

E. F. Schumacher

SMALL IS BEAUTIFUL

Economics as if People Mattered



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Few can contemplate without a sense of exhilaration the splendid achievements of practical energy and technical skill, which, from the latter part of the seventeenth century, were transforming the face of material civilisation, and of which England was the daring, if not too scrupulous, pioneer. If, however, economic ambitions are good servants, they are bad masters.

The most obvious facts are the most easily forgotten. Both the existing economic order and too many of the projects advanced for reconstructing it break down through their neglect of the truism that, since even quite common men have souls, no increase in material wealth will compensate them for arrangements which insult their self-respect and impair their freedom. A reasonable estimate of economic organisation must allow for the fact that, unless industry is to be paralysed by recurrent revolts on the part of outraged human nature, it must satisfy criteria which are not purely economic.

R. H. Tawney

Religion and the Rise of Capitalism

By and large, our present problem is one of attitudes and implements. We are remodelling the Alhambra with a steam-shovel, and are proud of our yardage. We shall hardly relinquish the shovel, which after all has many good points, but we are in need of gentler and more objective criteria for its successful use.

Aldo Leopold

A Sand County Almanac

Contents

Introduction by Theodore Roszak	1
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PART I THE MODERN WORLD

1. The Problem of Production	13
2. Peace and Permanence	23
3. The Role of Economics	40
4. Buddhist Economics	53
5. A Question of Size	63

PART II RESOURCES

1. The Greatest Resource—Education	79
2. The Proper Use of Land	102
3. Resources for Industry	118
4. Nuclear Energy—Salvation or Damnation?	134
5. Technology with a Human Face	146

PART III THE THIRD WORLD

1. Development	163
2. Social and Economic Problems Calling for the Development of Intermediate Technology	171
3. Two Million Villages	191
4. The Problem of Unemployment in India	206

PART IV ORGANISATION AND OWNERSHIP

1. A Machine to Foretell the Future?	223
2. Towards a Theory of Large-Scale Organisation	241
3. Socialism	254
4. Ownership	262
5. New Patterns of Ownership	272
Epilogue	293
<i>Notes and Acknowledgments</i>	299

Introduction

Theodore Roszak

For nearly two centuries—since Adam Smith published his *Wealth of Nations* in 1776—economists have been advertising themselves to the world as the most rigorous and successful of all the social scientists. The aspiration has transcended ideological boundaries. Whatever Marx and Engels may have rejected in the “dismal science” of David Ricardo and Nassau Senior, they never for a moment doubted that economics did indeed rank among the sciences. So they named their socialism “scientific” and hailed it as a breakthrough rivaling Darwin’s achievement in biology.

I suppose we must, as of the 1970s, regard the economists’ long-standing claim as vindicated, at least in the opinion of as official an intellectual consensus as the world ever musters in such matters. For in 1969 the Nobel Prize for “economic science” was established, an event that finally allows the economists to take their place beside the physicists, chemists, and biologists. Justifying the new award on behalf of the Nobel Committee, Professor Erik Lundberg observed that “economic science has developed increasingly in the direction of a mathematical specification and statistical quantification of economic contexts.” Its “techniques of mathematical and statistical analysis,” Lundberg explained, have “proved successful” and have left far behind “the vague, more literary type of econom-

ics" with which most laymen may be familiar. The initial prize was then given to two European economists whose aim had been "to lend economic theory mathematical stringency and to render it in a form that permits empirical quantification and a statistical testing of hypotheses."

