

**FINDING HAPPINESS IN WISDOM AND COMPASSION –
THE REAL CHALLENGE FOR AN ALTERNATIVE
DEVELOPMENT STRATEGY**

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Abstract

The underlying development philosophy of globalisation seeks to maximise happiness through the cultivation of a narrow materialist self-interest and competitiveness, both at the level of the individual and at the level of the nation-state. Despite voluminous evidence that this growth-fixated model of material economy polarises global well-being and seriously undermines environmental security, most, in the developed world at least, seem perfectly content to continue achieving happiness in irresponsible ways. This paper explores the deeper dynamics of an economic ideology of which GNP is only the most visible aspect and asks whether Bhutan's search for an alternative approach really entails the search for a more responsible form of happiness – one that inherently involves a more compassionate mode of being in the world. Using the Four Pillars of Gross National Happiness as a framework, it argues that the cultivation of a deeper happiness lies in ensuring that the inter-dependent realms of culture, good governance, economy and the environment remain in sustainable balance. If Buddhist understandings are accurate, then on-going happiness can only be truly found through this critical balancing. Thus, if a means for measuring the vitality of these four components can be developed then Bhutan can build a strong foundation for genuinely advancing beyond the irresponsible and unsustainable means employed by others in their search for a more fleeting form of satisfaction. But it is argued, if the maximisation of happiness at any cost is allowed to become

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the overarching goal then the errors of western development might be unintentionally replicated and Bhutan's unique potential to forge a more valuable direction be unfortunately squandered.

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The Kingdom of Bhutan has long resisted being integrated into other culture's alien systems of priorities and much of the widespread appeal of Gross National Happiness as an alternative indicator of social development comes, I believe, from an increasing appreciation throughout the world that current priorities and in particular the growth fetish of the Western economy, are misplaced and detrimental to our collective well being. That this is so is apparent when one broadens ones gaze to consider the impacts of a globalising economic ideology on the twin issues of social justice and environmental integrity. It is becoming clear that modern economic thinking, with its singular focus on maximising material consumption, is creating lamentable outcomes for many in the poorer world, for the generations that will follow us and for our fellow creatures on this planet. The dynamics of 'aid' and international trade are misallocating resources and polarising the world into an increasingly concentrated group of super-rich and a growing mass of ultra-poor. As we add another three billion people to the global family in the coming decades, this polarisation seems set to deepen with increasingly troublesome consequences for the most vulnerable regions of the planet. And at an equally fundamental level, the tyrannies of a changing climate and increasing environmental decline are set to eradicate large portions of the global ecosystem. A recent report in the conservative science journal *Nature* for example, suggests that in less than fifty years if current ideologies of growth continue to hold sway, we will cause the extinction of at least one quarter of all of the animal and plant species that currently inhabit the earth.

We find ourselves then, at a critically important juncture in human history, a point at which a profound rethinking of our

priorities is required and required urgently. It is against this larger backdrop that our meetings here this week gain some of their deeper and larger significance and Bhutan is to be commended for forging an alternative vision of how we ought to direct our energies and measure our success in this rapidly polarising and deteriorating world. I think that all here sincerely hope that Bhutan's attempts to chart a different direction for itself will be successful and be of genuine assistance in facilitating a wiser and more compassionate appreciation of our place and purpose in the world.

Having said this however, we need to recognise that this is a profoundly challenging endeavour and one that requires a considerable clarity of mind. The potential pit-falls are legion and success will depend upon patience, broad consultation and deep reflection among many other things. This paper is written above all in the hope that it might be of some assistance in the latter domain.

When I first learned of Bhutan's intention to create a measure of Gross National Happiness I was deeply impressed but I must confess to a feeling of rising foreboding as I immersed myself in the western literature on happiness and its relationship to standard models of economic development. Happiness has an intuitive appeal as an outcome of ultimate value, but the more I have read and pondered the phenomenon the less faith I have found myself having in its sole legitimacy as a primary, unqualified aim for social policy. The roots of my concern lie in an increasing appreciation that happiness can come in many forms and be derived from many courses of action and states of being – including, as I believe is the case in the privileged world, from recklessly irresponsible collective actions that deprive others of essential resources and cause extensive damage to the prospects of future generations. Ultimately, I find myself faced with a worrisome dilemma that can be summarised as follows. If happiness can be successfully found in the active exploitation of others and in the despoilation of the natural system we live within, can it constitute an acceptable measure of success?

The answer to this basic question is of the utmost importance to our current deliberations and the way we answer it will determine, at least for me, the legitimacy of happiness as a worthy arbiter of policy formation.

In personally answering this question I must say that I believe there are other outcomes that are of more importance than a simple maximisation of personal and national happiness at any cost. If for example, some find great pleasure in enacting racist values, or in stealing, the happiness that accrues does not justify the actions. Similarly, if destroying things of natural beauty, or senseless killing brings happiness, then again I do not believe that even a very high level of resultant happiness can justify such actions. It is in such instances that the potential conflict between responsibility and happiness becomes apparent. Many in the modern world achieve happiness in ways of being and consuming in the world that are profoundly unwise and I believe in such instances that this irresponsibility has to be challenged regardless of whether it brings them happiness or not. The western economy, seemingly fixated on achieving continual growth at any cost, is deeply non-compassionate, but as we shall see, it seems by standard measures at least, to be correlated with the broad generation of happiness. If we accept happiness in this form as the ultimately important outcome, such irresponsibility is forgiven, or indeed blessed, as a merely subsidiary means of achieving the all-important goal of happiness. In the process, all ethical considerations of social justice, ecological responsibility and personal duty are sacrificed in the name of an inconsiderate hedonism.

I wonder then if at heart, Bhutan's aim is not to directly cultivate a more responsible form of happiness, one that is grounded in deeper Buddhist values of enacted wisdom and compassion. If this is indeed the case, as I believe it is, then we have a much clearer agenda to build upon and a clearer distinction as to how we might conceive of a genuine advance from the unwise and heartless search for the more superficial happiness that can be gained by merely maximising material

consumption. Aiming to maximise a deeper form of happiness based on responsible being in the world seems to me to be an eminently worthy aim. Aiming to maximise a more superficial happiness based on irresponsible being in the world on the other hand, does not.

And it is exactly this distinction between responsible and irresponsible means of finding happiness that western economic culture seems to have so much difficulty discerning. In the ideology of western economy, this force which seems to inexorably dissolve alternative cultures into its sphere, happiness and economic growth have become equivalent terms, and GNP as a measure has gained its pre-eminence from this illogical equivalence. With this in mind, we should remain aware at all times that the measurement of Gross National Product is for all intents and purposes, the westernised measure of Gross National Happiness. So, in the dominant ideology of globalisation, it is not as many seem to assume, that happiness is deemed to be irrelevant to economic expansion, but rather that happiness is deemed to be equivalent to economic expansion. For the architects of modern free-market ideology any expansion in economic activity is an expansion in human happiness. But is this really the case? To answer this it is instructive to briefly consider the voluminous evidence that has been accumulated to date on the relationship between economic growth and self-reported happiness. It is interesting to note that this evidence has not been collected by economists themselves who seem little motivated to test the foundations of their assumptions. Rather, the primary evidence we have comes from the endeavours of a legion of academic psychologists who have been paying increasing attention to the relationship between the two phenomena.

Anyone who has forayed into the voluminous literature that has accumulated around the connections between economic development and self-reported happiness will be aware that there are numerous schools of thought as to the relationship between these two factors. However, the preponderant

opinion seems to be that the correlation is not nearly as simple nor compelling as some would have us believe. In order to make sense of the varying claims and counter-claims it is useful to focus on four essential relationships that ought to be strongly upheld if indeed economic growth is the major determinant of felt happiness. These are as follows.

1. At any given time looking across nations, the populations of rich countries should be clearly happier than the populations of poor countries.
2. Within any given country and across time, increases in economic growth should produce clear increases in happiness.
3. Within any given country at any given time, rich people should be clearly happier than poor people.
4. Within any given country and across time, increases in personal wealth should clearly produce increases in happiness.

By considering the evidence relating to each of these relationships we should be able to assess the degree to which economic growth does translate into increasing happiness. Let us consider each in turn.

To begin with cross-national comparisons, there is some evidence that increasing national wealth is somewhat associated with increasing happiness. In general, wealthier nations seem to be slightly happier than poor nations but this relationship is far from perfect and there are many exceptions that undermine the simple conclusion that economic growth automatically confers greater national happiness. In the most recent global study for example, the relatively poor nation of Nigeria comes out as the happiest nation, reporting far higher levels of general happiness than a great many significantly richer nations. Other anomalies point to a similar complexity - Ireland for instance seems to have a happier population than Germany despite not being as wealthy, and the Philippines report higher levels of happiness than both Japan and Taiwan (e.g. Hamilton, 2003, Inglehart, 1990). Further

caution is called for when one appreciates that the weak positive relationship that has been established breaks down after a certain level of development, with economic capacity beyond that point bringing no effective increase in national happiness (e.g. Myers, 2000, Schyns, 2000). This has led many to conclude that growing GNP is of value as a facilitator of basic need satisfaction but that once these basic requirements have been met, other non-monetary satisfactions such as meaningful work, a positive sense of purpose and close social relationships become much more important means to achieving fulfilment (e.g. Baumeister and Leary, 1995, Emmons, 1986, Myers, 2000, Perkins, 1991).

Weakening further the legitimacy of any simplistic conclusion that more money means more happiness is the mounting body of opinion that argues that wealthy nations are often also characterised by higher levels of political freedom, personal autonomy, public health, gender equality and accessible educational opportunities among other phenomena - each of which may in part explain the slightly higher levels of reported life satisfaction found across a number of studies (e.g. Eckersley, 2000, Diener and Diener, 1995. Veenhoven, 1997).

Finally, there are also a number of potent criticisms of the methodologies used to create such data including important doubts as to the validity of the various means of measuring happiness (which often involve narrow measures of personal happiness alone and exclude satisfaction with the state of society for instance) and serious questions over the representativeness of the samples used to construct the data sets (which often over-emphasise convenient samples of college students for example) (e.g. Diener and Lucas, 2000, also Veenhoven, 1996). But in conclusion, it does seem that there is a weak but far from perfect relationship between economic growth and national happiness up to a moderate level - but that this probably involves a whole nexus of factors of which national income is only one.

Turning to the evidence relating changes in economic wealth within the nation state over time to reported happiness, the data is again far from clear. However, with regard to the wealthier and more documented nations, it is quite apparent that over time, despite enormous growth in material economy, happiness does not seem to increase significantly (e.g. Myers, 2000, Oswald, 1997). This may be related to the previous observation that beyond a certain point, economic growth yields diminishing returns for felt well being. In the United States for example, where rigorous surveys have been conducted since the mid 1940s, real incomes have increased over 400% yet there has been no increase in measurable happiness. In fact if anything, there has been a slight drop in the proportion of people reporting themselves to be happy with life (Hamilton, 2003). Similarly in Japan, between the 1950s and the 1990s real GNP per person rose six fold, yet reported satisfaction with life has not changed at all. So again, considerable doubts are raised as to the veracity of any simple claim that growing economy is equivalent to growing national happiness.

Turning to the third expected relationship, which should show that within any nation state, richer people are happier than poor people, again there is no compelling evidence to show that a simple relationship obtains. In fact, the preponderance of data seems to suggest that a similar relationship exists to that between rich and poor nations. That is, gains in material riches help happiness but only to a very basic level after which no significant contribution is to be found. Thus, several studies show a difference between the very poor in society and the rest, but any clear relationships break down after this point as the moderately poor and the reasonably well off appear to be just as happy as the rich and the very rich. For instance, in studies of the richest people in America, evidence shows them to be only marginally happier than the average American - and interestingly none of the very wealthy when asked about the groundings of their happiness mention money as a major source of happiness (e.g. Argyle, 1999, Diener, Horwitz and Emmons, 1985,

Inglehart, 1990, Lykken, 1999). The relationship between personal income and happiness only seems to be of major significance in poor countries with high levels of polarisation, such as Bangladesh and India where a whole host of other contributing factors, such as severe privation and caste are likely to contribute significantly to the reported correlations (e.g. Ahuvia, 2001, Argyle, 1999).

Finally, in the context of changes in material well being as experienced by individuals over time, it is very difficult to find evidence to support the basic assumption that more money brings greater happiness. Rather over time it seems that increases in personal income beyond the level of basic need satisfaction do not produce significant increases in felt well being (e.g. Duncan, 1975, Myers, 2000). And further, even rapid changes in material circumstances seem capable only of producing rapid and very short-lived 'spikes' in felt happiness before the person returns to a basic 'set-point' of pre-existing well being (e.g. Cummings, 2000. Silver, 1982, Stone and Neale, 1984, Suh, Diener and Fujita, 1996).

In sum then, it appears that the economic assumption that equates increasing material consumption with increasing happiness is deeply flawed even in its own limited terms. Beyond a certain level, increased economic expansion does not seem to translate into increased happiness for either individuals or nation states. What linkages do appear to gain most empirical support involve the connections between economic growth and poverty. Thus, below a certain level of development, poverty eradication does make a difference. In general though, it can be reasonably concluded that Gross National Product is not the measure of Gross National Happiness it purports to be and accordingly a more applicable and discerning approach to the problem of maximising human happiness needs to be developed.

However, there is a deeper and less visible aspect of the data which has been summarised above - one that reveals a more serious flaw in the economic logic of western economics and

one that returns us to the concerns outlined at the beginning of this paper. It is as follows – although there is little compelling evidence to show that growth in economy alone produces growth in felt happiness, the fact remains that in the highly developed world, most people report being genuinely satisfied with their consumptive lives and lifestyles (e.g. Inglehart, 1990, Myers, 1993, Myers and Diener, 1996). Thus, national happiness levels remain high despite the mounting evidence that demonstrates the destructive nature of our economic priorities. In a very important sense then, the literature on happiness and its connection to the expansion of economic consumption can be read as being indicative of a willing cultural negligence within which most appear to remain happy despite the realisation that in a world of strictly limited resources, our material aspirations are deeply inappropriate in an ethical sense. Put simply, it seems that we find our happiness in diminishing the present and future well being of others in the global family.

And it is here that we can begin to discern what I believe to be the central issues underlying our current deliberations. The dominant order's happiness with negligence appears to me at least, to emanate from a basic selfishness and narrow-mindedness that has been cultivated slowly but surely throughout the history of western economic development. Viewed in this way, it is not happiness or even the equation of happiness with GNP that is the most fundamental problem, but the mode of self-indulgent being in the world that modern economic philosophy cultivates and condones. In a deeply polarised world of declining ecological health this stunted form of human non-development needs to be urgently redressed even if it does correlate with high levels of reported happiness. If we are to survive our future and achieve sustainability we need to find an equivalent happiness in much more mature conduct.

It is here then, in this context, that Buddhism offers a genuine alternative and where Bhutan's search for a different vision for development gains its greatest traction. But before

considering the positive potential of what might be developed here, it might be useful to briefly survey a few of the most important foundations that serve to support the irresponsible happiness that seems to be the aim of much of the present order. Central to all of this is the maintenance of illusion – an illusion that claims selfishness to be an acceptable or even admirable route to true happiness. This moral myopia lies at the heart of the whole cultural worldview that supports GNP as a singularly appropriate measure of collective advance.

For most of the world's cultures, untrammelled selfishness and competitiveness are appropriately viewed as unworthy and maladaptive attitudes – orientations harbouring the constant potential to endanger the larger collective interest. Accordingly most cultural systems go to great lengths to delegitimise and dis-empower them. But in western culture, these essential vices have been transformed into veritable virtues and this is particularly true within the realms of economic thought where they are praised as being of unique value in forging our collective advance towards happiness.

In order to fully appreciate the nature of this counter-intuitive belief system we must understand at least in brief form, its aetiology. Of course, there have been numerous strands that have historically come together to elevate selfishness and competitiveness beyond the realms of condemnation, but central in the process have been the inordinately influential conceptions of Adam Smith, the first and foremost articulator of free-market theory. Smith's influence has been incomparable and it was he who first formed an effective moral justification for competitive selfishness as an essential means to our collective advance. Arguing in his foundational text, known popularly as 'The Wealth of Nations', Smith noted that, ideals aside, much of humanity is motivated to action by baser instincts than generous altruism. As such he argued, if nations wish to obtain the fullest fruits of coordinated action, selfishness should be permitted a far greater freedom than it had previously been granted under the religious systems of authority that preceded the arrival of the secular western

Enlightenment. Contrary to the general conception then, Smith reframed selfishness as an enormously pro-social force, one capable of creating great good despite its amoral or immoral intentions. Thus, in his seminal outlining of free-market economics he showed how it is through selfishness and not altruism that the greatest productive energy is unleashed. It is the prospect of personal gain that drives most in society to undertake the exertions necessary to produce, market and sell the material goods and services that bring benefit to a society. It is then above all, selfishness that creates the collective wealth of nations.

But Smith understood the many tyrannies and injustices that an unbridled selfishness might bring in its wake and in his broad theorising the harmfulness of freeing up this mode was to be balanced by a countervailing force, that of competition. Again writing in the *Wealth of Nations*, he argued that competition in the marketplace would act to prevent exploitation and excessive harm as each player is forced to increasingly conform to the greater good through producing the most desired goods and services at an ever-increasing quality and an ever-decreasing price. Thus, competition would act as an 'Invisible Hand' to guide intentional selfishness towards an unintended general benefit. Those that acted with excessive greed would be forced to curtail their exploitativeness or be excluded from the marketplace. Hence, selfishness and competition working in concert would unfailingly ensure that the greatest public happiness would be obtained, at least in the material economic realm.

It is these twin notions that have formed the basic moral justification of a free-market economy ever since, one in which the least moral of motivations become blessed as a forgivable means to the valued ends of maximising national wealth and happiness. However, it needs to be pointed out that this inheritance was originally not as simplistic as it has now become in the hands of more modern economic purists. Smith's conceptions had an enormous influence partly due to their own partial truth but largely because Smith was one of

the pre-eminent moral philosophers of his age - a reputation gained through his previous writings on the Moral Sentiments. For Smith, the model of the free market within which selfishness and competition could be allowed greater reign, was premised upon his overarching belief in the power of sympathy and 'human heartedness'. Writing in the Theory of Moral Sentiments the first of his major works, he revealed a firm belief in humanity's capacity for sympathy, an emotion that prevents us tolerating excessive heartlessness in our conduct towards others. Thus, he argued, society is dominated by an over-arching human heartedness and it is this above all that will prevent selfishness from creating a morally irresponsible economy. If modes of economic action begin to create excessive exploitation or deprivation, then a prevailing sympathy will come to the fore and insist upon restraint and reparation. Needless to say, it did not take long for the rising business class to marginalise these essential assumptions and isolate the selfishness and competitiveness defended in his later work from their wiser and more compassionate roots.

With an emerging ideology that came to see selfishness as acceptable and competition as essential the modern irresponsible economy was well on its way to empowerment. An active compassion was unnecessary, as the Invisible Hand of competition would unerringly correct all injustices. And it must be noted, the potential for large-scale environmental destruction was literally unimaginable to the founders of our modern ideology living as they did in a historical epoch dominated by a sense of limitless resources and a distinctly underdeveloped capacity for their exploitation. In the selectively conceived world of Smith's cultural converts then, selfishness and competitiveness become sufficient means for forging our collective progress. There is no need for an enacted compassion or environmental wisdom, as an active irresponsibility will be magically transformed into responsible outcomes for all.

This essential faith lies at the heart of modern economic theory and it has been subsequently compounded by two equally simplistic and unwise rationalisations – the simple equation of economic activity with the satisfaction of all important human needs, and an unfortunate econometric cynicism that declares that humanity is in fact incapable of genuinely considerate or generous action. In this latter formulation the theory of human nature reaches an unfortunate dead-end in a formulation that sees being in the world as necessarily involving the rational search for maximum personal gain. The centrality of this misconception can be witnessed by consulting any introductory economic textbook where persons are formally judged to be “rational self-maximisers.” In this stunted conception, western economic thinking reaches its nadir as the potentials for genuine individual development, for compassion, self-sacrifice and intentional service are theoretically banished from the realms of possibility. With the acceptance of this anti-ideal the dominant force of globalisation moves beyond a simple moral defence of competitive selfishness, to see it as an inevitable and unavoidable condition.

In revealing these underlying assumptions, we can see clearly that the problem with GNP is not one of measurement alone, but one that involves a much deeper nexus of maladaptive beliefs. Put simply, the forces of globalisation that are knocking on the doors of Bhutan have at their heart, a series of inter-connected misconceptions. Most importantly these involve assuming that selfishness and competitiveness are morally responsible, that environmental wisdom is unnecessary, that compassion is impossible and that economic outcomes are the only ones that count towards defining collective progress. It is this combination of deep beliefs and assumptions that empowers the irresponsible happiness of the current global order. Needless to say, each of these foundational beliefs runs counter to the traditional Buddhist conception of our proper place and potential in the world.

I believe then, that we need to be quite explicit in understanding what it is that needs to be resisted if a more responsible socio-economic system is to be developed by any society including Bhutan. If a more responsible alternative is truly desired then each of the above dead-ends must be studiously guarded against. In other words, achieving a responsible Gross National Happiness must necessarily entail clearly maintaining that self-restraint and cooperativeness **are** morally responsible, that environmental wisdom **is** necessary, that compassion **is** possible and that economic outcomes **are not** the exclusive measures that count in defining our collective progress.

That the above elements are already present in Bhutanese developmental thinking is apparent in the various writings that have been produced to date and particularly in the framework that has been articulated under the heading of the Four Pillars of Gross National Happiness. In this useful conceptualisation, economic vitality becomes only one of several essential elements that together facilitate a genuine and responsible progress. Economic outcomes are tempered by active concerns for good governance, cultural vitality and environmental responsibility. A wise integration of these interconnected concerns represents a clear advance towards a more just and sustainable philosophy. And at the heart of Buddhist teaching is the central understanding that human nature reaches its greatest potential and happiness in the flowering of compassion, self-restraint and cooperation. Accordingly, the foundational principles of a living Buddhism revolve around the practicalities of achieving the wisdom and compassion of a genuinely mature human development. In a very real sense then Bhutanese Buddhism already has all of the elements in place to maintain a much more responsible social growth that in much of the world dominated as it is by the myopic ideology of a self-sufficient material competitiveness. The question is how can these elements be maximally empowered to bring to fruition comfortable and happy social existence? The answer I believe lies in finding

what might be termed a middle way between these often-conflicting priorities.

Now there is clearly much less of a need to explain the fundamentals of Buddhist social thinking to this audience than there has been to explore the depths of western economic ideology but the essential understanding that the deepest happiness can be attained only through the cultivation of a relatively selfless and non-materialist orientation deserves a clear reiteration. Unlike the secular economic conceptions of the west, the highest and deepest forms of happiness are to be found not in endless material accumulation but through moderation and a detachment from excess craving. Ultimate happiness we are told comes from a spirit of service and compassion for others and not from exploitation and carelessness towards others. And the greatest happiness entails a communion with the natural world and not a separation from it. To fail to comprehend this is, in Buddhist thinking, to live in an illusory world of false and ever-precarious happiness. It is only when this seemingly real but deeply false sense of happiness is overcome and a more responsible maturity is realised that the folly of our initial confusion is revealed. Buddhism at heart, is all about finding ways to grow beyond the illusion that a narrow, uncaring, materially grasping competitiveness can hope to bring a genuine or lasting happiness. It is then, all about challenging the unfortunately confused ideologies of material fixation at all levels not just at the most obvious level of GNP as an inappropriate indicator of our true well being.

In the classical formulations of the Four Noble Truths and of the Eightfold Path, Buddhism outlines in precise detail the means by which a compassionate, wise and ultimately happy condition might be achieved on the individual level and it is important to note that the emphasis here is upon the 'right' means to 'right' happiness. It is then a mode of being in the world that does not perceive of any practical separation of desirable ends from desirable means and in this it is clearly distinguishable from the dominant western approach to

achieving economically-derived happiness. As we have seen already, in the dominant western approach to economic development, the maximally responsible social outcome of the greatest good for the greatest number is, it is argued fully attainable only through the perfection of a maximally irresponsible mode of conduct. For Buddhism, as indeed for most of the worlds cultural systems, this disjunction between 'wrong' means and 'right' ends is absurd. If we desire the greatest potential good as an outcome, then it is only attainable through the cultivation of the greatest goodness as the means to its attainment. In other words to achieve wise and compassionate outcomes we need to cultivate wise and compassionate attitudes.

At an individual level all of this has long been understood and is quite straightforward. How to apply these understandings to social policy, particularly in light of the challenges and temptations of an insistent globalisation is a far more complex matter. But I believe the realisation of such positive outcomes including Gross National Happiness begins with the cultural empowerment of the central tenets of traditional wisdom. In other words, the profound insight that exists in Buddhist culture must retain its authority to guide social policy if a realistic balancing of the elements of a healthy economy, a just society and a sustainable environment is to be possible. This means that social governance has to be performed in light of these insights and that good governance is defined by its allegiance to, and capacity for empowering the compassionate principles that define and give value to the culture.

If Buddhist culture in Bhutan is in part characterised by an appreciation of the importance of self-restraint and balance for example, then good governance is by definition, governance conducted in a spirit of self-restraint and balance. Or if a central cultural value involves cultivating respect for the natural world, then good governance is defined by placing respect for nature at the heart of policy making. The maintenance of culturally oriented priorities is only possible if

those who have the greatest influence embody and empower the values their societies hold to be of the greatest importance and value.

In the instance of Bhutanese development then, as in the case of indigenous development anywhere, cultural vibrancy and the good governance that follows from it must be diligently monitored and constantly revitalised as the primary goal. If this is not done, as the pattern of global change worldwide amply illustrates, indigenous cultures and alternative frameworks collapse as they succumb to the dissolving anarchy of modern economic individualism and competitiveness. To vigilantly adapt and implement indigenous values is the only way to ensure cultural self-determination in the face of a dissolving globalisation that is equally determined to force their dissolution. In case after case, fragile cultural systems are replaced by alien forms of poor governance singularly oriented towards an unwise obsession with GNP and the whole nexus of troublesome assumptions it represents.

As for the other specific elements of Bhutanese development - the pillars of environmental sensibility, economic development and I would add, social justice - I believe from all that I have learned about this country that the wisdom necessary to effectively achieve balance certainly exists in the cultural values that sustain society here. This however, will involve as a primary task, the operationalisation of measures capable of accurately monitoring developments in each of these critical areas to ensure that a growing economic capacity does not, as it has elsewhere, cannibalise the equally essential realms of social justice and ecological balance. The specific criteria that will be aimed for within the realms of economic, social and cultural outcomes can only be determined by the people of Bhutan themselves and only in reference to their own distinct cultural priorities.

