is not determined within an economic model, but plays a role in determining the value of an endogenous variable (Pearce 1992).

For example, the Pali texts note that the moral conditional factors of individuals as a group can influence not only social and economic conditional factors but also natural resource conditional factors.[39] Actions based on moral degeneration of humanity, such as greed and hatred, can have adverse effects on the natural resources, climate, social conditional factors, and physical conditional factors of the next generation, all of which contribute to the deterioration of human well-being. In Buddhist economics, deterioration of the natural environment such as deforestation, the greenhouse effect, or environmental pollution are, therefore, mainly attributed to human actions that are rooted in ignorance, greed and hatred. The causal relationships among ignorance and negative actions is discussed in the next section.

4. The Unsatisfactoriness Axiom and Economic Activities

The unsatisfactoriness axiom states that economic activity is an attempt to eliminate unsatisfactoriness that has arisen from clinging to ever-changing phenomena. This axiom is postulated from the unsatisfactoriness characteristic which states that desire for or clinging to conditioned things causes suffering. Once unsatisfactoriness arises, it induces the economic agent to conduct an action to eliminate it. Actions aim at either perpetuating favourable situations or eliminating unfavourable ones. Each intentional action creates karmic forces that link economic agents in an interconnected net over the long term horizon.

Clinging is caused by the desire for sensual pleasure and is conditioned by the agent's ignorance about the characteristics of non-self (the first axiom) and impermanence (the second axiom). If an agent identifies his/her self with particular characteristics, say, youthfulness, when those characteristics change as part of the process of interaction, he/she becomes dissatisfied with the changes. In contrast, the agent who can perceive him/herself as a combination of ever-changing conditional factors, would not cling to any state, and thus possess no unsatisfactoriness. Moreover, an action intended

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[39] This implication is based on the Buddhist Genesis discussed in Chapter 2 (4.4). It is also comparable with the Gaia hypothesis as described in Capra (1996).

to eliminate unsatisfactoriness, but conducted without the full knowledge of the interdependent causal relationships among conditional factors, may consequently lead to more unsatisfactoriness and continue the cycle of unsatisfactoriness.

In short, human nature in Buddhist economics is as follows: incomplete understanding of the non-self and impermanency characteristics of oneself and phenomena → having a strong desire for and clinging to the continuation of sensual pleasure → being unsatisfied when favourable situations change → conduct karmic actions to end unsatisfactoriness → may end or create new unsatisfactoriness because of ignorance. Sub-sections 4.1 and 4.2 discuss the characteristics of unsatisfactoriness and its causes respectively. Sub-section 4.3 examines the possible outcomes from economic activities from two perspectives: the impact on an agent, and the direction of outcomes within the system.

4.1 Characteristics of Unsatisfactoriness

In the Buddhist approach to human behaviour, all actions are explained and analyzed within the context of unsatisfactoriness. The analysis in this framework focuses only on the unsatisfactoriness related to material well-being, which is called *economic unsatisfactoriness*.[40] In the following discussion, economic unsatisfactoriness and unsatisfactoriness are used interchangeably, unless otherwise indicated.

Unsatisfactoriness is defined as a deviation from the state of true well-being, and has two types: primary physical suffering and mental unsatisfactoriness. At time t, if an agent experiences none of these two types of unsatisfactoriness, he/she is said to be in the state of the true well-being within oneself at that moment.[41] Due to interdependency, the state of true

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[40] Unsatisfactoriness that arises from desire independent from material things, such as desire for immortality, to absorb in meditation or to have psychic power, is not economic unsatisfactoriness.

[41] Bhikkhu Bodhi, in a seminar tape, compares the concept of true well-being in Buddhism with the lowest point of the wheel that is touching the ground while the wheel is rolling. There would be only one true well-being point at a time, of which there is no unsatisfactoriness, although the point is always changing. This concept is similar to a point of stability and harmony at a moment in time in modern physics, while that point is changing continuously in complex systems.

well-being also encompasses a harmonious state between oneself and society which arises when the pursuit of one's well-being does not cause new unsatisfactoriness unto others. The continuous true well-being of an agent thus resembles both a dynamic balance within oneself, and between oneself and the system.

From the Buddhist perspective, primary physical suffering arises when an agent does not have a sufficient level of basic necessities such as food, clothing, shelter and medicine. It is unsatisfactoriness associated with the problem of poverty. The test of a sufficient level at any time is whether the agent faces a physical constraint that would deter him/her from conducting mental development activities, if desired, such as meditating or listening to dharma teachings.[42] The ability to cultivate mental development is used as the criterion to determine sufficiency because such activity is essential to realize enlightenment in Buddhism. Without adequate amounts of basic necessities, an agent would suffer from physical discomfort which could obstruct the mind from investigating the truth about oneself and phenomena.

Mental unsatisfactoriness arises when an agent has a desire for material things greater than his/her sufficient level of basic necessities. The criteria for determining mental well-being are measured by three mental factors: clarity of the mind, non-clinging, and compassion.[43] The clear mind can observe and contemplate the truth about phenomena and consequently eliminate self-delusion. Meanwhile, non-clinging and compassion substitute clinging, greed and aversion.

Because unsatisfactoriness is one type of feeling, when it arises and disappears, it is perceived directly within the mind of each agent.[44] Thus, the

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[42] We derive the four basic necessities and the test concept from the discussion in Chapter 2 (4.1)

[43] These factors also contribute to secondary healthy mental factors: enthusiasm, faith, self-respect, humility, being considerate of others, conscientiousness, non-violence and equanimity. By contrast, there are ten unhealthy mental factors: delusion or confusion, clinging, hatred and anger, conceit or self-importance, wrong view or misapprehension of things, indecisiveness or perplexity, sloth, restlessness, shamelessness, and lacking of moral dread. Abdh.92.

[44] In Buddhism, unsatisfactoriness is an unpleasant feeling, classified as a mental function. Although all physical suffering, such as pain and illness, are sensed through the living-nerve system, they are recognized by the feeling mental-function. See Chapter 2 (2.2.2) and the knowledge conditional factors discussed above.

consumption threshold of basic necessities for each agent is a subjective perception; each agent makes a personal choice-decision based on his/her constraints. Similarly, there is no objective measurement for defining the level of mental well-being.

The characteristics of unsatisfactoriness and well-being are the same for every agent. However, the conditions that satisfy the state of true well-being may differ among agents quantitatively and/or qualitatively because the conditional factors that constitute each agent may differ. Due to dynamic characteristic, the basic necessities for a particular agent may also change through time in response to changes in conditional factors.[45]

When unsatisfactoriness arises, an agent is induced to carry out actions by utilizing both internal and external conditional factors. The cessation of action thus becomes a test on whether unsatisfactoriness has been eliminated. In practice, most actions are aimed at eliminating several forms of unsatisfactoriness simultaneously. For example, we eat basic food to eliminate hunger but consume exotic food to eliminate the dissatisfaction with ordinary food caused by mental unsatisfactoriness. The primary reason that we wear clothes are to protect the body from heat or cold that could cause physical suffering and to prevent feelings of shame that bring on mental unsatisfactoriness. Wearing fashionable clothes, however, often gives an agent a sense of belonging to a group and/or projects a feeling of status. It can also eliminate fear from isolation and being judged as out-of-fashion. A Mercedes-Benz car can serve both as a convenient means of transportation and as a symbol of prestige. The convenience reduces physical pain that may occur from walking a long distance, while prestige reduces mental unsatisfactoriness that may arise from having low self-esteem.

In this framework, an economic activity, such as production, consumption or exchange, is therefore considered an attempt to eliminate economic unsatisfactoriness.[46] An economic activity arises at two stages: (1)

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[45] In this framework, therefore, the contents underlying the utility or disutility function, if there is any, always change for each individual

[46] The view that unsatisfactoriness is the driving force behind actions in Buddhist economics, can be compared to 'responding to disequilibrium awareness' in neoclassical economics Many economists

when a need or desire for some goods or services, say Y, arises and motivates an agent to seek and acquire them, and (2) when an agent attempt to secure possession over Y so that he/she can continue utilizing it.[47] The scope of economic activities in this framework thus encompasses the acquisition, protection and utilization of wealth.

Actions continue as long as an agent expects the benefits derived from possessing and utilizing wealth are worth the costs associated with those actions. The physical and mental well-being derived from the possession and utilization of wealth represent the benefits of material wealth. Conversely, costs involve any which are associated with the actions of utilizing both internal and external conditional factors such as resources, wealth, time and energy. Different actions incur different levels of costs depending on the type of actions and their surrounding conditions.

Due to incomplete knowledge, an agent does not know ex-ante, the true costs or benefits. He/she is assumed to have incomplete knowledge, while the costs and/or benefits are always ever-changing. When deciding on an action-choice, an agent can do best by subjectively estimating the total expected costs associated with actions A and total expected benefits associated with the possible outcomes O, then comparing them before taking an action.[48] The process of eliminating unsatisfactoriness is therefore one of trial-and-error and is further discussed below.[49]

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such as Hayek (1945/48), Fisher (1983) and Arrow (1959) as quoted in Boland (1986 Chapter 7), contend that the awareness of disequilibrium is 'automatic' because disequilibrium implies that an economic agent is not 'fulfilling his/her optimal plan.' Moreover, there is no methodological problem for the disequilibrium approach because the awareness of disequilibrium 'carries with it sufficient information to ensure that expectations will always revised in the correct direction.'

[47] Attachment to pleasant feeling derived from possessing and utilizing Y may create further desire for Y, which may also lead to possessiveness, clinging, misappropriation or avarice. If it leads to a series of actions such as fights, quarrels, disputes, arguments, struggles or lies, it has the potential to cause more unsatisfactoriness to oneself and/or others. See the chain of causation between craving and actions in Chapter 2 (2.2.2).

[48] This is based on the concept of 'atthannuta' or knowing the objectives of actions and what can be expected from them (A.IV.113). The practice of contemplation in Buddhism is in fact to investigate all the costs and benefits associated with an action before conducting it.

[49] See 4.4.2 and 4.4.3 below for discussion on ignorance and the trial-and-error process.

The expectations for the same action may differ among agents.[50] For example, two economic agents may perceive the costs of consuming gasoline differently although they are facing the same market price. One may consider only a direct cost to purchase one unit of gasoline, while the other's perception of cost may include the indirect costs of the whole system such as those incurred in the process of producing and utilizing that particular fuel.[51] With different cost-perceptions for one unit of gasoline, demand would differ for each agent; an agent with a higher cost-perception would demand less gasoline than the other.

In a case where an agent perceives the costs to obtain Y are greater than the expected benefits at time t, two scenarios can be expected: (1) desire to procure Y disappears altogether; or (2) an agent attempts to acquire more information to reconfirm or reject one's perception. In the first scenario, an agent accepts his/her perception of the costs and benefits related to Y, and thus he/she may no longer desire nor cling to that commodity. A non-clinging state of the mind can eliminate any mental unsatisfactoriness without the need to undertake an action. In the second scenario, the agent cannot detach from his/her desire, and thus searches for more information regarding the benefits and costs of obtaining Y.

In the case of primary physical suffering which is associated with poverty, the benefits likely mean whether life can be sustained. Therefore, the costs of any action cannot be comparable to the benefits. The problem of poverty causes not only physical suffering at the individual level, but also immorality and social disorder as discussed in Chapter 2. Without sufficient basic necessities, an agent may carry out any action to eliminate suffering, including illegal or destabilizing ones. Thus, economic activities in a Buddhist society should have a primary goal to eliminate physical suffering associated

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[50] As discussed earlier, perception is also conditioned by one's experiences through interactions with all conditional factors and the mental conditions at the time of action.

[51] There are two factors which give rise to the difference in awareness among agents—in this case an awareness of cost perceptions. They are contemplative thinking on that particular issue (an internal conditional factor) and association with friends who share common values and beliefs (external).

with poverty. It is also important that society provides the appropriate external conditional factors that can prevent an agent from undertaking actions that would cause instability in the system. The arrangement of external conditional factors is the subject in Chapters 5 and 6.

4.2 Ignorance as the Cause of Unsatisfactoriness

The ultimate cause of unsatisfactoriness is ignorance. In this context, ignorance implies having incomplete knowledge about characteristics of non-self and impermanency.[52]

With regard to the non-self axiom, ignorance can be explained as a false perception of personal belonging based on self-delusion. An agent misperceives that internal conditional factors—such as the physical body, ideas, consciousness and wealth—belong to oneself. However, as based on the axiom, they are merely acquired through the process of internalizing external objects; a result of interaction among conditional factors. They do not absolutely nor permanently belong to him/her. Belonging is true only at the conventional level in which we assume that, say, this wealth belongs to this person at this point of time. In absolute reality, there is no real owner of the properties.[53] The false perception of personal belonging gives rise to greed and hatred.[54]

In consideration of the impermanency axiom, not accepting the dynamic characteristic of conditioned things causes clinging. It is virtually impossible for an agent to completely control change due to the complexity of interdependency and the limitations of knowledge. Wealth can be gained or lost, jobs can be created or demolished; it all depends on the interaction

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[52] Ignorance causes rebirth, desire and clinging. Because an economic agent is reborn, he/she is subject to primary physical suffering such as sickness, ageing or dying. Further, desire of and clinging to material wealth causes mental unsatisfactoriness. See Chapter 2 (2.2.2) for the causal mechanism among ignorance, rebirth, desire, clinging and unsatisfactoriness.

[53] If an economic agent is the real owner of say the physical body, then he/she must be able to stop it from changing. Because the physical body, ideas, status, wealth, etc. arise and change through the process of interaction, they do not then belong to anybody in particular from the absolute reality.

[54] Greed is characterized by a desire for pleasant feelings or clinging to favourable conditional factors, both internal and external. Hatred is characterized by a desire to end painful feelings or rejecting unfavourable conditional factors.

among conditional factors. If an agent understands and accepts the dynamic characteristic, there will be less desire and less clinging; unsatisfactoriness can be prevented and/or ended.

Ignorance about these two axioms implies that the agent does not have complete information about the interdependent causal relationships among conditional factors. Incomplete information in this regard leads to actions that can have unpredictable results which are beyond one's comprehensible knowledge. Under the law of karma, actions that cause harm to others will not only create mental unsatisfactoriness such as restlessness at the present, but also will result in similar harm to an agent in the future. An act of killing living-beings may lead to being killed, although it may not necessarily occur in exactly the same way because of the modifiability of karmic actions.

Under the knowledge constraint, the process of eliminating unsatisfactoriness is a process of trial-and-error, along which an agent accumulates more experience and greater understanding.[55] An agent may make mistakes by conducting actions that cannot eliminate unsatisfactoriness which is already present, and they may also cause that which is new. He/she, however, can gain knowledge by observing causal patterns of past experiences, then applying that knowledge in choosing present actions for benefits in the future. He/she can also assess the outcome of his/her actions by observing changes in internal conditional factors. The assessment of such outcomes is analyzed in the next sub-section.

4.3 Possible Outcomes from an Action

In Buddhist economics, an agent experiences unsatisfactoriness, conducts karmic actions and observes outcomes directly with his/her body and mind. As an agent interacts with external environments, each karmic action affects others and potentially causes numerous outcomes. The results of karmic actions may ripen immediately or may take a very long time to develop.

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[55] Ignorance conditions mistakes when making a decision on action choices. Because all karmic actions are said to have ignorance involved, *mistakes* are made during a decision-making process. It is called a mistake in the sense that the result of that action does not bring true benefit to oneself and others as one expected. In Buddhism, the only way to cease ignorance completely, in order to make the right decision on action-choices, is to follow the Noble Eightfold Path.

Therefore, with interdependency, it is difficult to observe all the effects or outcomes resulting from one action in a complex system. What one can observe is only the direct impact on an economic agent, whereas one can predict only the direction of the outcomes at the system level.

4.3.1 The Impact on an Economic Agent

We must first clarify that it may be possible for an economic agent to eliminate unsatisfactoriness at any moment in time within a dynamic and interdependent system. The characteristics of the process of interaction demonstrate that the present action can influence the causal mechanism of unsatisfactoriness. If the causation process was entirely linear in time, then every event and phenomenon would be deterministic. Everything would be determined by past actions and there would be nothing an agent could do to change the result. In contrast, if the process was entirely cross-conditional in the present moment, there would be no relationship from one moment to the next; all events would be random. Fortunately, because the two modes of interaction work together, it is possible for the present action to alter events and phenomena that may arise as a result of actions in the past.[56]

In any interaction with external objects, an economic agent can directly and unmistakably observe his/her own feelings resulting from interaction. Therefore, the possible outcomes of any action are evaluated in terms of an agent's feelings. An economic agent can experience the results of action directly as painful feelings (unsatisfactoriness), or as joy and pleasant feelings (satisfactoriness). From the agent's perspective, there are four patterns of potential outcomes arising from a karmic action.[57] They are:

(a) causing more unsatisfactoriness now and in the future;

(b) eliminating unsatisfactoriness now, but causing unsatisfactoriness in the future;

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[56] This marks the modifiability of karma. See Chapter 2 (2.2.1) for the discussion of this issue and also Thanissaro (1996). In his book "The Buddha and His Dhamma," Dr. B. R. Ambedkar (1891-1956) has based his understanding on the law of karma in this way and rejected the traditional teachings in Hindu society which justify untouchability (Queen 1993).

[57] M.46

(c) causing unsatisfactoriness now, but preventing unsatisfactoriness that may arise in the future;

(d) eliminating unsatisfactoriness now and in the future.

The first outcome occurs when an economic agent conducts an unwholesome action but cannot cease unsatisfactoriness in the present, thus he/she still experiences pain and grief. The second outcome occurs when an agent conducts an unwholesome action and eliminates unsatisfactoriness in the present, thus he/she feels pleasure. As discussed earlier, however, the unwholesome actions cause conflict between the well-being of an agent through time and with others. Therefore, they will cause unsatisfactoriness for that agent in the future.

The third outcome occurs when an economic agent abstains from unwholesome actions or conducts wholesome actions, but he/she may feel pain from doing so or the unsatisfactoriness does not cease immediately.[58] The fourth outcome occurs when wholesome actions eliminate unsatisfactoriness immediately. The wholesome actions can eliminate unsatisfactoriness without conflicting with the well-being of oneself in the future, nor the well-being of others both now and in the future. They also enhance the well-being of either an economic agent, others, or both, now and/or in the future. Therefore, they have the potential to prevent unsatisfactoriness from arising in the future.

From the four possible outcomes of actions, we can infer that some individuals may gain immediate pleasure from conducting unwholesome or wholesome actions, while others may feel pain when conducting similar actions. Although unwholesome actions always ripen as painful feelings and wholesome actions ripen as pleasure in the future, there is no guarantee that an economic agent will always act with foresight. An economic agent is likely to undertake rational action only if he/she believes that the short-term benefit is less worthy than the long-term benefit in pattern (b), and the long-term benefit can offset the short-term cost in pattern (c). The differences among economic agents about their feelings and expectations of action-results are

[58] For example, an alcoholic stops drinking, or a parent sends a child to a pre-school.

determined through the conditional factors which they experience. The conditional factors are not only the constraints that limit their choices of actions, but also the situations that affect the outcomes of the actions.

4.3.2 Directional Prediction of Outcomes within a System

As explained previously, the process of interaction illustrates the impact of an action within the dynamic and interdependent system. Each action is significant not only from an economic agent's perspective, but also within the context of an entire system. As the present action can alter interconnected karmic forces of past actions, it can thus change the interrelationship among conditional factors.

Each action has the potential to cause either disturbance or stability to the interrelationships among economic agents. From the third axiom, the majority of economic agents in society are assumed to be ignorant, hence unsatisfactory. By its nature, unsatisfactoriness gives rise to actions. An action that causes and induces unsatisfactoriness over space and time creates more disturbance, while an action that ceases and/or reduces it creates stability within the system. Either disturbance or stability in a system will eventually revert to an economic agent, and cause or eliminate unsatisfactoriness in the future.

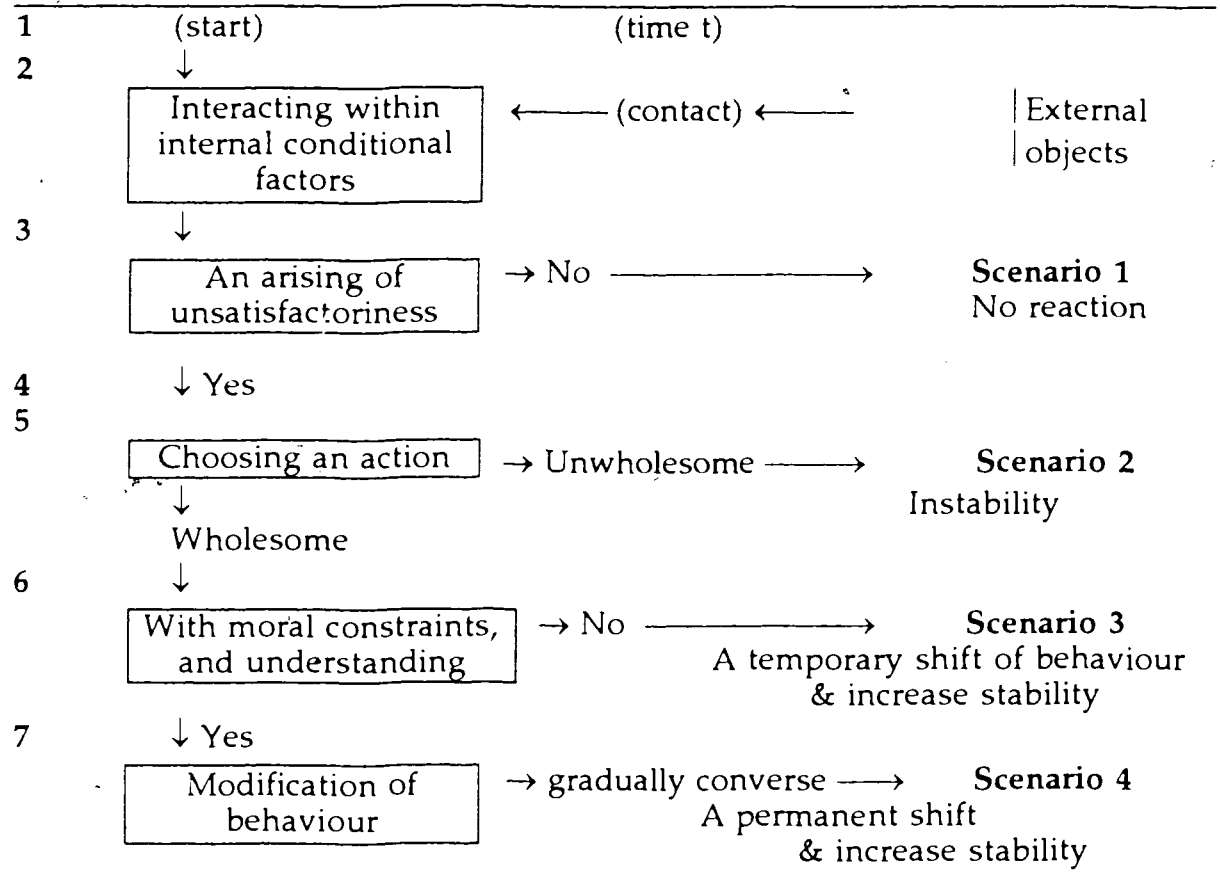
In practice, however, individuals cannot completely control the impact their actions have on the system. Disturbance, or harmony, arises as a result of interaction among all conditional factors, many of which are beyond the knowledge and ability of an agent to comprehend. In an interdependent and complex system, it is difficult to precisely assess the magnitude of each action's results, especially on external conditional factors. There can be infinite combinations of possible outcomes from an action which are manifested by changes in the conditions of interconnected system. Therefore, we can predict only the direction of the likely outcomes from any action as follows:

(i) Actions that increase unwholesome factors will cause more unsatisfactoriness and more fluctuations, and may eventually lead to chaos in the system.

(ii) Actions that decrease unwholesome and increase wholesome factors will eventually reduce unsatisfactoriness and increase stability and order in the system.

Combining the four possible outcomes at the economic agent's level and the two possible directions at the system level, we can derive four scenarios of outcomes from any action. They are: no reaction, fluctuation, a temporary shift and a permanent shift with stability. Figure 4.2 summarizes the four possible directions of outcomes.

Figure 4.2: Directions of outcomes from karmic actions



The process follows seven sequential steps.

Step 1: The process of interaction for an action begins with a contact between an economic agent and external objects at time t.

Step 2: A new input enters the internal processing mechanism through the sense-based faculties, then interacts with the internal conditional factors.

Step 3: If the contact does not cause unsatisfactoriness, no action arises (**Scenario 1**).

