

SCHUMACHER: meta-economics versus the 'idolatry of giantism'

There is no mystery about why intermediate technology has failed to abolish problems in a poverty-stricken world, argues B.W. BROOKES

It was just over 100 years ago that an American social crusader drew the world's attention to what he called "the great enigma of our times": the implacable tendency for poverty and hunger to intrude and to thrive in a world in which wealth and affluence constantly rise to new heights.

A century later, advancing science and technology have added relief and contrast to the picture drawn by Henry George. The times have changed, but the enigma has become more stark and conspicuous.

In the 1990s, more consumer goods are being churned out by the semi-automated factories of Europe, America and the Far East than ever before; more luxury food and drink is being consumed, more miles motored and flown, more communication satellites circle the earth than at any time in the past. Yet there are, today, more absolutely poor people in the world than there were in the 1960s; more unemployed and underemployed, more people malnourished and without health care, more children who have never seen a classroom, more people struggling to exist in degrading shanty-towns.

However bright may be the world's general economic progress, the dark blot of human suffering is broader and blacker than it has been since civilisation began.

FIRST WORLD POVERTY

THE ENIGMA of progress with poverty is by no means confined to the Third World. In the United States, the richest nation on earth, one per-

son in every eight is living at or below the poverty line. In the United Kingdom, some 10,000 people are likely to be spending their nights in cardboard boxes, more than 100,000 families are homeless and one-fifth of the population would be living in destitution were it not for government grants and allowances.

The Third World may be the vortex of the world's poverty, but it is not a total-exclusion zone. From New York to Nairobi, from Buenos Aires to Bombay, degrading, demeaning poverty is apparently woven into the fabric of the free-market economy.

In the past century, a large number of measures prescribed as possible cures for the poverty-disease - and its virus, unemployment - have been tried and tested. The natural process of free trade, essential to reap the benefits of the international division of labour, has been abandoned or shackled, currencies have been detached from their material bases to be "managed", trade unions have acquired power and influence, while socialism has been wheeled out to occupy the economic commanding heights; we have seen nationalisation and privatisation, deficit financing and demand management, social contracts and compacts, free bargaining and controls on wages and prices.

Not one of these widely tried *nostra* has achieved the radical improvement that their advocates sought. Not one has come near to solving that great enigma.

The socialism-inspired "welfare state" may ensure that its subjects do



not starve, but it no more grapples with the underlying causes of poverty than an aspirin attacks the common cold. Without their government's largesse, social conditions in the developed countries would differ little in pattern from those of the Third World.

REMEDIES

THE LONG LIST of likely remedial measures excludes at least one that was too hot to handle - that might have proved too potent for the comfort of vested interests. It also excludes one that, having enjoyed wide interest but limited practical support in the 1960s and 1970s, was recently given an accolade by one of today's leading environment commentators. In an article in *The Observer* late last year, Geoffrey Lean suggested that the proposals of Fritz Schumacher, whose ideas were launched 25 years ago, merited much closer attention than they were accorded.

Schumacher, a German-born, naturalised Briton, had formally enunciated in his 1973 book *Small is Beautiful* theories first published in *The Observer* in 1965. According to Lean: "His ideas swept the world. But the movement he founded...has curiously failed to take off."

Schumacher's approach was certainly unorthodox. Strangely for an economist, he attacked the convention of considering the soundness of an industrial or commercial project on the basis of whether it was economic or uneconomic, insisting that there was a deeper, metaphysical

aspect to such questions which outweighed ordinary material considerations. He envisaged a higher science - he called it meta-economics - whose principles are conveyed by the sub-title of his book: *A Study of Economics as if People Mattered*. He argued that giving overriding weight to the needs and circumstances of the people when taking economic decisions would not only bring a much-needed breath of humanity into a cold, conscience-less science, but would give new hope of solving the world's basic social problems.

His antipathy to the conventional ethics of 20th century society was deep. The modern economy, he wrote, was propelled by "greed and envy". Private enterprise, "the most perfect instrument for the pursuit of personal enrichment," was "not concerned with what it produced, but only with what it gains from production."

Such dyspeptic-almost paranoid - condemnation of the process by which millions of ordinary people earn their livings, would strike many as sweeping and blinkered at the same time. However, Schumacher modified it slightly, declaring, on second thoughts, that the degree of acceptable private enterprise varied inversely with the size of the undertaking. For small-scale businesses, private enterprise was "natural, fruitful and just." For medium-scale undertakings, such a system became "strained, unfruitful and unjust" and there needed to be a "voluntary surrender of privilege" to the workers. But in large-scale enterprises, private ownership was quite beyond redemption; it was a system "enabling owners to live parasitically on the labour of others."

SCHUMACHER'S MAIN IDEAS

SCHUMACHER'S conception of large-scale enterprises as the creation of parasites may indicate some intellectual unbalance, but he was on firmer ground, perhaps, when he attacked the way modern industry, aided and abetted by science and technology, was swallowing up the

world's non-renewable resources - oil, for example.

The continuing resort to bigger and bigger industrial and agricultural machinery, sprawling factories and other industrial installations, amounted, in his eyes, to the "idolatry of giantism." In posing a major threat to the environment, these developments were not only failing to solve the problems of the day, but were adding to them. A new start was needed, he asserted, in which it was essential to recognise "the virtues of smallness."

Linking his advocacy of smallness with his vision of a humanity-oriented style of economics was his attitude to work. To Schumacher, work was something desirable in itself. It should not be "an inhuman chore, to be abolished as soon as possible by automation," but something "decreed by Providence for the good of man's body and soul." Indeed, work and leisure were "complementary parts of the same living process and cannot be separated without destroying the joy of work and the bliss of leisure."

