

4. FISCAL DECENTRALIZATION IN BUDDHIST ECONOMICS:

AN INTERACTIVE ANALYSIS FROM LUMBINI

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Abstract

The main objective of the article is to identify the basic elements of Buddhists Economics applicable to fiscal decentralization. The study reviews the Buddhists Economics and Fiscal Decentralization from global perspective. Fiscal decentralization is the process to deliver the power and resources to the grass root level of governance. If the governing body is able to impose the Buddha's ideology in the policy, certainly resource allocation conflict will be minimized.

Methodologically the researcher has conducted interaction programs among Buddhists economists, scholars and academicians available in Lumbini– the birth place of Buddha. The author has analyzed the facts matching with literature review and focused group discussion in Lumbini. The study has identified elements of fiscal decentralization from Buddhist Economics. These elements can be a guideline for noble scholars, academicians, researchers and policy makers of fiscal decentralization from Buddhists economics.

Key Words: *Buddhists Economics, Fiscal Decentralization, Lumbini*

Background

This attempt is a study of fiscal decentralization in Buddhists Economics in development economics. Fiscal decentralization constitutes the public finance dimension to decentralization in general, defining how the expenditures and revenues are organized between and across different levels of government in the national polity. The precise nature of intergovernmental fiscal relations and fiscal decentralization policy in any given country varies depending on how sub-national government and administration is organized (UNDP, 2005). Fiscal decentralization should be considered as intergovernmental fiscal relations that show how different level of governments acts and interacts with each other on fiscal issues i.e. revenue collection and expenditure with reference to their functions and responsibilities. There are four key elements of fiscal decentralization usually called "four pillars" or "building blocks" of fiscal decentralization. They are:

- a. Expenditure responsibilities,
- b. Revenue assignment,
- c. Inter-governmental fiscal transfer, and
- d. Sub-national borrowing (borrowing authority only for pre specified objectives) (Shrestha, 2005).

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It is a process of devolving fiscal decision making power and management responsibilities to the local government. The process or governmental system assumes that local governments have a certain degree of fiscal discretion and autonomy in resource planning and its mobilization (Shrestha, 2005). The Buddha taught that basic material needs must be met before spiritual development can begin. ... The peasant heard the news of the Buddha's visit and, since he had been interested in the Buddha's teaching for some time, he decided to go to listen to the discourse. By the time he arrived at the place, set up for the talk, he was exhausted and very hungry. When the Buddha saw the peasant's condition, he asked the city elders to arrange some food for the poor man, and only when the peasant had eaten his fill and was refreshed did the Buddha start to teach (Wiese, 2011).

Fiscal decentralization, then, can be conceptualized as the empowerment of communities and citizens by fiscally empowering their local governments. In such a context, fiscal decentralization is often more narrowly conceptualized as fiscal devolution – and this primer is predominantly concerned with this form of fiscal decentralization (UNDP, 2005). Fiscal decentralization, however, is not only a question of transferring resources to the different levels of local government but it is also about the extent to which local governments are empowered about how much authority and control they exercise over the use and management of devolved financial resources. It is measured in terms of their control over (i) the provision of the basket of local services for which they are responsible; (ii) the level of local taxes and revenues (base, rates and collection); and (iii) the grant resources with which they finance the delivery of local public services (UNDP, 2005). It also requires a meaningful dialogue between local and central governments, an appropriate set of legal and institutional arrangements for local government management, and a system of incentives.

Fiscal decentralization refers to the process of granting autonomy to the local self-government to mobilize financial resources which shows how much central government cedes fiscal impact to sub-national governments. It is a bottom up planning approach with the aim of converging the people's participation. Considering the eminent role to be played by local institution to mobilize these resources, Nepal has adopted the principle of decentralization since 1960 and various acts and laws were enacted since then to strengthen the efforts (Shrestha, 2005).

