

“Buddhist Economics: The Foundation for an Equitable, Sustainable, Caring Economy”
Clair Brown, University of California-Berkeley
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Abstract

Our planet faces extinction of much of the natural world, including humans, if carbon emissions are not dramatically reduced by 2030 in order to keep the global temperature rise under 1.5 degrees centigrade. Inequality in the United States has surged as the top 5% capture most of the income from economic growth. Yet our economy continues to focus on growth of income, which has increased both greenhouse gas (GHG) emissions and inequality. This paper asks, How can we create meaningful changes in our economic system to provide shared prosperity, a healthy environment, and reduced suffering? In this paper, I present Buddhist economics, which is based on known policies to create an equitable, sustainable economy with greater well-being for people at home and abroad, as a holistic alternative to free market (competitive) economics. In the next section the Buddhist economic framework is described and compared to the free market model. Then evidence supporting Buddhist economics is presented, along with policies that can create this holistic economy.

The Problem: An Inequitable and Unsustainable Economy

In the October 2018 IPCC report, climate scientists warned that we face the collapse of our civilization and extinction of much of the natural world if carbon emissions are not dramatically reduced by 2030 in order to keep the global temperature rise under 1.5 degrees centigrade. Global warming to date is already causing severe damage to major marine, forest, and fresh water ecosystems.ⁱ Climate scientists warn us that earth has approached two critical planetary boundaries—climate change and loss of biodiversity. Crossing these boundaries will undermine the stability of the planet and severely damage the earth’s ecosystems. The present United Nations Paris Agreement goal of limiting global warming to 2°C is not adequate for keeping the earth within the climate change boundary.ⁱⁱ

Yet our materialistic economy, based on fossil fuel energy and industrial agriculture, continues to focus on growth of income, which has increased both greenhouse gas (GHG) emissions and inequality, especially over the past four decades. Although some countries are making progress in decoupling economic growth from GHG emissions, the progress is slow.ⁱⁱⁱ Global carbon emissions increased 2.7% in 2018.^{iv} Inequality in the United States has surged, because income from economic growth continues to be captured by the top 5% since the 1970s. The top 1 percent enjoyed 95 percent of the country’s income growth in the recovery following the Great Recession. No longer does the maxim hold that economic growth is a “rising tide that lifts all ships”. In the United States, deregulation and decreasing taxes has resulted in a redistribution of income towards the rich without increasing productivity or growth.^{vi}

Neoliberal economists have indirectly supported inequality and climate change by teaching the mainstream free market (competitive) market model based on the belief that markets can solve our problems and maximize social welfare. Today we are experiencing the political backlash and social fracturing that has resulted from rising inequality with economic growth, while wages stagnate and many children live in poverty.^{vii}

How can we create meaningful changes in our economic system to protect people and create an economy based on caring for each other and the planet, with nonmaterialistic sources of

happiness? In this paper, I present Buddhist economics, which can create an equitable, sustainable economy with greater well-being for people at home and abroad, as a holistic alternative to free market economics. In the next section the Buddhist economic framework is described and compared to the free market model. Then evidence supporting Buddhist economics is presented, along with known policies that can create this holistic economy.

The Solution: Buddhist Economics Approach

This paper describes a Buddhist economy, which provides a framework for creating an economy that delivers shared prosperity in a sustainable world where the human spirit flourishes. Interdependence, impermanence, and compassion are important aspects of Buddhist thinking. People are interdependent with each other and the planet; nothing exists as an independent and separate entity, so each person's well-being is dependent on all others' well-being and the well-being of the planet. Impermanence means everything continually is changing and nothing lasts.

In 1971, a founder of modern ecology, Barry Commoner, expressed interdependence as one of the four laws of ecology: "Everything is connected to everything else. There is one ecosphere for all living organisms and what affects one, affects all."^{viii}

Without practicing Buddhism or any spiritual practice, one can adopt a pragmatic approach that accepts impermanence and interdependence. Then human behavior is tempered by the fact that when nature is degraded, and when people are harmed, then all life suffers. This is reflected in the Buddhist teaching not to harm any living being. All beings have a finite lifespan; life is everchanging and comes to an end. Caring for the human spirit brings in the spiritual aspects, which most people consider important for living a meaningful life.