In so honoring the economists, the Nobel Committee was doing no more than endorsing a conception of economics that decision makers in government and business have held and acted upon at least since World War II. Other not-yet-scientific-enough behavioral scientists might envy the economists their status as Nobel laureates, but even more so they are apt to covet them their privileged access to the corridors of power. Today there is no government in any industrial society which does not have its counterpart of the American Council of Economic Advisors, where economic policy can supposedly be formulated with all the professional precision attending the discussion of purely technical or scientific questions. Under the tutelage of their economic counselors, political leaders manipulate discount rates and the money supply with all the confidence of space scientists at Cape Kennedy pushing the buttons and throwing the switches which guide rocket ships to the moon and home. Like the physicists, engineers, and operations analysts, the economists have become an indispensable part of the new industrial state's panoply of expertise. How many of us can even imagine a presidential press conference on the state of the economy where a surplus of Professor Lundberg's "mathematical specification and statistical quantification" is not the order of the day?

For those to whom economics means a book filled with numbers, charts, graphs, and formulae, together with much heady discussion of abstract technicalities like the balance of payments and gross national product, this remarkable collection of essays is certain to come either as a shock or a relief. E. F. Schumacher's economics is not part of the dominant style. On the contrary, his deliberate intention is

to subvert "economic science" by calling its every assumption into question, right down to its psychological and metaphysical foundations.

Perhaps this sounds like a project that only a brash amateur would take on. But this book is the work of as professional and experienced an economist as any who bears the credentials of the guild. Schumacher has been a Rhodes Scholar in economics, an economic advisor to the British Control Commission in postwar Germany, and, for the twenty years prior to 1971, the top economist and head of planning at the British Coal Board. It is a background that might suggest stuffy orthodoxy, but that would be exactly wrong. For there is another side to Schumacher, and it is there we find the vision of economics reflected in these pages. It is an intriguing mix: the president of the Soil Association, one of Britain's oldest organic farming organizations; the founder and chairman of the Intermediate Technology Development Group, which specializes in tailoring tools, small-scale machines, and methods of production to the needs of developing countries; a sponsor of the Fourth World Movement, a British-based campaign for political decentralization and regionalism; a director of the Scott Bader Company, a pioneering effort at common ownership and workers' control; a close student of Gandhi, nonviolence, and ecology. For more than two decades, Schumacher has been weaving his economics out of this off-beat constellation of interests and commitments and giving his ideas away from the platforms of peace, social justice, do-good, and third world organizations all over Europe. With few exceptions, the principal forums for his writing have been those little, intensely alive, pathfinding journals (like *MANAS* in America and *Resurgence* in England) which more than make up for their limited audience by being ten years ahead of the field in the quality of their thought.

As all this should make clear, Schumacher's work belongs to that subterranean tradition of organic and

decentralist economics whose major spokesmen include Prince Kropotkin, Gustav Landauer, Tolstoy, William Morris, Gandhi, Lewis Mumford, and, most recently, Alex Comfort, Paul Goodman, and Murray Bookchin. It is the tradition we might call anarchism, if we mean by that much abused word a libertarian political economy that distinguishes itself from orthodox socialism and capitalism by insisting that the *scale* of organization must be treated as an independent and primary problem. The tradition, while closely affiliated with socialist values, nonetheless prefers mixed to "pure" economic systems. It is therefore hospitable to many forms of free enterprise and private ownership, provided always that the size of private enterprise is not so large as to divorce ownership from personal involvement, which is, of course, now the rule in most of the world's administered capitalisms. Bigness is the nemesis of anarchism, whether the bigness is that of public or private bureaucracies, because from bigness comes impersonality, insensitivity, and a lust to concentrate abstract power. Hence, Schumacher's title, *Small Is Beautiful*. He might just as well have said "small is free, efficient, creative, enjoyable, enduring"—for such is the anarchist faith.