Buddhist economics applies the lessons of the Buddha's discoveries on his path to enlightenment to an analytical approach encompassing generally accepted economic concepts. The approach can lead to a better understanding of the truths of human existence and our relationship with nature. Buddhist ethics are not some abstract concept of 'promising to be good' so that we will receive a reward at some time in the future, nor some mysterious code of behavior we have to follow to belong to a secret club, but a way of living which accepts and complies with the reality of nature. E. F. Schumacher in 1993 was the first economist to mention Buddhist economics in his book *Small is Beautiful*. Schumacher advocated living according to a 'right livelihood', a step on the Eightfold Path of the Buddha's Middle Way to enlightenment. Society should not only be concerned with maximizing the utility of the environment, but should also choose harmonious

and peaceful ways of living (Praukvong, 2005). The term “Buddhist economics” has probably been coined by Ernst Friedrich “Fritz” Schumacher, a German-born statistician and economist. Schumacher is best known for his 1973 booklet “Small Is Beautiful” that contains the reprinted article “Buddhist Economics” which was first published in 1966 (Wiese, 2011)

On a central Buddhist concept, *tanha* is craving, thirst and unwholesome desire. It is explicitly mentioned in the second and the third of the Four Noble Truths and also in the theory of “dependent origination”. Buddhism is in contrasting *tanha* with *chanda* (sincere desire for well-being). As with these words, we consistently stick to the *Pali* and *Sanskrit* words. In the next section, these Buddhist teachings are expounded in more detail. The section after next explains the basics of household theory. We then show how standard tools of microeconomic theory help to shed light on some central Buddhist tenets: moderation, overconsumption, non-consumption, contentment, and the attitude towards work (Wiese, 2011).

At the very heart of Buddhism is the wisdom of moderation. When the goal of economic activity is seen to be satisfaction of desires, economic activity is open-ended and without clear definition — desires are endless. According to the Buddhist approach, economic activity must be controlled by the qualification that it is directed to the attainment of well-being rather than the "maximum satisfaction" sought after by traditional economic thinking. ... There is no excess, no overconsumption or overproduction. In the classical economic model, unlimited desires are controlled by scarcity, but in the Buddhist model they are controlled by an appreciation of moderation and the objective of well-being (Wiese, 2011).

Drinking alcohol, for instance, satisfies a desire, but is a cause of ill-health, unhappy families and fatal accidents. People who eat for taste often overeat and make them ill. Lacking a spiritual dimension, modern economic thinking encourages maximum consumption. It praises those who eat the most — three, four or more times a day. If someone is to eat ten times a day or more, will be so much the better in modern economics. By contrast, a Buddhist economics understands that non-consumption can contribute to well-being (Wiese, 2011). Like consumption, non-consumption is only a means to an end, not an end in itself. If abstinence did not lead to well-being, it would be pointless, just a way of mistreating ourselves. The question is not whether to consume or not to consume, but whether or not our choices lead to self-development. The path to true contentment involves reducing the artificial desire for sense-pleasure, while actively encouraging and supporting the desire for quality of life (Wiese, 2011).

Buddhists Economics, only through understanding suffering can we realize the possibility of happiness. Buddhism makes a distinction between two kinds of happiness: dependent happiness and independent happiness. Dependent happiness leads to competition and conflict in the struggle to acquire material goods. Any happiness arising from such activity is a contentious kind of happiness (Wiese, 2011). The truly independent kind of happiness is nevertheless more skillful than the contentious. It is a happiness that is more altruistically based, directed toward well-being and motivated by goodwill and compassion. Through personal development, people can

appreciate this truer kind of happiness — the desire to bring happiness to others (Wiese, 2011).

Rationale

Essentially, Buddhism holds the view that all things exist and proceed within an interrelated natural system. Even those subjective matters within the domain of the mind, e.g. thought and imagination, and those matters pertaining to social activities, which in today's academic circles are not necessarily considered as the aspects of nature or of pure science, and are thus distinguished as separate branches of study; e.g. the humanities and sociology, are in Buddhism viewed as natural phenomena, only at another level of complexity. It is imperative that one recognizes and gains an insight into how such psychological and social factors exist as interrelated causes and conditions, and are linked to other aspects of nature within a unified system (Payutto, 2016).

If there is a lack of insight into this truth, human academic knowledge will split off into separate specialized disciplines, and each one of these disciplines will end up defective and wanting. This can be seen in some branches of science which only study physical aspects of nature, without taking any account of related factors. As a consequence, the understanding of the physical world is sometimes inadequate and unclear.