Step 4: If the contact causes unsatisfactoriness, an agent will search for an action-choice to eliminate it via the interactions among internal conditional factors.

Step 5: If an agent decides to conduct an unwholesome action, it may or may not eliminate the present unsatisfactoriness. However, it will cause more unsatisfactoriness in the future. Therefore, it will eventually lead to instability and fluctuation in the system (**Scenario 2**).

Step 6: A wholesome action is undertaken. If an agent has a habit of carrying out unwholesome actions, it may not eliminate unsatisfactoriness of that agent at that time, but will prevent any further disturbance to arise in the system. But if an agent has a habit of conducting wholesome actions, it will eliminate the present unsatisfactoriness. In either case, it will eventually lead to stability in the system (**Scenario 3**).

If this wholesome action appears to be a shift in behaviour of the agent, and there are no moral constraints on both internal and external conditional factors, the shift will appear to be temporary.[59] That is, he/she may not employ the same wholesome action to eliminate similar unsatisfactoriness in the future.

Step 7: If the action is wholesome and appears to be a shift in the behaviour of an economic agent with respect to the moral and knowledge constraints, especially in internal conditional factors, the shift of behaviour will be permanent (**Scenario 4**). He/she will employ the same wholesome action to eliminate similar unsatisfactoriness in the future. His/her wholesome actions will eventually increase the stability of system.

Consider steps 6 and 7; the moral and knowledge constraints are critical in creating and maintaining stability in the system. There are two reasons for this. First, the trial-and-error process of eliminating unsatisfactoriness implies there is a possibility that an action can cause more disturbance than harmony

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[59] External moral constraints are legal considerations, social values and spiritual conditional factors

within the system. For the benefit of both an economic agent and society as a whole, it is thus necessary to have constraints on actions.

The second reason is that the only two factors that an economic agent can control in this framework are intention and action as discussed earlier. At the beginning, the external constraints on moral and knowledge can induce an agent to change behaviour. Once an agent completely internalizes the external moral and knowledge constraints by habitually respecting the constraints in any behaviour, he/she can instinctively use them to choose actions that can effectively eliminate unsatisfactoriness. These constraints are discussed as Buddhist principles of actions in Section 5.

To summarize, the positive theory of Buddhist economics comprises three fundamental axioms. These axioms explain human nature as having unsatisfactoriness and undertaking an intentional action to eliminate it. Unsatisfactoriness and action arise via the process of interaction among conditional factors. The process has two modes of interaction which create a complex, ever-changing and interdependent system. Because of ignorance, however, the action may or may not end unsatisfactoriness at the present, and may prevent or create new unsatisfactoriness in the future. From the system perspective, an action of the ignorant agent also has a potential to increase instability in the system.

5. The Principles of Economic Activities

The normative part of Buddhist economic theory aims at finding an effective way to allocate limited resources in order to achieve a Buddhist goal of life. A normative theory is constructed based on the concept of right livelihood. As discussed in Chapter 2, right livelihood has three characteristics: (1) it is based on the right view, (2) it is consistent with the Buddhist ethical system, and (3) it leads to both material well-being and mental development. Thus the goal of economic activities is envisioned, based on the Buddhist view of economic phenomena as discussed above as the positive theory. In turn, the effective means for achieving that goal is derived from the Fourth Noble Truth which

forms the basis of Buddhist ethical principles. The means in the normative theory is Buddhist ethical constraints on making economic action-choices.

At the individual level, the goal of economic activities is to effectively eliminate unsatisfactoriness subject to internal and external constraints within the dynamic and interdependent system, while eventually leading to the ultimate goal, enlightenment. The effectiveness of any action is measured by how effectively it ends the present unsatisfactoriness without causing new unsatisfactoriness to oneself and/or others. In turn, the goal at the society level is to provide favourable external conditions, which can assist its members to reach their individual Buddhist goals. Favourable, in the sense that the external conditional factors can facilitate both an effective end to unsatisfactoriness and a cultivation of mental development.[60]

Due to incomplete knowledge, an economic agent's actions may not, however, be effective. Ineffective actions have a tendency to cause instability within the system. Given the circular characteristic of the system, any disturbance caused by an agent has the potential to generate more unsatisfactoriness for him/herself. Instability in the system creates further uncertainties upon the agent. More uncertainties make it more difficult for an ignorant agent to make the right decision in ending unsatisfactoriness effectively. Hence, more ineffective actions may be undertaken, and new unsatisfactoriness may arise accordingly. It is thus important that each action must proceed in the *right direction* along the process of interaction: the direction that leads to the effective elimination of unsatisfactoriness at the present as well as enlightenment in the long-run.

To achieve the above goal with limited resources, it is therefore necessary to have a guideline for making a choice of action. Based on the Buddhist teachings, the normative theory first suggests a criterion for selecting the cost-effective action among all available action-choices. To assist an agent in choosing the cost-effective action and moving towards enlightenment, the theory also recommends a set of principles of actions. Sub-sections 5.1 and

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[60] As discussed in Chapter 2 (2.4.1), favourable external conditions are required to enforce and maintain order in the system

5.2 discuss a cost-effectiveness criterion, and the principles of economic activities, respectively.

5.1 The Cost-effectiveness Criterion

By definition, an effective action must eliminate present unsatisfactoriness completely, while not causing new unsatisfactoriness to oneself or others in the future. As discussed earlier, the cessation of unsatisfactoriness is marked by physical and mental well-being derived from the possession and utilization of wealth. It is conceived as the benefits arising from economic activities. The conduct of any economic activity involves, however, at least some costs from the use of limited resources at time t. Further, because actions are undertaken within a dynamic and interdependent system, they have repercussions in both the short and long terms. The effect can be either beneficial or harmful; either ending or causing unsatisfactoriness to oneself and/or others. Therefore, the effectiveness of an action must be measured both from a long-term perspective (dynamic characteristic) and at the system level (interdependent).

The effectiveness of an action can be measured from either the benefits or the costs perspective. To be consistent with the Buddhist methodology, which focuses on minimizing costs (preventing unsatisfactoriness) within the system in the long run, we focus the analysis on the costs. In practice, an effective action should be the one that, among all of the available action-choices, incurs the least cost to both oneself in the long term and to the system as a whole. This is called the *cost-effectiveness criterion* in Buddhist economics.[61] The measurement of this criterion is threefold: (1) least costs among all available choices; (2) least costs to oneself in the long term; and (3) least costs to the system. These threefold measurements are derived from the three features of the problem respectively: (1) limited resource constraints, (2) the dynamic characteristic of agents' lives and (3) interdependency among agents within the system.

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[61] In environmental economics, costs are effective if we can produce the same amount of production with the least cost. See Pearce (1992) for example. The amount of production in the Buddhist context is the elimination of the unsatisfactoriness in question.

The first measurement is that the preferred action is one that involves the least costs among all available action-choices. The least cost measurement is required because any economic activity must utilize limited resources within the system. Limited resources are determined by the internal conditional factors (an agent's constraint), and external conditional factors (constraints at the society level). The conditional factors regarding resources can be classified into three types: natural resources, material resources and human resources. When unsatisfactoriness arises, an economic agent utilizes a combination of these resources to undertake the required actions in a process of eliminating unsatisfactoriness.

To make to best use of limited resources implies to choose the least-cost action that can provide the same level of benefits. The resource constraints define the range of action-choices from which an economic agent can choose at the time of action. Depending on the available resources, knowledge and other conditional factors, there may be several choices available that may eliminate unsatisfactoriness at that moment. Different actions incur different costs. The least cost measurement imposes a cost minimization constraint on the management of wealth and resources.

Because economic activities deal directly with transforming material conditional factors into other forms that are usable, the least cost measurement is significant in effectively utilizing limited material, natural and/or man-made, resources. In combination with two other measurements, it is considered an effective way to sustainably utilize resources. That is, to allocate resources within the physical environment based on the long-term and system perspectives.

The second measurement is based on the dynamic characteristic of the system. This aspect of cost-effectiveness ensures that an agent takes into account all of the costs incurred in the system, both at the present and in the future. It is measured by whether an action can eliminate the present unsatisfactoriness without causing conflict to the well-being of oneself in the future. The dynamic measurement considers the future costs associated with future unsatisfactoriness that is likely to arise as a result of the present action.

The dynamic characteristic is usually associated with uncertainty. Because phenomena are ever-changing and knowledge is incomplete, uncertainties exist regarding how conditional factors could change in the future. Uncertainty costs, therefore, must always be taken into account in making a decision. The process of interaction that acknowledges uncertainties within the dynamic system is moving in the right direction in terms of effectively ending unsatisfactoriness. This is because such a process has the potential to eliminate unsatisfactoriness from the point of initiation until long after the action is complete. Hence, it creates a dynamic balance for an economic agent in addition to maintaining stability in the system over the long run.

The third measurement is based on the interdependency characteristic of the system. Because of the circular nature of physical environment and the karmic-connected nature of beings, an agent's action has a more-or-less impact on both the ecosystem and other agent. It is measured by whether an action can end unsatisfactoriness without causing conflict to the well-being of others in society. It aims at preventing the costs of unsatisfactoriness imposed upon others given an agent's action, and implies that an agent should choose an action that would create a harmony between the goal of oneself and the goal of society. That is, an action should also be selected from the system perspective.

Considering the above discussion, it is beneficial for all economic agents to make action-choices based on a long-term, system-sensitive perspective, particularly given that resources are limited. Although it is not feasible for an agent or even society as a whole to calculate the true total costs associated with each and every action, the internal and external conditional factors can be used as guidelines to envisage the range of costs. Once all the possible costs are considered within given knowledge limitations and the least-cost action is chosen, then an agent can be content with the result of that action. Contentment that arises after one has made the best choice within the constraint of available resources will give rise to satisfaction and harmony

within oneself. The continuity of contentment also gives rise to a dynamic balance for that agent.

Let's take the protection of wealth as an example that is consistent with the threefold measurements of cost-effectiveness. Consider the purchase of a house. First, the property right over the house should be properly established within the legal conditional factors in order to prevent an illegal claim by others. Secondly, care should be taken to protect it from fire or similar hazards. This is to prevent unsatisfactoriness, loss of assets and the cost of reconstruction that would occur in the event that the house burnt down. Even after all possible prevention measures have been undertaken to protect the house, it can still be destroyed by other causes, such as an earthquake. Finally, insurance should also be purchased against unexpected disasters to minimize costs from a long-term perspective. Once the best protection has been prepared at the present moment, then the economic agent can be content with the decisions.

In sum, the most effective way to allocate resources in Buddhist economics can be achieved by choosing an action-choice based on the threefold measurements: least cost, long term, and system perspective. The cost-effective action is any action that incurs the lowest cost to the whole system in the long-run when comparing it to all other available choices of actions that can eliminate the same state of unsatisfactoriness. The cost-effective action can sustain a balance within the physical environment as well as a dynamic balance for and among economic agents within society.

5.2 *Buddhist Principles of Actions*

In practice, it is not feasible to measure all costs and benefits associated with an action both in the long run and from the system perspective. The dynamic characteristic of the process, the interdependency among all conditional factors, combined with the ignorance of economic agents, may lead to action-choices that are not truly cost-effective. To bring about cost-effective actions, it is thus necessary to have a guideline of actions.

The principles of actions in Buddhist economics is based on Buddhist ethical principles, which form the basis for a way of life leading to enlightenment.[62] The principles of actions can guide an economic agent to choose cost-effective actions and to foster greater understanding of the non-self, impermanency and unsatisfactoriness characteristics. In Buddhism, a complete understanding of these characteristics is a necessary condition for enlightenment.

The Buddhist way of life is a practice based on the Buddhist ethical principles. Buddhist practice emphasizes *mindfully choosing the right intention* when making a decision on action-choices.[63] In Buddhism, the intention behind an action is a vital karmic factor in determining whether an action eliminates or causes unsatisfactoriness to oneself, others or both. Intentions, whether good or bad, right or wrong, moral or immoral are underpinned by either wholesome or unwholesome roots.

An economic agent may act in a wholesome way to eliminate unsatisfactoriness by taking into account how an action can affect the environment and others in society. For example, although an economic agent X_i may be dissatisfied with his/her level of income, he/she will not commit a crime that would cause harm to others, but instead may work harder or seek part-time work to increase his/her wealth. In contrast, an agent X_j may act in a way that causes harm to oneself and/or to others; unsatisfied with the level of his/her income, he/she may decide to steal money or rob a bank to increase wealth. Stealing or robbery, however, is an ineffective action as it leads to unsatisfactoriness for both oneself and others.

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[62] See Chapter 2 (3.2) for Buddhist ethical criterion. In short, the right actions are those that lead to the well-being of oneself and others, while the wrong actions are conducive to one's own harm and/or to other's harm

[63] As discussed earlier, there are only two factors which an agent can control in this framework: action and intention. Due to ignorance, an agent's mind is tainted by greed, hatred and delusion. As a result, although an intentional action is controllable, in practice an ignorant person does not consciously and mindfully control one's intentional action, but instead let the defilements take over.

Based on the roots of wholesome actions that are conducive to both the cost-effective actions and enlightenment, a set of Buddhist ethical constraints on actions is derived. There are four principles:[64]

1. Responsibility; having confidence in the law of karma.
2. Harmlessness; abstaining from all unwholesome actions.
3. Generosity; conducting wholesome actions based on loving-kindness and generosity.
4. Discernment; purifying the mind to deepen an understanding of the causal mechanism of unsatisfactoriness.

The four principles together aim at gradually changing the moral and knowledge conditional factors of an economic agent. Responsibility induces an agent to pay more attention to one's intentional action and the outcomes of that action. Harmlessness induces an agent to reduce greed, hatred, clinging and craving. Generosity encourages a non-attachment attitude towards wealth; this attitude is crucial for the elimination of mental unsatisfactoriness. Finally, discernment induces an agent to acquire more understanding about the true nature of oneself and the system.

(1) Responsibility

The first principle, called responsibility, is to take responsibility for one's own actions. This principle is derived from the first element of right view, which is about understanding the mechanism of karma and believing that there is a result of one's actions.[65] Understanding the law of karma is equivalent to accepting the three fundamental axioms in Buddhist economics. This principle thus implicitly imposes the three fundamental axioms on the process of selecting an action-choice.

There are two aspects of taking responsibility for one's intentional actions: responsibility for the results of one's own actions; and responsibility to eliminate one's unsatisfactoriness. The first aspect is to believe that the outcome of all actions, wholesome or unwholesome, will ripen sooner or later

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[64] The four principles encompass all basic factors which constitute righteous conduct in the Noble Eightfold Path, the noble qualities of human beings, and the criteria for human development as discussed in Chapter 2 (3.2 and 4.2).

[65] See Chapter 2 (2.2.1 and 3.2)

based on his/her intentions. With such beliefs, the agent will consider the consequences of his/her actions before undertaking them and subsequently take responsibility for them. The second aspect is that the agent is responsible for the elimination of his/her own unsatisfactoriness. Considering modifiability of karma, one can alter the results from past karma through present intentions and actions. This aspect of the law gives an agent confidence in his/her ability to completely cease all forms of unsatisfactoriness, if he/she has the determination to do so. This principle is thus the basis for self-reliance in Buddhist economics, as one primarily relies on his/her own actions, such as acquiring or protecting wealth, in order to achieve well-being.

Responsibility is a self-enforcing principle for ignorant economic agents who live within a dynamic and interdependent system. A person with responsibility is fearful and shameful of the undesired results of his/her unwholesome actions because he/she knows that they cause unsatisfactoriness to oneself and others. In contrast, an irresponsible person does not believe that he/she would reap the results of his/her actions.[66] Without responsibility, he/she may attempt to eliminate his/her unsatisfactoriness by acting immorally or violently, eventually causing unsatisfactoriness to oneself and/or others.

The principle of responsibility is the basis for arranging external conditional factors to alter the behaviour of an economic agent toward the right direction. The factors include the work place, the justice system and the establishment of property rights, the taxation system and redistribution of wealth, all which are directly related to economic activities. The principle also provides the basis for decentralization in the Buddhist economic system. Economic activities should be decentralized so that each agent can observe and take full responsibility for his/her own actions. For example, to compel responsibility in consumption or production, price should be based on the true total costs of producing products. Chapters 5 and 6 discuss the external conditional factors in the Buddhist economic system.

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[66] "As long as the evil karma does not bear fruit, the fool thinks it is like honey, but when it ripens, then to the fool comes suffering." (Dhp 69)

(2) Harmlessness

The second principle, called harmlessness, aims at decreasing unwholesome factors through an understanding of the law of karma. This principle is a concrete set of ethical constraints on actions that tend to lessen stability factors both within the agent's long-term wealth management and within the system. To reduce instability, the pursuit of one's true well-being should not cause harm to others, but instead promote harmony both within oneself and within society. The principle thus leads to cost-effective economic activities because it prevents unsatisfactoriness from arising in the future.

Harmlessness is based on four elements in the Noble Eightfold Path: right thought, right speech, right action and right livelihood. In practice, it is to abstain from ten immoral conducts: (1) killing of living beings, (2) taking what is not given, (3) misbehaving in sexual pleasures, (4) speaking falsehoods, (5) speaking maliciously, (6) speaking harshly, (7) gossiping, (8) being covetous, (9) having ill-will and (10) holding wrong views.[67] In Buddhism, abstaining from these ten immoral conducts is a necessary condition to achieve and maintain a prosperous, peaceful, stable and secure society; these conditions are favourable for the practice of mental development.[68]

(3) Generosity

The third principle, called generosity, aims at increasing wholesome factors in society. This principle is based on the virtue of generosity, which promotes compassion, loving kindness and renunciation of sensual desire. The practice of generosity includes giving and sharing wealth, having humility, rendering services to others, sharing and giving out merits, rejoicing in other people's merit. Generosity is an important principle in redistributing wealth in a Buddhist society where each economic agent faces a different set of internal and external conditional factors; some may have abundant wealth while others may lack it. Because poverty has the potential to induce unwholesome actions

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[67] See Chapter 2 (3.2) for details of each action

[68] See Chapter 2 (4.1).

such as crimes, giving and sharing of wealth helps the poor sustain their lives and brings stability to society as a whole.

Giving and sharing in Buddhist economics must occur on a voluntary basis, so that an economic agent can experience the benefits of, and learn from the results of, these actions. Based on the third axiom, the process of eliminating unsatisfactoriness is a trial-and-error one. By giving voluntarily, an agent is able to decide how much is appropriate given his/her constraints, while subsequently being able to observe the results by oneself. The joy and delight from generosity will gradually allow an agent to detach him/herself from material conditional factors.

Moreover, generosity will permit an economic agent to gradually learn how to utilize wealth in the most beneficial way from a long-term and system-wide perspective. Based on the law of karma, giving and sharing will always result in receiving and sharing from others, either now or in the future. Generosity can then be viewed as an exchange between enjoying wealth in the present and the wealthy situation in the future. This tradeoff can be viewed as saving money for use in the future or insurance against possible poverty or famine over the long-term horizon in the cycle of existence.

(4) Discernment

The last principle, called discernment, attempts to increase understanding about the causal mechanism of unsatisfactoriness and the process of interaction by enhancing the agent's knowledge. This principle is based on the right view discussed in Chapter 2. It is a mechanism of error-correction within the interactive and interdependent system. The more understanding one has of the process of action, the more effective one can act and the fewer mistakes one will make.

The effectiveness of any economic action is related to the knowledge conditional factor of the economic agent. Nevertheless, in Buddhist economics, perfect knowledge of the whole system is not necessary for the elimination of unsatisfactoriness. The knowledge necessary to effectively end unsatisfactoriness is the knowledge of the axioms themselves. Understanding

the three fundamental axioms is sufficient to derive a set of actions that are conducive to dynamic balance.

The process of comprehending the axioms also enhances an understanding about the conditional factors that are related to each action within the scope of oneself. By observing the relations between actions and its results, an agent will eventually notice the factors that cause or end unsatisfactoriness. An understanding that every being is facing similar characteristics of unsatisfactoriness will induce one to conduct actions that will not cause more unsatisfactoriness to others. Moreover, understanding that all events exist as a combination of ever-changing conditional factors, interrelated with one another in a complex and interdependent way, will lead to less defilements—greed, hatred, desire and clinging. Thus, by practising discernment, an agent will be able to cultivate an attitude of non-clinging and gradually cut the link of the causal mechanism of unsatisfactoriness.

In sum, the normative theory of Buddhist economics consists of the criterion of cost-effectiveness regarding limited resources and the four principles of actions. Together they work as the Buddhist ethical constraints on an economic agent in undertaking actions to end unsatisfactoriness. They can be used as guidelines of actions both at the individual and society levels.

First, they are guidelines for selecting an action-choice at the individual level so that one can sustain dynamic balance while moving towards enlightenment. Acting based on the principles, an agent will gradually be able to enhance one's moral and knowledge conditions. By transforming his/her view and establishing confidence in the law of karma, an agent will gradually change his/her behaviour, actions, values, perception and preferences, to correspond with that view. As a result, an agent deepen one's understanding of the causal mechanism of unsatisfactoriness, and consequently a permanent shift of habit occurs.

Secondly, the principles provide guidance at the society level to arrange the external conditional factors in order to induce change in the behaviour of an ignorant economic agent towards the right direction. Actions based on these principles provide the stability that underpins economic success because

unwholesome factors that may cause harm and disorder are in check. While, at the same time, these principles also create harmony that, in return, preserves order within a dynamic and interdependent system.

6. Summary of the Framework

The basic theoretical framework for Buddhist economics comprises two parts: positive and normative. The positive theory consists of three fundamental axioms that characterize the properties of economic phenomena: non-self, impermanency and unsatisfactoriness. The axioms characterize the Buddhist economic system as complex, ever-changing and interconnected. They also describe human nature as being ignorant, while predicting that any action by an ignorant economic agent has the potential to cause instability in the system. The normative part consists of the criterion of cost-effectiveness and the Buddhist principles of actions—responsibility, harmlessness, generosity and discernment. The criterion and the principles are guidelines to encourage actions that effectively end unsatisfactoriness in the present and progress toward enlightenment in the long run.

The characteristics of the framework in Buddhist economics provide a basis for economic analysis of stability along the dynamic process. In addition, economic activities must be analyzed in the context of interactions among agents which form the connected whole. Recognizing ignorance as the root of the problem, policy implications in a Buddhist economy should be directed towards enhancing the individual's knowledge about the dynamic and interdependency of interactions within the system.

It should be also noted that this theoretical framework for Buddhist economics has incorporated the suggestions by Buddhadasa Bhikkhu and Payutto Bhikkhu (see Chapter 3: 3.1-3.2). Considering Buddhadasa Bhikkhu's viewpoint, the framework has acknowledged how beings live in nature based on the Buddhist view, and proposed the principles of actions as guidelines to live according to the law of nature. Based on Payutto Bhikkhu's suggestions, the framework has overcome the limitations of existing economic theory: (i) being based on a Buddhist holistic view of human and the world; (ii)

incorporating value and moral judgement condition into an analysis of human nature; (iii) aiming at solving the problems in physical and mental development while using a scientific analytical method; and (iv) enhancing the scope of economic activities to encompass the problems of both primary suffering and mental unsatisfactoriness.

Based on the theoretical framework described above, the study identifies the broad contours of a Buddhist economic system in the next two Chapters. The outlines of the Buddhist economic system can be divided into two parts: Buddhist economic activities and Buddhist economic institutions. Chapter 5 discusses three main economic activities at the individual level: acquisition, protection and utilization of wealth. These activities have a primary goal to alleviate physical suffering, which may arise from having insufficient material wealth. The activities that are based on the Buddhist principles aim at enhancing the agent's true well-being and progression towards enlightenment. Chapter 6 outlines the characteristics of economic institutions—market and non-market—in a Buddhist economy. The economic agents collectively create the non-market institutions, such as the firm, community and state, when they cannot resolve exchange problems via market means.

Chapter V

The Buddhist Economic Activities

Applications of the Theory at the Micro Level

Buddhism does not consider material welfare as an end in itself: it is only a means to an end—a higher and nobler end.
(Rahula 1959: 81)

Early Buddhism did in fact put together a picture of a world as a collective system.
(Tambiah 1976: 35)

1. Introduction

This chapter develops an outline of the economic activities that are consistent with the principles of Buddhist economics described earlier. It discusses wealth management that is based on an understanding of the three fundamental axioms. The focus is on economic interactions among economic agents within a system in which the primary goal is to alleviate economic unsatisfactoriness associated with poverty. It also outlines economic interactions consistent with the Buddhist principles of actions that can enhance the agent's true well-being and progression towards enlightenment—the ultimate goal of Buddhist life.