And so in conclusion I must return to my original concern regarding the ultimate aim of maximising and

operationalising Gross National Happiness per se. I firmly believe in Bhutan's desire to forge its own path in the modern world and not to succumb to a mindless adoption of alien priorities and I believe that a greater happiness is only attainable through such a strategy. However, I remain doubtful that an unqualified and perhaps hurried search for a maximal measurable happiness is the best first step forward. To operationalise happiness without first operationalising the foundations upon which it can rest, runs the distinct risk of minimising the importance of the right means of attaining that happiness. As is the case with any form of measurement, it can quickly become a narrowed focus that causes us to lose sight of the wisest means to its attainment. If the profound wisdom of Buddhism is correct, then the cultivation of a genuinely wise and compassionate attitude will produce a profound happiness as it has always done. Happiness then has its grounding in a respectful balancing of personal concern with the interests of others and of material concerns and the immaterial interests of personal and spiritual development. I would humbly suggest then that the Government of Bhutan put its energies at this stage into articulating the states it wishes to see obtain in each of the areas from which balanced development springs – society, culture, good governance, economy and the environment.

In the realm of the environment for example, it might be appropriate to create a set of measures related to trends in biodiversity and the well-being of critical indicator species, the sustainability of forestry, the creation of inorganic wastes, carbon dioxide emissions, water quality, cropland fertility and other such critical indicators of ecological health. In the realm of societal functioning, specific measurable criteria relating to levels of personal indebtedness, nutrition, the distribution of land, standards of housing, income polarisation, opportunities for education, population growth and access to basic healthcare might be constructive among other indicators. Similarly specific criteria can be developed to monitor the health and vitality of culture, good governance and the economy. If goals and limits can be rigorously

articulated for each of these various pillars of GNH then Bhutan can develop first and foremost, the consciously responsible form of development so badly needed by the current global order.

Once a desirable form of appropriate development has been formalised then attention can rightly shift to achieving happiness within this essential pattern of social advance. Buddhist culture has long maintained that the truest and deepest happiness comes from thinking, acting and interacting in 'right' ways – ways characterised by maturity, wisdom and compassion, and specifically not by a crass self-interested materialism. If the population as a whole can appreciate the essential rightness of being a responsible part of the global order then this can provide the ultimate sense of pride, self-respect and contentment. To facilitate the blossoming of such a collective happiness in responsibility however, there will need to be a constant re-affirmation of the truths of Buddhist teachings on compassion, moderation and respect. Equally importantly there will need to be a constant critical invalidation of the insidious ideology that would excuse un-moderated material greed and seek joy in destroying the prospects of future generations.

It is clear that Bhutan wishes to avoid the latter option and I believe the only way of avoiding succumbing to its cynicism is to set in place specific targets and measures capable of monitoring any cracks that might appear in the pillars or foundations upon which a responsible happiness rests. Following this, the cultivation of pride and happiness in what has been attained can be sought as the ultimate outcome that represents both the end and the on-going means by which its vitality is sustained. But to aim for a national happiness without first ensuring that practice reflects an essential wisdom and compassion runs the distinct risk of undermining the right conduct Buddhism has long seen as leading to the only true and worthy happiness.

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**TRADE, DEVELOPMENT, AND THE BROKEN PROMISE OF
INTERDEPENDENCE: A BUDDHIST REFLECTION ON THE
POSSIBILITY OF POST-MARKET ECONOMICS**

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The profound promise implied in expanding and deepening community is often invoked and celebrated in discussions of increasing global interdependence. Growing interdependence implies ever-widening circles of concern. It also implies at least tacitly questioning the acceptance of independence for some and dependence for (many) others. Such implications, I think, are entirely laudable.

From a Buddhist perspective, as well as from that of much of contemporary science, interdependence can be affirmed as the deep nature of all things. Yet, there are Buddhist teachings that the cycles of conditions leading to suffering or trouble (*samsara*) are without beginning, as well as teachings that all beings have Buddha-nature or the capacity for enlightenment (*nirvana*). Affirming that all things arise interdependently is not to affirm that they do so in a necessarily liberating way. Interdependence, we can say, has no essential self-nature. It can mean increasing wealth, skillful means, and happiness. It can also mean deepening poverty, trouble, and suffering. Realizing the promise of expanded and deepened community in the context of increasing economic, social, political, and cultural globalization pivots on keenly discerning existing and emerging patterns of interdependence and orienting them in a liberating (nirvanic) rather than a troubling (samsaric) direction. Ultimately, the promises of community and of deepening interdependence turn on karma - that is, on the specific experiential force of intentions and values.

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It is the good fortune - the good karma - of Bhutan that it is positioned to exercise a unique degree of self-awareness and discernment in exploring strategies for integrating into global developmental processes in a sustainable and equitable manner. Bhutan's stated intention of keeping the value of happiness central to the development process is, I believe, a suitable counter to the values and karma that prevail in most development strategies and ideals. Given present day realities of unprecedented, accelerating changes and paradigmatic shifts in economic, political, and social practices, any successful strategy for integration into global development processes must be creative in nature. It must, in other words, consist of an ongoing improvisation that is at once virtuosic and virtuous and that brings both greater resolution and resolve into the development process.

Here, I want to contribute to this effort by considering the broad landscape of development and trade concepts and practices and their implications for the trajectory of innovations needed to insure that development processes and greater economic interdependence are, indeed, liberating. I will begin by reflecting on the context of present day patterns of development, raising some issues related to history and scale in assessing the effects of increasing global interdependence. In brief, I will be suggesting that present day patterns and scales of globalization have both generated and been generated by the extremely rapid and practically irreversible commodification of subsistence needs - a commodification that (paraphrasing Ivan Illich) has the effect of institutionalizing entirely new classes of the poor. Beyond a critical threshold and unless redirected - that is, informed by radically different values - present day patterns of interdependence will continue bringing about the conversion of communities that have been faring well into aggregates of individuals in need of welfare. Unchecked, the promise of globally extended, deep community will be broken.

This account turns on the insight that present day patterns of economic interdependence and global trade are systematically

translating diversity - understood in terms of the Buddhist concept of emptiness - into mere variety. In particular, they are bringing about a stunning collapse of locally focused ecologies of production and trade. This has the effect of affording remarkable ranges of consumer choice through reliable, efficient, and institutionally secured market operations. But these market operations also significantly isolate producers and consumers and replace local-to-local *exchanges* with globally mediated *transfers*. In effect, global interdependence is presently inflected in such a way as to erode both personal and communal resources for direct mutual contribution - depleting the very resources needed to differ in ways that meaningfully make a difference. Development of this sort is finally impoverishing.

Given such a global context, I will offer some tentative inferences about how Bhutan might approach clearly and consistently framing its efforts to operationalize the development goal of heightened Gross National Happiness.

Gift Exchange, Contribution and Trade: The Roots of Economic Interdependence

As an initial move toward fleshing out these insights, I want to think through some of the continuities among gift giving, contribution, and trade. Although this will involve appealing to an admittedly vague and almost mythological past, it will be useful in setting a context for investigating how economic interdependence has come to be directed in the way that it has.

Gift giving has had a long and honored place in anthropological studies of social practices. Most such studies have concentrated on relatively explicit levels of exchange and offering, but there is a sense in which gift giving can be considered the original and abiding nexus of all human sociality. Perhaps the most apparent expression of the centrality of gift exchange to human sociality is its persistent association with intimate partnership. Even in today's

postmodern societies where brides and grooms are themselves no longer thought of as gifts exchanged between families, and where formal dowries no longer factor into finalizing marital arrangements, marriages remain among the most extravagant occasions for gift giving. More generally, it is customarily assumed that formally initiating a lasting intimate or romantic bond will include some offering or exchange of gifts. Such practices and rituals can, of course, be seen cynically, particularly where gift-giving and gift-receiving practices exhibit gender asymmetry or are apparently and heavily influenced by consumer advertising. What eludes cynical or politically correct bracketing, however, is the fact that the most meaningful of human relationships are customarily christened through the exchange of gifts.

Of course, human sociality is not limited to intimate unions, and the exchange of gifts is by no means always intensely personal. Traditional hospitality customs worldwide involve hosts and guests in paired offerings. Especially in Asia, initial business meetings are formally structured around gift exchange. Worldwide, heads of state ritually exchange symbolic gifts upon meeting. Neither are human sociality and the giving of gifts restricted to human-to-human encounters. Particularly among indigenous or first peoples, human-to-nature connections are customarily mediated through the offering of gifts, and religious rituals (for example, initiation rites or ancestral worship) establishing human-to-divine connections often center on making offerings. In sum, gift exchange is associated with establishing and affirming community - the realization of lasting and meaningful relationships that are both rich in content and enriching.

The functional meaning of gift exchange as the enriching nexus of human sociality is nicely captured in the etymology of the English word contribution and its links to such associated terms as attribute, tributary, tribute, and tribe. The root noun to which all these can be traced is the Latin *tribus*, which literally means a place-centered grouping of people. The verbal root is the Latin *tribuere*, meaning giving or

distributing. Keeping both the noun and verb roots in mind, contribution can be understood as a process of bringing together and fusing the horizons of place-centered groups of people through gift giving.

Intuitions of this process arguably underlie (and, because of infelicitous metaphysical assumptions, languish within) much of modern Western social theory. For example, in Hobbes' theory of societal origins, the giving of gifts is read and represented in highly schematized fashion as a contractual relationship rooted in rational self-interest and directed toward establishing regulated or customary institutions for mutual benefit. Societies are taken to consist of aggregates of competing and fundamentally self-interested individuals who pool their various strengths with the belief that through combined numbers, each one's own interests will be met as surely and readily as possible. For Hobbes - and as affirmed in much of contemporary international relations theory - should the returns on cooperation and community diminish sufficiently, a reversion to directly self-interested competition naturally results. Thus, although partially occluded by his (empirically groundless) presupposition that individuals pre-exist the (social, natural, and cosmic) relationships in which they are embedded from birth, Hobbes correctly saw that social life is founded upon consistently practiced (and often ritually enhanced) give and take. Far from being accidental or forced associations, communities arise as a function of mutually sustained contributory processes.

Unburdened by the assumption that individual existence precedes relationality, Buddhist social narratives allow that while societies may be constituted historically as mere aggregates of individuals, this is so only when interdependence has been severely deflected in keeping with the prevalence of self-interest and exclusive claims to truth. When not so deflected - as during the reign of a "wheel turning king" - societies obtain as qualitatively distinctive patterns of relationship directed explicitly toward liberating, mutual contribution. As a dynamic process, sociality can be

directed well or ill, truly or errantly, toward liberation (*nirvana*) or toward further suffering and trouble (*samsara*). Truly liberating sociality means realizing consciously sustained and enriching interdependence. It is not competition, but contribution that choreographs the emergence of community.

Perhaps the most pointed statement of the cardinal role of contribution in liberating sociality is the Chan Buddhist affirmation that, “awakening is just the perfection of offering.” In Chan, as in much of (at least pre-modern) Chinese Buddhism, psychological events or experiences associated with awakening or enlightenment were effectively displaced by considerations of the relational meaning of buddha-nature, emptiness, and skillful means. Focusing on the *liberating relationships* realized by the historical Buddha and other bodhisattvas, Chinese Buddhists - and particularly the lineage of Chan Buddhist masters from Huineng through Mazu, Baizhang, Huangbo and Linji - came to understand enlightenment in terms of attentive and relational mastery. Enlightenment means always and everywhere realizing consummate appreciative and contributory virtuosity.

The Chan tradition insisted that this understanding of awakening could be traced in an unbroken lineage back to the Buddha himself. And, in fact, there are many precedents for a relational understanding of awakening to be found in even the earliest strata of the Pali Canon - those texts generally regarded as historically primary. Indeed, for the purposes of shedding light on the linkages among sociality, gift exchanges, trade, and the karma of now predominating patterns of globalization, many of these early texts are particularly useful. Consider, for example, the Buddha’s somewhat lyrical description of his first insight into the interdependence of all things as like coming upon a city long forgotten and overgrown by dense jungle.

For those familiar with the history of Buddhism and its early valorization of forest dwelling reclusion, there is a certain incongruity in this striking image. The Buddha’s

enlightenment occurred in a rural setting as he sat in meditation under a banyan tree. There, he realized the interdependence or irreducibly relational nature of all things. It was this realization that the Buddha later described as a city lost and forgotten. His qualification of the city - that is, the content of his insight - as "lost and forgotten" can reasonably be explained as an expression of humility. It made clear that the Buddha's enlightening realization was neither original nor independently arisen, but rather a recovered, shared heritage. But why use a city as a metaphor for interdependence?

We have no direct answer to this from the Buddha himself. However, the metaphor is rich with possibilities. To begin with, in a truly vibrant city, no one lives long (if at all) under the illusion of being wholly independent. Urban life is a continuous reminder of the extent to which we are not self-sufficient. We rely constantly on the contributions of others, just as they rely on ours. Moreover, cities both make possible and are made possible by degrees of specialization, education, and cultural refinement far exceeding - especially in 6th century BCE India - anything possible in traditional rural or village life. Cities have from earliest times been attractors and amplifiers of excellence, and have practically commanded reflection on the extent to which our lives emerge out of ongoing patterns of mutual contributions and shared negotiations of meaning. Whether this holds true at all scales of urbanization, under all modes of production, and without severe ironic effects is, of course, open to critical debate.

Significantly, in the *Sutta Nipata* and other very early collections of the Buddha's teachings, those who have fared long and well on the Middle Way are not described as aloof from community life. On the contrary, they are described as leading lives of public wisdom, enjoying harmonious and calm relationships, joyful, purified of negative qualities of thought, speech and action, and clear of purpose. Equally interesting, early Buddhist teachings and their popular translations did not represent the ideal Buddhist world as an Arcadian

paradise or as a sensuously austere domain. It is a world teeming with people, animals, and plants of every sort - a world that is explicitly *worldly*, with all manner of good food, music, architecture, and activity. In later Mahayana traditions, narratives about Buddha-realms in which all things do the work of enlightenment feature lush descriptions of both natural and human structures that are practically psychedelic in detail and sensuous presence. It is as if the "lost and forgotten city" representing the culminating insight of the Buddha's six-year quest had been restored to its former vibrancy and brilliance.

Of course, interdependence is not necessarily enlightening or liberating. Cities are not always ideal places. They can and, all too often, do go wrong. In the *Cakkavatti-Sihanha Sutta*, the Buddha relates a story chronicling how, over eight "generations," an ideal and highly urbanized society slides into intensifying trouble and suffering and finally dissolves into a social miasma in which generational strife is rampant, social customs and rituals are ridiculed, violence has escalated to a point that killing sprees become horrifically common and random, and in which crude addictions and abusive relationships are almost universally celebrated.

The turn toward social collapse takes place when a new ruler of the kingdom elects to exercise his authority based on his own understanding of affairs, neglecting precedents for regularly and thoroughly consulting with his ministers and advisors. As a consequence, he does not properly respond to mounting evidence of poverty in the capital city and, for the first time in dozens of generations, a theft is committed. In a series of well-intended follies, his attempts to control the behavior of the people only drive matters spiraling ever further out of control. This movement is reversed only when a few people retreat into the countryside, refusing to adopt prevailing behavioral norms, and eventually band together in shared practices aimed at coursing freely on the four immeasurable relational headings (*brahma-vihara*) of loving-

kindness, compassion, joy in the good fortune of others, and equanimity.

The account given by the Buddha of the conditions leading to poverty is both remarkably simple and profound. Poverty arises when people are not able to work in and contribute to their community in a meaningful way. Far from being a function of few possessions or not having the means to get what is wanted or needed, poverty is a function of having too little to offer that is of value to others. It occurs when either a person or an entire population is effectively blocked from contributing directly to the welfare of others. As expressed in the narrative climax, the ultimate antidote to poverty (and the kinds of social malaise for which it is a crucial condition) cannot consist of either state welfare or legal and technological controls. These eventually only exacerbate the root conditions of poverty. Instead, poverty alleviation entails fostering increased capacities for giving appropriately to others. Ending poverty is a process of realizing appreciative and contributory virtuosity.

Several forceful insights are embedded in this account and its framing narrative. Poverty is a function of contributory impasse and implies a failure to appreciate - that is, to sympathetically understand and add value to - our ongoing patterns of interdependence. Both felt community and its objective expression in abiding social institutions are compromised when interdependence devolves into patterns of dependence and independence, and they disintegrate with the breakdown of robust patterns of mutual contribution. Resisting or reversing such devolution and disintegration cannot hinge on simply meeting individual (or even collective) needs or wants; success finally hinges on *how* these are addressed - that is, on the values underlying our strategies for redressing the erosion of relational capacity and effective offering. Successfully alleviating poverty is a function of realizing and sustaining patterns of interdependence that enhance the capabilities of both individuals and communities for freely contributing to one another's welfare. True poverty

alleviation at once results from and results in bodhisattva action.

Together, these insights suggest at least superficial compatibility between Buddhist understandings of awakening and social prosperity, and currently predominant growth-oriented, free-market models of development. There is, for example, substantial resonance between the Buddhist focus on alleviating poverty by enhancing contributory virtuosity and Nobel laureate Amartya Sen's definition of "development as freedom" or increased relational capacity. The basis for this resonance, I would argue, is the crucial role played by trade in poverty alleviation and development. At the same time, however, trade - as it has come to be practiced at global scale - works against the expanded and enhanced diversity that is at the root of a fully Buddhist approach to poverty alleviation.

In contemporary, idiomatic English, trade tends to be most strongly associated with exchanges of goods, services, or ideas for the purpose of economic gain. But we also speak of "trading places" (taking each other's positions), "trading security for adventure" (changing the global, narrative character of our situation), and considering "trade-offs" (collateral effects of a present course of action on future possibilities). These broader connotations reflect the origins of the English word "trade" as a derivative of "tread" or "treading," the Middle English and Middle German roots of which referred to the making of a track, path, or course.

Footpaths and tracks are neither natural features nor the results of random wandering. Rather, they develop as a function of steady traffic along preferred routes connecting separate localities that have been drawn into some kind of meaningful relationship. The localities might be two villages or family compounds, or they might be a human settlement and a particularly productive hunting or foraging ground. Though the furious pace of contemporary construction and real estate speculation tends to obscure the fact, tracks,

paths, and roadways at once arise through and facilitate meaningful interchange. Thus, as evidenced in its linguistic roots, trade is inseparable from trade routes and most broadly originates in activities that expand and deepen community - activities that overlap, if they are not continuous with, contribution and gift exchange.

To the extent that this is so, there are Buddhist precedents for affirming the positive, even liberating, possibilities of trade. But given the teachings of emptiness and the absence of fixed or essential natures, it would be incorrect - just as it is with regard to interdependence - to affirm that trade is always and inevitably "good." Indeed, these teachings enjoin careful and diligent awareness of the great variability in what trade means. As an outcome of what processes has trade come to be configured and practiced as it is now? What genealogy of intentions and values underlies this configuration and these practices? What opportunities do they open? To what relational heading(s) do they commit us? In a word, what karma is associated with (especially global) trade, as it has come to be?

The Commodity Explosion and Eroding Productive Diversity: The Current Karma of Trade

It is part of a Buddhist understanding of trade that it not only promotes more extensive patterns of interdependence, but also directs or orients these patterns in keeping with particular, sustained intentions and values. Trade is karmically significant. Because of this, snapshot understandings of trade are potentially (if not necessarily) misleading. Short-term perspectives afford insufficient insight into the axes of intention and value on which trade practices have turned in coming to be, precisely *as* they have come to be. Reasonably deep historical perspectives are thus indispensable in assessing trade's karmic implications, especially the kinds of trade now taking place at truly global scale.

In keeping with the teaching of karma, we might begin (at least partially) evaluating the kind of trade now being carried out by especially developed nations and multinational corporations through considering the dramatic implications of their root motive: increasing wealth through expanding market share and accelerating profit. Given relatively free reign, to what kinds of situational dynamics - what patterns of relational tension and release - do market-domination and profit-seeking lead? Patterns of relationship aimed at amassing wealth - rather than, for instance, alleviating poverty - are not likely conducive to equitably enhancing relational or contributory capacity. On the contrary, they will tend to institutionalize slopes of advantage inclined as steeply as possible in the direction of corporate profit. Moreover, market-domination - a primary means to this end - is similarly likely to streamline and concentrate production practices in such a way as to promote both efficiency and a breakdown of self-sustaining, local production regimes.

As demonstrated, for example, in the era of European colonial expansion and in the early 20th century emergence of massive industrial monopolies in the U.S., the natural outcome of this process of controlling the topography of advantage (and trade) is a remarkable concentration of power in very few hands. And this is by no means a now defunct historical trend. Globally, the kind of economic interdependence characteristic of the waves of market integration taking place over the past quarter century has likewise led to a widening gap between rich and poor, with roughly 80% of global resources and wealth being controlled by and benefiting less than 20% of the world's population. At least at the levels of national, regional, and global economies for which there is significant comparative data, currently prevailing patterns of trade promote developmental inequality.

There has been a tendency to view the rise of developmental inequality as a function of already developed nations taking too little responsibility for ratcheting up the developmental cycle elsewhere and, perhaps, even taking severe advantage of

less developed economies. In other words, the tendency has been to call into question the intentions of the developed world and of the multinational corporations to whom disproportionate profit flows through rapidly integrated markets and global patterns of trade. Indeed, there may be cases where such major players in steering the process of growing global interdependence can rightly be charged with unduly selfish strategies and even morally deficient motives. But because of the wide array of such players and the complexity of national or corporate intentions, this provides very little critical leverage, despite its rhetorical appeal. An intentional analysis also, for quite apparent reasons, is not readily conducive to generating deep and critical historical perspective. The intentions of even close associates are difficult to ascertain at times, much less those of actors greatly distant in time or temperament. Moreover, charges of deficient motives can be dismissed as an inversion of the “ad hominem” argument: they indict those presently benefiting most greatly from prevalent patterns of globalization, rather than the system of values informing and orienting such patterns.

To rephrase this in Buddhist conceptual terms, the karma of presently prevailing patterns of global trade may be deflected in accordance with self-centered or equity-denying intentions held by major economic players: the most highly developed nations and increasingly powerful multinational corporations. But karma is - as stated earlier - always a function of both intentions and values. Focusing exclusively on the former can produce a critical blind spot - a range of potentially crucial phenomena left entirely out of consideration, especially when the karma in question is not individual, but collective or systemic.

I have argued with respect to technology that such a critical blind spot arises through a confusion of technologies with the tools to which they give rise, and an inappropriate tendency to evaluate technologies in terms of how well these tools serve

us as individuals.¹ In consequence, technologies are effectively exempted from critical attention - that is, the values that technologies embody and render ambient throughout societies deploying them are critically occluded by the individual uses to which tools are put. And because these tools are designed and redesigned with the overarching mandate of increasing utility and user-friendliness, this leads to blindly endorsing continued technological development and deployment in a particularly vicious form of critical circularity. The effects of technology on the character and direction of relationships (personal, communal, national, international, and global) are functionally ignored.

Similarly, it is particularly dangerous to fail in assessing the values underlying global patterns of trade through assuming their “value-neutrality” and focusing instead on how trade patterns are used by various actors. Indeed, while many economists ostensibly view trade as a technology, they actually treat it as a tool used by individual entrepreneurs, corporations, countries, or regional associations (the EU or ASEAN, for example). Trade is thus assumed to be properly and adequately assessed in terms of how well it meets the individual needs and interests of those engaging in trade. . Many economists then stress the fact that although global trade does tend to bring about increased inequality, it also makes *both* the rich *and* the poor richer. From this, they conclude that while the benefits may be greater for some than others, current patterns of global trade are good for each and every one of the world’s people. What they cannot conclude, at the risk of committing the fallacy of composition, is that what is good for each and every one of us, must be good for *all* of us. The effects on a whole may be something entirely other than the sum of effects on all its parts.

¹ Peter D. Hershock, *Reinventing the Wheel: A Buddhist Response to the Information Age*, State University of New York Press: Albany, NY 1999.

Like technologies, presently prevailing patterns of global trade are not value neutral and cannot be accurately or adequately assessed by measuring (even in statistical aggregates) their impact on individuals as such. Neither can their ill effect of fostering developmental inequality be traced solely back to unjust motives in how they are used. Rather, contemporary patterns of trade can only be critically evaluated by seeing how the constellation of values structuring global trade affect how we relate, as individuals, as countries, and as members of expanding global communities. At the center of this constellation, I would argue, are the related values of control and choice that structure the operation of markets.

Global trade presently apportions unequal benefits to the already developed and advantaged, and disproportionately exports the costs of economic growth to those least able to bear these costs.² On one hand, this means that the present system of trade fosters a growing “capacity gap” that results in the vast majority of the world’s population being in a relatively poorer and poorer position both to contribute to others and to be contributed to by them. Although they may be better off over time in absolute terms, in *relative* terms they will always be worse off. On the other hand, by bearing the cost burden - for example, in terms of environmental degradation - of benefits they do not receive, it is practically assured that their capability for responding to the challenges of their own situation will prove increasingly inadequate. As it is currently configured, global trade will never bring about true poverty alleviation because poverty is its primary by-product.

This admittedly iconoclastic claim is not in any way a claim about the intentions of those who have initiated and sustained the kinds of global trade we now experience in

² See, for example: *Alternatives to Economic Globalization*, A Report of the International Forum on Globalization, Berrett-Koehler Publishers: San Francisco, 2002; David C. Korten, *When Corporations Rule the World*, Kumarian Press: Bloomfield, CT, 2002.

everyday ways. Neither is it a claim - like that central to Marxist critiques of global capital - that rests upon an assumed historical necessity or developmental teleology. Rather, it is simply a claim about the history of how things have come to be, as they have come to be. It is a claim about how large-scale patterns of relationship are systematically oriented toward the demise of productive diversity through growing trade focused on increasing wealth through market domination and accelerating profit, making use of technologies biased toward the strategic value of control to promote market freedoms centered on choice. Like the efforts of the hapless king in the *Cakkavatti Sihanda Sutta* who tries to restore social order and prosperity through the increasing exercise of control, the intentions of those promoting more extensive global trade may be quite positive. But the values embedded in their strategies for poverty alleviation - contrary to their explicit intentions - are sending things spiraling further and further away from their ostensive goal.

A Brief Narrative History of Global Trade and the Demise of Productive Diversity

Present global scales of trading activities and the technologies of exchange that are associated with them are exerting historically unprecedented influence on the quality and direction of relationships realized through trade. Prior to the emergence of comprehensive monetary economies, trade pivoted on bartering activity. That is, it turned on directly negotiating comparative values for the goods or services being traded. Trades could be completed only if and when all parties involved felt that fair values - often highly contextual rather than standardized or absolute - had been placed upon the goods or services involved. Within and among small-scale, subsistence economies, trade is an activity - heavily conditioned by local circumstances - through which distinct communities meaningfully and with considerable immediacy contribute to one another's welfare. In such contexts, trade promotes both productive specialization and diversity.

Trade begins undergoing important transformations as technological, bureaucratic, and political institutions make possible and come to depend upon large-scale accumulations and transfers of goods. Relatively amorphous local-to-local patterns of trade linking small-scale subsistence economies give way to geographically extensive patterns of periphery-to-center trade. Here, the economic terrain is more or less steeply sloped from subsistence dominant village economies toward rapidly growing urban centers with large populations engaged in highly specialized activities. Already at this stage, the face-to-face trade of subsistence goods (especially foodstuffs) begins being replaced by something akin to the modern system of commodity marketing. As money enters the trade process, a level of abstraction is added to the process of negotiation. Currency values come to be established for commonly traded goods and services, which then no longer need be directly compared and evaluated. Qualitative modes of evaluation give way to essentially quantitative modes, and vernacular patterns of goods exchange begin giving way to serial transfers.

