Remembering E.F. Schumacher[@]

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The year 2011 was the Birth Centenary year of Ernst Friedrich Schumacher, whom the economist Romesh Diwan has called "a Gandhian scholar par excellence". He was, in a way, a successor to J.C. Kumarappa who had done his main thinking during the Gandhian era though he lived till 1960. As against this, Schumacher's thinking is post-Gandhian. Born on August 16, 1911 at Bonn in Germany of a father who was a Professor of Economics there, Schumacher was educated at Bonn, Berlin, Oxford and New York (Columbia University). He had been a Rhodes Scholar at Oxford in 1930, emigrated to Britain in 1937 and took up British citizenship in 1946. He served as Economic Adviser to the United Kingdom Control Commission in Germany from 1946 to 1950 and as Economic Adviser to the National Coal Board of England from 1951 to 1971, when he retired. During his last tenure he had also acted for some time as Economic Adviser to the Government of Burma.

It was probably then that Jayaprakash Narayan had come to know about him since his booklet, Plea for the Reconstruction of Indian Polity (1959), carries a paper by Schumacher (dated Rangoon, February 1955). It cites two long passages from Gandhi, which is significant. He had also participated in a seminar at Poona (Pune) in 1961 and submitted two papers at it titled Paths to Economic Growth and Help to Those Who Need It Most. In 1960, the Observer of London had carried an article by him on Non-violent Economics. He said in it that man's urgent task is to discover a non-violent way in his economic life similar to that in his political life, since both are closely related. In his paper on Help to Those Who Need It Most, he had said: "To think that the only way to promote economic growth in the so-called underdeveloped countries is to imitate as closely as possible the current practices of the advanced countries . . . . and to force every time-honoured institution into the service of material aims of purely Western inspiration, betrays not only an astonishing lack of imagination but also a truly ominous lack of awareness of the dehumanizing deformities of the modern west." Hence, it is not surprising that Jayaprakash Narayan was said to have been keen that after his retirement from the Coal Board, Schumacher came to India as Director of his Gandhian Institute of Studies, Varanasi. But he probably could not do so because of the death of his wife. He died on September 4, 1977.

Schumacher's thinking, like that of Kumarappa, was primarily inspired by his understanding of the Christian teaching. This is clear from his essay, Modern Industry in the Light of the Gospel (1962)1. He says therein: "The Great Headmaster's idea seems to be that one should not be merely comfortable (although comfort as such is not to be despised) but should learn something, strive after something, and with His help become something more that we are and the end product should be persons and not puppets." He finds both great good and great evil inextricably mixed up in modern industrial society and says that it "is immensely complicated, immensely involved, making immense claims on man's time and situation." He considers it to be its greatest evil and adds that this society in spite of its labour-saving devices has not given people more time to devote to their all-important spiritual tasks. He writes: "I should not go far wrong if I asserted that the amount of genuine leisure available in a society is generally in an inverse proportion to the amount of labour-saving machinery it employs." He further explains that the widespread substitution of mental strain for physical strain is no advantage. Proper physical work though strenuous does not absorb as much of attention as the mental work does with the result that no time is left for spiritual things that really matter. If life is a "school of becoming", a school of self-development, the ideas of personal freedom and personal responsibility must become ever more firmly established.

Schumacher was afraid that the industrial society as it was, would fail on following grounds:

1. It has disrupted and continues to disrupt certain organic relationships in such as manner that the world population is growing, apparently irresistibly, beyond the means of sustenance.
2. It is disrupting certain other organic relationships in such a manner as to threaten those means of subsistence themselves, spreading poison, adulterating food, etc.
3. It is rapidly depleting the earth's non-renewable stocks of scarce mineral resources---mainly fuels and metals.
4. It is degrading the moral and intellectual qualities of man while further developing a highly complicated way of life the smooth continuance of which requires ever increasing moral and intellectual qualities.
5. It breeds violence–violence against nature which at any moment can turn into violence against one's fellow men, when there are weapons around which make non-violence a condition of survival.

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[1] This essay has been reproduced under the title: 'Towards A Human-scale Technology', in E.F. Schumacher's book *Good Work*, London: Jonathan Cape, &, New Delhi: B.I. Publications, 1979, p.23-65.

After saying all this, he tells us what to do: “It is no longer possible to believe that any political or economic reform or scientific advance or technological progress could solve the life-and-death problems of industrial society. They lie too deep, in the heart and soul of every one of us. It is there that this work of reform has to be done–-secretly and unobtrusively.” According to him, the atom bomb has the same roots, namely, “a violent attitude to God’s handiwork, instead of a reverent one. The unsurpassable ugliness of industrial society-–the mother of the atom bomb–-is a sure sign of violence.” As regards the remedy, he opines: “It is the individual, personal example that counts. The greatest ‘doing’ that is open to every one of us, now as always, is to foster and develop within oneself a genuine understanding of the situation which confronts us, and to build conviction, determination and persuasiveness upon such understanding.” He also assures us that there are already groups at work to find practical answers to the problems of industrial organization.

