

## **The Non-Neoclassical Paradigm: Buddhism and Economic Development**

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### **INTRODUCTION**

It is generally admitted that the notions of individualism and individuality have had a significant impact on the thinking of the Western mind and played an important role in moulding the economic philosophy of the neoclassicals (Dumont 1977 and Sen 1983, Chapters One to Four). In this neoclassical economic theory the central role was played by atomistic competition within a perfectly competitive market structure. In contrast, the notions of non-self and interdependence have influenced the economic and social behavior of the Japanese, and the notion of concord has governed their behavior. From a survey of the literature, two factors emerge as important in explaining the Japanese success. First, their capacity to perceive change and take advantage of it, and second, their group-centeredness and the importance they attach to concord or harmony. While the neoclassicals ignored interdependence between economic agents, the Japanese gave it a central place in their system. Section One of this paper briefly discusses the role of atomistic competition in the neoclassical paradigm and goes on to describe the emergence of giant enterprises and the role of an entrepreneur in the Schumpeterian framework. Section Two contrasts the Japanese entrepreneur with the Schumpeterian entrepreneur and emphasizes the importance of non-selfish strategies and interdependence in decision making, factors ignored by both the neoclassicals and Schumpeter. Section Three continues the discussion on selfish versus non-selfish strategies in the light of certain Buddhist doctrines as interpreted in Japan. Section Four is devoted to a discussion of the concepts of "perpetual change" and "non-self," the two important philosophical foundations of the alternative paradigm. Section Five

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discusses certain Japanese institutions and decision-making procedures based on the philosophical foundation discussed in Section Four and analyzes their relevance to modern managerial capitalism.

#### ONE: SCHUMPETER AND THE NEOCLASSICALS

The neoclassical economic theory identifies rational economic behavior with the consistent pursuit of self-interest<sup>1</sup> by the individuals in a society. The neoclassical paradigm shows that if each individual, whether a consumer, producer or a wage earner, followed selfish strategies in order to maximize his returns (utilities in the case of consumers, profits for the producers, or wages for the workers), the outcome of the pursuit of selfish interest by each individual in the society would result in maximizing not only the individual's welfare, but also that of the society. In other words, selfish individual strategies would in fact turn out to be also optimal strategies for the society. However, this result would not follow if there was dominance on the part of any one of the individuals. That is, if a monopolist follows selfish strategies then his actions would not result in optimum benefit for the society. This is the main reason behind the opposition of the neoclassicals to monopoly and their advocacy of antitrust policies. The assumption of perfect competition in all markets is crucial to the neoclassical paradigm.

While dealing with perfect competition, the classical and the neoclassical economists made (apart from other well-known assumptions of perfect competition) a crucial assumption, namely, that all competition was price competition. As pointed out by Marris and Mueller (1980), more rather than less non-price competition need not necessarily be Pareto optimal. On the other hand, in reality as pointed

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1. For a detailed and lucid discussion on these subjects refer to Sen 1983, Chapter 1, Section 1. For a discussion on the philosophical foundations refer to Hahn and Hollis 1979, in particular to their comprehensive introduction.

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out by Schumpeter (1943), the most distinctive feature of capitalist development is the prevalence of non-price competition, such as competition in research, development, innovations, sales promotion, to obtain and hold monopoly, and competition for corporate growth. Competition in these areas, as shown by Schumpeter, "strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives" (1943, p. 84).

However, when one takes into account technological change, product innovation, research and development, the neoclassical paradigm instantly gets into serious difficulties. Marx (1894, vol. III, chap. XII, section III) was one of the very first among the classicals to perceive and comment on the impact of technological change on industrial organization and development. Marx clearly visualized the impact of technological change on capital intensity, size advantages, emergence of giant corporations, and the consequent concentration of industries. Schumpeter too predicted the inevitability of monopolistic tendencies and concentration in industries as a result of innovations and technological change. Thus innovations and technical change would surely stand in the way of atomistic competition which is crucial to the neoclassical paradigm.