Basic world view of Buddhist Economics versus Free Market Economics

The free market economy and the Buddhist economy rest upon opposing world views.

The assumptions of interdependence, impermanence, and compassion replace the basic assumptions of the free market model that people are selfish and maximize their own well-being; more consumption is always better; and environmental resources are for humans to consume to increase their standard of living. Free market economics supports self-centered materialism, where people buy luxuries that display their self-importance and status. Economic performance is judged by the growth in average gross domestic product (GDP).

In contrast, the health of ecosystems is integrated in all activities in a Buddhist economy because the well-being of all beings and the planet are interconnected. Economy performance focuses on maximizing well-being, where the both human spirit and the environment flourish.

Buddhist economy policies are based on structured markets and government programs to maximize the well-being of all people and protect earth's ecosystems, in direct contrast to the free market policies that maximizes average income and ignores income distribution and environmental degradation. In the free market model, government regulations or taxation are assumed to interfere with how well markets function, so less government is advocated.

Who is in charge of structuring the markets and public programs determines how the economy performs in reaching certain goals.^{ix} Big business and the rich favor the free market model, so they have higher incomes, lower taxes and more control over the economy, along with fewer resources and less security provided to the rest of society, In contrast, market regulations, social programs, and tax systems can provide the desired outcomes of basic consumption and a

strong safety net, along with health care, education, clean air and water in a healthy environment, livable communities, and a dignified life and opportunities for everyone.

We can characterize the free market economy as having a scarcity mindset, with people competing over zero-sum outcomes, and the Buddhist economy as having an abundance mindset, with people sharing win-win outcomes.

Next we review evidence to shed light on observed problems.

Data and Evidence

The problems of environmental degradation and inequality with over-consumption go together. The carbon footprint of the rich is enormous, and the carbon footprint goes down with income, both within the USA and across countries. Overall, rich people, and even rich countries, must reduce spending on luxuries and reduce wasteful consumption, if the world has a chance to stay within the 2°C target. As mentioned earlier, economic growth contributes to both inequality and carbon emissions, and cannot be the solution.

1. Inequality and carbon emissions go together

The Paris Climate Accords set a carbon emissions benchmark of 2.1 tCO₂e (metric tons of carbon) per person per year by 2050. Rich countries need to reduce consumption to meet this goal (see Figure 1.) However the task for the United States with 16.4 tCO₂ per person per year is much greater than for the European Union with 6.7 tCO₂ per person. Even the average US person in the bottom 50% of income emits 8.5 tCO₂e yearly, and the richest 10% average 50 tCO₂e per person. One estimate of the carbon emissions of the US top 1% are as high as 320 tCO₂e per year per person.^{xi}

