

The Sufficiency Economy at the Edges of Capitalism

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“Capitalist” Western Economics

The first sentence of Parkin and Bade’s *Economics*, the most popular undergraduate textbook in North America, states: “*All economic questions arise because we want more than we can get.*” The authors add that “*everyone ends up with some unsatisfied wants*” and “*our inability to satisfy all our wants is called scarcity.*” Based on these premises, Western microeconomics goes on to study the choices that individuals make under scarcity; while macroeconomics studies the growth performance of the national and world economy in creating more goods and services to choose from (GDP/capita).

While the progressive addition of welfare dimensions to neoclassical microeconomics and post-Keynesian macroeconomics now means that Western economic thought can no longer be restricted to the term “capitalist”, it is still based on a model of monetary self-interest played out on capital-driven markets. Household heads and firm managers at the micro-social level and government policy-makers at the macro-social level are assumed to marshal their land, labor, energy, material, capital, and management resources to create ever-increasing levels of net monetary value, as defined by market prices. Their utility function does not subsume or reflect the utility function of others. They are assumed to dislike work, and to maximize their leisure if given the chance. Although this capital-based, self-centered vision is statistically convenient, it leaves out such non-marketed goods and services as environmental quality, housework, child-rearing at home, and the psychic income that comes from sharing among friends, gift-giving, bargaining, and the joy of work.

The Edges of Capitalism

In this paper, we will demonstrate that there is no inherent contradiction between modern economics and the Sufficiency Economy philosophy; the two are fundamentally complementary. We will show, however, that the emphases are different in four ways that pull economics either upward or backward from its extreme edges. The extreme edges of capitalism are

- an inability to solve the key *socioeconomic problems* of the 21st century
- a *self-centered maximizing* view of production, consumption and exchange
- a *polarization of income* distribution
- an underestimate of *human nature*

Edge number 1: Unsolved problems of 21st century society

Economics has either failed to solve, or has even caused, an entire array of material, economic, political, sociological and even religious problems in modern society. Lying between the physical world described by *natural science* and the social prescriptions of *political science*, *sociology*, and *religion* – economics has backward and forward linkages with other branches of human knowledge and activity. To date these have been largely founded on capital driven markets, so that the environmental, political, social and moral results have been frequently negative or ambiguous.

Table 1. Problems of the 21st Century “Capitalist” World as identified by the main disciplines of human knowledge

<i>Natural science</i>	<i>Economics</i>	<i>Political science</i>	<i>Sociology</i>	<i>Religion</i>
<i>Waste</i> ←	Greed	<i>Corruption</i>	<i>Tyranny</i>	<i>Imposition</i>
<i>Hunger</i>	Risk	<i>Powerlessness</i>	<i>Prejudice</i>	<i>Atheism</i>
<i>Destruction</i>	Short-run thinking	<i>Campaign promises</i>	<i>Despair</i>	<i>Intolerance</i>
<i>Myth</i>	Low human K	<i>Passivism</i>	<i>Illiteracy</i>	<i>Ignorance</i>
<i>Extinction</i>	Theft →	<i>Imprisonment</i>	<i>Persecution</i>	<i>Extremism</i>

We shall see that the King’s philosophy replaces each of the five major problems in the Economics column of table 1 with three principles and two conditions that will help to promote the positive conversion of the world social system.

Edge number 2: Self-centered, maximizing production, consumption and exchange decisions

One reason that economics has not been able to solve the above problems on its *first* edge is the *second* edge of an extremist rationale for production, consumption, and exchange. Production is currently viewed as the full use of land, labor, capital and entrepreneurship to maximize the production of short-run goods and services, whether necessities or luxuries. (As we shall see, the King’s Philosophy would counter that it should be the more abstemious use of time, energy, renewable resources, knowledge and spirit to supply long-term necessities.)

Consumption is currently based on one's self-interest, the maximization of utility and of leisure. (The King's philosophy would counter that any sentient social being's utility function should include the utility function of others and value sharing, working for oneself and others, and joint consumption activities.)

Meanwhile, Exchange is currently viewed as an Edgeworth box of power struggle, where each party tries to maximize his or her utility at the expense of the other. (The King's philosophy would counter that, as long as both parties meet their basic needs, they can gain psychological and moral benefit from seeing to the needs of others through voluntary price reductions and compromises.)