Such were his ideas in 1962 which got more clarified and stronger with time as the evils of the industrial society came to be recognized more and more. The report of the M.I.T. for the Club of Rome, titled as ‘The Limits to Growth’, also played a part in it, along with the problems of environmental decay which came to the fore with time. Consequently, his most well-known work, ‘**Small is Beautiful: A Study of Economics as if People Mattered**’ (1973)2, deals more comprehensively and cohesively with his ideas buttressed up with the ideas of many western thinkers along with those of Buddha, Gandhi and Kumarappa. That book also led Erich Fromm, a prominent thinker of the last century, to observe that E.F. Scumacher has shown “that our failures are the result of our successes, and that our techniques must be subordinated to our real human needs.” He even cites Schumacher who says: “Economy as a content of life is a deadly illness because infinite growth does not fit into a finite world. . . . Poison is poison, even if wrapped in silver paper. . . . If spiritual culture, the culture of the inner Man, is neglected, then selfishness remains the dominating power in Man and a system of selfishness, like capitalism, fits this orientation better than a system of love for one’s fellow beings.”3 He had also observed that Schumacher was “an economist, but at the same time a radical humanist. His demand for a radical human change is based on two arguments: that our present social order makes us sick, and that we are headed for an economic catastrophe unless we change our social system.”4

[2] First published: London: Bland & Briggs Ltd, 1973; Indian edition (referred herein): New Delhi: Radha Krishna, 1977, 288 pages.
[3] *To Have or to Be*, by Erich Fromm, New York: Phantom Books (1981), p.149-150.
[4] *Ibid*, p.xxxi.

Schumacher's book, Small is Beautiful, is divided into Parts I to IV with total 19 Chapters, and an Epilogue. He begins Part I on 'The Modern world' by distancing himself from the familiar "belief that 'the problem of production' has been solved." (p.10) This belief, he avers, is false because it ignores the fact that present-day methods are destroying irreplaceable resources of the earth—the true capital of the industrial enterprises---at an unprecedented rate, and regard the proceeds as 'income', though it is but an exhaustion of the 'natural capital'. That also explains why "all these terms--pollution, environment, ecology, etc.--have so suddenly come into prominence." (p.14)

He then drives home the recent lessons from experiences and is critical of Keynes, considering him from his own standpoint of the Buddhist and Transcendentalist 'plain living and high thinking'. He finds Keynes' formula unworkable for the simple reason that providing the rest of the world with the same standard of living, which advanced industrial nations enjoy, would demand increased production beyond the wildest dreams. He then argues why prosperity itself does not ensure peace, and refers to Gandhi talking disparagingly of dreaming of systems so perfect that no one will need to be good. He rues the fact that we tend to listen more to Keynes than to Gandhi, and explains how "modern economy is propelled by a frenzy of greed and . . . an orgy of envy . . . the very causes of its expansionist success". (p.26-27) He also corroborates it by citing Gandhi that, "Earth provides enough to satisfy every man's need, but not for every man's greed." Schumacher further argues, "Permanence is incompatible with a predatory attitude which rejoices in the fact that 'what were luxuries of our fathers have become necessities for us.'" (p.29) He quotes Gandhi to assert that there must be "a living faith in the God of Love." (p.34)

He refers to the views of well-known economists and argues that, "To the extent that economic thinking is based on the market, it takes the sacredness out of life." (p.41) Further, economics, as it is developing, tends to go in for quantification at the cost of quality of life and of environment. It ignores that fact that 'growth' could also be pathological, unhealthy, disruptive, or destructive. He then explains the essence of 'Buddhist Economics' as 'Right Livelihood', and the function of 'work' being at least threefold: for man to utilize and develop his faculties, to overcome his ego-centredness, and to bring forth needed goods and services. He explains how the 'keynote' of 'Buddhist Economics' is simplicity and non-violence and that "production from local resources for local needs is the most rational way of economic life". (p.53) He then takes up the 'Question of size' and pleads for greater stress on small-scale enterprises since these are least harmful to the environment, more controllable in their effects and consistent with the

moral vision and wisdom of the teachers of mankind. The conventional economics---of “giantism and automation”---“by-passes the poor, the very people for whom development is really needed.” He sums up by quoting from Gandhi that what we need is “production by masses, rather than mass production.” (p.68)

