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# Ethical Economics

How we might cure today's economic woes with a dose of traditional Hindu wisdom

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At the heart of Hindu economics is this: the test of every policy is not profit, employment or growth, but how it strengthens family and community, individual character and sensitivity, states Romesh Diwan, Professor of Economics at Rensselaer Polytechnic Institute in Troy, New York. Diwan, Dattopant Thengdi of New Delhi (founder of India's foremost labor union, Bhartiya Mazdoor Sangh), M.G. Bokare, (a disenchanted Marxist and author of Hindu Economics) and others are advocates of a thoroughly Hindu revamping of today's economic systems. "Many economists wonder how practical these ideas are," states Prof. Diwan. "I think, at the core of it, Hindu economics is very practical because it touches all aspects of a human life." In places such as Ralegaon Siddhi [see sidebar], where they have been applied even on a minuscule scale, the results have been impressive and real enough to support Diwan's claim. It is not a system imposed from up down by the government, but, according to Diwan, "The government plays an important role in Hindu economics by defining priorities for large investments and strengthening

local economies by decentralizing economic and political power." The idea is not to enforce Hindu economics, as communism was enforced upon the people, but to create an environment where these principles become viable.

Economics has been a topic of discussion for Hindu scripture since the Rig Veda. In that ancient scripture are found key concepts such as production, exchange, wages, interest, rent, profit and the market. Kautilya's Arthashastra, a treatise on statecraft, includes extensive advice on taxation, customs duties, trade and intelligent protection of environmental resources such as forests. The Tamil Tirukural [featured in our Insight this month, page 28] spoke of the right and wrong ways to gather and spend wealth. The new "Hindu economics" advocated by a few pioneers is based in part on these ancient systems, and in part on a practical application of Hindu philosophy to the modern situation.

The best minds in economics and social sciences, such as Lester Thurow and Alvin Toffler, question the viability of the capitalist approach to economics. They are aware that in last two decades the gulf between private affluence and public poverty has widened, the gap between the rich and the poor has virtually doubled, the Earth has been polluted and things far more precious to humanity--such as children, families, personal values and clean air and water--have been threatened.

Fundamental questions remain unanswered. What is wealth? Is it accumulation of monetary resources, or should it also take into account the nonmaterial possessions such as friends,

family, health and environment? What should be the goal of economics? Should it be maximization of profits or of human happiness? If it is human happiness, then can either of the prevalent theories--capitalism or communism--deliver that? The more the experts try to answer these fundamental questions of economics, the more they turn towards the Hindu approach. "In terms of larger ideas such as capitalism and socialism, Hindu economics belongs to spiritualism" says Professor Diwan.

According to Dattopant Thengdi, Hindu economics is fundamentally different from Western economics. To start with, he says, in the West economics is treated as a separate discipline. But within Hinduism, economics falls under artha, one of the four legitimate aims of life: dharma (righteousness), artha (wealth), kama (pleasure) and moksha (liberation). In Western economics, human beings are too often regarded as essentially economic beings, carrying out economic activities, producing goods and, in turn, consuming goods to complete the economic cycle.

It is, of course, an oversimplification to say the Western economic system is totally selfish, for charitable giving is common in the West among both poor and rich--witness the stated intention of Bill Gates, the world's richest man, to eventually give most of his money to charity or Ted Turner's recent billion-dollar gift to the UN. Indeed, American philanthropy has few equals.

In contrast to the mechanical approach of Western economics, Hindu philosophy holds that human beings are not just

physical entities to be kept happy by producing and consuming. Rather, humans comprise physical, mental and spiritual aspects, and for the happiness of an individual all three should be taken into consideration. When you apply these fundamental beliefs, the kind of economics you get is very different. For example, in Ralegaon Siddhi, the first thing Anna Hazare began was to earn people's trust by his own honesty and integrity. This, in turn, allowed them to trust each other--a significant factor in Hindu economics. He then persuaded the citizens to make their village self-sufficient by their own cooperative efforts so they were not exploited by outsiders. The environment of nonexploitation convinced the people that when they worked hard, they--not an outside person--benefited from the fruits of their own labor. Also it is important to keep in mind that there is a fundamental difference between poverty and frugality. There was poverty in Ralegaon Siddhi prior to the application of ethical economic principles. Today, though the level of material consumption is not high, the poverty is gone.

Real-world application of a Hindu economic theory remains in a nascent state. The practical application of its principles on a personal, national or global level, is not clear, but the goal is. As captured by the great spiritual teacher Sri Aurobindo: "The aim of economics would be not to create a huge engine of production, whether of the competitive or the cooperative kind, but to give to men and women--not only some men and women but to all, each in his highest possible measure--the joy of work according to their own nature and free leisure to grow inwardly, as well as a simple, rich and beautiful life for all."

## Guiding Principles

Sri Dattopant Thengdi's book, Third Way, outlines the dharma of wealth

* For all economic activities, dharma must be the guiding principle and svadharma--what comes naturally to you--should play a fundamental role in choosing your economic livelihood.

* Workers, by contributing their labor to the business, can become shareholders and are thereby given participation in the ownership of their industries. Depending upon the nature of the industry, the share may differ.

* Nature is to be respected: milked but not killed. Ecological factors, balance of nature and the requirements of future generations should never be forgotten.

* Education, ecology, economics and ethics--all four must be taken into consideration in an integrated manner for any economic activity.

* Material wealth is to be acquired with the object of serving the society.

* It is not only the technical "know-how" but also the technical "know-what' (to understand what is good for the society) that should be given consideration.

* Consumerism is not the ultimate goal of life. In fact, consumerism is not compatible with the spirit of the Hindu culture.

* The basic needs of life are available to every citizen.

# Sidebar: Miracle Village

## Where Anna Hazare and Hindu economics changed the future

Welcome to Ralegaon Siddhi--a tiny village near

Pune, India--where everyone cares for everyone else's well-being, where villagers who have extra grain harvest, instead of storing it for the next year, deposit it in a grain bank where it can be borrowed by

villagers who have nothing to eat, where the temple is the hub of all the activities, where 400,000 trees have been planted by the community, where not a single store sells tobacco and where you cannot

find a single liquor still. While neighboring villages await the government tanker to bring drinking water, Ralegaon Siddhi has enough not only for everyone in the village but also for

the hundreds who visit. Sounds like the almost perfect community? Yes, now it is. However, if you had visited only two decades ago you would have seen a hamlet that was beyond any hope for economic or social

recovery. Droughts were a regular event, the soil was poor, there was little work to be had, about a fifth of the families ate only once a day and desperate denizens had taken to manufacturing

liquor. Drunkenness, feuds and crimes were common occurrences. Life in this burg was pretty bleak.

Then, Anna Hazare, a retired army truck

driver inspired by the teachings of Swami Vivekananda to serve others, set out to change things by putting the ethics back into the economics, and the village. He instituted what is now being called Hindu

economics, governed not by profit motives but by dharma, encompassing not just the value of goods, but also of lives.