

Asian economic crisis and the crisis of analysis:
A critical analysis through buddhist economics.

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Chapter 4

Asian Economic Crisis and the Crisis of Analysis: A Critical Analysis through Buddhist Economics

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“To be a tiger is not that important, the most important thing is that we have sufficiently enough to meet our own needs, and the sufficient economics means a sufficiency for self-supporting”

King Bhumibhol’s speech on December 4, 1997

1 INTRODUCTION

The Asian economic crisis in Thailand has been analyzed by a leading economist in Thailand, Ammar Siamwalla, (1998:1-7), as economic mismanagement by the Bank of Thailand (BOT) starting its decision to liberalize the financial system, particularly in its relationship to the rest of the world. The first move was to accept the obligations under Article VII of the International Monetary Fund (IMF) in 1990 that requires the lifting of all controls on foreign-exchange transactions on the current account. The second was the opening of the Bangkok International Banking Facility (BIBF) in 1993. Designed to make Bangkok a centre for financial services by encouraging foreign financial institutions to set up operations in Thailand. As a result, most foreign exchange control measures were removed. In 1992 all ceilings on interest rates were removed. Weakness did appear in the stock market where control measures against speculation was insufficient resulting in speculative fever from 1993 to 1995.

One major mistake committed by the BOT was the peg of the exchange rate virtually with the U.S. dollar while the monetary system was completely liberalized. With a fixed exchange rate while the domestic rate of interest in the early 1990s was much higher than the rate available in international markets, short term foreign loans flowed in to take the advantage from this differential. Worse still was that most of these short term loans were used to finance the inflated real estate sector as well as the speculation in the stock markets. Such a serious problem was veiled by a good performance of exports during 1992-1995. Early in 1996, exports started to slow down resulting in part from the appreciation of the U.S. dollar which the baht currency was pegged. The complete halt of export growth in 1996 exposed all the problems. By that time the country already accumulated foreign debts of \$US80 billion and the majority of them were of short term nature.

Beginning in November 1996, waves of attacks were made against the baht hoping that the BOT would be forced to devalue the baht. Each wave was met by strong defenses by the BOT. The fiercest over came in May 1997, and by the middle of May the Bank had almost run out its net reserves of \$US33.8 billion. This resulted in eventually the floating of the baht on July 2, 1997, and a series of financial crises took place as already well recorded.

Internationally, this crisis can be analyzed in a slightly different light. Even though it can be viewed as a problem of mismanagement on the part of the Thai

monetary authorities, since problems of similar nature can be clearly predicted to have come about eventually. With *economic globalization*, goods and money are allowed to flow freely anywhere in the world, greed can be further generated without restraint or control especially by those who control capital (Korten, 1996:71). Under the condition of integrated economies, those who have capital are bound to be in an advantage position. When the economies are merged, capital can flow to whatever localities that offer maximum opportunities to externalize costs. The basic consequence is to shift costs from investors to the community (Daly and Cobb Jr., 1989: 209-35). Under such a circumstance, an economic crisis will eventually take place in the net capital receiving countries sooner or later regardless of the performance of the economic management agencies.

Apart from taking the advantage from a maximum opportunity to externalize costs, free flows of foreign capital can easily generate economic instability. This is the problem faced by Thailand in the current economic crisis. The internationalization of capital and the internationalization of finance since after the World War II have turned capital into a foot-loose factor of production in both time and space. The quick mobility of capital from that of low returns to the higher ones to take advantage of speculation in security markets anywhere in the world results in economic instability in the countries where massive amounts of capital move in and out in a short period of time (see Freeman, 1996 and Felix, 1994: 365-394). At the macro level, a country with a sufficient amount of domestic savings will be less affected by such a nature of capital flows. In Asia, Japan, Taiwan, and Singapore are in the cases in point.

Both the adverse economic impost from foreign capital taking the advantage from external costs as well as a quick mobility of capital that can cause economic instability have pointed to the crisis of analysis based on the concept of economic liberalization with a strong emphasis on quick growth without much consideration to economic stability and long term sustainability. This is why the Asian centric economics or, in the case of Thailand, Buddhist Economics which is based on a curtailment of "greed" is needed to be closely scrutinized..

