

## **Buddhist Economics:**

# **Could Buddhism provide the intellectual foundations for designing a sustainable economic system?**

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### Abstract

In the current state of the world, it is increasingly evident that conventional economic thinking falls short in dealing with the multiple challenges facing society, both at the level of macro-economics (nations) and micro-economics (business). There is a clear need for new economic thinking, yet it remains unclear what the exact basis for a new, sustainable economic paradigm will be. In that context, this paper considers whether Buddhism could offer an intellectual framework that could enrich and expand the scope of our economic thinking and help foster the leadership needed to usher in a new economic system. By taking the four Noble Truths as a framework to analyze the problems of our current economic model, the paper maps out the economic ideas that are based on a misperception of reality (ignorance) and should be adjusted to accord with reality (wisdom) in order to alleviate continued collective suffering. These adjusted ideas could serve as the foundations for designing a more sustainable economic system: one that takes seriously the needs of all forms of life, not just on the material needs of humans. Along the way, the paper explains core Buddhist insights relating to interconnectedness, human agency, cause-and-effect and the central role played by the human mind, linking each of these to our current economic predicament.

### Key words

Buddhist economics, sustainability, sustainable development, sustainable organisations, business sustainability, well-being, value creation, leadership, economic theory, political philosophy, political economy.

## **1. Introduction**

The urgent need for sustainable development poses a major challenge to classical models of business strategy and economic progress. The classical economic paradigm, which is built around the principle of maximizing material value, expressed in monetary terms, cannot adequately address the disruptive interplay of forces currently working through social and ecological systems on a global scale. These forces range from extreme levels of environmental degradation regarding climate change, resource depletion and biodiversity

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loss, on the one hand, through to trends such as increasing income and wealth inequality and the polarization of social and political views, on the other.

Both the complexity and the scale of these fundamental shifts are unprecedented. All the while, the world's population continues to grow, exacerbating many of these problems so long as the current economy model remains in place. This points to the need for radically different ideas for a blueprint for designing sustainable organizations and economies as well as the political and business leadership required to turn new conceptual frameworks into a workable reality.

Therefore, if we are serious about achieving sustainability, we must direct our attention towards changing the fundamental worldviews that underpin our current economic models and practices. This is where the worldview offered by Buddhism may help the discussion. Buddhism can be viewed as a system of thought aimed towards the well-being of all life forms. It is centered around the possibilities of the human mind: at the heart of Buddhist thinking is our *agency* as human beings. As an intellectual system, Buddhism is geared towards helping individuals to see reality more clearly, thus empowering them to build their personal lives and institutional structures around principles which support human flourishing.

Scientific research into the effectiveness of various forms of contemplative practice that were developed in Buddhist traditions – the most popular being mindfulness meditation – has been increasing exponentially over the past 20 years.<sup>2</sup> In philosophy, too, Buddhism continues to attract increasing levels of interest among scholars in the West, particularly in addressing problems in the philosophy of mind and ethics.<sup>3</sup>

The reason for this level of interest from distinctly “secular” disciplines owes to the central roles that critical analysis and empirical methods play in Buddhism. The Buddha himself instructed that his teachings should be subjected to scrutiny: only after working through the reasoning on which they are based, and trying them out against one's own experience, should one accept them. The Buddha is the only religious leader to have encouraged his followers to be skeptical in this way and this is one reason why Buddhism is regarded not only as a religion but as an intellectual system, complete with a practical way of living life. Indeed, a number of scholars have framed Buddhism as a ‘science of the mind’ that is rooted in empiricism (Dalai Lama 2005, Wallace 2006, Loizzo 2012).

In this paper, I consider what the intellectual system of Buddhism can offer as a critique of the current economic paradigm and its failure to “self-correct” towards a sustainable path.

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<sup>2</sup> Data from the American Mindfulness Research Association show scientific publications on mindfulness rising from single-digits in 1998 to over 800 per annum in 2018: see <https://goamra.org/resources/> – last accessed 16<sup>th</sup> July 2019.

<sup>3</sup> See, for instance: Siderits, M., Thompson, E., & Zahavi, D. (Eds.). (2011) and Edelglass, W., & Garfield, J. (Eds.). (2009).

The notion of “Buddhist economics” has been developed before.<sup>4</sup> Quite often, however, it has been framed in terms of aligning economic theories practices with Buddhist ethical principles. By contrast, the approach adopted here is intended to be descriptive, rather than normative, in nature. To do this, I will focus on the central Buddhist teachings on human suffering and, in particular, those which identify our *misperception of the nature of reality* as the principle cause of suffering at the level of individual human beings. I shall argue that this analysis can be extended to understand our collective economic suffering: that a misperception of the basic categories of economic units (individuals, firms, economies, ecosystems), their objectives (such as maximizing economic growth) and the relationship between them (via structures such as markets,) is preventing economists and business and political leaders from effectively dealing with the realities that we face today.

At the heart of the Buddhist worldview is the need to see entities in the world as *inherently* interconnected, and to appreciate cause-and-effect on this basis. In addition, Buddhism holds that the mindsets that we adopt matter and invites us to recognize the central role that our minds play in determining outcomes for ourselves, other people and the wider world. The Dalai Lama has alluded to these points in relation to economics. In 2009, amidst the global financial crisis, he commented that “the new economic reality is one in which the challenges facing humanity are ‘beyond individual effort’ and our interdependencies have become starker”. He went on to say that “the gaps between our perceptions and the new reality are based on having previous century concepts and this wrong perception, in turn, creates the wrong approach.”<sup>5</sup>

The purpose of this paper is therefore to consider some of these “previous century concepts” in order to clarify, at a very high level, some of the ways to steer our current economic system towards more sustainable strategies at both the micro- and macroeconomic level. In doing so, a key aim is to present the intellectual foundations for an alternative economic paradigm in a coherent, joined-up way. This is important because current efforts to update our economic system often proceed in a rather piecemeal fashion: we tweak existing models, for instance by relaxing assumptions about individual rationality or by proposing policy measures that offset certain “externalities”. These steps are helpful, but they risk leaving the basic paradigm more or less intact. Yet if our starting point is fundamentally misconceived, for instance by adopting an overly atomistic conception of economic agents, then we would do better to rebuild our economic thinking and commercial practices “from the ground up” in a way that better fits the challenges of the coming decades.

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<sup>4</sup> See, for example, Schumacher (1974) and Brown (2017). Note that we will leave the application of Buddhist principles in the economies in Asia, which has been customary by many scholars on Buddhist economics, outside the scope of this paper.

<sup>5</sup> Quoted in Tideman (2016).

## 2. The history and scope of economics: how did we arrive at our current predicament?

Economics as a discipline and an intellectual system developed over the course of the last three centuries. It is worth recalling, as we consider this system with respect to our 21<sup>st</sup> century context, that economics originally emerged as an off-shoot of moral philosophy. When European powers embarked on international trade and industrialization, the leaders of the time became interested in the stability of national income and the distribution of wealth. Adam Smith, the Scottish philosopher who is widely regarded as the founder of modern-day economics, observed the workings of markets and derived principles from what he saw. In his book *The Wealth of Nations*, published in 1790, he concluded that there was an ‘invisible hand’ operating which allowed the self-interested behavior of market participants to generate outcomes for the common good (Smith, 2008).