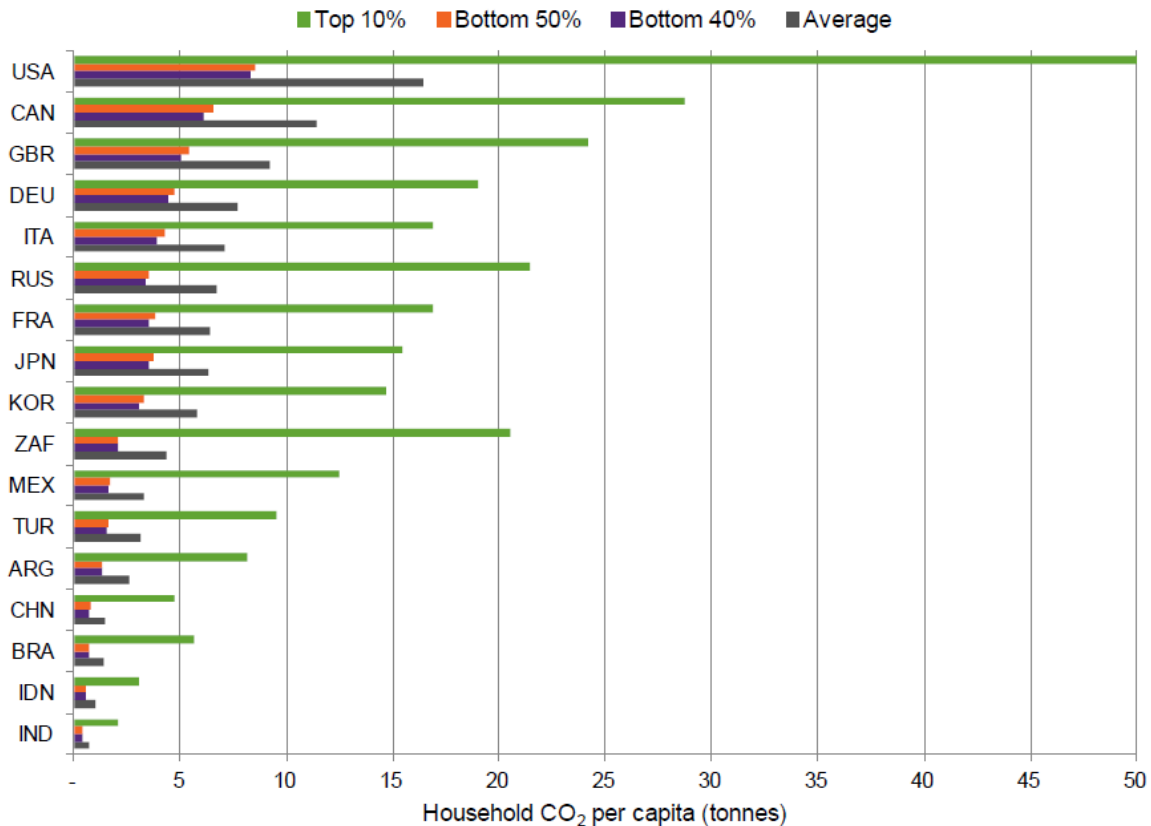


Figure 1. Carbon emissions by income, country.
https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/mb-extreme-carbon-inequality-021215-en.pdf
<https://www.wri.org/blog/2014/11/6-graphs-explain-world-s-top-10-emit>

2. Inequality reduces well-being.

People feel worse off as inequality grows—families compare their economic well-being to those at the top whose incomes are growing, and they see their lifestyle falling behind in comparison. Their economic comparison replaces what had been considered a comfortable lifestyle, and middle class and working families feel left behind. Meanwhile the rich spend their higher incomes on status goods to mark their position. A more equal distribution of income would improve social welfare, as invidious comparisons are replaced by communal feelings of belonging and status consumption of the rich is replaced by basic consumption of families in need.

Comparisons of income and “happiness” (subjective well-being) across developed countries find that national happiness does not increase with national income. This is known as the Easterlin Paradox—once basic needs are met, as average per capita national income grows, average national happiness tends to remain the same over time.^{xiii}

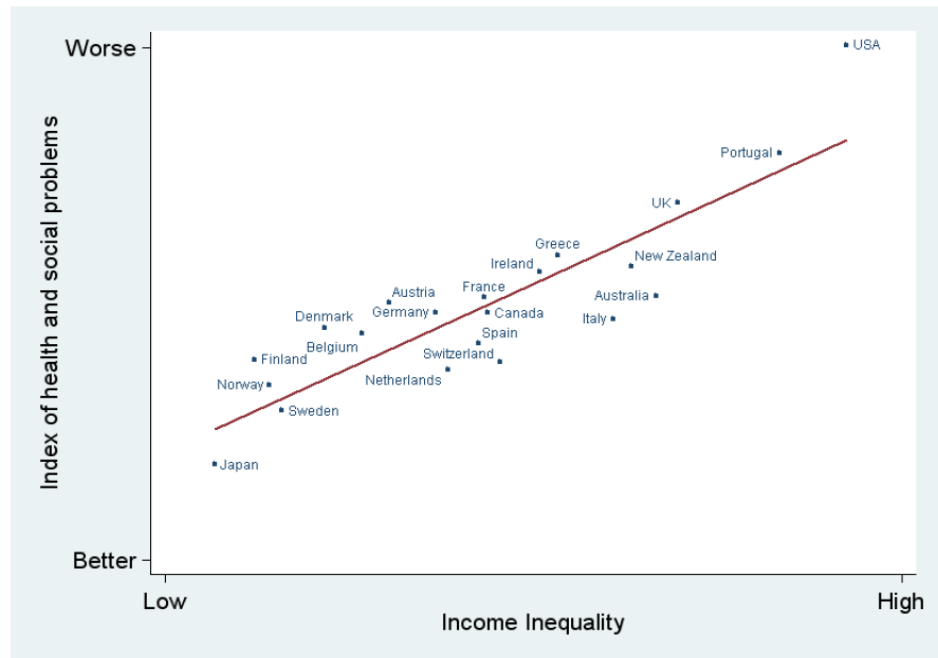
What do we find when we compare income with a broader measure of *well-being*—measured by an index of physical and mental health, educational attainment, drug use, and obesity—in rich countries? We find that the national well-being index is *not* related to average national income,