Schumpeter, however, was not perturbed over the size and scale advantages resulting from technological change, for he did not anticipate the erection of entry barriers. To him, capitalist development represented turmoil. In his understanding, the capitalist economy "is incessantly being revolutionized from within by new enterprise, that is, by the intrusion of new commodities or new methods of production" (1943, p. 31). These do not compete with the old ones on equal terms, but have a decisive advantage, often resulting in the death of the old ones.

Schumpeter, by and large, broke away from the neoclassical thinking as he saw the inevitability of the atomistic competition giving place to giant enterprises. He was not willing to shed tears for the collapse of a system based on atomistic competition, partly because it was the

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historical consequence of technical change, and partly because he perceived the advantages of economies of large scale and size. However, to both Marx and Schumpeter, monopolistic advantages arising out of technological change would turn out to be, by and large, short-lived. The new technology would spread and the advantages would not last. Moreover, new products would emerge making the earlier ones obsolete. These new products and methods would not be developed and exploited by the producers of existing products, but by very different people. Schumpeter gave the example of the railways not being introduced by the operators of stage coaches but by a different set of entrepreneurs.

To Schumpeter, the central character in capitalist development is the entrepreneur. However, the entrepreneur himself does not invent or discover new methods of production or products. Instead he sees the possibility of commercially exploiting a process or a product and undertakes the risk of doing it. In that sense he is innovative. Thus while the entrepreneur reforms and revolutionizes the pattern of production by exploiting an invention or an untried technological possibility, he himself does not invent anything. His advantage is in getting things done. Thus Schumpeter's concept of the entrepreneur does not include all heads of firms or industrialists who merely operate an already established business, but only those who actually carry out the exploitation of new inventions or technologies.

In the Schumpeterian theory of capitalist development, the entrepreneur plays a central role. He is the main instrument of capitalist development. The Schumpeterian entrepreneur is endowed not only with leadership qualities, but also with a keen perception of technological change and a capacity to exploit it for commercial purpose. Here, at times he is a minority of one, as most of his contemporaries are not willing to take the risk of experimenting with new ideas and innovations. Therefore, it is only the entrepreneur who, being innovative, is able to reap entre-

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preneurial profits. However, his profits will be short lived because, soon after his success, the rest of the industrialists will follow the example of his successful ventures, thereby reducing the overall profitability.

Though Schumpeter recognized the role of technological change and large monopolies or quasi-monopolies in capitalist development, which are definite departures from the neoclassical paradigm, he did not depart from the neoclassicals substantially in one respect, namely, in the implicit assumption of "individualism" or the individualistic nature of decision-making in entrepreneurial capitalism, rather than a collective decision-making by a group which is more common in managerial capitalism.<sup>2</sup> In this context, it will be interesting to contrast the Schumpeterian entrepreneur with the Japanese entrepreneur who is more group-centered and less self-centered.

### TWO: THE JAPANESE ENTREPRENEUR

In many respects the Japanese entrepreneur is the antithesis of the Schumpeterian entrepreneur. The case of the Japanese entrepreneur is interesting, for he has been very successful in certain cases, more successful than his Western counterpart, despite being very different from the Schumpeterian entrepreneur. While discussing industrialization and the Japanese entrepreneur, Hazama (1977) with approval quotes Craig's description of the Japanese leader, namely "the Japanese leader is not Napoleonic, he is not a dictator; the scope of his personal freedom is narrow. The Japanese leader is a member of the group rather than one who stands above the group. He is held responsible for the actions of the group, both by higher authority and by the group itself. He must be responsive to the demands of the group. If he can do this, it matters little whether he is brilliant or even especially capable, for among his followers

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2. This point is stressed in Dumont 1977. In fact his entire book is devoted to the important place occupied by individualism in Western thought. Dumont, however, is not directly concerned with Schumpeter.

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there will be brilliant men who can do the work" (Hazama 1977, pp.213-214).