Even though Smith was aware that markets would not function without shared values and morals, as he had articulated in an earlier book, *The Theory of Moral Sentiments*, (Smith, 2005), the notion of an invisible hand fitted well into an emerging worldview that suited the imperial and industrial powers of the time. It followed the premise of Newtonian physics that life operated like a big machine and was subject to measurable laws with predictable outcomes, provided you had perfect knowledge of the inputs. Economic actors were like atoms held together in interaction by the “gravity” of market forces. It was a worldview in which the economy, society and the natural world were seen as separate worlds. We humans – the ‘fittest’ among competing species – were entrusted to manage the planet’s resources by our knowledge of the natural laws.

Underlying this conception of economics was the notion that humans are pitted against nature and that the material world is a closed system. The aims of economics, then, came to be seen in terms of efficiently manage scarce resources. For instance, in the 1930s Lionel Robbins defined the discipline as “a science which examines human behavior as a relationship between ends and scarce means which have alternative uses” (Robbins, 1932). Mainstream economics rests on the assumption that the laws of supply and demand will deliver an optimum state of market equilibrium. For example, according to the standard textbook treatment, which assumes a state of perfectly competitive markets, in the equilibrium outcome, prices adjust to the point at which demand and supply of goods are equal.

Guiding the development of economic theory over the course of its evolution are the foundational assumptions of *homo economicus*. In the field of microeconomics, which deals with the economic behaviour of individual agents – that is, consumers and businesses – in the economy, each agent is assumed to be autonomous and guided by rational decision-making with the goal of maximizing personal gain (“utility” in the case of consumers and

profit in the case of companies). Such “optimizing” agents fitted neatly with notion of the invisible hand of the market. For instance, the ‘theory of the firm’ holds that when firms act to maximize financial returns to their owners, the market acts to maximize the well-being of the society. Meanwhile, in order to fuel the expansion of economic activity, banks – also profit-maximizers – emerged to create the possibility of external sources of funding for businesses and households.

Taken together, these economic ideas have been used to justify national political objectives to stimulate the turnover of economic transactions in aggregate – that is, to maximize Gross Domestic Product (GDP) – premised on the view that consumers have “unlimited wants” and that the market yields outcomes which bring about the highest levels of consumption per person, albeit unequally across individuals. At the same time, this view provides companies with a framework to maximize profit margins and shareholder value. It seemed like a magic formula. Critics from socialist or environmental corners have generally been dismissed by appeal to the success of the free market model on measures of success such as GDP growth. Emblematic of this view, the economist Milton Friedman claimed in the 1970s that “the only business of business is business” (Friedman 1979). When the Berlin wall fell, people saw it as a victory of capitalism over communism. Concerns about rising social inequalities were appeased with the promise of the ‘trickle down effect’ and a wider array of consumer choices.

From a sustainability angle, however, the assumptions underlying this economic system are highly problematic. As we can conclude from the current ecological crisis, economic theory has focused on promoting economic transactions without regard to the larger field of relationships in which these transactions take place. Because of the fact that transactions are easy to quantify and measure in monetary terms, economics has chosen a rather limited approach to a complex reality. The views expressed by Smith in *The Theory of Moral Sentiments* were conveniently set aside.

Two centuries later, classical economic theories have been challenged by thinkers both within and outside of the economics discipline, often drawing on insights from other fields such as psychology, anthropology and ecology (Gowdy 2009, Akerlof & Schiller 2009). Moreover, the emergence of global initiatives such as the UN Sustainable Development Goals are putting some pressure on policymakers to integrate sustainability into economic policy-making. But these critiques and these measures do not go far enough. To a large extent, the basic assumptions of classical economic theory live on, in much the same general form, in most economic textbooks today. It is time to revisit these assumptions and overall worldview that they are operating within and search for a new economic paradigm that is more in tune with the interconnected reality of modern times.

To consider whether Buddhism – as a science and philosophy of the mind – can provide the intellectual foundations for building such a paradigm, we turn to a brief review of some of the most salient ideas from Buddhist philosophy relevant to this undertaking.

### 3. Buddhist philosophy: a short overview

#### 3.1 Core teachings on human suffering and early approaches to Buddhist economics

Buddhism is based on the teachings of Gautama, the historical Buddha (meaning “enlightened one”), who lived 2500 years ago in India. His key teaching was that suffering is caused by the mistaken way in which we perceive the world around us and ourselves (Conze, 1958; Harvey, 1990). The most famous articulation of this idea comes in the form of the Four Noble Truths,<sup>6</sup> the first public teaching that the Buddha gave after his enlightenment. These truths are to be understood as “that which is in accord with reality” once all delusions have disappeared (Rahula 1974, Tashi 2005). The four truths, which are intended to be verifiable by anyone contemplating them based on self-reflection and experimentation, are:<sup>7</sup>

1. Life is experienced as suffering.
2. The experience of suffering has a cause: our ignorance regarding the true nature of reality.
3. The cause can be removed, as the mind can become free from ignorance.
4. There is a path to achieve this freedom from suffering (the “Eight-fold path”).

The first truth does not mean that life is always experienced as suffering, but that suffering is something we will all encounter at some point or other and that it will most likely be a regular occurrence. In large part, this is ultimately because of how our minds tend to mistakenly see the nature of reality (the second truth). For example, things appear to us through our senses as if they have the power to provide us lasting happiness and comfort. As such, we become attached to them – and crave to have more of them. Conversely, other sense objects can appear to us as unpleasant or as threatening, causing aversion and hatred.

However, the Buddhist view is that craving and aversion are a result of ignorance about reality. In fact, the reality of all things is one of transience and impermanence and therefore no particular things can produce the lasting happiness from them that we hope (or pain that

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<sup>6</sup>Sanskrit: *catvāri āryasatyāni*; Pali: *cattāri ariyasaccāni*.

<sup>7</sup>The Dalai Lama has suggested that the first three truths can be regarded as a combination of empirical facts and philosophical reasoning – hence their amenability to the scientific and philosophical approaches of Western thinking (Dalai Lama 1998, Wallace 2006). Indeed, when it comes to the pursuit of knowledge of the mind, the Dalai Lama, himself very open to the findings of Western science, has in turn also encouraged scientists and philosophers in the West to learn from Buddhist understandings in this area (Dalai Lama 2005). The fourth truth, while also built upon introspective and empirical reasoning, also appeals to certain religious and ethical tenets of Buddhism. For our current inquiry, in order to establish what Buddhism could contribute to economics, we will follow a secular interpretation of the four Noble Truths.

we fear) they will bring (Wallace, 1993, Tashi 2005). For this reason, the Buddha made clear that real happiness does not come from acquiring or consuming material things. *Real* happiness, on the Buddhist account, is a state of mind that ultimately rests primarily upon inner mental causes rather than external (e.g. material) ones (Harvey, 1990; Ricard, 2006).

Accordingly, one link between Buddhism and economic thinking centers on placing a greater weight on one's *mental or spiritual development* instead of one's *material development*. That is not to reject material things, or wealth, as inherently bad (Payutto, 1992); to the contrary, some material wealth clearly provides us with the means to live at all (and conditions that are conducive to spiritual practice). It also makes possible for us the opportunity to practice generosity, which causes "merit" or positive *karma* (discussed further below), and ultimately a more happy society for all, according to Buddhist thinking. Even so, given the importance of understanding the perils of "attachment" outlined above, it is no coincidence that the term "Buddhist economics" was first coined in an essay by the economist E.F. Schumacher in the 1960s (Schumacher 1970) in a book titled *Small is Beautiful*, suggestive of this preference for modesty and restraint.