Reaching backward, this tradition embraces communal, handicraft, tribal, guild, and village life-styles as old as the neolithic cultures. In that sense, it is not an ideology at all, but a wisdom gathered from historical experience. In our own time, it has reemerged spontaneously in the communitarian experiments and honest craftsmanship of the counterculture, where we find so many desperate and often resourceful efforts among young dropouts to make do in simple, free, and self-respecting ways amid the criminal waste and managerial congestion. How strange that this renewed interest in ancient ways of livelihood and community should reappear even as our operations researchers begin to conceive their most ambitious dreams of cybernated glory. And yet how appropriate. For if there is to be a humanly tolerable world on this dark side of the emer-

gent technocratic world-system, it will surely have to flower from this still fragile renaissance of organic husbandry, communal households, and do-it-yourself technics whose first faint outlines we can trace through the pages of publications like the *Whole Earth Catalog*, the *Mother Earth News*, and the *People's Yellow Pages*. And if that renaissance is to have an economist to make its case before the world, E. F. Schumacher is the man. Already his brilliant essay "Buddhist Economics" has become a much-read and often-reprinted staple of the underground press. It would be no exaggeration to call him the Keynes of postindustrial society, by which I mean (and Schumacher means) a society that has left behind its lethal obsession with those very megasystems of production and distribution which Keynes tried so hard to make manageable.

The first example of Schumacher's work I came across was an informal talk he gave in the mid-sixties on the practicality of Gandhi's economic program in India. I was at the time editing a small pacifist weekly in London (*Peace News*) and was on the lookout for anything about Gandhi I could find. But here was a viewpoint I had never heard expounded even by ardent Gandhians, most of whom brushed over Gandhi's concern for village life and the spinning wheel as if it were the once regrettable folly of an otherwise great and important man. Not so of Schumacher. Step by step, he spelled out the essential good sense of a third world economic policy that rejected imitation of Western models: breakneck urbanization, heavy capital investments, mass production, centralized development planning, and advanced technology. In contrast, Gandhi's scheme was to begin with the villages, to stabilize and enrich their traditional way of life by use of labor-intensive manufacture and handicrafts, and to keep the nation's economic decision making as decentralized as possible, even if this slowed the pace of urban and industrial growth to a crawl.

From the standpoint of conventional economics, this

sounds like a prescription for starvation. It is not that at all. Schumacher's point was that Gandhi's economics, for all its lack of professional sophistication (or perhaps for that very reason) was nonetheless the product of a wise soul, one which shrewdly insisted on moderation, preservation, and gradualism, on the assumption that to seek "progress" by releasing cataclysmic social change is only a way to demoralize the many and make them the helpless dependents of the rich and expert few. And even then, it may not be a way to feed the hungry. Gandhi's economics started (and finished) with people, with their need for strong morale and their desire to be self-determining—objectives which headlong development can only thwart. As Schumacher points out, "poor countries slip, and are pushed, into the adoption of production methods and consumption standards which destroy the possibilities of self-reliance and self-help. The results are unintentional neocolonialism and hopelessness."

It is typical of Schumacher that he should take Gandhi's economic principles seriously, as much in dealing with the advanced industrial countries as in discussing the third world. In doing so, he endorses much that his profession has written off with unexamined self-assurance. But then, economists, for all their purported objectivity, are the most narrowly ethnocentric of people. Since they are universally urban intellectuals who understand little of rural ways, they easily come to regard the land, and all that lives and grows upon it, as nothing more than another factor of production. Hence, it seems to them no loss, but indeed a gain, to turn all the world's farming into high-yield agri-industry, to depopulate the rural areas, and to crowd the cities to the point of chronic breakdown and crisis. Since they inherit their conception of work from the darkest days of early industrialization, they find it impossible to believe that labor might ever be a freely-chosen, nonexploitive, and creative value in its own right. Hence, it seems to them self-evident that work must be eliminated

in favor of machines or cybernated systems. Worst of all, since their world view is a cultural by-product of industrialism, they automatically endorse the ecological stupidity of industrial man and his love affair with the terrible simplicities of quantification. They thus overlook or distort the incommensurable qualities of life, especially Schumacher's holy trinity of "health, beauty, and permanence."

