



HAPPINESS, ETHICS AND ECONOMICS NEW PARADIGM OF DEVELOPMENT

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ABSTRACT

Economy of the world is going through serious economic crisis. There are problems of under-development, pollution, poverty, rising inequalities, global warming, and depleting resources of nature and environmental degradation. The current systems of market led economics, no doubt, have created unprecedented prosperity and wealth, but it has failed to solve the basic problems of humankind and Contributed to the imbalance between man and nature. Nature is forced to bleed by the actions of market. Solutions are sought in this market framework. The present system of development paradigm is not working; there is a need to develop a new development paradigm

Objectives of the study:

1. To study the connection between happiness ,ethics and economics
2. To study ethics in *Vedic* philosophy
3. To study economic system of *Vedic Times*
4. To study the causes of modern economic problems

KEYWORDS :

Introduction:

This paper is not about economic theory but focuses on economic philosophy and economic paradigm. Economic philosophy has played a vital role in the rise of economic growth. Rise of capitalism did not happen till the rise of protestant religion, which had a positive attitude to the creation of wealth and prosperity and to capital accumulation.

All over the world consumerism has encourage people to seek happiness through constant expansion of their material standards of Living. Consumerism has led to a growth of status consumption and wants creation both of which increased consumption without contributing to happiness. Adam Smith father of Economics observed that lasting happiness is found in tranquility as opposed to consumption. Justice, beneficence and prudence are the virtues for everlasting happiness. Adam Smith is remembered for authoring the book "the wealth of nations" but is another work "the theory of moral sentiments" provides the moral context to economics.

Theory of value on which modern economics is based answers the question of efficiency in Pareto efficiency sense. It also satisfies the criteria of first welfare theorem, but it has no answers to second welfare theorem. Western economics fails to address the problem of equity and ethics. Even Pareto efficiency seems implausible because markets are not perfect, there is incomplete information, lots of public goods are in economy and there is externality effect in production and consumption. Even if for a moment we assume that, no such things exist in the market , and all assumption are met by market to make it ideal perfect competitive market . It leaves a very big void to fill and explain. Modern economics talks about demand and fulfilment of demand by market. It gives no attention to forces outside market. Ignoring forces outside market, cannot improve the welfare of people , it cannot make world happy. This leading to violation of third condition of optimal product mix for Pareto optimality . There is a mismatch between what is demanded by society and what is supplied by economy, Leading to suboptimal allocation of resources. Commodities not desired by society are produced by market. Secondly Pareto efficiency points are for the initial endowment level of resources. A different endowment level will settle for a different Pareto optimal point.

Economics principles and theory as prescribed and discussed in modern economics books have not been found in books of Vedic Times. Some 5000 years ago commercialization was very limited and the role of free markets was not very significant. There were no signs of the emergence of capitalism. There were no such economic models.. For classical Indian met physicist, every aspect of existence

is a part of unifying force. During Vedic times production and exchange of material goods were very simple. customs determined most of the activities including economics there was hardly any scope for individual initiatives, the slow progress in Technology and capital accumulation if any also resulted in restricted availability of consumption goods..With control over production being limited to one's physical labour, distribution occupied a prime position in the thinking of ancient philosophers. The concept of insatiable demand is as much part to ancient times as it is for our Times. When supply could not be increased, the demand had to be regulated in the interest of society. In this Quest, the first task was to restrict demand for material goods, this was done by emphasizing the happiness to be derived from non material things. That had to be accomplish by ethical systems which food provide both individual and social ideals to strive for.

Hindu philosophy puts a great emphasize on happiness.' *sarve Jana sukhino bhavantu*'. A sloka from Vedic Times ask for pleasure, happiness, well being ,welfare and lot more for all people of the universe. In Hindu philosophy this happiness does not mean something without Definition or control as it was realized that happiness was too general a concept. An interesting contribution of the Indian law givers is that they both considered the study of Economics as a subset of ethics and politics, and all of them were deeply concerned about the ultimate ideal of man and his achievement of true happiness. Many of the classical Indian writing some ethics economics law and Society are in the form of sutras. These sutras are very terse statements. They are not easy to comprehend. In Mahabharata it is mentioned that poverty is a state of sinfulness. From wealth spring all religious acts, all pleasures, and heaven itself. Without wealth, a man cannot find the very means of sustaining life. "*Vana Parva*" of "*Mahabharat*", asserts that individual seeking pleasure without virtue and riches will not last long , like a fish that happily indulges in the pleasure of swimming till the lake dries up. Hence, man of wisdom understand that pleasure can arise only with virtue and riches.

Ancient economic thought also differentiate between good and bad wealth. Wealth was described as White(Shukla) ,dark white (Sabla) and black (Krishna). The first consisted of what is acquired by sacred knowledge and the practice of austerities. The second set consists of what is acquired by lending money at interest, commerce, in the shape of gift (shulka) by artistic performance. Third category consisted of what is acquired as a bribe, by gambling, afflicted with pain, by forgery, by robbery or by fraud. Thus, we find that there was a great emphasis how wealth is earned. The economics part of Kautilya "*Arthashastra*" is nothing but a manual of

public finance with detailed descriptions of economic offences and punishments.