In Buddhist economics, the scope of wealth, broadly defined, encompasses anything which has market value and can be exchanged for money, goods or items with non-market value. All wealth has the basic property of being able to generate a return that can be used to end unsatisfactoriness. Wealth can be divided into personal and societal wealth. Personal wealth encompasses all internal conditional factors, such as physical, mental, moral, knowledge, behavioural and tangible assets, that can be utilized to acquire additional wealth. In turn, societal wealth encompasses all existing external conditional factors in society, such as the natural environment, man-made material things, institutional conditions, knowledge

and technological expertise. Societal wealth in general, also includes human capital—that is, all economic agents who live within the society.

In contrast, wealth, as a narrowly defined concept implies only material wealth. Personal material wealth encompasses all material wealth conditional factors, both stock and flow, that belong to each economic agent. Societal wealth encompasses all external material conditional factors—natural resources, capital and all other man-made things—that an agent can acquire and/or share among agents within society. Within this framework, unless indicated otherwise, we refer to this concept of wealth.

The fundamental axioms provide a basic understanding of the interdependent relationships in work, wealth and well-being within an economic system. Based on the axioms, the Buddhist economic system comprises two circular sub-systems: physical environment and society of beings. Within these two sub-systems, agents create and transform conditional factors through various interactions among themselves. The conditional factors comprise economic activities in general and characteristics of economic institutions in society.

Economic agents interact within a dynamic and interdependent system as they attempt to eliminate economic unsatisfactoriness; these interactions are economic activities. As discussed in Chapter 4, the primary objective of economic activities is to alleviate physical suffering and to prevent or lessen the problems associated with poverty. Economic activities that are consistent with the Buddhist principles of actions, outlined in Chapter 4, are the Buddhist means to solve the problem of poverty from a long term and system-wide perspective. At the individual level, these activities can sustain dynamic balance and progression towards enlightenment. They can also give rise to morality and enhance the condition of stability in society.

There are three types of economic activities which constitute a Buddhist economy: acquisition, protection and utilization of wealth. These activities include producing, exchanging, saving and consuming goods and services, through processes that transform natural resources and all other conditional factors. The acquisition of wealth is undertaken via the production and

exchange of goods and services. Protection of wealth is to sustain and maintain wealth within the framework of legal conditions. Utilization of wealth is the way to utilize wealth to achieve both the primary and ultimate goals. The activities are conducted within economic institutions as discussed in Chapter 6.

The chapter is organized as follows. Sections 2 through 4 outline the broad contours of economic activities in a Buddhist economy. Each section respectively discuss each type of economic activity—acquisition, protection and utilization of wealth—from two aspects. First, what are the main conditional factors that determine economic activities as suggested by the basic analytical framework. Secondly, which characteristics of economic activities are consistent with the Buddhist principles of actions.

2. Acquisition of Wealth

The acquisition of wealth comprises all the economic activities of economic agents related to earning a living—that is, the production of goods and services. They are the sources of personal wealth for an agent, which collectively, also creates wealth in society. Acquisition activities generate income basically from work and/or a combination of work and assets. Some part of income may then be transformed into stock of assets or other material goods. An agent who can support oneself lessens the burden to society, and may be in a position to help others.

An economic agent chooses wealth-acquiring actions based on the conditional factors influencing him/her, both internal and external. Because there are substantial differences in the conditional factors among economic agents, divisions of labour arise. Different conditional factors give rise to comparative advantage among agents, thus different types of work are suitable for each agents.

The division of labour is undertaken within the dynamic and interdependent system subject to limited resources and the reality that agents are ignorant—that is, they have incomplete knowledge. Considering these elements, the normative theory of Buddhist economics provides Buddhist

ethical constraints on what to produce and how to acquire wealth according to right livelihood. Sub-section 2.2 will discuss the characteristics of right livelihood, but first the division of labour is examined in Sub-section 2.1.

2.1 Divisions of Labour

In Buddhist economics, an economic agent acquires wealth by employing his/her internal conditional factors—labour, personal wealth, skill, knowledge, feeling, intelligence and intuition—within the constraints of and by interacting with external conditional factors. The conditional factors, internal and external, that are used to acquire wealth are denoted as *factor inputs*. The stock and characteristics of factor inputs at any moment are changing quantitatively and qualitatively as economic activities continually take place. The flow of income that arises from the services of factor inputs can be wages, interest or profit, all which contribute to the wealth of an agent. As noted earlier, differences in factor inputs imply the existence of comparative advantage among agents in the way they acquire wealth. Divisions of labour thus follow accordingly.

Based on the fundamental axioms, factor inputs for acquiring wealth can be grouped into three categories: (1) external factor inputs, (2) personal or internal factor inputs; and (3) the present effort within the process.[1] First, the external factor inputs encompass the conditions of the physical environment and society. The physical environment comprises the ecosystem, natural resources, man-made capital, intermediate products and all other material goods. The ecosystem includes all natural characteristics that can be used to create wealth such as land, geography, climate, wild-life habitat, and so on. The conditions of society encompass all other external conditional factors that can be used for creating wealth. They are, for example, economic and political institutional conditions, knowledge and technological expertise, social values and beliefs.

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[1] We infer these three categories from the Mangala Sutta: "Living in a good environment, having done good conducts in the past, directing oneself rightly: This is the highest blessing."

The second category of factor inputs for wealth acquisition comprises personal or internal factor inputs. Personal factor inputs encompass all the internal conditional factors—physical labour, memory, intelligence, intuition, tangible assets, morality, knowledge, skill and personality—that can be utilized to acquire more wealth. These factor inputs are the means of production that personally belong to the economic agent. Although the availability of resources, quantitatively and qualitatively, in the physical environment, determines the primary limit on the production of goods and commodities, the availability constraint also extends, to some extent, to knowledge and technology. An economic agent can also develop methods to utilize the technology and knowledge available in society such as purchasing, at market prices, the services of these factors; or acquiring new knowledge through education and training. Furthermore, an agent can employ other external conditional factors, such as market structure, social, legal and political conditional factors, to create opportunities to acquire wealth from resources.

The last category of factor inputs for wealth acquisition is the non-material conditional factor, called the present effort. The present effort is the way to apply internal factor inputs in the face of external factor inputs constraints when acting to acquire wealth. It is an important factor input due to the modifiability of karmic actions. Because economic activity is an on-going process of interaction, how the present action is conducted and its underlying intention are significant in determining the outcomes of that action. The present effort is determined by an agent's mental, moral, habitual and personality conditional factors at the time of action. In the context of productivity, an agent's attitude towards work can be positive, such as being honest, energetic, industrious and diligent, or negative, such as being deceitful, slothful and careless. The present effort that is consistent with the Buddhist principles of actions is called the right action in work. It is discussed below in Sub-section 2.2.2.

Based on the fundamental axioms, each agent has different factor inputs in the present due to their past interactions within the system. The personal factor inputs, for instance, are different among agents depending on

their present and past actions. Diligent and hard-working actions in the present and/or generous actions in the past would result in the level and quality of the agent's personal wealth conditional factor in the present.

Differences in factor inputs create comparative advantage among agents, which, in turn, generate divisions of labour in the economy. Based on different internal factor inputs, an economic agent interacts with the environment and with others in society. The interactions form one's skills, preferences and knowledge, which determine his/her occupation or profession; whether that is a farmer, a producer, a merchant, a servant, a robber, a soldier or a politician. In comparison, the external factor inputs provide both the opportunities and the limitations on the available means to create wealth. For example, an economic agent X_i who lives close to the sea-shore at time t may earn a living from the fishery, while an agent X_j living on a plain may grow rice instead. An isolated farmer X_k living with the difficulties of transportation may be forced by natural constraints to produce more varieties of products for household use than a farmer X_l who lives closer to a city at that time.

Based on the discourses, divisions of labour can be grouped into three categories: (1) producing goods, (2) assisting with the exchange of goods in the market, and (3) providing favourable conditions for individuals and society for conducting economic activities.[2] The first category includes all productive activities, and forms the supply side of the economy. Through these productive activities, an economic agent utilizes factor inputs in order to transform natural resources and/or man-made material things into goods that can be used or exchanged with others.[3] Productive activities encompass production in all economic sectors: agriculture, mining, fishery, forestry, manufacturing, construction and utilities.

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[2] These three ways are interpreted from the three main occupations in the society during the Buddha's time: the farmer, the trader and the government officer, see Chapter 2 (4.4).

[3] The primary factors in Buddhism consist of: four elements (earth, water, fire and wind) and five aggregates (body, feeling, perception, thought and consciousness). No new matter is produced but only transformed naturally or man-made into different shapes or different things during the process of interaction. Alfred Marshall (1930) referred to the activities of changing the form of matter as 'producing utilities' from resources and material things

The second division of labour category does not involve changing the form of resources or material things directly, but instead, relates to the exchanging of material goods in the market. It includes transportation, communication, trade, commerce, banking and insurance services, for example.[4] Finally, the last category encompasses all professional services which utilize personal factor inputs such as skill and knowledge, in the acquisition of income. Examples of the professional category are doctors, lawyers, police officers and soldiers, public administrators, politicians and similar occupations.

2.2 *Right Livelihood*

Actions related to the acquisition of wealth that are consistent with Buddhist principles are called *right livelihood*. Right livelihood provides Buddhist ethical constraints on production, specifying that one should take only what is needed from the system without destroying the source of that wealth. The metaphor that is commonly used to illustrate right livelihood in Buddhism is how bees suck nectar out of flowers without harming the plant. Right livelihood is the means to acquire wealth, given limited resources in a dynamic and interdependent economic system, that takes the agent in the right direction toward Buddhist goals.

Consider the two sub-systems—the physical environment and society of beings— there are two constraints that form right livelihood. First, the cost-effectiveness constraint that applies to the utilization of resources and material things in the physical environment, provides the basis for right production in Buddhist economics. Secondly, the Buddhist principles of actions describe the allowability constraints of right livelihood in the society of beings.

2.2.1 Right Production in the Physical Environment

The nature of production produces interactions between an agent and the physical environment; each action can have a negative or positive impact upon the biosphere and society as a whole that was not initially intended.

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[4] It should be noted that wealth created solely from property such as interest income or dividing share income are not alien concepts in Buddhism as long as it is generated righteously and legally

Economic activities incur costs to the physical environment because the processes of production and consumption disintegrate and transform matter and energy into a higher level of entropy. The transformation of matter, once done, is irreversible. Production activities that cause harm to natural environments can, in turn, create harm to human beings and animals in society. Production has the potential not only to change relationships between an economic agent and environment, but also to create new desire and/or unsatisfactoriness for an agent.

Due to resource limitations, the dynamic and interdependence characteristics of the system, and the incomplete knowledge of an agent, the Buddhist principles call for the cost-effectiveness constraint in dealing with natural resources and material things. The cost-effectiveness constraint leads to the most suitable action towards the moves both the agent and society in the right direction. The constraint assigns how, and how much of, each commodity should be produced. In practice, the constraint provides three guidelines for making a decision on production: (1) employ limited resources and energy cost-effectively, (2) create the least amount of waste as is possible, and (3) primarily focus on supplying basic necessities to all members in society.[5]

The first guideline states that an agent must choose an action that incurs the least possible costs to the system among all available choices. Via the process of production, an agent transforms resources and material things into other forms that can be used for alternative purposes. The principle of discernment imposes a deep awareness of what the ecosystem has provided human beings in terms of the habitat and resources available for generating well-being in human life.[6] It is to realize that economic activities are

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[5] These guidelines substantiate the concept of right production of Payutto Bhikkhu (1992). However, they differ from that of Buddhadasa Bhikkhu (1986) in the sense that society should produce only what is necessary, but not for sharing.

[6] Many Buddhist scholars classify the Buddhist ecological view as deep ecology based on its perception of interdependency of all conditional factors in the system. See Batchelor (1989), Badiner (1990) and Macy (1991) for examples. The basis for deep ecology in Buddhism is in fact exhibited in monastic rules for monks and nuns. The monks are prohibited to cut trees or destroy plants intentionally. In contrast, they are encouraged to live in the forest, in harmony with nature

dependent on nature, but also have the capability to exploit it. Because resources and energy are scarce resources in the physical environment, the right production is thus the cost-effective one.

The second guideline arises from the circular characteristic of the physical environment, which is both a resource supplier and waste assimilator. Economic activity is a process of recycling resources within the circular system. While production transforms raw materials into goods, during both the production and consumption processes, waste arises. Because of this circular characteristic, waste always goes back to the system. Therefore, it is important to maintain the availability of material conditional factors within the dynamic and interdependent physical environment for the long-term use.

The third guideline is to ensure that all members of society meet the sufficient level of basic necessities so that one can undertake the cultivation of mental development, if one wishes to do so. This guideline assigns what commodity and how much of it should be produced in a Buddhist society.

The above three guidelines together impose the minimum cost possible to produce the quantity needed for basic human survival in the community, subject to waste absorption and the renewability of the resource within the biosphere. That is, the choice of method or technology of production must have the least social cost among all choices; the production of goods should be operated with the least amount of factor inputs among all feasible choices. Finally, society should primarily aim at producing things that are necessary to fulfil the basic needs of its members—the sufficient level of basic necessities.

2.2.2 Allowability Constraints in a Buddhist Society

In Buddhist economics, the morally allowable commodity space is defined differently from other economic systems. The allowability constraint is derived from the principle of harmlessness, which emphasizes the reduction of unwholesome factors and the increase of wholesome factors during the

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and learn from it. Saving the natural environment, such as the forest, is equivalent to saving the environment that is conducive to enlightenment in Buddhism.

process of acquiring wealth. Acquiring wealth within the allowability constraint gives rise to a balance between material and mental well-being—that is, true well-being. Material well-being arises from the acquired wealth, while mental well-being arises from satisfaction which results from blamelessness.[7] Blamelessness, because an agent feels free of anxiety about being caught or having shame associated with immoral and/or illegal acts.

In practice, there are three components of the allowability constraint: righteousness regarding products, actions and persons.[8] Because the component of right persons is similar to right associations, it is discussed in the next chapter: relationships among agents within economic institutions. Here the first two components, right products and right actions, are discussed.

First, righteousness regarding products requires that an agent should take actions not to produce nor trade in products that can cause harm or have the potential to cause suffering to other human beings or animals. In Buddhist economics, there are five prohibited products and trades: (1) trading in human beings for slavery or prostitution; (2) producing and trading live animals for the purpose of killing, such as livestock, butchering, hunting and fishing; (3) producing and trading in poison, (4) weapons and (5) intoxicants. (See Sub-section 3.2.2).

Buddhism views that humans are living beings that have the potential to realize enlightenment. Slavery and prostitution not only impede mental development, but also violate human rights under the principles of Buddhist justice discussed in the next section. In turn, growing livestock for slaughter can cause unsatisfactoriness either now or in the future. The killing or simply the anxiousness about future killing, can cause immediate mental distress or

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[7] Buddhist teachings contend that there are four types of satisfaction related to wealth: satisfaction from ownership, enjoyment and consumption, debtlessness and blamelessness. Satisfaction from ownership eliminates feelings of insecurity or worry about not-having sufficient wealth to support life, while happiness from consumption eliminates physical suffering and other mental unsatisfactoriness related to material well-being. However, wealth can only generate satisfaction if an economic agent is debtless, and the way he/she acquires and enjoys wealth is blameless, that is, it is attained and used morally and legally (A. II.1.4.7).

[8] A IV 62, A.V.41, A.V.177, A VIII 54, M.117 and Bhikkhu Bodhi (1984).

painfulness in the future, when he/she reflects back on what was done in the past.[9]

Consider the case of poison and weapons that could be used in killing, threatening, criminal actions and wars. The production and selling of these products can be used to harm other beings and causes more mental unsatisfactoriness such as despair, fear, grief, sorrow and suffering. These destructive activities thus lead to instability in society. Finally, the use of intoxicants such as alcohol and drugs have the potential to cause illusions, hallucinations, carelessness and negligence, all of which may aggravate harmful actions. In a Buddhist society, the legal system should thus discourage the production and trading of these products.

Second, righteousness regarding actions states that actions should be non-violent, honest, attentive and energetic. Because violence can cause harm that leads to unsatisfactoriness to oneself and others, acquiring wealth by using violence is considered harmful. Honesty includes not practising fraud, deceit, treachery, soothe-saying, trickery and usury. For example, in sales and business transactions, products should not be presented by employing deceptive advertising, misrepresentation of quality or quantity, or dishonest manoeuvres. A premium required for the use of money, or a mark-up rate, should not be more than the rate established by law. Being attentive, workers should fulfil their duties diligently and conscientiously, not idling away their time, and not claiming to have worked longer hours than they actually have. To be energetic is to fully and diligently apply one's skill and knowledge to fulfil the duties of one's work or profession. These righteous actions are considered the positive attitude of the present effort factor input.

The effort to prevent pollution during the production process is an example of right actions in production. A producer must know the effects and side-effects of the production process which he/she undertakes. Because the producer knows the most about his/her own products and how to produce it,

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[9] Prohibition on growing livestock for the purpose of killing does not imply strict vegetarianism. Meat consumption is consistent with the Buddhist principles as long as the animals were not killed with the intention to consume its meat. For example, consuming meat of animals that die naturally is not prohibited in Buddhism

if he/she does not fully investigate the side effects of the production process, then he/she is unqualified to be a good producer. Therefore there is no ignorance in the case of pollution, only concealment of the truth. Intentionally producing pollution in the system is viewed as causing harm in Buddhism. Pollution can cause harm to the physical body of agents. It also takes the good environment from others or the next generation without permission and without paying the full price of one's actions. Once pollution is created, intentionally or unintentionally, the producer should be fined or punished to prevent similar cases from occurring in the future.

Although pollution or waste introduces costs to the system, there is also a Buddhist concept of optimal pollution in terms of the least cost pollution. To deal with the pollution, the relevant agents may merge and decide to minimize total costs among themselves. In that case, the agents may reach the level of optimal pollution for the relevant agents. However, because of incomplete knowledge, we still not know the true costs to the environment, which can tell us the full social costs. Considering the right production, the optimal pollution level in Buddhist economics is thus the level of production just needed to meet the level of basic necessities of all members in society.

3. Protection of Wealth

The second wealth managing activity is the protection of wealth. For an economic agent who has earned wealth through diligent effort and hard work, the next issue is how to protect his/her wealth to prolong the enjoyment and benefits accruing from it. Protecting wealth is an action that prevents unsatisfactoriness from arising due to the unexpected, unintentional and/or unknowing loss of wealth, within the legal conditions set forth by society. Thus, it is an attempt to maintain the benefits derived from wealth over a long-term horizon, in what we call Buddhist sustainable wealth management.

Living within constantly changing conditional factors, there are many reasons for an economic agent to prepare for unexpected situations. External conditional factors that may affect personal wealth include: natural disasters,

fire hazards, theft, ill-disposed heirs who may destroy it and wrongful seizure by the state (See Chapter 2: 4.2.1). For example, bodily strength and the state of one's health may change depending on changes in weather, nutrition or medicine. As strength and health are main conditional factors in acquiring wealth, their changes have indirect effects on the management of wealth. The level of income may also change due to economic recession or political instability.

The conditional factors that are directly related to the protection of wealth are the principles of justice in a Buddhist economy. The principles of justice provide the basis for developing the basic structure of a Buddhist society through the establishment of ownership rights and legal conditional factors. The principles of justice are critical not only for protecting wealth, but also to provide the foundation for the principle of fairness, which is used to allocate and distribute resources in society. Sub-section 3.1 discusses the basic principles of Buddhist justice.

The limitation of material resources in the physical environment and uncertainties over the long-term horizon necessitate sustainable wealth management in a Buddhist economy. The Buddhist concept of *sustainable wealth management* is defined as the maintenance of material wealth in the long run within an ever-changing interdependent system, with the objective to sustain the availability of limited resources. Sub-section 3.2 discusses the way to sustainably manage wealth in a manner consistent with the principles.

3.1 Justice and Ownership

The justice system is necessary to protect every member of society from injustice or oppression from any other member. In "The Theory of Justice," John Rawls (1971: 60-90) states that justice is the first virtue of social institutions and the principles of justice are "to govern the assignment of rights and duties and to regulate the distribution of social and economic advantage." Economic activities related to the sustainable management of wealth are directly linked to the structure of the justice system in society.

In the economic system where many factors interact with one another in complex ways, stability and security in society cannot be achieved naturally through the karmic actions of ignorant economic agents. In the Buddhist economy, the state has a duty to maintain stability and order in society by providing lawful protection and safety, and by not allowing wrongdoing or crimes to prevail in society; the role of the state is based on the principles of justice.

3.1.1 Basic Principles of Buddhist Justice

The principles of justice in a Buddhist economy are inferred from the fundamental axioms and Buddhist principles of actions. There are three basic principles in Buddhist justice: (i) equality of enlightening opportunities for all; (ii) inequality of possession; (iii) the right of ownership with moral limitations.[10]

(1) The Equality of Enlightening Opportunities

The first principle of Buddhist justice states that each economic agent has equal opportunity to attain enlightenment, which is the Buddhist goal of life. The principle of responsibility provides a basis for an equal opportunity to attain enlightenment among all human beings. Under the law of karma, everyone is equal naturally, regardless of nationality, wealth, race, status, or religious beliefs, because the law operates in the same way for all beings (Falk 1990; Green 1990; Reeder 1990). Based on this equality, the teachings contend that anybody who follows the Noble Eightfold Path diligently and mindfully will be able to attain enlightenment in this life.[11]

The equality of enlightening opportunities implies two equalities in a Buddhist society: the equality of political participation, and equal access to security. First, each individual has equal opportunity to participate in political activities. Based on the Buddhist genesis, the process of selecting a ruler in a Buddhist society is characterized as democratic and through public consent.

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[10] The inference of these three principles are mainly based on the discussion by Green (1990), Reeder (1990), and Wilson (1991).

[11] For example, D.22 (Mahasatipatthana Sutta).

Because the conditions of society can be conducive or obstructive to the cultivation of mental development, each individual thus has an equal right to participate in the design of the structure of society for one's own benefits along the Path.

Secondly, the equality of enlightening opportunities provides a basis for equal access to security; this includes economic security. Security in society is a necessary for the individual to undertake the practice of mental development. This equality implies the freedom to live without fundamental insecurities that threaten the agent's existence such as poverty, famine and disease (Sivaraksa 1992). Security of personal possessions provides the basis for protection over property, which is related to the third principle of justice.

In particular, equal access to economic security in a Buddhist economy implies that each agent has equal access to basic necessities which are necessary physical conditions to cultivate mental development. As discussed earlier, an insufficient level of basic necessities is an obstacle to acquire knowledge about the Truths and to practice along the Path. It can also lead to instability in society which is distractive and disruptive for the practice of mental development. To provide equal opportunity to cultivate the mental development, is equivalent to providing equal access to basic necessities for each member in the community.

(2) The Inequality of Possession

The second principle justifies the inequality of personal possessions including all internal conditional factors. As the fundamental axioms suggest, each agent is an aggregation of, and living within, a different set of conditional factors. Because lives in the cycle of existence have continued for a very long time, it is consistent with the law of karma that there are inequalities in the level of possessions for each economic actor in accordance with their past actions. For example, present wealth is a sign of virtue in the past (Falk 1990). The inequality of possession is justified because the law of karma operates in the same way for all beings; those who do good deserve good results and vice versa. Possession here includes the physical body, wealth,

morality and virtues, and the knowledge conditional factors. The components of mental conditional factors, however, are the same for all economic agents.

The principle of inequality of possession provides a basis for justifying comparative advantage and encouraging the practice of generosity in a Buddhist society. First, each economic agent chooses a profession or work through their own volition which is based on personal conditional factors. Comparative advantage is a natural result of the difference among the agents' constraints and choices. Secondly, accepting the mechanism of the law of karma, an agent who is in, for example, a wealthy position, understands that this position is a result of past generosity. In addition, having pride in one's advantageous situation is said to lead to degeneration of oneself (See Chapter 2: 4.4, the *Buddhist genesis*) Therefore, to maintain the continuity of a wealthy situation, generous actions toward others must be practised.

(3) The Right of Ownership with Moral Limitations

The third principle of Buddhist justice states that each agent is entitled to the right of ownership within the moral limitations of society. In a Buddhist economy, the sense of ownership and the establishment of property rights are the fundamental bases for the protection of wealth. If there was no sense of ownership, there would be no need to protect wealth. If there was no clear establishment of property rights, it would be difficult to protect wealth in society. The principle of responsibility provides the basis for the establishment of ownership and explicit property rights.[12] Based on the principle, each agent has a natural right to hold, use and derive the benefits from the broadly defined concept of personal wealth, as long as he/she attains and uses it in a non-harmful manner

In a Buddhist economy, an assignment of private property right does not imply absolute ownership of that property. Based on the principle of harmlessness, the right of ownership is limited in the sense that the acquisition, possession and utilization of that property must be legal, moral, non-harmful and non-violent. Due to ignorance, an agent may conduct

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[12] Tambiah (1976) and Green (1990), for example, argue that Buddhist ethical norms permit the possession of private property on the part of the laity. See Chapter 3 for a review of this literature

actions based on unwholesome factors such as hatred, resentment, envy, greed, avarice and malice. These unwholesome factors can prompt an agent to violate property rights, thus causing harm to the physical environment and/or others beings in society.