The other approach that scholars exploring the concept of Buddhist economics have often focused on is to take Buddhist *ethical* precepts as the starting point (Schumacher 1970, Payutto 1992). For instance, the "Eightfold path" to liberation from suffering – the fourth Noble Truth – includes what is termed as "Right Livelihood" (Conze, 1958). This has been defined in terms of abstaining from making one's living through a profession that "brings harm to others, such as trading in arms and lethal weapons, intoxicating drinks, poisons, killing animals, cheating, etc.". Instead, one should earn a living via a profession that is "honorable, blameless and innocent of harm to others" (Payutto, 1992, p. 35). As such, various approaches to Buddhist economics seek to apply these ethical principles to the world of work and commerce (Zsolnai 1999, Sivaraksa 2011, Brown 2017).

Both of these approaches – material restraint and working according to Buddhist ethical principles – have some advantages, particularly for those who identify as Buddhists themselves. To outside observers, however, they can read as simply a *normative* account of how to live, whereas the real insight from Buddhist thinking can be founded upon a *descriptive* account of how things actually are.

Therefore, the approach to be taken in this paper is to trace the Buddhist line of reasoning further up the chain: to consider not so much the ethical precepts but some of the more foundational insights of Buddhist thought, in particular ***with regard to the human mind's tendency to misperceive reality*** – that is, the second Noble Truth. Incidentally, sometimes this truth is expressed explicitly in terms of "craving" or "attachment", and such a formulation perhaps inevitably leads more directly towards a vision of Buddhist economics

based around material restraint; in the analysis that follows, it will help to return to the more basic point about ignorance of reality.

### 3.2 Seeing reality as it is: Buddhist thinking on ignorance as the source of human suffering

Given the importance of acquiring a full and clear understanding of reality, we can note here some of the ways in which we tend to misperceive the ways things actually are, according to the Buddhist approach.

We have already mentioned the *impermanence* of all things: everything exists in a state of flux. Another central feature of reality is the *interdependence* of all things: nothing exists in isolation. Already, then, to conceive of individual human beings as independent “atoms” which are *in essence* separate from one another and the natural world is, on the Buddhist conception, a very fundamental error.

“All things are connected” is, of course, an abstract idea. It is not immediately clear, from this ontological statement, how to proceed: how, for instance, do we establish better ways to understand what actions will have desirable consequences? To address this concern, it is helpful to introduce the core Buddhist concept of *dependent origination*,<sup>8</sup> which states that all phenomena arise in dependence upon other phenomena: that “if this exists, that exists; if this ceases to exist, that also ceases to exist.”<sup>9</sup>

This concept, which has been translated into English variously as *dependent origination*, *interdependent origination*, *dependent arising*, and *interdependent co-arising* (Hopkins 1983; Edelglass & Garfield 2009), is considered by Buddhist scholar Payutto (1994) as “the most important of all Buddhist principles”. He describes it as the law of nature which governs all natural processes of growth and decline by regard to the progression of causes and conditions that apply to all things: the natural world, the human world, the material, the mental. All of these are inherently connected and cannot be separated, such that “an aberration in one sector will affect other sectors. If we want to live in peace, we must learn how to live in harmony with all spheres of the natural environment, both the internal and the external, the individual and the social, the physical and the mental, the material and the immaterial.”<sup>10</sup>

According to the view of dependent origination, nothing arises that is not based on causes and conditions.<sup>11</sup> This view asserts that while there is no external agent that controls our

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<sup>8</sup> Sanskrit: pratītyasamutpāda; Pali: paṭiccasamuppāda.

<sup>9</sup> Maha-nidana Sutta: The Great Causes Discourse" (DN 15), translated from the Pali by Thanissaro Bhikkhu. Access to Insight (BCBS Edition), 30 November 2013

<sup>10</sup> Payutto (1994).

<sup>11</sup> This view avoids the two extremes of ‘eternalism’ and ‘nihilism’. Eternalism, in this context, is the view that there is an external agent (e.g. a god-figure) that shapes or determines our fate. Nihilism is the view that there

fate, there are causes and conditions that affect our lives. Moreover, these causes and conditions can be known and changed.

Thus, dependent origination is related to the second and third Noble Truths. The second truth applies dependent origination in a direct order, while the third truth applies it in inverse order – indicating how the causes of suffering can be removed (Dalai Lama 1992, Hopkins 1983).

It is important to note that this understanding of the world is not intended merely for the sake of philosophical debate. Rather, it is intended to assist us in changing how we live: that is, in *practicing*, or taking, the spiritual path (the 4<sup>th</sup> Noble Truth). This is why, alongside reasoning, various forms of meditation practices, which are inherently experiential, play an integral part in the attainment of wisdom. Meditation practice can be thought of as both an empirical (or phenomenological) inquiry into the nature of the world as a dynamic, interconnected system and an opportunity, through the insights gained through the practice of meditation, to go on to change our experience of reality.

This inquiry starts with the practitioner investigating the nature of her own mind. Like a scientist, she employs tools for this inquiry, but instead of microscopes or telescopes suited to seeing outer reality, she uses the tools of mindfulness and introspection in order to uncover inner reality. An important implication of interdependence at the psychological level is that, on the Buddhist account, she cannot anywhere locate a “self” that exists as a fixed entity. That is, through meditation practice and personal reflection, she cannot locate inside of her some “core” part, mental or physical, and say “*this* is the unchanging core of who I am”. While Buddhism is often associated with the view that no self exists whatsoever, the more important point for our purposes here, and in line with the Mahayana branch of Buddhism, is that we are mistaken when we consider ourselves to have a *fixed* self.

On Buddhist reasoning, holding to a fixed idea of what one’s “self” is – whether that be some abstract entity, or something which has personal qualities to do with one’s character or group identity – leads, eventually, to suffering because, ultimately, we are constantly changing and not separate from others.

Meditation inquiries then invite the practitioner to reflect on how the changing nature of our experience can be used to enhance well-being, for ourselves and all living beings. In Buddhism, the principles of how we can change are described in detail as the twelve links (nidanas) of dependent origination, but they are also present in the concept of *karma*. Karma is a Sanskrit term that literally means “action”, and which features in the Eight-fold path as “Right Action”. However, it is important to note that in the Buddhist tradition, karma refers to action *driven by intention* – and that such (intentional) actions have subtle future

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is no relation between action and result, therefore our fate is predetermined and all action is fruitless (Hopkins 1983; Dalai Lama 1992).

consequences (understood within the broader causal theory of dependent origination). For our purposes here, the key point to note is that the root cause of these subtle consequences reside in the mind of the actor.

When the mind is dominated by emotions such as anger, attachment, jealousy or pride, which tend to be based on a fixed and separate sense of self, the consequences will be painful. Because they are based on a distortion of reality and bring about suffering, they are considered negative (Wallace 1993). By contrast, mental states such as wisdom and compassion that are aligned with reality (for instance, the interconnectedness of all things) will lead to happiness and therefore are considered positive.

While the mind is considered the source of both suffering and happiness, it would be misleading to view Buddhism as an “inner path” only. For the practice of Buddhism concerns the totality of human experience: one’s lived world encompasses all phenomena, both inner and outer. As the Buddhist scholar Harvey (1990) points out: “Dependent origination is an ontological principle which implies that it is not merely a mental principle, but can be applied to explain the nature and existence of matter and empirically observed phenomenon, as well as the existence of life”. Thus, by definition, Buddhist practice includes a perspective on the outer world of not only one’s immediate context, but more widely that of one’s social, political and economic system.