Modern capitalistic economies with their focus on growth have created unprecedented prosperity. Growth is regarded as answer to all problems of the environment and humanity. Modern economics is materialistic in its view point, rationality which stands for maximisation by individual economic agents and invisible hand of market are the core of modern scientific economics. Large production of goods and services is considered as improvement in well being of people. In oriental philosophies, particularly in Hindu philosophy, sources of satisfaction are threefold. Hindu philosophy is comprehensive in its outlooks towards the welfare of only human beings but it considers universe as one. So welfare of humans cannot be thought of in isolation. It talks about the harmonious co-existence of all. The idea of welfare of human is also very broad. It considers all aspects of human existence. A person derives satisfaction /utility mainly from three sources. 1) Material gain which satisfies physical requirements and fulfil our worldly desires. This worldly desire originates from physical needs of a person. In Hindu philosophy, this is about instant gratification of desires "MAN" 2. Freedom to engage in debates and arguments of ideas. Justice, Prudence and Reason etc. are source of gratification of second most important part of humans that is "BUDDHI". 3. A desire for self actualisation, meeting with higher self, knowledge of "ATMA" and assimilation in "PARAMATAM" (super ATMA). Last two requirements are completely ignored by modern economic paradigm, have no importance in modern economics and in determining welfare level of individuals. It focus is completely on production and market determined outcomes. But market is only a part of whole; this itself cannot arrange welfare for all. It takes care of participants in the market, but every part of a person is not market, every part of "BRAHMA" is not market. Many part of universe (BRAHMA) and problems like environment, nature, other life forms etc. are defined and analysed in the context of market forces. From the point of view of universe and "BRAHMA" this approach is partial. It ignores not only the non participants in market but also the components of participant in the market. With this approach welfare cannot be achieved for all. Modern economics is creating disharmony and divide between various parts of a man and man & nature. This is also causing violence to man and a nature. Because of this approach there is instability and environmental degradation, deterioration in the ethical values of societies across the world. This is leading to extreme poverty and misery in the midst of islands of extreme prosperity. Irony is that solutions are searched within the prevailing dominant paradigm of market. Modern economics with its focus on market makes production and exchange process free from ethical values. There is a need to re-introduce ethical principles in economics. The "separate domain argument" given by Robert Foley is false. Separate domain argument states "modern societies are made up of two spheres. an economic sphere of individual initiatives and interaction, governed by impersonal laws that assure a beneficent outcome by pursuit of self interest and the rest of social life including political, religious and moral interactions that require the conscious balancing of self interest with social considerations". Instead of this separation of ethics and economics we need integration of both. This integration is tradition of Hindu philosophy.

Bentham's "greatest happiness" concept is hedonistic in approach. It emphasises on utility maximisation. It talks about the instant consumption and gratification; it does not care about past and future also. His approach is myopic, greedy, and perfectly rationale in economic sense. In economics happiness is measured through utility. Javans transformed this utility concept to an economic concept. He made it the basis for individual decisions; he established the equi-marginal principle for choices between commodities and services. Later Alfred Pareto gets rid off subjectivity and happiness. He focused on revealed preference rather than happiness. His approach is objective and value free. Theory of value deals with identification and analysis of hierarchical ordering of ends. Theory of choice analysis the methods to achieve

efficiently the proposed end in individual.

In the core of Modern economics is the theory of scarcity. This needs to be replaced with theory of abundance propounded in Vedas. As mahatma Gandhi has said nature has given enough for our needs but nothing can meet the greed's of human beings. Theory of scarcity is based on human greed. Modern western economist thinks that greed is the only consistent behaviour of human. Hindu concept of Santana religion is very important. It talks about the continuity of life. The concept of Santana religion takes care of all living and non -living elements of this universe. Continuity of life ensures that resources are utilised in a very proper and efficient way. Actions of man shall not affect the balance between man and nature & man and other living beings. In Vedic philosophy, production process is considered as a spiritual discipline.