The interdependence of urban and rural communities and of individuals within them begins already at this stage to be markedly occluded. Indeed, the roots of modern economic interdependence can be traced historically to state-building processes emerging out of periphery-to-center trade dating at least into the first millennium BCE. But for the most part, local-to-local exchanges of goods and services based on face-to-face negotiation remain dominant and continue as such well into modern times. As long as the vast majority of the world's population remained rural - until the late 19th or early 20th century in all but the most highly developed industrial nations - subsistence needs continued to be met almost entirely locally. Production ecologies - porously bounded domains of interlocked producers contributing to one another's welfare in a sustainable fashion - remained small in scope.

With the increasing sophistication of transportation technologies and infrastructure, lines of transmission for more durable goods quite early became long even by contemporary standards. For example, as early as the second century BCE, the tributary system fueling the imperial Chinese economy covered an area of perhaps 2,000 miles in diameter. By the 4th century BCE, well-traveled land and sea trade routes linked African, European, South Asian, Southeast Asian, and East Asian societies. Still, because of the low capacities and speeds at which transportation took place, trade at great distances tended to be in durable material goods of high unit value like salt, spices, cooking oils, gems, precious metals, and silk, but also included what would now be termed intellectual property (e.g., maps, books, musical forms, and religious teachings). Thus, until at least the mid-19th century, most of the meat, dairy products and vegetables required by the population of cities like Paris were produced within surrounding suburban areas, if not within the city itself. The urban “footprint” remained rather small, with specific dimensions effectively set by the quality of a city’s local “metabolic” support system - the quality of its nearby environment. In effect, cities were bio-regionally defined.³

This changes from the 16th to 19th centuries through the steady convergence, particularly in the European West and the Americas, of cumulative technological innovations enabling much greater speed and control in transportation, industrial and agricultural production, and communication. The 19th century invention of the clipper ship can be seen as a key turning point in this process, after which transoceanic

³ An interesting discussion of the relationship between bioregional urbanization processes and capital flows can be found in David Harvey, *Justice, Nature and the Geography of Difference*, Blackwell: Oxford, 1996 (p.410ff..)

trade and the global colonization of subsistence economies and markets shifted into apparently irreversible high gear.⁴ The history of global capitalism and competitive market-driven production is, from the late 19th century onward, a history of rapidly growing production monocultures that effectively disrupt local ecologies of production and consumption. Dominance shifts from local-to-local exchanges rooted in meaningful negotiations of value and need to local-global-local transfer currents, the velocity of which come to be subject to relatively overt control through price manipulation rather than as a naturally variable function of subsistence needs and values.

In the present era of global markets, trade is only incidentally a vernacular activity that directly links members of nearby communities through local-to-local exchanges for meeting basic needs. The benefits of this are very well advertised - both literally and figuratively. Especially in the most developed countries, supermarkets carry fresh fruits and vegetables grown all over the planet. In even the least developed countries under WTO governance, readily available grains and other staples are no longer likely to have been locally produced. Agriculture has given way to agribusiness. And the same is true for virtually every other consumer need from clothing, shelter, and entertainment to health care and education.

The contemporary shopping mall - virtually identical across most of the planet - is at the center of the new "global village." It is a curiously structured village in which producers and consumers are not neighbors and never see one another face-to-face. Yet, it is a village in which niche manufacturing and marketing are able to provide a practically flawless semblance of direct and sustained attention to personal needs and desires. It is a village in which markets guarantee that the

⁴ For an extended discussion of this process, see: James Beniger, *The Control Revolution, Technological and Economic Origins of the Information Age*, Harvard University Press: Cambridge, 1986.

choices available to consumers are practically unlimited, with a remarkably similar range of goods and services (albeit at remarkably disparate prices and qualities) available both to the very wealthy and the very poor. Although there are clearly many inequalities in the village, the overall degree of security it affords with respect to basic needs is, in absolute terms, quite high. The new global village may not be perfect, but to a degree that is often amazing, it works.

Such are the familiar benefits of global markets and unrestricted trade liberalization. As an economic system, it is remarkably well suited to meeting individual needs and wants, benefiting some more than others, but clearly benefiting all.

From Personal Contributions within Shared Patterns of Welfare to Individually-Biased Patterns of Consumption under Mass-Production Regimes

As the idiom goes, however, we don't get anything for nothing. The system has its costs. The technologically triggered efficiencies that made possible the remarkable geographic expansion of markets from especially the 18th century onward also had a powerful effect on the content of those markets. Global trade ceased being limited to highly durable goods, typically of high unit cost. Trade in luxuries - for example, in silks, spices, and precious metals and stones - continued to be important. But the overall ambit of global trade spread to include ever-greater kinds and quantities of non-luxury goods. The economic logic is not particularly complicated. Expanding markets require expanding consumer bases - an expansion that can be driven only so far by falling prices associated with efficiencies in production and transportation. Sustained market growth is only possible if the range of goods traded undergoes similar growth. Trade expansion can only be stably realized through increasing trade density.

As the range of goods transferred into a local economy nears the point of natural saturation, it is possible to sustain

market growth through advertising that systematically extends the spectrum of goods perceived as necessary and/or desirable, and through the emergence of industries that commodify an increasingly broad array of services. The global corporate outlay for advertising now exceeds by a considerable margin that expended worldwide on all levels of public education. Tellingly, the greatest increases in advertising expenditures appear in so-called developing markets. In the decade ending in 1996, for example, advertising expenditures in China grew by more than 1,000%; in Indonesia by 600%; in Malaysia and Thailand by 300%; and in India, the Republic of Korea and the Philippines by more than 200% (UNDP, 1998). Such expenditures are not based on wishful thinking, but on results: the realization of maximally broad and dense markets wherever and as profitably as possible. The power of advertising to extend market reach and density is perhaps nowhere so evident as in such poor countries as Ethiopia and Nepal where populations living on less than \$1/day, over just a five-year period from 1993-1998, were induced to increase spending on such imported consumer goods as cosmetics, cameras, and soft drinks by 400-500%.

Recommending such expanded and dense markets are reliability, standardized products and product compatibility, convenience, and heightened possibilities for exercising freedom of choice. But increasingly dense, globally mediated provision of goods and services can have an effect on local economies that is not unlike what happens when virulent alien species are introduced into a sensitive ecosystem: indigenous species - that is, local modes of production and patterns of exchange - are eventually choked out or granted limited continued existence in specialized preserves or cottage industries. Importantly, this does not mean local populations become indigent. The monetary medium of global transfers of goods and services guarantees that wage-earning employment invariably is fostered by expanding markets. In fact, the transition from barter to cash is crucial to marketization

processes.⁵ In advanced market economies, employment tends to be high and relatively inclusive, at first available and then necessary not only for adult men, but also for women and previously marginalized minority populations.

The picture just sketched is often tinted in fairly rosy hues. Greater employment opportunities for all, but especially women and minorities, and greater access to the goods and services offered by the market - these are typically celebrated as signs of successful development. Futures that traditionally have been somewhat narrow in prospect are manifestly widened. Choices multiply. And there is certainly no reasonable argument against this in principle: the professional opportunities now open to women and minorities, for example, mark a real, significant, and entirely welcome enhancement of their possibilities for social contribution. But focusing on the positive effects on individual members of communities or individual classes is, again, to dangerously restrict our ability to evaluate how such changes affect qualities of relationship more broadly. If the poor are invariably worse off in relative terms, it follows that they are in some significant degree *relationally* disadvantaged by present patterns of global trade.

The range of relationships that might be considered in this regard is practically unlimited. For present purposes, however, consider the relationships centered on employment or labor. Focusing on the upper end of the scale of opportunities opened by global trade tends to gloss over the phenomenological realities of average employment in the service of greatly expanded, efficient, and dense markets. Most jobs in such markets no longer afford workers the opportunity to carry through with a complete production process or service. The rationalization of industries and

⁵ A wonderfully concise and powerful fictional account of this process and its motivations are given in the early chapters of John Nichols' novel, *The Magic Journey*, Ballantine Books: New York, 1983.

workplaces to the end of maximum efficiency practically guarantees that workers will not participate in or consider themselves responsible for the full production (or service) cycle. Quite literally, they do piece-work. As anyone who has done it well understands, piece-work does not promote worker pride unless it is related to overall quantity of work accomplished. More work equals more pay. But more is not necessarily better. Indeed, under most circumstances, piece-work is not conducive to workers actively increasing product quality, but at best to maintaining a minimum level of quality while maximizing output quantity.

This is quite different from what prevails in subsistence economies, where one person or family may be involved in and responsible for the entire set of processes required to build a dwelling or provide regular meals and clothing, and where trade involves face-to-face negotiations of the value of goods to be traded. Specialization greatly reduces inefficiencies, especially those that result from productive redundancy. Indeed, mainstream economists from Adam Smith (18th century) to the present day have been adamant in praising the transition from craft to commodity. But by translating the entire production cycle into discrete units, the synoptic perspective needed to envision paradigmatic revisions of the entire process is typically restricted to just one or a handful of workers who are particularly suited to and hired for such work. This can yield very high quality results. But it does not promote creative development on the part of those workers whose responsibilities and imaginations are confined to the narrowest possible scope compatible with overall production efficiency.

For workers who remain in a given company or industry for an extended period, there is some opportunity for personal growth and contributory maturation. But personal growth and maturation in the work world, as elsewhere, rest on shared commitments. And unfortunately, the market drive toward greater efficiencies and lower costs tends to work against such commitment - a phenomenon now painfully

evident in the post-bubble economy of Japan. There is a striking and significant trend in the more advanced economies for workers to undergo several major career changes over the course of their working life, and for the work histories of the majority of workers in lower-wage jobs to reflect an increasingly random approach to employment. Far from supporting a coherent narrative of professional development and personal maturation, scanning average work histories is much like randomly channel surfing a cable-supported television. For most workers, jobs are strictly a means to an end - most often: access to a greater range of choices for personal consumption.

As market economies have matured, some significant counter trends have emerged based on a recognition of the profitable nature of distributed creativity and responsibility, with many leading analysts now touting the importance of “flexible specialization” and “network accountability.” But these efforts to fine-tune the system do not restore the “old growth” or indigenous patterns of production in which work concretely and meaningfully results in goods or services directly exchanged in face-to-face realizations of shared welfare. In spite of the economic imperative for innovation in terms of both product design and marketing and work unit size and organization, global trade remains a composite of what are individually almost meaningless moments or links in a chain of production and marketing. It is not just that “old growth” production ecologies are replaced by more efficient systems. Their replacement signifies a loss of overall local productive diversity and the depletion of the personal and community resources required for responding to changing circumstances and meaningfully meeting local needs. People lose the positions from which they were able to contribute directly to their own and others’ welfare - a loss of capacities for innovation, for shared improvisation, for on-site learning, and for appreciating (literally adding value to) their situation.

For many, this statement will seem overstated, if not simply false. Even if it is allowed that most people are employed in

jobs that they do not like, performing tasks that have neither intrinsic nor perceived value and meaning, and would avidly look forward to a future that would not include work at all were such a future practically conceivable, many of us will still be inclined to insist on the creative possibilities our lives include that were not open to our parents or grandparents. But such a reading rests, I think, on an insufficiently robust understanding of creativity and on inadequately distinguishing between freedoms of choice and contributing freely. The kind of trade now dominant in the world functionally pivots on acts of consumption. Although workers engaged at any given point of the production and marketing process can intellectually or in abstract terms see their efforts as important, the signal and culminating event economically is the act of consumption. Inescapably, the most basic, concrete meaning of trade - in spite of its roots in the realization of extended community through gift exchange - now reduces to a transfer of possession.

This is not primarily a function of deficiencies on the part of workers or consumers, but rather a dynamic necessity of present-day markets. Because of the demands for expanded and increasingly dense markets, global scale trade compresses the utility of consumed goods or services to the smallest unit measure possible. Through the advertised inculcation of desire and through the constriction of the popular imagination, conditions are realized such that individual acts of consumption only fleetingly answer needs. The classic example of this is, of course, the institution of fashion (the history of which long predates the contemporary market, but at vastly restricted scales), which sets strict temporal, spatial, and cultural limits on product usefulness. But the phenomenon is quite general, and it is finally such compressions of utility that "open" the space required for multiplying choices. As a consequence of this, most goods, once acquired, are used very briefly, if at all. Even goods used frequently are seldom used to the point of being functionally worn out. Obsolescence - real or perceived - is crucial to growing markets. As markets become increasingly extensive

and dense, consumers begin to function as producers of waste. Or, more graphically stated, they begin to serve as organs of elimination by means of which the residue of profit-making - whether material or experiential - is summarily disposed.

As long as there are more (and better) goods on the market, and as long as employment remains sufficiently high to support their continued consumption, there is a general tendency to turn away from the implications of practically collapsing consumption and waste. There are those who would convince the general public that there are, for example, simple environmental limits to growth. Planetary resources will one day run out or become scarce enough to throw a wrench in the works of the market. The cumulative environmental ramifications of waste will render the planet inhospitable if not uninhabitable. But such proclamations are, for most, unpersuasive. The broad public expects technological advances to afford new capacities for exercising control over the production and waste management processes - control intense and extensive enough to insure opportunities for unlimited growth.

But when the exercise of control (technologically mediated or otherwise) crosses the threshold of its own utility, it begins reproducing the conditions of its own necessity. In short, it brings about conditions in which there are not only increasing capacities for exercising control, but increasing need to do so as well.⁶ The experienced consequences of this are dire: living in a maximally controlled environment - a euphemism, finally, for prison. Technologies biased toward control and economies biased toward the proliferation of wants go quite well together. But karmically, the continued interdependent growth of control-biased technologies and global markets does not lead, as might be assumed, to finally

⁶ For more on the ironic effects of technologies biased toward the value of control, see Peter D. Hershock, *Reinventing the Wheel: A Buddhist Response to the Information Age*, SUNY Press, 1999.

solving thorny problems of supply and demand, resource allocation, and poverty alleviation. Rather, it rests on the continuous production of new wants and new problems. As made evident in the classic representation of samsara as a wheel, karma plays out in a cyclic (or at least spiral) manner. The intentions and values associated with “getting what we want” are karmically linked to finding ourselves “left wanting.” When trade is predominantly carried out as a local-global-local transfer of goods that undermines local ecologies of production and that compromises both personal and communal resources for contributory virtuosity, trouble and suffering both sustain and are sustained by “good business.” The more we rely upon the market to bring us what we want or lack, the more we will find ourselves wanting or lacking. In other words, we will find ourselves less capable of meeting our own needs, of seeing to our own welfare, and acting in our own fullest interests. As local ecologies of production are translated into marketplaces for the practically infinite array of goods and services made available through geographically fluid production monocultures and fully liberalized global trade, capacities for relating freely are converted into ironic compulsions to exercise ever-expanding freedoms of choice.

Such translation and conversion processes are especially powerful in the attention economy that began consolidating over the past quarter century in post-industrial societies and that is now a global phenomenon. In this still emergent economy, it is no longer material goods, services, or information/knowledge that are the most basic resource commodities, but attention itself. Lasting goods and services are no longer the focus of production, but rather the production of inherently fleeting meanings. In such an economy, “value-added” signifies attention captured. As attention is systematically exported from local contexts (family and community, for example), primarily through intensive mass media consumption, it is no longer available for appreciating and contributing to one’s immediate situation. And, in much the same way that the conversion of capital to money allows its maximally fluid distribution, the

attention economy effectively converts awareness from a qualitatively complex relationship to a minimally structured - that is, minimally committed - energy source. As the attention economy grows, personal and community capabilities for sustained appreciative and contributory virtuosity diminish.⁷ World Health Organization projections of an epidemic increase of depression in developed and developing economies (already rated as the most important factor of morbidity and lowered life quality of women in the developed world) is a particularly chilling commentary on the correlation of prevailing development processes, their social ramifications, and the erosion of meaning-making capability.

Again, however, it is important to note that such effects are not a matter of historical necessity. They are the experienced consequences of intentions and (especially) values that have shaped and continue shaping currently prevailing patterns of economic growth and interdependence. Crucially, the key conditions for these karmic consequences coming to fruition as they have pivot on issues of scale and what has been termed “downward causation” - the tendency of higher order systems for which history makes a difference to affect the nature of sub-systems comprised within them.⁸ These conditions are, in short, both karmic consequences and opportunities. And as I will try drawing out in the following two sections, they constitute the signal factors by means of which the liberating promise of the Buddhist teaching of

⁷ See Part Three of *Reinventing the Wheel* for a sustained discussion of the transformations of awareness that attend the conversion to an attention economy through the global, technology mediated colonization of consciousness. For a concise treatment of the role of media, see Peter D. Hershock, “Media, Attention, and the Colonization of Consciousness: A Buddhist Perspective,” in *Reason and Insight*, edited by Robin Wang and Timothy Shanahan, Wadsworth/Thomson Publishing: Belmont, CA, 2003.

⁸ For a wide range of papers exploring the concept of downward causation, see *Downward Causation: Minds, Bodies, and Matter*, edited by P.B. Andersen et. al., Aarhus University Press, 2000.

impermanence might be operationalized: no situation, no matter how complex or conflicted, is intractable.

Some General Implications

The Buddha's metaphorical representation of insight into the interdependence of all things as a "lost and forgotten city" suggests that urbanization, specialization, institutional growth and development can be seen as processes capable of dissolving commitments to narrow self-sufficiency and independent existence. Indeed they can be seen as conducive to establishing patterns of mutually enriching relationships, infusing daily life with ready opportunities for increasingly refined practices of (what would ideally be mindfully) shared welfare. Yet this is not a necessary result of urbanization and development, or of the transformation of practices for meeting subsistence needs that they entail and institutionalize. As evidenced in the cautionary tale embedded in the *Cakkavatti Sihanda Sutta*, these processes can be inflected in profoundly troubling ways, with socially disastrous results. In the simplest Buddhist terms, whether these processes are finally constraining and coercive or expansive and liberating depends on whether they are directed in alignment with ignorance, habit formations, and craving desires, or they are directed in alignment with wisdom, attentive mastery, and moral clarity. Development, in the broadest, Buddhist sense, should consist of movement toward realizing patterns of relationship that serve to bring increased productive diversity - that is, patterns of mutual contribution that appreciate or add value to an irreducibly shared situation. Trade is then consonant with and is deepened through cultivating wisdom, attentive mastery, and moral clarity.

Present-day patterns of trade and development do not meet this requirement. On the contrary, they work against the constellation of conditions that might sponsor a concerted turn in that direction, systematically converting local resources for contributory virtuosity and relating freely into increasingly dense arrays of consumption-fueled freedoms of

choice. Beyond a certain threshold, markets can only grow by problematizing present circumstances and delivering appropriate consumer product solutions. Granted the scale of contemporary trade and development regimes, but also the unprecedented rapidity with which these regimes and their technological infrastructures undergo significant change, it is hard to imagine what it would mean to turn the prevailing tide and begin restoring local ecologies of production. At the very least, the global institutions that now mediate the meeting of basic subsistence needs cannot be changed fundamentally overnight. Indeed, we could not reasonably hope that they would: any cataclysmic changes in these institutions could occur only at the cost of tremendous suffering to the billions now dependent upon them.

Yet, a key entailment of seeing all things as impermanent, troubled, and without any abiding, essential self is that no situation can be seen as intractable. There is always opportunity for meaningful response and - in keeping with the teaching of karma - a change in the direction of our situation and the relationships constituting it. What can and should be done, then, to alter our karma with respect to trade and development to realize their liberating potential?

Three initial observations can be made, I think.

First, there is no generic, one-size-fits-all solution, no universal way to resolve the predicaments in which we find ourselves. Appropriate resolutions must be improvised, in context, in real-time. Secondly, the scale and complexity of our situation, as it has come to be, make evident the need for a paradigm shift from focusing on factual problems that can be solved finally, at least within objectively determinate parameters, to realizing our immersion in predicaments that can only be resolved by grappling with contending goods, norms, and meanings, through establishing harmonizing and yet open-ended commitments to appropriate values and associated courses of action. Finally, resolving key trade and development predicaments - key conflicts with respect to both

ordinal and strategic values - cannot be carried out alone. Both the aim and measure of this work lie in relational quality - in enhanced and mutually enriching diversity.

These observations can be seen as consonant with the traditional Buddhist attribution of limitless resources for relational attunement (*upaya*) to fully realized bodhisattvas. As such, they suggest that the path of liberating trade and development is a particular manifestation of the path of realizing the emptiness of all things - that is, realizing the potential of all beings for mutual relevance or meaningful difference. It is a path that can be taken up anywhere and traveled without end. Truly liberating trade and development will promote opening ourselves *to* one another in that utterly proximate way needed to truly make a difference *for* one another. Only in this way is it possible for each and every one of us to realize that the very place in which we find ourselves is a place of immeasurable meanings and value - the ultimate alleviation of poverty.

But What About Bhutan?

At some risk, let me attempt linking these general (and, admittedly, hyperbolic) reflections to the task of operationalizing Gross National Happiness.

GNH has been described as built on four interlinked processes: the preservation and promotion of culture; environmental conservation; good governance; and socio-economic development. These very processes, however, have been claimed (or could easily be claimed) as foundational by many developed and developing countries, as well as by many multinational corporations and such intergovernmental organizations as the World Trade Organization or World Bank - for all of which the ultimate (and purely quantitative) measures of development remain rooted in rising GDP, per capita income, and levels of consumption. And although appeals are increasingly made to such "alternatives" as the Human Development Index, these alternative measures

generally only supplement rather than supplant or even set proper limits to traditional quantitative models for assessing economic development.

If measuring national development in terms of GNH is to be truly distinctive, happiness must factor significantly - and not merely incidentally *or* consequentially - into the development equation. That is, happiness cannot be simply an unplanned collateral benefit or even a focal outcome of economic processes - a pleasant, but entirely contingent by-product of existing economic imperatives, values, and practices. Instead, happiness must factor crucially and critically into resolving the sorts of predicaments and suffering sponsored by prevailing scales and directions of global interdependence. It must, that is, have sufficient traction to uniquely effect and orient development, exerting appropriate “downward causation” on relevant economic and social processes. Short of this, Gross National Happiness degenerates into what Stefan Priesner has described as “mere magniloquence.”

The early Buddhist tradition is unparalleled for the thoroughness and clarity with which it lays bare the constellation of conditions sponsoring unhappiness, trouble, and suffering (*dukkha*), as well as the means of dissolving that constellation and thus realizing *nibbana* (nirvana). The tradition is, however, notably muted when it comes to discussing happiness. When happiness (*sukkhā*) is explicitly invoked, it is almost invariably in the context of rehearsing what might be termed a conceptual genealogy of awakening or liberation. In the *Majjhima Nikaya*, for example, it is said that: “with mindfulness comes wisdom; with wisdom comes tireless energy; with tireless energy comes joy; with joy comes a tranquil body; with a tranquil body comes happiness (*sukkhā*); with happiness comes attentive mastery (*samadhi*); with attentive mastery comes equanimity,” as well as the other immeasurable relational headings (*brahmavihāra* or *appamaññā*) of compassion, appreciative joy, and loving-kindness (MN 118.29ff). These interactive vectors are not considered to be subjective feelings - emotions as now

commonly understood - but rather as relational qualities that “suffuse” the entire world. Happiness marks a phase or modality of relational enhancement and refinement that is inseparable from public, social transformation oriented toward enlightened and enlightening liberation. In particular, it emerges in the context of sustaining bodily tranquility and establishing attentive mastery (*samadhi*).

Granted this characterization, happiness will have demonstrated effective economic traction when trade and development reduce overall stress and bring about enhanced capacities for concentrated and yet flexible awareness, in the context of realizing the kinds of mature emotional capabilities associated with sustaining meaningfully enriched and liberating relationships. In terms of the analysis given earlier, such trade and development practices and institutions would serve to counter the commodification of attention and the contraction of awareness that lie at the roots of the global colonization of consciousness. They would challenge the predominance of choice and control as values structuring the operation of markets and practically mitigate both the erosion of productive diversity and the inequitable patterns of economic growth to which they lead. Finally, they would conserve and enhance local resources for meaning-making, working against the consumption of commodified meaning, particularly as institutionalized in global mass media news and entertainment. If appropriately sustained, they would lead to the emergence of post-market economies rooted in a paradigmatic value shift from individual freedoms of choice to relating freely and from consumption-driven to contribution-enhancing patterns of growth.⁹

⁹ There is a significant body of Buddhist literature that addresses the problematic ontological commitments underlying the act of choosing, most notably perhaps, the Chan works associated with the lineage from Huineng through Mazu, Baizhang, Huangbo, and Linji. Here, the tendency toward “picking and choosing” is forcefully depicted as rooted in a denial of the emptiness of all things and a failure to practically realize the meaning of non-duality. To be bereft of possibilities for enhancing our way of life is, indeed, a horrific

What might this mean concretely for Bhutan? Let me briefly address just four, representative and interconnected issue areas: meeting subsistence needs; technology transfer; cultural conservation; and the role of governance.

No economy can be considered healthy if it fails to provide basic subsistence needs in an equitable and just manner. These needs include, at the very least, food, clothing, shelter, health care, and education. As Bhutan opens itself to global economic forces, it may not remain feasible to address all of these needs through traditional local-to-local patterns of trade, or in ways that conserve and promote robust, associated local production ecologies. For example, it may not prove feasible to significantly improve health care provision without importing medicines and treatment techniques and technologies. A reasonable aim, however, is to target key subsistence needs as foci for strenuously conserving and developing local resources and production ecologies. Education is arguably the central candidate for such treatment. For instance, education practices in Bhutan might be revised in such a way as to foster improvisational ability, emotional maturity and refinement, stress reduction, and attentive mastery - all necessary to offset the predominant effects of prevailing patterns of global interdependence. These might be more or less explicitly Buddhist in nature, but should clearly reflect indigenous, Bhutanese values and practices. Improvisational ability, in particular, will be crucial in the adaptive work needed to truly conserve - and not merely preserve - Bhutanese culture and Bhutan's overall capability for contributing effectively to global social, economic, and political processes.

As a very small country, with a comparably small national economy, it is sheer folly to believe that Bhutan could ever develop or sustain competitive advantage in manufacturing or

prospect. But being in a position to choose is not equivalent to being positioned to contribute to and enrich our irreducibly shared situation.

other industrial modes of production. If, indeed, there is a commitment to conserving local production ecologies, technology transfer must be carefully orchestrated to insure that imported technologies (and the strategic values they embody) are appropriate complements to existing Bhutanese production practices and values. For instance, there is a wealth of new building materials and technologies flooding onto the global market. In most cases, the transfer of these materials and technologies has been accompanied by practically wholesale conversion to imported building design protocols - often with both aesthetically and practically disastrous results. Care should be taken to introduce only those materials and technologies that can contribute to the evolution of already existing Bhutanese design sensibilities - that is, to extend the values and practices that already obtain in Bhutan and have historically proven their appropriateness to the Bhutanese setting.¹⁰ Moreover, the pace of technology transfer should, to whatever degree possible, be indexed to the availability of relevant Bhutanese expertise. Excessive reliance on foreign experts practically guarantees eventual dissonance between imported means and indigenous aims.