2 BUDDHIST ECONOMICS

Buddhist Economics is a new way of understanding economic activities by applying a new paradigm about the human nature as discussed in Buddhism since its inception. Not much can be argued against the analytical process of economics as such, since the general rules of logical deduction are well applied in the subject in recent times as in any others. However, some specific paradigms especially those concern human nature adopted in the mainstream economics have not been sufficiently scrutinized. Most of them have been taken more or less at face value. After that, more sophisticated analyses have been built on a rather soft foundation. As a result, many conclusions derived from the analytical process are not able to stand up to critical challenges. Some of its basic paradigms concerning the nature of human being adopted in conventional economics do not represent actual human behaviour and some may not be consistent or may even be in contradiction with natural laws. These factors result in weakening the explanatory power of the conventional or mainstream economics. Replacing such weak paradigms by the one from Buddhism that reflects more the true nature of human beings and the proven natural laws mentioned earlier, the explanatory power of the mainstream economics could be enhanced. This is why the modified subject should be call

“Buddhist Economics”. The concept is slightly different from that of “Economics for a Buddhist” because the latter will not deal with the deficiency in the mainstream economics squarely. It merely investigates economics from the point of view of a Buddhist who has certain sets of “values” and “beliefs”. It does not attempt to investigate either Buddhism or economics.

Without challenging the existing paradigms in economics, the analytical weakness in mainstream economics will not likely to be exposed. “Buddhist Economics” prepares to take up the challenge by pointing out the fundamental weaknesses that exist in mainstream economics and replacing them by more realistic concepts available in Buddhism. With the hope that better conclusions can be reached. It is, in part, to reduce the crisis of analysis that exists in the current economic crisis in Asia.

3 DIVISION BETWEEN POSITIVE AND NORMATIVE ECONOMICS AS A FUNDAMENTAL WEAKNESS

The clear division between positive and normative economics can be regarded as a starting point of the crisis of analysis in economics. Positive economics is defined as an analytical objectivity or sometime called “natural law” without value judgment. The concept is in contrast with normative economics where opinion or value judgment can be incorporated. Such division results from the lack of a coherent understanding of the true nature of human being.

Positive economics assumes “greed” or to put it more mildly, “self interest” as a cardinal nature of human being that will direct most “rational behaviour” of human activities. Any laws based on this “fact” is a natural law and hence all economic activities conforming to such laws are positive economics. As a result, utility maximization is considered as a rational behaviour and positive economics. According to Jeremy Bentham, each person is essentially a self-serving unit – that all individuals are power by desire to do things which serve their own best interest – the desire to seek pleasant experiences and to avoid or escape from painful ones (Bowden, 1990: 77).

One may question further whether the “law” expounded by Bentham is really a “natural law” and that it is true in all cases without any exceptions. Should any individual who behaves differently from that be considered an exception to this law or that person is behaving irrationally? One may even ask further if the behaviour of most human beings must be like what Bentham has said. Can there be a different pattern of behaviour of human being than what already discussed above? If there are many other different patterns of human behaviour than the law had already propounded, for example ‘people insist on loving their own arch enemies, and the ones who prepare to work hard for the sake of the others and live frugally’. Should those people be considered to behave irrationally or they are just the exception to the general rule or they include their own value judgment into their consideration. Or better still, should people of such nature not have existed in the real world? If such a behaviour of human being does exist and the fact that they are in direct contradiction with the “true” nature of human being, then should one consider that positive economics is only positive because it complies to its own rules by its own definition? If so, one may ask how much positive is positive economics. Most mainstream economists do not want to face such a difficult question. They prefer to accept the concept at its face value and quickly rush to

the mechanistic parts of the discussion at which they find that they are in the position to have a full control of their own arguments. The only unfortunate part is that, a mere mechanistic operation based on a shaky foundation will never result in any firm ground or firm conclusion.

A more refined version of utility but not less ambiguous is the one advocated by Boulding (a) (1968: 193-194). "Economics clearly recognizes that all material objects are intermediate goods, mere means which serve the end of increasing that ultimate *spiritual product* known technically as 'Utility'. The economist does not know what utility is, any more than the physicist knows what electricity is, but certainly could not do without it". Not many economists even contemplate the said definition but rushing instead to the mechanistic part shown below.