but well-being is related to income *inequality*. The well-being index and national inequality move in opposite direction, so well-being goes down as inequality goes up^{xiii}. (See Figure 2.)

Figure 2. Well-being Index Worsens as Income Inequality Increases

Health and Social Problems are Worse in More Unequal Countries

- Index of:**
- Life expectancy
 - Math & Literacy
 - Infant mortality
 - Homicides
 - Imprisonment
 - Teenage births
 - Trust
 - Obesity
 - Mental illness – incl. drug & alcohol addiction
 - Social mobility



Source: Wilkinson & Pickett, *The Spirit Level* (2009)

www.equalitytrust.org.uk 

We observe this pattern in the U.S., where indicators of well-being have fallen as income inequality has increased relative to other affluent countries. Today, U.S. indicators of mortality, life expectancy, childhood poverty, incarceration, and general health put the U.S. at or near the bottom among high-income countries, as you can see in the top right-hand corner of the graph. The United States is exceptional for its high inequality and low well-being. Yet as recently as 1980 when its income inequality was not so stark, the U.S. was close to the top countries in well-being.^{xiv}

3. Subsidies to the fossil fuel industry and to the rich

Both free-market and Buddhist economists argue for a carbon tax to integrate the social costs of carbon emissions into the price paid by consumers. Buddhist economists also argue for progressive taxes along with social programs to support well-being of people and the environment. Yet with both direct payments and in-kind payments, countries are subsidizing the fossil fuel industry, and lower-income families are subsidizing the wasteful, high-carbon lifestyles of rich families.

The social cost of carbon (SC-CO₂) is a monetary measure of public health, physical damages, and productivity losses to current and future generations of the pollution caused by a metric ton of greenhouse gas emissions in a given year. When the price of fossil fuels includes the social cost of carbon, then the people and firms that use fossil

fuels pay for the pollution and environmental damage caused by GHG emissions, and markets provide the correct price incentives to replace fossil fuels with clean energy sources.^{xv} Yet the fossil fuel companies receive billions of dollars in subsidies that *reduce* fossil fuel prices, lower exploration and exploitation costs, and increase after-tax profits. This is equivalent to a *negative* tax on fossil fuels, and society bears the costs of pollution by living with worse health and environmental problems. The OECD tracks the fossil fuel subsidies in forty countries, and reported these countries paid out *\$160 billion* in these subsidies in 2014.^{xvi} An IMF study estimated that direct fossil fuel subsidies worldwide were about *\$333 billion* (2015). However the indirect costs to human health and environmental damage are even higher. Once these social costs are included, the subsidies shoot up to 6.5% of global output (*\$5.3 trillion* in 2015).^{xvii}

Referring back to the carbon emissions by income figure, we can see that without taxing carbon emissions, we end up with lower income families and regions indirectly subsidizing the rich in their wasteful, high-carbon lifestyles, because the GHG emissions of the rich worsen human health and the environment, especially for lower-income families and regions.^{xviii} In today's world, we are transferring well-being from lower-income people to the rich, and income from all people to the rich fossil fuel industry—the exact opposite of an equitable sustainable economy.