In this framework, the moral limitations on property rights applies to one's personal conditional factors such as the physical body, family, material wealth and personal knowledge. That is, an economic agent has the ownership right and the right of control the means of production, but within the moral limitations of society. An agent has an ownership right over one's physical body because his/her actions in past lives have ripened and resulted in rebirth as a human being. Killing or causing harm on any other physical body thus violates the right over the physical body of the victimized individual.[13] This principle is similarly applied to property rights over one's family relationships, personal material wealth and knowledge. An agent may have righteously utilized personal factor inputs such as labour, time and assets to establish a family or to acquire and possess material wealth and knowledge, therefore, the agent has a natural right over his/her possessions.

The moral limitation on property right implies that an agent has equal opportunity to explore his/her potential, or to seek any opportunity or goals in one's life as long as the actions are non-harmful and non-violent. This feature of moral limitations characterizes the Buddhist justice as *commutative justice* which is rooted in the fundamental moral prohibition against harm (Wilson 1991: 243-6). For instance, the private ownership over land must be assigned based on righteous means of acquisition, and be maintained as long as the use of land is in accordance with the moral and legal conditions in society. It is, thus, necessary to establish well-defined property rights and ownership in society, as well as the legal conditions that can effectively enforce the duties to respect the property rights. An establishment of well-defined property rights and the effective legal system are therefore essential conditions for security in a Buddhist society.

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[13] An abortion which is an act of killing a sentient being, is viewed as a violation of the right over one's physical body. Thus, an abortion is prohibited in a Buddhist economy.

3.1.2 Implications of the Basic Justice Principles

There are at least three implications that can be inferred from the set of basic principles of Buddhist justice discussed above. First, all economic agents have equal freedom and the right to choose any action to eliminate unsatisfactoriness, as long as the method does not cause conflicts with the well-being of others. The principles of Buddhist justice imply that right or wrong is justified on the basis of the actions one uses as the means and methods to achieve the expected goals. Because the action is justified based on the means, the Buddhist justice also has a characteristic known as *procedural justice* (Reeder 1990).[14] Procedural justice provides an incentive for an economic agent to choose wholesome actions in pursuing one's goal.

Secondly, the principles of justice provide the basis for distributive justice, or, fairness in the allocation of income and wealth in a Buddhist economy. With uncertainties in the long-term cycle of existence, the *fair* distribution and allocation of resources in a Buddhist society is to alleviate primary physical suffering of those who are in most need.

The Buddhist concept of fairness is inferred from the mechanism of the law of karma and the Buddhist principles. Recall that the mechanism of the law of karma, including the rebirth hypothesis, explains that the economic agent will continually be reborn in future lives if he/she is not enlightened. That is, in the short run, or one life-time, we are all dead, but in the long run we are reborn again. And because the karmic force is so complex, an agent could not be certain what type of situation or life he/she will be face in the near future of this life or in future lives. Due to the uncertainty and ignorance surrounding the future, combined with confidence in the law of karma, an agent should therefore choose an action that gives rise to a result that he/she can accept if his/her position in society changes or becomes reversed.

As the Buddhist principles indicate, the main objective of justice in the Buddhist economic system is to minimize harm or unsatisfactoriness which would arise from any actions of the economic agent. Those who are deprived of sufficient basic necessities are least likely to be able to conduct and achieve

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[14] See also M.126

mental development; they also have high potential to create instability and harm in society just to meet their basic needs. Hence, to reduce potential harmful actions in society, a policy regarding redistribution of income should give priority to this group of agents by improving their economic conditions. Under these circumstances, it is therefore *fair* in a Buddhist economy to redistribute resources in a way to alleviate primary physical suffering of those who are in need. The role of society, especially the state, in assisting the poor is discussed within the scope of the social welfare program in Chapter 6.

The last implication is the broader concept of moral limitations on property rights in the ecosystem. There is a question of how to assign an *exclusive* property right over natural common resources such as forests or rivers. In Buddhism, all beings including human beings, have equal rights within the natural system; no being has an exclusive natural right that takes precedence over the co-existence of other beings. Therefore, it must be recognized that to define an exclusive property right over some territory is merely an action conducted by human beings. It is not necessarily recognized by all other co-existing beings.

Buddhism views that most beings that live within the natural system take only the necessary amount of resource for their survival, not desire. To respect the rights of all other beings, human beings should thus extract from the system in the same manner: to produce and consume only basic necessities. Deforestation or pollution caused by greed is an example where the property rights of the natural system are violated. In a Buddhist economy, excessive exploitation of natural resources, or excessive pollution should then be sanctioned by some institutional arrangements (see Chapter 6).

3.1.3 A Comparison with Rawlsian Justice

The characteristics of Buddhist justice outlined have some similarities with the principles of Rawlsian justice. There are two basic principles of Rawlsian justice.[15] The first principle, the principle of equal liberty, states that each

[15] The discussion of the principles of Rawlsian justice here is based on Buchanan's (1980) "A Critical Introduction to Rawls' Theory."

person is to have an equal right to the most extensive total system of equal basic liberties compatible with everyone else having an equal right to the same total system. There are six basic liberties in Rawls' theory: freedom of political participation; freedom of speech; freedom of conscience; freedom of the person; and the right to holds personal property.

The second principle comprises two parts: the difference principle; and the principle of fair equality of opportunity. The first part states that social and economic inequalities are to be arranged so that they are to the greatest benefit of those who are the least advantaged. "Social and economic inequalities" in this principle refers to the inequalities in each person's prospects of obtaining the primary goods of wealth, income, power and authority. In turn, the "least advantaged" refers to those persons who have the lowest prospects of gaining these goods.[16] The second part of this principle states that social and economic inequalities are to be attached to the offices and positions which are open to all under the conditions of fair equality of opportunity.

According to the method of Rawls, the principles of justice are derived by asking, what distribution of resources would be rational to choose if one were ignorant of the group or generation one would belong to after the distributive principles have been decided. Rawls denotes this set of informational constraints as "the veil of ignorance." Based on the two principles, the distribution of wealth and income need not be equal, although it must be to everyone's advantage. However, the positions of authority must be accessible to all. Rawlsian fairness or equity gives rise to the policy which minimizes harm to those least advantaged people; the maximin principle.

In general, the principles of Buddhist justice are quite similar to the Rawlsian principles. However, they differ in two important respects. First, although the equality of opportunity and the individual's right to hold property in Buddhist justice are generally similar to Rawls' concept of equality of liberty and opportunity, they differ in the sense that Buddhist justice has

[16] Buchanan (1980: 11) denotes this type of person as, "the representative worst-off man."

moral limitations that are based on the principle of harmlessness. That is, the six basic liberties in Rawlsian justice are morally limited in the Buddhist one.

Secondly, although both justice systems accept the inequalities of possession, the inequality in Rawlsian justice has to be arranged based on the maximin principle. In contrast, the inequality in the Buddhist justice is ingrained in the structure of society because of the interactions among beings. In a Buddhist economy, inequality should be adjusted to some extent to assure the equality of access to basic necessities for all. The Buddhist means of adjustment comprises the redistribution of wealth via generosity of the well-off and/or a social assistance program organized by the state.

Within the second respect, the maximin principle of Rawls is also similar to minimizing harm or unsatisfactoriness in the Buddhist principles. However, the average worst-off person in Rawlsian justice is viewed as having the least advantages for attaining the primary goods of wealth, income, power and authority. In contrast, the worst-off position in Buddhist justice is measured by a deprivation of sufficient basic necessities. In Buddhism, power and authority are not necessary conditions in cultivating mental development; they are rather the objects of attachment.

It should also be noted that the Rawlsian method of the veil of ignorance is similar to the mechanism of the law of karma in the sense that a set of information is constrained by uncertainties about the future. They may be differ only in that the law of karma is the natural law governing the causes and effects of beings' actions, while the method of the veil of ignorance is a hypothetical one.

3.2 Sustainable Wealth Management

Sustainable wealth management consistent with the Buddhist principles of actions can be achieved through four methods. First is to maintain material conditional factors at or above the level at present for the individual and/or society. Second is to take a risk averse position towards uncertainty. Third is

to base the legal conditional factor on the principle of harmlessness. And fourth is to consume wealth based on needs, not desires.[17]

The first method directly aims at maintaining the availability of material resources, both quantitatively and qualitatively. The second method is to prepare for unexpected situations in an ever-changing system. These two methods form the Buddhist concept of sustainable wealth maintenance within the physical environment; they are discussed in 3.2.1. The third method is a guideline for the legal conditional factor which directly affects the way economic agents protect wealth in society, as discussed in 3.2.2. The last method forms the concept of sustainable wealth utilization; it is discussed as balanced livelihood in Chapter 4 as the utilization of wealth.

3.2.1 Sustainable Wealth Maintenance

In Buddhist economics, sustainable wealth maintenance is the Buddhist method to protect wealth in the physical environment. It aims at maintaining the natural and material conditional factors at the present level or higher, quantitatively and qualitatively, within the technology and knowledge constraints. In practice, the methods are: to renew the renewable resources we have used, to search for the new locations of non-renewable resources, to seek out what is lost, recycle product materials, and repair things to prolong their use. Basically, it is the utilization of all possible tools and methods to protect wealth in the long run.[18]

It is also important to understand that impermanency means any situation can change in various ways. An agent who is subject to some uncertainty about what will actually happen, will have difficulty avoiding risks due to the nature of the continuously changing conditional factor. Thus, from

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[17] We infer these four methods from two discourses. The first discourse suggests four ways to maintain wealth: (1) seeking for what is lost, (2) repairing what is worn out, (3) moderation in spending, and (4) giving an authority to a virtuous person to manage wealth (A.II.249). Another discourse points out some activities that can destroy the amassed wealth: debauchery, drunkenness, indulgence in gambling, association with immoral persons. In turn, abstaining from these actions can increase wealth. See Chapter 2 (4.2-4.3).

[18] The protection of wealth in this manner forms a Buddhist concept of *frugality*, to make the best use of existing things. Frugality is a cost-effective action choice to consume material things in the interconnected system.

an agent's perspective, attentiveness or watchfulness is an important means to protect and sustain wealth. One condition of attentiveness is to take a risk-averse attitude towards protecting wealth against uncertainties, such as buying necessary insurance against possible disasters. For example, to buy necessary types of insurance to cover for life, home and automobile, health care costs, etc. This risk aversion attitude is also compatible with the cost-effectiveness criterion of action. It aims at minimizing all expected costs over a long-term wealth management horizon.

The Buddhist method to protect wealth in the physical environment is quite similar to sustainable development. In general economics, the concept of sustainability is based on inter-generational equity, and can be defined as the maintenance of environmental capacities which at least give future generations the opportunity to enjoy a measure of environmental consumption equal to that of the present generation (Jacobs 1993). Buddhist wealth maintenance also aims at maintaining the quality and quantity of wealth, personal and societal, so that future generations can enjoy the same or higher level of wealth as the present generation. Based on the rebirth hypothesis and the law of karma, it is possible for each agent to be reborn as a human being again right after his/her death. Therefore, maintaining the continuity, quality and quantity of wealth, especially societal wealth, is essential in one's long-term wealth management.

In Buddhist economics, the goal is not only to maintain wealth at the present or a higher quantity and quality, but the method must also be righteous as defined by the Buddhist principles of actions. Based on the principle of responsibility, activities regarding personal wealth are the duty of each agent, while the duty of society is to arrange external conditional factors that preserve wealth within the community in a sustainable way.

3.2.2 Legal Conditions in a Buddhist Economy

The legal conditional factors in a Buddhist economy is arranged based on the principles of actions, especially the principle of harmlessness, to support sustainable wealth management. They encompass the criminal and civil laws

related to the provision and the security of wealth. Based on the previous discussion, the principles impose constraints in order to prevent potentially harmful actions, and thus preserve the ownership of property rights and order in society. That is, the legal conditional factors should induce self-restraint and conduct that can create and maintain stability and security in society. Stability and security are conditions of society that are conducive to sustainable wealth management by each agent. These conditions can only arise when actions do not create harm to oneself and/or others intentionally and knowingly.

The conducts which are based on the principle of harmlessness can be summarized into the five moral precepts, which is the Buddhist standard code of conduct for laypeople.[19] The five moral precepts comprise abstaining from five conducts: (1) killing or destruction of life; (2) stealing or taking what is not given; (3) adultery or sexual misbehaviour; (4) lying, gossiping or false speech; and (5) taking intoxicants that cause infatuation and heedlessness.

The first moral precept is to abstain from the deliberate harming, torturing or destruction of life in any sentient beings, be they human beings, animals or insects. It discourages violent actions that can cause unsatisfactoriness within oneself and instability within society. It also assists an agent in relating to other beings in a more compassionate way.

The second moral precept applies to both coarse bodily actions such as stealing and robbery, and mental actions that are intended at taking what is not given, such as dishonesty, fraudulence and deceitfulness. This precept is designed to decrease craving, greed, or thinking with envy towards what others have, while also increasing one's respect for the property of others. Corruption is one example of stealing because the guilty party takes from society what is not given lawfully. Stealing creates costs to society, because it creates unnecessary protection, guarding and monitoring costs.

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[19] The Pali word for precepts, *sila*, literally means natural behaviour that brings harmony to oneself and society (Davids 1992) The commentaries of the Pali texts, in fact, explain the word as 'harmony' or 'coordination' (Bhikkhu Bodhi 1984) The five precepts are basically a combination of the right action and the right speech of the Eightfold Path.

The third moral precept is based on an understanding of, and respect for, the sexual nature of human beings. It is intended to preserve stability and harmony in society by preventing impulsive actions based on lustful desire, which cause negative results such as hurtful feelings to others.[20]

The fourth moral precept is aimed at protecting the truth by establishing trust within the society and by reducing the transaction costs of business that may arise from lying and falsifying actions. An agent should take responsibility for what he/she says, for how he/she speaks, and for the advice he/she gives to others. Moreover, he/she should refrain from malicious intent in any speech and frivolous speech which is not beneficial to anyone.

The last precept is aimed at maintaining mindfulness and clear awareness, the most important mental factors that control bodily and verbal actions. Intoxicants have the potential to cause negligence, therefore, they should not be consumed.[21]

The five moral precepts together work like an invisible force to stabilize a complex system that has a tendency to be unstable at two levels: individual and society. First, at the individual level, observing the precepts can bring peace to the mind and ensures harmony with the law of karma which, at one point, will ripen and produce favourable results in the future. It also enhances discernment by helping purify the mind; it reduces disturbances to mental development and creates supportive energy for deeper insight into the process of interaction. While observing the precepts, an agent can reflect on the difference in consequences that result from performing versus abstaining from unwholesome actions. Discernment also enhances morality; reflections will deepen the understanding of the law of karma and, therefore, increase

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[20] Bhikkhu Bodhi (1984) discusses that there are three kinds of persons who are considered illicit partners. First is a person who is married or acknowledged as another's partner in some way such as a betrothed person. Second is a person still under protection of parents, relatives or other individual rightfully entitled to be one's guardians; this provision rules out secret relationships contrary to the wishes of the protecting party. Third is a person prohibited by convention, such as close relatives as forbidden by social tradition, monks and nuns under a vow of celibacy, and those prohibited as partners by law.

[21] The teachings encourage people to abstain from taking alcohol and drugs mainly for this very reason. In Buddhism, negligence is considered the most malignant factor that gives rise to unwholesome states and prevents wholesome states to arise (A.I 6). On the contrary, mindfulness and heedfullness are praised for their counter effect to negligence.

confidence in it. An agent who observes and reflects on the precepts frequently, will become naturally inclined toward generosity, and gradually moving toward enlightenment.

At the level of society, the five moral precepts are codes of conduct that can bring stability and security into the social order. Because the precepts can help induce economic agents to abstain from causing harm to oneself and others, they can assist agents to develop harmonious interpersonal relationships by reducing actions intended to fulfil temporary desire which often create conflict. This can also lead to co-operative behaviour in what those with differing private interests.

Due to the interdependency, actions based on these precepts can also preserve stability in the physical environment. In Buddhism, moral degradation of humanity can have adverse effects on nature. When a human being is dominated by sensual desire and alienates oneself from a pure and calm state of the mind, deterioration of physical and mental health arises. When an economic agent exploits natural resources instead of living in harmony with nature, similarly, the deterioration of natural resources and ecosystem arises. The five moral precepts prevent alienation from actually occurring, thereby protecting the conditions of nature and the healthy state of human beings.

The five moral precepts should, therefore, be applied as the moral and legal criteria to induce members of society to live in harmony with one another. They form the basis for law-and-order in society by protecting rights over life, property, family, the truth and the clarity of the mind. Based on these criteria, actions that intentionally cause harm to oneself and others should be discouraged through the justice system. The punishment, however, should be non-violent and include the opportunity and incentive to change one's behaviour through, for example, rehabilitation programs.

In the Buddhist legal system, an action is obviously wrong and creates negative karmic results such as harm, grudges or resentful feelings upon others, under three situations: (1) if there is an unwholesome intention to conduct the action, (2) if there is a full knowledge of what one is doing and

that the action can cause harm, and (3) if it is premeditated.[22] The criteria for judging the degree of unwholesomeness of actions are: (1) the intention underlying the action, (2) the degree of knowledge related to it and (3) the action itself. In contrast, an action is not classified as unwholesome or is marked as a lesser degree of unwholesomeness under four situations: (1) when it is performed without an intention to cause harm, (2) when an agent is insane, (3) when an agent is not in full control of oneself such as when drunk or impassioned, and (4) when an agent is unclear or mistaken about the object affected by the action (Harvey 1995).

4. Utilization of Wealth

The last type of wealth management activity is the utilization of wealth. After acquiring wealth righteously and protecting it attentively, an economic agent can enjoy the benefits that flow from it. The benefits from utilizing wealth include the consumption and the redistribution of wealth in society. By holding wealth, an agent can alleviate unsatisfactoriness that may arise from despair or fear of not getting or having what one needs and/or desires. An agent can enjoy the use or the services of wealth to end physical suffering and mental unsatisfactoriness by spending on oneself, family, friends, relatives, society and on meritorious deeds—that is, consumption. He/she can also use personal wealth as factor inputs to generate more wealth—that is, investment. The way in which an agent utilizes his/her wealth within the constraints of internal and external conditional factors determines demand in an economy. Sub-section 4.1 discusses the main conditional factors determining demand in the Buddhist economy.

The utilization of wealth consistent with Buddhist principles is called balanced livelihood. Within the physical environment, the budget constraint imposes a condition that one's expenses—consumption and investment—are less than or equal to income within a specified time-period. An economic

[22] The worst kind of action is an unwholesome action with intention and full knowledge of its result, but the agent does not recognize that that action causes harm to oneself and others. An action based on the wrong view, for example one's race is superior than others, can lead to killing of millions as we have seen in our history

agent should know and live in a way that within some time-period (t+n), one's expected income will stand more than expected expenses. The future stream of income over time t+n may necessitate investment through borrowing at time t with an agreement to pay back within t+n. The budget constraint in the Buddhist economic system also contributes toward an ethical attitude about holding wealth, which is, to be content with one's best effort and to acquire and possess righteously. An agent who enjoys his/her wealth in this way will lead a dynamic, balanced life without extravagance nor miserly. Balanced livelihood also implies an attitude of generosity towards others in society. Sub-section 4.2 discusses the characteristics of balanced livelihood.

4.1 Demand and Consumption

Demand in Buddhist economics is defined as an intention to eliminate physical suffering and/or mental unsatisfactoriness by utilizing wealth under a set of constraints. Demand determines the quantity of goods or services which an economic agent needs and/or desires at the prevailing prices in the market. At the individual level, demand comprises consumption and investment.

The discourses suggest that an agent can achieve a dynamic balance in managing wealth through time by dividing money into four parts: one part for consumption, two parts for investment and the fourth part for saving (see Chapter 2 Section 4.2 and Chapter 4 Section 4.1). Based on this guideline for utilizing wealth, one quarter of wealth should be used for current consumption aimed at ending unsatisfactoriness for oneself and one's family. Another quarter should be kept for use in future consumption. The other half of wealth should then be used for generating additional wealth through investment. Investment in the Buddhist context is twofold: (1) for creating additional personal material wealth within this life, and (2) for creating karmic forces within an interdependent net of relationships over the long-term cycle of existence.[23]

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[23] We discuss the latter type of investment in Sub-section 4.2 below

Consumption is an economic activity which transforms the physical conditional factors—natural and man-made—for the purpose of eliminating unsatisfactoriness. Given that there are two types of unsatisfactoriness, there are also two corresponding types of consumption: (1) consumption for satisfying basic necessities, and aimed at alleviating primary physical suffering; and (2) consumption in terms of wants—which arise from an agent's desire for pleasant sensations—aimed at eliminating mental unsatisfactoriness.

The first type of consumption is denoted as *needs* or *basic necessity*. Need is primarily determined by the physical conditional factors of an agent and the natural and material conditional factors. As discussed in Chapter 4, basic necessities comprise four basic requisites—food, clothing, shelter and medicine—which are considered the subsistence needs for sustaining life. A sufficient level of basic necessities is measured by the cessation of primary physical suffering, the state which allows an agent to conduct mental development activities if one so wishes. A way of life in which consumption is undertaken only to sustain life that enables one to cultivate wholesome factors such as observing precepts and cultivating discernment is denoted as a *noble life*. Based on the Buddhist principles of justice, a sufficient level of basic necessities must be met for all economic agents in a Buddhist economy.

The second type of consumption, denoted as *want* or *desire*, aims at eliminating mental unsatisfactoriness which arises from the desire for material things over and above basic necessities. Want is marked as pleasure seeking consumption expressed and fulfilled through purchasing power. Satisfaction from pleasure seeking is temporary in nature and will not end unsatisfactoriness in the long run, nor does it assist mental development. The main conditional factors that determine desire encompass all internal non-physical conditional factors, such as moral values and beliefs, personality, habitual behaviour and knowledge. Desire is also influenced by external conditional factors such as social values, knowledge and religious beliefs. These conditional factors codetermine the quantities and qualities of goods and services an agent desires.

Consumption is managed under the wealth and availability constraints. While the personal wealth conditional factor determines the budget constraint, the external conditional factors codetermine the availability of goods and services in the system. Where there are several choices to choose from within the same budget and availability constraints, the preference factor usually prevails in determining the action choice.

In this framework, the demand for goods and services continuously change in accordance to changes in other conditional factors. Changes in natural, physical, and social conditional factors give rise to changes in the quantity and quality of basic necessities for each agent. As described in Chapter 4, a change in desire begins as contact with new knowledge regarding the elimination of unsatisfactoriness, and is supported with experience. For example, an economic agent X_i may see an advertisement for a new type of drink and may have the impression that it can eliminate thirst faster than any other drink in the market. X_i may try it and find that it can truly eliminate thirst faster than other drink experienced before. After several pleasant experiences of the new type of drink, X_i's preference for drinks may subsequently change.

Nevertheless, a change in preference is a gradual process because patterns of behaviour are ingrained. A series of repetitive experiences of, say, a new product that confirms and fulfils one's desire and eliminates unsatisfactoriness as expected, will eventually lead to a change in preference. As long as there are contacts with new knowledge regarding new products or new types of consumption, an agent's preference is gradually changing.

4.2 Balanced Livelihood

In the Buddhist economy, an economic agent makes a choice to fulfil different types of consumption within not only a budget, but also an ethical constraint. Without an ethical allowability constraint, an agent may spend wealth unskilfully, with behaviour dominated by unwholesome factors. Unskilful utilization of wealth includes: addiction to intoxicants and sloth-producing drugs, indulgence in sexual misconduct or debauchery, and indulgence in

gambling and wasteful entertainment. These activities can cause unsatisfactoriness, now or most likely in the future, from wasting money, quarrelling, sickness, loss of good reputation and weakening of the intellect.