Mechanistic Procedures

Given the above set of positive rules that people will try to get the most for themselves, the (direct) utility function U - the analysis is similar when an indirect utility function is used - of an individual or consumer consuming all of his/her income Y on a basket of n (positive) commodities ($X_i, i=1, \dots, n$) is defined as

$$U = U(X_1, X_2, \dots, X_n) = U(X)$$

and with P_i for the price of commodity i , the budget constraint for income Y is defined as

$$Y = \sum P_i X_i$$

The rule to maximize U subject to the budget constraint Y can be carried out first by setting up a Lagrangean function L

$$L = U(X) - \lambda[Y - \sum P_i X_i]$$

and the first-order condition for maximization in this case is

$$\partial L / \partial X_i = U_i - \lambda P_i = 0$$

or $U_i = \lambda P_i$

and $\partial L / \partial \lambda = Y - \sum P_i X_i = 0$

where $U_i = \partial U / \partial X_i$ is the marginal utility with respect to commodity i . Thus

$$U_i / U_j = P_i / P_j$$

The last result states that the marginal rate of substitution between two commodities is equal to the ratio of their prices. Alternatively, the condition can be rearranged to give

$$U_1 / P_1 = U_2 / P_2 = \dots = U_n / P_n = \lambda$$

The Lagrange multiplier λ can be shown to be the rate at which U increases as money income increases

$$\lambda = dU/dY = U_Y$$

The Lagrange multiplier λ is the marginal utility of money income since U_i/P_i is the rate at which utility increases as more money is spent on commodity i.

Apart from what have been discussed above, the following set of assumptions have also been made in order to derive the above properties of the consumer demand equation.

1. The utility function is continuous and "smooth".
2. $\partial U/\partial X_i > 0$, the more commodity consumed the higher is the utility.
3. $\partial^2 U/\partial X_i^2 < 0$, the marginal utility increases at a decreasing rate or the diminishing marginal utility prevails.
4. $dU^2 < 0$, the convexity property of the utility function.

These assumptions are made for the convenience of mathematical operation and to satisfy the requirements of a rational behaviour. The operation itself is a "positive" operation or a straightforward one. The assumptions themselves do not necessarily imply any positive rule about the utility function itself. Unfortunately, once the set of assumptions have been overlooked or forgotten, the rule itself has been interpreted a positive rule.

Observe also that the above rule is very rigid because it is designed to generate a set of well performed mathematical properties and not necessarily reflects the situation in the real world. For example, it is impossible to discuss about efficiency in consumption based on such specific nature of the utility function. No one can assure with one hundred percent certainty that the utility function must be continuous and "smooth". Last but not least, the assumption of $\partial U/\partial X_i > 0$, (the more, the better) is only true in an isolated case of each individual commodity. Normally, what have got into a person's consideration in acquiring a commodity for consumption is much more complex and the case can never be treated as an isolated one. Unfortunately, most mainstream economists prepare to forget the above set of rigid rules and prefer to treat them as a general rule. Because if they relax the said set of assumptions, the foundation of their basic "beliefs" will be shaken. As well as trying to avoid being "normative" in their "beliefs", they have made their "beliefs" a positive rule through mechanistic procedures. The action that does not actually contribute to a more solid foundation in their analyses.

Instantaneous Nature of the Utility Function

Observe also from the utility function above. It contains no time element in the function, implying that the function is instantaneous with respect to time. A person will enjoy, be happy, gratify, be satisfied, being passionate, or being fascinated by a consumption of a commodity or a service only instantaneously. Such a stage will

decline afterwards. Note also that, many terms are introduced to represent a feeling of satisfaction at the time of consumption. None of them carries the meaning of “utility” because utility is in fact an ambiguous word without any clear meaning as Boulding has already admitted.

The fact that this utility function involves no time dimension as well as another general rule imposed on this function that it is not inter-personally comparable has made the whole concept rather absurd when being confronted with “scarcity”, the only solid foundation for the existence of economics. Under the general condition of “scarcity” of resources, this utility function implies that, it cannot make any value judgment of whether to devote a limited resource available to produce food at a very cheap resource cost or to produce a luxurious car that requires a huge amount of resources in order to satisfy either a starving poor or a very filthy rich. Either one of them will have an “instantaneous” satisfaction from consuming food or luxurious car, respectively. Any layman with a common sense will agree without much thinking that the limited resources should be devoted to produce food for the poor than producing a luxurious car. However, if a mainstream economist cannot provide satisfactory answers to this obvious question, one should cast doubt on the logic of their thinking or question their basic assumptions used in formulating their theories.