Of particular importance will be policies related to communications and information technologies, and their role in effecting the export of attention from local concerns. The recent, official introduction of television to Bhutan marks a decisive move - understandable, and yet not without marked risks for the erosion of Bhutanese cultural and contributory resources. The case for developing Bhutanese competitive advantage in media production is no better than that in relation to manufacturing and industrial production. Neither can it be assumed possible to stem what is likely to be a flood of global media products into Bhutan. It is, however, possible to establish policies restricting direct advertising - a key component in the generation of desires for consumer choice

¹⁰ The work of Susan Murcott and her Institute for Sustainable Living can be referenced as exemplars in technological transfers and innovations oriented toward enhancing local contributory resources.

in market-oriented economies. It is also possible, with broadcast media, to establish policies requiring, for instance, that a certain percentage of daily airtime be devoted to locally relevant program content. As a counterbalance to the potentially overwhelming extent and density of cultural products arriving through global media, policies might be established to fund the creative advancement of Bhutanese artists, performers, writers, and commentators, making use of taxes pegged to audience size for imported program content. Unavoidably, many new artists will engage in creative hybridization. What is crucial is that this process enhances and extends Bhutanese culture. The aim is not to *preserve* Bhutanese culture (in effect rendering it incapable of natural reproduction), but rather to *conserve* it - a process that implies creative adaptation as well as sustained continuity.

Related to these three issue areas is a broader policy implication regarding the institutional structure of integrating global and Bhutanese economies. Although large nation states can reasonably anticipate some advantages, for example, to membership in the World Trade Organization, Bhutan would appear to have much more to lose than to gain in such arrangements. Much more is promised by Bhutan remaining in a position to levy appropriate tariffs and import taxes than by adopting an "open-market" approach to development. Indeed, the flood of consumer products and its attendant ideology of freedom through choice would very quickly erode what real possibilities remain for Bhutan to leapfrog the phase of post-modern market economics in achieving truly equitable and just trade and development.

These last remarks suggest an importance role for governance in both orienting and driving the operationalization of GNH. Much of the development literature in the West - particularly that originating in the US - asserts a strong correlation between development and democratization. And, as customarily defined, both processes indeed embody shared and strong commitments the preeminence of choice as both an ordinal and strategic value. Some commentators, however,

have identified reasons to qualify the implied causal relationship. Amy Chua, for example, has discussed the ironic consequences of importing democratic patterns of governance into countries with market-favored minorities.¹¹ Others have noted that authoritarian states been successful in generating rapid development - Singapore, for instance - and that many democratic states have undergone developmental regression. Yet others have claimed that the only clear correlation is between overall development and the degree to which leadership and governance practices are committed to securing basic human welfare. In short, the meaning of any substantial correlation between democratization and development is open to contest.

What can be recommended in the case of Bhutan, I think, is careful and responsive adaptation to changing circumstances, as they come to be - not, in other words, any *prescriptive* shift in governance practices. At present, an appropriate balance seems to obtain between a democratization of the processes by means of which problems and predicaments associated with development are identified and understood, and a sustained and substantial role for the king in establishing appropriate national values, commitments and resolves. Although perspectives will differ, it is my own conviction that the loyalties, trust, and consideration that obtain between the Bhutanese people and the Bhutanese royalty - so aptly epitomized in the commitment to granting highest priority to Gross National Happiness - demonstrates a unique and deeply shared virtue.

By way of conclusion, allow me to invoke the frame narrative of the *Cakkavatti Sihanda Sutta*. In this narrative, the Buddha instructs a gathering of students to practice mindfulness in all aspects of the present as it has come to be, keeping close to their own preserves, to the ranges of their

¹¹ In Amy Chua, *World On Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability*, Doubleday: New York, 2003.

ancestors. In this way, he affirms, illusory thoughts and desires will find no foothold. He then adds that it is only by cultivating wholesome states that this virtue will deepen and develop. In operationalizing happiness as a key value for effecting and orienting socio-economic development, Bhutan can ultimately do no better than to heed this injunction: mindfully discerning the present, global situation, as it has come to be, responding through and in endless cultivation of wisdom, attentive master, and moral clarity.

CHERRY PICKING IN BHUTAN

*Michael Rowbotham**

Introduction

It is a great honour to be invited to Bhutan to address this conference. In writing this discussion paper, three considerations were uppermost in my mind. I wanted to express my admiration for the work already being undertaken by the Bhutanese Government under His Majesty the King, Jigme Singye Wangchuck. The concept of Gross National Happiness (GNH) represents an original and highly significant initiative and the Government has been diligent in finding ways to apply this policy as broadly and honestly as possible.¹ Secondly, I wanted to express my appreciation of the work of others. Those papers and extracts I have had the opportunity to read show a deep appreciation of the issues involved, not least the acute dangers to developing nations presented by the modern global economy.² With this in mind, my third consideration was that I wanted to make an original contribution - not duplicate the work already done by others nor simply echo other delegates. This paper is offered in the hope that it will integrate with this earlier work.

It is important to state at the outset what is omitted from this paper. What I do not discuss in depth is the debate over the nature of happiness itself, and the extent to which this derives from material/social/external considerations and from inner, spiritual ones. This has been well covered by

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¹Dasho Meghraj Gurung, Address to Gross National Happiness Seminar, Netherlands, 2001.

²Sander G Tideman, Gross National Happiness: The Meeting of Buddhism and Economics, Briefing Paper for GNH Dialogue, Netherlands, 2001.

those more qualified than myself.³ Material well-being clearly contributes to happiness, yet we are all aware that a state of happiness lies much deeper. Paradoxically, happiness actually lies deeper than many of the important social and non-material considerations that are excluded by conventional economics and embraced by GNH. Ultimately, happiness is a matter of perception; a state of mind; a fact that is fully acknowledged by Buddhism and other world faiths.

What this paper focuses on is the way that orthodox economic policies can erode and destroy the happiness of a society and its people. It also outlines a range of economic policies and ethics that have the potential to provide a structure within which GNH might be more effectively created. This is by avoiding some of the mistakes of orthodoxy, and considering alternative 'New Economic' policies that provide room for the many subtle elements that contribute to GNH to emerge.

The aim is to try to add to the debate in the following ways:

- 1) Draw attention to important economic considerations omitted from orthodox economics, which are embraced by the concept of Gross National Happiness
- 2) Highlight the flaws in conventional economic policies and institutions that can erode Gross National Happiness and disadvantage developing or smaller nations, such as Bhutan
- 3) Emphasise the dangers faced by small nations such as Bhutan in their engagement in the global economy
- 4) Outline the wide range of economic policies that might ameliorate the impact of the global economy and

³ Chris Enthoven (ed) *Gross National Happiness, Gross National Product - A meeting between two cultures*, Ecooperation, 2001.

promote a more benign, sustainable form of economic activity

- 5) Discuss the potential application and relevance of these policies to key economic and social sectors in Bhutan

Bhutan is not alone in facing the challenge of development in the 21st century and the opportunity exists to draw as widely as possible on the experience of other countries in informing this discussion.

1) Economic Considerations Omitted by Orthodox Economics, which are Embraced by the Concept of Gross National Happiness.

Although this area has been discussed in other papers, it is worth summarising some of the points already made, hopefully adding to the analysis.

Gross National Happiness is a magnificent ethic. The substitution of a single word, 'happiness' for the word 'product' injects humanity, in all its rich complexity, into economics. Many tenets of economic orthodoxy are challenged, most obviously the assumption that increasing material wealth automatically equates with increasing levels of human happiness. It has been broadly conceded by writers in the GNH forum that material wealth *can* contribute to human happiness, but that this is only one element in a complex array of considerations. Perhaps the most succinct statement of this is that humans are not wealth 'maximisers', but 'satisfiers'⁴. The majority of people pursue material goals only to a certain level: either to a level where non-material considerations become more important (such as leisure or family concerns), or to a level that provides them with a sense of security - a perception that is at least in part non-material.

⁴ Stanislav Menchikov, quoted in *Enterprise and Development in the 21st Century: Compassion or Competition?* Sander Tideman (ed), Asoka, 2000.

The contention that human desire for material wealth can be satisfied in turn casts doubt on the deeply traditional premise that economics is a study of 'the allocation of scarce resources' - essentially a study of conflict. The falsehood of this premise is also attested by the observation that our access to material wealth is not limited by the finite nature of the world, but rather by our ability to create and willingness to distribute that material wealth.⁵

As well as challenging orthodox assumptions, the concept of GNH allows and obliges us to include many considerations omitted from orthodox economics. The satisfaction (or lack of it) from work has no relevance in orthodox economics - labour is seen merely as a factor of production and is thereby utterly dehumanised. Similarly, the impact of economic development on families and community structure, the health of the environment, the depletion of natural resources and the prospects for future generations; all these considerations, which are of the first importance in GNH, only figure in orthodox economics to the extent that they can be demonstrated to impact on the production of material wealth. The 'voluntary economy' that revolves around family/community/social ties, and which can be affected so disastrously by conventional economic policies, is completely omitted from GDP. Yet, as has been indicated by many studies, this voluntary economy actually contributes some 50% of the true economy of a nation. GDP as a concept, focusing on monetised exchanges, is therefore a deeply flawed measure of the true material wealth of a nation.

GDP also assumes all monetary transactions are inherently desirable, and so includes many aspects of the 'negative economy' as positive outcomes. For instance, the restoration of environmental damage, anti-pollution systems, excessive transport, growing demands on the legal system, measures to combat rising crime and deteriorating health, drugs programmes - all these register as increases in GDP. The New

⁵ Sander G Tideman, Op Cit.

Economics movement has for many years been developing GPI (Genuine Progress Indicators) that attempt to embrace the glaring omissions and contradictions of GDP.⁶

It might be argued that the wealthy nations do not, in fact, pursue GDP growth blindly, but entertain other policy considerations alongside this goal. However, these policies are generally an afterthought and fail to acknowledge that the problems they attempt to address are frequently caused by the relentless pursuit of economic growth. By contrast, the policy of GNH deliberately places non-material outcomes at the forefront; it widens the debate to include everything of relevance to humanity - dramatically broadening the scope of our economic and political concern. This also complicates a government's decision-making, since it is not just immediate and obvious outcomes, but knock-on effects of policies that are relevant.

2) Flaws in Conventional Economic Policies and Institutions that can Erode Gross National Happiness and Disadvantage Developing and Smaller Nations, such as Bhutan

Although much has already been said in criticism of orthodox economic priorities, again it is worth adding to this critique. It is important to have as complete an analysis as possible in understanding the defects of the economic system prevailing nationally and internationally.

The above section notes the extent to which the register of GDP is a redundant and flawed measure of progress. However, the pursuit of GDP is but one of a host of assumptions, ethics, policies and institutions that characterise and drive forward the modern economy. To provide an exhaustive discussion of these is beyond the scope

⁶ Cobb, Goodman, Wackernagel, *Redefining Progress; Genuine Progress Indicators*, Oakland (California), 1999.

of this paper and many have already informed the debate over GNH. However, the following are, I believe, key issues.

Debt-Based Financial System

One of the greatest institutional failings shared by the majority of national economies is the monetary, or financial system upon which they rely. My first book, *The Grip of Death*, is subtitled *A Study of Modern Money, Debt Slavery and Destructive Economics*.⁷ It discusses how an out-dated financial system, based almost exclusively upon fractional reserve banking, still dominates modern economies. This 'debt-based financial system' renders economies permanently unstable and creates a pressure towards constant growth, regardless of need or the desires of the population. A debt-based financial system is characterised by deteriorating personal solvency and the acute financial exposure of both commerce and government. This general lack of liquidity leads directly to the predominance of low-cost, mass-produced goods and services, and thereby to the over-centralisation of production, distribution and retailing. The pressure to find and provide new employment in an economy where labour is constantly displaced by technology results in a ceaseless stream of new products and services, which people are encouraged to purchase through an entire industry devoted to mass-persuasion and the manipulation of desires. In the over-centralised, debt-ridden, 'rich-but-poor' wealthy nations, public services, commerce and agriculture have all been deeply affected, transport systems are grossly overloaded and even residential and commercial patterns of development now reflect the failings of the inadequate financial system upon which the entire economy is based.

The debt-based financial system also has far-reaching effects internationally. Due in part to the tendency towards overproduction and in part to the lack of liquidity, there is a pressure on nations to seek overseas markets for goods that

⁷ Michael Rowbotham, *The Grip of Death; A Study of Modern Money, Debt Slavery and Destructive Economics*, Jon Carpenter, 1998.

cannot be sold domestically. This pressure to export is intensified by the influx of foreign goods from other economies similarly seeking adequate markets for their unsold goods. Trade, which ought to involve a balanced and fair exchange of goods to the mutual advantage of all nations, is now little more than thinly disguised economic warfare.

The extension of fractional reserve banking/debt-finance into the field of development has created the single greatest disaster of the last century - the institution of International, or 'Third World' Debt. The prime lending and advisory institutions, the IMF and World Bank, have presided over the slow-motion destruction of countless countries under the banner of 'progress'.

Sub-Saharan Africa's development, like that of so much of the Third World, has been a horrifying tragedy in which 'progress' has been accompanied and countered by the most appalling suffering, starvation and wretchedness. Millions now find themselves marginalised within their own society, existing in the midst of an economic degradation so profound that it not only fails to provide them with food, water and shelter, but has destroyed their culture, their past, their future and all hope.⁸

The historical record of the IMF and World Bank, documented in literally thousands of books protesting at their false economic priorities and failed policies, stands as an enduring testament to the wholesale failure of neo-classical economic wisdom to address the sensitive issues of development. Meanwhile, the failure of Western nations to cope with their own development, by maturing into stable, contented societies, underlines the inadequacies of their own economic

⁸ Michael Rowbotham, *Goodbye America! Globalisation, Debt and the Dollar Empire*. Jon Carpenter, 2000.

institutions, priorities and policies. The debt-based financial system is by no means the only factor contributing to this failure, but it is certainly a major component.

Wealth, Poverty and the Free Market

In the West, it is accepted almost without question that the activities of the business or 'entrepreneurial' sector within an economy lead to the creation of wealth, and that this in turn leads to a general increase in the material wealth of the society as a whole. This assumption has been challenged on two fronts.

First, as David Korten discusses in his book *When Corporations rule the World*, much activity by the business sector is not, in fact, creative of wealth, and may even be destructive of wealth.⁹ The absolute priority of the business sector is to make a monetary profit. This may involve wealth creation, but much activity by the business sector actually involves the *abstraction* or *appropriation* of material wealth that has already *been* created, the pursuit of market share and the elimination of rival commerce. If one firm takes over another firm and shows an increased profit, this is deemed a business success and automatically 'good for the country'. The business venture may indeed be a success for those directly involved. But this may involve thousands of workers losing their employment, the closing down of factories and retail outlets, a decrease in the range and quality of products available, workers being obliged to travel further to new employment and consumer dissatisfaction. This example is not intended as an argument against free enterprise or capitalism, simply an observation that business success does not automatically equate with wealth creation. Business success is just that - business success.

Second, the success of a business, whether it involves the creation of wealth or not, does not automatically lead to the

⁹ David Korten, *When Corporations Rule the World*, Earthscan, 1995.

increased *distribution* of wealth. The 'trickle down theory' - the assertion that wealth generated by the business/entrepreneurial sector percolates throughout the economy - is one of the ethics dearest to orthodox economics. This belief, born of faith in a mythical 'perfect market', is far from proven. The growth of poverty in wealthy nations such as the USA and UK coupled with a markedly increased 'gini coefficient' (measuring the disparity between wealthy and poor sectors) strongly suggest that confidence in the 'trickle down theory' is wildly misplaced. Since Adam Smith, economists have warned that 'unequal exchange' may lead to the progressive aggregation of wealth and impoverishment of the poor. This remains true despite the fact that there appears to be an increased flow of material goods to citizens as consumers; the spiralling levels of personal debt in the West underline the fact that access to this 'created wealth' is problematic, to say the least.

The above points are not intended to argue against free markets, nor denigrate the entrepreneurial sector. They warn of the need for fairer and more effective regulation in business, proper employment rights and policies that ensure the distribution of wealth is more just.

Inefficient Allocation of Resources

Another axiom of conventional economics is that a free market will lead to the most efficient use, or 'allocation' of resources. Those businesses that survive and succeed in the market achieve this success because they utilise the available resources most effectively, producing and selling goods at the most competitive price, whilst other less efficient firms do not survive. Over time, the available resources will be used most effectively by the most efficient firms.

According to this rationale, consumers in the developed nations 'want' their products to be increasingly unreliable, with an ever-shorter lifespan; they 'want' to have to make and buy those throw-away products repeatedly; they 'want' to eat food that is increasingly tasteless and lacking in nutritional

content; they 'want' to be barraged by imagery that undermines their self-esteem if they do not conform to advertising stereotypes; they 'want' to work in an economy that is destroying the planet on which they depend.

Perhaps the most glaring example of the 'misallocation', or inefficient use of resources involves the trend towards the globalisation of food production. Land within the poorer, developing nations that is desperately needed to grow food for their own population is utilised to grow crops for export. The foodstuffs produced are then transported by sea and air to Europe, North America and other wealthy nations. Meanwhile, farmers in these more advanced economies, who are often perfectly capable of producing the crops being imported, are driven out of business. Three ecosystems suffer. Farming in the UK struggles to survive and land usage declines; prime agricultural land in impoverished nations is diverted towards export crops instead of feeding the indigenous peoples; meanwhile the global ecosystem suffers from the excessive transport of goods.

Orthodox economics argues either that this *is* the most efficient allocation of resources (the free market cannot be wrong) or that a more efficient allocation of resources *will* come about through the 'doctrine of convergence' - the wealthy farmers in the UK will have to compete their way back into the market by lowering their income expectations, whilst the success of farming in the developing nations will raise incomes there. Thus, the grotesque misuse of land we now see is perceived as a stepping-stone along the road to greater global equality. All the evidence of the past century is that this 'doctrine of convergence' is another totally redundant economic ethic, rendered meaningless by the existence of global food monopolies and the overhang of crippling debt that obliges developing nations to feed the world rather than their own peoples, acting as the cheap manufacturing and agricultural outposts for powerful western corporations.

This 'development debacle' does far more than warn of the dangers of focusing on export products in a glutted world market. It emphasises yet again that commercial success is not an automatic good, and certainly does not imply the most efficient use of resources. This warning applies within nations as well as between nations. Long before globalisation of food reached its current level, UK farming was suffering a damaging trend in which the most effective and genuinely productive farms - medium sized, mixed farms - were being driven out by ever-larger, more wasteful but more cost-effective agricultural businesses, operating in alliance with giant supermarket chains.

Trade is Not an Automatic 'Good'

Trade between nations is, rather like GDP, taken by orthodox economics to be an incontrovertible indicator of progress. Trade is 'good'. That this is not the case takes only a moments application of common sense. If trade were an automatic sign of progress, Bhutan could produce everything needed by Nepal, and Nepal could produce everything needed by Bhutan; the goods could be exchanged and everyone would be better off - except of course, they wouldn't be. Trade involves transport and transport involves a substantial cost. Once the gross inequities of the international markets are appreciated, the glaring cost associated with modern trade becomes apparent. Near-identical products criss-cross the planet, goods that could be produced locally or regionally are manufactured in remote countries and exported globally, patterns of production and supply are forever changing, involving constant and repeated re-investment - the waste is simply incalculable. The proper purpose and value of trade is well understood and reasonably obvious, but to confuse today's burgeoning exchanges with progress is quite wrong. This excessive and ever-changing trade is, as discussed in a later section, a product of the volatile global markets created by the international debt crisis and the wholly inadequate trading architecture devised at Bretton Woods and since.

3) Dangers Faced by Small Nations such as Bhutan in their Engagement in the Global Economy

It might seem, with all the effort being put into the policy of GNH, that there is little likelihood of Bhutan being drawn down the road of 'Western style development'. With all their glaring defects, the wealthy nations are clearly not a model, either in terms of their material possessions, their social priorities or their rampant pace of change. Surely, the culture of Bhutan is too proudly revered and GNH is too robust a policy?

However, the danger is very real of Bhutan being drawn either towards excessive materialism of the West, or the poverty of other developing nations, or indeed a blend of both. The global economy is a highly aggressive environment and the pressure of external debt has obliged the majority of developing nations gradually to divert economic effort and resources away from their own citizens' real needs. As the unrepayable debts mount, these countries are forced to accede to deregulatory policies that progressively expose their economies to global commerce, with disastrous results.

There is yet another danger. The perception of affluence within the wealthy nations can have a profound influence on the citizens of poorer nations, generating a growing dissatisfaction and ultimately a rejection of their own culture, which is substituted by a craving for Western material wealth and the image of happiness it conveys. The loss of traditions and erosion of cultural identity can, like the breakdown of family and community structures, happen rapidly and irreversibly.

But perhaps the greatest threat is an insidious one, coming from the aggregate impact of the material wealth of the global economy in which technological progress and materialism is so prevalent.

There is a tendency to suggest that technology and material goods are, in themselves, 'neutral'; it is the use to which they are put that is of importance. In fact, nothing in life is truly neutral - neutrality is an abstract, essentially scientific and mathematical concept. Material goods have existence. If a country suddenly invents a technology or imports a type of product it did not have before, that country is altered. If a country imports a technology or improves an item it already had, it is changed. This can be as simple as knives and forks or clothing, or as complex as cars, tractors, mobile phones and televisions. The culture is changed.

Technology and material goods are not neutral; their existence changes patterns of life. And this is the problem. We are not discussing a single product - such as mobile phones - but a vast range of material goods that, in aggregate, represent a wholly different way of life. All these are waiting beyond the borders of Bhutan - motorbikes, microwaves, crockery, computer games, stainless steel kitchen equipment. If these are imported en masse, where then is traditional kitchen? Where then is the traditional way of making Bhutanese plates? If tractors and chemical fertilisers become widespread, where then is traditional agriculture, its field size, structure of the landscape, land tenure and the communities they supported?

Neither are we simply considering a threat from material consumption, but methods also. When an item is produced in a different way, there is an effect on working patterns. When goods are imported, a domestic industry often dies. Viewing technology and material goods as 'neutral' is a Western perspective with limited views, ignoring the socio-cultural impact of the product, how it is produced and what it replaces. Instead, we should always be asking, "What is the effect of this change or that change?"

In essence, if you really want to keep Bhutan as it is, you must change nothing. Just put up the barriers and refuse all change. This, I am anticipating, is not an option. Cultures

naturally evolve and change, albeit far more slowly than under the economic pressures recently experienced in the West. Normally, they change from within or in response to gradual influence and changes elsewhere. Bhutan's isolation, which has served it so well, means the country is now faced with a flood of advance representing changes that Western citizens found difficulty in adjusting to over a far longer period.

This leaves Bhutan's leaders with the vital but immensely complex task of monitoring and regulating the nature and pace of change - a momentously challenging responsibility. However, Bhutan should realise that it is not by any means alone. Although it may seem as if the entire world has either adopted western consumer culture or is in avid pursuit of that culture, this is actually part of the myth of western consumerism. The vast majority of the world's population actually live in communities, regions and nations that value their own culture, prize their independence and are seeking to find ways, like Bhutan, of preserving their inheritance and identity.

4) Economic Policies that Might Ameliorate the Impact of the Global Economy and Promote a More Benign, Sustainable Form of Economic Activity

It is one of the great intellectual failings of recent years that political and economic debate has been reduced to a simplistic contest between socialism and capitalism. The only alternative to the deregulated free enterprise and market capitalism that now prevails is portrayed as state socialism or communism, in which powerless and property-less citizens are directed by an omnipotent government dictatorship. To contend that these caricatures comprise the only possible political/economic options is absurd. Lip service is sometimes paid to the notion of a mixed economy, involving a blend of welfare provision and free market capitalism, but the 'mix' is far from certain. With the collapse of communism, neo-liberal capitalism is clearly the ascendant ethic, indeed The UK

Chancellor, Gordon Brown has declared that “...there is no alternative”. But of course, there is. Indeed, there are countless alternatives.

Just how lacking is the theoretical debate can be seen even in the GNH forum, for example, in discussions over the role of competition and the hypothetical free market. It has been asserted in several past GNH papers that competition is an inevitable and at times positive element in economic activity. This may be true, but the nature of competition can be dramatically affected and outcomes altered by economic policies. For instance, the level of competition for land in an economy where very large land holdings are permitted and are customary will be very different from the competition for land in an economy where a size-limit on land holdings exists, permitting more farmers to enter the market whilst restricting the power of established farmers to monopolise land and food production. As another example, the degree of commercial competition for sales in an economy where adequate purchasing power is distributed amongst the majority of consumers will be very different from that in an economy where a significant number of consumers lack adequate purchasing power. To discuss the notion of ‘competition’ but ignore the factors that affect the nature of competition is a virtually meaningless exercise.

It may well be that the most optimistic future for economics lies in dispensing with intellectual slavery to any one ‘ism’, whether it be capitalism, socialism, environmentalism or New Economic-ism. If that is the case, it leaves politicians free to exercise their judgment and consider likely outcomes rather than fond hopes and misplaced faith. In this, the concept of GNH would seem to represent an ideal that is far superior to any intellectual system or single programme. A government that embraces GNH is free to adopt and adapt policies at will from a multitude of sources, old and new.

This brings us to the opposite of the statement made by Larry Summers formerly of the World Bank, who once infamously

stated to the Indian Government, "... governments need to understand that there is no longer such a thing as a separate and distinct Indian economics - there is only economics".¹⁰ There is, or should be, an economics that is distinctive for each and every country. This conference represents part of the search for a specifically Bhutanese economics in which the priorities, culture, specific problems and opportunities of this country are given primacy. Countries have the right to cherry-pick amongst the vast array of contending and available policies and make their own decisions.

The following section discusses a wide range of topics and policies. Some of these reflect the range of analysis, practical policies and ethics that derive from the New Economics movement. In other cases, key sectors of the economy are discussed in terms that emphasise their significance to developing nations, their importance to the concept of GNH and their sensitivity to policy initiatives.

- Audit and Inventory
- Import Substitution
- Licenses, Tariffs, Quotas and Subsidies
- Agriculture and Rural Communities
- Transport
- Capital Development Projects (Hydroelectric Power)
- International Debts
- Currency Valuation and Trade Deficit
- Monetary Reform
- Taxation
- Fixed Limits
- Service Sector and Tourism
- Education, Culture and Celebration

¹⁰ Quoted in, Susan George, Fabrizio Sabelli, Faith and Credit, Penguin. 1994.

5) Potential Application and Relevance of these Policies to Key Economic and Social Sectors in Bhutan

This section attempts to highlight the nature and scope of the initiatives that might be undertaken by a government wishing to engage in the global economy, secure a prosperous future for its people and also maintain the identity and integrity of its culture. Some of the policies are regulatory, some are supportive, and some are creative. There is a blend of what might be termed New Economic reforms, well-known (if sometimes unfashionable) policies, and *ad hoc* suggestions. The discussion is deliberately open-ended. Rather than advocate any specific programme, the aim is to identify the *type* of decisions that could be made and powers exercised in crucial economic sectors. The overall intention is to emphasise the enormous scope for action and equally enormous responsibility placed on a government committed to a policy as demanding as GNH. ...Everything matters.

