

Review and Discussion Questions

1. From the Buddhist point of view, what is the function of work? What do you see as the main social and economic implications of the Buddhist perspective?
2. Schumacher sees simplicity as a keynote of Buddhist economics. What's the connection between simplicity and nonviolence? Why does Buddhism value simplicity? Does capitalism promote needless complexity?
3. How do Buddhism and capitalism differ in their understanding of the nature and purpose of human existence? Is the Buddhist view of the role of women sexist?
4. What distinguishes Buddhist economics from modern economics in its approach to material wealth? To natural resources? With which approach are you more sympathetic and why?
5. Is a capitalist economic system compatible with a Buddhist perspective? Is any other economic system?
6. Would you agree that Buddhism has something to teach us about economics?

MARKETS AND THE ROLE OF ETHICS IN CAPITALISM

AMARTYA SEN

*In this extract from his book, *Development as Freedom*, Amartya Sen, winner of the Nobel Prize in economics, discusses the advantages and limitations of markets and the important, but overlooked, role of business ethics in the successful functioning of a capitalist system. Like other economists, Sen appreciates the beneficial results of markets, but he also emphasizes the importance of the freedom they provide. Interest groups that attempt to restrict market competition for their own benefit should be resisted, but Sen acknowledges that markets do have shortcomings, which may justify our interfering with their operation. This is particularly true with respect to issues of equity, public goods, and other cases where the private pursuit of gain runs counter to social interests. In the final sections of the reading, Sen goes on to argue that for its successful operation capitalism requires more than self-interested, profit-maximizing behavior. Rather, it depends on mutual trust and adherence to certain norms—that is, on business ethics.*

MARKETS, LIBERTY AND LABOR

Even though the merits of the market mechanism are now very widely acknowledged, the reasons for wanting markets are often not fully appreciated In recent discussions, the focus in assessing the market mechanism has tended to be on the results it ultimately generates, such as the incomes or the utilities yielded by the markets. This is not a negligible issue, and I shall come to it presently. But the more immediate case for the freedom of market transaction lies in the basic importance of that freedom itself. We have

good reasons to buy and sell, to exchange, and to seek lives that can flourish on the basis of transactions. To deny that freedom in general would be in itself a major failing of a society. This fundamental recognition is *prior* to any theorem . . . showing . . . the . . . outcomes of markets . . . in terms of incomes, utilities and so on.

The ubiquitous role of transactions in modern living is often overlooked precisely because we take them for granted. There is an analogy here with the rather underrecognized—and often unnoticed—role of certain behavioral rules (such as basic business ethics) in developed capitalist economies (with attention being focused only on aberrations when they occur). But when these values are not yet developed, their general presence or absence can make a crucial difference. In the analysis of development, the role of elementary business ethics thus has to be moved out of its obscure presence to a manifest recognition. Similarly, the absence of the freedom to transact can be a major issue in itself in many contexts.

This is, of course, particularly so when the freedom of labor markets is denied by laws, regulations or convention. Even though African American slaves in the pre-Civil War South may have had pecuniary incomes as large as (or even larger than) those of wage laborers elsewhere and may even have lived longer than the urban workers in the North, there was still a fundamental deprivation in the fact of slavery itself (no matter what incomes or utilities it might or might not have generated). The loss of freedom in the absence of employment choice and in the tyrannical form of work can itself be a major deprivation.

The development of free markets in general and of free seeking of employment in particular is a much appreciated fact in historical studies. Even that great critic of capitalism Karl Marx saw the emergence of freedom of employment as momentous progress But this issue concerns not just history but the present as well, since this freedom is critically important right now in many parts of the world. Let me illustrate this point with four quite different examples.

First, various forms of labor bondage can be found in many countries in Asia and Africa, and there are persistent denials of basic freedom to seek wage employment away

From *DEVELOPMENT AS FREEDOM* by Amartya Sen, copyright © 1999 by Amartya Sen. Used by permission of Alfred A. Knopf, a division of Random House, Inc.