The Question May Rest on Pleasure and Pain

Jeremy Bentham has suggested that a human being will seek maximum pleasure and to avoid pain based on his/her previous experience. The concept is widely accepted in the Western world and is considered a “rational” behaviour of human being. However, if the concepts “pleasure” and “pain” are replaced by slightly different words but with a vastly different meaning of “happy” and “misery or suffering”, will there be any significant change in the conclusion? Suppose a statement is advanced in such a way that a human being seeks to maximize “happiness” and to avoid “misery” or “suffering”, would there be any change in the conclusion discussed above? An immediate response would be: what is the meaning of “happiness” and “misery”. The two concepts are only available in the East, especially in Buddhism.

In Buddhism, only “misery or suffering” is needed to be defined. It is like a temperature. One only needs to specify the level of heat. With less heat it will be more “cool”. Similarly, with less “misery” there will be more “happiness”. There are different degrees of “happiness” in Buddhism ranging from sensual indulgence or hedonism (similar concept found in the West) to happiness from “enlightenment” resulting in “clear” “clean” and “calm”. Therefore in Buddhism to minimize “misery” is equivalent to maximize happiness, the same way as “minimizing cost” is equivalent to “maximizing profit” in mainstream economics.

“Misery or suffering” is defined as a sense of lack or alienation or a state of conflict or contradiction of an individual (Phra Rajvaramuni, 1983: 21). The cardinal conflict of all is that a person conceives that there is such a thing called “self” and tries to hold very tight on it, while in reality there is no such a thing. What could be perceived as “self” is in fact a “temporary” composition of the “Five Aggregates” in a specific way, instantaneously. They are, corporeality, feeling or sensation, perception, mental formation or volitional activities, and consciousness (Pha Rajvaramuni, 1983: 15). Without any one of them, human being will not exist in full. From one second to

the other a person will be completely a different one because each element in the composition has already changed. The insistence is on temporary or “impermanent” composition of the “Five Aggregates” because another natural law states that everything is impermanent or changing all the time and it has been known as the law of “impermanence” which is another fundamental law of nature (Phra Rajvaramuni, 1983: 20). The fact that everything is changing, it is better to acknowledge the change and regard everything as impermanent including the one of “self”. As a person tries to cling or to hold on to his/her “self” while in fact everything is changing, the result will be conflict or contradiction with the natural law of change or impermanence. The fact that a person tries to cling on one’s “self” as if it really exists, the person can easily generate suffering or misery through the three evils, namely, desire or greed, hatred and anger and delusion, the real causes for misery (Phra Rajvaramuni, 1983: 31).

On the other hand, to be happy is to be “clean” from desire or greed, to be “calm” from anger and hatred and to be “clear” from delusion (Buddadhasa, 1996: 23 and Phra Rajvaramuni, 1983: 28). The utmost act of emancipation for a human being is to be free from the three evils, namely, desire or greed, anger and hatred and delusion. The fact that any individual has not yet being emancipated is because that person does not have the right knowledge (Phra Rajvaramuni, 1983: 31). The most important knowledge among all is the knowledge that there is no such thing as “self”. As there is no “self”, one cannot be “selfish” or greedy (Phra Rajvaramuni, 1983: 32).

According to the belief in Buddhism, human being is at the highest stage of development among all kinds of living things. Because of this specific nature, a person has his/her ability to learn or to develop the “Five Aggregate” especially the mental formation and the consciousness, indefinitely (Phra Dharmapidoke, 1993: 34-36). Because of that, human being can never be too foolish or cannot be developed. The rate of development for each one can be different but all can be developed indefinitely. Due to this important quality of human being, the only obstacle for a person to behave or react differently than what should have been is ignorance or inadequacy of an appropriate knowledge on the part of that person. If a person has such a knowledge, he/she will react differently. As a result, the proper remedy is to generate “learning”. And the most important learning method in Buddhism is learning through actual experience by a person him/herself through his/her own analytical ability and or through guidance or advice by “good” friends. Good friends can be a person’s parents, teachers, friends and associates or learned persons who have good intention for that person as well as an appropriate learning environment (Phra Dhebhvethi, 1990: 16-17).