### **3.3 The Bodhisattva ideal: a vision of what humans can aim for**

To complete our overview of the Buddhist philosophical system we can sketch out the Buddhist “ideal” when it comes to the possibilities of the human being. This culminates in liberation and enlightenment, which can be reached by following the Eight-fold path – the fourth Noble Truth – which is aimed at helping the practitioner to overcome the mind’s tendencies towards ignorance, craving and aversion and hence to eliminate suffering.<sup>12</sup>

Within Buddhist schools of thought, the older Theravada tradition, which is alive today in countries such as Sri Lanka, Myanmar and Thailand, holds that the end-point of Buddhist teaching is individual liberation from suffering (*nirwana*). By contrast, in the Mahayana tradition, which is the dominant branch in Central, North and East Asian countries, the ideal end point is known as the ideal of the *Bodhisattva*: one who has achieved a state of enlightenment in which one has transformed all selfish (negative) emotions into altruistic (positive) ones *for the benefit of all living beings*.<sup>13</sup>

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<sup>12</sup> The stages of the path are: Right View, Right Intention, Right Speech, Right Action, Right Livelihood, Right Effort, Right Mindfulness and Right Concentration. See, for instance, Wallace (1993).

<sup>13</sup> Negative emotions in Buddhism are considered distortive emotions – they distort or obstruct reality. Positive emotions allow the mind to more closely accord to the reality and thus be more peaceful (Wallace 2003; Dalai Lama 2005).

This Bodhisattva ideal follows from the discussion above about the interrelated and interdependent nature of reality: in that setting, Buddhists are concerned with the world around them, since you cannot work on developing your own mind while not trying to find ways to diminish suffering in the outside world (Dalai Lama, 2012, Wallace, 1993). Rather, since everything is interconnected, altruistically serving the needs of others can in fact be regarded as ‘enlightened self-interest’ in that it is the path to genuine (inner and outer) well-being (Tideman 2016). The Bodhisattva ideal comes with practices of mind training. These are most clearly described in the 8<sup>th</sup> century text "A Guide to the Bodhisattva's Way of Life"<sup>14</sup>, authored by Shantideva (1997). The text, which lays out practices that one should undertake on the path of the Bodhisattva, is considered a defining text in the Mahayana branch of Buddhism (Wallace 2003).

Clearly, this represents an ideal rather than a description of “typical” human experience. That said, we can think of this not so much as how we *should* act but as an enquiry into what is *possible*, not so different from the way in which the field of positive psychology, for instance, represents the scientific study of the determinants of human flourishing by considering the range of human possibilities: not just what *is*, but what *can be*.<sup>15</sup>

Having the Bodhisattva ideal at the back of our minds can serve as a marker for what is possible in the current context of conceiving of an economic paradigm founded on Buddhist principles. Such an ideal is perhaps especially helpful when we consider the question of leadership, and the mindsets we need our business and political leaders to adopt in the face of sustainability challenges. Here, we can note that, ever since the time of the Buddha, it has been common for Buddhist teachers to provide teachings to leaders such as emperors, kings and merchants. We therefore conclude our overview of Buddhist thinking with two well-known stories of such interactions.

The first well-known case of a leader to fully embrace Buddhism was King Ashoka in around 260 BCE, who was ruling over Northern India. He promoted the Buddhist practice of conquering the ‘inner’ enemy, by transforming hatred and fighting into compassion and non-violence. As a result, under his rule, Buddhism was granted an official status as an educational and religious institution. The purpose of the empire thus became to promote the practice of mind transformation. In this way, Ashoka is said to have transformed *military imperialism* of the outer world into *compassionate imperialism* of the inner world (Thurman 1997).

Another example of Buddhist-inspired leadership arose out of a teaching by the 2<sup>nd</sup> century Buddhist scholar Nagarjuna to King Udiya Shatavahana, who ruled an area of southern India in around the second century CE (Nagarjuna, 2007). Nagarjuna instructed the king in what he

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<sup>14</sup> *Bodhisattvacaryāvatāra*

<sup>15</sup> See Seligman & Csikszentmihalyi (2014).

needed to know for his own liberation and development. Nagarjuna then advised King Udiyana on the basic principle of *enlightened social action*, the altruism of great love and great empathy. He taught the king to look at his subjects like children, and to help prisoners to develop in a way that allowed them to return to society and fulfill their opportunity for enlightenment. King Udiyana was able to implement the principles of enlightened politics in his kingdom more completely than Ashoka, because of the instructions on universal responsibility, wisdom and compassion – the ideal of the Bodhisattva.

Thus, ever since the time of the Buddha, it has been common for emperors, kings and merchants to attempt implementing Buddhist principles in government and economics. We have seen many examples of this in Asia. Just as the Buddha did not altogether reject wealth, so did he not reject power as a useful means to create conditions for societal happiness (Thurman, 1997). Likewise, he would not reject the idea that economic institutions could be designed in such a way that they could act as agent for societal happiness.

#### 4. Extending the Four Noble Truths to the realm of economics

The discussion so far makes clear the differences in worldview and method between economics and Buddhism. However, in spite of these differences, and keeping in mind that economics is an intellectual system that has been evolving since it was first conceived a few centuries ago, it should be possible to find common ground between these systems if we go back to their original intentions. From this perspective, one can say that both Buddhism and economics aspire to alleviate suffering and develop well-being for people, albeit with a focus on different forms of suffering/well-being and different means to achieve them.

To consider the contribution of Buddhism to the evolution of economics, the approach to be taken in what follows is to return to the ‘Four Noble Truths’. These can be simplified slightly: we can frame Buddhist thought in terms of ***the problem of suffering*** (Noble Truth 1), ***the cause of the problem*** (Noble Truth 2) and ***the solution*** that is pointed to by this understanding (Noble Truths 3 & 4). This simplified formulation, as it concerns the basic Buddhist concern of human suffering, is shown in the middle column of the table below. We can then apply this to our current economic paradigm – what the problem is, what is causing it, and how we might then move forward – as summarized in the right-hand column.

**The causes and solution of suffering: extending the Buddhist teachings to the economy**

	<b>Teaching on ignorance and human well-being applied to...</b>	
	<b>...the individual</b>	<b>...the economic paradigm</b>
<b>The problem</b> (Noble Truth 1)	Life is experienced as suffering.	The pursuit of material consumption, which is the primary economic goal, is unsustainable. The result is individual and collective suffering and the growing ecological crisis. The current economic paradigm is no longer appropriate for the modern context.
<b>The cause of the problem</b> (Noble Truth 2)	Ignorance of reality, in large part stemming from our own minds.	Ultimately, our misapprehending reality. Our starting point is an atomistic, materialistic and human-centered worldview, which ignores the inherent interdependence of all life.
<b>The solution</b> (Noble Truths 3 & 4)	Follow the “eight-fold path” to overcoming this ignorance, realizing the interdependent nature of reality, and hence eliminate suffering.	To fix our economic system, we need to see reality as it actually is and how it functions as an interdependent system of value creation. This means (1) reconceptualizing our economic models, recognizing the mindsets we adopt, alongside other “inputs”, and aligning them with the sustainable economic outcomes that we need; and (2) restructuring economic institutions and policy frameworks. Together, these measures can contribute to a broader, more holistic economic paradigm that can reduce suffering and enable flourishing of all life forms.

The diagnosis of the problem of our economic system, in the context of our 21<sup>st</sup> Century predicament – which includes the state and trajectory of the environment – is that our current economic system, based upon the pursuit of material consumption per capita, is not sustainable when viewed in a wider context.