Hazama does not think that the Japanese entrepreneur has had the same self-centeredness as his Western counterparts. His striving for success was not for the purpose of raising his own status or his own material gains, but "to raise the status and increase the wealth of his membership group" (Hazama 1977, p.216). If the Western entrepreneur was self-centered, the Japanese entrepreneur was group-centered. He, by and large, identified his self with the group (the firm) and the group with the nation.

A similar conclusion is reached by Hirschmeier in his comparison of American, German, and the Japanese entrepreneurs. Hirschmeier concludes that the final goal of the Japanese entrepreneur was not profit maximization, rather it was the success of the industry in the interest of the whole nation. "Japanese entrepreneurs as a social elite rejected the utilitarian and materialist pursuit of profits as the ultimate rationale of business" (1977, p.16). To him this rejection was based on dominant traditional mentality. Hirschmeier would regard the view that the Meiji entrepreneurs were in fact profit maximizers who cynically camouflaged their actions by false claims of patriotism as "simply absurd." He explains the traditional mentality of the Japanese and their ethos by quoting the philosopher Ninomiya Sontoku (1977, p.34): "Shinto is the way which provides the foundation of the country; Confucianism is the way which provides for governing the country; and Buddhism is the way which provides for governing one's mind." These three, namely, Shinto spirit, Confucian bureaucracy, and Buddhist ethics are considered by Morishima (1982) as the main components of the Japanese ethos which, in his opinion, is mainly responsible for the rapid development of Japan.

As argued by Nakamura (1967) an understanding of Japanese philosophical concepts and, in particular, the Japanese mind, is essential for an understanding of the legal, political, and economic thought of Japan. The

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Japanese mind is, by and large, influenced by certain doctrines of Buddhism as interpreted in Japan. With regard to their economic activities, Nakamura considers as important the finding of absolute truth within secular life, advocated by some of the schools of Mahāyāna Buddhism. In particular, he cites, the Japanese Buddhists'<sup>3</sup> recognition of the sacred significance of physical labor. Certain scholars consider the *Lotus Sutra*—the main sacred Japanese religious text—as the sutra of work ethics. Nakamura (1960) also gives the example of the "fluid way of thinking" of the Japanese and their emphasis on activism and this-worldliness.

By and large, two factors emerge as the important causes of economic growth in Japan from the literature that relates the Japanese attitude and ethos to their growth rates: their capacity to perceive change and take advantage of it, and their group-centeredness, together with the consequent non-selfish strategies thereby adopted, which contrast with Western self-centeredness. These two characteristics of the Japanese mind enable them to make decisions that turn out to be optimal both for society and for the individual.

### THREE: SELFISH VS NON-SELFISH STRATEGIES

The success of Japanese enterprise, despite group-centeredness and the rejection of individualism, and despite the consequent pursuit of non-selfish strategies that are irrational by the neoclassical standards, ought to lead to a serious rethinking of the philosophical foundations of the neoclassical paradigm.<sup>4</sup> To a neoclassical, the behavior of

3. Japanese Buddhism is also referred to as Sinified Buddhism. The Japanese Mahāyāna tradition offers interpretations of the Buddha's doctrines which differ at times very significantly from that of the Theravāda Buddhists of South Asia, notably Sri Lanka. The differences are at least as sharp as those between Catholics and Protestants.

4. In this context refer to Arrow 1982, who explains that the model of laissez-faire world of total self-interest would not survive for ten minutes, for its actual working depends on an intricate network of reciprocal obligations, even among competing firms and individuals. Also see Chapter I of Hahn and Hollis 1979.

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the Japanese management in cooperating with the government in voluntarily reducing their exports to Western countries in the national interest and in avoiding retrenchment of workers even when necessary, as well as the behavior of the workers who, when dissatisfied with the management, do overtime work without accepting overtime pay to bring shame to the management, will appear totally irrational.<sup>5</sup> Yet it is this type of irrational behavior, namely, group-centeredness and the pursuit of non-selfish strategies, that has been mainly responsible for their better performance and growth rate. In other words, by being rational one loses.