What have been discussed above are a set of fundamental teaching principles in Buddhism. The part that is most relevant for the discussion concerns the concept of maximizing utility by seeking optimal pleasure and avoiding pain explained in mainstream economics which is a rather shallow concept that does not touch into the inner core of human being. The concept that human being should liberate him/herself from misery in order to attain “permanent” happiness in the author’s opinion is a much more superior concept. The cause of misery most relevant to economics is desire or greed due to ignorance or delusion. The concept of “happiness” in Buddhism discussed here does not match the one in the West that normally carry the range of meanings discussed earlier such as enjoyment, gratification, satisfaction, passion or fascination.

No wonder why the concept of “efficiency in consumption” cannot be adequately treated in mainstream economics.

4 EFFICIENCY IN CONSUMPTION EXPLAINED IN BUDDHIST ECONOMICS

There are actually two levels of misery in Buddhism. The first-degree misery is more or less a physical problem caused by a deprivation from basic essential needs, namely, food, clothes, shelter and medicine. A person will suffer severely when he/she does not have an adequate amount of food and nutrients to maintain his/her faculty. It is said in Buddhism that the misery from having inadequate food is the most misery of all, since a person will have no way to organize oneself (not to mention to develop his/her mind) when being hungry (Phra Dharmapidoke, 1996: 6). It is a great misery or contradiction of all, as the body cannot properly function. The less severe case is deprivation from medicine, clothes and shelter, respectively. Such a misery caused by physical deprivation must be solved by providing what a person needs. There is no other way to get around this problem. The needs must be satisfied. These needs are known as “essential needs”.

However, for the second-degree misery, the one that has just been discussed, the desire has been propelled by greed resulting from not knowing the natural law that there is no such thing as “self”. His/her own greed or desire may burn a person inside, if his/her “artificial” want has not been satisfied (Phra Dhebhvethi, 1990: 79-81). However a physical part of that person will not be affected by such a deprivation from not being satisfied because it is a separate compartment. Most likely, a person will not be killed from the deprivation or the suppression of such desire. Of course, the true remedy is to help the person to be able to realize the existence of the natural law of selflessness by him/herself. To supply a person with what he/she desires will not solve the problem, in fact it will aggravate the problem. Even by applying this case to the utility function of mainstream economics, one will observe that the person will only achieve an instantaneous gratification when the desire is satisfied. The fact that the previous desire has been satisfied, based on previous experience, the higher level of desire will be spirally stimulated within a person that could lead to endless sets of desire. A good mainstream economist will argue that budget or income constraint will serve as a watergate to prevent the flood from such a spiral desire. Unfortunately, for some persons, before the watergate of income constraint is properly closed, a lot of damages has already occurred resulting from resources required to produce commodities to satisfy such an unsatiated desire.

It is quite clear from the above discussion that “efficiency in consumption” is the consumption that satisfies the basic essential needs (first degree misery) and not to satisfy the demand (even the effective one backed up by income) generated by “artificial” want (second degree misery). For the reasons explained earlier, such a question cannot be treated adequately in mainstream economics.

Without a proper treatment of the issue, the discussion of efficiency in production of mainstream economics is only analogous to trying to cut a paper with one bladed scissors. It is not the most effective way to cut a paper. In order to provide more sense to the discussion of efficiency in production, efficiency in consumption must be equally and clearly defined. The concept can only be adequately treated by Buddhist

economics. The real weakness of mainstream economics is from its method of inquiries into human being in the West at its skin-deep stage only, and not a thorough analysis as that of Buddhism.

5 REASONS FOR DIFFERENT LEVELS OF INVESTIGATION

Mainstream economics, in spite of its claim to be a value free or positive science, does in fact has its cultural root from the evolution of Western culture with the following set of dominant characters:

1. Self-interest is a normal act of human being since it only reflects his true nature.
2. Individualism, individual rights and freedom as well as property rights exist with the existence of human being. They must be protected and should not be infringed.
3. Family institution is the most important institution needed for the continuation of human society.
4. The ability to control nature will improve the quality of life physically.
5. Technology is the most important tool for the control of nature.

Many hypotheses have been advanced as part of the attempts to explain such cultural roots of the West. Among many convincing arguments, climate difference seems to offer one plausible explanation. The need to survive through the long cold winter experienced annually by the people in the West may provide one plausible explanation. Accumulation of food, fuel and clothes for the whole family to survive the long winter is considered as an essential and normal activity. The whole family has more time together during the winter. There are more time to read, to write and for reflection during that long period of time. Any successful attempt at controlling the nature would generally lead to the enhancement in quality of life. As a result, technology has been innovated and developed for the said purpose (Phra Dharmapidoke, 1998: 54).