4. People are altruistic as well as self-regarding.

Free market economics holds that people care only about themselves as they push ahead to maximize their incomes and fancy lifestyles. Buying and consuming gives people pleasure, or hedonic happiness, which fits well with a materialistic, status-oriented economy. Yet Buddhist monk Ricard points out that a search for hedonistic happiness goes with a decreased feeling of well-being.^{xix} In an endless cycle of desire, we are continuously left wanting more without ever finding lasting satisfaction.^{xx}

Yet as Ricard points out, the existence of selfishness does not imply that *all* actions are motivated by selfishness. The issue is not whether people are either selfish or altruistic, because we expect people to care both for themselves (self-regarding) and for others (other-regarding). Evidence from psychologists and neuroscientists has confirmed the Buddhist economics assumption that people act with altruistic as well as selfishness.^{xxi} Economists have observed in lab games that most people have some altruistic feelings, defined as unconditional caring about others with no ulterior motive.^{xxii} Generous behavior is not only observed in the lab, but also expected in life situations. Economists have demonstrated that people care about fairness and want to be part of an organization and society that they consider just and fair.^{xxiii}

When psychologists study what makes people happy, they find that being kind to others makes people happier.^{xxiv} People build upon moments of compassion because there is a positive feedback loop: when you do a kind deed (take your mom to lunch), you become happier, which makes it more likely you will do another kind act (help your neighbor pick up boxes). Kindness makes you happier, and happier people engage in more acts of kindness.^{xxv}

Positive psychology, which demonstrates how well-being comes from experiencing a life that has meaning beyond merely feeling happy, complements Buddhist economics. For example, Seligman teaches exercises to promote well-being based on engagement, good relationships, accomplishment and purpose.^{xxvi}

Secular versions of this approach to life can also be used. As Batchelor writes, awakening is “the opening up of a way of being-in-this-world that is no longer determined by one’s greed, hatred, fear, and selfishness...a process: an ethical way of life and commitment that enables human flourishing.”^{xxvii}

These four observations present the case for why a Buddhist economy can create a healthier, happier world.

How to Create a Buddhist economy

Although this may seem visionary, in fact economists already know the policies to achieve shared prosperity domestically,^{xxviii} scientists have provided roadmaps on how to achieve a low-carbon world,^{xxix} and the United Nations Millenium Development Goals showed how to reduce global suffering.^{xxx} These economists and scientists have demonstrated that countries choose their level of inequality and GHG emissions. The added bonus of creating an equitable, sustainable, caring economy is that the country’s well-being improves with lower inequality, people’s happiness increases with helping others, and the health of people and the planet improve together.

My book *Buddhist Economics* (chapter 7) provides a detailed path for governments along with companies and people to develop a Buddhist economy. This type of economy can take any name that indicates an equitable, sustainable, compassionate economy. The Green New Deal (GND) advocates such an economy, and points out that the integrated policies involved will be negotiated and legislated.^{xxxi} In surveys, Americans agree that inequality is harmful, and think that government policies can, and should, reduce the gap between the rich and everyone else.^{xxxii} The public also tends to favor the policies that would create a Green New Deal.^{xxxiii}

In a Buddhist or GND economy, the government plays a key role in creating the social programs and regulating the markets that support a meaningful life for all people while caring for the planet. Overall we replace personal consumption with spending on social programs (health care for all, free college education, infrastructure for livable cities, low-carbon transportation, renewable energy, clean air and water, paid family leave--the list goes on). There are no silver bullets in terms of a technology, or carbon tax, or income security, because many different policies must be used at the local through international levels and reflect variations in cultures and provide a variety of options for people to form communities and lives. Some policies may work better than others, but our environmental and quality of life challenges dictate that well-being of people and the planet, and not maximizing efficiency and showing causation, should be our main metric for evaluation.

Here is an overview of the goals for governments, individuals, and companies:

- Governments oversee regulations and incentives to structure markets and provide social programs, so all people have meaningful, dignified lives in a healthy environment.
- Individuals create meaningful, balanced lives, with awareness of how they are harming or helping others and the planet, and people work together to push governments for the required legislation and programs.
- Companies integrate the well-being of workers, customers, the community, and the environment along with shareholders into their practices and performance metrics.