Sen (1983) points out the circumstances wherein rational behavior, "rational" by neoclassical standards, would result in an inferior position. By and large, situations where selfish strategies will result in inferior or even unfavorable results are those situations where interdependence between individuals and groups turns out to be important. The neoclassicals ignored interdependence. Sen clearly demonstrates the breakdown of the neoclassical paradigm wherever interdependence happens to be important. If one's decisions both depend on the decisions of others and also simultaneously influence the decisions of others, it is clear that strategies that take into account interdependence succeed better than those which ignore the reactions or the actions of others.

In the present oligopolistic industrial structure, dominated by giant multinational corporations and conglomerates, interdependence between firms and industries as well as the possibilities of cartels and other forms of cooperation between firms can neither be ruled out nor ignored as the neoclassicals generally did. Further, in these large organizations no one individual is free to take

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5. It is interesting to note that the Japanese refer to the public sector as *ōyake*, the expression that is also used to denote the emperor's palace; the idea being that individual houses will not prosper if the public or society does not prosper, for the welfare of both are interlinked.



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decisions independently, and consequently the decision-making procedures become important. Under these circumstances, the "black box" assumption of the traditional neoclassical theory is also unrealistic. Thus interdependence between firms and between individuals and groups within a firm assumes importance. So a theory which totally ignores interdependence may not prove useful in understanding the forces behind the performance of modern industries apart from not being helpful in giving guidelines for improving industrial performance.

The Buddha was one of the earliest, if not the main thinker, who, apart from explicitly recognizing the role of interdependence, also gave it a central place in his teaching. In his system the concept of interdependence and the concept of perpetual change or the theory that nothing is permanent, play a crucial role. The Japanese in particular emphasized these two aspects of the Buddha's teaching more than the other aspects.

To the Buddhist, the Buddha taught men the right use of sentience, the right application of reason. He taught men to see things as they are, without illusions (Carus 1961, p.208). His emphasis was on the concrete and real, and his concern was with the lives of the people, their sorrows and their happiness. He avoided metaphysical issues as being irrelevant. Nakamura (1967) explains this point of view when he says that the Japanese simply accept life as it is, with all its confusions, incompatibilities, and contradictions. The immediate experience of what Moore (1967) calls "radical empiricism" is of primary importance to Japanese Buddhist thought. Moore even asserted that "for the Japanese this is the most positive and realistic point of view one can adopt; any other attitude, is unnatural, impractical, and a distortion, a getting away from—deliberate refusal to face—things as they actually are" (1967, p.289). In fact the Buddha termed most of the speculative theories and metaphysical disputes as profitless subtleties. Apart from highlighting the Buddha's doctrines relating to interdependence, the Japanese also put these

ideas to work and developed institutional structures and decision-making procedures that take into account the doctrine of interdependence and the need for harmony. In what follows, I shall attempt a short description of the theory of interdependence and try to relate it to the problem of economic development.

To sum up, ideas based on individualism had a tremendous impact on the thinking of the Western mind. They favored the creation of a certain type of institutional structure and molded the economic philosophy of the neo-classicals. On the other hand, the Buddhist theory of non-self and perpetual change influenced the Japanese mind and resulted in a very different institutional structure and decision-making procedure in Japan. For a proper understanding of the institutional structure, it is necessary to go into the philosophical foundations.<sup>6</sup>

It should be borne in mind that the other two constituents of the Japanese ethos, namely, the Shinto spirit and Confucian principles, played no less an important role in shaping Japanese institutions and motivating Japanese action. However, in this paper, since the central theme is interdependence, I confine myself to Buddhist influence. Secondly, as several authors have pointed out, Buddhism played an important role in influencing the Japanese mind and thinking.<sup>7</sup> Moreover, the first major written constitution of Japan given by Prince Shōtoku (574-622 AD) gave an operational shape to Buddha's principle of "harmony" and "concord" in human relations. It was this constitution which ushered in the "tennō" (Heavenly Emperor) system, and its influence on the Japanese institutions, mind, and behavior is considerable. Article 1 of this constitution

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6. Here the limitations of the neoclassical paradigm are by now well recognized as seen from Hahn and Hollis 1979, Dumont 1977, Arrow 1982, and Sen 1983. Morishima 1982 discusses the Japanese model, without, however, examining its philosophical foundations. The objective of this present paper is to analyze these philosophical foundation.