Such a culture is radically different from those in the East where most people live in a tropical climate even some live in fact in a temperate climate. There has been no pressure on food supply all year round. Sharing food as a method to improve food security for the people who live in tropical climates appears as if the people are much more caring and sharing. Since nature has not been so hostile to them, there is no need to control nature but to live in harmony with it. In a tropical climate, people live in a more closely knitted community. The communal life receives much more emphasis than that of a family unit or even an individual. As a result, communal ownership in the past was much more important than private ownership.

Under such a circumstance, a physical difficulty or trouble is not a real problem or real threat to Eastern people. Yet, under such an ideal situation of physical convenience, they are still not fully satisfied. They have been troubled by what have burnt inside. Investigations into the real cause of the problem must be made beyond the skin-deep stage and more into human soul. The culprits being discovered are the three

evils, greed or desire, hatred and anger and delusion. This is why the treatment for misery or suffering in the East must be done at a different level than that of the West, where the cause of inner suffering has hardly been investigated.

Unfortunately, the sharp contrast of the two cultures (East and West) has been diminished by the emergence of capitalism. At its inception in the West in the early sixteenth century at the dawn of mercantilism, John Calvin had engineered to modify Christianity in order to accommodate the Christian middle-class in Europe as well as to facilitate accumulation of capital through his invention of "Puritan Ethics" (Tawney, 1922: 91-111). A factory process introduced by industrial revolution in the eighteenth century resulted in mass production. According to Say's law of supply creating its own demand, the mass production provided a big push for industrialists and for businessmen to induce consumption through massive campaigns of advertisement. As a result, consumption is inevitable. During the whole process of development of the three modern evils, capitalism, industrialism and consumerism, money has its own evolution along the way from that as a medium of exchange, to a store of value, to capital that can always generate earnings, and recently as a commodity that can be used for speculation. Its form or shape has undergone a significant transformation from that of shell, animal and primitive commodity, to silver and gold, to bank notes and credit cards. The latest evolution of money is an electronic digital figure with its ability to move instantaneously almost everywhere on the face of this globe. Needless to say, the evil four, capitalism, industrialism, consumerism and the continuous evolution of money contribute to the corruption of human mind of both in the West and the East. The more severe one is the East, since they are still quite inexperienced with the exposition of the evil four within a rather short span of time. Unlike in the West, the evolution has been rather gradual since the early sixteenth century, while the East receives the full-blown impact in most cases within the period of one century only.

Therefore, the impact tends to be more severe in the East than in the West and it will continue to cause more damages to the East for quite sometime to come in a foreseeable future. The existence of the modern evil four is the major factor responsible for the unification of the two formerly sharp contrasting cultures of the East and the West.

Much more severe than the coalition of the two contrasting cultures is the rapid degeneration and degradation of global resources and environment brought about by the modern evil four. Such degradation has set a limit to our common spaceship, the earth. Such limit has called for the modification of our common culture, if human race is to survive in the future. This is why the revival of Buddhist economics in the similar manner of the old Lutheran movement at the dawn of mercantilism is called for (Tawney, 1922: 73-91).

6 GENERAL APPLICATION OF BUDDHIST ECONOMICS

Similar to the strong emergence of capitalism at the dawn of mercantilism that has prompted John Calvin to modify Christianity to be able to accommodate the change especially among the middleclass, this time the fact that no known "new colony" exists on this spaceship earth has called for quick modification of the slow-to-react of the conservative mainstream economics. As already discussed, mainstream economics has no analytical tools to deal effectively with the rapidly changing situation, as its

operation is much more mechanistic and its guiding light is rather old and a dubious concept of the utilitarian philosophy invented at the time of scarcity in Europe. Although Buddhist teaching is even much older, it has become more contemporarily because it was invented at the time of adequacy in the East. We are now living amidst plentiful, yet catastrophe is right in front of us. It is a rather new but also a rather strange situation. Because of this specific nature, it can be clearly explained why Buddhist economics is the most appropriate tool to deal with the problem now confronting us.