Human beings are an aspect of nature, although they possess unique attributes. There are many such unique attributes, but the ones that are most important are intention (*Chetana*) and intelligence (*Panna*); in some cases, or at some levels, this word encompasses 'wisdom,' 'insight' and even the knowledge of awakening—*Bodhinaana*—but these are all facets of intelligence). All of these unique attributes are aspects of nature. The world of human beings, or human society, is generated from these unique attributes, which exist in a causal relationship with other factors inherent in the overall interconnected natural system. For the diverse branches of knowledge to be integrated and to truly solve people's myriad problems, and for human creative endeavor to reach its goal, people must first understand their own unique attributes and recognize how they fit into the interconnected set of conditions (*pasyakara*) inherent in nature (Wiese, 2011). Economic activity is a part or component of this holistic conditional system. Economics as a discipline needs to discern the conditionality of economic activity within this interconnected system at two levels or pertaining to two domains:

1. The interrelationship between economics and other human social activities and affairs, e.g. popular values, traditions, ethics, state of public health, politics, and education. (Up till now, the study of politics has been given much attention, but many other aspects of human activity have been overlooked.) In this way economic activity will be assimilated into an increasingly joyous and free state of life (Wiese, 2011).
2. The interrelationship between economics and the three chief factors pertaining to human existence: a person's individual life, the society, and the natural environment. In other words, economics needs to promote healthy, happy lives for individuals in a peaceful society surrounded by a pleasant and refreshing environment. This will lead to true, lasting progress and development

(Praukvong, 2005). It is imperative that economics helps to integrate and coordinate the various factors in these interrelated systems to bring about balance and to achieve true success. This is the chief premise and maxim of what is called middle-way economics.

There are other important principles related to middle-way economics, for instance the harmony and integration between open-ended social development and close-ended personal or individual development, but these subjects must be left for another occasion (Wiese, 2011).

The main objective of the study will be the analysis of the core elements of Fiscal decentralization from Buddhist Economics. The study will analyze current fiscal decentralization practice, issues and challenges on fiscal decentralization and examine how fiscal decentralization may influence economic growth of Nepal with special reference to Lumbini from Buddha's ideologies. The mainstream welfare economics enlarge the human wants that leads to craving and conflicts at local resource allocation whereas the Buddhists Economics generate peace and harmony in local level fiscal decentralization.

Importance

1. Recognizing and trying to account for odd natural occurrences of Buddhists Economics and fiscal decentralization.
2. Attempting to understand ordinary events that seem to defy explanation.
3. Analyzing one's own behavior (and trying to explain it).
4. Using deductive reasoning and trying to determine whether general principles apply in a given situation or context.
5. Noticing the inconsistency between results reported by other researchers pertaining to the same psychological event or process.
6. Examining the impact of a particular contextual variable on a psychological event or process.
7. Investigating alternative manipulations of different variables.
8. Following up on a "suggestion for future research" in the discussion section of a published article.
9. Uncovering and addressing potential flaws in extant research.
10. Extending the theories of Buddhists economics and fiscal decentralization into a new domain or applying it to a new situation

Review

At the beginning Buddhist perspective on the subject of economics was simple, a theological issue of Buddha's ideology. While not seeking to present a completely comprehensive Buddhist economic theory, he provides many tools for reflection, ways of looking at economic question based on a considered appreciation of the way things are, the way we are. The hope that by making this work available in English it may go at least a short way towards resolving what has been called the current 'impasse of economics', and to awaken readers to the wide-reaching contemporary relevance of the timeless truths that the Buddha discovered and shared with us (Payutto, 2016).

“The federal system was created with the intention of combining the different advantages which result from the magnitude and the littleness of nations”. The quotes of Alexis de Tocqueville, Democracy in America has given the base of theory decentralization. The research will be guided by this Toqueville ideology of Fiscal decentralization.

When regional and local governments are involved in financing their own expenditures, at least at the margin, they will be more accountable to their citizens (and the central government) for the efficient delivery of public services. In contrast, when the bulk of financing of local services comes from revenues transferred from a higher level of government, local governments are less likely to be parsimonious with those expenditures. Thus, tax sharing formulas need to be constructed in a fashion that encourages (or at least not discourages) local governments from developing their own-source revenues (Kee, 2003). In recent years, there have been multiple extensions of the traditional theory of fiscal federalism (or the organization of intergovernmental fiscal relations) first developed by Oates in 1972. Viewing government as a benevolent agent, it has created a decentralization theorem, which states that in the presence of diverse preferences and needs, provision of services from a decentralized government will lead to increased citizen welfare. This occurs because decentralized government leads to information advantages and more flexibility in adapting to citizens' needs and preferences, as emphasized earlier (Martinez-Vazquez, 2011)