A skilful way to utilize wealth consistent with Buddhist principles is called *balanced livelihood*. There are two aspects of balanced livelihood: (1) not spending more than one earns and (2) not clinging to what one possesses (see Chapter 2: 4.2-4.3). The first aspect is based on the principle of responsibility and imposes a debtlessness constraint on spending wealth by emphasizing a balance between one's level of income and one's expenditures within some specified time-period (4.2.1). Considering the interdependency of the Buddhist economic system, responsibility in consumption implies, moderation in consumption. The second aspect is based on the principle of generosity which is to practice an attitude of non-clinging towards wealth. It emphasizes the utilization of wealth to achieve a balance between material and mental well-being (4.2.2).

4.2.1 Debtlessness and Moderate Consumption

The first aspect of balanced livelihood, *debtlessness*, implies that one can utilize wealth to end unsatisfactoriness only when not spending more than one can afford. That is, to spend within one's budget constraint which is determined by the personal wealth conditional factor. To spend within a budget constraint while considering the interdependency of the system is moderate consumption, and recommended in Buddhism.

(1) Debtlessness

Due to dynamic characteristic, an agent's budget constraint encompasses a stock of assets and a flow of expected income within some specified time-period, say t+n. In turn, indebtedness is defined as an inability to fulfil an obligation or liability arising from the borrowing of finance or the taking of goods or services on credit within the time of agreement. An agent is thus debtless if (1) he/she has an intention to fulfil a loan obligation and (2) has the ability to pay back the loan within the time of agreement. A credit system is not incompatible with the Buddhist principles, although liabilities that one

incurs should be paid off eventually to establish reputations and trust of oneself.

In the Buddhist economic system, debt is viewed as negative wealth that has to be paid off sometime in the future, either short or long term. Because indebtedness induces unsatisfactoriness due to fear and insecurity, it is incompatible with Buddhist principles. The process of indebtedness increases unwholesome factors by possibly leading to negative outcomes: mental pressure on an agent, harassment from creditors, bankruptcy and/or imprisonment. A true understanding of how indebtedness can increase unwholesome factors and cause unsatisfactoriness, will eliminate the tendency of economic agents to hold debt if they perceive their ability to fulfil the contract or agreement as doubtful.

Because Buddhism recognizes a system of credit as one important instrument in doing business, short-term liabilities that smooth trade and investment are justified as long as the ability to pay back is not compromised. Debt for consumption is, however, inconsistent with living within one's means. Therefore, a mortgage on the house is not considered debt, as long as it can be considered an investment: the value of the house exceeds the mortgage and/or the future stream of expected income within the time of agreement stands more than the mortgage payment.

(2) Moderate Consumption

Moderate consumption is to consume *principally* the basic necessities in life with right intention. An economic agent practising moderate consumption would have intentions to: consume food to maintain one's health and strength, use clothes to protect the body from undesirable contact, use shelter for protection from the environment and seclusion, and to take medicine for curing sickness, pain and for maximum freedom from disease. Moderate consumption is considered skilful consumption because it decreases greed, avarice and craving.[24] Moving toward the right direction in eliminating

[24] Moderation in consumption leads to a life with contentment. Contentment does not imply living in poverty, but rather simplicity and non-indulgence. It is a subjective feeling of having satisfaction and harmony within oneself after doing the best one could within one's constraint of available resources. The continuity of contentment can reduce greed and craving, while giving rise to a

unsatisfactoriness, consumption of goods and services should be aimed primarily at ending primary physical suffering to maintain a noble life. Buddhism also praises moderation in food for it can prevent physical suffering that may arise from disease and obesity and preserving one's life.

With limited resources, it is almost impossible to fulfil all the wants of all economic agents in society, although it is possible to fulfil all the needs in the world. Consumption of luxury goods beyond basic necessities incurs extra costs to the system. It also an aggravate form of greed and desire. For example, the more sophisticated a meal, the more resources, time and energy are used to produce it. Despite this, other simpler meals could give rise to the same benefit, eliminating hunger and providing nutrition. A luxurious meal thus incurs more costs to both an agent and the system than a basic one.

The concept of moderating consumption provides policy implications in Buddhist economics. That is, it can be used as a guideline for taxation; tax luxury goods to discourage consumption that is not necessary for sustaining a noble life but only for fulfilling mental desire. For example, the first basic car should be taxed at a different rate than a luxurious sports car. (See Chapter 6)

4.2.2 Non-Clinging and Voluntary Sharing

The second aspect of balanced livelihood is a non-clinging attitude towards wealth. Based on the unsatisfactoriness axiom, clinging to wealth causes unsatisfactoriness. Balanced livelihood is a way of spending wealth that is conducive to the dynamic balance and true well-being of an agent. It helps reduce unwholesome factors and helps induce wholesome factors in the process of a balanced livelihood. Non-clinging to wealth also implies the voluntary sharing of one's wealth with others and with generosity. Because consumption for oneself is moderate, giving, sharing and investment become the main activities of wealth utilization in the Buddhist economic system.

As discussed earlier in Chapter 4, the conduct of giving and sharing should be voluntary so that an economic agent gains greater understanding

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dynamic balance Chapter 3 summarizes Buddhadasa Bhikkhu and Payutto Bhikkhu's views of a life with contentment.

and experience along the process. From an agent's perspective, voluntary giving based on generosity creates positive karmic forces within oneself, realized as pleasant feelings now and wealth in the future.[25] Experiencing good results from giving and sharing naturally encourages an agent to give more, and subsequently leads to an attitude of non-clinging. Because an agent learns through experience how the law of karma works, the external conditional factor in society should be set up in the way that each economic agent can experience and be educated to understand the benefits of giving and sharing in terms of the positive impact on oneself and society.

The quality of generosity is determined by the quality of one's intention. There are various kinds of intention: to generate tax deductions, expectations of good karma from giving, or true altruism. The intention for giving is considered the most skilful if it is motivated by a non-clinging attitude; that is, not becoming attached or enslaved to wealth both now and for what will arise in the future.

If giving is based on an understanding of the unsatisfactoriness of oneself and others, it will lead to less greed and hatred. It will also induce loving-kindness and compassion. In Buddhism, giving that is motivated by the calculation of benefits in a self-interest manner such as expecting future gain or for tax deduction purposes, although better than non-giving, does not contribute as much to mental development.

The principle of generosity provides a guideline for wealth utilization at the individual level. There are five categories of spending income which are considered skilful and conducive to well-being and harmony within oneself and society. First is to eliminate unsatisfactoriness by at least providing basic necessities for the benefit of maintaining a livelihood for and/or sustaining a noble life of oneself, one's family and whoever lives together in the same household.

Second is to share material well-being and comfort with one's friends and colleagues by giving material things to friends and entertaining them when it is appropriate and needed. Sharing wealth with these two groups of

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[25] Sizemore and Swearer (1990) discuss in length the benefits of giving in the law of karma.

agents can give rise to discernment because an agent can observe the benefits of giving and sharing among people who are close or directly related to them more than giving to those he/she does not know well. Spending within these two categories can also be viewed as investing in the karmic-connected relationships among agents, building up good relationships among friends and families.

Third, due to uncertainties, one should spend income to secure oneself against all misfortunes. This includes using wealth to protect and repair properties and dwellings, putting money away for saving and insurance, or investing it for wealth in the future. This category of spending is consistent with the Buddhist sustainable wealth maintenance method discussed above.

Fourth is to give and share wealth in society at large so that all agents can live together in harmony. This includes offering help to relatives, receiving guests, paying taxes and duties to the country, dedicating merits to departed family members, and/or giving charitable donations according to one's faith. It should be noted that, paying taxes is considered to be giving to society at large because it is equivalent to paying dues to the state in exchange for security and stability conditions. Because the state has a role to provide those conditions in society, it relies on the tax revenues collected from its citizens to perform its duties. Therefore, each agent in the Buddhist economy has duties to pay tax to the government.

The last category is to support those monks, spiritual teachers or recluses who lead a noble life and provide guidance for others, by providing them with material necessities. Spiritual teachers, such as monks or priests, are worthy of offerings because they are living examples who show that it is possible to conduct a noble life and attain enlightenment. Without living examples, Buddhist teachings would be just philosophical ideas not a practical way of life. Giving to spiritual teachers is an action of expressing gratitude, acknowledgement and encouragement to those who are living examples of conducting a skilful way of life.

Generosity is especially necessary when the destitute and poor exist within society and are in need. With regard to the principles discussed,

although generosity is encouraged, helping the poor and destitute is basically the responsibility of the state and monastic institutions in a Buddhist economy. To maintain security and stability conditions in society, the state has a duty to provide social assistance to those who are in need. The state can do this directly by providing social assistance, and/or indirectly by encouraging charities and donations through its tax system and other economic policies (see Chapter 6).

It should be noted that the role of the monastic community to redistribute wealth in society is based on historical traditions rather than the main duties of monks as described in the Pali Texts.[26] Its role in this perspective is regarded as part of living an example of a life based on morality, purity and discernment. Based on the monk's rules, the monastic life is marked by moderate consumption, simplicity, frugality and contentment. This particular life naturally leads to sharing excess material beyond one's needs with the larger community as a practice of unbiased compassion and generosity.

[26] See Chapter 3 on the discussion about the historical role of monastic institutions in redistributing wealth in Buddhist countries.

Chapter VI

The Buddhist Economic Institutions

Applications of the Theory at the System Level

> *Ideally kingship had, therefore, to guarantee such economic relationships as would ensure a sufficient livelihood for its subject—to allow them the leisure for meditation on which depended the achievement of Nirvāna.*
> (Sarkisyanz 1965: 56)

1. Introduction

This chapter outlines the characteristics of major economic institutions—market and non-market—in a Buddhist economy based on the theoretical framework discussed earlier. In this thesis, an economic institution is defined as an organized or structured set of relationships with a defined purpose and which affect how economic agents manage wealth in a society. In a Buddhist economy in particular, the purpose of establishing economic institutions is to provide favourable external conditional factors related to material well-being that can assist its members to effectively end unsatisfactoriness and eventually reach the Buddhist goal of enlightenment.

In a Buddhist economy, the conditions of any economic institution should be in accordance with the Buddhist principles of actions. That is, the conditions should be favourable for right livelihood, sustainable wealth maintenance and balanced livelihood, within an interdependent system and over a long-term time horizon. Based on the theoretical framework discussed in Chapter 4, the favourable conditions for a Buddhist society comprise: security, prosperity, effectiveness, stability and the advancement of knowledge.[1]

[1] These favourable conditions are derived from five strengths of the ruler: arms, wealth, ministers, predecessors, and wisdom. See Chapter 2 (4.4)

The condition of security is met when the moral limited property rights over possessions, including life, family relationships, wealth and knowledge, are well-defined and enforced. The condition of material prosperity is met when each and every member in society is able to *at least* meet their sufficient level of basic necessities. Effectiveness is attained when the operation of each institution in the economic system properly functions and is cost-effective. Stability is achieved when there is continuity of favourable economic and political conditions based on the interactions among agents that increase wholesome and/or decrease unwholesome factors. Knowledge advancement is met when interactions lessen ignorance by fostering greater understanding of the true nature of phenomena, that is, the fundamental axioms.[2]

As drawn from the Pali texts, the discussion of economic institutions in this chapter is based on the last condition for conducting economic activities in the Buddhist economic system: right association with good friends (see Chapter 2: 4.2). Right associations help induce the right management of wealth. They create positive environments, give security and stability in economic life, and aid in acquiring greater knowledge about the axioms. In Buddhism, good friends are those who act upon the Buddhist principles of actions, which include responsible, virtuous, generous and discerning behaviour. These qualities lead to wholesome interrelationships among agents in society.

Right associations also imply righteousness regarding persons. That is, due respect and consideration should be shown to other economic agents. With confidence in the law of karma, righteousness regarding persons is similar to what is often called the Golden Rule: treat others as you would like to be treated yourself, with respect and sincerity (see Chapter 2: 4.3). For instance, merchants should be fair in their dealings with customers, and employers should treat employees the way they themselves would prefer to be treated.

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[2] These five conditions are similar to the ideas of an ideal Buddhist state held by Sivaraksa, and Sizemore and Swearer outlined in Chapter 3 (3.3 and 4).

In Buddhist economics, the establishment of economic institutions is important in selecting the action-choices the individual will face in their process of eliminating unsatisfactoriness. This occurs because the process of interaction among agents is one of the two primary factors that determine the behaviour of each agent; the other is the process of interactions between an agent and the physical environment. The process of interaction with right associations is also one of the two necessary conditions for realizing enlightenment; the other is the analytical contemplation of the true nature of phenomena within oneself.

Economic agents collectively create economic institutions, both market and non-market. Consider the set of external conditional factors discussed under the non-self axiom, we group them into four main economic institutions: the market and price system; firm; community; and state. These are discussed in the sections below. We start with the price and market system, which constitutes the natural and material conditional factors, and the economic conditional factors related to exchange via the market means; these are the subject of Section 2.

Sections 3 through 5 describe non-market institutions that become established because agents cannot resolve exchange problems through market means. Specifically, Section 3 outlines the conditions of Buddhist non-market institutions. It also describes the characteristics of a Buddhist firm, which is an important non-market institution pertaining to the working condition. In contrast, Section 4 assesses community development that is related to the Buddhist Economic Movement in Thailand. The assessment is based on the conditions of a Buddhist non-market institution presented in the thesis. It shows that the practice of BEM in general is compatible with the theoretical framework of this thesis. Finally, Section 5 outlines the conditions of a Buddhist state. A Buddhist state can be describe as a community of communities, all which function under the same political and administrative arrangement. Based on the outlines, the study offers some constructive suggestions for planning Thailand's long-term socioeconomic development should it choose to develop a Buddhist economy. The outlines of these

institutions identify the broad contours of a Buddhist economic system at the system level. .

2. The Price and Market System

The market in the Buddhist economy is formed on the basis of interdependency among economic agents in society. Divisions of labour among agents create interdependency in the exchange of goods and services. Each agent may have a comparative advantage in providing particular goods and services; at the same time agents may have different needs and desires. It is this economic interdependence among agents that leads to the exchange of goods and services in the market. The market itself is any arrangement in which the sale and purchase of goods and services takes place. The price of the product influences, and is influenced by, the levels of supply and demand through the process of buying and selling in the market. This section discusses the price system first, then follows with a discussion of the market.

2.1 The Price System

In general, the price is the cost of a commodity, good or service as measured by the alternative uses foregone by producing or consuming the good or service. Consider the discussion of an action's cost in Chapter 4, wherein any action involves costs associated with the utilization of internal and external conditional factors in order to carry out the action. Because resources are limited, any action occurs at the expense of others. Therefore, an action has an opportunity cost, which is the value of an alternative action. The price of a commodity in Buddhist economics is thus determined by the opportunity cost conditioned by scarcity.

From the economic agent's perspective, the value of a commodity is basically measured by its capacity to eliminate unsatisfactoriness. Based on the use value in this context, goods and services are produced or exchanged. The use value of any commodity may differ for each agent. Different valuations determine demand and supply, and also the exchange value and price of a commodity in the market. When exchange occurs, the price is the

payment given in order to obtain a commodity, either in monetary form or as a quantity of some other commodity.[3] Along the process of interaction, price is determined and also changed by ever-changing exchange values and/or opportunity costs. To provide favourable conditions in a Buddhist economy, the price system should be decentralized, flexible, fair and full cost. These terms are discussed below.

(1) Decentralized

First, the *decentralization* of price is based on the principle of responsibility. As explained previously, it is virtually impossible to centrally predict or calculate the right price for each product due to the complexity and dynamic nature of the system. It is, however, possible for each economic agent to know the problem of one's unsatisfactoriness including its direct cause, and to have some knowledge of the action-choices that could possibly alleviate the problem through previous experience. Each agent is thus assumed to know, better than anyone else, his/her opportunity costs regarding products (as producers) or demands (as consumers).

As a producer, each agent has some, but not complete knowledge of his/her own cost to supply a good or service locally. That producer can then set the price of a commodity to reflect the true cost of production, subject to his/her limited knowledge. Price setting in this manner allows the buyer to acknowledge the true cost of the product. As a consumer, an agent is assumed to know how much he/she is willing to pay for the goods or services to end his/her unsatisfactoriness. Thus, he/she can choose the level of demand at the prevailing price, or can negotiate the price level, as though he/she is aware of the impact this action has on the system. During the process of interaction, an agent adjusts his/her supply and demand through learning as he/she gains more knowledge about market-conditional factors.[4]

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[3] The exchange ratio of two commodities is the relative price of those commodities expressed in terms of a constant monetary form (Pearce, 1992)

[4] Hayek (1948) emphasizes decentralization of price setting in an economic system, in which individuals with incomplete knowledge are learning and adjusting to a process that moves towards equilibrium

Decentralized price setting can therefore provide a better understanding of the cause and effect of one's actions in the process of exchange.

(2) Flexibility

The second characteristic is the *flexibility* of price. Due to the dynamic feature, the concept of fixed-price is incompatible with the axioms. The process of eliminating unsatisfactoriness is also trial-and-error based on the accumulation of experience. Therefore, the use value and exchange value, and consequently price, are continually changing, and should be allowed to change through interactions. The process of price changing can be described as follows. First, knowledge of one's products leads to primary price setting, which would cover the costs of factor inputs and expected profits. Then, through interactions with others and information sources, an agent learns more about the buying and selling markets, including the movement of supply and demand. Therefore he/she adjusts prices based on new knowledge and experiences. The more knowledge and experiences an agent has about market-conditional factors, the more he/she is likely to succeed in his/her exchanges in the market; that is, success in terms of the elimination of unsatisfactoriness that is cost-effective.

(3) Fair

The third characteristic of price in a Buddhist economy involves *fairness*. The price is fair when both exchanging parties have the same set of information governing the costs involved and the price level set is acceptable as fair to both. In general however, the producer or seller has more information regarding the product than the consumer or buyer. Based on the concept of Buddhist fairness discussed earlier, if a producer charges some level of profits, the criterion that he/she should consider is that if the position were reversed and he/she were the consumer, would that price or profit be acceptable? Because of the uncertainties within the long-term horizon, there is the possibility that a producer would one day be a consumer him/herself and receive the results of one's karmic actions, such as being charged too high a price based on the law of karma.

Fair price setting is considered the right action in right livelihood. The fair price represents the true costs of production while preventing fraud and deceit in the exchange. It leads to conditions of security and stability in the economy: security, because the acquisition of wealth is within moral constraints as defined earlier, and stability, because it minimizes harm within the process of exchange that could arise from over-pricing based on greed.

(4) Full cost

The last characteristic of price is *full cost*. To compel responsibility in consumption and production, price should be based on the total costs of producing products with all economic agents internalizing the costs of external effects. That is, the producer should take into account all the possible costs from producing each product to the full extent of his/her knowledge, while the consumer should take responsibility for consuming each product by paying the full cost.

Nevertheless, in a complex and interdependent system containing ignorance, it is difficult to determine the full cost from a long-term, system-wide perspective for two reasons. First, it is impossible to measure the full impact of economic activities on the ecosystem without having full knowledge of the interconnected nature of all living beings in the biosphere. In that case, the conditions of the market system should be established in a manner so that whichever agent—producer or consumer—is in a better position to observe the costs pays for those costs first. This would usually be the producer, due to the differences in the knowledge base. Subsequently, the producer can recoup expenses by charging the consumer through the process of interaction.

The second reason for the difficulty in determining the long-term, system-wide cost is that it may take a long time to detect health or other hazards associated with the process of production and consumption. A good example is the finding of scientific link between smoking cigarettes and lung cancer. If the cost of curing cancer is a burden to society as a whole, that cost should be internalized in the price of cigarettes. In this case, the consumer who chooses to smoke should indirectly pay for the health care costs by

paying a relatively high, full cost price for cigarettes. Society as a whole can then recoup the cost through taxes on cigarettes or taxes on the producer.

The above process of internalizing cost into price can, to some extent, recover the full costs of production subject to incomplete knowledge. The full-cost price can foster greater understanding of the causes-and-effects of one's actions, particularly on the physical environment. Conversely, any distortion in price will create a false understanding in how much cost the production of a particular product incurs to the entire system. A proper understanding would evoke actions that lead towards sustainable wealth management, which is necessary for stability in the economic system.

2.2 *The Use of the Market*

The market is the basic economic institution for allocating scarce resources among alternative uses.[5] When any exchange of goods or services occurs, the market is said to arise. Market exchange is the mechanism that determines the price of goods and services. In a Buddhist economy, there is a question: to what extent can a decentralized and free competitive market be used to bring about prices with the characteristics discussed above?

A decentralized market is effective in utilizing information for the best result.[6] As discussed above, price setting and the exchange of goods, which are self-organizing and not determined by an authoritative state, are effective and provide a understanding of the causes and effects of one's actions. That is, the price system, which is formed through voluntary and free exchange, solves the allocation problem by providing the necessary information and incentives within the process of interaction. Because an agent knows the problem of his/her unsatisfactoriness better than anyone else, he/she is best able to act on this information in the market. Decentralized decision making and free participation are what permit all of the knowledge held by agents to be used effectively. They also allow each agent to observe the results of and take full responsibility for one's actions.

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[5] The discussion in this sub-section is partly based on the critical evaluation of the functions of the competitive market by Daly and Cobb (1989), noted earlier in Chapter 3.

[6] Hayek (1945: 520)

Profit is a good example to illustrate the virtues of a decentralized and free market. Let's consider a farmer who produces both rice and corn. If a farmer observes that profits earned from growing corn are higher than from growing rice, he has an incentive to shift resources to produce more corn and less rice until the profits are equal at the margin. In this case, profit provides information regarding opportunity costs and the incentive to secure the best use of the resource.[7] In turn, if an X farmer sets the unit price of his/her product—say corn—higher than other farmers in the same market, a consumer will choose to purchase from an alternative farmer if he/she has knowledge of their prices. In this case, the consumer is viewed as making the best use of his/her limited resources of wealth. The process of interaction in the market keeps profit at a normal level and resources properly allocated.

Prices of commodities formed through interactions in a decentralized market are flexible. Interactions among buyers and sellers in the market lead to adjustments in the knowledge constraints, and changing knowledge eventually leads to changes in price. The free competitive market also leads to fair price setting in the long run. That is, competition among producers and sellers forces the price setting of commodities to reflect their true exchange value. Decentralized pricing does not, however, guarantee the full-cost price. If left alone, the free competitive market has no restraint within its mechanism to force the agents to pay the full cost of their actions. The market function cannot allocate resources in a cost-effective way from a long-term and system perspective. Therefore, a question arises as to whether these problems can be solved through some form of market means. In a Buddhist economy, society may be able to impose some constraints upon market activities; however, the use of market means are quite limited.

Based on the fundamental axioms, the conditions in the market are created and changed through the process of interaction among agents. For example, the market is not initially nor intrinsically competitive. It can,

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[7] Hayek (op cit.) argues that "the problem we wish to solve when we try to construct a rational economic order" is "how to secure the best use of resources known to any of the members of society for ends whose relative importance only these individuals know."

however, be induced to become competitive through mutual competitive economic agents. If members of society value competition as the best method to allocate resources, then it creates conditional factors for the market to be competitive. In an interdependent economy where local actions have global impact, if the markets in most regions are designed to be competitive, they can induce markets in the rest of the world to be competitive too, unless the country is heavily protected from external economic factors by some form of political arrangement.

Based on the principles of harmlessness, market exchange should be restrained with moral constraints to minimize harm in the system. Although voluntary exchange allows an agent to obtain greater knowledge and experience regarding his/her actions, it has the potential to cause harm in the system intentionally or unintentionally due to ignorance. The exchange of goods and services should thus occur voluntarily, but not freely, in the market. To induce exchange activities to move in the right direction, some form of moral constraints are required. These moral constraints, that is, rules and regulations, should be based on the Buddhist legal conditional factors known as the five moral precepts. To some extent, the moral constraints can induce cost-effectiveness into market activities. The discussion now turns to several more economic issues that the agents cannot resolve via the market means.

2.3 *Market Failures*

An exchange problem that cannot be solved through the means of a decentralized, free market is called a market failure problem. Market failures occur as a result of interactions based on ignorant decisions within the interdependent and ever-changing system. Ignorance in market activities arises when agents lack knowledge about the actions of others or the dynamic nature and interdependency of all actions. An ignorant agent may believe that all other things remain unchanged when he/she acts, or he/she may have the wrong perception about how others will react. This ignorance produces market failures that create unsatisfactoriness and disharmony. Examples of

market failures include commonly known economic issues such as cobweb cycles, negative externalities, paradox of thrift, positional goals, prisoner's dilemma, assurance problems, and so forth.