Edge number 3: The extreme tails of income distribution

The inevitable results of the capital-based economy operating at edge number 2 have led in turn to edge number 3: frequently unacceptable extremes in the distribution of income and lifestyles. We shall see that the King's philosophy mirrors modern experimental economics and psychology, which have established that the unhappiest people are the very rich and the very poor. While the very poor lack shelter, food and clothing, the very rich have psychological burdens of worrying about excessive wealth, investment management, theft, overweight, substance addiction and the psychological problems associated with an affluent, urban existence. Giving away part of their wealth will make them happier. If that wealth is given to the poor, both groups will leave the extreme edges and will approach each other, while not completely at the "happy medium."

Edge number 4: View of human nature

Finally, the most important and crippling edge of is its very limited view of man's fundamental nature. While economists can elegantly measure the summit of selfishness with the sophisticated tools of quantitative analysis, this glass ceiling also prevents the capitalist view from seeking or reflecting the equally real¹ happiness that derives from things one cannot buy or sell with money on markets. Economic Man in the capitalist view is limited to man's *lower nature*, that which psychologists term the "child". When two such children find themselves in the same box (whether that of sand or of Edgeworth), they are assumed to fight jealously until the child with greater bargaining power or economies of scale wins. This view of the lower nature of Man has been paradoxically reinforced over the past 300 years by (the Calvinist branch of) the Protestant religion,

¹ In both senses of a) true and b) not nominal. Nominal happiness is inflated by false desires created by advertising.

which assumes that the clearest sign of God's favor for the after-life is success in capitalist accumulation in this life! Man's lower nature is also reflected in *The Wealth of Nations*, the better-known work of Adam Smith.

But Smith was hired by the University of Glasgow as a professor not of Economics, but of Moral Philosophy. He therefore wrote a second book, *The Theory of Moral Sentiments*, which took as its premise not Man's lower nature, but his higher nature, not the willful child of psychologists but the responsible "parent". In this book, he spoke not of the Invisible Hand of self-interest that pushes us to do what we desire, but of an Impartial Spectator (or "conscience") that leads us to do what is right by improving the moral image of ourselves in our own and other's eyes. Upon these quite different premises, Smith elaborated a vision of world citizenship, proposed abolishing passports, and hence forgetting entirely about the "Nations" in the Wealth of Nations. He foresaw a day when the world could be united peacefully by universal morality.

The Sufficiency Economy

Over the past decade, the King's Sufficiency Economy has enriched these themes of man's higher nature, carrying them to even greater heights above the glass ceiling edge of capitalism. This is all the more vital in that the modern world is much more complex than Adam Smith's, with many added problems. Food insecurity, massive environmental destruction, nuclear threats by unstable governments, growing inequalities in the distribution of income, crippling financial crises, market failure, and the inefficacy of policies based upon capitalism have led His Majesty King Bhumipol Mahadev of Thailand to renew the search for a whole new theory of economics based on man's higher nature. His Majesty has elaborated his philosophy into a succinct and cogent set of principles called the Sufficiency Economy, an economic paradigm that can be viewed, for the sake of comparison with other theories, as resting upon the tripod of two principles (*moderation* and *immunization*), and one condition (*ethics*) (Table 2):

Interestingly, other thinkers through the ages in economics and psychology have also struggled to formulate tri-polar visions of the necessary conditions for sustainable social evolution. But their thought was often ignored by their contemporaries. It was never carried forward, enriched, deepened or applied to the extent that the King's Sufficiency Economy may be today in an era of global communications.

Table 2. Tri-Polar Visions of Well-being in Economics and Psychology

<u>Author</u> ↓ / <u>Axis</u> →	<u>Material-economic</u>	<u>Political-social</u>	<u>Spiritual</u>
<i>King Bhumipol</i>	Moderation พอประมาณ	Immunization ภูมิคุ้มกัน	Ethical compassion คุณธรรม
<i>Adam Smith</i>	Wealth/inv.hand	Nation	Sympathy
<i>Leon Walras</i>	Market equilibrium	Cooperation	Spirituality
<i>John M. Keynes</i>	Markets	Fiscal-monetary	Morality
<i>Mahatma Gandhi</i>	Self-sufficiency	Village economy	Spirituality
<i>Shigeto Tsuru</i>	Rich	Strong	Warm-heart
<i>French Revolution</i>	Liberty	Equality	Fraternity
<i>Sigmund Freud</i>	Id	Ego	Superego
<i>Modern psychology</i>	Left brain	Right brain	Whole brain

In addition to the above three concepts, the King has further identified one more principle (*reasonableness*), an additional condition (*knowledge*) and one general effect (*balance*). The resulting six-part paradigm makes it a broader and more complete paradigm than the others listed in Table 2. In the next sections of this paper, we will briefly describe these six concepts and suggest some extensions and enrichments that they possibly take.

