

Buddhism and Economics (©2017-2020)

Lecture 7: *Interdependence and Fairer Economic Distribution*

In the last lecture, our discussion focused on the issue of interdependence and the important economic implications therein. Basically, interdependence means that economically people need to be kind toward each other and in Buddhist perspective, altruism is not only a virtue but also an economic necessity. From both academic research and Buddhist doctrine, altruism not only makes people happier but also enriches the meaning of life. In the next half of our lecture about the Buddhist economic idea of interdependence, we shall discuss the following issues.

Income and happiness

Generally we may assume that as a person's income or the total income of a family increases, he/she or the family members would be happier; or the happiness of those involved would be increased; Clair Brown points out that according to the research carried out by Richard Easterlin (b. 1926, American economist) indicates that at national level, the increase of overall national income does not correlate to the increase of national happiness. In fact, national happiness remains almost constant, despite a gradual increase in income. That is called Easterlin Paradox. The main reason is related to the *loss aversion* – psychological adaptability to good and bad events without radical emotion fluctuation affected by the increased economic situation (Brown, 2017:33).

Income and quality of life

But Clair Brown came out a new idea of comparison: that of income and its relation to quality of life. *Quality* in this context means physical and mental health, educational attainment, drug use (and abuse) and obesity (Brown, 2017:33). Here we should pay attention to another term: *income inequality*. As Brown emphasizes, *Happiness and quality of life are related to a country's level of income inequality, but not to its average income*. In this sense, we can see poverty in poor countries, which is rather understandable. But even in some developed countries poverty is present, sometimes even in a large scale (see Brown, 2017:33).

Relative income hypothesis

Our income can be understood as *gross income*, or before tax and *net income*, which is after tax. The gross income may be higher but the net income would be reduced because the income tax. We may suppose that because net income is the total money we take home, we can spend happily and almost freely. But the *relative income hypothesis/theory* suggests that what amount buys what kind of things and how we spent our income depends on more factors than generally appears. So when one may think to buy a new smart phone, one may also consider the fact that compared with other families, his income and the total of his family's income do not have an edge. If other family have not bought a new smart phone, he should restrain from such a purchase – *consumption*. There are other related factors that would also influence the behaviour of a consumer. So his or her income is not absolute but relative to other relevant pros and cons (Cf. Brown, 2017:34).

Relative income, interdependence and effect of inequality

With relative income hypothesis and interdependence of each other, inequality is the most obvious economic and social problem in any society. But it is also one of the most ignored because wealthy people generally do not talk about inequality. When poor people do talk, no one listens to them. But from philosophical, social and Buddhist points of view, the disproportionate inequality would have negative impact on society.

The flaw with market economics: incentive and personal contribution

In market economics, incentive is regarded as a necessary tool to reward for the hardworking people and punish those who are lazy. However, there is some obvious flaw with modern market economics. For instance, during the pandemic, people in China started to question those highly paid movie stars who literally contribute almost nothing to the society. But some hardworking and valuable doctors or medical professionals, despite whose essential and important contributions to the society, who earned in a year only a very small fraction of what those movie stars earned in a few weeks. So here the incentive only encourages those who generate revenues to their employers or their own business (i.e. entertainment firms whose shares or stocks owned by those movie stars who are working for them). Also, such highly paid incentive in fact encouraged many young people to become movie stars, instead of using their talents and intelligence to aspire to a variety of other professionals. Besides, as Clair Brown points out, some highly paid CEOs actually were outperformed by those lowly paid ones (Brown, 2017:34-35). On the other hand, many farmers and manual workers and their contributions to the society may or may not be enormous but perhaps more than enough to earn them a decent living. In particular, should they be given a chance to contribute, they would do a good job.

Family consumption breakdowns: 3 categories (see Brown, 2017:35-36)

Basics: necessities that need to sustain life and to survive; this should be the very basics that is also the benchmark between livelihood and poverty;

Variety: some level of comforts, depends on a particular place

Status: luxury goods or goods that to show off your status in the society,

In the above 3 categories, when the basic needs are satisfied, people can survive and then aspire to some sort of comforts, and if possible, even a luxurious holiday every year. In most advanced countries, the 2 and 3 levels/categories are actually achievable for a great many of the population.

As Brown suggests, some people may stop at the 2 level and no longer aspire to the 3rd level because a comfortable life would be enough. All the luxuries are tiresome and even boring. (Cf. Brown, 2017:37) But because of the widening gap between rich and poor and the increasing level of inequality, people would start becoming stressful and less happy because they comfortable lifestyle would be affected. As such, here the keyword of Buddhist economics is fairer and more equal economic distribution. Because of the relative income theory and the Buddhist idea of interdependence, equal and fair system would affect all in the society, just like inequality would make people's life miserable.

Working, economic prosperity and meaning of life

As we mentioned, in Buddhist point of view, working is part of life and right livelihood encourages people to not only engage in right means of living but also work diligently. Notwithstanding, as the Buddha made very clear, working and

material possessions are only the necessary means to achieve the ultimate end – meaning of life and spiritual enrichment. That is the lasting happiness, very much different from that of the temporary material satisfaction and momentary sensual pleasure. (as for hard work and economic implications, see Brown, 2017:38-40)

Reducing suffering

Because the theory of interdependence, in Buddhist economic idea, the suffering of other people should be regarded as if one's own problem. That does not mean we should make ourselves suffer; instead, we should try to reduce it. But in terms of reducing suffering, deeds are more important than words, for if you pay a little bit of attention, in Clair Brown's book, she mentioned that in 2010 UN Millennium Goal of halving the 1990 (1.9 billion or more than 35% world population (5.28 billion) were in extreme poverty) extreme poverty was achieved. But 5 years later, in 2015, there were still 1.2 billion (that was more than 15% of world population 7.34 billion in 2015) people in extreme poverty. So it seems as population grows, so does poverty.

GNH index = Gross National Happiness index!

This is probably the most ironical human invention of 21 century because it avoids to ask, let alone answering, a simple question: *if one single person in that society goes hungry every other day not because he or she is on a diet but because she or he could not afford the basic but nutritious food, then what is the point of celebrating GNH;* after all, national happiness means that everyone matters.

Reading suggestions

You should read the remaining pages of chapter 3, i.e. pp.32-47, which means by now you should read the whole chapter 3, i.e. pp.24-47. When you read the chapter, you should keep the keyword – *interdependence* – in mind so that your reading would be more interesting.

Also, one concept – *Easterlin Paradox* – is rather interesting, because while some thinks that his assumption and research might be true, others may have some reservations. So please try to read the original research paper and come to your own judgement and conclusion.