Last 500 years, since industrial revolution in Europe, have witnessed extraordinary technical and economic progress. In last 100 years world output has multiplied by many times, items of luxury are now accessible to most households and in last 30 years information and communication technology have connected people worldwide. Now we have mobile phones in our pockets, personal computers, email and internet access. These thing have made individuals virtually free. This has transformed societies and people's lives across the world in different proportions. Now we have more education institutes, more hospital, and more of almost everything, but on the other hand societies are suffering with ills and individual are committing suicides and going through miseries. We have more number of people going through one or other types of mental stress and depression. So now questions are raised whether we are happier today than were earlier generations. Happiness cannot be reduced to pleasure. Happiness is ultimate goal of our life. Economics and all human efforts are for individual happiness. Can income be measurement of our happiness? Income buys happiness, since higher income means more opportunities to achieve whatever people desire. Some research also confirms that richer people reports higher happiness but the relationship suffers from diminishing marginal utility. And differences in income cannot explain differences in happiness. Other factor are also important, there is a low correlation between income and reported well being. That means economic progress is not making us happier after a point, there is something wrong with the current system and philosophy of economics. A new paradigm of economics must be searched for to deal with problems of modern times. Current paradigm of development partly solves the problems and leaves many more unattended. In fact many times contributing to problems. Economics is primarily concerned with the production and distribution of material goods. Stock of resources does not determine the happiness. We are not indifferent concerning the quantity of stocks. In the well being of the people relational goods, psychological factors and physiological factors play a very vital role. In modern economics decisions of consumers and other Entities are modeled with preference relations, which incorporate the concept of happiness. The Economics of Modern Times are enscond in the new Ricardian and in new Keynesian economic paradigm In Hinduism Economics is not reducible to materialistic basis only or does it require believe in God. Discussions on Hinduism focus on metaphysical and transcndental. This is not limited to the material only. Notwithstanding this there are profound implications for the intellectual and practical understanding of human affairs in Hinduism.

Critics of Hindu philosophy cite the poor growth rates of Indian economy as some sorts of structural deficiency in economic paradigm of "VEDIC" thoughts. One of the reasons for slow growth of Indian economy 1950 -1980(3%) is attributed to Hindu philosophy, which according to some thinkers like Weber, Kapp and Albert Schweitzer promoted worldly negation of life and life denial. According to them Indian religion did not promote economic betterment. Though this is a misplaced argument, because Vedic literature is full of desire of worldly prosperity and pleasure. Worship of "SHRI" is core of Hindu philosophy. Weber and other western

philosophers misunderstood Hindu philosophy. The core of Hindu philosophy is in "VEDA's". VEDAS' are full of worship for prosperity. Advaita philosophy talks about "BRAHM SATYAM, JAGAT MITHYA". "BRAHAMA" by nature stands "SAT" (truth), "CHIT"(awareness) , and "ANAND" (happiness). Thus Hindu philosophy seeks not only worldly pleasure (ANAND) but also truth and knowledge. Thus it combines ethics with material gains.

The desire for wealth and pleasure is not unrestrained which we find in western philosophy . In 10.31.2 of "RIGVEDA" , it is written "let a man ponder well on wealth, earn it by path of moral law and with humility, consulting own conscience and heartily gain upright prosperity". So in Hindu philosophy economics is not detached from ethics.

Mahatma Gandhi, for whom "SRI GEETA" was the guiding force, has also stated that I do not draw a sharp or any distinction economics and ethics (Young India 1921). If economics conflicts with ethics, it is economics which should give way to ethics. Ethics are necessary for both earning and enjoying wealth.

Vedic philosophy of "PURUSHARTH" is about the goals of human existence. "DHARMA ,ARTHA , KAMA and MOKSHA" are four part of "PURUSHARTH" philosophy. "KAMA" and "ARTHA" are never separated from "DHARMA" . "ARTHA" is not pursued for the sake of "ARTH" , it is pursued for the sake Dharma . In his seminal work "ARTHSHASTRA" ACHARYA CHANAKYA states "Dharmasya moolam Artha", with out "ARTHA" there is no "DHARMA".

"SHANTI PARVA" of "MAHABHARAT" (8.23) says "DHARMA" flows out of wealth like a river spring from mountain. But this "ARTHA" should be earned with ethical means.

Hindu philosophy does not ignore the role of labour and entrepreneurship. "GITA" highly speaks of virtues of "KARMA". "VARNASHRAM" in its original form (without attaching it to birth) was the earliest form of division of labour, about which modern economics talks highly.

Thus nowhere, Hindu philosophy shows disdains to happiness, prosperity, worldly pleasure, labour, enterprise and karma. In-fact all these are extolled in Hindu philosophy.

India has not been historically unchanging rigid society and economy. Historians of India rightly point out to the richness and dynamism of Indian society over the last Millennia.

India was not an economically backward country until the colonial period. Several foreign travelers have referred to the past opulence of India and its cities and temples, suggesting that the Indian economy compared favorably with other countries in the world before the British rule. It is colonial exploitation that turned an advanced country into a poor one. Angus Maddison's monumental research under the Organization for Economic Cooperation and Development (OECD) has shown that between years 1 and 1700 AD, India accounted for a quarter to one-third of the total world GDP, but began to decline sharply from 24.4 percent in 1700 to 16.0 percent in 1820, 7.5 percent in 1913, and 4.2 percent in 1950. The slide continued to 3.1 percent in 1973; this, however, reversed and began a climb up to 5.4 percent in 2001 (Maddison 2003, 261). The pre-British Indian economy would not have attained the diversity, complexity, and level of development it did if the bulk of its inhabitants had a negative attitude toward creating wealth and no interest in economic matters.

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