Daly and Cobb (1989) summarize the limitations of the competitive market with regards to allocation into three forms. First, competition is self-eliminating; thus the market cannot maintain competition but tends to increase monopoly power. Second, it cannot restrain self-interested behaviour such as greed; therefore competition depletes morality. Third, it cannot deal with public goods, externalities and spill-over effects; that is, the problem of managing nonexclusive goods, for example, the failure to effectively and fairly allocate common resources and free-riding problems associated with public goods. In addition, although the market may efficiently allocate resources, that does not imply fair distribution in society. The market also cannot bring about the optimal scale of the economy relative to the physical environment. For example, the market solution in determining the scale of production and consumption is not necessarily ecologically sustainable when considered within a long-term time horizon.

Furthermore, from the Buddhist economic perspective, the problem of market failures is also related to the limitations of market mechanisms in providing the information necessary to assist an economic agent in making an action-choice that moves him/her in the right direction. The necessary conditions for each agent to cost-effectively eliminate primary physical suffering and mental unsatisfactoriness are typically unmet. The preferred rules of exchange in the market can be established from the five moral precepts. Nevertheless, it is not sufficient to guarantee the full-cost price as discussed above. It cannot assure that each and every member in society attains a sufficient level of basic necessities, nor does it encourage agents to voluntarily practice generosity and mental development. Because the Buddhist way of life is a holistic one, market means is viewed as part of the way of life in an interdependent system.

In a competitive economy, the problem of market failures is mainly solved through the arrangement of conditional factors by the state or

government. Its main methods include regulations, public finance and monetary policies. In a Buddhist economy, however, the problem illustrates the need to establish non-market institutions consistent with Buddhist principles.

3. Non-Market Institutions

From the perspective of Buddhist economics, non-market institutions are established via the collective actions among agents in a community. This compensates for the deficiency of market functions. In general, a collective action is one in which a group of agents, or members, organize themselves voluntarily in order to retain the residuals of their efforts (Ostrom 1990). They constitute a community or sub-system within the economic system or society at large. Based on Buddhist principles, the structure and operating mechanisms of a collective action should be conducive to the practice of responsibility, harmlessness, generosity and discernment. Members of the institution should be allowed and encouraged to learn and experience the causal relationship of actions so that one can undertake more effective actions and make progress in the right direction.

Section 3 is divided as follows. Sub-section 3.1 discusses the conditions of Buddhist non-market institutions. Sub-section 3.2 then outlines the advantages of Buddhist non-market institutions in terms of their ability to compensate for deficiencies in market means. Finally, Sub-section 3.3 discusses the characteristics of a Buddhist firm as one example of a non-market institution in the Buddhist economy. The firm is analyzed because it is an important non-market institution in a Buddhist economy, which is self-organized and internally self-governed with the objective of creating wealth for its members.

3.1 Conditions of Non-Market Institutions

Considering the favourable conditions laid out earlier, a Buddhist non-market institution should comprise seven main conditions: (1) common goal, (2)

network, (3) set of rules, (4) rule-enforcing mechanism, (5) security, (6) commitment, and (7) the process of learning.[8]

First, parties who organize non-market institutions need to share *a common goal*, which should be to facilitate economic agents to move towards the right direction of eliminating unsatisfactoriness.[9] In practice, the institution should aim to enhance the well-being of its members both materially and mentally. Consider the aspect of enhancing material well-being. There are two goals in this respect: (1) an effective allocation of common resources, and (2) a co-operative pooling of private resources to enhance their use. Examples for the first type are: communal tenure in high mountain meadows and forests, and sharing water resources through a communal irrigation system.[10] Examples of the second type are: co-operative saving groups, private commodity banks such as rice banks or cattle banks, co-operative stores and law firms.[11] Now, consider the aspect of enhancing mental well-being. The goals of this aspect include cultivating responsibility, harmlessness, generosity and/or discernment. One example is a community of Buddhist practitioners who provide material support to the same temple, or organize and/or join a meditation retreat or study dharma together.

The second major condition is *a network of associations* within the institution. A network is a necessary mechanism for the continuing process of communications. It allows and helps members to comprehend and realize the interconnectedness among themselves, between members and the physical environment, and between the institution and the external environment. Once the first condition is met—that is, members share a common goal, members can then create the structure and system of network associations

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[8] These conditions are deduced from the teachings the Buddha gave to the Vajjians and the monks on different occasions. They are said to be the conditions that never decline but lead only to prosperity for any group of people who share a common goal. (D.6)

[9] Rawls (1979: 527) states that "the successful carrying out of just institution is the shared final end of all the members of society, and these institutional forms are prized as good in themselves."

[10] Ostrom (1990) analyzes several practical examples of self-organized institutions throughout the world that allocate common resources.

[11] This type of practice characterizes the main activities of community development in rural Thailand. See Phongphit (1989) for details of the practice.

based on that goal. The network keeps the operation of the institution continuously functional. Based on the principle of equal access to participate, the network should connect every member at every level within the scope of the institution. It should also enable members to recognize changes in the environment so they can develop conditions of the institution that are in harmony with those changes. An effective network in Buddhist non-market institutions should resemble the mechanism of the karmic net, which links all members together and reflects the relationships that exist in the institution.

The third major condition is *a set of rules* upon which all members in the institution agree. A set of rules regarding actions is called shared-norm behaviour that is viewed as right and proper among all members in the institution. It has characteristics similar to a contract that binds all members together. Because a fixed set of rules provides a type of stability of expectation, the principles should not be changed easily or frequently in order to reduce uncertainties.

The set of rules in Buddhist non-market institutions obviously should be consistent with Buddhist principles. Specifically, the principle of responsibility—that Buddhist non-market institutions are self-organized and self-governed—should be complied with. In addition, the principle of harmlessness emphasizes the five moral precepts as the codes of conduct, while the principle of generosity provides a basis for cooperation within the institution. The principle of discernment encourages members of the institution to comprehend the rules and discuss their causes and effects with others, then to observe and reflect on one's actions based on an understanding of the rules.

The fourth condition is *a rule-enforcing mechanism* within the institution. A rule-enforcing mechanism aims to monitor actions and determine whether they comply with the set of established rules and to assure that members take responsibility for their actions. A rule-enforcing mechanism must be self-financed by the members of the institution. It can consist of only one external enforcer, or an enforcing administrative system. Based on the cost-effectiveness criterion, the Buddhist enforcing mechanism should be the one

that incurs the least enforcement cost for the institution in the long run. The Buddhist principles of actions suggest that an enforcer or a leader of the enforcing administrative system should observe the five moral precepts so that he/she can conduct his/her duty effectively and skillfully.

The fifth condition is that each member must be provided *security* during the time they are members of an institution. This condition is based on the first principle of Buddhist justice; an agent has an equal access to security of one's possessions and also to economic security. Within the institution, the limited moral rights over possessions—life, family relationships, wealth and knowledge—must be well-defined, and duties to respect them must be effectively enforced. In turn, economic security implies that he/she meet his/her sufficient level of basic necessities.

Security, especially economic security, is a necessary condition for minimizing the enforcement cost within the institution while providing material prosperity conditions and supporting the functioning of the institution. When basic necessities are sufficiently met, each agent can make the best use of his/her skill if he/she so chooses. If any member is deprived of basic necessities, the institution as a whole should first assist and support that member to attain his/her sufficient level of basic necessities. For example, in rural villages of Thailand, it is common for excess food and other material items to be redistributed in the community through religious activities at the temple. Food is generously offered to monks in the morning; then the excess is later passed on to others in need in the village.[12]

The sixth condition is *a commitment* of members toward the institution. Members of the institution must commit themselves to its sustainable existence. It is a commitment to conserve material and non-material resources such as knowledge and the moral rules of the institution. This continuing commitment by members is a necessary conditional factor for the survival of non-market institutions. With regard to the cost-effectiveness criterion and

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[12] See the discussion of the Buddhist monastery's historical role as a redistributive institution in Chapter 3, especially by Payutto Bhikkhu in 3.2. See also Section 4 following on the Buddhist community.

responsibility, a commitment should be formed and sustained skillfully and voluntarily. It can be maintained by any mechanism, such as internal rules, and allocation of benefits, thereby providing stability conditions for the institution.

For example, reputation of members can be used as a means to enforce commitment in an institution whose members share their livelihood. Reputation is an implicit rule in a community that arises from the human desire to receive recognition from others. Maintaining a good reputation can serve as a binding factor that commits the member to a co-operative action. In a community, say a rural village where everyone knows one another, a commitment is formed naturally by the fact that all members share the past through their ancestors and are expected to share the future through their progenies.

Finally, the seventh condition is *the process of learning* within an institution. The process of learning is a necessary condition to advance knowledge related to skills and mental development. Greater skill allows an agent to conduct economic activities more effectively, while a better understanding of the causal relationships of interactions helps the agent choose more cost-effective and skillful actions. The process of learning includes, regular meetings, on-going discussion groups, occasional training seminars, and a regular meditation retreat.

3.2 The Advantages of Non-Market Institutions

Together, the conditions of non-market institutions discussed above can compensate for the limitations of market means in solving allocation and distribution problems. In addition, they are conducive to actions that eliminate unsatisfactoriness along the right path by providing favourable external conditions in society. Let's examine the advantages of non-market institutions that are consistent with Buddhist principles.

First, a non-market institution can solve the allocation problems observed by Daly and Cobb (1986) by lessening unhelpful competitiveness within the institution. The common goal implicitly induces members to co-

operate and work towards outcomes that follow a common path or right direction. A set of rules based on Buddhist principles and with an enforcement system, prevent destructive self-interest-based actions, while also advancing moral actions. And because the residuals of collective efforts are retained within the institution, all positive and negative externalities that arise from the members' actions are internalized. Given that the institution pays the full costs of actions undertaken by its members within the institution, it has an incentive to design cost-effective ways to share non-exclusive goods and common resources. Price setting within the institution is also relatively fair, because each member has an equal right to participate in the development of the conditions that govern the institution.

Now consider the distribution problem. The security condition guarantees that each and every member of the institution attains the sufficient level of basic necessities. To encourage this, a set of rules can also be outlined to facilitate the voluntary sharing of material wealth within the institution. The condition of commitment also assures that resources—material and non-material—of the institution are utilized in a sustainable manner. Accordingly, this solves the intergenerational distribution of resources.

Finally, from the Buddhist economic perspective, the above seven conditions of non-market institutions can help its members eliminate unsatisfactoriness along the right direction. The network of associations and the process of learning can foster greater understanding of the causal relationship of interactions. Communications within the institution and with members of other institutions also increases knowledge and information, which consequently increase action-choices. Although the process of learning may involve a great amount of repetitive experiences, individuals are more likely to further their mental development when joining Buddhist non-market institutions than being left in the decentralized and freely competitive market.

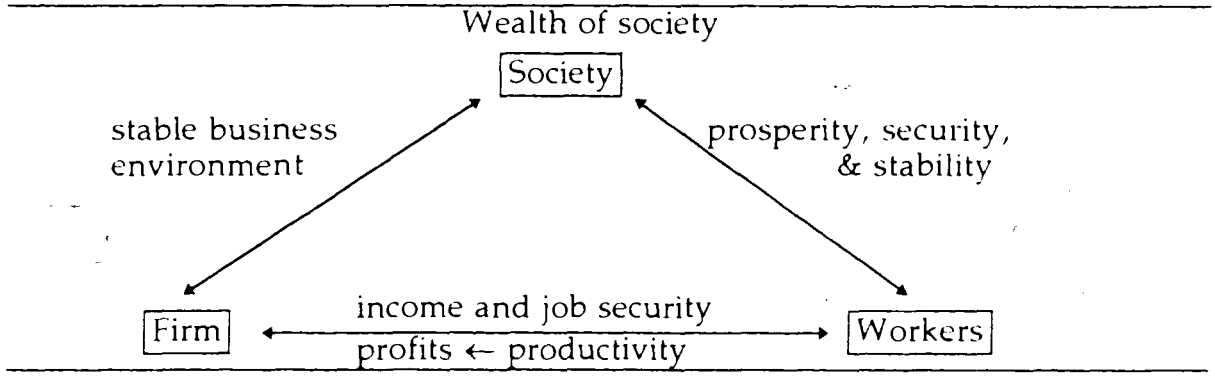
3.3 Characteristics of the Buddhist Firm

In Buddhist economics, a firm or company is one type of self-organized and self-governed institution whose purpose includes retaining residuals for the

benefit of the workers.[13] A firm is a work place, which is characterized by interrelationships among agents within the firm, such as interrelationships among employers and employees, owners and workers, members of co-operative firms or family firms. These characteristics determine an agent's wealth conditions such as level of wages, income and other benefits.

In a Buddhist economy, there are three types of interdependency: among the members of the firm, between the firm and society at large, and between the firm as an entity and other communities in society including the physical environment.[14] Figure 6.1 below illustrates these three ways interdependency.

Figure 6.1: The interdependency among the firm, its members and society



Based on the conditions of Buddhist non-market institutions discussed above, we identify the characteristics of the firm in the Buddhist economy. First, the common goal shared among members in the firm is to create wealth for *themselves* by transforming factor inputs into products that are either goods or services. To achieve the common goal, employers and employees co-operatively work together by sharing their various skills and knowledge.

[13] The discussion of a Buddhist firm is based on the discourse of necessary qualities for achieving a success in one's business (A I 116).

[14] In Buddhism, each individual is viewed as a part that, together with other parts, assembles a clock. Big or small, if one part is broken, the clock no longer functions. Each part of the clock is important in its functioning and each is interdependent with one another. The owner of the capital depends on workers, the producer must depend on the consumer, and vice versa. It should be noted that a self-managed firm interacts only within the economic system. There is no interaction within this type of firm.

Success in achieving the common goal leads to security of both occupation and income, despite the ever-changing environment. The efforts of each member are compensated through wages or dividends, depending on the type of factor inputs he/she supplies. To ensure that the common goal is clearly understood and accepted by each member, the level of compensation should be connected to the level of profits made by the firm. It can be a performance-indexed compensation scheme, such as bonus payments, or a profit-sharing compensation system where all members hold the shares or stocks in the firm—that is, a type of co-operative firm.

Second, a network of associations within the firm characterizes the movement and interactions among members and between members and the firm itself. An internal network within a Buddhist firm is based on the Buddhist principle of equal participation. That is, every member should have an equal opportunity to influence any change in the firm or its direction of movement. The structure of the network within a Buddhist firm should be the one that induces each member to feel as if he/she is equally treated in the firm. This includes equal access to information and equal opportunity to grow and get promoted within the firm. The process of total quality management (TQM) in the Japanese firm is an example of this kind of network where every worker has an equal opportunity in making suggestions to improve the quality of their products.

Third, the set of rules in a Buddhist firm should be based on right livelihood; that is, that the rules impose a cost-effectiveness constraint and a set of ethical allowability constraints—right products and right actions—on any activity within and on behalf of the firm. They should also be used as criteria to hire employees.

Fourth, a rule-enforcing mechanism is necessary in administering business. There are two aspects of the mechanism: the administrative system and a compensation scheme. First, the leader of the firm or the executive officers should have high morals, or at least attempt to make decisions based on the five moral precepts. Judgement and actions based on the precepts can lessen conflicts within the firm while increasing the stability of society at

large. The second aspect of the rule-enforcing mechanism is based on the principle of responsibility; the firm should compensate its members according to the contribution of their factor inputs such as physical labour, capital and effort. This type of rule-enforcing mechanism not only empowers workers to do their best, but also attracts and keeps those workers who have the right qualities—skills, knowledge, behaviour, work ethic and motivation—within the firm for as long as possible.

Workers with right qualities are important human resources that create success in business. The firm should thus provide favourable working conditions for them, for example, assigning work chores according to workers' abilities, adequate base salaries and benefits, health insurance, performance incentives such as promotion, occasional vacations, bonuses and profit sharing. In return, workers who work in favourable conditions but do not perform their duties as expected, should be disciplined by being moved until they have been placed in the proper conditions. This method of discipline assures the commitment between the firm and workers as well as the economic security of members. It can also foster greater understanding of the worker's ability and potential.

Fifth, a Buddhist firm should establish economic security for the firm itself in addition to providing economic security for its members. Economic security for the firm can be enhanced by maintaining a good credit rating and earning the trust of financial sources. Internally, a firm can provide economic security to each member through job security and/or a minimum wage level based on each member's needs. Moreover, economic assistance methods, such as voluntary sharing within the firm or company's residences, are also encouraged to supplement basic income under work contracts. The worker's job and income security reinforces the stability of society, while the stability of society is a favourable business environment that supports economic activities that, in turn, augments prosperity for the firm. Income of the workers and profits of the firm are the main sources of wealth creation in society. To maintain security and stability in the economic system, the prosperity of the firm should, therefore, lead to job and income security of the workers.

Sixth, commitment is a mutual relationship. The firm's commitment to its workers is demonstrated through the compensation system, equal opportunity for all members, favourable working conditions and economic security. In return, a worker should show commitment as if he/she owned the company, working diligently in a cost-effective, skillful and voluntary manner. A worker should strive to protect the internal resources of the firm, while trying to conserve the external environment which provides opportunities for the firm's business. He/she should also put forth every effort and work diligently, take only what is given, perform duties well and uphold the company's good reputation.

Due to impermanency, the degree of commitment should not be set too high; the higher the degree of commitment, the more difficult it is for the firm and workers to cope with changes. The Japanese firm is famous for providing lifetime employment to its workers. With a high degree of mutual commitment, it is often characterized as a family-type of social organization. When business experiences a downturn, the firm must carry the burden of protecting the job security of its workers. This can be a costly practice. When the burden is too high for the firm, the commitment usually breaks down.

Seventh, the process of learning should be incorporated within the production and sales mechanisms of the firm. Recognizing uncertainties, the firm and workers should prepare themselves for the change in environment by acquiring the qualities that lead to success in business. The firm as a whole should acquire information regarding customer demand and prices of relevant commodities in the buying and selling markets, including factor inputs, supplementary and complimentary products. It should also be attentive to the movement of supply and demand in the markets to enable it to set an adequate price and estimate the right profit.

In return, recognizing the firm's need for survival and success in a changing economy, each member of the firm—employers and employees—should be keen on knowing the firm's products, one's roles within the firm and one's ability to fulfill that role. A member should then acquire further skill and knowledge to adapt to innovations and changes in technology.

Training for new, but necessary skills and knowledge should also be supported by the firm.

In the Buddhist economy, the external conditional factors, such as the tax structure, should also be arranged so that the firm and workers have incentives to conduct their relationships in a cost-effective and skillful way. For instance, a firm should be encouraged to provide favourable working conditions by way of tax incentives; or be punished by tax burdens if it does otherwise.[15] The tax structure is discussed in Section 5.

4. The Buddhist Economic Community

A community is one type of non-market institution. It constitutes the social, economic, educational and technological, and spiritual conditional factors in society. In an agricultural-based community, most economic agents live, work and utilize their wealth within community. As the majority of the population in Thailand lives in rural settings (villages) with agriculture as their main source of income, this type of institution deserves special attention in the application of this theoretical framework; if the Thais aim to develop a Buddhist economy.

This section first outlines the Buddhist community in practice by using *Srakoon* as a case study in 4.1. The community development of Srakoon is commonly considered by the Buddhist Economic Movement (BEM) in Thailand to be a successful example of economic development as discussed earlier in Chapter 1 (Phongphit 1988).[16] Therefore, this case study allows us to assess the concepts and practices of the BEM based on our theoretical framework. The conditions of Srakoon discussed here derive from the discussions by Seri Phongphit (1988, 1989), one of the leading thinkers of the BEM, and Phai Soisraklang (1994), the leader of the Srakoon community.

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[15] In the discourse, the ruler is advised to encourage the landlord or the wealthy to provide food, money and tools to the poor and destitute in the community to help them work instead of paying taxes to the state. See Chapter 2 (4.4).

[16] This case study also has advantage in terms of an analytical convenience. The development had continued for 25 years and ended its first phase in 1990 when Phu Yai Phai, the strong leader of community, resigned. Since then, its direction has been slightly changed in accordance with the new leader's vision of development.

Based on the outline of the Srakoon community, we conduct an assessment of its community development in 4.2. The assessment first analyzes to what extent the community meets the seven conditions of a Buddhist non-market institution. Then we assess the development of Srakoon based on our theoretical framework in general. From the discussion below, we will find that the success of Srakoon in practice can be substantiated by its fulfillment of most conditions in our theoretical setting. This fact confirms that the theoretical framework developed in this thesis is compatible with the practice of the BEM.

4.1 Srakoon Village: A Case Study

Srakoon is an agricultural-based village of Buriram province in Northeastern Thailand. The community began with two families who moved to the area in 1924 and has since grown to 250 families (as of 1994). When Phai was elected village head (Phu Yai) in 1965, villagers were poor and indebted, and gambling and robbery were common. Villagers lacked education and had little understanding of the market system. Ostensibly due to ignorance and greed, most of villagers produced only one plantation product, such as rice or cassava, believing that they could earn more income by selling excess products. As a result, they ruined the land and were left indebted for various reasons, such as the high price of fertilizer and pesticides, gambling and low prices received for their products.

After becoming the village head, Phu Yai Phai set a development goal to enhance the well-being of villagers, materially and mentally, with several concrete objectives: every villager must meet their sufficient level of basic necessities through self-reliance, no robbery or other crimes, no gambling and no indulging in intoxicants in the village. Although the goals were initiated by Phu Yai Phai, they were accepted and shared by all the villagers.

The development of Srakoon is also based on Buddhist virtues and strong leadership. As Phu Yai Phai had been a Buddhist monk for several years, he promoted change and progress for the village based on Buddhist teachings. The strategy primarily focused on human development by

fostering more knowledge and greater understanding of the dharma so that villagers would know how to practice right livelihood. There were three important leaders who coordinated all development projects: (1) Abbot On of the village temple; (2) Phu Yai Phai; and (3) Khru (teacher) Samret, the village school's headmaster. The monk (that is, the Abbot) played the main role in teaching about virtue, Phu Yai Phai concentrated on village development, and Khru Samret was responsible for children and youth.

As the village head, Phu Yai Phai's methods of increasing understanding between people and problem solving emphasized negotiation and non-violence. For example, to solve the problem of robberies, which was closely connected to gambling, he patiently convinced the gamblers' leader how destructive his actions had been for his wealth and family. After the long process of discussion and negotiation, the gamblers' leader—who is also an elder and one of the founders of the village—along with two other gamblers promised to refrain from gambling and robberies. Afterwards, Srakoon became peaceful. Finally, Phu Yai Phai led villagers in paying their respects to the elder and recognizing him as a good example of an individual who changed his way of life to one based on the teachings.

(1) Village Economy

The aim of economic development in the village was and remains to survive and struggle toward self-reliance through integrated farming.[17] Self-reliance in Phu Yai Phai's terms is an attitude of first relying on oneself to solve any problem. Economic well-being means each family should aim to produce primarily to meet their sufficient level of basic necessities. The factor inputs for such self-reliant production are said to be human and land resources, local wisdom and traditions. Srakoon's economic development is also characterized by a village fund and integrated farming.

The economic development tasks started with an establishment of the village fund through regular religious donations in 1965. Because a Buddhist

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[17] Integrated farming is often characterized as Buddhist agriculture. Wasi (1988: 35) argues that "Buddhist agriculture is a way to solve problems from below, it is simple and does not need government assistance." See also Chapter 1 for Wasi's idea of Buddhist agriculture

tradition for villagers to donate rice to the temple was already in place, Phu Yai Phai asked each family to donate at least one sack of rice annually, and more on special occasions. He established a rice bank at the temple for those needed to borrow, while some of the excess was sold in order to raise funds for building a school. It took villagers five years to raise enough money for its first village school.

There are also other sources of income for the village fund. Some are from handicrafts made out of local materials. All of these are sold locally or in the provincial annual Red Cross Fair. Money raised is shared between the village fund and the producers. There is also a village custom that the dowry is given to the bride's parents, which they usually return to the married couple at a later date. At Srakoon, part of any dowry is contributed to the village fund, as all villagers are considered to have assisted directly and indirectly in raising the bride. Donations to the temple during several religious ceremonies throughout the year are also an important source of contributions to the village fund.

After the success of the first project, several other community projects followed. The spending of the village fund is decided by the village committee under the condition that projects must be for the benefit of the villagers. The projects were: building cement tanks to conserve rain water, making water jars for each family to preserve clean water, constructing temple buildings, establishing a day-care centre, providing toilets for each family, raising teachers' salaries, tapping underground water to provide water for the integrated farms and to conserve water for fish in summer, and all other construction projects in the village. Villagers can also borrow funds for their own activities. Based on the strategy of self-reliance, most projects were funded primarily by the village fund and occasionally with additional funds from outsiders such as the Thai government, the Netherlands government, and personal donations from other villages and government officials.