Audit and Inventory

Those who are happy know they are blessed with many gifts... So, in line with all good moral advice, "count your blessings". In addition to its social fabric, Bhutan already has considerable material wealth. Some of it is natural capital; some have been created by human endeavour. Although the focus is not simply on material issues, it is a valuable exercise to assess a country's material wealth; its natural capital, tapped and untapped; its agricultural and industrial capacity; its homes, villages and cities; roads, waterways and infrastructure. Such an audit can be highly useful in informing policy-making across the range from industry and agriculture to education and the environment. A country's intellectual and cultural capital is of course beyond measure, and sight should never be lost of it. But that which can be counted is worth counting.

Import Substitution

Section 3 above discussed how central to a culture are the myriad small things of everyday life; how we dress, household

items, consumer goods, what these represent and how they are produced. The influx of Western consumer goods has the capacity to change a culture beyond recognition. Not only are the daily routines of life in the home altered, but domestically produced products are replaced, whilst the need for money to buy the imported goods creates a resultant pressure to export/earn revenue - all these can exert massive aggregate changes across an economy.

One policy pursued very vigorously and effectively by a number of Asian countries in the 1950s and 1960s was that of import substitution. Whilst exerting a strict protectionist ethic (backed up by the lack of foreign currency to buy imported goods) nations such as Japan and South Korea found ways to produce and market their own versions of western consumer products.¹¹ This policy has many virtues. First, the reality of actually *making* an item is brought home to a people and their economy. Second, a specifically indigenous character can be instilled into the product. Third, the pace of change is regulated and slowed since the policy requires some development. Fourth, the monetary balance and integrity of the country's economy is maintained.

The policy of import substitution does, however, have a problem - or at least an apparent weakness. Goods that are easy to make, and which Bhutan could produce itself without too much effort, are precisely those goods that are already available cheaply on world markets. There is therefore a great temptation simply to import them. By the same token, products that are complex to manufacture are likely to be more expensive and place greater revenue demands but, since they may require an industrial base that the country lacks, the country feels it has no option other than to import them. But this apparent problem actually proves the validity of the policy. It is precisely *because* import substitution is no 'quick fix' that the policy has such merit. A country is obliged to develop a genuine industrial base and this takes time. The old

¹¹ Cheryl Payer, *Lent and Lost*, Zed Books, 1991.

maxim “look after the pennies and the pounds will look after themselves” is highly relevant. Savings that are made by import-substitution of cheaper products can then allow the judicious import of more high-tech capital goods, leading to modest but progressive industrialisation.

It may not be feasible for Bhutan to manufacture its own mobile phones and televisions, but it is certainly possible for it to produce many simpler household items, from crockery and cutlery to furniture and fittings. Precisely what Bhutan is capable of producing for itself, learning from Western technology and adapting this to its own material needs and cultural priorities, is an adventure in itself. To have a healthy acceptance that change is inevitable and healthy, but defiant that this should be *Bhutanese* change, is a policy that must have relevance to GNH. It is astonishing what a small country can actually produce for itself, especially in an era when expertise and technology is capable of meeting a demand for small and medium-scale production.

The potential for import substitution emphasises the value of an economic audit, since intelligent planning can be undertaken; energy can be directed towards key processes and products that provide a maturing and gradually diversifying industrial base. It is worth also noting Bhutan’s close economic links with India, as well as its other main trading partners. These links could be highly valuable in any programme of modest industrialisation and import substitution in supplying raw materials, semi-manufactured goods, equipment and expertise.

Licenses, Tariffs, Quotas and Subsidies

Investment in import substitution can be coupled with restrictions or heavy tariffs on chosen foreign goods. Policies such as import licenses, tariffs, quotas and subsidies - all of which ‘interfere with free trade’ - are frowned upon by orthodox economists. Yet a country clearly has every right to adopt a programme that vigorously defends and seeks to improve the welfare of its people. If the United States is

justified in placing tariffs on imported steel to protect its steel industry, Bhutan is equally justified in placing tariffs that help it prevent or regulate the mass exodus of currency on cheap consumer goods from abroad, whilst gradually developing its own industrial base and protecting its cultural integrity.

A special note has to be made with regard to subsidies. As with tariffs, modern Western nations and their economists frown on developing nations when they grant subsidies, yet such financial assistance is rife in the wealthy nations. This involves not only the more obvious instances such as EU farm support, but direct grants to private firms involved in public services (such as railways), multi-million dollar deals to entice multinationals to invest in a country and countless regional support programmes that allow businesses to apply for government grants and funding. These are investment and support subsidies, pure and simple. They have no greater validity in terms of 'free market' economics than food subsidies in developing nations. In short, subsidies are everywhere.

In discussing tariffs and subsidies, it is worth drawing attention to the seminal work of Tim Lang and Colin Hines. Their book *The New Protectionism*, whilst acknowledging the value of free enterprise, vigorously defends the right of governments to adopt policies that regulate imports and support indigenous production.¹² Colin Hines' more recent book, *Localisation; A Global Manifesto*, is equally important.¹³

Agriculture and Rural Communities

All the evidence of the past 50 years warns of the danger of an over-emphasis on the production of foodstuffs for export. World markets in food commodities are mostly glutted and prices are notoriously volatile. The first duty of a government is to feed its people and the first priority of land should be to

¹² Tim Lang, Colin Hines, *The New Protectionism*, Earthscan, 1993.

¹³ Colin Hines, *Localisation, A Global Manifesto*, Earthscan, 2000.

produce food for domestic consumption; not export. A domestic market is predictable and stable, crops that conform to the climate and soil are already known and farming systems and land tenure are well established and constitute a vital element of rural culture.

This does not mean that indigenous agricultural systems are incapable of improvement. In many developing nations, much work has gone into improving traditional methods, drawing on the experience of farming elsewhere and the ingenuity of intermediate technology. More effective tools and equipment, advances in crop varieties, irrigation systems and cooperative marketing and machinery schemes - all these have in various countries given great support to subsistence agriculture to the point where life is easier and productivity markedly improved.

Land tenure/usage is a vital aspect of traditional rural culture. Any policy or sequence of events that seriously affects land tenure threatens the foundation of rural communities. This in turn is potentially disastrous for the continuity of those communities and the practical lifestyle that binds them together. People simply cannot be expected to adhere to traditional cultures and values if the link between land, labour and community is drastically or rapidly altered. In a country such as Bhutan, where some 50% of the population is based in rural communities with an agricultural base, every effort needs to be made to support such communities and help them thrive by making subsistence farming and village crafts more viable. If this does not happen, rural depopulation, flight to the cities and the poverty of shanty towns promises a bleak future not only for the landless population, but the nation as a whole. It is clear that the Government of Bhutan recognises this danger and has been active in supporting its rural sector.¹⁴

¹⁴ Chris Enthoven (ed) *Gross National Happiness, Gross National Product - A meeting between two cultures*, Ecooperation, 2001.

It is worth recognising that rural communities worldwide and throughout the ages have tended to suffer gradual impoverishment as money and wealth flows towards towns and cities. Many developed nations compensate in some measure for this, either deliberately by injection of additional funds to councils administering rural areas, or less deliberately through progressive welfare and taxation systems.

In the absence of such structures, rural assistance can simply be responsive to need. Rural communities can benefit from assistance with marketing agricultural produce, whether by government boards or cooperative schemes; transport systems can be devised; cooperative ventures that share agricultural and other equipment can be supported; community-building programmes implemented. There are countless ways in which rural life can be supported and improved, and its value acknowledged.

It is important to recognise also the importance of agriculture for export. The crops produced can bring much needed revenue to the country as a whole and into rural areas. Without contradicting the primacy of agriculture for domestic consumption, the production of crops for export may also be an appropriate opportunity for government assistance, whether in investment, marketing or transport.

Again we see the danger of adopting entrenched positions. To assert the importance of domestic agriculture does not lessen the importance of export crops. The irrelevance of the old capitalism/socialism divide is also apparent. It is perfectly reasonable for a country to adopt a freehold land policy (notionally capitalist); limit this to a maximum acreage (notionally distributist), coupled with land usage obligations (notionally socialist), coupled also with supportive cooperative systems involving marketing or access to machinery (notionally communist). It is also perfectly reasonable for a country to regulate land usage applying an entirely different set of standards and tenure for land designated for export

crops and land designated for domestic market produce. So far as a country such as Bhutan is concerned, it is far more a question of what works most appropriately, bearing in mind the established pattern of agriculture and broad priorities of GNH. Again, the value of an on-going audit that monitors the use of land is clear.

Transport

Motorised transport is, without doubt, one of the hallmarks of Western culture. The increasing demand for transport probably constitutes one of the greatest threats to a country such as Bhutan. Transport easily becomes a culture in itself, subverting other cultures and overwhelming more fulfilling and worthwhile aspirations. The change in a country such as Bhutan of widespread individual car (or even motorbike) ownership could be calamitous. Cars constitute a colossal expense individually and in aggregate to a country. Whilst aiding the transport of people and goods and linking urban and rural areas, they can also severely fragment communities. In many developing countries, the only regulator of private transport is poverty, denying people access to privately owned motor transport.

Many small countries have faced this problem and done so effectively. The solutions they have arrived at vary, but are 'right for them' in many cases. Elements of these solutions are; the provision of good public service transport, especially buses; the permission of a restricted number of cars/vehicles often associated with particular roles - doctors, police, fire-services etc; the issuing of licenses for cars operating as taxis; the permission of an appropriate number of machines/vehicles for use in agriculture and industry and in the collection/distribution of material goods.

As with so many issues, this is an area for close, realistic study - the permission and provision of an appropriate level of motorised transport and/or services always bearing in mind the knock-on effect of that provision. This is a delicate matter; the aim should be to support the culture rather than

unwittingly and indirectly subvert it. It is the widespread individual ownership of motorised transport that fragments communities. An appropriate level of transport connecting cities and towns with rural areas can be mutually beneficial and an element of the support for rural communities that is so vital.

Capital Development Projects

Bearing in mind the potential of Bhutan for hydroelectric power, this is a vital area of policy. As a general rule, capital projects do not repay the monetary investment they require. This applies to majority of services in the developed nations (rail, road, healthcare, electricity). These services invariably run with an enduring and heavy debt, often also requiring 'bail-outs' from national governments. The reasons for this blatant defiance of the theoretical laws of economics lie largely in a complete reliance upon the debt-based financial system.

Similarly, capital development projects in developing nations funded by loans from the World Bank fail, generally, to make the anticipated returns on the investment. As discussed above, this has had a catastrophic effect in developing nations. Since the residual debt is denominated in dollars or other hard currencies, the debt overhang from past capital and development projects has placed these nations in the position of having to seek a surplus of exports over imports year on year. Commodity prices have collapsed, currency values have fallen, prime assets have been sold off to multinational corporations, loans have been rescheduled, but still the debt overhang persists and grows.

If there is one lesson to be learned from this 'development' debacle of the last 50 years, it is this: DON'T borrow US dollars from the World Bank or IMF or any other source for a capital project and expect to be able to repay these loans. The competition for dollars is so all-pervasive and export markets are so intensely competed and unpredictable that even if a project is a physical/material success, its financial failure is

almost assured, resulting in endemic and crippling international indebtedness.

Where then does this leave Bhutan in terms of developing its hydroelectric potential? The first point to appreciate is that the demand for electricity in neighbouring nations places Bhutan in a powerful negotiating position. Next, it should be realised that there are several potential models of development that avoid the dangers of multi-million dollar debts for the country.

One option is that, rather than lending funds to the country of Bhutan, the World Bank can be requested to lend funds to *a specific project, run as a commercial venture*. This represents an entirely new policy. It creates a joint liability for projects, conforming to recent calls for greater accountability and co-responsibility on the part of the international lending institutions. A country cannot be declared bankrupt and its debts written off, a commercial venture can. It is wholly wrong for an entire nation to suffer in perpetuity the economic mistakes of the past, whether these reflect the inadequacies of their own leaders or the flawed economic wisdom of western advisers. Restricting debts to specific projects places those directly involved - borrowers and lenders - in a position of shared responsibility, and limits the liability of countries where the project is taking place.

At this point in time, there is likely to be little appetite on the part of the IMF and World Bank for such a policy; however if the demand for such funding became general internationally, attitudes might change. Certainly, there is a desperate need for new models of development.

However, such a policy does not represent the only option. The principal material beneficiary of successful hydroelectric development would be India, a powerful and by comparison with Bhutan, a relatively wealthy nation. India cannot expect Bhutan to shoulder the entire development costs, and financial risk, of hydroelectric development, especially since

India has considerable prowess in the engineering and construction industry. Not only is there the opportunity for India to engage and share responsibility in the project, but they are also in a position to lobby the international lenders on behalf of such a proposal, possibly under the terms outlined above.

Finally, there is another potential source of capital funding, although this is far from an established avenue. The traditional model of financing capital projects in developing countries involved domestic saving within that country, coupled perhaps with some inward investment. Since domestic saving seldom made sufficient capital available, by the 1950s, countries were being encouraged to 'borrow, invest, export, repay' from the World Bank, IMF or commercial lenders. The complete and resounding historical failure of this 'borrow, invest, export, repay' model, has coupled with an awareness that there were theoretical flaws in an exclusive reliance upon foreign funds to develop a nation's natural capital, not least because of the imbalanced currency flows that were generated. Development scholars have, in recent years, become aware of the need for projects to be funded, at least in part, by a domestic source of finance.¹⁵ Since World Bank, IMF and commercial bank funds involve not the *lending* of money but the *creation* of money, there is no reason why domestic capital cannot be created in the same way - by a nation's own central banking system.¹⁶

This offers an entirely original model of development, which involves a combination of funding from international sources and funds created by the Bhutanese Government to mobilise the capital of their own country. This constitutes a strong development model that satisfies and resolves many theoretical contradictions and paradoxes. Currency flows are more balanced, whilst the use of both foreign and domestic

¹⁵ Bade Onimode (ed), *The IMF, the World Bank and African Debt*; Conference of the Institute for African Alternatives, Zed Books, 1989.

¹⁶ Michael Rowbotham, *Op Cit*.

financial capital reflects the mobilisation and involvement of both foreign and domestic *physical* capital. The foreign 'physical capital' consists of imported capital goods and expertise/labour, the domestic 'physical capital' consists of natural resources, capital goods and labour.

If these proposals appear unlikely and counter to the climate of current economic policy, one final point should be born in mind. The mountains, the rain and the rivers will be there for many years to come. There is no need for haste in pursuing such a major industrial venture. The readiness of Bhutan to wait a number of years until acceptable terms for development are put forward could concentrate the relevant minds very effectively.

If or when such projects do proceed, it is clearly in Bhutan's interest to develop this key resource slowly, monitoring the initial project(s) carefully and not allowing the nation to become a cheap electrical generator for what are likely to be the insatiable demands of India for power.

International Debts

In the year 2000, Bhutan's external debt stood at \$245 million. It is likely that the government will be paying in excess of 5% per annum on at least this year 2000 figure; a total of \$12 million annually. Gross exports totalled \$154, so this figure represents some 8% of export earnings. With import costs of \$196 million, Bhutan's financial position is clearly somewhat perilous.

External debt is not just a revenue problem; it is a political one. The current CIA World Factbook website denigrates Bhutan commenting, "Detailed controls and uncertain policies in areas like industrial licensing, trade, labour, and finance continue to hamper foreign investment". This is praise indeed! What Bhutan must beware is pressure to adopt an economic framework that involves 'certain policies' for 'unhampered investment', since this will undoubtedly reflect the neo-liberal Washington Consensus. All round the globe,

countries have been forced to conform to an ideology that includes sweeping deregulatory measures in trade and finance, privatisation of state-run commerce, auctioning of prime natural assets etc. These provide the foreign investment climate which, it is argued, is the route to future progress and prosperity. In this sense, international debt is properly viewed as a tool of intrusive political leverage.

If the point is reached where debt repayments are impossible for a nation, there is no virtue in agreeing to such conditionality attached to rescheduling, or accepting additional loans by the World Bank or IMF. Failure on the part of a nation to meet debt repayments is, apart from being a widespread problem, actually a problem for the Bank, the Fund and commercial lenders. It is because national governments are deemed to have 'failed' and feel intimidated that they concede to bail-out loans, sell-offs and conditionality. In fact, failed debt repayments present the *lenders* with the problem - what are they going to do?

The entire issue of Third World Debt is a massive, as yet unresolved debate. The existence of unrepayable debts forces the majority of countries - the most materially impoverished nations - to seek a surplus of exports over imports in perpetuity. This creates a gross disturbance in the balance of international trade and is counter not just to all economic rationale, but common sense itself. In the immortal words, "It is clearly impossible for all countries to increase exports and reduce imports at the same time".¹⁷

The possibility of mass default by debtor nations or sweeping debt forgiveness should not be ruled out. There are substantial grounds for regarding the backlog of dollar debts registered against developing nations as invalid and declaring these debts void. The compelling arguments for this are fully

¹⁷ Third World Debt Survey, The Poverty Brokers - The IMF and Latin America, Latin American Bureau, 1983.

discussed in my second book, *Goodbye America!*¹⁸ In brief, the *invariable* failure of *all* developing nations to settle or even reduce their international debts over a half century of mounting debt crisis is incontrovertible evidence that the 'borrow, invest, export, repay' model is deeply flawed when applied to international lending. The unjust terms under which these loans were advanced; the failure of projects proposed or endorsed by the World Bank and IMF; the requirement to adopt austere and deregulatory 'Structural Adjustment' policies ill-suited to their vulnerable economies; the failure to alter these policy-demands despite mounting evidence of the damage being inflicted; the progressive impoverishment of developing nations despite decades of economic endeavour; the refusal to acknowledge the substantial and detailed criticism from qualified observers and scholars - all these arguments converge. The undeniable conclusion is that International debts are substantially invalid. These debts do not represent 'failure' on the part of developing nations, but the gross inadequacies of the prevailing development model, of trading architecture and of international accountancy.

The current refusal to acknowledge the invalidity of the backlog of international debt leaves debtor nations in a curious and somewhat ambivalent position. If only a handful of nations were to default and refuse payment on their debts, citing the numerous reasons for so doing, the entire issue of Third World debt would have to be discussed and settlement reached. In the absence of such action, individual nations continue with their onerous repayments.

A compromise position might be for debtor nations to adopt the framework suggested by a number of Latin American nations during the 1970s. This is to restrict repayments to a set percentage of export revenues - 10% was suggested as the maximum an economy could actually sustain - and thereby apply some form of ceiling to those repayments.

¹⁸ Michael Rowbotham, *Op Cit.*

Precisely how long a nation can shrug its shoulders, perhaps offering reduced payments, is not clear. What is clear from the experience of Malaysia is that nations that do stand their ground, particularly if they adopt a vigorous and independent economic policy, are immeasurably better off in the long term than those that succumb to the dire warnings of currency collapse and exodus of foreign investment. Malaysia, under its President, Mahathir Mohamed, refused to accept IMF bail-out loans during the Asian crisis of 1997, nor accept their 'recipe for recovery'. In fact, Malaysia adopted policies that were almost the complete reverse of those prescribed, fixing the value of the currency, declaring the 'Ringitt' valueless outside the country, refusing to acknowledge its trading on foreign exchanges, locking in foreign investment, protecting the stock market, favouring domestic investment and reflating the economy through its own Central Bank. As a result, Malaysia experienced rapid recovery from the financial crisis, emerging with an incomparably stronger and more comprehensive domestic economy and without the burden of additional dollar debts. After years of anger and derision from foreign observers, the grudging conclusion of the World Bank was that Malaysia's economic success was "...remarkable".

Malaysia's programme of rapid industrial expansion may not be one that Bhutan wishes to pursue, but the principle of independent action is sound and their experience highlights the huge range of policy options available to a sovereign nation. One additional note should be made; President Mahathir Mohamed demonstrated not just courage and determination, but immense economic competence and judgement in administering the Malaysian recovery programme.

Currency Value and the Trade Deficit

In geographical terms and because of its special relationship with India it makes perfect sense and is convenient to peg the value of the Ngultrum (BTN) to the Indian Rupee (INR) on a 1:1 basis. In trade terms, however, this fixed currency rate has partial and perhaps doubtful validity. Bhutan's main

exports are to India, the US, UK, Pakistan and France; whilst the country's main imports are from India, Japan, Germany, UK, and the US. The problem is that the value of the Indian Rupee has fallen year on year and with it, the value of the Ngultrum has fallen in relation to other world currencies, including Bhutan's other trading partners.

If the value of a nation's currency falls, imports become more expensive and exports earn less foreign revenue. Successive devaluations by the entire community of indebted developing nations, all of whom are anxious to boost export volumes, has led to the currencies of those nations being grossly undervalued in real terms. Driven on by a competition to devalue and thus secure export markets, the developing nations are now hemorrhaging material wealth for pitiful returns. This is the reason for many of the trade imbalances in developing nations. These trade imbalances proclaim trading on the part of developing nations to be a financial failure - they are exporting less than they are importing. But in terms of *volumes of material wealth*, developing nations have never produced nor exported more! This is the damage wreaked by Third World Debt and the colossal failure of international trading architecture.

Figures demonstrating Bhutan's trade deficit were given in the section above discussing international debt. It is a worthwhile exercise to compare the current volumes of exports and imports with the currency values of 5, and 10 years ago. The present value of the currency (BTN) is \$1 = 49BTN. If the currency value of just 5 years ago (\$1 = 41BTN) is applied to current export/import volumes, Bhutan's present trade deficit of \$42 million would be reduced to a deficit of just \$5 million. If the currency value of 10 years ago (1\$ = 31BTN) is applied to current export volumes, Bhutan would actually have a trade surplus of some \$40 million! This is the significance of currency values and once again we are confronted by the colossal damage and injustice of Third World debt. The community of debtor nations has been drawn into a suicidal competition to devalue their currencies, as a

result of which their material wealth and labour is rendered so cheap that they serve as export factories for the wealthy nations and their powerful corporations.

So long as the Ngultrum remains tied to the undervalued Indian Rupee on a 1:1 rate of exchange, the policy options are complicated. To apply a surcharge to exports to countries other than India, effectively increasing the currency rate to the rest of the world, is a cumbersome instrument and simply invites foreign buyers to operate through Indian intermediaries. The Ngultrum could be pegged either to the dollar or a basket of world currencies, however this would complicate exchanges with India, which would then be at a variable rate. Another option is to consider revaluing the Ngultrum against the INR on a ratio other than 1:1. This might interfere initially with the established cross-border economy, but provided the rate was realistic and stable, trading patterns would adjust.

With the prospect of more complex economic ties between India and Bhutan, particularly involving expensive and long-term capital projects such as hydroelectric power, it is vital that the issue of currency values is addressed.

Monetary Reform

The failings of the debt-based financial system have resulted in a number of important proposals for reform. The central proposal is that a national government has both the right and obligation to ensure a healthy money supply - healthy not just in terms of quantity, but in constitution and form. A banking system can only create and supply money in parallel with debt, by advancing loans to borrowers. A government can, and to some extent already does, create and supply money to its economy on a *debt-free* basis. However, this government money-creation is restricted to one form only; note and coin - i.e. cash currency.

It is the contention of monetary reformers that, with the declining use of note and coin, a government ought to

establish an alternative basis for the supply of money to an economy. Governments worldwide are already obliged to act to support their economies financially, by undertaking government deficits, which create new funds. Monetary reformers argue that there is no reason for this monetary input to involve the issuance of bonds, thereby creating a debt against the nation and granting profit to private banks. This money can be created debt-free, just as are coin and note. Furthermore, monetary reformers argue that there is now no basis for deciding precisely how *much* government monetary input an economy actually needs. This is done on an *ad hoc* basis, simply covering the annual tax deficit.

The further details of monetary reform arguments and proposals are beyond the scope of this paper, however they constitute one of the most important fields of future economic research and one of the most fruitful areas for policy-making by responsible governments.

In parallel with the government creation of money, monetary reform proposals generally advocate restraints on the bank credit-creating mechanism. For example, mortgages now contribute some 60% of money to the modern western economy and levels of home debt and house prices are spiralling upwards. There is therefore a strong case for applying a legal limit to the extent to which people are permitted to mortgage their income in buying a house. No legal restraint on the income multiplier exists in the UK; over recent years banks have been allowing mortgages of up to 4 or even 5 times a person's annual income, whereas an income multiple of 3 was formerly considered a prudent limit. This has increased the business and profits of the banking system, but has contributed directly to gross inflation of house prices. To place a cap on income multiples would place all buyers in an identical competitive situation, restraining house price inflation and helping ameliorate the domestic debt burden. This would be a notionally 'deflationary' measure to counter the 'inflationary' measure of a government contributing to the money supply.

Without adopting the full range of monetary reform analysis and proposals, a potentially useful policy model for developing nations exists in what has become known as the 'Jersey experiment'. The island of Jersey, one of the Channel Islands off the UK/French coasts, has at times adopted an extremely effective policy of government funding. If a project is deemed viable - the building of a school, the construction of sea defense systems - but the government lacks the funds to finance this, the government will simply create the required funds, finance the project, then gradually tax back and destroy those funds. No long-term inflation is caused; indeed, the government is able to use this device as an effective means of countering recession. This contrasts markedly with the orthodox Keynesian model of borrowing funds from Central and commercial banks, which require not only repayment, but also a profit on the money they create and advance to the Government.

Criticisms of the monetary system have also given rise to important proposals for local currencies and trading schemes (LETS). These can have great value in empowering citizens to create and distribute wealth amongst themselves despite the inadequacies of their national financial system. There is a considerable literature on Local Currencies, Micro-credit, LETS and Trade-and-Barter systems and such schemes have great potential in restoring the prosperity of communities impoverished by circumstance or by inadequate development programmes.

Taxation

Taxation is a very powerful economic instrument. The right and obligation on a government to raise revenues for public services presents governments with great power to influence the shape of an economy. Taxation can penalise, deter and prevent undesirable trends, whilst the funds raised by governments can be used for welfare, to promote desirable investment and development or to protect and support fragile sectors of the economy. The pattern of taxation in modern economies is well understood; it is therefore worth making a

number of specific points in relation to alternative or less common schemes.

The New Economics movement has long argued for greater emphasis to be placed on taxing 'bads' rather than 'goods'. By this is meant, for example, the transfer of the burden of taxation from citizens on low incomes to, for example, petrol - thereby helping to deter excessive transport and reduce pollution. Taxes on excessive earnings, energy use, pollution, land values, unused agricultural land, neglected building sites, currency earnings, foreign profit repatriation, international monetary exchanges (Tobin tax) - many suggestions have been made, and many have undoubted merit.

The reverse of taxation is, of course, subsidy - an equally powerful political instrument, allowing a government to support vulnerable or nascent sectors of the economy, such as small businesses or organic farming. The use of taxation and subsidy should not be seen as contrary to the principle of a free market. The ability of commerce, particularly Big Business, to 'externalise costs' and/or gain an effective subsidy from government capital programmes is well-documented; such market imperfections will always exist. If a government wishes to create conditions using taxation and subsidy that redress such imbalances, or to promote important development, this does not invalidate the market as the decisive point of contact between consumers and commerce. Neither does it betoken a dictatorial, state socialist economy, merely an intelligent structure within which the market economy operates.