Its analytical tools only require people to be alert to the fact of the existence of a natural law concerning the non-existence of "self". If this concept is clearly understood, human life could be viewed differently from being merely a consumer. Most meaningful thing in life does not have to come from consumption. Appropriate consumption can be done without much destruction of resources and environment. In fact, resources and environment can also be upgraded while a person can also live happily by being clean, calm and clear and be very creative. However, the task to begin on this new path of thought is to be awakened to the real nature of human being (or being "enlightened") and the law of nature about "self" and everything else. The law of change or impermanence and the clear understanding from delusion generated by mainstream economics within the context of the existence of the four evils, capitalism, industrialism, consumerism and money must be widely propagated.

Out of the Crisis: Buddhist Economic Way

As already discussed earlier, in Buddhism, to try to satisfy "greed" as the method to maximize "utility" does not lead to maximize happiness or minimize suffering on the part of each individual involved. At the same time, inefficient or wasteful uses of resources and environment are also a consequence. The only way out from this problem is to cultivate "*panya*" or wisdom or ability for critical analysis. Once a person understands "life" in its actual nature and understands clearly the concept of "non-self", a person will not cling to him/herself. "Greed" will not be easily stimulated. As a result, the consumption pattern of a person will gradually change to more of the real needs rather than that of artificial want or desire (Phra Dharmapidoke, 1993: 21-22). Thus, the cultivation of "*punya*" or critical analysis is very essential for turning the current crisis in Thailand as well as in Asia into opportunities. The "*panya*" cultivated will serve as a potent immunization against the disease spread basically by "foot-loose" or quick mobility of capital globally. Such a quick mobility of capital has been the original cause of the crisis activated by "greed" through rapid growths in the region, a decade before the crisis. Unfortunately, such rapid growths also simultaneously accompanied rapid decay generated by a rapid accumulation of waste and a rapid destruction of resources in the region. Clearly, a fresh approach to development for Thailand and the Asian region is badly needed after all the nonsense.

Under the new direction of development, King Bhumibhol of Thailand explained in the speech on his birthday eve on December 4, 1997, "a sufficient economy does not necessarily mean that every family must grow their own food and make their own clothes, but the village or the district must sufficiently produce to satisfy their own needs. Items produced more than needed can be traded for the insufficient ones. Nevertheless, trade should not be conducted with the too far away places to save transportation costs" (The Royal Speech, 1997: 18).

Phra Dharmapidoke (Payut Payuto, 1996: 52-64) has proposed the concept of “economics of the middle path”. “Middle Path” is a very crucial concept in Buddhism which literally means ‘not taking any extreme position’. It could easily be equated to the “point of equilibrium” in mainstream economics. According to Phra Dharmapidoke (Payut Payuto), the economics of the middle path implies moderate consumption that will result in optimization of “quality of life” (maximize happiness or minimize suffering). Such a moderate consumption must be strictly under the condition of non-exploitation of oneself as well as the others. In other words, consumption must not result in adverse effects on the ecosystems.

The concepts advanced by King Bhumibhol and Phra Dhamapidoke (Payut Payuto) serve only as examples of how to apply Buddhist economics for a new direction of the country’s development in order to ease out the current crisis as well as to pre-empt any possible economic crisis in the future. Actually, some of the said concepts have already been experimented in Thailand more than a decade now, especially by small farmers in the various forms of eco-farming such as forest agriculture, intural farming, mixed farming and integrated farming (Puntasen (a), 1996: 85-91 and Puntasen (b), 1996: 279). The result has turned out to be rather satisfactory. Most of those who practice eco-farming in Thailand a decade ago have received almost no negative impact from the current crisis. In fact, most of them are better off because of the deflation of the baht currency while the inflation rate does not keep pace with the deflated currency. As a result, their real income increases from the increase in the prices of their produce while their costs remain unchanged due to the fact that they did not use any imported fertilizers and other related chemical inputs.

Other relevant activities related to curtailing the influence of the current crisis caused by a rapid mobility of foreign capital are the increase of savings groups, credit unions and their networks. Such activities began to spread very rapidly only a few years ago. Most groups had a very humble beginning. It began with members of the community being requested to put a very modest sum of money like 10 baht (about \$US0.25 at the current exchange rate) per family to be saved each month. The insistence is more on the person to come to save the money by his/herself. The main purpose has been to urge people to come for the meeting to discuss the problems they have faced as a way to exchange ideas as well as to try to find solutions by the group. By the time that a sufficient amount of fund has been accumulated, group members are likely to know each other very well and have already shared many useful ideas, and many useful investment projects have already been thoroughly evaluated. It is then the time that the money is ready to be lent to the few most promising investment projects.