Analysis/Discussion

The Decentralization Development from Peace: For a public good—the consumption of which is defined over geographical subsets of the total population, and for which the costs of providing each level of output of the good in each jurisdiction are the same for the central or for the respective local government—it will always be more efficient (or at least as efficient) for local governments to provide the Pareto-efficient levels of output for their respective jurisdictions than for the central government to provide any specified and uniform level of output across all jurisdictions (Oates, 2006). “The keynote of Buddhist Economics, therefore, is simplicity and non-violence. From an economist's point of view, the marvel of the Buddhist way of life is the utter rationality of its pattern – amazingly small means leading to extra-ordinary satisfactory results” - E. F. Schumacher, *Small is Beautiful* (Kekendure, 2010)

“For at least another hundred years, we must pretend to ourselves and to everyone that fair is foul and foul is fair: for foul is useful and fair is not. Avarice, usury, and precaution must be gods for a little longer still. For many they can lead us out of the tunnel of economic necessity into daylight.” (Economic possibilities for our grandchildren.) - John Maynard Keynes (Kekendure, 2010) “Men make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given, and transmitted from the past.” - Karl Marx (Kekendure, 2010)

As Nepal is a country of Gautam Buddha, Nepal's every policy is almost guided by the Buddhists Philosophy. Since early 1960, Nepal adopted Decentralization as a process to mobilize people's participation in development. This has undergone significant changes over time. Historically, the development process of Decentralization could be categorized into two important phases: Phase I (1960-1990) and Phase II (1990 to date). Phase I may be treated as transition phase. In 1962 the Decentralization Policy was framed. This was the first officially prepared policy framework on Decentralization. Some other features of this phase are the promulgation of Decentralization Act 1982 and Decentralization Regulation 1984 (Ligal, Shrestha, Chapagain, Bista, & Maharjan, 2005).

Phase II may be considered as the consolidation and carry-forward phase in the development of Decentralization policies in the country. The Constitution of Nepal 1991 has incorporated Decentralization into its directive of the state policy and is stated as "Decentralization should be the means for ensuring optimum participation of people in governance and hence enjoy the benefit of democracy". The promulgation of three separate local governments Acts (DDC, Municipality and VDC) in March 1992 was the beginning of a systematic process to Decentralization in the country. Limitations in these acts resulted subsequently in bringing out another unified act namely, Local Self Governance Act (LSGA) in 1999 (Ligal, Shrestha, Chapagain, Bista, & Maharjan, 2005). The enactment of LSGR and LBFAR clarifies the roles and responsibilities of each level of LBs together with the types of resources they command. A system of inter-government transfer was practiced to support LBs in carrying out their function including much needed developmental activities in their jurisdiction. The importance of decentralized local governance was increasingly recognized during this phase. Post 1990s period may, therefore, be considered as the landmark in the development of Decentralization process in the country (Ligal, Shrestha, Chapagain, Bista, & Maharjan, 2005).

Poverty Reduction through Decentralization: As a step towards accelerating the process of Decentralization, in fiscal year 2001/02, some key services, such as, primary education, primary health care, agriculture and livestock extension services were devolved and the responsibility of managing and delivering of these services were handed over to the LBs and the local management committees. Center fully backed up these services along with resource requirements. In line with the commitment towards Decentralization, the Tenth Plan (2002-2007), clearly stated Decentralization as one of its strategies for poverty reduction and as such, aims to achieve the objective of poverty reduction by enabling the local people through their participation in the

decision-making and governance process (Ligal, Shrestha, Chapagain, Bista, & Maharjan, 2005). The Tenth plan continued the process of devolution further by devolving services of higher level, such as; health posts and primary health center in the case of 3 primary health services and lower secondary and secondary school in the case of education have also been gradually devolved. Following the recommendations made in the study on Expenditure Assignment commissioned by LBFC and DASU/DANIDA HMG/N had devolved infrastructure sector involving rural roads, small irrigation and small drinking water projects to DDCs from the fiscal year 2004/05. More recently, HMG/N had announced its plan to go on full-scale devolution in 14 districts, one each from 14 zones from the fiscal year 2005/06 (Ligal, Shrestha, Chapagain, Bista, & Maharjan, 2005). So decentralization from Buddhists perspective is based on the philosophy of small is beautiful.