7. For instance, most of the various papers in Moore 1967 deal mainly with Buddhism as interpreted in Japan.

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emphasized harmony and concord, and Article 2 made Buddhism the state religion and advocated its propagation. This constitution explicitly took into account the role of interdependence. Perhaps this is the only example of a constitution which gives a practical orientation to Buddhist concepts. While commenting on this constitution Morishima (1982) stated that the social disposition of the ideologies established in the seventh century constitution continued to exist in Japan to the present day. He further added that even after the impact of westernization, Confucianism still prevails in the government, Shintoism in the imperial family, and Buddhism among the populace.

### FOUR: PERPETUAL CHANGE AND NON-SELF

While dealing with human misery and its causes, the Buddha introduced the concepts of "perpetual change" and "non-self." These two theories of the Buddha were given the central position in the *Lotus Sutra*. The Buddha stated that all things in this world, namely, the environment with its physical characteristics as well as opinions and ideas, constantly undergo change. None of these things is permanent or stable. If a person can perceive change intelligently then he separates himself from unhappiness and misery. This, declared the Buddha, is the clear path (*Dhammapada*, verse 277). In other words, unhappiness is not because things change, but rather because men are not sensitive and intelligent enough to perceive change. Change is inevitable and nothing is permanent. However, the response of a person who can foresee change will be different from one who is affected or overtaken by change. The Japanese interpreted the statement that the world is being transformed from moment to moment, to mean that innovation and creativity are the essence of life. As explained by Niwano, "the law that all things are impermanent is the teaching that we should be aware of in the changing nature of all things and so not be surprised at or shaken by trifling changes in phenomena or circumstances. When we understand in this positive way the law that all things are

impermanent, we realize how great is our power as human being; and finally, we clearly understand why man must live in such a way as steadily to grow and improve" (1976, p.28). While commenting on this law, Mori stated that "creation is the greatest source of joy in the world. Without it, life would be unlivable. . . . We must work at being creative so that we can improve our lives in a qualitative sense" (1981, p.81).<sup>8</sup> Further, if nothing changed and everything was constant, then there would be no scope for progress, nor would there be hope for humanity. On the other hand, there is hope precisely because everything is bound to change, and we can also influence change through our actions. Thus the Japanese Buddhists emphasized innovation and creativity and considered them as the main message of the Buddha. In this context it is worth remembering that the Buddha considered even the rules and regulations that were to govern the *Samgha* (his monastic order) as subject to change and not as permanent.

For a person who does not perceive change intelligently, everything in the world from birth to death will be misery. However, the way out of the misery is not isolation as that is not possible. The attitude that says, "let me be left alone" is a fundamental error as it goes against another important teaching of the Buddha, namely the doctrine of the non-self.

In the words of Niwano, "the law that nothing has an ego is the teaching that all things in this world, without exception, are related to one another. There is nothing that leads an isolated existence, that is wholly separated from other things" (1976, p.30). This is why the idea that we should all be left alone to do what we like or should be left free to pursue our interests without bothering about others (the main foundation of neoclassical thought) is a

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8. Mori is a professor of Robot Technology in the Tokyo Institute of Technology. He interprets Buddhist doctrines to further technological innovation. In the West one does not come across frequent instances of technologists quoting the gospels to promote technology.

fundamental error to Buddhists, for our lives are related in some way to the lives of all others and therefore we have no separate existence. The way out of misery is the pursuit of the eight-fold path, where right view is interpreted to mean a non-inclination towards a self-centered attitude. As explained by Mori, the world is not a homogeneous blob, but an integrated network of phenomena linked together in an infinite variety of ways. All existence is selfless, but at the same time everything and every being has an identity.