An evaluation

It has been almost without question that most of these projects have been very successful. As a result, among the saving groups especially those in the South, the fund has now accumulated to more than 10 million baht for each group. Some already has the fund larger than 50 million baht. It is now estimated that the total amount of fund of all these savings groups and credit unions is more than three billion baht. The absolute amount of capital is still very small in comparison with the magnitude of the current crisis, which is estimated to be four trillion baht.

Nevertheless, the potential of these savings groups and their networks is very great. Up to the present time, the record of default debt has been negligible, and the whole operation has been very much cost effective since it only involves a very small fraction of the total amount of fund, and since such operating costs only occur once or twice a month and the wage or honorarium charged is not as high as that of other commercial operations. The whole system is based on communal trust. Many of the groups begin to provide basic social safety nets to members such as funeral costs, partial compensation for health care and education costs as well as small amounts of pension for the elders.

One can imagine that with a rapid expansion of such savings groups and their networks, together with the self-sufficient economy at the village or district level suggested by the King, the need to depend on foreign capital in the future will be gradually reduced. However, the practices discussed above must be within the framework of the “economics of middle path” or Buddhist economics where consumption must be undertaken in such a way that no adverse effect can arise to individual “happiness” (quality of life) as well as to the ecosystems. This is a fresh approach to the development and a possible solution to reduce the severe impact of the current crisis. The only requirement for this approach is a fresh look at life and a clear understanding of the relevant nature laws and “enjoy” life though wisdom in a more consistent way with the local laws.

7 CONCLUSIONS

The current economic crisis in Thailand and in Asia can be viewed as an opportunity for a fresh look at a new development approach rather than a threat to the existing and decaying economic system. The crisis has led to the fundamental question of the crisis in analysis in itself. Modern economics that has been facilitated by the four modern evils, namely, capitalism, industrialism, consumerism, with the latest development in the form and function of money has resulted in the stimulation of “greed” generated by human “ignorance” or not knowing about the concepts of “non-self” and related natural laws.

Within the realm of mainstream economics, such “ignorance” has been reinforced by the ambiguous concept of “utility” which is not well understood by most economists themselves. The concept can be crudely explained as one in which an individual is allowed to enjoy oneself from consumption as much as one wants so long as goods and services to be consumed are within one’s budget constraint. There can be no comparison between one’s and the other person’s enjoyment. As such, the concept of “efficiency” in consumption cannot be meaningfully discussed within the framework of mainstream economics. The concept of resource costs incurred in producing the products for consumption cannot be validly discussed. Hence, the power of discussion of the overall “efficiency” concept is greatly reduced as one can only validly discuss “efficiency” in production.

Buddhist economics can deal with this problem much more effectively through the concept of maximizing happiness or minimizing suffering (instead of maximizing “utility”) by first defining suffering as a conflict or contradiction to a natural law of change or impermanence, in order to understand that there is no such thing of self or a “non-self”, another natural law. The concept further leads to the discussion of

essential needs, the first degree suffering which is needed to be cured or satisfied, an artificial want or desire. To try to satisfy the latter will result in more escalation of the desire facilitated by the four modern evils especially consumerism and money.

Buddhist method of the treatment is to suppress the artificial desire by the awareness that the concept of "self" is in fact an illusion. As artificial desire is reduced, "economics of middle path" can easily be realized. It will make much more sense, then, to introduce the concept of "self-sufficient economy" with some actual applications in Thailand as the cases of eco-farming for small farmers and networks of savings groups.

The current economic crisis in Thailand can be validly analyzed as a crisis of mismanagement especially by the monetary authorities within the existing framework of analysis. However, at the international level with a rapid mobility of capital globally, the crisis will definitely take place in one form or another through a massive exploitation of resources from weaker economies and the instability of small economies that are the net receivers of foreign capital. Such a nature of the crisis has posed a serious question of sustainability not only for Thailand but the whole Asian region. This is while Asian centric economics is needed to be reconceptualized and propagated.

As it turns out, Buddhist economics appears to provide a much more explicit concept of "happiness" and "suffering" than that of "utility" and can result in a solid discussion of "efficiency in consumption" that leads to "overall efficiency" in conjunction with "efficiency in production", the usual concept available in mainstream economics. With the new approach, not only the current crisis can greatly be minimized but the long term sustainability of the economy and its development can also be ensured.

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