The financial crisis. A buddhist view[1]

Karl-Heinz Brodbeck

Modern economics traces the laws of the economy back to the so-called postulate of rationality, or, in other words, to *homo oeconomicus*. This postulate says that, firstly, all people make their decisions independently one from another, and secondly, that they egotistically pursue, in making them, the goal of maximizing utility or profit. The Austrian economist Ludwig von Mises opined: „The Ego is the unity of human action. It is unquestionably given and cannot be dissolved or conjured away by any reasoning or quibbling." Out of this postulate, the economists construct, as Nobel Prize winner Robert Lucas says, „robot imitations of humans" as the principle of policy recommendation. The modern theory of financial markets, so often selected for Nobel Prize attention and omnipresent in investment advice, builds on these presuppositions and makes the claim that financial markets are inherently stable. Yet nothing could be further from the truth. It isn't hard to see in the assumptions of this theory the *exact contrary* of Buddha's doctrine, which teaches the mutual dependency of all beings and unmasks the ego as the source of all illusions.

Now, one could say: what the economists claim is one thing; economic reality is totally something else. Yet here is where we should remember the first verse of the *Dhammapada:* "Mind precedes all things; mind is their chief." If this mind is confused, full of errors, then corresponding actions will follow. The weave of these actions then makes up what we call : „economic reality". The wisdom announced by the Buddha is staggering, and its full extent we have hardly begun to fathom: that, which we name „society", is the product of delusive thought and action. It is the product of the three mind poisons: greed, hatred and delusion. Of course, this idea is firstly true on a personal level. Yet people act in dependence one on the other, and thus human society is the institutionalization of these three poisons.

I would like to apply this basic teaching of the Buddha to the money and financial markets in the current crises. Delusion is grounded in the illusion of a self-subsisting, independent entity, by which is meant the illusion of a fictive unity. In the economy, this fictive unity takes on not only an individual, but also a social form. It becomes *money*. Money is primarily only a conventional unit of account, regardless of which form it is materialized in (gold, banknotes, or data on a computer). Property rights are realized in terms of this fictive unity. Money is thus not simply a sly means to facilitate exchange; money is an object of value and a store of wealth. But how does the collective belief in the value of money function? This shows through in a conceptual metaphor from Nagarjuna, (*Vig. 49*) who said: the fact that someone is a father is a state he has from the child, and inversely, a child is a child, because he has a father. There is no isolated ‚father" or „child" substance. Both mutually arise, rather, out of a circular, dependent relation. This relation marks, at the same time, not only an individual, but also a social reality: there are fathers and children. Money conforms exactly to this logic: it has a value, because the mass of people reckon with its value in practice and show their confidence in it through their actions. Conversely they have confidence in money, because they *believe* that it has a value. The 'substance' of the value of money tacitly arises out of the mutual dependence of personal believes and actions in the economy. This true source or location of money, however, usually remains hidden 'behind' its fictive unity; we remain completely ignorant of it. Just this is the secret why we wonder that the value of money can dissolve into air overnight, just in order to emerge anew the next day.

It is not hard to identify the second poison in the economy: greed. There's been a lot of talk about „greed' in the current financial crisis. Greed is not simply a psychic disposition. It

[1] Published in German: „Die Finanzkrise als Götterbote", ursache&wirkung 66, Winter 2008, 42-43.

rests on delusion. Since the money illusion is always tied in with property rights (nobody gets money for free, apart from the banks being bailed-out by taxpayers around the world), money exercises a social effect as a limit: my money is not your money. Only with money do we have an entrance ticket to the global cosmos of commodities. Thus, through the workings of the delusional money system, there exists an objective compulsion to make money, in order to gain access to the market. And since money has been barely possessed when it is also already being spent again, there grows the striving for much more money. Historically, this monetary greed was embodied in the usurer. Usury was originally condemned by almost all religions. Yet, by and by the economy of money won out over morality, and the rate of interest is now considered a „normal“ price. In truth however, interest, profit, rent or speculation are only social forms of greed. The greed for money has *institutionalized* itself as social reality in the form of banks, funds, markets, etc.

The third mind poison is also easy to identify: hatred appears as economic competition, as the society of sharp elbows, as ruthless egotism, always on the basis of ignorance, thus, of *indifference* with regard to the people effected by one's own actions. Nevertheless, it is precisely to this third poison of competition that economists and their puppets, the politicians, turn as the universal solution of all problems: we must, they tell us, create more free market competition in order to overcome the economic problems of our days. It was not least this idea that led to giving up (deregulating) the controls on the capital markets. We made the social system depend too much on competition, and thus increased poverty. Free competition, for example, took over the market in foodstuffs, speculatively drove up the prices, and through this made yet more people hungry.

The institutionalisation of the three poisons in the Bank and Financial system doesn't operate under its own power. It is borne along by the everyday thinking of all market participants. I would like to explain this with two examples. When, in the 90s, the internet was discovered as the new business field, internet firms popped up like toadstools from the ground. This was facilitated, as well, through the loose money policy of the U.S. Federal Reserve. In order to avoid a crisis such as that which had racked Japan, the interest rate was lowered, and thus, too, the financial costs for entrepreneurs. There arose countless new firms that quickly went to the stock market in order to raise more capital from investors who, on their side, were promised a high return from mounting stock prices. This newly cultivated money greediness took in a broad section of the population. And out of the mutually agreed upon illusion that we lived in a new magical age, that could create value out of nothing, drove the stock market higher – there emerged the dot-com-bubble. That an illusion like this had to implode at some point, then, shouldn't surprise us. The internet bubble burst at the beginning of 2000. The consequence was the commencement of a recession. Then came 9/11 – and in order to show the world that the U.S. wasn't going to bow before a (for the most part only fictional) terrorist threat, the Fed pumped money into circulation again. This time the entering wedge was mortgage-backed securities. Here, the money greed of the banks was twinned with that of the common folk, who couldn't resist the temptation to be able to buy a house on credit without expending their own capital. Since the demand for housing grew rapidly, the price of housing did too, and the banks even gave credit based on *future* increases in the house price, thus financing houses not only one hundred percent, but at one hundred twenty and more. Why not an automobile on credit, too? These shoddy mortgages were then sold off – money greed is endlessly inventive. It was objectively a lie, when the buyers of such securitized bundles of mortgages were promised a return without an equivalent value. Here the deceptive characteristic of money unfolded its full flower and conquered the world's financial system with fictional paper.

This illusion is now globally burst. Suffering and misery follow for billions of people. Illusions obey no rationality: there are, therefore, no given economic „laws“ as most economists want us make believe. In the inner core of modern capitalism, we find the dominance of an irrational greed based on an error, unfolding in delusive competition. For this is the point of that thing we call „neoliberalism“: we have surrendered the management of the planet to an irrational passion; moreover, it is blind and denies, in the circumstances of competition, not only theoretically, but practically the mutual dependence of people upon one another, and upon nature. Economically deluded people act ignorantly, but still they experience what they mutually do to one another on a planetary scale as an external force of circumstance. „Force of circumstances“ means: one suffers from the situation one has created for oneself (*karma*). And that, once again, is the truth of suffering that is grounded in the three mind poisons.

How has the political system reacted to the crisis? It has *amplified* the illusion by pumping new money into the market and burying anew the very thing that constitutes money: the illusionary confidence in its value. Buddha spoke of the three messengers of the gods: old age, sickness and death (AN III.36). These messengers Buddha said, offer us an opportunity for deepening our awareness and compassion. Possibly we should think, then, of the current financial crises as the economic messenger of the gods. Illusions have no existence of their own. Compassion means, also, spreading this insight.