

# Schumacher's Buddhist economics

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I've been talking to a colleague recently about developing a project on religion and economics under the auspices of the Religion and Political Culture Network (RPCN) at the University of Manchester. This has got me thinking about Buddhism, economics and Buddhist economics, and has led me to reread Ernst Friedrich Schumacher's classic essay *Buddhist economics*, first published in 1966, and available online here:

<http://www.centerforneweconomics.org/buddhist-economics>

It's a fascinating piece, and though Schumacher's arguments have become commonplace among critics of mainstream economics, it's interesting just how current most of what he has to say sounds. Much of what he has to say about the irrationality of certain assumptions in academic economics is still being said today, for example by students who are demanding changes in the way the subject is taught in universities, tackled in a recent BBC radio documentary: <http://bbc.in/1pBBGW9>, and in another broadcast last year: <http://bbc.in/1y94uHF>.

Only one of his claims about economics is arguably anachronistic: the claim that economics considers only price in the use of different natural resources, not whether they are renewable or not. I think that, at least at the level of the economics of nations, the idea of sustainability has gained significant traction since he was writing, though he probably wouldn't approve of the idea that the impact of production on the environment can be 'priced in'.

Here is a summary of Schumacher's main points:

## 1. Economics is not value-free

He begins by regretting that leaders of Buddhist countries such as Burma simultaneously say they want to retain and develop their Buddhist traditions and ways of life, but seek advice from what he calls 'modern' and 'materialist' economists.

This might make sense if Buddhism and economics governed two completely distinct spheres of life. However, he argues that Buddhism, which teaches Right Livelihood as part of the Eightfold Noble Path, must have its own ideas about economics. On the other hand, he claims, economics is not value-neutral, but is based on unacknowledged metaphysical presuppositions that might be—and in fact are—in conflict with the aims and premises of Buddhist teachings.

## 2. The meaning of labour

Schumacher discusses attitudes to work as an example of the (mostly unspoken) assumptions that distinguish modern economics from Buddhist economics.

For the 'modern' economics, labour is an evil. For the worker, it's something that destroys leisure and for which compensation in the form of wages is required. For the employer, it is a cost of production. The more production (in the case of the employer) or income (in the case of the worker) can be had for the less work the better. So one central aim of modern economics is to reduce the quantity of work required for a given amount of production through mechanisation and the division of labour.

For Buddhist economics, in contrast, work is not a necessary evil, but something that leads to a number of good outcomes apart from the product itself, including the opportunity for the development of character, and the opportunity to cooperate with others and in the process overcome 'ego-centredness'. Labour-saving innovations are not necessarily bad, but their value depends on the extent to which they free people from the heavy work to focus on more creating tasks, or to the contrary, make work meaningless and repetitive.

## 3. The Middle Way and consumption

Modern economics, Schumacher writes, assumes that wellbeing can be measured by consumption, and therefore that greater annual rates of consumption correspond to increased wellbeing. A Buddhist economist,

'... would consider this approach excessively irrational: since consumption is merely a means to human well-being, the aim should be to obtain the maximum of well-being with the minimum of consumption.'

(This is reminiscent of Southwold's (1983: 188) opposition between Buddhist 'sapientalism', 'a rational strategy for ameliorating experience by altering the mind rather than the enviroing world', and instrumentalism.)

This approach could easily be misunderstood. One might assume that the opposite of materialism is anti-materialism, or the pursuit of poverty. But Schumacher points out that Buddhism is not about the rejection of wealth, but the rejection of excessive attachment to wealth. The Buddha tried and rejected ascetic austerities and then promoted instead the moderation of the Middle Way.

## 4. Localism, simplicity and non-violence

Schumacher argues that treating consumption as a means not an end in itself means living simply (in order to leave oneself time to do what is really important) and in accordance with non-violence (presumably because consuming in a way that leads to violence would undermine the proper goal of all consumption: liberation).

Using less in the way of resources also minimises the causes of violence as it reduces the competition for resources. Schumacher also claims—perhaps the this is the most debatable claim in the essay—that trading across large distances brings people into potentially hostile contact so that Buddhist economics would advocate local self-sufficiency and minimal dependence on international trade:

'dependence on imports from afar and the consequent need to produce for export to unknown and distant peoples is highly uneconomic and justifiable only in exceptional cases and on a small scale.'

## 5. Non-renewable resources

Finally, Schumacher argues that Buddhist economics and modern economics take a different view on non-renewable resources. For modern economics, all resources are reduced to a money price, and whatever resource is the cheapest price for each unit of output is preferable. For Buddhist economics, in contrast, using non-renewables is living parasitically off capital.

As I said above, this final point of criticism does sound rather anachronistic now.

## References

Schumacher, E. F. 1966. "Buddhist Economics". In *Asia: A Handbook*, edited by Guy Wint. London: Anthony Blond Ltd.

Southwold, M. 1983. *Buddhism in Life*. Manchester: Manchester University Press.