Fixed Limits

One of the major characteristics of western 'capitalist' economies is that they are flexible, open-ended systems. People are not, in general told what they must or must not do. Limits are not set on the wealth that can be held nor how a product should be manufactured nor what employment they must accept. Laws exist to prevent the sale of products

that constitute a danger, and there are anti-monopoly regulations, however these economies rely, for the most part, upon the freedom and sanction of the market. The real only regulator of wealth is a sliding scale of taxation plus an inter-generational inheritance tax.

Such freedom has much to recommend it; however it is not the only option, particularly for developing nations. There is no reason why governments should not erect limits and constraints, for example to prevent the accumulation of wealth or the control of vital resources, thereby increasing the opportunity of access for others. A good example of this is to set limits on the size of land-holdings to prevent monopolisation of agriculture, maintain ease of access to land ownership/farming and encourage proper and careful management of the land. As with so many policies, it would be wrong to advocate them in the abstract; but they do represent viable and at times justifiable instruments.

Western economists would view such a policy with horror and it may well have little application in developed economies. But in countries where land reform and distribution is being undertaken, where agriculture is undergoing change and where additional considerations such as rural employment and communities are vital, such a policy could be a valuable stabilising framework. Such *ad hoc* limits can, if the situation justifies, be applied in other sectors of the economy, including property ownership and commerce. It is interesting to draw attention, in passing, to the English company 'Boulton and Paul' which at one time operated an internal income policy that stated that no employee of the company could earn greater than ten times the wage of the least-paid worker in the firm. Such policies seem more satisfying to the conscience than the current situation where an employee in a London company may 'earn' many millions of pounds per year, perhaps a multiple of 1000 times greater than the National Minimum Wage.

The Service Sector and Tourism

The Service Sector constitutes a large and growing part of economies round the world. Whilst Bhutan may not be able to manufacture its own mobile phones, televisions, computers and radios, the country is capable of running the service sectors that supply these technologies, and doing so in a Bhutanese way. Bhutanese radio and television networks, SMS and ISP providers can all be run, saving the country revenue and contributing to the sense of national identity.

In Western economies, the service sector is enormous. Developing countries need, perhaps, to beware of monetising and commercialising those activities that are part of the voluntary economy and the community/home/traditional way of life shared. Perhaps an even greater danger is involved in tourism. In pursuit of foreign revenue, there is a temptation to supply a complex service economy to tourists well-used to such provision. But what *is* Bhutan? Why have people come to visit the country? Have they come to enjoy a stay in a 'western' style hotel, surrounded by familiar restaurants serving familiar food? It may be critical not only for the self-respect of the nation but for its tourism that Bhutan decides what it intends to offer tourists. It is the country's very inaccessibility and lack of development that now constitutes its charm, which offers such a salutary lesson to western eyes and which demonstrates that Bhutan is justified in protecting and revering its culture. Excessive and elaborate provision for tourism cannot but detract from the very magic that draws people to this beautiful country. However, if tourism is based around the expectation that visitors will, for the time of their stay, accept basic provision, adapt to, integrate with and respect the Bhutanese way of life, a form of tourism that is better for Bhutan and more rewarding for tourists will remain. The contrast is between going to Greece and staying in a hotel complex on the mainland or visiting some of the smaller, less-visited islands and finding a welcome amongst the delightful Greek people.

Education, Culture and Celebration

Much comment has already been made about the importance of education to the policy of GNH. It is certainly true that children can be 'educated away' from their culture, by creating expectations of employment, lifestyle and prosperity radically different from that surrounding them. But if this happens, it is a poor and essentially false education. There is nothing to be feared in education, however advanced this may be, so long as the mirage of western consumerism is recognised as such and children are kept in contact with their own culture. With the influx of televised images, the nation as a whole has to be able to deal with and appreciate the ludicrous mythology behind western 'civilisation'. This involves the education of all, not just the young.

For this reason, I suggest it is far more important even than education that Bhutanese culture is celebrated and kept alive. My first thought when I heard about the conference and learned of the nature of the problem it seeks to address was, "I hope they haven't forgotten how to sing and dance". A country's music, literature, arts and crafts are the bedrock of its soul and its identity; their celebration is vital. Imagine my delight when I discovered that, despite the welter of economic concerns impinging on the country, one of the four main components of the policy of GNH is cultural promotion. Imagine my further delight when I discovered that the GNH conference was timed to coincide with one of the major Bhutanese festivals. The value of Bhutan's spiritual and cultural legacy, which provides the country with an inspirational source of energy and focus of consent in the challenge it faces, cannot be overstated. And so long as the country of Bhutan feeds the spirits of its people, support for the policy of GNH will remain strong and the Kingdom's future is assured.

PUTTING GROSS NATIONAL HAPPINESS IN THE SERVICE OF GOOD DEVELOPMENT¹

*Johannes Hirata**

Introduction

Gross National Happiness (GNH) has only recently appeared on the international stage,² yet it was immediately met with sympathy by scholars, political activists, and politicians around the world. What is the reason for this strong appeal of this concept?

In a historical perspective, the reason is probably a disillusionment with the broken promise of economic growth to truly improve people's lives and bring about a more equitable society. After a multifold increase of Gross National Product in many societies thanks to almost continuous economic growth over more than a century, even the wealthiest societies are still plagued by grave social problems like unemployment, child poverty, stress etc., and they are disappointed that the hoped-for benefits of economic growth largely failed to materialize.

In a philosophical perspective, however, the reason for the sympathy extended to GNH seems to be based on an - intuitive or conscious - *ethical* endorsement of GNH as being

¹ I am grateful for valuable comments by the members of the "Berliner Forum" on a first conceptual draft of this paper and for suggestions by Peter Ulrich on section six. All remaining errors are my own.

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² Apparently the most conspicuous occasion at which GNH was presented to a wider audience outside Bhutan was the address by His Excellency the Prime Minister, then Chairman of the Council of Ministers, Lyonpo Jigmi Y. Thinley to the Millenium Meeting for Asia and the Pacific in 1998 (Thinley 1999).

conducive to good development, with “good” understood in a comprehensive, ethical sense. This implies that in order to endorse GNH, one must already have a normative frame of reference that allows one to make such a judgment in the first place.

The question that arises then is if GNH is, or can be conceptualized as, an exhaustive concept of good development that entirely fills in the ideal notion of good development, or whether GNH is just one aspect of good development that has to be complemented by additional normative concepts in order to appropriately substantiate the idea of good development.

Whatever the answer to this question, the merit and the potential of GNH to serve as a development concept is worth being investigated. To do so, the meaning of GNH has to be specified since no generally accepted interpretation seems to exist. This is not only a disadvantage of course as this conceptual openness invites a constructive debate on what GNH *should* stand for and how it *should* be operationalized. These two - essentially ethical - questions will be at the center of discussion in this paper.

The paper is structured as follows: the next section will discuss the nature of happiness and its relation to human behavior and decision making in order to shed light on the relationship between happiness and ethics. I will then briefly present my understanding of (deontological) ethics, before examining the relationship between happiness and economic growth on the basis of empirical evidence. I will then propose a particular interpretation of GNH and relate it to the concept of good development. Towards the end, I will point out some implications of my interpretation of GNH for its operationalization before I synthesize the main arguments into five succinct statements in the conclusion.

Happiness, Human Behavior, and Ethics

At least since Thomas Hobbes, the belief that people's behavior and choices are motivated ultimately and exclusively by the desire to experience a maximum of happiness has gained wide currency not only in the social sciences but in popular wisdom as well. In economics, this belief in "psychological hedonism" has been particularly influential and practically became the anthropological basis of economic theory as a whole. As a deterministic model of human decision-making, it allows economists to subject human behavior to rigid, quantitative analysis.

While I shall not concern myself much with the peculiarities of economic theory, I will use psychological hedonism as a reference point to clarify my understanding of happiness and of its connection with ethics.

Happiness

Even though every language seems to have a word for happiness or satisfaction and people from all cultures apparently have no difficulty understanding its meaning - albeit with slightly different nuances - the idea of happiness defies a precise definition. Depending on context and perspective, happiness may be understood in a variety of ways. For the purpose of this paper, a distinction between an *empirical* and a *normative* concept of happiness appears appropriate.

The *empirical* concept of happiness falls into the domain of psychology where the term "*subjective well-being*" (SWB) has been coined to describe an individual's subjective, self-reported overall happiness as expressed along a one-dimensional scale. To preempt the most frequent source of mistaken skepticism, it is crucial to appreciate the meaning of the attribute 'subjective'. It means that SWB really is the unquestioned perception of each individual himself taken at face value, rather than a normative concept of "actual well-being". When it is stated, for example, that the SWB of person

A is higher today than it was yesterday, this does not - at least not necessarily - mean that this person is actually faring better today than he was yesterday (*i.e.*, “faring better” in a normative sense of ‘quality of life’). It does mean, however, that he judges his well-being more favorably today than he did yesterday.³ SWB alone, therefore, does not suffice to tell us how happy an individual is in an absolute, moral sense (in the remainder I will refer to this as “actual well-being” or as “the happiness we actually value”). SWB is not meant to replace such ethical concepts as *eudaimonia* (Aristotle 1998), the good life, or quality of life (Nussbaum & Sen 1993). Of course, it is plausible to suppose that SWB is closely correlated with “actual well-being.” Indeed, once SWB data are interpreted in a specific context, one may find compelling arguments for specific conclusions about “actual well-being”. As long as one is looking at raw data, however, SWB should simply be taken at face value, namely a subject’s statement on her perceived degree of well-being. In this sense, subjective well-being is a fairly objective concept. While the data themselves rely on subjective assessments by the respective respondents, the methodology is perfectly objective and independent of any researcher’s personal evaluations.

As a *normative* concept, on the other hand, happiness requires not only an instantaneous positive mental experience, but also the reflected approval of its propriety by the respective person herself in the presence of all relevant information. Happiness in this sense will be called “happiness that is actually valued”, or “valued happiness” for short, and it is to be understood as a judgment. To illustrate what this entails, consider the thought experiment of a happiness machine that can give you pure and unlimited pleasure for an arbitrarily long period (Nozick 1989).⁴ What is more, this

³ A case where reported happiness and actual quality of life obviously diverge in this sense is the case of Olympic silver medal winners who on average report lower SWB than bronze medal winners (Schwarz & Strack 1999: 67).

⁴ This idea is no pie in the sky anymore. In the brain of rats, a pleasure center could be identified which, when stimulated

machine generates not just dull pleasure but the perfect illusion of happiness. The person connected to this machine will experience a perfect illusion of friendship, love, good music, delicious food etc. and will actually believe to be happy for these reasons, completely unaware of being locked into that machine. There would be no negative side-effects of using this machine and its use would not imply any costs, nor would it be addictive.

Imagine a person uses the machine while mourning the death of a friend. Even if, while using the machine, he forgets about his friend's demise and experiences pleasure, we certainly would not call this person happy because the happiness we actually value is more than the sensation as such. Happiness is inseparable from the particular reason that makes us feel happy (Spaemann 1989: 41, 73) and in this sense it is not an *end* that is achieved through *means* (which would not have any intrinsic value) but rather a *symptom* that indicates that a person has some intrinsically valuable *reason* for being happy. When we are happy for a friendship, for example, we do not only care about the effect this friendship has on our psychic well-being, but also and primarily about the friendship itself as the reason for our happiness. Similarly, we do not only want to *experience* love, we want to actually *be* loved - and we even hate to experience love that is just pretended. Put differently, we do not only want the pleasure generated by the feeling to be loved, we also want this love to be genuine, to actually *be the case* (Nozick 1989: 106). In the same vein, someone who finds out about her husband's infidelity is not unhappy for having *discovered* it but for his *being* unfaithful. In short, the sensation of happiness is not separable from its underlying reason. The event that makes

electronically, makes the rats show all symptoms of pleasure, and this effect does not wear off over time. The rats even neglect food while being in such a state. Technically, the same effect could be exploited in human beings, as seriously advocated by Ng (1997: 1849) who sees the promise of "increasing our welfare by a quantum leap."

me feel (un)happy is not the substitutable *cause* of my happiness but its irreplaceable *content* (Spaemann 1989).

Understanding happiness this way does not mean to look down upon spontaneous pleasure for the sake of an “intellectualized” concept of happiness. Pleasure, which I understand here as an immediate, pre-reflective positive mental experience (such as enjoying tasty food, listening to music one likes etc.), is in itself valuable and needs no moral justification. Nevertheless, for pleasure (as a pre-reflective experience) to become happiness, (as a judgment), the person must at least not morally disapprove of the experience she finds pleasurable - a vegetarian, *e.g.*, might stop enjoying his food when he discovers that it contains meat, even though he would otherwise enjoy the taste.

The distinction between the empirical concept of happiness as SWB and the normative concept of happiness as “valued happiness” is best understood as a distinction between a solipsist and a self-transcendental perspective. In the *solipsist* perspective, the person cares only about his inner mental states as recorded in some pleasure center within his brain and is entirely indifferent with respect to both (i) the reasons that bring about these inner mental states and (ii) anything that does not become part of his experience (and hence does not influence his inner mental state). Such solipsism is in fact the distinguishing feature of hedonism in general (not only psychological hedonism as a specific hypothesis). In the *self-transcendental* perspective, by contrast, a person is seen as caring also about (i) and (ii) and as in this sense transcending his self.

Linking Happiness with Ethics

The link between happiness and ethics can be thought of as twofold, making a distinction along the lines of the classical separation between teleological ethics - basically the “private” questions of the *good life*, of who I want to be and how I want to live - and deontological ethics - the “social” question of

legitimacy, of one's rights and duties *vis-à-vis* other moral subjects.

Psychological hedonism, to take up my point of departure, supposes a very mechanical relationship between happiness and ethics. With respect to teleological ethics, it says, first, that happiness is the only thing that counts when it comes to choosing who one wants to be and how one wants to live, and, by implication, that the things from which a particular person derives happiness are predetermined by nature and therefore beyond this person's own will. To use economic terminology, a person is assumed to simply *have*, rather than *choose*, a consistent set of preferences that provide the algorithm to calculate, in any given situation, the optimal decision, *i.e.*, the decision that will maximize her happiness.⁵ The kind of rationality involved here is purely *instrumental rationality*, *i.e.*, it is a matter of optimization with respect to a *given* end.

With respect to deontological ethics, the deterministic nature of psychological hedonism renders the very idea of rights and duties meaningless because one cannot sensibly demand from predetermined beings (which resemble a clockwork more

⁵ Two likely objections to this account of utility maximization can be anticipated. First, economists are sometimes reluctant to identify utility with happiness. In the context of the present argument, however, the precise meaning of utility is irrelevant. It is identified with happiness simply for the sake of terminological consistency, to avoid introducing redundant terms. Second, some economists propose a distinction between ordinary preferences and meta-preferences and claim that it is not necessary to make any assumptions on the origin of meta-preferences, *i.e.*, whether these are predetermined or chosen. Yet, while this distinction may be a useful heuristic device to separate instrumental and volitional rationality (more on this below), it cannot be maintained on a more fundamental level because it is logically impossible to derive deterministic outcomes (in this case: decisions) from an indeterminate basis, unless further artificial assumptions are made (such as a rigid temporal separation between an indeterminate and a deterministic phase of life).

than a person) to behave in another way than that which they are programmed to follow, the reason being that morality as such requires indeterminacy of human behavior. In general, therefore, whether others are affected by one's choices or not, psychological hedonism claims that an individual's decisions are always and exclusively the deterministic manifestation of one's preferences, whatever these happen to be. Thus, psychological hedonism subscribes to a solipsist conception of the person and does not know the concept of morality.

In a self-transcendental perspective, by contrast, the teleological question of the good life is not a matter of maximization. In this perspective, it is strictly impossible to maximize happiness, even if it was proclaimed as one's strategy, because people simply do not from the outset dispose of a given set of preferences. Rather, they have to choose and continuously reaffirm, or revise, their preferences without knowing which selection of preferences will leave them happiest. Having no pre-established set of preferences, there is no way they can optimize their choice. Instead they will have to decide by virtue of their free will, *i.e.*, by *volitional rationality*, which preferences they consider worth having. This is pretty much what people colloquially mean when they say that they have to decide what they really want. This choice is in a fundamental sense indeterminate and unpredictable and, by its very nature, cannot be explained in the same causal way as decisions of instrumental rationality. Furthermore, in terms of deontological ethics, the very idea that people are so dominantly motivated by a concern for being happy (or avoiding unhappiness) seems to be overly rigid and far removed from our everyday experiences. For example, economists typically explain the phenomenon that people spend effort and time in order to cast their vote in political elections, despite knowing that their vote will make virtually no difference to the overall outcome, by a motivation to avoid the pain of a bad conscience that would result from a good citizen's failure to vote. This argument, however, raises the question why somebody who failed to vote would have a bad conscience, and why she would want to be a good citizen

in the first place. Why would such a person not just get rid of this “preference for voting”, given that she does not benefit from it anyway? An economist might continue assuming the presence of some higher-order preferences, but ultimately would have to concede that he can only assume, but not explain, the presence of such preferences. In a self-transcendental perspective, by contrast, voting would be explained - to the extent it is explainable - by an intrinsic motivation to act in accordance with those moral principles which one has found to be irrefutable. Of course, living up to these principles will most often be a reason for a person to feel satisfied, but then only as a *symptom* of one’s successful commitment to one’s principles, rather than its *cause* or motivation (*cf.* above p. 82). Or more generally, as Frankl (1978) put it: rather than seeking happiness, we seek a *reason* to be happy, and the more we directly chase after happiness rather than after a reason for happiness, the more we get removed from it. “Happiness cannot be pursued, it must ensue” (Frankl 1978: 288).

Defenders of psychological hedonism might claim that this postulate is entirely speculative and cannot be falsified (and hence would not qualify as a scientific theory in the sense of Popper [1959/1934]). Such critics would be perfectly right with this claim, but should not overlook that the same is true for psychological hedonism as well, and in fact for any anthropological decision theory. One simply cannot do without such speculation when theorizing about human behavior. What I attempted to show is merely that the speculative assumptions of psychological hedonism have little plausibility because they imply that people are completely determined and have no free will, while the - equally speculative - assumptions of the self-transcendental conception of behavior are closer to our self-perception as autonomous persons who act upon reasons rather than being pushed around by causes.

To the degree people have a free will, then, they can actually choose different preferences than those they actually hold at

a given point in time.⁶ To be sure, human beings cannot choose their preferences entirely arbitrarily. The natural liking of sweet and distaste for bitter tastes, for example, can apparently not be reversed at discretion. Nevertheless, there seems to be some scope to choose our preferences - we can, so to speak, learn to like our coffee with or without sugar. When our preferences are not just about the sugar in our coffee but about things that affect other people, this is where deontological ethics comes in. A murderer, to illustrate this point with an extreme example, must be acquitted by the defenders of psychological hedonism because, in their view, his lethal preferences were forced upon, rather than chosen by, him (through his genetic disposition and environmental influences). When it is believed that human beings have a free will, however, he can be held responsible for not having chosen more benign preferences (or for having failed to contain his wicked preferences), because he could have refrained from killing; there was nothing, in particular no preference map, that forced him to kill. Positively speaking, a socially responsible person will, in this view, act responsibly not *in order to* feel good. Rather, she will feel happy because her successful living up to her moral principles and her sharing in the happiness of others are *reasons* for her to feel so, and this is so because she has come to accept these moral principles as irrefutable. Why she has adopted these benevolent principles while others have not done so may partly be due to education, socialization etc., but ultimately remains a matter of an indeterminate free will and is therefore beyond complete causal explanation.

Two major conclusions follow from these considerations: first, that individual well-being is not a static function ingrained in human nature but an ultimately free judgment dependent on the values and preferences a person has chosen. This implies - as is also supported by empirical happiness research - that

⁶ I continue using economic terminology for the sake of cross-disciplinary communication, even though it does not do full justice to the phenomena discussed.

favorable life circumstances are just a necessary, and not sufficient, condition for happiness and that happiness ultimately springs from a human mind. "Happiness is not something that happens to people but something that they make happen" (Csikszentmihalyi 1999).

Second, the human *capacity* to make free decisions entails the *duty* to make only such decisions that are legitimate. Among free individuals, others always are entitled to demand from me a revision of my preferences if these, or rather the actions they engender, violate their respective rights. Taken together, this means that a society - or a government, or a family - should not see as its aim the promotion of happiness for its own sake (*e.g.*, by distributing feel-good pills), but rather the creation of conditions and the transmission of values that allow people to find legitimate reasons for happiness.

Ethics: the Moral Point of View

The previous references to ethics raise the question of what exactly is understood here under such concepts as 'morality', 'legitimacy', 'rights', and 'duties'. In what follows, I will give a rough indication of my understanding of deontological ethics - *i.e.*, the legitimacy dimension of ethics, leaving aside the teleological dimension of ethics for the moment - which is rooted in discourse ethics as developed by K.O. Apel and J. Habermas. For a more elaborate treatment the reader is referred to the relevant literature.⁷

Systematically speaking, *deontological ethics* is the scientific discipline that reflects on morality and the possibility of the universal validity of moral principles. *Morality*, in turn, is the specific, disinterested attitude that submits the pursuit of one's personal interests, which is not immoral as such, to the categorical condition of legitimacy. This attitude is only

⁷ Cf. Apel (1973) and Habermas (1983). For a discourse ethical conception of economic ethics cf. Ulrich (1998b,1998a).

genuinely moral when it is adopted out of a disinterested recognition of the dignity of other persons, rather than out of the calculated expectation of a personal advantage. *Legitimacy* is warranted when one's behavior conforms to norms that are *universalizable*, *i.e.*, norms that can in principle be accepted by everyone.⁸ Put differently, a choice is legitimate when it can be justified before all those potentially affected by its consequences. This justification can be thought of as a universal approval by an unlimited communicative community (Habermas 1983: 99).

This criterion of legitimacy is not to be understood as requiring a factual consensus in a real discourse. Rather, it is meant as a regulative idea, *i.e.*, an ideal type situation that merely provides the "moral point of view" (Baier 1958), rather than a "social technology" that generates solutions to moral problems (Ulrich 1988a: 11). This lack of concreteness may be criticized, but then this very lack is a characteristic of ethics itself and merely reflects its indeterminacy, and the feat of discourse ethics of having developed a firmly reasoned moral point of view must not be underestimated. In fact, any ethical theory offering a deterministic ethical formula that can always tell right from wrong would promise more than may, and should, be expected.⁹

In short, morality thus understood is not about altruism or selflessness. Rather, it requires that one voluntarily subordinates one's interests and actions to the criterion of legitimacy by ensuring that one respects the rights of all others in one's pursuit of one's interests. Seen from another

⁸ This idea of universalizability has most prominently been expressed by Kant in his Categorical Imperative (Kant 1977/1785: 51, 62), even though the essence of this idea is much older, going back at least to the "Golden Rule" that can be found in a variety of holy scriptures.

⁹ "The idea that there is a book in heaven that contains the answers to all moral problems seems as naïve as the fear that, in the absence of such a book, everything becomes arbitrary." (Tugendhat 1995: 332).

angle, it requires that the norms of one's behavior be universalizable in the sense that they can be accepted, or enjoyed, by everybody equally.

Under this view, what is right and wrong depends ultimately on people's free judgment of what they find justifiable or rejectable, and therefore on their free choices. Consequently, a moral discourse, even an imaginary one, is not merely a means to find a pre-existing moral solution that is just waiting to be discovered like the solution to a mathematical equation. It is rather through the discourse itself that it is established what is and is not legitimate. After all, the very act of taking a genuine interest in others' rights - a characteristic of any discourse worth its name - is itself constitutive of, though not sufficient for, moral actions.

Providing merely a formal principle defining the moral point of view, rather than a catalogue of norms or values, discourse ethics seems to be less vulnerable to accusations of culture-dependence. In fact, for an objection against discourse ethics - whether voiced from within a culture or out of a different cultural context - to be an objection at all, *i.e.*, to be a reasoned critique rather than a mere statement, it has to invoke precisely those norms that are explicated by discourse ethics. The only way to escape this "forceless force" (Habermas 1981: 47) is to refuse the discourse altogether which would identify the speaker as a moral fundamentalist who thereby places himself outside the moral community. Except for such fundamentalist convictions, however, discourse ethics indeed seems to describe the proper, universal "moral point of view" irrespective of cultural specificities.

Happiness and economic affluence

Empirical happiness research has produced a remarkable body of evidence on the relationship between economic affluence and happiness. Yet, except for a few neat results, the overall picture is rather heterogeneous and difficult to

interpret.¹⁰ In a nutshell, what has become clear is that, *within any given society with some degree of income inequality*, the poorest 20 or 30 percent are significantly less happy (in terms of SWB) than the upper 70 or 80 percent of the income distribution. It is also well-documented that *at a given point in time*, rich nations tend to be more happy than poorer ones, even though this seems to be true only up to some threshold level in the order of magnitude of US\$10,000 annual per capita income, and even far below this value one finds positive outliers with levels of happiness that are also found in very rich countries. On the other hand, there is little evidence that nations become happier as they get richer *over time*. While there are virtually no data for developing countries - which limits the potential for generalization - the data series coming closest to witnessing the escape from poverty is that of Japan beginning in 1958, which shows no significant upward trend over more than thirty years.¹¹

Three major effects can explain the bulk of these observations. First, the happiness deficit of the poorer segments within a society and the failure of average SWB to rise with average incomes are to a large extent due to a “secondary inflation” effect (Hirata 2001: 36) that reduces the value, in terms of “functionings” (Sen 1980/1983), of a given consumption level (*i.e.*, a level that is constant in terms of a representative basket of goods) as a society grows richer. For example, growing car ownership often leads to a deterioration of public transport services which means that those people whose real incomes fail to rise with those of the majority will end up being worse off (*i.e.*, in terms of the functioning of mobility), and that the possession of a car partly reflects a new necessity rather than the satisfaction of a genuine desire.

¹⁰ Cf. Hirata (2003: 10ff) for the sources of the following claims. For a comprehensive discussion of methodological and other issues in happiness research cf. Kahneman, Diener & Schwarz (1999).

¹¹ A more recent study found some evidence for a positive time-series effect (Hagerty and Veenhoven (2003), but as argued in Hirata (2003) some of their calculations seem to be wrong.

More fundamentally, the functioning of social participation depends to a substantial degree on relative income. Socializing is simply more expensive in rich societies than in poor ones, and it may be doubted whether the additional money spent on social activities buys an increase in happiness. “In a poor society a man proves to his wife that he loves her by giving her a rose but in a rich society he must give a dozen roses” (Layard 1980: 741).

Second, people appear to get used to the new comforts brought about by rising consumption standards, but they frequently fail to anticipate this “hedonic adaptation” (Loewenstein & Schkade 1999). As a consequence they spend money on goods that have only a temporary effect on happiness, and too little on goods that would yield lasting happiness. Empirical evidence for hedonic adaptation is overwhelming (Loewenstein & Schkade 1999).