My student research team at UC Berkeley is developing a Buddhist Economic Policy Index (BEPI), and a first draft will be available in February 2019 for feedback. We have found adequate public data for forty-three countries in 2016 to create an index of country *policies* in four categories (structuring market outcomes, providing social programs, caring for the planet, and helping poorer countries), which are then aggregated into the BEPI. Our first estimation of BEPI shows countries vary a great deal in their policies, and some are much further along in creating a Buddhist economy, although all countries can make progress in specific areas. For these forty-three countries, the BEPI ranges from 0.40 to 0.80. The relative ranking of countries on the BEPI show Denmark, Sweden, and Germany at the top, the US is down in position 28, and India, Mexico, and Saudi Arabia are at the bottom. Future analysis of the relationship between the BEPI and country performance in achieving specific goals will be a next step.

Conclusion

Often when people are confronted with the climate crisis that is killing the earth for humans, they shrug it off, as in “this is how everyone is living, and how people like us have always lived”. Then they continue to destroy our planet with their wasteful lifestyle that pollutes the air, water and earth. We do not have the right to harm people and other species as we overheat the earth. Our entitlement is to clean air and water and care of basic needs, and not to our addictions to fossil fuel, meat, and wasteful consumption.

To create the economy that we desire, people must work with environmental and political groups to demand that local to global governments restructure the economy to use clean energy, develop regenerative agriculture, redistribute resources from the rich to the needy, promote peace, and evaluate economic performance as quality of life.

Our economy needs to focus less on income growth and more on quality of life. Buddhist economics focuses on creating sustainable lifestyles that reduce wasteful consumption and reduce overwork so people have time to enjoy life and help one another. We want to change the culture so people care about shared prosperity, rather than about how much money they are making. We do not want to replicate individualistic motivations that create injustice and inequality, and instead want to create a culture that supports human rights and healthy ecosystems.

In a Buddhist economy, more natural options will become the new norm. Time for social and creative activities allow us to enjoy life. Lavish consumption will seem as crazy as it is, as people become healthier and happier with natural living and as the planetary ecosystems heal. The good news is that our way of life can remain meaningful and worthy as our consumption and lifestyles become sustainable.

“Our collective compassion, mindfulness, and concentration nourishes us, but it also can help to reestablish the Earth’s equilibrium and restore balance. Together, we can bring about real transformation for ourselves and for the world.”

Thich Nhat Hanh, *Love Letter to the Earth* (p. 69)

ⁱ https://report.ipcc.ch/sr15/pdf/sr15_spm_final.pdf

ⁱⁱ “Two core boundaries”: Will Steffen et al., “Planetary boundaries: Guiding human development on a changing planet,” *Science*, January 15, 2015, doi: 10.1126/science.1259855.

ⁱⁱⁱ Nate Aden, “The Roads to Decoupling: 21 Countries Are Reducing Carbon Emissions While Growing GDP,” World Resources Institute, April 5, 2016, World Resources Institute.

^{iv} <https://www.earth-syst-sci-data.net/10/2141/2018/>

^v Atkinson, Piketty, and Saez, JEL, 49 (1), 2011, 3-71.

^{vi} T. Piketty, E. Saez and G. Zucman, “Distributional National Accounts: Methods and Estimates for the United States”, *Quarterly Journal of Economics*, 2018, 133 (2): 553-609; *World Inequality Report 2018* <https://wir2018.wid.world/files/download/wir2018-summary-english.pdf> <https://wir2018.wid.world/files/download/wir2018-summary-english.pdf> For summary, see <http://gabriel-zucman.eu/usdina/>. Thomas L. Hungerford, *Taxes and the Economy: An Economic Analysis of the Top Tax Rates Since 1945* Congressional Research Service, 2012. <https://graphics8.nytimes.com/news/business/0915taxesandeconomy.pdf>

^{vii} See Stiglitz, J. (2013): *The Price of Inequality: How Today’s Divided Society Endangers Our Future*. New York: Norton; Atkinson, A.B. (2015): *Inequality*. Cambridge, MA: Harvard University Press.

^{viii} Barry Commoner, *The Closing Circle: Nature, Man, and Technology* (New York: Random House, 1971).