The cause of this problem, following a Buddhist perspective, involves taking a closer look at reality. It is worth mentioning that ignorance, on the Buddhist account, can be understood in two ways: one is simply ‘not knowing’ (*avidya* in Sanskrit), while the other is a *misapprehension* or *misperception* of reality (*moha* in Sanskrit): that is, some kind of delusion as to how things really are. While the latter is sometimes termed “wrong knowledge” in Buddhist terminology, “wrong” refers not to an ethical stance but an ontological one (Hopkins 1983; Wallace 2006). In what follows, I will therefore refer to “ignorance” or “limited views of reality” – which can be overcome by cultivating wisdom – in order to emphasize what is intended here to be a descriptive approach.

Applying this to the economic system, the reality is that life on this planet exists as an interconnected web of ecosystems that are now threatened in their survival as a result of how our current economies function. Interdependence is primary. We also misapprehend our inner nature (the mind) – for which the assumptions of *homo economicus* are not just simplistic but really misleading – as well as the nature of how market forces, in practice, play out. These misapprehensions are the major cause of the current societal and ecological crisis and are explored further in Section 5. Note that the expansive objectives of Buddhism can be seen as an invitation to enrich and expand the scope of economics. Rather than merely contrasting Buddhist aims with those of economics, it is possible to view the Buddhist outlook on reality as more inclusive and comprehensive than the economic outlook.

The path we might take towards finding a solution is sketched out in Section 6. Widening what we take to be included in our economic reality implies that in our new economic thinking – and the objectives set by business and policy leaders – we should be open to taking seriously the needs all of species, all of life, and not just on the material needs of humans. Moreover, we should aim for lasting happiness and well-being, not merely the temporary satisfaction achieved from consumption. Finally, we can recognize that the mindsets we adopt, alongside other inputs, impact greatly upon the ultimate economic outcomes, viewed in a wider context than the current purview of business and economics.

## **5. Examining the cause of economic suffering: the “limited views” of reality underpinning the current paradigm**

To cast light on the specific causes of ignorance that are perpetuated by the existing economic paradigm, and to see how these are obscuring the true nature of reality, we identify below five clusters of “limited views” stemming from classical economics and the “fuller views” which arise from a Buddhist approach.<sup>16</sup> In particular, we draw on the

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<sup>16</sup> There are more economic ideas and practices that need to be revised, but this paper focuses on the main themes.

premises that all entities are *impermanent* and *interdependent* rather than independent or fixed and the causal principle of dependent origination.

### **5.1 Ignorance regarding humanity as separate from the natural world**

The inherent interconnectedness of human beings and the natural world means that we should understand economic exchanges and flows as being *fundamentally* embedded within the context of the natural environment. Yet the role (and value) of nature in mainstream economic thinking instead proceeds from an atomistic, and anthropocentric, worldview, in which the stock of natural resources such as water, air and land, unless privately owned, are conceived of as “free” public goods (Helm, 2015).

While the field of environmental economics has long sought to change the existing economic conceptions, national and company level accounting still do not acknowledge ‘natural assets’ on the balance sheet. This may hopefully soon change as a result of the newest climate change agreement (which strengthens the practice of carbon emissions trading) and efforts spearheaded by a coalition of companies including the accounting industry to establish norms for natural capital accounting.<sup>17</sup>

Much more needs to be done, however, and at the conceptual level, we need to fully understand that there is no healthy *economy* without a healthy *ecology*. As the Greek roots of these words reveal, first we have to *know* (logos) our environment or home (oiko), before we can skillfully *manage* it (nomos).

### **5.2 Ignorance regarding material growth as a universal economic objective**

Probably the most pervasive premise underlying classical economic thinking is the pursuit of material growth as the primary macroeconomic objective. Most governments worldwide have tied their performance to stimulating economic growth as indicated by growth in GDP in a free market context. There are a number of reasons for this. Partly, it is easy to quantify in monetary terms and it provides easily comparable data across time and space. And, from the incumbent government’s perspective, a higher level of GDP brings several advantages: higher tax revenues; typically, higher levels of employment, which can help avoid civil unrest; and the support of the owners of capital (such as large corporations) who are able to profit in the free market, growth-orientated environment.

Yet if humanity is to survive on this planet, we have to face up to the “age of environmental breakdown” as a reality.<sup>18</sup> Given what we know about the unfolding of environment factors like climate change, pollution and biodiversity loss in the 2020s, and the role that human

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<sup>17</sup> <https://naturalcapitalcoalition.org>.

<sup>18</sup> See also <https://www.ippr.org/research/publications/age-of-environmental-breakdown>.

consumption plays in giving rise to these, we need to revisit our growth-oriented economic objectives in the context of planetary boundaries (Rockstrom et al 2009, Raworth 2017). At the same time, the reality is also that, beyond a certain income threshold, there is no clear long-term correlation between GDP growth and the well-being of nations (Easterlin, 1974; Kasser 2003).

The critique is not that supporting the production and consumption of material goods and services is in no way relevant to human well-being. Rather, it is that targeting material growth can have both good and bad consequences. Therefore, holding *universally* to growth as the primary economic strategy – at all points in time and for all individuals and nations, regardless of their starting levels of affluence – represents a limited view of reality.

### **5.3. Ignorance regarding the conception of human beings as self-interested “optimizers”**

As mentioned briefly in Section 3, the simplistic assumptions of *homo economicus* as a rational optimizing agent who maximizes his or her own interests has already been persuasively challenged from a number of disciplines. Most notably, the field of behavioral economics is increasingly called upon to explain the growing tension between mainstream economic theory and empirical reality. This field was founded by Noble prize-winner in economics Daniel Kahneman (1979), whose work on intuitive judgment and decision-making bridged the heretofore-distinct disciplines of psychology and economics. The field has made it obvious that more traditional notions of rationality – and self-interest – are mere theoretical constructs and have little to do with how people and markets behave in reality (Gowdy 2009).

While the findings in behavioral economics make an important step away from the traditional picture of the human being employed in economics, we could go further. For instance, Jeffrey Sachs is among critics calling for “an improved and updated economic anthropology” to sit at the heart of economic theory, informed by what he calls the “new moral science” that has emerged through several disciplines (Sachs 2015).<sup>19</sup> It is possible to reconceive our basic picture of the human being, based on empirical studies, in a way which points to human nature which is *not* driven by greed, materialism, extrinsic motivation and egoism only. A Buddhist perspective on the nature of human beings would recognize the principles of cooperation and moral fairness and the roles that altruism and intrinsic motivation play in determining human well-being. Some research suggests that human beings are in fact wired towards “pro-social” behaviors and are capable of transforming themselves and their circumstances in ways which support the creation of sustainable value and well-being, living in harmony with each other and with the natural environment (Siegel, 2009; Singer & Ricard, 2015). All of this uproots the “limited view” of the classical model of

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<sup>19</sup> See: <https://www.youtube.com/watch?v=ajrJbnXTwL8&feature=youtu.be>

*homo economicus* in favor of the richer account of *homo sapiens* (or, reflecting the pro-social nature, *homo relationis*).

#### **5.4 Ignorance regarding profit as the sole purpose of business**

The dominant image of an organization is as a hierarchically structured machine whose principal purpose is to make profit for shareholders. This is consistent both with macroeconomic objectives directed at growth, and with the narrow conception of human beings in classical economic theory, as discussed above.