Such an ethnocentric, Western economics must clearly be as devastating for the underdeveloped countries which import its vision of life as for the developed societies which originated it. Today in poor nations everywhere we find far too many Western and Soviet financed projects like the African textile factory Schumacher describes: industries demanding such advanced expertise and such refined materials to finish their luxurious products that they cannot employ local labor or use local resources, but must import skills and goods from Europe and America. In Ghana the vast Volta River power project, built with American money at high interest, provides Kaiser Aluminum with stupendously cheap electricity contracted at a long-term low price. But no Ghanaian bauxite has been used by Kaiser, and no aluminum plants have been built in the country. Instead, Kaiser imports its aluminum for processing and sends it to Germany for finishing. Elsewhere we find prestigious megaprojects like Egypt's Aswan high dam, built by Russian money and brains to produce a level of power far beyond the needs of the nation's economy, that meanwhile blights the environment and the local agriculture in a dozen unforeseen and possibly insoluble ways. Or consider the poor countries that sell themselves to the international tourist industry in pursuit of those symbols of wealth and progress the West has taught them to covet: luxurious airports, high-rise hotels, six-lane motor ways. Their people wind up as bellhops and souvenir sellers, desk clerks and entertainers, and their proudest traditions soon degenerate into crude caricatures. But the balance sheet may show a marvelous increase in foreign-

exchange earnings. As for the developed countries from which this corrupting ethos of progress goes out: more and more their "growthmania" distorts their environments and robs the world of its nonrenewable resources for no better end than to increase the output of ballistic missiles, electric hairdryers, and eight-track stereophonic tape recorders. But in the statistics of the economic index such mad waste measures out as "productivity," and all looks rosy.

What kind of economics can treat all this as anything more than childish nonsense or criminal prodigality? The answer is: an economics that has no higher idea of what people are here on earth to be and to do than was bequeathed to it by Andrew Ure and Samuel Smiles and that has long since translated that debased conception of humanity into the objective quantities of its science, as if to quantify benightedness were to dignify it.

"The great majority of economists," Schumacher laments, "are still pursuing the absurd ideal of making their 'science' as scientific and precise as physics, as if there were no qualitative difference between mindless atoms and men made in the image of God." He reminds us that economics has only become scientific by becoming statistical. But at the bottom of its statistics, sunk well out of sight, are so many sweeping assumptions about people like you and me—about our needs and motivations and the purpose we have given our lives. Again and again Schumacher insists that economics as it is practiced today—whether it is socialist or capitalist economics—is a "derived body of thought." It is derived from dubious, "meta-economic" preconceptions regarding man and nature that are never questioned, that dare not be questioned if economic science is to be the science it purports to be rather than (as it should be) a humanistic social wisdom that trusts to experienced intuition, plays by ear, and risks a moral exhortation or two.

What, then, if those preconceptions are obsolete? What

if they were never correct? What if there stir, in all those expertly quantified millions of living souls beneath the statistical surface, aspirations for creativity, generosity, brotherly and sisterly cooperation, natural harmony, and self-transcendence which conventional economics, by virtue of a banal misanthropy it mistakes for "being realistic," only works to destroy? If that is so (and there is no doubt in my mind that it is), then it is no wonder the policies which stem from that economics must so often be *made* to work, must be forced down against resistance upon a confused and recalcitrant human material which none dare ever consult except by way of the phony plebiscite of the marketplace, which always turns out as predicted because it is rigged up by cynics, voted by demoralized masses, and tabulated by opportunists. And what sort of science is it that must, for the sake of its predictive success, hope and pray that people will never be their better selves, but always be greedy social idiots with nothing finer to do than getting and spending, getting and spending? It is as Schumacher tells us: "when the available 'spiritual space' is not filled by some higher motivations, then it will necessarily be filled by something lower—by the small, mean, calculating attitude to life which is rationalized in the economic calculus."

If that is so, then we need a nobler economics that is not afraid to discuss spirit and conscience, moral purpose and the meaning of life, an economics that aims to educate and elevate people, not merely to measure their low-grade behavior. Here it is.

PART I

The Modern World