^{ix} Steven K. Vogel, *Marketcraft: How Governments Make Markets Work*. Oxford University Press, 2018.

^x Wynes and Nicholas (2017) <http://iopscience.iop.org/article/10.1088/1748-9326/aa7541> See also <https://data.worldbank.org/indicator/EN.ATM.CO2E.PC?view=map>

^{xi} L. Chancel and T. Piketty, “Carbon and Inequality”, Nov. 2015. <http://piketty.pse.ens.fr/files/ChancelPiketty2015.pdf>

^{xii} Easterlin, Richard A. et al. “The Happiness–income Paradox Revisited.” *Proceedings of the National Academy of Sciences of the United States of America* 107.52 (2010): 22463–22468. PMC. Web. 9 Feb. 2015.

^{xiii} Pickett and Wilkinson *The Spirit Level*, Bloomsbury, 2009.

^{xiv} <http://www.nytimes.com/2015/04/29/business/economy/income-inequality-is-costing-the-us-on-social-issues.html?>

^{xv} https://19january2017snapshot.epa.gov/climatechange/social-cost-carbon_.html

^{xvi} <http://www.oecd.org/environment/oecd-companion-to-the-inventory-of-support-measures-for-fossil-fuels-2015-9789264239616-en.htm>

^{xvii} <http://www.imf.org/external/pubs/ft/wp/2015/wp15105.pdf>

^{xviii} S. Hsiang, et al “Estimating economic damage from climate change in the United States”, *Science*, 30 Jun 2017.

^{xix} M. Ricard, *Altruism*, Little, Brown, and Company, 2015, p. 277. See also T. Kassir, *The High Price of Materialism*, A Bradford Book, 2003. R. Hanson, *Buddha's Brain: The Practical Neuroscience of Happiness, Love, and Wisdom*, New Harbinger Publications, 2009.

^{xxxx} For a Buddhist critique of consumerism with methods for liberation, see Stephanie Kaza, “How Much Is Enough?” in Richard K. Payne op cit, pp 46-57

^{xxi} Daniel Batson *Altruism in Humans*, 2011, Oxford U Press

^{xxii} Andreoni et al, “Altruism in Experiments” Prepared for the New Palgrave Dictionary of Economics, 2nd Edition, 2007

^{xxiii} Akerlof and Shiller, *Animal Spirits*, PUP, 2010

^{xxiv} [http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1820947/;](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1820947/)

^{xxx} http://greatergood.berkeley.edu/article/item/kindness_makes_you_happy_and_happiness_makes_you_kind/ The Greater Good in Science at UC Berkeley focuses on psychological research and teaching to promote happiness and well-being.

^{xxvi} Martin E.P. Seligman, *Flourish* (Free Press, 2011)

^{xxvii} Stephen Batchelor, *Secular Buddhism* (Yale University Press, p 163)

^{xxviii} Stiglitz, J. (2013): *The Price of Inequality: How Today's Divided Society Endangers Our Future*. New York: Norton, and Atkinson, A.B. (2015): *Inequality*. Cambridge, MA: Harvard University Press.

^{xxix} Deep Decarbonization Pathways Project (2015): *Pathways to Deep Decarbonization Executive Summary*, 2015, SDSN - IDDRI. http://www.iddri.org/Themes/DDPP_EXESUM.pdf

and Jacobson, M.Z. et al (2017): “100% Clean and Renewable Wind, Water, and Sunlight (WWS) All Sector Energy Roadmaps for 139 Countries of the World” <http://web.stanford.edu/group/efmh/jacobson/Articles/I/CountriesWWS.pdf>

^{xxx} United Nations (2015a) *The Millennium Development Goals Report*. [http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20\(July%2015\).pdf](http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20(July%2015).pdf)

^{xxxi} See for example <https://www.dataforprogress.org/green-new-deal/#introduction>

^{xxxii} http://www.people-press.org/files/legacy-questionnaires/1-23-14%20Poverty_Inequality%20topline%20for%20release.pdf

^{xxxiii} https://www.huffingtonpost.com/entry/green-new-deal-poll_us_5c169f2ae4b05d7e5d8332a5