However, this classical theory of the firm is increasingly recognised as being very limited and has been challenged by many alternative views, such as the theory of reciprocity (Akerlof & Schiller 2009) and firms of endearment (Sisodia et al 2007), which emphasize the human rather than the technical dimensions of the firm.

Garry Hamel, a leading business thinker, has stated that “the biggest barrier to the transformation of capitalism cannot be found within the observable realm of org charts, strategic plans and quarterly reports, but rather *within the human mind itself* [.....]. The true enemy of our times is a matrix of deeply held beliefs about what economics and business is actually for, who it serves and how it creates value” (Hamel & Breen 2007).

Consistent with these views, the Buddhist perspective widens our perspective of the firm by using the metaphor of a living network in which value is generated by human relationships inside and outside the organization, based on a shared purpose with society.

The Dalai Lama has alluded to this point, stating that “companies are living, complex organisms and not only profit machines. The profit should therefore not be the object of a company, but rather a result of good work. Just like a person can’t survive for long without food and water, a company can’t survive without profits. But just as we cannot reduce the purpose of a human to eating and drinking alone, we cannot regard companies solely as money-making entities” (quoted in Tideman 2016).

Instead, we should see that companies, in essence, are instruments for creating value. Business is a creative process: quite literally, they create products and services to serve a certain need. Business creates value through a chain of causality, which is technically known as the ‘value chain’.

For many years, businesses operated with a limited view of causality, focusing on generating direct results only, namely products and profits. As long as customers bought their products, the business was considered successful. Only the direct effects were counted. Yet we now need to make explicit the indirect effects of business, thus drawing attention to the wider societal and environmental impacts of business. In other words, the business value chain

needs to be expanded to include not just financial value (profits) but also societal and environmental value.

### **5.5 Ignorance regarding the market as sufficiently self-correcting**

The mainstream economic view that markets function as a neutral mechanism that operates upon individuals' rational choices to yield equilibrium outcomes that serve our collective well-being has, for a long time, been strongly challenged both within the economics profession and by other disciplines such as psychology and political economy.

From a Buddhist perspective, the ignorance of taking the market as sufficiently self-correcting follows from the causal principle of dependent origination combined with the misapprehensions of human reality discussed above.

We see this via two main delusions contained within the classical view on markets. The first is that markets rarely price in the true costs entailed by a product or business: that is, there are many so-called *externalities*, that are excluded or ignored in the process of determining the price and profit, as anyone trained in accounting knows. For example, governments measure the economic performance of their country using the indicator of GDP. This market-based measure of value is *incomplete* since it excludes, for instance, the "value" of unpaid care work (such as looking after a family member) as well as the value of critical resources such as water and clean air that exist largely outside of markets. But not only this, it is *distortive*: if a government decides overnight to cut down huge swathes of rainforest and sell the timber, this will show up as a large *boost* to that period's GDP even though the actual cost – huge loss of biomass and biodiversity – may far outweigh the short-term monetary gains.

The second delusion relates back to the mistaken conception of humans as rational optimizers, an assumption which supports the (theoretical) conclusions around the efficient and welfare-supporting outcomes of market dynamics. Yet we now know from both actual observations during the financial crisis and psychological research that the minds of market players are continuously subjected to emotional and social influences (Zak 2008). As a result, we have witnessed repeated excesses, followed by periods of stagnation, in markets – what is known as 'market failure' – the most recent example being the global financial crisis of 2007-09, which revealed the unstable nature of the global financial system (Jackson & Dyson, 2012). Without strong government intervention, which came at a huge social (taxpayer) cost, the financial markets would have collapsed under the weight of their own inefficiencies and distortions (Skidelsky 2010). Rather than being guided by an invisible hand, the reality is that markets tend to spin into stagnation or chaos if not guided by rules and regulation.

## 6. The solution: incorporating a fuller view of reality into our economic models and policy frameworks, supported by a shift in the mindsets of leaders

The previous section exposed some of the “limited views” embedded in our current economic paradigm and the kinds of adjustments we need to make, informed by Buddhist thinking.

Taking these insights forward, in order to steer the path of our global economy in a more sustainable direction, we need to implement these ideas by bringing a “fuller view of reality” into our economic thinking and consequent actions: the models used, the assumptions made, the objectives that are set. A few high-level remarks on this are provided below. One particular element of the “solution” to our current economic predicament will be to recognize better the role that our *minds* play in determining economic outcomes, and finding ways to shift the *mindsets* that business and political leaders adopt over the coming years.

Many of the “limited views” discussed in the previous section point to the nature, and purpose, of various economic “units”: *the human being, the firm, the national economy, the natural world*. The Buddhist critique calls us to reconsider what each of these *is* and what each is *for*.

### 6.1 Reconceiving the relationship between human beings and the natural world

In response to limited view of 5.1, the new economic worldview will need to transcend the atomistic conception of human beings as divorced from each other and the natural world.

Some economic thinkers are starting to consider this issue. Mark Carney, Head of FSB and Governor of the Bank of England, for instance, has spoken about our tendency to *compartmentalize* things. It is all too easy, he argues, to divide up our lives into different realms, “each with its own set of rules”: where home is distinct from work, ethics is distinct from law, the individual is distinct from the system (Carney, 2014). Yet such a ‘reductionist’ view of the human condition, he goes on to say, serves as a poor foundation for long-term prosperity, warning against taking “compartmentalization” to extremes.

What is needed, therefore, is a shift in thinking regarding what we take human beings to be in the context of our economic models and business practices; we need to move forward from a focus on economic *transactions* to a recognition that it is human *relationships* which make these transactions possible. These relationships include our connection with nature and with ourselves, our deeper motives and needs – that is, both our outer and inner nature.

In this regard, as mentioned above, Jeffrey Sachs has called for “a new economic anthropology”<sup>20</sup> to expand *homo economicus* to *homo sapiens* (Sachs 2015). Practically, economist Dennis Snower has explored the notion of “caring economics”<sup>21</sup> which places more weight on the role of social capacities, like empathy, which has been supported by neuroscientist Tania Singer and Buddhist scholar Matthieu Ricard (Singer & Ricard 2015). The idea that the Buddhist philosophy of interdependence and holism can play a role in the reform of our economic thinking is central to the book ‘Buddhist economics’ by the economist Claire Brown (Brown 2015).

Nixon (2019) considers whether human awareness, in general, and the capacity of mindfulness, in particular, could be the basis for such a wider conception of human beings in economic models and policies.<sup>22</sup> Another recent initiative considers the possibilities of moving beyond “zero sum mindsets” in economics.<sup>23</sup> The mainstreaming of such initiatives as these will be required in order to reflect the “full view” of reality implied by Buddhist thinking, as discussed in the previous section.

## 6.2. Reconceiving the purpose of economics

In order to counter the ignorance described in 5.2, we will need to transform the idea that the *objective* of economics is to strive for material growth, into a more future-looking, realistic and life-based model in which constraints in financial, human and ecological resources are recognized. Creating sustainable economic systems requires us to shift the objective of economic activity away from maximizing economic value, to satisfying economic, social and ecological needs in a balanced and sustainable manner. The “Beyond GDP” research led by Joseph E. Stiglitz, Amartya Sen and Jean-Paul Fitoussi for the OECD, is instructive in this regard as a means of moving beyond the limitation of GDP growth as a marker of progress discussed in Section 5 (Stiglitz et al 2009).