Third and most important in this context, on a social level consumption is largely a zero-sum game in terms of happiness.¹² Even in the case of consumption goods that are not subject to hedonic adaptation, their happiness effect may be annihilated as soon as others can afford the same good. This is either because the increase in demand leads to congestion effects (*e.g.* holidays on a remote beach) or because the source of satisfaction consists precisely in being ahead of the crowd (*e.g.* the satisfaction from having a superior social status). To the extent consumption takes place in such a competition for “positional goods” (Hirsch 1976: 11), individually rational decisions will result in a socially wasteful allocation of resources, just as standing on tiptoe in a theater will improve each one’s view individually but not lead to a better view for the audience as a whole. As Hirsch (1976) and, more recently, Frank (1999) convincingly argue, positional competition is a pervasive phenomenon in affluent societies.

¹² Hirsch (1976) provides a brilliant analysis of this effect and is the basis for the following discussion.

However, despite these three effects, some hope remains. Not all ways of spending money are subject to the secondary inflation effect, hedonic adaptation, or positional competition. Relief from the stress of driving through dense traffic, regular physical exercise, noise abatement, and freeing up time to socialize with friends are empirically confirmed examples for transforming resources into happiness that neither wears off over time (at least not entirely) nor depends on relative position (Frank 1999: 81ff).¹³

On the whole, the evidence on the relationship between wealth and happiness strongly suggests that it is not governed by a mechanical quantitative law, but that it is above all the quality and not the quantity of consumption that has an impact on how satisfied a society is. To be sure, SWB requires at least the satisfaction of life-sustaining needs and certainly some degree of material comfort beyond that. Yet, this still leaves a large range of income levels and consumption standards that offer the potential, but no guarantee, for pervasive happiness.

Nothing of this is to say that economic growth is *per se* undesirable. In a modern market economy operating on international markets, a failure to grow at the same pace as one's trading partners will most likely be associated with rising unemployment which in turn breeds unhappiness. It would miss the point, though, to propose a stimulation of economic growth in order to contain unemployment because, depending on the perspective adopted, economic stagnation can be seen as either the cause or the consequence of unemployment. In the latter perspective, a reduction of unemployment will automatically result in economic growth whenever technological progress takes place. The point is that focusing on economic growth is less plausible as a policy objective (at least for affluent economies) than focusing on reducing unemployment. When confronted with a choice

¹³ Strikingly, almost all examples concern the alleviation of problems typical of affluent societies.

between (a) stagnating GNP but full employment or (b) rising GNP but stagnating high unemployment (which would, for example, result from an extension of the work week), empirical evidence overwhelmingly suggests that the former will be more conducive to SWB.

Gross National Happiness and good development

The recognition that economic growth is not *per se* a good thing has led people to look for concepts that would better reflect human betterment. As a result of the ecological awakening in the early 1970s, attempts were made to adjust GNP for unaccounted costs in terms of lost natural capital and negative external effects, *e.g.*, those caused by noxious fumes, on the quality of life. Being more concerned about poverty, the United Nations Development Program (UNDP) designed the Human Development Index (HDI) that integrates GNP, longevity, and literacy data into a single figure. Both initiatives were, and continue to be, important correctives to the obsession with GNP, but, as will be argued below (0), they remain deficient because they remain committed to a one-dimensional (utilitarian) concept of good development.¹⁴

A much more profound shift of perspective was made by His Majesty the IV King of Bhutan when he declared Gross National Happiness to be the primary, though not exclusive, principle of the country's development efforts without forcing that idea into a quantitative index. Since then, and especially since GNH has risen to international awareness, GNH has found many advocates. What these advocates claim is not merely that GNH should be adopted *in order to* achieve, say, happiness, *i.e.*, *if* happiness happens to be one's goal, but their claim is that GNH should be adopted because it is a better development concept, full stop. In other words - in Kant's words actually - they do not make a *hypothetical* claim

¹⁴ Some proponents of such single-index indicators recognize this deficiency but justify their use by their strategic value (Sen 1999).

but a *categorical* one (Kant 1977/1785: 43), and this means they are making an *ethical* statement.

To make such a statement, and to arrive at a favorable comparison of GNH *vis-à-vis* competing concepts (such as GNP), one must as a matter of logical necessity have some comparison criteria, some normative frame of reference which provides orientation between good and bad, right and wrong, just as a compass does between North and South. In the context of societal development, this frame of reference is implicit in the notion of *good development*. This is of course only a formal concept, a point of reference providing orientation and must not be mistaken for a concrete objective, or a utopia, that is to be accomplished. Similar to the ideal concept of a geometrically perfect circle that only exists as an idea and can never be found in the real world, good development stands for a criterion, a *regulative idea*, rather than for an objective. Different from a circle, however, it cannot be completely defined. As an ethical idea it is even ultimately indeterminate just as ethics itself (*cf.* p. 89). Hence, rather than being a weakness, this elusiveness of good development is just consistent with its role as representing the idea of the good itself.

When I talk about development in this context, this is not to be understood merely as the process of eradicating hunger and abject poverty in the so-called “developing countries” and neither as the economic catching up of these countries to the consumption levels of the high-income countries, but rather as the never-ending effort of all societies to narrow the gap between the actual and the potential goodness of social arrangements and of the well-being of citizens. With this understanding of development, all countries are and will always be developing countries.

For good development to deserve its name, it must also be justifiable in a temporal and in a global perspective. It must not only be concerned with the people currently living in a given society, it must also take into account the rights of

future generations (temporal perspective) and those of other societies (global perspective). This is of course not an additional requirement but merely the consequent generalization of the idea of universalizability. Having said this, my intention is merely to flag these two dimensions as worth bearing in mind, but I will not be able to discuss them explicitly within the scope of this paper.

So far and to my knowledge, the concept of GNH is defined only to a limited extent, namely by the four major goals of (1) economic self-reliance, (2) environmental preservation, (3) cultural promotion, and (4) good governance (Thinley 1999: 16). Moreover, it is usually seen as one principle next to others, not as the only principle of development, as expressed in the famous phrase by His Majesty the King, “Gross National Happiness is more important than Gross National Product” (Thinley 1999: 12-13) (rather than saying that GNH is the *only* objective of importance).¹⁵ And of course the term “happiness” speaks for itself and thereby fills the concept of GNH with substance, but again with some scope of interpretation as there is no universally accepted concept, let alone definition, of happiness.

When going about to conceptualize GNH in what follows, I will therefore take as a starting point the following assumed consensus on the meaning of GNH:

- GNH comes with a moral claim to be conducive to good development.
- GNH is an (incomplete) catalogue of goals and priorities, with the four major objectives (as mentioned above) as its goals and with happiness as the first priority.
- GNH is not an ethically inclusive concept, *i.e.*, it is not in itself sufficient to substantiate the idea of good

¹⁵ In a recent government document, however, it is, unfortunately, suggested that happiness should be maximized (Planning Commission 1999).

development, but needs to be complemented by other principles.

Apparently, GNH is essentially about allowing people to live well and to be happy. In philosophical terms, therefore, it is a *teleological* concept, one that is concerned with what is *good* (as opposed to *right* or *just*). Good development, however, must integrate the *teleological* perspective of the good life with the *deontological* perspective of legitimacy, otherwise it will remain incomplete. Put differently, good development not only needs a conception of what constitutes a good life (happiness, for example), it also needs principles that provide criteria to decide what is *right* when the good life, or the happiness, of one person conflicts with that of another. For example, if of two neighbors one finds happiness in silence and the other in listening to loud music, the principle of happiness does not provide any orientation of how this conflict of interest should be dealt with.

In fact, there is a school of moral philosophy, namely utilitarianism, that does claim exactly this, that the criterion of happiness can also decide questions of legitimacy. In the principle of total utility maximization, utilitarianism claims to dispose of a criterion that tells right from wrong: maximizing utility is right, anything falling short of utility maximization is wrong. In the example of the two neighbors, the volume should (not *may*, but *should!*) be turned up as long as the increase in the music lover's happiness is larger than the loss in his neighbor's happiness. (Of course these happiness increments cannot be precisely measured, but this can be regarded as a practical limitation of all moral criteria and no particular deficiency of utilitarianism.) Looking closer, however, it is evident that it is not happiness itself that provides the criteria of right and wrong, but the principle of maximization together with some more or less natural premises.

This principle is problematic for at least three reasons. First it must presuppose that people have rather than choose their

preferences (*cf.* p. 85). If, by contrast, people are assumed to have a free will, happiness maximization is simply not possible as a matter of logic - one cannot deduce determinate results from an indeterminate basis.¹⁶

Second, following directly from the rejection of a free will, people cannot be held accountable for their preferences. Imagine a poacher who would be prepared to pay a large amount of money to a community to be allowed to shoot the remaining snow leopards in their forests to take their furs home as trophies. Happiness maximization would demand that the poacher should be allowed to hunt down the snow leopards if the resulting total happiness rises as a result (ignoring the (un)happiness of the snow leopards of course). When people find this way of settling conflicts of interest outraging, it is because they do not, as utilitarianism does, take a person's happiness as given and as beyond critical reflection. They would contend that the poacher can and should revise his preferences and that he should derive happiness from more benign purposes - and that otherwise he deserves to be denied that source of happiness even if that reduces the sum total of happiness.¹⁷

Third, people obviously care about more than happiness alone. For example, when a person forgoes an opportunity for personal happiness in order to honor a promise even though that does not bring her any significant benefit, then this person puts commitment before happiness (Sen 1983). Saying that commitment is also a source of happiness and enters into her hedonistic calculus would again assume that the person has not herself chosen to want to commit herself, but that she just happens to have a preference for commitment.

¹⁶ *Cf.* footnote no. 5.

¹⁷ This implies that this kind of conflict is not merely a matter of negative externalities. In fact, I would contend that the questionability of preferences discussed here demarcates the limit to the internalization of external effects and, on a more fundamental level, constitutes the blind spot of economics with respect to deontological ethics.

This kind of reasoning, however, would bereave the idea of commitment of its very essence - and the person of her personality.

Rejecting happiness *maximization* is of course not the same as rejecting happiness as one policy objective among others *embedded* into a larger concept of good development. In particular, I would like to propose an interpretation of GNH where happiness fulfills two distinct roles: one as a teleological substantiation of good development, and the other as a heuristic device.

In its first role, happiness *substantiates* the formal concept of good development by specifying what it should primarily be about. In particular, it gives priority to mental well-being, to positive sentiments, and to a positive evaluation of one's life to the degree these concepts are implied by the idea of happiness. In other words and recalling what has been said above about the nature of happiness, it focuses on allowing people to have reasons for contentment and happiness. While there are certainly some rather universal characteristics of happiness, each culture may give varying weights to the different aspects of happiness and emphasize additional qualities that would be part of a culture-specific understanding of happiness. In a Buddhist tradition, *e.g.*, individual enlightenment, control of one's desires, and freedom from excessive self-concern (Thinley 1999: 17-18) would perhaps play a central role. Singling out such a conception of happiness as a development priority contrasts with the traditional Western development paradigm which was driven by a deep-rooted ethos of industrious thriftiness that has been famously attributed to the "Protestant Ethic" by Max Weber (1975/1920).

The importance of a society's development paradigm, I would argue, seems to lie not primarily in its direct influence on political decisions, but in the impact it has on people - whether ordinary citizens or politicians - as an orientating principle. It provides or legitimizes rationales people invoke in

designing institutions, in the reflection on their values, and even in their everyday decisions. At least, many decision rationales in the affluent Western societies seem difficult to explain if not by the prominence of GNP as the epitome of good development.¹⁸

In its second role, happiness can serve as a heuristic device within the concept of GNH to elucidate the subtle psychological and societal phenomena that drive a wedge between what people actually want and what eventually results from their decisions (as discussed above). Knowledge of these phenomena may allow the individual to make less decisions he will have to regret (because he fell into some psychological trap), and it may allow society to contain prisoners' dilemmas by instilling in citizens a sense of collective interdependence, making the need for commitment to social norms more plausible to the individual.

In either of these roles, GNH does not, and should not, play its role as a "user manual" for decision makers, but rather as a mental ferment that leads to better informed and more thoroughly reflected choices, private and collective, and as a proclamation of a societal consensus of value priorities that lends authority to the "soft" argument in favor of happiness. Thereby, happiness should enrich the deliberative process that should be taking place anyway, and in which decisions should be taken by the conscientious assessment of reasons rather than by maximizing a happiness function.

The relationship between good development and GNH is therefore one between a formal principle and its concrete meaning in a specific context in which people identify with a particular ethos. By giving substance to the concept of good

¹⁸ Lane, *e.g.*, posits that "the market culture teaches us that money is the source of well-being," and that people, "lacking privileged knowledge of the causes of their feelings, ... accept conventional answers" (Lane 2000: 72).

development, it may be argued, GNH is itself already the first step of operationalizing good development.

Operationalizing Gross National Happiness

Even though GNH is more substantive than the formal concept of good development, it remains a rather ideal concept. Hence, if one wants to fix the way it is translated into consistent decision rationales that can be applied to concrete situations,¹⁹ GNH needs to be further operationalized. In fact, GNH has already been operationalized to some degree by the specification of the four major goals mentioned above, but it remains unclear - at least in the literature I am aware of - through which ordering principles these goals relate to each other. In the first part of this section, therefore, I will try to delineate one possible ordering principle by examining the economic-liberal stance that good development, and perhaps happiness, consist primarily or even exclusively in letting people choose individually for themselves free from collective restrictions and without questioning their choices. After laying out my objections against this view, I will propose an alternative maxim as the basis for operationalizing good development and will then revert to the four major goals of GNH. In the second part of this section I will briefly discuss the role indicators should play in the operationalization of GNH.

Liberty and Happiness

Proponents of the economic-liberal position basically make two distinct arguments. First, they posit that freedom of choice is of intrinsic value, *i.e.*, valuable independent from the consequences this freedom has on welfare. Second, they believe that economic theory and common sense justify a far-reaching trust (i) in each individual's ability to make those

¹⁹ This is how I understand the title of this seminar. While GNH has all along already been translated into concrete decisions by Bhutanese decision makers, I understand that its operationalization seeks to spell out and fix the way this translation ought to be done in order to warrant some degree of coherence.

choices that are in her best interest, and (ii) in an “invisible hand” (Adam Smith) that transforms uncoordinated individual choices into social welfare.

- (1) Regarding the first point, it should be noted that saying something to be of intrinsic value is not the same as saying that something has to be protected whatever the cost. For example, I may consider animals to possess intrinsic value, yet still approve of hunting for the purpose of keeping animal populations in balance if the killing of some animals is justified by reference to some other intrinsic value of more weight (such as the long-term survival of the biotope). I could not, however, approve of hunting just for the fun of it because, in my view, hunting as a source of fun can perfectly be substituted by other activities that do not require to compromise on intrinsic value. In the language of Immanuel Kant, saying that something is of intrinsic value would mean that it shall “always at the same time be treated as an end and never only as a means” (Kant 1977/1785: 61), but not that it may never and under no circumstances be *also* put in the service of another purpose of intrinsic value. In the context of free choice this means that I can acknowledge the intrinsic value of free choice, yet at the same time advocate selective limits to free choice where this is justified by other intrinsic benefits I consider more urgent.
- (2) Regarding the second argument, I shall raise three more or less related objections against an unlimited trust in individual rationality and the invisible hand.
 - (a) First, individuals appear to make systematic mistakes in predicting which choice will make them happiest. In addition to the well-established phenomenon of hedonic adaptation (*cf.* p. 92), I will propose an argument by Norberg-Hodge (1991) that can be labeled the “seduction by modernity”-hypothesis. Since her argument is based on anecdotal evidence and can therefore not be generalized, I will merely propose it without being in a

position to defend it as a general phenomenon. Nevertheless, considering that she has closely witnessed the entire process of modernization in Ladakh - a region in North-West India which appears to share some important characteristics with Bhutan, at least until just a couple of decades ago - her narrative might be of relevance to the challenge of good development faced by Bhutan.

Her argument basically is that the first contact with modern lifestyles by people in traditional societies, most often through the presence of Western tourists and television, instills an immense admiration of the achievements of modernity while concealing the downsides of economic progress.

“For millions of youths in rural areas of the world, modern Western culture appears far superior to their own. It is not surprising since, looking as they do from the outside, all they can see is the material side of the modern world—the side in which Western culture excels. They cannot so readily see the social or psychological dimensions—the stress, the loneliness, the fear of growing old. Nor can they see environmental decay, inflation, or unemployment. On the other hand, they know their own culture inside out, including all its limitations and imperfections.” (Norberg-Hodge 1991: 97-98)

People see the convenience of time-saving appliances - but not that competition for productivity increases the pace of life. They see that by earning money they can afford valued goods - but not that monetization threatens to undermine social relationships (*cf.* also Rhodes 2000). They see that work in the modern sector is less strenuous - but not that a sedentary lifestyle makes people prone to obesity and diseases of civilization. They see that a good education increases the chances of their children to get high-paying jobs - but not that widespread schooling will separate children from their parents and, if based on

Western curricula, will alienate them from their own culture (*cf.* also Wangyal 2001).

I hasten to emphasize that I am not implying that traditional life is always and in all respects better than modern life. Norberg-Hodge herself also acknowledges that modernity brings improvements too. Rather, the point is that people in traditional societies may have a biased perception of modern life, clearly seeing its blessings, but largely ignoring its dark sides. This may to some extent be due to a lack of information, but also to a systematic bias inherent in cognitive processes. For example, people typically fall prey to the “focusing illusion” (Schkade & Kahneman 1998), overstating the satisfaction they will derive from a specific change in their life simply because their attention is drawn to this particular life domain. By highlighting this bias in perception, I do not say that people should always decide against modern lifestyles, but merely that people’s decisions would better serve their authentic interests if the less visible effects of modernization were also appreciated.

(b) My second objection concerns the trust in the *efficiency* of a benevolent invisible hand. To be sure, the market mechanism is often a highly efficient way to organize production and allocate goods, and there are good reasons to make use of this mechanism for the purpose of good development. However, to the degree people compete for positional goods and thus engage in a zero-sum game (*cf.* p. 113), the invisible hand may turn counterproductive. In this case, the market mechanism will lead a society to spend real resources on relocating goods among people (generally from those with little to those with much capital - intellectual, physical, or monetary), rather than on a net creation of value. From a social perspective, this is as wasteful as if, say, ten percent of theater visitors could buy the privilege to stand up during the performance. As theater visitors get richer,

they would bid up prices without making any difference to the overall outcome. The analogy between society and the theater audience only breaks down in terms of membership: you can simply choose not to go to the theater, but you do not have that choice with respect to society.²⁰

(c) My third objection concerns the trust in the *justice* of the invisible hand. Even though economic liberalists sometimes concede that the invisible hand is not perfectly just, they contend that its deficits in terms of justice are unimportant enough to be outweighed by its efficiency benefits. This view, I believe, is grossly inadequate. Rather, the invisible hand is better described as being indifferent towards matters of justice - it may lead to largely just outcomes under favorable conditions, but it is not by itself just. The main reason for this is that it hands out the economic product to each according to his bargaining power, which is defined largely in terms of the relative scarcity of a person's skills. A talented athlete, *e.g.*, can accumulate sufficient money for the rest of his life before the age of twenty - provided his talent is relatively scarce (both in terms of supply of, and demand for, his talent). A construction worker, on the other hand, will in his whole life not earn the equivalent of a world-class soccer player's annual salary, even if he is the most diligent and skillful worker - simply because his skills are not scarce enough since there are (too many) others around who could replace him. The observation that this

²⁰ Another limitation to this analogy consists in the flow of the money spent on positional goods. While in the theater example, the seller of the privilege - say, the municipality - would simply earn a pure rent so that the money is just transferred and not received as a compensation for work, the money spent on positional goods in real life is often lost in the sense that it is spent on real work that creates only individual, but no social value (as is typical in cases of "rent seeking"). Examples for this would be advertising; preparatory courses for university entry exams; the purchase of status symbols such as luxury watches etc.

effect tends to reward effort - an essential demand of distributive justice - and leads to efficiency-enhancing incentives for people to develop valued (*i.e.*, scarce) skills may justify a degree of distributive injustice, but it does not grant an all-out absolution from a concern for justice. Rather, markets with their efficiency-enhancing properties should be put in the service of a normative conception of good development and, consequently, find their limits where they lead to a degree of distributive injustice that can no longer be justified. In other words, justice should be a matter of moral criteria that determine the domain and the form of the market, not the other way round.

The criticism raised here against the economic-liberal view is in fact a criticism at a specific economicist (Ulrich 1998b: 15) interpretation of liberalism which reduces the idea of freedom to “freedom *of choice*” in the sense of protecting people from intrusion into their individual choices (“negative freedom”). Another reading of the idea of freedom, by contrast, would be “freedom *to choose*”, namely to choose a dignified, fulfilling way of life (“positive freedom” or “real freedom”). In this interpretation, freedom may not only require protection from undue intrusion, but also the active empowerment of the disadvantaged to enable them to actually choose a dignified way of life, rather than condemning them to make do with whatever the economy happens to leave for them.

This republican-liberalist (Ulrich 1998b: 295) view differs in at least three important respects from the economic-liberal one:

- (i) First, it does not take for granted that people will always make choices that are in their best interest. Neither, however, does it seek to prescribe, or even enforce, specific choices or values (an ambition economic liberals are fond of imputing to any alternative to their own position). It merely includes the formation of preferences and choices into its field of interest by asking

for the conditions which enable people to actually make choices that are in their best interest.

- (ii) Second, and this is the specifically republican element of this conception of liberalism, it expects from all citizens to enjoy their freedoms as responsible members of a *res publica* (from Latin for “public affair”). In contrast to economic liberalism which seeks to isolate the individual from moral obligations and attempts to justify this by hinting to the efficiency of an ideal economic order, republican liberalism expects from each citizen a commitment to the *res publica*, *i.e.*, the willingness to subordinate one’s private interests to the condition of public legitimacy (Ulrich 1998b: 299). More concretely, a republican citizen would not, *e.g.*, recklessly take full advantage of her superior bargaining power *vis-à-vis* the economically disadvantaged - even where the conceivably best economic order legally entitles her to do so. Moreover, she would not regard this as a constraint to her freedom, but rather as naturally following from her identity as part of the *res publica*. She simply would not *want* to benefit unduly at the expense of others. In other words, each citizen is called upon to regard economic interaction not as a space free of morality but as part of the moral space that includes all human interaction, and to treat the other members of society not as opponents in a bargaining contest but as co-citizens of a shared *res publica* and as moral subjects which are to be respected in exercising one’s own freedom.
- (iii) Third, republican liberalism considers restrictions on individual choices to be justified when these restrictions are themselves the manifestation of free choices, *i.e.*, when they are democratically legitimized. For example, the wide-spread practice of mandatory pension saving schemes is obviously a restriction on people’s choices, but it is a restriction most people advocate in order to collectively control their spending behavior which they apparently feel would otherwise not be in their best

interest. Put differently, a populace can voluntarily choose to put in place restrictions on their choices without becoming an illiberal society for that reason.

The concept of republican liberalism does not imply any specific design of the economic order and of people's liberties. Rather, it conceives of freedom in a positive mode rather than merely as the absence of interference, and argues that people's choices need to be preceded by a fundamental reflection in two dimensions. In the individual dimension, the reflection should consist in a critical examination of one's preferences in the light of the full consequences of different development paths. There can be little doubt, *e.g.*, that parents' choices with respect to their children's education will be better after they have examined the "seduction by modernity"-hypothesis, no matter if that examination actually changes their choices. In the social dimension, the reflection should consist in a public moral discourse about the legal and institutional provisions that are most conducive to good development. A truly liberal society may prefer to impose some constraints on *freedom of choice* in order to give people *freedom to choose* and in order to avoid wasting resources on positional rat races, rather than, in blind trust in the benevolence of an invisible hand, deliver people to the vagaries of unfettered competition.

Of course, people can usually be assumed to already reflect on the wider implications of their choices without needing instruction to do so. However, important aspects of one's choices' consequences - especially when leading to an entirely novel way of life - may simply not be obvious and will therefore not be adequately taken into account. Furthermore, it would be naïve to assume an unlimited human capacity to cope with fundamental social change. Here, governments can play the role of stimulating the circulation of balanced, or (counter-)balancing, information; encouraging reflection on

specific issues; facilitating public discourse; and strengthening initiatives of civil society (Galay 2001).²¹

Coming back now to the four major goals of GNH: economic self-reliance, environmental preservation, cultural promotion, and good governance, the question arises how these rather specific goals relate to the concept of republican liberalism that has been proposed here as an ordering principle for the operationalization of the concept of GNH.

First of all, a crucial distinction should be made between the nature of concrete goals and ethical principles. While goals may be better or worse, more or less important, and may be achieved in good or bad ways, ethical principles are neither good or bad (because a bad ethical principle is no ethical principle at all), but rather right or wrong (*i.e.*, more or less well-argued). In other words, while goals are the *objects* of ethical judgments, ethical principles provide the *moral point of view* from which to make these judgments. Both are complementary, of course: While goals remain devoid of value unless they are evaluated by means of ethical principles, ethical principles have merely formal character until they are related to concrete goals (*cf.* the distinction between the teleological and the deontological perspectives above on p. 118). Thus, the four major goals of GNH may serve the purpose of emphasizing certain issues of particular importance, but they need to be complemented by (deontological) ethical principles that provide the criteria to judge, *e.g.*, to which degree economic self-reliance shall be pursued; at which cost to human well-being the environment should be preserved; or how far cultural promotion may go in constraining individual liberties.²² For the task of operation-

²¹ I should reemphasize that I am making general remarks here without implying that deficits of this sort are present in Bhutan.

²² The fourth goal, good governance, has an intermediate role between goals and ethical principles because the attribute “good” already implies a claim to having the quality of an ethical principle (after all, “good governance” is by definition good and therefore need not be evaluated). Including it in the list of major goals may

alizing the concept of GNH, this means that the ultimate point of reference from which to evaluate the operationalization of GNH is not the concept of GNH itself, but again an inclusive ideal concept of good development. Happiness may be the paramount objective in this conception of good development, but it must also always remain embedded in the latter.

Another way of focusing attention on specific aspects of good development is the selection of appropriate indicators, which shall be explored in the following sub-section.

Measuring Happiness?

The apparent allusion of the expression “Gross National Happiness” to the conventional concept of “Gross National Product” suggests that now “happiness” should be measured in Bhutan just as “product” is measured in most other countries. One would simply have to take the average of the population’s SWB scores in order to arrive at a “per capita GNH”-indicator that would replace the indicator of “per capita GNP”. Recent advances in the methodology of happiness measurement, one might argue, would warrant a sufficient degree of precision and validity. A substantial minority of Kuensel online readers seem to agree: in a recent poll (December 2003), 36 percent (n=439) answered in the affirmative when asked whether “GNH, a developmental philosophy, [can] be economically quantified.”²³

A likely candidate for the quantification of happiness is of course the concept of subjective well-being (p. 101) since it rests on a firm empirical methodology. Yet, while SWB would certainly be a better indicator than GNP because it is about an intrinsically and not only instrumentally valuable objective, any single-index “super indicator” of social well-

nevertheless be justified in order to emphasize the importance of this particular ethical principle.