Another important economic development project at Srakoon is integrated farming. Integrated farming was Phu Yai Phai's idea of sustainable agriculture. It is a multi-product agriculture based on an understanding of

interdependence among living things in the ecosystem, and which provides multiple sources of income to villagers. Most villagers traditionally grow rice as their primary source of income. With Phu Yai Phai's initiative, they started integrated farming to create additional income throughout the year. The first co-operative integrated farming started in 1984 and became the village example. Villagers agreed to plant mulberry trees together to raise silkworms on 450 *rai* of public land, of which most villagers had 2 rai of land and paid 40 baht per rai per year to the village fund for its use. Hundred of chickens were let free on the planted land to hunt worms and insects—a natural method for controlling pests—while their manure provides a natural fertilizer.

The integrated farming project also included the village fisheries project. Besides raising fish in the public pond, villagers also grew more than 60 kinds of plants and vegetables at the edge of the pond. Others began digging their own fish ponds after they observed the success of the village pond in providing fish and vegetables for food and as a source of extra income. All production beyond needs was sold locally to merchants who come to buy at the village. Consequently, villagers earned extra income from fish raised in a co-operative pond and in private ponds on their rice fields. In 1994, there were 200 fish ponds in the village. After they found that they could save more money by integrated farming in the village, many young villagers stopped going to the city to find work during the dry season.

Divisions of labour in Srakoon arose naturally. Most of the mulberry planters were housewives and young women, while the men went to work in the rice fields, dug fish ponds and planted vegetables. The monks studied the teachings and meditated so that they could serve as examples for a peaceful way of life; at the same time they were able to give sound and virtuous advice to villagers. Some monks also became involved in development activity by experimentally planting various kinds of trees and vegetables on those spaces surrounding the buildings within the temple confines, then giving advice to villagers regarding the care of the plants. There was no stealing of fish or vegetables in the co-operative pond as one monk was always on watch.

Children and youths were constantly taught about morality and their responsibilities to help their parents.

(2) A Network of Associations

Every evening, villagers would gather at the temple hall to discuss various topics and the monk, the village leader and the teacher would help by giving them advice. Although villagers are superstitious, believing in spirits (*phi*) and external powers, they also, to some extent, believe in Buddhist teachings, especially the law of karma. Until he became very sick and aged, Abbot On usually gave dharma talks to villagers. In particular he gave advice to Phu Yai Phai. He is highly regarded as the man behind the history and development of Srakoon (Phongphit 1988: 157).

Most development projects were initiated by the group of leaders while getting consent and cooperation from the majority of the villagers. Phu Yai Phai's self-reliance philosophy means that it is everybody's responsibility to help solve the problems together and not necessarily to depend on outsiders or government assistance before they started initiate a project themselves. It should be noted that Srakoon occasionally refused to co-operate with some governmental development projects when it saw either no value or even possible harm in those projects.

Due to its success and the exceptionally high qualities of its leadership, Srakoon built good relationships with other villages, government offices, NGOs, and foreign organizations. Many villagers came from afar to observe the development projects, in particular, the integrated farming and to learn how the village fund was established. Phu Yai Phai himself was often invited as a resource person to give advice at seminars or training programs on community development. He always asked to have one or two villagers accompany him, so that others in the village would also have the opportunity to acquire new knowledge and develop networks with people from other communities.

(3) The Leader and Administrative System

Phu Yai Phai is an example of a dedicated, diligent and strong leader who spent most of his time on the well-being of villagers.[18] He is commonly characterized as virtuous, patient, and possessing knowledge and understanding with the ability to sensitively administer the village. He himself attributes these qualities to his experiences gained as a monk. The teachings gave him trust in the ability of humans to develop themselves if guided in the right direction. He is also an example of one who acquires new knowledge and seeks more experiences through several means. He often goes to the district office and the teachers' college as well as attending many training programs and seminars organized by various NGOs or the government. After acquiring new knowledge, for example, useful programs related to agriculture, he shares it with other villagers.

The administration of Srakoon follows the policies laid down by the Interior Minister. The village is divided into seventeen zones each of which consists of twelve homes. There is a zone leader and committee elected by the people in each zone. The zone committee then elects a representative to join the village committee. The village leader also elects two assistants. So there are nineteen members in the village committee. In addition, there are many organized groups in the village, such as the cremation group, the housewives' agricultural group, the long-drum group, the underground water group and the handicraft group.

Because Phu Yai Phai believes that an understanding and respect for the law is important for the functioning of the community, he arranged seminars to teach basic law to the villagers, especially young people. Some examples were: how to report a death, when to begin school, the registration of cattle, the transfer of ownership, lands fees, traffic laws, and other topics, which are directly related to the villagers.

There are also village regulations, which were adopted by the villagers themselves. The regulations were drafted from the proposals of each zone

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[18] The position of village head in Thailand is generally like a volunteer with very little compensation; 600 baht or $24 a month in 1988

committee. There are nine regulations each with related penalties, which are fines. Here, regulations are ranked according to the severity of the fine: (1) not catching fish from the village ponds; (2) not getting drunk and walking around the village making a noise; (3) not shooting inside the village; (4) not giving money to performers while they are performing or shaking hands with women performers; (5) not burning charcoal inside the village because it generates air-pollution; (6) not killing four-legged animals inside the village area; (7) on religious days, not plowing rice fields (to let animals rest) but helping develop the temple, school or other village areas according to the committee; (8) not bathing any domestic animals in public ponds; (9) not missing the meetings without asking permission in advance. The names of violators are made public

Because all villagers have participated in drafting these rules, they respect them. The rules were rarely broken. In addition, the five moral precepts are the traditional modes of conducts on the temple grounds and when in the monk's presence. When conflicts arise, they are to be solved by the zone committee first. If there is no resolution, the next step is to consult with Phu Yai Phai. If necessary, the last step involves the three coordinators —the abbot, Phu Yai Phai and the headmaster. The village committee often consults with the village elders before they make decisions as the elders are recognized as the guarantors and founders of the village.

(4) Evaluation after 25 Years

Srakoon's success can be described not only in economic terms, such as an increase in income due to integrated farming, but also in cultural and social terms, such as a greater degree of unity and cooperation in the village. The purpose of the village fund and integrated farming is primarily to help villagers attain a sufficient level of basic necessities. The fund is also used to provide the basic material and social infrastructure of the community. In turn, Phu Yai Phai attributed the success of integrated farming to an understanding of the philosophy of sustainable production, with the five moral precepts as its basis, and to a contented and simple way of life. Some villagers who

practice integrated farming for the primary purpose of making a profit usually borrowed the money to do it, and often found themselves in unmanageable debt. Phu Yai Phai also evaluated the integrated farming of villagers who undertook the projects primarily to please him or make profits. In general, they were not successful.

After Phu Yai Phai resigned in 1990, several changes occurred in Srakoon. The mulberry plants were not well taken care of because the new village head failed to set an example. Still active in community development, Phu Yai Phai established a group of young people (*I-to Noi*) with virtuous qualities to prepare them as new leaders in the future.[19] The members of the group also have a network of associations with other I-to groups in the province, region and throughout the country. They have started the second stage of development in Srakoon. Leading by group example, connecting with larger groups outside the village, they are aiming at both human and economic development based on self-reliance.

4.2 An Assessment of Srakoon

Srakoon is a community naturally established as a non-market institution for the purpose of communal living. The common goal of village development is basically consistent with the Buddhist principles of actions; to increase the well-being, both physical and mental, of villagers with debtlessness and blamelessness. Their first development project started with the most effective use of existing common resources, donations towards the temple. Believing in the law of karma, villagers traditionally donate money and/or goods to the temples. The establishment of the village fund also focused the use of common resources toward a concrete community goal: to build a school. The goal was decided by public consent while its benefits were shared by all members. The following development projects also had the similar characteristics: mulberry planting on the shared public land, the co-operative fish pond, the dowry fund and so forth. This type of common goal provided

[19] The qualifications are, for example observing the moral precepts, not gambling, being diligent and willing to help society (Soisraklang 1994) There were 34 active members in I-to Noi group in 1994

an example of how to alleviate poverty and improve the villagers' quality of life by sharing benefits and working together in a non-violent way. The fact that it took five years for villagers to accumulate enough funds for the first school implies that the management of the village fund has a debtless basis.

An internal network of associations in the village is a natural one with the temple as the main venue for meetings. Because villagers traditionally go to the temple on religious days, the temple provides both a facility and the opportunity for villagers to learn about the teachings and to practice generosity and meditation. In addition, the villagers' regular meetings at the temple provide a forum to exchange ideas and to discuss issues of concern in the village. Within that forum, monks and other resource persons are available to assist in monitoring the discussion and in giving advice. The administrative system in the village also allows all villagers' concern to be heard and to influence the decision making in the village. In short, all villagers have equal access to participate in the local political mechanism.

A network with society at large follows from internal success and as a result of a strong leader with exceptional qualities. A network among communities, once established, leads to greater understanding and knowledge regarding the development of the community in the right direction. Each community can learn from one another through the sharing of ideas and experiences. This type of network facilitates a movement towards social and economic development whose objectives are built from a bottom-up approach; a true decentralized decision-making process. In contrast, central planning is often criticized as development from the top, and does not necessarily meet the real needs of the people. This issue is important in directing the development of Thailand toward a Buddhist economy, and is discussed in Section 5 below.

The set of rules at Srakoon is based on both the legal system of the country and community regulations. The village regulations and penalties are particularly consistent with the principles of responsibility and harmlessness. The rules are, however, relatively pragmatic because not all members of the community are devoted Buddhists. For example, the rules restrict killing four-

legged animals, but not fish, or killing outside the village. Drinking alcohol is also allowed in the household as long as subsequent behaviour does not create trouble with other villagers. In addition, the rules regarding fund-raising for the village fund assist villagers in practising responsibility and generosity based on the understanding of the outcome of their co-operative actions. That is, the establishment of a village fund primarily through donations with, to some extent, a concrete purpose, fosters generosity and understanding.

A primary rule-enforcing factor within the village is the virtue of the leader(s). Without strong leadership to set an example, it is doubtful whether the projects would have been as successful as they were. Another essential rule-enforcing mechanism is using reputation regarding one's conducts as a penalty factor. That is, it is not the fines themselves, but making public the violators' names that is a matter of concern for villagers. This is severe punishment in a small village where everybody knows one another well. Because reputation is an important asset in conducting activities in the village, few villagers would risk destroying their reputation. As a result, it was rare to have violations. In this case, using reputation as a rule-enforcing mechanism is thus the least cost among all available choices.

Security in general within the village is provided through the justice system of the country. In turn, economic security at Srakoon arises from a combination of regular income from rice growing, extra income from integrated farming, and assistance funds from the village fund. When in need, villagers can also borrow rice or money from the rice bank or the village fund for some certain periods. The redistribution of wealth within the village is thus voluntary as all projects are decided through democratic practices and public consent in which all villagers have equal right to participate.

The establishment of the village fund also provides the villagers economic security and prosperity regarding infrastructure. The village infrastructure, such as roads, water reserve tanks and the irrigation system, is primarily funded through the fund. Social infrastructure, such as the school, is also established in the same way. After the outside government

acknowledged the success or initiative of a community project, then it provided additional funds for completion or expansion. For example, the second school in the village was built with government funds after it recognized the success of the first school. This way of building infrastructure is consistent with the principle of responsibility, or what Phu Yai Phai called self-reliance; one must take responsibility in eliminating one's own unsatisfactoriness. What type of infrastructure should be built is internally decided and based on community needs. Its construction is also initiated from within through cooperation and unity in understanding its importance. Because villagers know exactly what they need and must satisfy their needs through their own budget, the result is a cost-effective economic activity.

Development projects at Srakoon received high participation and cooperation from villagers because of their commitment to the community. Most villagers have shared the same past and future since 1924. Although young generations may find work outside the village, it is a tradition that they come back to live in the village at later ages. The commitment to village development is thus high and can be sustained cost-effectively. The strong commitment to the survival of the village provided an incentive for villagers to participate in various development projects. While the village fund can support and sustain their way of life, integrated farming is a cost-effective means to utilize their natural resources in a sustainable way.

Finally, the process of learning in Srakoon began with a good example, the village head. It was then extended to other members through on-going discussions, occasional training programs and seminars funded by outside organizations, and through direct teachings by resource persons such as the monks, the village head and the teacher.

The above assessment allows us to conclude that the development of Srakoon is compatible with the theoretical framework and its application developed in this thesis. Phongphit, one of the leading thinkers of the BEM, holds Srakoon in high regard as a successful case of community development based on Buddhist teachings (Phongphit 1988). Therefore, we can conclude that, in general, the vision of BEM and its practices are consistent with the

Buddhist teachings as interpreted in this study. In addition, the theoretical framework developed in this thesis can also be used as the analytical framework of the BEM.

5. The State and Its Roles

In Buddhist economics, the state is viewed as one type of non-market institution. It is a community of communities with similar political arrangements, being established contractually to facilitate the welfare of the entire community and its people.[20] It has a major role in providing favourable conditions for society as discussed above, by developing external conditional factors that direct economic activities in the right direction based on the Buddhist principles of actions. Section 5 is organized as follows. Sub-section 5.1 outlines the conditions of a Buddhist state as a non-market institution based on the theoretical framework of the thesis: common goal, network, set of rules, rule-enforcing mechanism, security, commitment, and the process of learning. Based on those conditions, the study suggests what should be done if Thailand chooses to develop a Buddhist economy as its long-term goal. Sub-section 5.2 outlines those suggestions.

5.1 Conditions of a Buddhist State

(1) The Common Goal

In a Buddhist economy, the state has the common goal shared among its people to provide favourable conditions in society. Favourable, because they are conducive to the effective elimination of unsatisfactoriness, and eventually lead to the attainment of enlightenment for the people. Concretely speaking, the Buddhist state has five major functions:[21]

1. To provide protection for its people based on the five moral precepts
2. To assure a sufficient level of basic necessities for all

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[20] See the Buddhist genesis in Chapter 2 (4.4) and the discussion in Chapter 3, especially sub-sections 2.1 and 2.2 for the contractual characteristic of the Buddhist state

[21] These five major functions are based on the duties of government as described in the Pali texts and discussed earlier in Chapter 2 (4.4). The duties are arranged according to the five favourable conditions of society outlined in the introduction of this chapter.

3. To facilitate cost-effective interactions among its people and communities
4. To preserve the continuity of its natural resources and humanity wealth
5. To foster knowledge about the causes and effects of actions

The following conditions of the Buddhist state allow it to fulfill these functions. The discussion below also demonstrates that these functions can compensate for the limitations of market functions, as discussed earlier.

(2) The Network of Associations

The state is a large-scale non-market institution within which large numbers of people from various communities interact with one another. One of its major functions is to provide a network of associations among communities. The state in a Buddhist economy can facilitate interactions among people and communities in three steps. First, it should facilitate the establishment of a Buddhist non-market institution such as a firm, organization, temple, or community, that meets the seven main conditions discussed in Sub-section 3.1. The state should provide legal conditions that assist and protect the activities of Buddhist non-market institutions. Secondly, it should establish a network of communities. And finally, it should facilitate access to those networks. The state should provide information to people and communities regarding the network while assisting its people in joining the network.

The network of associations within the Buddhist state comprises: (1) a transportation network; (2) a communication network; and (3) a network of people. The transportation network includes all means of transportation among communities such as roads, trains, air and sea traffic. The communication network includes telecommunication, the mail delivery system, and so on. The network of people implies functions or forums such as seminars or conferences, which allow the free exchange of ideas, knowledge and experiences.

To facilitate these networks in a cost-effective way, the state should be responsible for the costs of establishing the networks among communities. The transportation and communication systems among communities are often

characterized by significant economies of scale. Thus, it is cost-effective for the state to provide these networks rather than requiring each community to establish its own. For the network of people, the state should provide funds to support the establishment of networking forums that have pervasive effects on the community consistent with favourable conditions. The costs of establishing networks within the community, however, should be shared between that community and the state based on the principle of responsibility. The sharing ratio may differ depending on the economic and financial situations of each community.

(3) The Set of Rules

The Buddhist state must found its constitution on the Buddhist principles of actions. First, the principle of responsibility emphasizes decentralization in economic activities. Secondly, the legal conditional factors must be based on the five moral precepts as outlined in Chapter 4. Thirdly, voluntarily generous actions should be encouraged through every public means, such as advertisement, acknowledgment from society and offering some recognition, the taxation scheme, and so on. Finally, the process of learning, including the cultivation of mental development, should be encouraged in all activities.

Some applications of these rules are outlined in several earlier discussions. For example, the price system should be decentralized and flexible. Economic agents should have economic freedom in production, exchange and consumption, but with moral constraints. The state has duties to ensure that the interest-seeking actions of each agent or institution do not cause harm upon the physical environment, nor other members in society.

(4) The Rule-Enforcing Mechanism

The constitutions and laws are enforced through two complimentary systems: political and administrative. The political system is a mechanism in which all members communicate their concerns regarding the common goal of society. In turn, the administrative system conducts the duties of the state as agreed upon by members via the political mechanism.

The political system in the Buddhist state must be based on democracy and public consent, with the voluntary election of a leader for the administrative system. It must be democratic because decentralization and participation are key factors that allow people to take the most responsibility for their actions as well as to learn and transform their understanding of phenomena through the process of interaction. Participation leads to the establishment of a house of representatives from each community. The representative institution is an important forum that facilitates and provides communication among communities with regard to administration of the state.

The leader of the administrative system should be elected based on his/her virtues or perfection in conduct. Ideally, the leader should personally observe the five moral precepts. This quality is required in order to establish internal consistency with the constitution, which is also based on the five moral precepts. The leader of a Buddhist economy is also required to have interaction with virtuous monks and/or spiritual teachers on a regular basis. Although the leader can use the five moral precepts as guidelines in making a decision, his/her decision making is yet the process of trial-and-error. The continuing interaction with virtuous teachers will allow the leader to continuously maintain and progress in morality and knowledge as well as mental development.

In addition, there should be a process in the system to recall the leader; a leader of the Buddhist state is not entitled to serve the office for life. The house of representatives should be able to ask the leader to resign if there is very serious poor performance. Alternatively, there should be a term which the leader can serve after which a new election would take place.

The political and administrative systems should also be decentralized to place decision making in the regions and communities. In addition, rule-enforcement at the community level is not only cost-effective, but also creates and facilitates the process of learning within the community. In particular, the collection of taxes and public expenditures directly related to the community should be decided and managed on community basis (see 5.1.7 on taxes).

(5) Security Condition

The Buddhist state must provide security, including economic security, to its people. Security in general can be provided through the lawful protection of private possessions under the legal and justice system. The Buddhist state should also define the property rights of knowledge and technology to foster greater knowledge within society. The state should also protect spiritual institutions to assist in the cultivation of mental development by its people. Considering the security of natural resources, the state should protect bio-diversity and the natural ecology to preserve the lives of endangered species in addition to maintaining a balance among species in nature.

Considering the provision of economic security, the state has a duty to guarantee a sufficient level of basic necessities to all; that is, the establishment of a social assistance program. As discussed earlier, economic security is a necessary condition for the cultivation of mental development. Due to dynamic characteristic and uncertainties, it is always possible that an agent may need assistance; and a social assistance system can provide economic security and reduce anxiety to some extent. A social assistance program is also necessary to sustain security in society as economic security can prevent crimes based on poverty.[22] Therefore, it is crucial for each member in the Buddhist economy to support one another through a social assistance program. In Buddhist society, the program can be funded through both public funds and private generosity.

Based on decentralization, the administration of the social assistance program should be at the local community level. The role of the state regarding the program is to provide guidelines and financial assistance if necessary; that is, when the community cannot rely on its local public finances or the generosity of members to provide sufficient economic security to its members. Also, financial assistance from the state would be required when there are unexpected natural disasters such as floods or earthquakes. In the Buddhist state, wealthy communities have a duty to assist poorer ones in

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[22] Crimes that are caused by greed, hatred and ill-will, can be prevented through a well-functioning educational system and through spiritual teachings

order to help sustain security and stability in the state. This is a basis of redistribution of wealth among regions, or a balanced development among communities.

The guidelines for providing social assistance are based on the principle of responsibility. There are two levels of assistance: (1) material goods to alleviate primary physical suffering, and subsequently (2) tools to acquire wealth by oneself (see Chapter 2: 4.4). The first level is to assist the poor to meet sustenance requirements so that they are able to conduct a noble life if they wish. This level of assistance includes the provision of basic health care such as a community health-care centre or hospital. The second level of assistance is to help that person help him/herself in acquiring income. The community should assist in providing the necessary means to earn a living based on each person's conditional factors such as skill, knowledge and the physical environment. Examples of the necessary means are: distributing seeds or grains to farmers, providing loans with low interest to those in business for investment, or assisting in getting jobs through training or providing information regarding the job market.[23]

The principles of responsibility and harmlessness also provide a criterion for selecting the recipients of social assistance. That is, only those who observe or are willing to observe the five moral precepts are eligible to receive social assistance. This criterion is necessary to induce members of society, whether they are rich or poor, to respect and practice morality. In addition, the system should be set up so that it can induce each agent to voluntarily contribute to the redistribution of wealth; for example, through religious donations, or through income tax deductions for donations.

(6) The Commitment

The most important commitment in the Buddhist state is the commitment to the principles. Without the principles, the Buddhist state will be only another

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[23] It should be noted that the creation of jobs by the state is the next step after providing basic social assistance, and has the objective of assisting recipients in helping themselves so that they do not have to rely on the assistance program forever. The state in the Buddhist economy involves facilitating job creation only within the social assistance program, but not in general.

state. The constitution, once established, should then not easily be changed. The continuity of the constitution also reduces uncertainties, which may give rise to instability in the system. Sustainable existence of the Buddhist state also depends on the continuity of its natural resources and human wealth such as culture, local wisdom, religious beliefs and practice. These factors should be protected under the legal conditions.

In turn, the responsibility of members to the state is to pay taxes. As discussed in balanced livelihood, each agent who engages in economic activities has duties to pay tax to the state and community in exchange for its services. Without revenues, the state cannot perform its functions. Because the state is a community of communities, taxes should then be collected on a community basis, then transferred to the state in exchange for its services. That is, each community has a responsibility to manage its own public finances, tax collection and expenditures. Meanwhile, communities should establish a clear contract with the administrative system of the state regarding transferring taxes and assistance. Similarly to the social assistance program, the state should provide the main guidelines for tax collections.

The state and community primarily collect taxes to cover the costs that arise from performing their duties They can also induce the citizen to conduct cost-effective and wholesome economic activities through tax-subsidy measures. In a Buddhist economy, the state and community can levy income taxes on its citizens and institutions that create wealth from its activities. The range of income taxes should encompass all economic activities related to the creation of wealth: wages, profits, rents, dividends and interest. In turn, a tax-subsidy scheme can also be used to provide the right incentive for right actions. It should be used to discourage harmful economic activities and encourage activities that lead to sustainable wealth maintenance and moderate consumption.

For example, consumption taxes should be levied on commodities not required to meet the four basic necessities. The more luxurious a product is, the higher the tax rate should be. Tax incentives can also be used to encourage firms to provide good working conditions, while tax burdens can

be imposed if it does otherwise. Taxes should also be levied on activities that create pollution or exploit natural resources in excess of the optimal criteria as discussed earlier in Chapter 5. In turn, the state and community should subsidize activities such as education or vaccinations, that indirectly benefit all members in society. The state should also encourage generosity in society by providing tax incentives for charity and donations towards spiritual institutions such as the temple. These institutions are essential in the cultivation of mental development.

It should be noted that the public finance of the state and community should be directed toward a budget balanced over a specified time period. Government debt in a dynamic context is incompatible with the Buddhist principles for the same reasoning as personal debt, as discussed in Chapter 5. The income tax rate and its structure, therefore, should be designed to cover necessary public expenditures. Moreover, because the economic conditional factors are ever-changing, the tax rates and its structure should also be able to change in harmony with the changing conditions.

(7) The Process of Learning

In the Buddhist state, learning along the process of interaction is encouraged as it reduces ignorance. Members of the state are encouraged to acquire more skill and knowledge through interaction in the market, schooling, training, public seminars, conferences, meditation retreats and so forth. In acquiring knowledge, an economic agent should establish a balance between the knowledge and skill that are useful in managing wealth, and knowledge in conduct such as morality and generosity that are useful in preventing conflicts in the process of interaction. Based on the principle of Buddhist justice, each member of the Buddhist state has equal access to receive basic education and knowledge in society. The curriculum of basic education in the Buddhist state should thus include both types of knowledge.

In addition to providing the network of people, the Buddhist state also has duties to provide basic education to its people. Based on the principle of responsibility, the state should partially fund or assist in the establishment of

community schools or any other educational institutions. This principle also applies to the case in which several communities get together to establish higher educational institutions such as a university. The Buddhist state also has a role in providing assistance funds for research and development that reveals new understanding of the causes and effects of human actions on the physical environment and society in the short and long term.