Interestingly, there is an example of an alternative economic model inspired by Buddhism: the Gross National Happiness (GNH) framework of the kingdom of Bhutan. While the model of GNH is founded on the empirical research literature on well-being (NDP Steering Committee, 2013), the Bhutanese make no secret of attributing the overall concept of GNH to the philosophy of Mahayana Buddhism, which is the predominant tradition in the country (Ura et al, 2012).

In the context of the current discussion, the GNH approach is striking for two reasons. First, it attributes the role of government (and the economy) to be to realize optimal well-being of the people. In line with the Mahayana ideal, GNH defines happiness not merely in

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<sup>20</sup> <https://www.youtube.com/watch?v=ajrJbnXTwL8&feature=youtu.be>

<sup>21</sup> <https://www.ineteconomics.org/research/research-papers/caring-economics>

<sup>22</sup> <https://www.themindfulnessinitiative.org/mindfulness-and-a-more-human-centred-economy>

<sup>23</sup> <https://www.rebuildingmacroeconomics.ac.uk/projects/zero-sum-mindset/>

objectively attained, material terms, or ‘outer’ happiness, but also in the subjective experience of citizens, or ‘inner’ happiness. Most striking is the inclusion of emotional balance, mental health and spiritual participation (which in turn includes items such as reflection time, participating in activity such as prayers), which in Bhutan are seen as expression of culture.

Second, in alignment with the Buddhist principles of dependent origination, the GNH model identifies a number of interdependencies as critical for collective well-being. The largest context is that of healthy ecosystems, which provides the ultimate basis for societies and economies to flourish. Further, without flourishing societies it would be difficult to create economies that prosper, so the societal context provides the basis for the economy. Governance and leadership at collective and individual levels should balance these three dimensions (Ura & Galay 2004, Tideman 2016).

The idea of GNH has gained interest internationally as an alternative development philosophy. In 2012, at the initiative of Bhutan, the General Assembly of the UN even made the conscious pursuit of happiness a fundamental human goal in the resolution ‘Happiness: towards a holistic approach to development’ (United Nations, 2012). However, while GNH is being implemented in Bhutan – in policymaking, in planning, in measurements (the GNH Index) and in education – it requires more experimentation in other countries in order to develop into a robust model that can replace mainstream models such as GDP.

### **6.3 Reconceiving the nature of human beings**

With regard to the limited view set out in 5.3, we will need to replace the flawed image of *homo economicus* with a much more sophisticated and positive view of human beings in relation to each other and to their environment. As the term suggests, *homo sapiens* is endowed with a cognitive capacity, which – as Buddhism asserts – can be cultivated and developed, up to the level of experiencing genuine mental well-being and demonstrating pro-social behaviors.

This discredits the classical economic assumption that the consumer’s preferences are fixed. In fact, it provides a very different perspective on how we should define individual economic “agents” at all: we should realize that in reality there are no consumers, but only human beings, who also happen to be parents, citizens, tax-payers, employees, and shareholders. If we treat people as consumers, we ignore a large part of the human spectrum. The same applies to employees: the reality is that they are not merely driven by financial incentives alone but also long for belonging, meaning and purpose, which happen to be more powerful motivators for performance than money alone.

Another dimension is leadership. As the above discussion suggests, as organizations evolve and grow, a key role will need to be played by the mindsets and intentions of the organizations' leaders. Research has shown that when companies embrace a larger scope of responsibility, the mindsets of their leadership need to broaden in scale and scope to allow the requisite capabilities to be built in response to the changing needs of the external environment (Metcalf & Benn, 2013, Tideman et al 2013).

It is reasonable to expect that the Bodhisattva path would greatly enhance the development of these mindsets and capabilities. The challenge of sustainability, in particular, requires leaders to recognize and deal with an interconnected and interdependent view of reality, with an eye to the needs of multiple stakeholders. Since the Bodhisattva path consists of a system of practice of personal transformation with the specific aim to realize this interconnected, 'relational' view, there is much convergence with sustainability leadership.

This is particularly relevant given the fact that practices of Buddhist psychology are well-documented and increasingly translated and integrated into western science (Goleman, 1997, 2003; Siegel, 2009; Wallace, 2006, Loizzo, 2012), including management science (Tideman 2016; Hougaard & Carter 2018). As a result, practices such as mindfulness and compassion training are finding their way into business institutions.

The objective of both Buddhism and sustainable business leadership is to engage with reality in such a way that it serves as a basis for creating long-term, sustainable value. The way that they define value may differ, but both are concerned with the same underlying reality. Human minds that are capable of understanding and operating in accordance with reality are bound to be more effective than those which are not. Therefore, Bodhisattva-inspired leadership, with its focus on the principles of interconnectedness, serving the needs of others, and cultivating societal well-being – including the inner dimension of subjective happiness – can perhaps be regarded as the ultimate model for leadership of sustainable economic systems.

#### **6.4 Reconceiving the purpose of business (and expanding its value creation process)**

As we discussed at section 5.4, if we would apply Buddhist thinking to the role of business, the purpose of companies would no longer be solely to maximise return on invested capital, but to create value by serving societal needs, to enhance the well-being of co-workers and clients, and to stimulate the performance of all the participants within the system. This argument has been made strongly by the Dalai Lama in a series of dialogues with business leaders, as recorded by this author in the book 'Business as Instrument for Societal Change' (Tideman 2016).

There are many conceptual models and theories of change in economics to explain how business creates value. However – as has been discussed – the current models of causality tend to be rather limited, because they tend to focus only on direct inputs (such as capital and labour) and direct effects (such as products and profits). The Buddhist concept of karma, however, explains that there are *direct* causes and effects, which we can often observe, but there are also *indirect* causes and effects that can be hidden for a long time, but are important for ultimate outcomes.

The new reality of sustainability demands from business to broaden its circle of concern: it can no longer hide behind a limited version of causality that ignores the longer term negative effects of business on society and ecosystems. A causal model that is increasingly used in the context of sustainability is the ‘logical framework’ (Logframe 2008; OECD 2010), which resonates with some aspects of Buddhist wisdom. This model describes a sequence of inputs, activities, outputs, outcomes and impact.