Thus in a way, since he has no separate existence, man is condemned to be part of society. Under these conditions concord and harmony become very important, in fact they are the preconditions for growth and happiness. The Buddha made this point categorically in the *Dhammapada* (verse 6) wherein he declared that we are in this world to live in harmony and joy, and that those who knew that would not waste their time in quarrels. It is for this same reason that he was against decision-making systems that resulted in a victor and a vanquished. In his opinion, victory always brought hatred as the defeated person was unhappy. True joy and progress were possible only when there was neither a victor nor a vanquished (*Dhammapada*, verse 201). The main thesis behind this statement is the importance of interdependence. In an interdependent world there could be no victory or defeat. In the same way no one could be kept out, nor could anyone keep himself out. To Niwano, the significance of this is that each one should strive for growth and progress as the cessation of individualistic progress, for such progress not only harms the individual, but also retards the progress of society. Here again the emphasis is on concord and society, on the relationship between the individual and society.

### FIVE: CONCORD AND DECISION-MAKING

The doctrine of non-self has important implications for decision-making procedures in politics as well as in business. Following the doctrine of non-self and the consequent need for concord, Japanese corporations function by

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consensus in their board meetings rather than by voting. Voting implies a victor and a vanquished and entails the exclusion of certain people, namely those in the minority or those voted out. This is not in accord with the doctrine of non-self, and true progress is possible only when every one participates in and identifies himself with the decision. To achieve this, Japanese board rooms have a round table unlike the rectangular one in Western companies. Concord is so much in the mind of each participant that there is a conscious attempt on the part of everyone to leave no one out and not to remain aloof. In order to facilitate consensus they do not reveal their position fully in the first round of discussion. Invariably each individual in the first round speaks for a very brief period, not more than a few minutes, and does not take any strong position. By the time his second turn comes he has a rough idea of the thinking of his colleagues, and he makes a slightly longer speech, again taking care not to exclude himself from the group process. The final decision may be taken only after many rounds, but in the final round almost every one says the same thing. Once the decision is taken, everyone implements it with full commitment and zest.<sup>9</sup>

The role of the head of a modern corporation is also influenced by the seventh-century constitution and is in some respects fashioned after the role of the emperor in politics. The constitution clearly states that the emperor's orders ought to be obeyed unquestioningly, but at the same time the emperor was not allowed to give orders that had not emerged from a consensus. As pointed out by Nakamura (1967), Prince Shōtoku's constitution, inspired by the Buddhist concept of benevolence and compassion with its emphasis upon harmony, did not imply that the people should merely follow or obey, but that discussion should be

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9. This is the tradition which prevailed during the critical post-war years. However, there are signs in recent years that it might be changing. Significant change has not, however, yet taken place.

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carried on in an atmosphere of concord and harmony, so that one might obtain the right view. The Constitution denounced dictatorship and stressed the necessity of discussion with others. This point is also stressed by Morishima (1982) while dealing with the recent growth of Japan and the impact of the seventh-century Constitution. Here the head of the corporation does not behave as head in the same sense as understood in the West. He is more a member of a group than a Napoleonic leader. He is the one who gives the final order, but only after discussion and consensus, so that that final order is more the view of the group than a personal order from him.<sup>10</sup>

The same principle which governs the relationship between the individual and the corporation, by and large, governs the relationship between the corporation and the government. Here again the emphasis is on concord and on not keeping any segment out. The creation of the Industrial Rationalization Council in the early 1950s (converted to Industrial Structural Council in 1964) under the Ministry of International Trade and Industry, which is composed of people from industry, trade unions, and academic circles, is a unique example of the role of the private sector and the trade unions in government policy formulations. The emphasis again is on promoting mutual understanding between government, industry, and labor.