Three conditions

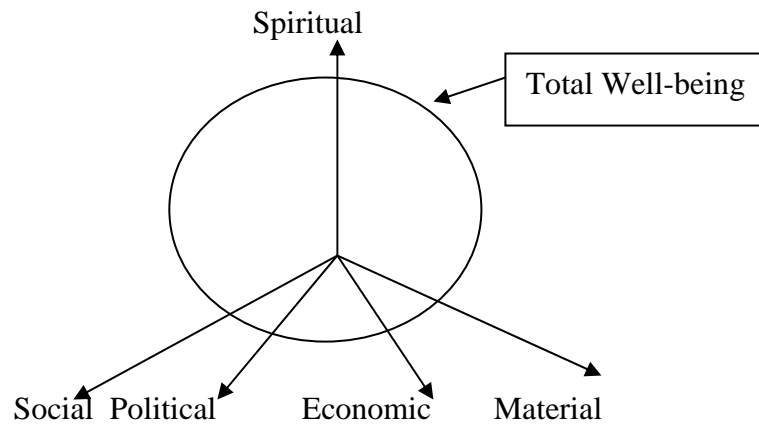
Moderation

Moderation (พอประมาณ) challenges the very first sentence in the Parkin and Bade book (as well as the first pole of every other paradigm in Table 1) by saying that wants are not unlimited, they can be satisfied. In fact, one will be happier if one can control one's desires. 2500 years ago at Mrigadava Forest in Vanarasi, the Buddha explained that life is full of suffering precisely because we are tempted by the unlimited desires now enshrined in the Western definition of economics; and that the only way to avoid suffering is to avoid greed for things and situations we don't need. These themes are present in the Koran², the Bible³, indeed, in all other world religions.

² [2.267] "O you who believe! spend (benevolently) of the good things that you earn and of what We have brought forth for you out of the earth, and do not aim at what is bad that you may spend (in alms) of it, while you would not take it yourselves unless you have its price lowered, and know that Allah is Self-sufficient, Praiseworthy."

³ [Matthew 19:23-24] Then Jesus said to His disciples, "Assuredly, I say to you that it is hard for a rich man to enter the kingdom of heaven. And again I say to you, it is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God."

Still, moderation remains a difficult concept for us to understand or accept at first. It involves voluntary sacrifice on one of the five dimensions of well-being. These include



- *Abstinence* on the material axis of natural resources and physical consumption
- “Inefficient” production *inside the risk-returns frontier* between profit maximization and risk on the economic axis
- Concessions through well-meaning *consultation* on the political axis
- *Generosity and sharing* on the social axis
- *Tolerance and charity* on the spiritual axis

So what would lead a reasonable human being to want to sacrifice? There are two main reasons. First, at the *microeconomic* level, it is the joy of sharing with others and the natural feeling of compassion that we feel toward them. Many people prefer to pay to invite a friend to see a single movie together than to pay the same amount to see two movies alone, as would be predicted by Western economics. The second reason is more *macroeconomic*: a feeling of quiet desperation (in his or her higher nature) about the problems of Table 1, which a largely capitalist economic system has failed to solve, or even contributed to exacerbating.

It is here that the King’s Sufficiency Economy acquires all of its social relevance (Table 3). It specifies and lays out in the five lines of the table and entire set of responses to the conditions in Table 1 through the three principles and two conditions that will be essential to creating a better, nobler economy. Converting greed, risk, short-run thinking, low human capital, and theft into moderation, immunization, reasonableness, knowledge and ethics, respectively; should send positive impacts throughout the other branches of human knowledge and activity, creating a dynamic synergy that will lead to social balance at a much higher level:

Table 3. Solutions the 21st Century World as suggested by the King's Sufficiency Economy