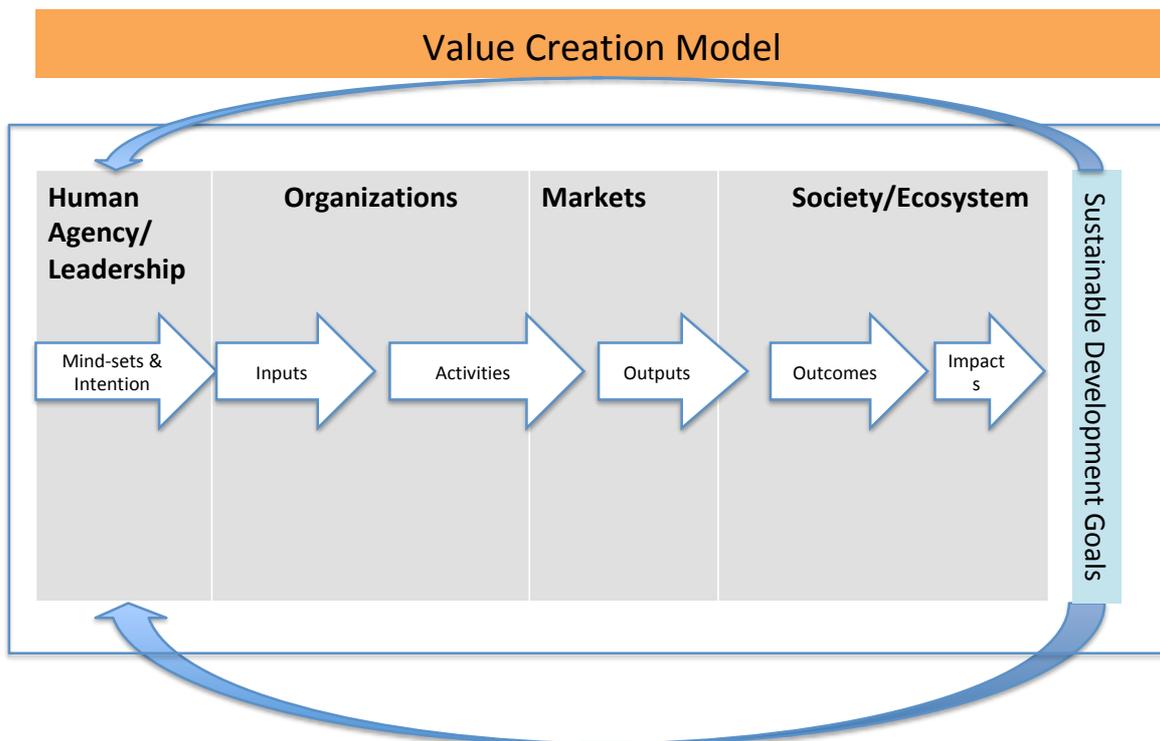
We can first look at the “output” side. When a company has sold a product on the market, for example, this is considered *output* (and likewise the money that has been paid by the customer to the company falls into this category). But, in reality, the causal chain does not stop there – there are indirect effects (similar to how the concept of karma works). There is something that the customer will *do* with the product. He will consume it or not: there is a particular action following the result. This is defined as *outcome*. Then, the outcome will have further aggregate effects on a societal level, which is called *impact*, which can be positive or negative. For example, there is a positive impact if the consumption of the product improves national health.

From a Buddhist viewpoint, we need also to expand the “input” side of the logical framework. Inputs typically include items such as capital, skilled labor, and intellectual property. Yet, from a Buddhist perspective, a critical piece of input is missing: the mind of the actors on the causal chain, especially the leaders. With an understanding of karma, this omission makes no sense, particularly when indirect effects such as impact are considered. How can you determine the desired impact without the concordant view and intention of the leaders? Yet this is still uncharted territory for many companies. Just as the idea of impact is new, the notion that leadership is responsible for the company’s impact on society is even more rare. All of this is a remnant of classical economic theory, which left human agency outside the equation. The only way that humans “showed up” in companies was as employees, which under accounting rules were (and are) treated as expense items, not even as assets.

The Buddhist concept of karma serves as a reminder for the need to put human agency back in the causal chain of value creation. In fact, it should be the place where the causal chain begins. The concept of dependent origination, meanwhile, helps us to extend the causal

chain into the future to account for long-term effects and distinguish *profits* from *value*. While ‘profit’ can be considered a desirable output by an activity of an organization, ‘value’ (which includes profit) should be seen as a function of creating *positive* impact. Value is created when a particular societal need has been met, which includes but goes beyond mere financial profits.

These Buddhist-inspired insights can be put together to form a more complete version of the logical framework in which the process of value creation spans leaders, organizations, markets and society. This is depicted in the following value creation model:



This model may have practical benefits. For example, it could help leaders of companies which aspire to be sustainable to more clearly define the positive impact that they wish to have, by linking business objectives to specific societal needs that they bear an impact on. In this context, the UN’s list of Sustainable Development Goals (SDGs) can be useful in representing an overarching framework of goals that we will need to achieve in order to maintain a sustainable society on this planet, allowing nations and companies to align their own impact goals to one or more of the SDGs.

### 6.5 Reconceiving the role of governments in leading markets

In 5.5 we have seen that the standard theory of market equilibrium is misleading: in reality markets are a dynamic network of interdependent relationships that are both *shaped by* our mindsets and choices and which also *shape* our mindsets and choices, mostly on an unconscious level (Gowdy 2009).

The neoliberal economic ideal that government's role is to leave markets to operate freely, should be replaced by the practice of 'public market leadership'. While markets have been good servants as mechanism for exchange, they have been poor masters, as indicated by the many market failures in history. Markets can be left alone in many ways, but where communities are dependent on market outcomes, governments should feel responsible for ensuring a fair and equitable functioning of these markets. For example, social and environmental 'externalities' should be incorporated in the price, and monopolies, excesses and market failures should be averted. This transcends the classical debate of free market versus state-led economies; it reflects, instead, the reality that markets are 'living systems' (they are made up by humans) that can only flourish if they take place in a context of flourishing communities, societies and ecosystems.

## 7. Concluding Remarks

The assumptions behind mainstream economic thinking appear to be too limited to adequately deal with the complex reality of today. The Buddhist worldview of interconnectedness and its extensive models of cause and effect, as well as the central role that our mind plays in determining outcomes, offers an intellectual framework that can expand the scope of our economic thinking. It shows that we should be open, from the outset, to taking seriously the needs all of species, all of life, and not just on the material needs of humans. Moreover, we should aim for lasting happiness and well-being, not merely the temporary satisfaction achieved from consumption.

By framing the four Noble Truths as a way of understanding how we are ignorant of reality, and taking a descriptive approach to explain how we can remove ignorance through practice, this paper has explored how insights from Buddhism can be applied to the creation of more sustainable economic systems. Five clusters of ignorance in the realm of economic thinking have been identified; these need to be transformed into new economic wisdom.

Overall, the Buddhist views on mental and emotional development and causation in terms of dependent origination and karma remind us that sustainable well-being can be achieved if economic actors expand their view to serve the needs of society within the natural boundaries of ecosystems. As economic value chains depend on causality, economic policy and business organizations can learn to create positive impact for society and ecosystems by acting in accordance with these principles of causation, which should include human

motivation (as additional input) and societal and ecological well-being (as an extension of output, broadly conceived). The mindsets we adopt, alongside other inputs, impact greatly upon the ultimate economic outcomes, viewed in a wider context than the current purview of business and economics.

The Bodhisattva leadership model can be a source of inspiration for economic leadership: it provides a blueprint for developing the leadership qualities needed for creating sustainable economies. It can encourage leadership to redefine the purpose of economics towards generating optimal well-being for all and acting accordingly, for instance by redefining measures of economic success and regulating markets, as required. At the level of business, leadership should redefine the purpose of business from the viewpoint of serving the needs of the context in which the business operates and upon which it is dependent for its own long-term success.

Taken together, these insights can help us to conceive of a new version of Buddhist economics, which can broaden the scope of classical economics away from the “limited view” focused on transactions and material growth, towards a more comprehensive and relational approach that serves and balances the needs of the economy, society and ecosystems. It can also put human agency back into the chain of causality as an instrument for sustainable value creation.

It is perhaps significant, at this point in time, that the basic challenges facing society can be conceived as inevitable trends arising out of the increasing interrelatedness and interdependency between business, society and ecosystems – trends which converge with the principles of wisdom (such as dependent origination) found in Buddhist thought. Because of that convergence, Buddhist principles can deepen our understanding of how to design and implement effective sustainability strategies, both at micro- and macro-levels. It is hopeful to note that while the current global crisis, with its mega-trend of sustainability, is unprecedented, the integrated and interdependent worldview that this crisis is calling for has been conceptually explored and practiced in earlier Buddhist-inspired civilizations.

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