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Bigger is Not Always Better

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Schumacher, Ernest F., *Small is Beautiful: Economics as if People Mattered* (Harper Perennial, 2010).

Ernest F. Schumacher wrote *Small is Beautiful: Economics as if People Mattered* over forty years ago, but if you didn't know that, you might think it was published last year. Schumacher's *magnum opus* is still quite useful and necessary today, a fact that would likely cause him greater anxiety than he must have felt when writing it. Outside of this seminal work, Schumacher is most known for his role as the Chief Economic Advisor to the British National Coal Board (1950–1970), for being a protégé of the famous economist John M. Keynes, and for his promotion of Buddhist economics. However, it is less well-known that Schumacher converted to Catholicism shortly before completing *Small is Beautiful*. Each of these facts clearly influence this great work.

Schumacher begins his collection of essays by describing the problems facing the modern world. Chief among those which concern him are the abuse and degradation of humanity and the environment in the name of “giantism,” a combination of the notions that “growth is good” and “bigger is better.” He invokes and then rebukes the vision of his former mentor, Keynes, who argued that future generations would be freed from the burden of work, so long as the motivating forces of greed and envy were employed to increase production for just a little while longer. Schumacher contends that vice could never be a pathway to peace and prosperity; that the cultivation and expansion of needs merely adds to the slavery of mankind; and economic growth, which has no discernible limit, is rushing headlong into unsustainability. Indeed, Keynes's vision of prosperity for all without (much) work has not yet come to pass and mankind is still struggling with the apparent incompatibility of economic growth and sustainability.

Behind the ideology of economic-growth-at-all-costs, there lies an economic theory built on a philosophy of materialism posing as a “pure science.” Schumacher rightly recognized that the influence of the “religion of economics” was far-reaching and had convinced many that “proper” or “rational” thinking means consuming more stuff—that is, the more goods one consumes, the happier one is. But for Schumacher, economic thinking reverses means and ends, preventing persons from choosing their own ends; and it further tends to reduce priceless non-economic values—which are irreducibly sacred—to a monetary price. Schumacher therefore levels a major philosophical challenge to economics, questioning the entire project of modern economic theory based on a meta-economic conception of man devoid of his humanity, indistinguishable from mindless atoms.

This religion of economics treats all resources as “factors” of production—as mere means to the end of more goods and services. Yet, Schumacher argues, two resources in particular—education and land—cannot be thought of as mere factors of production because they are ends in themselves. Economists and businessmen value know-how, the capacity to use knowledge to make more stuff, and though know-how is important, Schumacher thought an education of the metaphysical, of the meaning and purpose of life, is far more important.

Likewise, the use of land is primarily a metaphysical and not a technical or economic problem. For Schumacher, land is sacred and an end in itself, because it too was created by God. Therefore the management of land should be oriented to health, beauty, and permanence, not just productivity; productivity would follow, but it is not the primary end of land. Working directly with the land keeps man in touch with nature, humanizes his habitat, and provides him with essential goods for a dignifying existence.

Industrial resources and technology, though useful, must also be used to serve the purposes of man and not subvert him into becoming a mere cog in the machine. Of the industrial, man-made resources, Schumacher sees energy as primary because it is a pre-condition for all other industrial resources and, moreover, energy cannot be recycled. Yet, energy production in Schumacher’s time (and still largely today) is carried on by the “law of least cost” without much concern for its sustainability. Schumacher was particularly alarmed by the increasing adoption of nuclear energy which threatened the lives of many in the name of increased and cheaper energy. He would not live to see the Three Mile Island and Chernobyl accidents that vindicated him.

Schumacher’s view of the relationship between technology and poverty is that technology increases man’s productivity, thus alleviating his burden, but cannot ultimately solve poverty because it also tends to replace the good, productive, and creative work that humans do. Mass production does not enrich man, but empties him. In contrast, economists in Schumacher’s day called for the transfer of mass production techniques to impoverished countries, techniques completely unsuited to the people and conditions in those countries. Schumacher pioneered the idea of “intermediate technologies,” which would benefit the local workforce by assisting them with their current production rather than displacing them, and do not make poorer nations ever more dependent on wealthy nations, thus resisting a modern form of colonialism.

The baseline of Schumacher's thought is that true development does not start with goods, but with people and their education, organization, and discipline. Production by the masses, with the aid of intermediate technology, is the surest way to alleviate the mass poverty found in many parts of the globe. People are the primary source of wealth and must be given the opportunity to provide for themselves. Workplaces need to be created in areas where people live, implementing simple (but not necessarily old) production techniques to match the skill set of that people, and using local materials to produce goods for local use. Here, Schumacher provides the quote for which his book is named: "Man is small, and, therefore, small is beautiful. To go for giantism is to go for self-destruction" (169).

For modern industrial economies the fundamental task is to achieve smallness within large-scale organization. To this end, Schumacher proposes the principle of subsidiarity and quotes Pope Pius XI to explain this principle for governance. Yet somewhat surprisingly, Schumacher goes on to support socialism, which Pius XI rejected as fundamentally incompatible with Christianity. However, in Schumacher's view it is possible to reconcile these seemingly irreconcilable positions, as he does not propose eliminating private property, nor does he propose complete public ownership of property.

Schumacher agrees with economic historian and Christian socialist, R. H. Tawney, that no change in any economic system can avert the social ills of greed, selfishness, and combativeness, but he also insists that the current system of private enterprise and its need for limitless growth is incompatible with the finitude of the environment. Three choices face society: private or public ownership, markets or planning, and freedom or totalitarianism. Schumacher rejects the commonly asserted false dichotomy between, on the one hand, private ownership, markets and freedom and, on the other, public ownership, planning and totalitarianism. Instead, he believes each of the three choices can be made separately, for example proposing a rather radical plan of nationalizing ownership in large-scale enterprises, invoking the Scott Bader commonwealth as a fine example. Schumacher's specific plan is quite detailed, but the general idea is that in place of taxing company profits, the local government would take ownership of half the large-scale company, but maintain no voting rights. "The purpose would be to maximize both the degree of decentralization of public participation and the integration of business enterprises with the social organism within which they operate" (306). He recognized that his plan was radical and would require well-defined rules with proper intent, but did not consider the obstacles too great as compared to the need for an alternative system.

Four decades later, modern economies are still growing and using up resources with little concern for the environment. This problem is serious enough that Pope Francis dedicated his encyclical *Laudato si'* to the subject, echoing much of what Schumacher had written so long ago. In this way, *Small is Beautiful* is as relevant as ever. However, Schumacher himself was not the first to make these arguments, and won't be the last. So far, environmental disaster and resource depletion has largely been averted through ever improving technology, but the question of sustainability in a finite world remains.

Economic theory also remains largely unchanged since Schumacher's time, despite calls for revisions of its most basic curriculum after the financial crisis of 2008. The underlying materialist philosophy and the neglect of consideration of the metaphysical in the name of "pure science" remain key characteristics of orthodox economics. Man also continues to be alienated and subjugated by the technology and capital used in mass production, and still finds no fulfillment in mass consumption.

Mass production for export remains a dominant approach for developing nations. And while some of these nations have witnessed incredible growth in production, massive poverty is still readily found in urban and rural areas across the globe.

Schumacher's dream of development through intermediate technology remains largely untried. Likewise, decentralized public ownership of large scale enterprises is not considered a serious idea in nations dominated by the private enterprise system. In other words, the philosophies of materialism and giantism rule the day now as much as they ever did. Their failures make it all the more necessary to heed Schumacher's call for smallness, which is still beautiful.

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