²³<http://www.kuenselonline.com/pollBooth.php?op=results&pollID=63&mode=&order=&thold=>

being, no matter if GNP, SWB, HDI (p. 115), or yet another concept, will be reductionist in that it reduces a multi-dimensional and indeterminate judgment to a single, ostensibly objective figure. More often than not, once an indicator has come to be recognized as the highest-order indicator of good development, it soon is *identified* with good development itself and its maximization elevated to the ultimate objective. Such a view quickly transforms a perhaps sensible rule of thumb (“raising indicator *X* tends to be good”) into an unquestioned doctrine (“good development consists in raising *X*”). The indicator in question then becomes the *substitute* of conscientious deliberation, rather than its *content*. In the case of GNH, a particular risk consists in the possibility that the concept of GNH one day comes to be appropriated by a hedonist (i.e. solipsist; *cf.* p. 104) and utilitarian understanding of happiness, in which case the original spiritual and moral dimension of GNH would be lost.

In operationalizing GNH one should therefore perhaps refrain from formulating a single-index indicator and instead rely on a variety of separate indicators that capture various aspects of people’s daily lives that are much more relevant to good development, and in particular to happiness, than is GNP. Examples for such indicators would be malnutrition, health, mental depression, suicide, youth delinquency, alcoholism, drug abuse, and divorce rates, just to name a few. Such a heterogeneous (*i.e.*, not aggregated) set of social indicators would underscore the view that even the most meaningful indicators provide just inconclusive pieces of information which need to be evaluated along moral criteria and cannot replace moral deliberation. This is all the more evident in the context of sustainability and global justice. A steep rise of happiness indicators, for example, will have to be assessed very carefully when it is based on unsustainable trends or on the exploitation of other countries. In short, to make sense of social indicators, they always need to be embedded into a wider moral discourse.

The deliberate selection, and propagation, of social indicators seems to be more than an academic ivory tower-exercise. Casual observation suggests that those indicators that dominate newspaper headlines, TV news, and education curricula have a tremendous impact on both political and private priorities. If European newspaper headlines were dominated by indicators of subjective well-being, child poverty, and divorce rates, instead of by GNP and Dow Jones trends, the political agenda and presumably even private priorities might be a bit more concerned with qualitative rather than with quantitative development. By analogy, if the concept of GNH is properly specified and continues to be the guiding principle - but not the doctrine - of Bhutan's development vision, it can play an invaluable role in positioning the right indicators into newspaper headlines and thereby directing public discourse and private concerns towards those aspects of life that are constitutive elements of good development.

There is nevertheless a strategic case for the formulation and publication of a single-index indicator since it is so much more convenient to communicate, especially across mass media, and so much more effective in catching people's attention. Realistically reckoning with the role of mass media and politicians' perceived need for simple messages, one must therefore assume that highest-order indicators of good development will always remain in circulation. The question then becomes not what would be the perfect indicator, because that would mean the rejection of any candidate, but which indicator would be less inappropriate than the incumbent top-indicator in most minds, which currently is GNP. To topple GNP and replace it with a more humane indicator, therefore, one needs to look for "a measure ... of the same level of vulgarity as GNP - just one number - but a measure that is not as blind to social aspects of human lives as GNP is," as the spiritual father of the HDI, the former UNDP director Mahbub ul Haq, demanded (Sen 1999: 23). If one rejects a crude single-index measure of happiness because it is not perfect, one may end up with an even worse

indicator. The challenge is to catch attention with a single-index indicator and at the same time highlight its deficiencies so as to stimulate a moral discourse on the content of happiness within a comprehensive concept of good development.

Conclusion

Happiness seems to provide an especially promising perspective to approach the challenge of development facing Bhutan. By adopting Gross National Happiness as its overarching development concept, Bhutan speaks out loud in favor of a people-centered perspective on development.

In this paper I have made a number of diverse points, and I shall conclude by synthesizing them into five statements.

- (i) *Happiness is inseparable from the reasons for happiness.*
In contrast to the means/end metaphor where happiness is the only end of intrinsic value and all other objectives have merely instrumental value, happiness should be seen as a symptom indicating that a person has reason to be happy. In this perspective, the person cares not only about his positive mental experience but also about the reasons themselves which are of intrinsic value.

- (ii) *Happiness is something people make happen.*
If we recognize that people have a free will, it follows that happiness is only to some extent dependent on objective life circumstances. Ultimately, people can be happy or unhappy in a large variety of settings. A person can be happy with her material possessions either because she has much or because she desires little. Thus, to attain happiness, it would be foolish for a society to focus exclusively on life circumstances and neglect the inner foundation for happiness. Bhutan's Buddhist heritage

might be a particularly strong source for instilling, or preserving, a foundation of this kind.²⁴

(iii) *Gross National Happiness is a substantiation of the ideal concept of good development.*

An approval of GNH is always made by implicit or explicit reference to the regulative idea of good development. Being a formal concept, good development needs to be substantiated by more specific concepts if it shall guide decisions, and happiness may be an especially appropriate candidate to serve as such a concept.

(iv) *Good development is more than Gross National Happiness.*

As a teleological concept, happiness does not entirely fill out the formal concept of good development. In particular, it fails to address the dimension of legitimacy, *i.e.*, it does not provide any criteria of how to deal with conflicts of interest. It therefore has to be complemented by deontological ethical principles

(v) *Good development consists in giving people freedom to choose rather than freedom of choice.*

Economic liberalism propagates the maxim that good development consists in protecting people's freedom of choice. They fail to see, however, that people's free choices may be more or less informed and better or worse reflected. Furthermore, a society may decide to restrict people's *freedom of choice* in order to enhance people's *freedom to choose*, without therefore becoming an illiberal society. In this view, the economy should not be left to take care of itself, but rather be embedded into society.

²⁴ This does not mean that only Buddhists recognize the importance of inner attitudes. It was the classic utilitarian John Stuart Mill who said, "I regard any considerable increase of human happiness, through mere changes in outward circumstances, unaccompanied by changes in the state of desires, as hopeless; ..." (Mill 1969/1833: 15).

Its efficiency potential should become the servant of development rather than its purpose.

Gross National Happiness makes a valuable first step towards operationalizing the notion of good development by selecting as the prime goal of development human well-being rather than material opulence. It is exactly in this role that the concept of GNH is particularly well positioned to be put in the service of good development.

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BHUTAN'S QUADRILEMMA: TO JOIN OR NOT TO JOIN THE WTO, THAT IS THE QUESTION

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Abstract

This paper argues that any discussion of the operationalization of Gross National Happiness (GNH) in Bhutan within an immediate or intermediate time-frame must account for the fact that operationalization implies the adoption of long-range policy objectives and immediate or intermediate policy decisions, made in real time, that aim at reaching those objectives. The discussion of any operationalization of GNH, therefore, cannot fruitfully take place *in abstracto*, because that implies a lack of seriousness in raising the subject in the first place. The paper seeks to outline, only briefly and suggestively, a framework within which discussion of the operationalization of GNH may take place, focusing on the question of Bhutan's possible entry into the World Trade Organization (WTO). It concludes that a decision to operationalize GNH in Bhutan carries with it certain consequences that can be defined within the structure of the problem of choice, and that structure can best be considered as a quadrilemma. The *potential* consequences of choice must be taken into account in choosing for any particular set of policy directions and the *potential* cost must be accepted as part of the solution of the problem the quadrilemma suggests.

Bhutan's Policy Objectives within the Framework of GNH

We may assume that the word "development" best defines Bhutan's long-range objective, but it is precisely the meaning of this term for Bhutan, and the policies and policy decisions

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needed to achieve that objective once it is defined, that the concept of GNH is intended to cover. Therefore, we must try to indicate, if only in the most general terms, what the components of GNH-guided development may be. We can assume, for the purpose of this argument, that they are five in number:

1. *Eradication of Poverty*

Poverty in absolute terms suggests a level of income, in cash and/or kind, beneath which a reasonable standard of living, as defined by the values of a society, cannot be sustained. Obviously, GNH not only needs to consider what constitutes “poverty” in Bhutan but also what phenomena it covers. For example, it may ask who defines “poverty” in Bhutan and what institutions are engaged in the definition. It may consider whether a concept of “spiritual poverty” or “cultural poverty” is part of the definition of the condition of poverty in Bhutan. In brief, GNH certainly suggests the need to define the term in specifically Bhutanese terms. Relative poverty implies a spread of income that is too great to be sustained either by the values of the society or the institutions of the polity. The eradication of poverty within the framework of GNH thought suggests, therefore, at least the possibility that the measures usually adopted to alleviate poverty as defined by strictly economic models may not be completely or even primarily applicable in Bhutan. For example, some models of development (China, the Soviet Union and Eastern Europe, for example), based development on state-enforced forced savings, primarily from the peasants, and the State’s police powers were used to prevent deviation from this policy. In other societies, great disparity of income, often accompanied by equally great corruption, was maintained by the oppressive police power of the State (Indonesia under Suharto was an example). Neither possibility is acceptable under GNH. The operationalization of GNH, then, denies certain even temporary justifications for the continuation of poverty and requires the state to eradicate poverty by changing the conditions that give rise to it or allow it to continue.

2. *Preservation of National Sovereignty*

National sovereignty may be defined as the ability of a national polity to determine for itself, by whatever means it chooses, the policies, institutions, and procedures whereby its population lives within its boundaries. Obviously there are always limitations on sovereignty, including, for example, relative power internationally, geographical considerations (e.g., limits on the use of resources, such as rivers, that are shared across national boundaries), international political and economic obligations, etc. While national sovereignty may not be measurable as an absolute quantity (except negatively, when one nation is completely incorporated into another), a nation's ability to expand or diminish the reach or depth of its sovereignty is always a trade-off in terms of other factors or values that must be addressed in the formulation of policy.

3. *Maintenance and Development of Culture*

While it is true that social scientists have never succeeded in defining "culture," it remains something that everyone can perceive when he or she sees it. Cultures are malleable, which in this instance means that they change, sometimes more rapidly, sometimes less rapidly, depending on decisions that are made by a nation through its institutions and on the historical circumstances within which a nation may find itself and which limit its ability to make independent decisions regarding its culture. The degree to which the development of a culture may be influenced by political or economic decisions depends on the policy directions a nation takes in fields ranging from education to the economy. While GNH envisages the use of culture to protect the integrity of the nation, it also posits the development of Bhutanese culture as an instrument for defense. "National identity," therefore, beyond its definition on legal documents, is a significant variable both in the formulation and the consequences of policy decisions.

4. *Good Governance, Democratization and Decentralization*

Good governance is one of the objectives of GNH, and, according to prevailing ideas, that objective is best served by

decentralization and democratization. Good governance assumes that the stakeholders in a society hold the policy- and decision-makers accountable, and this, in turn, assumes the ability of all the stakeholders to participate in the process of policy formation and to evaluate the decisions that are made in pursuit of those policies. In general this means that an educated and informed population can exercise its judgment on the managers of society, through whatever mechanisms a given society establishes for that purpose. It also assumes, however, the existence within that society of a shared set of values, norms, and standards on the basis of which the population can judge its managers. GNH is about values, norms, and standards, but it is also about education for participation (as well as about making a living).

5. *Self-Determination*

Good governance and self-determination are closely linked concepts. Without good governance self-determination may be the exercise of the will of a small group that holds concentrated power in its hands, power that it exercises on behalf of the society but without accountability to the society as a whole. There is a dilemma here, of course: The freedom of the state to act independently, and in the contemporary world to act quickly, sometimes requires, or seems to require, that it be able to act without direct reference to the society on behalf of which it is operating. Accountability may be delayed until after, sometimes long after, action has been taken, by which time the introduction of other issues or forgetfulness diminishes the degree of accountability. This is a dilemma of representative democracy in the contemporary world, for example.

The operationalization of Gross National Happiness is an issue precisely because it is by no means clear that the commonly accepted definition of "development" satisfies the needs of poverty eradication, the maintenance or even the increase of national sovereignty, the maintenance and development of Bhutanese culture, good governance, and self-determination.

General and Specific Limitations on Freedom of Policy Choice

Bhutan's ability to make policy choices in the pursuit of Gross National Happiness may be defined or even limited by both general system considerations and specific characteristics of the nation.

General Considerations

Although we like to think that we make decisions in a world in which our decisions are made in a mono-directional fashion, that is, decisions and consequences are identified by a close, cause-effect relationship, we are increasingly aware of the problem of unintended effects, which is to say that a given policy decision may lead to a quite different consequence than the one we intended. The fact of the matter is that we live in a highly complex and very integrated socioeconomic universe, which we divide into domains ("disciplines") for the sake of analysis, but these domains disappear as distinct entities when we look more closely at the political economy. Any decision we make in one area may have quite unintended consequences far from the domain in which the original decision was made. The introduction of new technology may lead to social change that may result in increasing political dissatisfaction in a significant element of the population, or even in the production of a new social class, which, in turn, may result in revolutionary seizure of power. New inventions and ways of doing business that, collectively, we call the "Industrial Revolution" were not intended to produce an urban middle class in France that would seize political power and create a new political system.

Specific Considerations

Although the specificities of Bhutan's situation are well known, it is important to rehearse them here in order to highlight the complexities of choice that face the society.

- i. Bhutan is a small state. Bhutan appears on almost every list (World Bank, IMF, Commonwealth Secretariat)

of “small states,” a category sometimes defined as “states with populations of less than 1.5 million people.” It is not possible here to discuss the characteristics that distinguish small states from all the others, but they suggest that small states are so different from the states on which the traditional models of economic development are based that they require a different analysis and different solutions to the problems presented by “development.” They are highly vulnerable to external events, have small domestic markets, have very limited capacity in the public and private sectors, are relatively undiversified in their production and exports, etc. These conditions limit Bhutan’s choices in the pursuit of development and require different solutions. The operationalization of GNH, with its strong adoption of specific goals and values, further narrows the choice of “development strategies” by requiring and even insisting on profoundly humanizing both the definition and the process of development.

- ii. Bhutan is a “developing” society. That Bhutan is a less-developed economy or society is not arguable. If “development” means “improvement,” the question of the realization of development very much depends on the values to which the society accords importance. That Bhutan lacks the resources to “develop” in all sectors at the same time is a given, but then this is also the case with advanced industrial societies such as the United States. From the point of view of resources, all resources are scarce and so choice must be made, no less in Bhutan than in North America. The fact that Bhutan still has the ability to decide which path it wishes to pursue, which means to determine its own priorities (to the extent that it does indeed have that ability), suggests that in a way Bhutan can benefit at this stage in its history from its “underdeveloped” condition to expand its ability to exercise choice, albeit with certain limitations, to which we will come.

- iii. Bhutan has limited resources. The nation's capacity to grow exports or to speed-up domestic economic development is limited by its lack of resources, including "natural" resources, capital, labor, etc. Whatever measures are taken to overcome this lack in one area will have consequences in other areas, as we will suggest.
- iv. Bhutan is a landlocked country. Landlocked countries experience particular difficulties in gaining access to world markets, which is a limitation on their ability to use trade as a way to overcome the limitation of resources. Moreover, Bhutan's neighbors are only two in number, one of which is relatively unavailable to Bhutan as a resource for trade and development.
- v. Bhutan is deeply integrated with the Indian economy. To the extent that Bhutan seeks to deepen its integration with the global economy as an instrument for its own development (even given the conditions already mentioned), it is limited by the extent of its already existing integration with the Indian economy. Considerations of relative political power and size of economies severely condition Bhutan's ability to engage itself with the global market.

Bhutan's WTO Quadrilemma

Operationalization of Gross National Happiness will require very difficult policy choices in the short and intermediate term that will have long-term consequences. The difficulty of these choices can be indicated by a discussion of the quadrilemma Bhutan faces in consideration of the value and significance of its joining the WTO.

A quadrilemma may be defined as a state that requires a choice between four relatively equal or attractive options, any combination of two or three of which will prove unsatisfactory with regard to one or two of the others. In other words, "you

can't have your cake and eat it too." The decision about whether to join the WTO poses a quadrilemma because there are four primary elements that must be taken into account but that may be, to some extent, mutually incompatible at some level. These elements are: globalization (meaning, thereby, real and "deep" integration into the global market); the continuing development and continued existence of the nation-state, in this case Bhutan; the development of a decentralized and democratic polity; and the pursuit of Gross National Happiness as an objective and a guide to development choices.

Globalization and the Nation-State

It is now commonplace to point out that globalization as a process of economic integration on a global scale has a long history, extending at least as far back as the 18th century, let us say, and that, that history is not *unilinear*, i.e., there have been periods of increasing and of decreasing global economic integration.

In the last decade or so, "globalization" has often been presented, *ahistorically*, as a new phenomenon and, ideologically, as a phenomenon that is somehow "natural," i.e., it is somehow propelled by the forces of nature so that either you join or you get left by the wayside. Only lately, and partly as a result of intellectual critiques and analyses of "globalization" and of political and social protests against it, has globalization been considered as something less than a natural force.

World Wars I and II demonstrated the consequences of a totally fragmented world in which individual states or nation-states were pursuing their own political and economic objectives without serious consideration being given to the broader welfare of the world community. World War I led to the creation of institutions intended to control, or at least soften, the consequences of international competition and to economic theories and policies that would soften the consequences of a relatively unbridled market. World War II

was, to no small extent, the consequence of the failure of the institutions and policies that followed World War I. Consequently, after World War II two sets of institutions were created that, it was hoped, would prevent the rise again of those conditions that had led to World War II. Those institutions were The United Nations and its ancillary and associated bodies, and the Bretton Woods institutions, namely the World Bank, the IMF, and the GATT (replacing the failed ITO).

Both sets of institutions were predicated on the need to mediate between the nation-state, as the primary political unit and the primary unit of economic planning, on the one hand, and, on the other, the need to integrate the nation-state and national economies into a larger whole that would make possible the control, and alleviation, of the excesses of the nation-state and of national economies.

The United Nations rested on giving priority to collective security and decisions made collectively by member nations through the UN's institutions. The UN was intended to provide sufficient international security so that the nation-state could continue to function with only minimal restrictions on its sovereignty while its sovereignty was limited to the extent that the collective interest of the whole inhibited its exercise of independence to the point where it seriously infringed on other nation-states. While the UN's history has been checkered by moments of success and by failures, its fundamental premise has only recently come under direct attack. The UN has held out at least the promise of security for small states in the face of potentially predatory larger neighbors, and the consequences of the failure or even the weakening of the UN for small states would be serious indeed.

The institutions of the "Bretton Woods Compromise" are more to our point, however. At the end of World War II, it was commonly recognized that the world consisted of states and nation-states that differed from each other, sometimes

radically, in ideology, social policy, socioeconomic systems, levels of development, national purpose, institutional structures and political processes. Moreover, each state had its own political procedures for arriving at policy determinations. If peace were to be preserved (even in the midst of the Cold War) and stability maintained, differences had to be mediated rather than overcome, and the Bretton Woods institutions were created for that purpose. To be sure, there was a preference for democracy (not surprising after the anti-Fascist war), but it was rooted in the idea that diversity of political, social and economic arrangements could be tolerated and preserved by the development of institutions that encouraged growth and attended to the alleviation of crises that might otherwise weaken the stability of the international system. The GATT was intended to provide a procedural framework within which the adjustment of the institutions and procedures could take place to account for change.

The Bretton Woods compromise began to fall apart at the beginning of the 1980s with the Thatcher government in Great Britain and the Reagan administration in the United States. The idea of mediation between states with their own arrangements gave way to the idea of the market as the over-determining institution to which the nation-state had to acquiesce if it were to develop, or even to survive. The market trumped any and all domestic arrangements within individual nation-states. Moreover, the market was assumed to be a self-controlling mechanism. All this was legitimated by the fall of the Soviet Union and the supposed turn of China away from "socialism" to "capitalism." The WTO, replacing the GATT in 1995, was the institutional expression of the new "globalization." It is supposed to provide a means for negotiating the acquiescence of individual nation-states to the world market, but the "conditionalities" which surround any given nation-state's entry into the world market are, both logically and politically, only temporary; the inexorable power of the world market will dissolve them in due course. The crucial difference between the Bretton Woods institutions and

the WTO is contained in the difference between mediation and acquiescence. The first real indication that this inexorable power could be challenged came at Seattle in 1999, and the first real challenge occurred at Cancun in 2003.

Entrance into the WTO holds out the promise, theorists say, of rapid local (nation-state) development in return for the surrender of a considerable amount of local autonomy. The ability of the nation state to define its own path to improving the conditions of its population, and even to define what “improvement” means and in what domains it should take place, is surrendered to the global market. Sovereignty is transformed, and diminished, by adhesion to the WTO.

Here, then, are two parts of the quadrilemma that both in theory and in reality are mutually incompatible. Accession to the WTO severely limits the domestic independence of the nation-state in precisely those areas where it needs to be effective to survive, namely in the political, social, and economic spheres. As we have seen recently, the WTO, particularly its most powerful members, can attempt to place limits even on independence in medical (pharmaceutical) and intellectual (TRIPS) areas.

Good Governance and a Democratic Polity

Both globalization (the WTO) and GNH posit “good governance” as a *sine qua non* for development of any kind. “Good governance” is usually interpreted to mean, as we said above, the ability of the stakeholders to hold policy formulators and decision makers accountable for their policy formulations and decisions. This raises temporal as well as procedural issues. Temporally, integration into the WTO may take place in such a way and at such a time that the stakeholders are either not part of the decision for integration or that holding the policy makers to account can take place only after the fact, when the decision to enter is irreversible or its consequences irredeemable. In other words, the concept of good governance can be nullified by the decision to enter the WTO, which supports, theoretically, good governance.

Furthermore, once the nation-state has acceded to the WTO, large areas of its traditional domains of independent action are no longer available to it and are thus removed from the reach of good governance.

Gross National Happiness

To the extent that GNH pursues development objectives that are different from, or are serious modifications of, the more narrowly economic, definitions of development objectives that the WTO recognizes, and to the extent that the WTO, and the World Bank and IMF, which have become participants in the new, post-Bretton Woods dispensation, limit the ability of the state to pursue happiness socially, politically and economically in terms that GNH defines and through institutions and procedures that GNH creates, GNH and the WTO appear to be incompatible, at least to some extent. For example, if GNH requires that the state manage the economy, whether it be public or private or some mix of the two, to that extent arrangements that are predicated on the independence of the economy and on its self-regulation contradict GNH. GNH posits the preservation and development of the national culture as both a purpose and an instrument for the preservation of national sovereignty. Minimally controlled international trade, however, which is the immediate goal of the WTO, may require allowing the importation of goods that will have a severe impact on the national culture. To that extent GNH and the WTO may be mutually contradictory.

The Quadrilemma

Bhutan, like any developing nation, faces an extraordinarily complex decision concerning the WTO. The four components of the decision carry some degree of mutual incompatibility. There is no question that joining the WTO may be beneficial, in one way or another, to Bhutan's economic development, at least as development is narrowly defined in economic terms. However, membership has its costs. The sovereignty of the Bhutanese state will be diminished and compromised. Given the already existing degree of economic integration with India,

it cannot be determined beforehand if the value gained from WTO membership will exceed the value already gained from the degree of economic integration between Bhutan and India. As Dani Rodrik puts it, deep economic integration places the nation-state in a “golden straightjacket.” The quality of the gold remains in question.

Membership in the WTO and the globalization of Bhutan’s economy may also restrict the degree to which Bhutan can pursue good governance, one of the objectives of GNH. Furthermore, the decision to join the WTO and submit to the disciplines of the World Bank, the IMF, etc., cannot be made democratically or in consultation with the Bhutanese stakeholders because neither the mechanisms nor the educational level necessary for such consultation exists at this time. Unless and until the WTO itself becomes a body characterized by good governance, the diminution of good governance within Bhutan in exchange for the benefits to be gained from accepting the discipline of the WTO and its associated institutions cannot be compensated. A “global federalism,” deeper than, but perhaps patterned on, the “Bretton Woods compromise,” is highly unlikely in any foreseeable future, given the reluctance of the world’s sole super-power, and a host of second tier powers, to surrender a significant degree of sovereignty to world bodies.

The surrender of sovereignty by small states, for example the loss of the ability to forbid or even control imports, will inevitably undermine national culture as the nation’s economy becomes more and more globalized. The “westernization” or “North Americanization” of Bhutanese culture will be propelled forward at a faster rate than might otherwise be the case, particularly given the condition that Bhutanese culture itself has to be deepened and strengthened through education, the humanities, consciousness of values, etc., to be able even to begin to withstand the onslaught of international trade borne-cultural change.

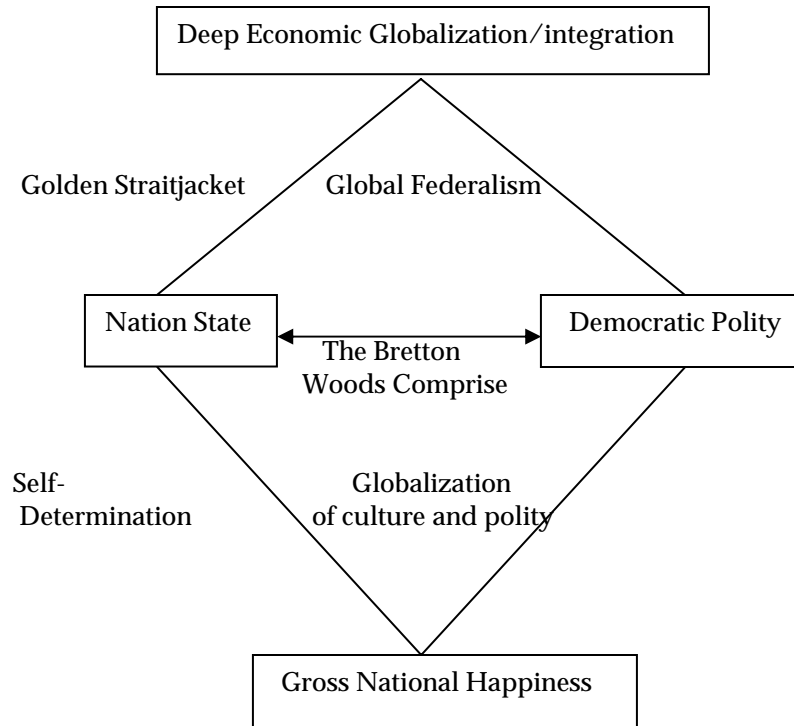
The pursuit of GNH depends upon the affirmation and reinforcement of Bhutan's ability to exercise self-determination in the positing of long-range objectives, short- and intermediate-range policy decisions, and the development of the institutions and values in which those long-range objectives will be embedded and the procedures through which they will be realized. WTO membership weakens and diminishes national self-determination institutionally, procedurally, and culturally.

None of this is to suggest that membership in the WTO will not bring significant advantages to Bhutan. Perhaps those advantages will be judged to be potentially of such a magnitude and quality that Bhutan should cut through the quadrilemma like Alexander the Great cut the Gordian's knot. The magnitude and complexity of the decision is in ratio to Bhutan's present stage of development and the fixed reality of its size and power vis-à-vis the WTO itself and its neighbors. In any event, the fate of the operationalization of Gross National Happiness lies at the very center of this decision.

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The Bhutanese Quadrilemma



*Modified from Dani Rodrik, "Feasible Globalizations,"
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