<i>Natural science</i>	<i>Economics</i>	<i>Political science</i>	<i>Sociology</i>	<i>Religion</i>
<i>Conservation</i> →	Moderation	<i>Suffrage</i>	<i>Minority rights</i>	<i>Moderation</i>
<i>Food security</i>	Immunization	<i>Lenience</i>	<i>Tolerance</i>	<i>Faith</i>
<i>Balance</i>	Reasonableness	<i>Democracy</i>	<i>Flexibility</i>	<i>Tolerance</i>
<i>Science</i>	Knowledge	<i>Awareness of rights</i>	<i>Literacy</i>	<i>Ecumenism</i>
<i>Conservation</i>	Ethics →	<i>Liberty</i>	<i>Culture</i>	<i>Acceptance</i>

Reasonableness

Reasonableness (มีเหตุผล) not only refers to planning the causes and effects of such relationships beforehand, it also means being aware of what you are doing and why. Therefore, for example, it is no longer reasonable to label the two axes of the Production Possibility Frontier “guns” and “butter” (especially since those two goods are probably not goods at all but “bads”!). It would be better to label the axes “needs” and “desires”. The ranking and minimal requirements of the former should be established by the population itself.

Immunization (ภูมิคุ้มกัน)

Of course, seeing to the needs of all is a first step towards protecting all in society from going without their basic needs. But the production and consumption processes of the Sufficiency Economy should also cultivate the inner resilience to deal with unexpected shocks; and immunize the consumer, the producer, the seller, and the exporting and importing firm from what Western economists might call “down-side risk”. It will no longer be enough that a village have enough to eat on average over a ten-year period; each individual must have enough to eat every day of every year.

Two conditions*Knowledge*

Two conditions apply to the application of the above three principles. The first is knowledge (ความรู้), and more specifically the improvement of human capital on the individual level and the promotion of the knowledge economy at the social level. In a word, knowledge refers to cultivating

one's brain to the highest possible level. Knowledge may be of two types: indigenous, local wisdom or modern technological advances.

Ethics

In a similar way, compassionate ethics (คุณธรรม) refers to using one's soul. This is a direct reflection of the incorporation of the utility function of other people into our own. Indeed, showing compassion to others is a necessary condition to applying moderation, immunity and logic. Ethics must be simultaneous to each of these decisions, or like justice (a subcategory of ethics) it may be divided into two periods. *Ex ante* justice (commutative equity) provides equality of access to jobs and productive resources before economic processes begin. It is therefore synonymous with equality of opportunity. *Ex post* justice (distributive equity) helps to equalize the final fruits of economic opportunities so that all have at least their minimal needs met. It is therefore synonymous with equality of results. Western welfare economic theory and policies have been developed to deal primarily with the latter⁴. The King's philosophy may therefore fill still another gap at the edge of capitalist economics

One general effect: Balance for positive globalization

Finally, one normally thinks of globalization as the frequently negative influences upon one's home economy and culture that flood in from the rest of the world. But the Sufficiency Economy gives Thailand today a nobler, more balanced vision of economics that is exportable to the rest of the world. As the ideals and mechanisms of the Sufficiency Economy flow outward to other countries, they will constitute positive globalization. Thailand could thus give the world fresh models of good governance, education, foreign relations, economic liberalization, privatization, micro-credit, food security, food safety, intellectual property rights, and alternative energy. Above all, it can offer balance among all of these dimensions.

Five principles of implementation

Adequate preparation

Over human history, people have rushed to apply new philosophies without allowing citizens and their local leaders the time to fully understand their underlying principles. Since the full and active participation of all members of society is a necessary condition for success, it seems essential to choose beforehand *who* will be affected, *how* and *how much*; then to prepare them in advance for

⁴ John Rawls' *A Theory of Justice* is one remarkable exception.

the changes one hopes will occur. In other words, before giving people the *responsibility* and *duty* to implement the philosophy, they must first be empowered with *knowledge* of the correct ideas and concepts. This is particularly true of the active preparation, empowerment, and involvement of the most economically and socially disadvantaged groups, whom we hope to immunize from possibly unforeseen changes during the implementation process. Otherwise, any social philosophy may degenerate into bad practices and failed projects. Indeed, throughout history, every new philosophy (e.g. Marxism) or social transformation (the Industrial Revolution) that has been *imposed* has led to death, destruction and suffering of the people it was designed to help.

It is clearly also advisable not to associate the King's Philosophy, though it originates in Buddhism, with any particular religion or philosophy, but to show the relationship with all religions and tri-polar philosophies as we have done in this paper.