5.2 Some Suggestions on Development in Thailand

The above discussion outlines a vision of the Buddhist economic system including the conditions of the Buddhist state. It provides a basis for the view that Buddhist values do not hamper economic development. On the contrary, they provide a broader understanding of how economic development should be directed from a long-term and system perspective. The five favourable conditions of society characterize a Buddhist economy as secure, prosperous, effective, stable and advancing the knowledge base. These conditions also characterize Buddhist economic development as sustainable wealth management for the ultimate purpose of attaining enlightenment by each individual.

The question is, then, what type of activities should we begin with that will lead Thailand toward a Buddhist economy as described above? At present, Thailand is facing a critical decision in choosing a long-term vision of development. The Eighth National Social Economic Development Plan (1997-2001) is the first attempt to develop a vision for the country based on substantial input from the public (NESDB 1996).[24] Decentralization and participation are key words in the planning process. Besides this initiative, the gradual development of the BEM has provided some hope that it may not be too late to alter Thailand's development in the direction which the people desire, and not only of the government or planner.

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[24] As noted earlier in Chapter 1, the vision and process of planning the Eighth Plan were influenced by several leaders and thinkers of the BEM. As illustrated above, the theoretical framework in this thesis is compatible with the practice of the BEM. It is not surprising, therefore, that there are several similarities between the contents of the plan and the framework outlined here.

The Eighth Plan emphasizes human-centered development; economic development is typically considered only a means to improve the well-being of human beings, not an end in itself. It is considered the first holistic plan in the country's history, and has five main objectives: (1) to strengthen the potential of people physically, mentally and intellectually; (2) to promote the security condition in society, while strengthening community and family; (3) to commit to sustainable economic development; (4) to make the best use of, while conserving, natural resources and environment; and (5) to reform the administration system by allowing the private sector, NGOs, community and the people to have more opportunities to participate in the country's development. Nevertheless, because of its nature, the Eighth Plan can only provide a vision and strategy for long-term economic development. Without reforming the structure of basic institutions, the plan would end up being merely a vision.

The conditions of a Buddhist state, discussed above, provide the basis for reforming many of the basic institutions of society. First, political and administrative institutions should be more decentralized. At present, most policy planning and policy making is undertaken by the central government, and although the process of defining a vision in the Eighth Plan is decentralized, the process of implementation is not. Therefore, political and administrative institutions should be arranged so that they give more power to the community—province, district or village—to manage its own development and administer its public finances as discussed above.

Decentralization also involves the establishment of networks among communities. Considering the work of the BEM, in 1989 there were at least thirty networks of *People Organizations* which comprised about five hundred villages in all regions of the country (Phongphit 1989). Srakoon is one of the development model villages that has been the centre for networking among villages from the whole country. The formations and the growth of these networks should be used as a stepping stone for creating networks among communities at different levels in the country. The network will, however, have value in practice only when it can cause changes in the community

toward the right direction such as right livelihood, balanced livelihood, and self-reliance regarding economic security.

The second institution that needs to be reformed is the legal institution. The legal system must be reformed so that it is responsive to changing environments such as the establishment and growing of a network among communities. Further, many community development projects within the BEM such as rice banks, cattle banks, medicine banks, saving groups, or co-operative stores, cannot be legalized under the present legal conditions. Therefore, they are not protected under the law and therefore no security condition protects economic activities. In addition, the institutions of law enforcement such as police departments and the justice system must be reformed so that they can effectively and justly provide security and justice.

The third institution is the educational system. It must be reformed so that it can respond to needs within the community, foster knowledge related to the management of wealth and wholesome conducts, and conserve morality and traditional wisdom in society. The present curriculum in the Thai educational system has been designed by the central government. Therefore, it cannot reflect the specific needs of each community that differ because they have different conditional factors. The centrally planed curriculum also neglects morality and local wisdom that historically is an inherent part of Thai society. The contents of a reformed curriculum should then contain not only the basic knowledge necessary in conducting daily life in society, but also knowledge regarding conservation of the ecosystem, morality and local wisdom.

Fourth, communities themselves must also be reformed. To be coherent with the reform of the political and administration systems, the communities should be geared toward a philosophy of responsibility such as self-reliance regarding economic security. Each community should have a primary goal of development that fulfills the basic necessities of all members as required through a public fund and the generosity of people. It should be encouraged to establish the social assistance program as well as networks with other communities as discussed above. In addition, traditional values and

wisdom, morality and religious practice should be revitalized in order to sustain the identity of a Buddhist economic community.

Finally, the way we measure development must be changed from numerical GNP to qualitative elements based on the five main favourable conditions outlined above. The measurement can be a combination of several indexes, negative and positive. The negative indexes include: the crime rate, the number of people living in poverty or suffering from malnutrition, the depletion rate of natural resources, costs of air and water pollution, and per capita expenditure on the administration of the community. The positive indexes include: the accessibility rate to basic health care; per capita number of doctors, nurses and hospital beds; per capita public and private expenditure on infrastructure such as transportation and communication; per capita public and private expenditure on human capital formation such as basic education, higher education, research and development, training and seminars; per capita donations within the community; and the number of people attending dharma teaching events or practicing meditation.

The final question is how to make reform happen. The answer lies in public awareness. Recalling the Buddhist methodology discussed in Chapter 2, the first step is to raise awareness of the majority of people so that they recognize existing problems. The public must be urged to share the recognition that the way country has developed in recent decades has caused considerable social problems. The problems arise from modern development; some examples are outlined in Chapter 1. The problems must be taken seriously within the political arena and among the general population before further action can be taken.

The next step is to diagnose the cause. Based on the theoretical framework, all problems are interconnected and have a common source: that is, ignorance. To ignore or purposely close the mind to understanding the existing problems of the country is also considered a cause. Regarding the socio-economic problems in Thailand, the analytical framework explains the cause of the problems as incomplete knowledge regarding the causes and effects of economic activities on the ecosystem and on society. Causes and

effects in this regard should be explored through public events so that they raise public awareness. Once public awareness is established, perception will change and actions will follow naturally.

Chapter VII

Concluding Remarks

In presenting an outline of the Buddhist economic theory and system the study has tried to bring together into a coherent view the Buddhist philosophy and the practice of Buddhist economic development. This final chapter will try to indicate its contributions by summarizing the presentation of the study. Along with the summary, a few comments will be made to clarify several points about the conceptions of Buddhist economics. Finally, the chapter outlines the limitations of the study, including a few suggestions for further research.

Summary of Contributions

The study has tried to present the outlines of Buddhist economics in a systematic way corresponding to Buddhist methodology while being coherent with its philosophy. It first laid out the fundamental principles in Buddhism: the Four Noble Truths. As the volumes of Pali texts is quite enormous, the teachings are often perceived as complicated and difficult to comprehend. The fundamental principles outlined in Chapter 2 have attempted to offer a clear and consistent description of the teachings. The fundamental principles illustrate the Buddhist view of the world and phenomena and a well-defined system of ethics including social ethics in Buddhist teachings. The ethics form the Buddhist ways and means of living an economic life in harmony with the true nature of phenomena. They are the basis for developing a theory of Buddhist economics. The search for ethical foundations on which to construct a Buddhist economic theory should have given some insights into the study of Buddhism.

The study then surveyed the literature related to the search for Buddhist economics. Within the scope of methodology—doctrinal interpretations—it has found that recent literature has encompassed several topics, but only few directly and explicitly investigate Buddhist economics. Some attempt to reinterpret the

teachings to obtain theological perspectives on political movements in Theravada countries. Others try to clarify the relationship between Buddhist ethics and economic activities. Those that directly focus on Buddhist economics are written by Buddhist monks and thus emphasize what should be done but without offering an analytical framework from which the suggestions are derived. In general, the Pali texts are used in bits and pieces fashion. And there has not been a development of building blocks that can be used as an analytical tool of economic analysis or from which to derive policy implications. To fill this gap in literature is considered the most important contribution of this study with respect to the study of Buddhist economics.

A concept of Buddhist socialism in the literature should be noted here for clarification. Because Buddhist teachings cover a wide range of topics, there is a question of to what extent the sangha institution can be viewed as an ideal setting for the lay community. My personal viewpoint is that it is rather consistent with teachings to consider the sangha as part of the interdependent system of a Buddhist society. The major role of sangha in society is to be an example of a peaceful way of life that has arisen from the practice of non-attachment to wealth. If there is public consent to restructure the basic institutions such as the property rights in the lay community according to the sangha rule—common property—and the process is a voluntary mechanism, then that type of society is compatible with the Buddhist principles.

Based on the fundamental principles and the contributions of existing literature, the study has tried to set forth a theoretical framework for Buddhist economics. The framework aims to enable us to understand how Buddhism views the world especially economic phenomena and human nature. The positive theory offers a set of three fundamental axioms—non-self, impermanency and unsatisfactoriness—as coherent explanatory hypotheses. It also proffers directional predictability of economic activities in a complex, ever-changing and interdependent system. In this framework, a human being is viewed as a part of the interconnected whole, while being ignorant, and urged to conduct an action to eliminate primary physical suffering and/or mental unsatisfactoriness. Because of ignorance and interdependency of the system, an action is not always effective

in achieving an end, but rather has a tendency to cause more unsatisfactoriness as well as instability in the system. It is effective if an action gives rise to true well-being and helps an individual to progress in the right direction. Consistent with the fundamental axioms, the normative theory suggests the guiding principles for choosing effective actions: responsibility, harmlessness, generosity and discernment. While, of course, the theoretical framework is not a fully satisfactory theory, it offers, I believe, an alternative to a standard neo-classical economic theory in both analyzing economic activities and suggesting policy implementations. In addition, the method used in the study to integrate Buddhist ethical values into a model of economic behaviour should contribute some new insights into socio-economic study.

Based on the theoretical framework, the study outlines economic activities consistent with the Buddhist principles of actions. The first activity, acquisition of wealth, that is subject to Buddhist ethical constraints is called right livelihood. The constraints comprise (i) cost-effectiveness in utilizing natural resources and material goods in the physical environment and (ii) the righteousness regarding products, actions and persons. Based on the constraints, the optimal production is that level of production needed to meet the sufficient level of basic necessities for all members in society. The next activity, protection of wealth, is related to the principles of justice in a Buddhist economy. The study has derived the principles of Buddhist justice as well as the concept of Buddhist fairness consistent with the theoretical framework. These principles provide a vision of the basic structure of Buddhist society. In addition, protection of wealth consistent with the principles compels the sustainable wealth management in Buddhist economy. Finally, the last activity, the utilization of wealth, consistent with the principles is called the balanced livelihood and has two aspects: debtlessness and non-attachment. Balanced livelihood provides a basis for distribution of wealth in a Buddhist society based on moderate consumption and voluntary sharing of wealth. The outline of these activities contributes in characterizing broad contours of a Buddhist economy.

Finally, the study outlines the characteristics of major economic institutions, both market and non-market, in a Buddhist economy. Economic

institutions are established to provide favourable conditions that can assist its members to effectively end unsatisfactoriness and eventually attain enlightenment. In a Buddhist economy, the decentralized market can be used to effectively allocate scarce resources among alternative uses, but has limits in providing the necessary information to assist the individual in choosing an action-choice in the right direction. In a Buddhist economy, non-market institutions such as the firm, community and state, are established to supplement the functions of the market. The study has laid out the main conditions of non-market institutions consistent with the principles and discussed how they can provide favourable conditions in society. As a result, it has confirmed that (i) Buddhist principles foster positive actions in developing the economy from the long-term and system perspective; and (ii) the practices of the Buddhist Economic Movement in Thailand are compatible with the principles of Buddhist economics. And finally, it offers some suggestions regarding institutional reform in Thailand, should it choose to develop a Buddhist economy. The discussion regarding institutions is beneficial in providing the theoretical framework for Buddhist economic development, particularly in Thailand.

Limitations of the Study and Suggestions for Future Research

There are, nevertheless, some limitations of the thesis. Because the thesis aims primarily to offer an outline of the Buddhist economic theory and system, the discussion is, therefore, relatively limited. Although the theoretical framework for Buddhist economics consistent with Buddhist principles is developed, it does not provide an extensive discussion regarding applications of the theory. The outline of economic activities and Buddhist economic institutions is quite brief considering its importance in illustrating a Buddhist economy in practice. This limitation opens room for further research.

There are three areas of possible further research: comparative studies, development of specific models for analytical purposes, and applications of the studies. First, a theoretical framework for Buddhist economics offers a benchmark model that can be used in comparative studies. Possible areas of further studies include: comparative religions, comparative justice systems and

comparative economic paradigms. The study has attempted to show that principles of Buddhist economics are somewhat comparable with Rawlsian justice and Daly and Cobb's (1989) conceptions of economy toward community based on Christian beliefs. These comparative studies should be further discussed in details. For example, a comparison between the policies for communities in Daly and Cobb's framework and the conditions of the Buddhist state, or between the four functions of the state in Rawlsian framework, and the five main functions of the Buddhist state. Possible comparative studies with respect to economic paradigms include Herbert Simon's (1955, 1959) concept of bounded rationality in which individuals have incomplete knowledge in making an action-choice, or Armen A. Alchian's (1950) treatment of the problem of uncertainty in economic theory. The principles of Buddhist economics are also comparable to Edwards Deming's (1986, 1993) philosophy of Total Quality Management (TQM), in particular, the practice of the traditional Japanese firm. In addition, it is also possible to be comparable to Fritjof Capra's (1975, 1982, 1996) conceptions of deep ecology.

The second possible research area is to extend the theory further. The development of a specific model such as a game-theoretical framework is encouraged. The game-theoretical model would bring out the significance of ignorance as a main cause of problems in interactions among agents in society. The model by its nature will be useful as a concrete tool to consider a small range of phenomena while reaching the same qualitative conclusions.

Finally, there are several possibilities regarding the application of principles of Buddhist economics. In addition to the few applications conducted in this thesis, further discussion regarding policy determinations will be useful in applying the principles into practice. Examples are: an application of Buddhist guidelines for sustainable wealth maintenance; the optimal scale of decentralization regarding political and administrative institutions; the taxes and subsidy policies in the Buddhist state; and the development of indexes to measure development based on the principles. In particular, the principles can also be used to assess the new Thai constitution, which passed the House of

Representatives in October 1997, whether it is conducive to develop a Buddhist economy in Thailand.

I would like to end the thesis with enlightening phrases from the Dhammapada (14: The Man Who Is Awake).

Hard it is to be born,
Hard it is to live,
Harder still to hear of the way,
And hard to rise, follow and awake.

Yet the teaching is simple.
Do what is right.
Be pure.
At the end of the way is freedom.
Till then, patience.

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Appendix A

Theravada Buddhism and Other Schools

There are many approaches that explain the differences between Theravada Buddhism and other schools, in particular, the Mahayana School. There are many criteria used to explain the differences between the two main schools. The differences, however, may create confusion because there is no consensus among them. To understand the similarities and differences between the two main schools, we discuss each criterion as follows.

1. Geographical Division

Division by geographical criteria is the most general division between the two schools. Under this criterion, Theravada and Mahayana are divided into the northern school and the southern school. In this case, Theravada is a Buddhist sect that covers Sri Lanka, Burma, Thailand, Laos, and Cambodia. The Mahayana is a northern school that covers Tibet, Mongolia, China, Korea and Japan.

2. The Central Texts

This thesis uses the criterion of the central texts to justify the differences among schools. The teachings in Theravada Buddhism is based upon only the Pali Canon which is said to contain the oldest texts in Buddhism (Lopez 1995, and Williams 1989). Meanwhile, most schools in the Mahayana sect may take the Pali texts as an authority, they also base their teaching on other texts which are mainly written in Sanskrit. The differences among sects within the Mahayana school are the central texts that each school emphasizes. For example, the Vajrayana sect within Tibetan Buddhism uses both the Pali Texts and the Tantra. The Nichiren school, however, bases its teaching on the Lotus Sutra, whose contents are very different from the Pali Texts. From the central texts criterion, the Nichiren school is fundamentally different from

Theravada, whereas the Tibetan has some similarities regarding the essence of the core teachings.

To understand the implications of the differences in the central texts, we have to trace through records in Buddhist history. During the end of King Asoka reign (230 BCE) in India, a major rupture occurred within the Buddhist community (Williams 1989). This rupture caused the sangha to be divided into two principal streams: the 'Elders' and the 'Majority'. The Elders school is believed to be the root of Theravada which literally means 'Words of the Elders.' Meanwhile, the majority later became known as the Mahayana tradition, which means 'the Greater Vehicle.' To resolve the doctrinal dispute, the third council since the Buddha's passing was called; the Pali Canon again was recited with an additional note referring to the doctrinal differences among all Buddhist sects then.[1] However, the division between the 'Elders' and the 'Majority' could not be resolved but instead has become official since then (Batchelor 1994).

There was another council of Bothisattvas, or those beings who have vowed to become perfect Buddhas (Williams 1989). As late as the fourth to fifth century CE, this Bothisattva council recited and authorized the collection of discourses that have become the basic texts of Mahayana tradition. Although the Mahayana acknowledges the Pali texts as legitimate, the converse does not hold: Theravada does not recognize the legitimacy of the Mahayana texts. The differences in attitude towards the different texts are based on the different views regarding the Arahats and the Bothisattvas.

In Theravada Buddhism, there are three ways of realizing enlightenment: the Perfect Buddha who reaches enlightenment by himself and subsequently teaches others, the Pacceka Buddha who reaches enlightenment by himself but does not teach others, and the Savaka (disciple) Buddha, so-called the Arahat, who reaches enlightenment by following the instruction of the Perfect Buddha or his teachings. It is said that the Pali Canon was established at the first Buddhist council by all the Arahats as early as 100 days after the Buddha's passing; all the Arahats of this council are the enlightened

[1] The Gathavattu, the last section in the Pali Canon, is a collection of all the doctrinal differences

beings. Therefore, Theravada Buddhism treats the Pali Canon as the only texts which are based on the enlightened ones and most truthful to the original teachings of the Buddha.

Further, Theravada maintains that the Bodhisattavas are beings who vow to become a perfect Buddha, but they have not yet realized enlightenment.[2] Therefore, by definition Bodhisattavas are not enlightened until they become Buddhas from Theravada perspective. Meanwhile, Mahayana Buddhism believes that there are such beings as *the enlightened Bodhisattavas*.[3] While Mahayana believes Bodhisattavas can be fully enlightened, they also believe that becoming a Savaka, or an arahant, is only one step towards becoming a Perfect Buddha. Therefore, these Arahats still have to tread the path of the Bodhisattava to reach that state from Mahayana perspective. It should be noted that there is no record whether the Bodhisattavas in the Mahayana council were the enlightened Arahats or unenlightened beings who vowed to become the Perfect Buddha in the future.

3. The Ordering of Spiritual Priorities

This criterion has been accepted as a way to distinguish between the two schools, especially from the Mahayanan point of view. This criterion is also based on the concept of the Arahant and the Bodhisattava. Because the ultimate goal of religious practice in Mahayana is to become a Bodhisattava, it provides a ground for Mahayana to develop as a distinctive different view of what Buddhist practices should be. The central idea in Mahayana is said to be 'the gospel of universal salvation based on the concept of the fundamental oneness of all beings' (Williams 1989). Mahayana, therefore, emphasizes intentions dominated by compassion to save every being from suffering in samsara.

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[2] A.III.101, most teachings in the Jataka confirm this view. I am grateful to Ven. Sona of Pemberton Forest Monastery, B.C., for pointing out this issue and indeed for enabling me to understand the core issue in the differences among schools.

[3] The Lotus Sutra.

From the Mahayana point of view, the practice of Theravada aims only at the enlightenment for oneself.[4] It is true that the first priority in Theravada Buddhism is to attain one's enlightenment through a strict practice of morality, concentration and wisdom as means to change one's attitude towards the world.[5] This is because Theravada emphasizes transforming oneself rather than helping others while one is still deluded. Moreover, this ordering of priorities does not preclude the acts that benefit both oneself and others. The act of morality and generosity can benefit both oneself and others in a society. Further, it is believed that as one gains more insight into the true nature of life, this will naturally lead to compassion towards others. The compassionate action of individual consistent with the principles is said to create benefits to everyone without harm. By contrast, compassion without wisdom, or actions based on delusion may cause harm for both oneself and others.

4. Monastic and Messianic

It has been perceived somehow that Theravada is primarily a monastic Buddhism, where Mahayana is rather messianic. This division may arise from the practices in some Mahayana schools, such as the Nichiren, which mainly rely on chanting for salvation.[6] The Pure Land sutra which emphasizes praying to the Amidha Buddha for salvation has shifted the emphasis of purification path from the individual's actions, to help by an external entity. Since there is no absolute God in Buddhism, the act of praying to the particular Buddha for salvation can not be identified as the path in Theravada.

However, this criterion seems to be confusing. There are monastic traditions in both Theravada and Mahayana sects, although there may be differences in monastic rules for monks and nuns in different traditions.

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[4] This view induced the Mahayana to call the Theravada, 'Hinayana,' the lesser vehicle.

[5] The emphasis on transforming oneself into a wise person as the first priority in Theravada Buddhism can be traced back to many teachings in the Pali Texts. For example, Dhammapada (166) states that, "Let no one forget his own good for the sake of other's, however great it is; let a man, after he has discerned what this good is, be ever intent upon it."

[6] See E.A. Burtt (1982), Batchelor (1994), Lopez (1995) for more details on differences between the two schools.

Moreover, the path of practice in Theravada does not exclude laypeople, nor is it monopolized by monks and nuns.[7] In both schools, the Noble Eightfold Path is taken as a way of life towards enlightenment for all who practice it.

[7] M.73

Appendix B

Classifications of Suffering

Based on the Buddhist definition of human beings, suffering has two classes: physical suffering and mental unsatisfactoriness.[1] Physical suffering can be divided into two categories: primary physical suffering and unsatisfactoriness related to physical body. Primary physical suffering is a form of suffering that can be alleviated by some form of material wealth. Hunger, under-nourishment, thirst, injury, being exposed to unbearable weather conditions are examples of primary physical suffering. In contrast, unsatisfactoriness related to physical body is a form of suffering that cannot be avoided or eliminated by material well-being. For example, the desire to not get old or look old, or the desire to not die. Aging and death are natural phenomena of human life. Despite the wealth one possesses, nobody can avoid these phenomena. This form of unsatisfactoriness cannot be alleviated by economic well-being. In Buddhism, it can be eliminated only by accepting the natural impermanency of human life, and developing the attitude of non-craving and non-clinging.

Mental unsatisfactoriness includes feelings of sorrow, lamentation, pain, distress, despair, being with or getting things one dislikes, separation from things one likes, not getting what one desires. Mental unsatisfactoriness arises under three types of situations: (1) having painful feelings or getting what one dislikes, (2) ending of pleasant feelings or not having what one

[1] D.22. In Buddhism, both material and mental happiness are ultimately considered as suffering if it is conditioned by something, craved for, and attached to. This is because the state of conditioned happiness is also impermanent. If a person craves for the feeling of happiness, or wants it to last forever, he/she will suffer when it ends. The Buddha stated that as there is happiness in the world, beings become attached to it; but as there is suffering in the world, beings become weary with the world and want to be liberated from it

desires, and (3) being dissatisfied with neutral feelings.[2] Table B.1 below illustrates classifications of suffering in human life.

Table B.1: Classifications of suffering in human life

	Feeling	*Types*	*Characteristics*	*Examples*
State of physical body	neutral	normal	bearable/healthy	inaction
	unpleasant = **primary physical suffering**	bodily pain, sickness, aging	primary physical suffering	hunger, thirst, injury
			unsatisfactoriness related to the bod	not wanting to die
	pleasant	satisfactory	having physically pleasant feelings	exercise, tasty food
			ending of physical suffering	end of an illness
Mental experiences related to six- senses	unpleasant = **mental unsatisfac-toriness**	distress, grief, sorrow, lamentation	being with/getting unpleasant experiences	being with disliked persons, job insecurity, depart from or loss of loved ones,...
			the end of or desire for pleasant experience	desire for more possessions, desire to be with loved ones
	pleasant	joy, happy, satisfaction	being with/having likable things	listening to nice music
			end of unpleasant experiences	end of cold weather
	neutral	indifferent	without knowledge	confusion
		equanimity	with knowledge	enlightenment

[2] A neutral feeling based on discernment, so-called equanimity in Buddhism, is a most desirable feeling according to Buddhist principles. Desirable, because an equanimous mind does not fluctuate with the changing conditions; it is a high level state of mental well-being