With the help of the institutional mechanism and the decision-making procedures thus created, the Japanese try to achieve concord. The relationship between labor, industry, and government in most of the countries in the world is characterized, by and large, by suspicion. In contrast, the relationship between these three groups in Japan is mainly one of harmony, despite the occasional serious differences in interests and therefore in opinions. It

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10. When referring to the relationship between the head of an organization and the rest, the Japanese use the expression *oyabun* and *kobun* (father and son). On the behavior of different members in a Japanese factory, see the seminal work of Dore (1973).

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is because of this vertical integration between the individual, industry, and the government, that Japan is able to follow a very successful policy of aggressive export coupled with import restrictions, despite being a member of the OECD which advocates liberal import policies. Japanese import policies are liberal on paper, but not in practice. The success of this policy is mainly due to the mutual understanding between industry and government.

The objective in pointing out these features relating to the relationship between individuals within a corporation and the relationship between industry and government is not to glorify all Japanese institutions. It can be argued that certain sections of the society benefited more from these institutions than others. In this sense there were gainers and losers. Rather the objective is to point out instances of behavior on the part of labor and industry that go against many of the neoclassical rules and norms, and yet have produced markedly better performance in terms of profit and growth rates. It is easy to consider the Japanese experience as a freak case or a case that cannot be explained by received economic theory. A more profitable approach will be to analyze the limitations of the neo-classical paradigm and examine the main foundations of this alternative paradigm. This paper advocates the second approach.

#### SIX: CONCLUSIONS

The philosophy of individualism influenced the Western mind and thinking, and consequently provided the foundation of classical and neoclassical economic thought. Atomistic competition and the role of the perfectly competitive market structure occupied the central place in neo-classical theory. Their main slogan was "let men do what they please" and they showed that the selfish actions of each individual, aimed at maximizing his individual welfare, would also result in maximizing the welfare of the society. In contrast, the doctrines of non-self and inter-dependence influenced the economic and social behavior of the



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Japanese, and concord governed the behavior of their economic agents.

The behavior of the Japanese economic agents, whether producer, worker, or government, with its emphasis on concord, might appear irrational from the point of view of neoclassical economic theory based on individualism with its assumption of no interdependence between agents. Schumpeter relaxed the assumption of atomistic competition, but his entrepreneur too was highly individualistic. Moreover, interdependence and group behavior played no role in his theory. However, the seemingly irrational behavior of the Japanese has resulted in markedly better performance by Japanese capitalism compared to Western capitalism. By and large, the neoclassical theories fail to explain the Japanese success.

In an era of entrepreneurial capitalism, where production and inventions are more or less an individual enterprise, the neoclassical paradigm might succeed in explaining the behavior of such economies and provide useful decision-making rules for the various economic agents. But in an era of giant conglomerates and multinational corporations where non-price competition dominates, the neoclassical paradigm might not be useful, for interdependence occupies a central place in these economies. In cases where interdependence is important, it has been shown that solutions based on neoclassical theory result in inferior positions both for the individual and for society.

The Buddha was one of the very first thinkers to recognize the role of interdependence between individuals and groups in a society, and he gives it central place in his teaching. His theories further emphasized the fact that all the constituents of the environment and society change form moment to moment and do not remain stable or fixed, thereby emphasizing the importance of creativity and innovation. The Japanese put these two concepts to work and gave them a concrete shape in the seventh century constitution which continues to have influence on Japanese thought and institutions even today. The Buddhist paradigm

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as understood in Japan is in certain respects an antithesis of the neoclassical paradigm. But in the current era of managerial capitalism, where the modern corporation is a coalition of many interest groups, and in a world economic set-up where there is as much competition among nations as among industrial corporations, interdependence and concord between individuals, industry, and government assume importance. In this era a study of the philosophical foundations of a system that advocates concord, namely, the doctrines of "non-self" and "perpetual change," becomes necessary. There is a strong case for a reexamination of the concepts of rationality as explained in neoclassical economics and for looking into the relevance and validity of its philosophical foundations in the light of the other paradigm.

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