In Part II on ‘Resources, he asserts that the whole history points to the fact that it is not nature but man who is the primary source and that the key factor in all economic development comes out of the mind of man and, hence, education is the greatest resource. By education he does not mean mere training or knowledge of facts, but ideas which would make the world and life more intelligible to him. The foremost task of education is to transmit “ideas of value”, produce “more wisdom”. (p.73) Hence, also he could not agree with Keynes’ assertion that “foul is useful and fair is not” and that “avarice and usury” must prevail even “for a little longer still.” (p.91) He next deals with ‘The Proper Use of Land’ as a resource and says that the main danger to the soil, and this not only to agriculture but to civilization as a whole, stems from the modern determination to apply to agriculture the principles of industry, which are incompatible with it as these support the tendencies of “violence, alienation, and environmental destruction.” (p.95) In the next chapter, he says that modern industry “requires so much and accomplishes so little.” (p.108) He points out how the US industrial system used 40% of world’s primary resources to supply needs of less than 6% of world’s population, and even then failed to obtain “strikingly successful results in terms of human happiness, well-being, culture, peace, and harmony.” (p.109)

He then deals in the next chapter with nuclear energy and says that the danger to humanity created by the use of so-called peaceful use of it may be much greater and, in this connection, he refers to the problem of its waste, particularly the waste of the nuclear reactors themselves when these become unserviceable. He ends with the unexceptionable statement: “the idea that a civilization could sustain itself on the basis of such a transgression is an ethical, spiritual, and metaphysical monstrosity. It means conducting the economic affairs of man as if people really did not matter at all.” (p.135)

All this leads him to an advocacy of ‘Technology with a Human Face’. He writes: “As Gandhi said, the poor of the world cannot be helped by mass production, only by production by the masses. The system of mass production, based on sophisticated, highly capital-intensive, high energy-input dependent, and human labour-saving technology, presupposes that you are already rich, for a great deal of capital-

investment is needed to establish one single workplace." He also finds such technology to be "inherently violent, ecologically damaging and self-defeating in terms of non-renewable resources, and stultifying for the human person." As against it, the technology of production by the masses, "making use of the best of modern knowledge and experience, is conducive to decentralization, compatible with the laws of ecology, gentle in the use of scarce resources, and designed to serve the human person instead of making him the servant of machines." What he stands for has been termed by him as 'Intermediate Technology'. One may also call it "self-help technology, or democratic or people's technology". (p.143)

Part III deals with 'The Third World'. He explains how here 'Development' had come to imply 15% of the population living in 'modern' sector mainly in the cities and the rest 85% living much poorer in villages or small towns, a sort of dual economy. He stresses that, "Development does not start with goods; it starts with people and their education, organization and discipline." [p.157] The primary cause of poverty was non-provision of these. Next, he reverts to the role of 'Intermediate Technology' in solving social and economic problems. It means helping those who need it most, making technology and industries appropriate to the local needs, skills and resources as finding employment for everyone is the very precondition for everything else. He also rejects a commonly held assumption that "the achievement of western science, pure and applied, lies mainly in the apparatus and machinery that have been developed from it, and that the rejection of that apparatus and machinery would be tantamount to a rejection of science" itself. (p.174) In fact, the development of intermediate technology means a genuine and scientific forward movement into new territory.

In the next chapter titled 'Two Million Villages', Schumacher asserts that the growth of GNP as the criterion of success "is utterly misleading" and "must of necessity lead to - - neocolonialism." (p.180) As he says, those who need help most are poor, uneducated, and rurally based, and the first problem of development is "how to bridge these three gulfs." (p.179-180) The "crucial task", therefore, was "to make the development effort appropriate and thereby more effective, so that it will reach down to the heartland of world poverty, to two million villages. If the disintegration of rural life continues, there is no way out – no matter how much money is being spent." (p.190) In the next chapter he defines unemployment as "non-utilization or under-utilization of available labour", and says that economic development is primarily a question of getting more work done, and this requires motivation, know-how, some capital, and an outlet (market). He analyzes the Indian problem in terms of these factors.

In Part IV dealing with the subject of 'Organization and Ownership', Schumacher starts by explaining how "the future cannot be forecast, but it can be explored." Feasibility studies can indicate where we appear to be going. However, "Stop, look, and listen" remains the best motto. (p.224) In the next chapter, he explains that large-scale organizations having come to stay, the main task was to achieve "smallness within large organizations". (p.226) While he does propose a 'theory of large-scale organization' he had found the best approach in the continuing interplay of theory and experience.

The next chapter mainly deals with the socialists' push for 'nationalization' of industries, which was the subject of active public debate in Schumacher's time. He explains to the socialists: "What is at stake is not economics but culture; not the standard of living but the equality of life. Economics and the standard of living can just as well be looked after by a capitalist system, moderated by a bit of planning and redistributive taxation. But culture and, generally, the quality of life, can only be debased by such a system." Hence, his advice to them is "to evolve a more democratic and dignified system of industrial administration, a more humane employment of machinery, and a more intelligent utilization of the fruits of human ingenuity and effort." (p.243) This advice would be equally relevant even today.