Quantification

To date most of case-study communities and firms where the Sufficiency Economy theory has been applied are descriptive in nature. While this is an essential first step, the statistical, econometric, and optimization tools of standard Western economics should also be applied in order to answer the question *how much?* For example, by how many calories per day has the food security of the most vulnerable been improved? By how many baht per hour has appropriate new traditional and modern knowledge improved the productivity of workers producing traditional handicrafts? What percentage of land should be allocated to subsistence vs. exportable cash crops? Etc. Once these data are collected and tested for significance, correlation and regression analysis can determine which dimensions of the King's philosophy have been instrumental in bringing about each improvement. Linear programming and social accounting matrices (SAM) can then provide the social shadow prices necessary for the planning future investments in each community or region through a new tool called the Sufficiency Economy Matrix (SEM).

Indeed, Western economic science has developed a whole set of powerful graphic and quantitative tools that can be directly applied to studying the Sufficiency Economy. Matrix algebra, the Cobb-Douglas production function, econometric equations, and so on can and should be used to formalize and advance understanding of the Sufficiency Economy. However, the results, being based on different *inputs* (time, energy instead of labour and money), outputs (necessities first, luxuries second.) and different *objectives* (socially-constrained optimization of monetary income) will clearly be different.

Bottom- up aggregation

It seems therefore, the King's Philosophy should be protected from distortion or misapplication by implementing it *slowly*, in small increments, on a *bottom-up* basis. For example, *focus groups* and *resource mapping* must first identify the unique needs and constraints of each locality in order to emphasize specific aspects of the King's Philosophy in the correct proportions. In many cases, these strategies can then be *aggregated upwards*, through a bottom-up approach to the provincial and regional levels. Ultimately, such aggregation can reach the national and international levels, where countries can develop policies that are infused with appropriate concepts from the King's Philosophy, while still respecting the need for national income accounting and economic rigor from standard macroeconomics.

Pluralism

A fourth principle of implementation must be *pluralism*. While the King's Philosophy emphasizes and clarifies many principles that are necessary to an overall development strategy, it must be combined with market economics, the knowledge economy, sustainable modernization, positive globalization, and technological advances that improve the health and or quality of life of human beings. The people must never be told that inventiveness, new technology and modernization are to be discouraged. Instead, the King's philosophy should be offered with humility and caution to the countries and cultures of the world, so that they may combine it with these other positive movements in ways that are most appropriate to the needs of their socioeconomic development.

Buffered vs sequential application

The fifth and last key principle of implement is whether to buffer or to sequence the implementation of the King's philosophy. *Where will the sufficiency part of the economy lie? What will be its relative weight compared to the regular economic sectors or processes of the society? To what extent should we become sufficient rather than maximal?*

Once these questions are answered, society has two choices: either to

- a) set up a *buffer* (protective filter) between the in-ward looking, protective sufficiency economy part and the outward looking, risk-laden globalizing economy; or to
- b) proceed in *two temporal stages* – attaining sufficiency and then maximizing remaining value added.

The *buffering system* has been used in American Indian cultures to allow them to safely deal with the outside world economy. They used market mechanisms to the capital necessary for investment

in sustainable development. This capital is filtered through a buffer called the Community Development Council, which uses it for social development and group action. Individuals in the community are protected from direct contact with the negative ideas and motivations of the outside world. Positive aspects are allowed to flow in, to maintain and nurture the culture and allow it to grow. But the demarcation line or buffer must be clear from the beginning. Otherwise, people will be confused; they will not understand which part to modernize, how and to what extent.

Instead of directly maximizing the total value of production or consumption as valued by a desires-oriented market, the *sequential system* proceeds in two distinct stages. In the first, Sufficiency Economy planners aim at satisfying the true needs of all citizens in the household, firm, nation or the world in terms of food, shelter, clothing, health, education, and a dignified job in a way that is environmentally and socially sustainable and in accordance with the priorities of the local population itself. Once this is accomplished, in the second stage, it uses standard capital-based market mechanisms to allocate any remaining resources to the production and consumption of goods and services that are not strict necessities. This is in recognition of the fact that human beings like to have luxuries as well as necessities.