Empiricism in Buddhist's philosophy of Decentralization: The term empirical was originally used to refer to certain ancient Greek practitioners of medicine who rejected adherence to the dogmatic doctrines of the day, preferring instead to rely on the observation of phenomena as perceived in experience. Later empiricism referred to a theory of knowledge in philosophy which adheres to the principle that knowledge arises from experience and evidence gathered specifically using the senses. In scientific use, the term empirical refers to the gathering of data using only evidence that is observable by the senses or in some cases using calibrated scientific instruments. What early philosophers described as empiricist and empirical research have in common is the dependence on observable data to formulate and test theories and come to conclusions.

Fiscal decentralization refers to the process of granting autonomy to the local self-government to mobilize financial resources which shows how much central government cedes fiscal impact to sub-national governments. It is a bottom up planning approach with the aim of converging the people's participation. Nepal is rich in diverse resources. Considering the eminent role to be played by local institution to mobilize these resources, Nepal has adopted the principle of decentralization since 1960 and various acts and laws were enacted since then to strengthen the efforts. According to the present Local-Self Governance Act (LSGA)-1999, local resources consisting of the grants provided by the central government (matching and non-matching grant), local revenue (tax and non-tax) and loan (internal and external) could have been implemented by the respective local bodies (Shrestha, 2005). Lord Buddha was born as Prince Siddhartha Gautama of the Shakya Kingdom in the gardens of Lumbini in 623 BC. His journey in this world began in the gardens of Lumbini when his mother Queen Mayadevi was travelling from Tilaurakot, the capital of the Shakya Kingdom, to her family home in Devdaha to give birth. It was here that the newborn infant took his first seven steps toward the East beginning a path to enlightenment which would change humankind.

Buddhism and Local Development: Later in his life, Lord Buddha advised his followers to visit four sacred places relevant to his life, one of which is his birthplace. The veracity of Lumbini as the birthplace of Lord Buddha is well supported by historical references that date back to 249 BC when Emperor Asoka erected pillars with inscriptions in Lumbini, Gotihawa and Niglihawa, to

commemorate his visits. The inscriptions on the Asoka Pillar in Lumbini marks this location as the birthplace of Lord Buddha. Other pilgrims and travellers throughout the centuries, most notably Seng-tsai and Fa-hsien (4th century AD) and Hsuan-tsang (7th century AD), made references to the temples, stupas and other structures in and around Lumbini in their writings. In the early 14th century, King Ripu Malla also left evidence of his pilgrimage in Lumbini through an additional inscription on the Asoka Pillar. In 1896, archaeologist Anton Führer, and the Governor of Palpa in Nepal, Khadga Shamsheer, rediscovered the Asoka Pillar in Lumbini. In 1997, UNESCO declared Lumbini to be a World Heritage property (UNESCO / UNDP, 2013).

The Greater Lumbini Area includes the Rupandehi, Nawalparasi and Kapilvastu districts in the southern plains of western Nepal. The 5,260 sq km area, with a total population of 2,095,640, is home to many archaeological and religious sites relevant to Lord Buddha's life, including his birthplace Lumbini. Among these sites, two are on the Tentative World Heritage list: Tilaurakot, the ancient capital of the Shakya Kingdom where Lord Buddha lived as a prince until 29 years of age; and Ramagrama, which is believed to have a stupa containing one of eight relics of the Lord Buddha (UNESCO / UNDP, 2013). As Buddha was born in Nepal and his ideologies should have been spreading all over the world since very long. Thus principles, theories, ideas, etc., from Buddhist's ideology are applicable in Nepalese rural and local development.

Conclusion

Thus in conclusion, The Decentralization Development from Peace used to be sustainable and accepted by entire stakeholders. The value must be based on peace developed by Buddha in decentralization of fiscal as well as non-fiscal decentralization of power. Poverty reduction through decentralization is scientific although the decentralization must be based on the ideology of Gautama Buddha. Poverty is qualitative rather than quantitative. It can be reduced with psychological empowerment from Buddha's teaching. Empiricism in Buddhist's philosophy of Decentralization is very practical. The main ideology of Buddha from Bippashana meditation express observation is only solution of every misery. So, first observations were not other than Buddha. Empirical study began from Buddha, observing the phenomena seriously gives the on the spot solution of decentralization issues of development. Buddhism and Local Development are directly related. Buddha's Ideology is based on local production, small is beautiful, if we develop model of development through the philosophy, development will be more sustainable as it used to be in Buddha's period.

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