The foregoing observations lead to the last two chapters on 'Ownership' and 'New Patterns of Ownership'. He starts with the views of the economist R.H. Tawney that no system or machinery by itself could remedy those causes of 'social malaise' which "consist in the egotism, greed, or quarrelsomeness of human nature." (p.244) He also suggests that while modern private enterprise system does employ greed and envy as its motive power it also manages to keep these in check by means of Keynesian economic management, some redistributive taxation, and restraints due to trade unions. He analyzes the forms of private ownership and concludes, while in small-scale enterprises private ownership is "natural, fruitful and just", in large-scale enterprises, "it is a fiction for enabling functionless owners to live parasitically on the labour of others." (p.248) Hence, he proposes that in private sector, proprietary rights should go with the performance of service to the society and be directly related to the good of the community. He then discusses the need for more appropriate forms of ownership, apparently something approaching the Gandhian concept of 'trusteeship'. He gives the example of Scott Bader Co. Ltd. (UK), whose owner had set up (1951) Scott Bader Commonwealth (with Schumacher as one of its directors), in which the ownership rights were now vested jointly with the employees, and a Constitution for distribution of profits among taxation, employees' bonus, the Co.'s expansion, and charitable purposes. It was a form of 'Common Ownership'. However, as he says, such

examples remain as odd instances of 'service' in the society primarily ruled by greed and envy, and concludes that "the present structure of large-scale industrial enterprise, in spite of heavy taxation and an endless proliferation of legislation, is not conducive to public welfare." (p.273)

Thus, the book 'Small is Beautiful' covers a very wide range of subjects, including the basic issues of production, size of economic units, organizations and ownership, Buddhist economics and socialism, vital resources such as education, land, and non-renewable resources particularly fuels and metals, the third-world problems of rural poverty, unemployment, and sustainable development, and underlying all these the need for adoption of 'Intermediate'/ 'appropriate' technologies. As he sums up in the Epilogue, the "logic of production" is but "a small and subservient part" of the logic of life or the society. Unless suitably controlled, it can unleash "destructive forces", involving both social and ecological costs. (p.276)

The publication of 'Small is Beautiful' in 1973 also coincided with the 1973 Arab-Israel war and the associated world energy crisis. The Times Literary Supplement (1995) had ranked it among the hundred most influential books published since World War II. Though, it remains his most important and primary work, even after this, apart from various essays and reports, two books were authored by him, which reiterate and further extend the ideas dealt with in 'Small is Beautiful'. Thus, 'A Guide for the Perplexed' (1977), a short book, contains a critique of materialistic levels of being and lays stress on adequateness. The second book, 'Good Work' (1979), has been compiled from a series of lectures given by him in the US in mid-1970s, and covers a wide range of important topics. It lists three purposes of human work as being---to provide the society with necessary and useful goods and services, to use and perfect our talents and skills, and to do so in service to and in co-operation with others "so as to liberate ourselves from our inborn egocentricity".

Schumacher had delivered the Gandhi Memorial Lecture in 1973 at the Gandhian Institute of Studies, Varanasi. He described Gandhi as the greatest 'people's economist' and said that "Gandhi refused to treat economics as if people did not matter". He explained about Gandhi's call for 'production by masses' and about his insistence on attention being given to the development of villages in India. He was critical about the course of development which independent India had followed leading to the widening of the rich-poor and urban-rural disparities. He identified five main pillars of the Gandhian economic thinking as being---non-violent as against the exploitative systems, simple living and

avoidance of 'frivolities' and 'extravagances', decentralized self-reliant economy, capital saving---and labour-intensive growth, and rural-based as bulk of India lived in its villages. He ended by quoting from Gandhi's 'Talisman', which as he said, remains "a challenge even today to all the decision makers of Gandhi's India".

Schumacher belonged to the distinguished fellowship of such thinkers as J.C. Kumarappa, Wilfred Wellock, Richard B. Gregg and Lewis Mumford, and above all others that of Gandhi. He has been an internationally influential economic thinker and analyst in the post-World War II era. His best-known work, 'Small is Beautiful' is still used to champion decentralized and appropriate technologies which can empower the weaker sections in the society and lead to a more affordable, non-violent and sustainable development in the fast globalizing world. While the statistics and certain specific observations made by him may be time-related, the fundamentals of his thesis, A Study of Economics as if People Mattered, remain as valid today as in his time. He pursued the Gandhian ideal that, "True economics - - stands for social justice, it promotes the good of all equally, including the weakest, and is indispensable for decent life."5 Even today E.F. Schumacher remains as relevant as he was while he lived.

[5] Primary Education in Bombay, *Harijan* (9.10.1937), *The Collected Works of Mahatma Gandhi* Vol.66, p.168.