APPENDIX I: A Case Study

Interpreting a Focus Group with the King's Sufficiency Philosophy

One of the many ways in which the King's Sufficiency Economy philosophy may be applied is in *balancing* the up-down communication between agricultural researchers and farmers. In the past, agricultural technicians in most countries tended to work in virtual isolation for months or years, developed a technology based on a single variety or practice, and handed it to an extensionist to disseminate to the farmers. This top-down approach was replaced by a two-way approach in a major study by CIMMYT involving Thai and Vietnamese farmers of cassava, a crop which is produced by low-income farmers on low-quality land. The farmers were involved in all stages of the ten-year project. Notably, farmers were consulted as to their needs and hopes before the project began, were involved in implementing and improving field trials, and were asked to evaluate the project after it was finished.

While the impacts on the farmers, their incomes, and their feeling of self-worth are self-evident, this innovative approach also had strong institutional impacts, particularly on the way that agricultural researchers perceived farmers, themselves, and their jobs. A focus group was conducted with central and regionally-based researchers to ask their response to the question, "*What has the Farmer Participatory Approach project changed in your day-to-day work?*" Each person first contributed to a list of possible benefits through a round-table discussion, and then was asked to vote upon the impacts they felt most strongly in their own work, according to the following weightings: 10 points to the highest, 7 points to the second, 5 to the third, to the fourth and 1 to the fifth. The results are presented in Tables 4 and 5.

We see first that *learning new technology* and *applying participatory research* to other projects (25 points each) were the most universally perceived benefits, while *gaining local wisdom* and *motivation from farmers*, while noted, were least important. The benefits are spread over material technology (15%), economic impacts (14%), policy and institutional changes (21%), social communication (41%), and spiritual growth (5%). All dimensions of social well-being were clearly improved by the project.

Table 4: Focus-group responses as distributed across the five well-being axes

BANGKOK RESEARCHERS	Material	Economic	Political	Social	Spiritual	Total
<i>Learn new technology</i>	25					25
<i>Apply participatory research to other projects</i>			12.5	12.5		25
<i>Learn how farmers select practices</i>				23		23
<i>Get opportunity to apply FPR</i>				23		23
<i>No longer work alone, but in partnership</i>				10	10	20
<i>DOA accepts FPR approach as policy</i>			20			20
<i>Efficiency information increases income</i>		18				18
<i>Program unifies institutions: clearer for farmers</i>			15			15
<i>Farmers express themselves with confidence</i>				12		12
<i>Understand farmers needs and how to serve</i>		11				11
<i>See some old technologies don't work</i>	7					7
<i>Farmers trust researchers and extensionists</i>				4		4
<i>Better planning through coordinated institutions</i>			3			3
<i>Gain local wisdom from farmers</i>		1				1
<i>Motivated bec/ understand farmers</i>				1		1
Total score	32	30	51	86	10	
% Total votes	15%	14%	24%	41%	5%	

The same focus group results were then analyzed according to the three principles and two conditions of the King's philosophy. It was found, again, that the project succeeded in incorporating elements of all five: moderation (16%), immunization (25%), reasonableness (23%), knowledge (30%) and ethics (6%). Overall, then, the project emphasized knowledge-building on the social axis, but had broader repercussions by using the other principles and conditions to affect the remaining four axes. Thus, while economics directly accounted for only 14% of the increase in well-being, Sufficiency Economics principles as a whole were involved in 100% of the successes of the project.

We hope that this approach to data collection, analysis and promotion using the Sufficiency Economy can be extended to other branches of production, exchange, and marketing activities.

Table 5: Focus-group responses as distributed across the five principles and conditions of the Sufficiency Economy

BANGKOK RESEARCHERS	Moderation	Immunitization	Reasons	Knowledge	Ethics	Total
<i>Learn new technology</i>				25		25
<i>Apply participatory research to other projects</i>	12.5		12.5			25
<i>Learn how farmers select practices</i>		11.5		11.5		23
<i>Get opportunity to apply FPR</i>				23		23
<i>No longer work alone, but in partnership</i>	10				10	20
<i>DOA accepts FPR approach as policy</i>			20			20
<i>Efficiency information increases income</i>		18				18
<i>Program unifies institutions: clearer for farmers</i>			15			15
<i>Farmers express themselves with confidence</i>	6	6				12
<i>Understand farmers needs and how to serve</i>		11				11
<i>See some old technologies don't work</i>		3.5		3.5		7
<i>Farmers trust researchers and extensionists</i>		2			2	4
<i>Better planning through coordinated institutions</i>	3					3
<i>Gain local wisdom from farmers</i>	1					1
<i>Motivated bec/ understand farmers</i>					1	1
Total score	33	52	48	63	13	
% Total votes	16%	25%	23%	30%	6%	