The implications of all this were obvious. If work was absent, then work must be provided. Specifically, he envisaged the introduction and development of "intermediate technology," under which, especially in the Third World, governments would provide large numbers of new "workplaces" - small-scale, decentralised production units - which would bring the work to the worker instead of vice versa. ("If people cannot adapt themselves to the methods, then the methods must be adapted to the people.")

International aid would play an important part in providing the initial capital, but such programmes could be considered successful only if they raised productivity without saving labour. Thus, the importation into Third World countries of modern technology, involving the employment of much sophisticated machinery but few human beings, was to be avoided. Any aid project that promised - or threatened - labour-saving

changes, even in production methods that pre-dated Noah's Ark, was to be given a definite thumbs-down.

ECCENTRIC AND UNSOUND

THE FAILURE of Schumacher's philosophy to "take off" is hardly as curious as Lean suggests.

To provide "work" in neat packages, as though airlifting supplies to a beleaguered garrison, might make sense as a short-term expedient, but as a permanent solution for large-scale unemployment it hardly gets to first base. Putting people to work producing goods in locations and by methods which are uneconomic and inefficient might seem "human," but the idea offends against human nature, which instinctively strives for sensible and efficient methods.

Moreover, to the extent that production has to be financed by governments, to that same extent is government expenditure on other activities reduced. (To expand the budget by increasing taxes only passes the reduction to the private sector.) Thus, the induced birth of a new Schumacher-style job would almost certainly be a sentence of death on a job elsewhere. Intermediate technology is no ticket to a free lunch.

But this is not all. To survive for long, Schumacher's "workplaces" would need to operate in economic greenhouses, given complete protection from outside competition and nourished with regular and perpetual injections of capital - conditions which no government, in the Third World or anywhere else, would be likely to accept with confidence, let alone enthusiasm. Like the uneconomic, labour-hungry industries of the former East Germany and the short-lived co-operatives set up by some Third World countries, such enterprises would quickly wither away if the barriers against the outside world were removed. Was it, then, any real wonder that Schumacher's brainchild was virtually still-born?

The hard fact is that Schumacher's concept of work was fundamentally unsound. Far from being



FRITZ SCHUMACHER

balm for man's body and soul (as he preached), work, in essence, is no more than a way for man to obtain a living, to support himself and his family at as high a standard as possible. It is doubtless true that, in conditions where labour has lost its bargaining power, work can become so menial, so soulless and so badly paid as to be "an inhuman chore" but, to rectify this, Schumacher would have been better employed seeking the causes of labour's economic weakness rather than by enlisting the patronage of metaphysics.

From his eccentric concept of work no doubt stemmed his choleric attitude to private enterprise. Instead of seeing this as a spontaneous, self-energising machine dedicated to the satisfaction of people's needs and wants, he condemned it as an infernal device for sordid money-grubbing. His grudging approval of it when the enterprise is small raises many questions, not the least of which is "How big is small?" At what point does salubrious smallness degenerate into malign mediumness? What happens, intrinsically, when an undertaking crosses that crucial barrier?

There can be no convincing

answers to these questions. For Schumacher's categorisation was arbitrary, artificial and unreal. Every productive enterprise, irrespective of size, brings together the factors of production - land, labour and capital - and, assuming a free market with no element of monopoly, its earnings will be shared - albeit unequally - by these three factors. Schumacher failed to perceive that whereas the returns to labour and capital reflect a contribution to the effort of the enterprise, for which the reward is competitive and defensible, the return to land reflects no such contribution, being merely a peremptory exaction from the net earnings.

Schumacher's condemnation of the owners of large-scale enterprises for "living parasitically on the labour of others" should, more properly, be applied to all enterprises, large, medium and small, but only in respect of the receipt of land-rent, since this, though legal and sanctioned by society, is clearly an unearned rake-off. It is income that arises from an immoral privilege - the dubious ownership of natural resources - rather than a fair return for a contribution made.

The overriding impression of

Schumacher, from a study of his main work, is of a man so exercised by the potential of his remedy, and so impatient to see it in operation, that he neglected to analyse fully the malady for which he was prescribing. Captivated by the prospect of seeing his "intermediate technology" absorb the throw-outs of the free-market system, he neglected to consider why the system should produce such flotsam in the first place. As a result, he produced a "longstop" solution, a puny palliative that ignored the system's Achilles heel and merely provided a tortuous means of absorbing its victims. One suspects that, faced with the problem of people falling over a cliff, Schumacher would have organised an efficient ambulance service, whisking the injured to hospital, but doing nothing about the erection of a fence at the cliff-top.

HIS PERCEPTIVE CONCERNS

ALTHOUGH he showed, in *Small is Beautiful*, that he was not above a little cheating to bolster his thesis, Schumacher's sincere concern for the victims of poverty cannot be doubted. In the Third World, he correctly saw the danger of the emergence of two conflicting societies, polarised between rich and poor. He also warned of the social upheaval threatened by the mounting mass migration from country villages to unsanitary shantytowns on the outskirts of bloated cities. He even pin-pointed some of the proximate causes of Third World poverty, such as lack of capital, lack of natural wealth and deficiencies of education. But nowhere did he seek its underlying causes. He noted that, in the main, the poor of the Third World "have no land and no prospect of ever getting any," but he failed to track down the origin of their deprivation. Nor did he pursue the moral question of landownership or the part that the large-scale commandeering of natural resources by the powerful few plays in the pauperisation of the many.

Schumacher's book has sold over four million copies and has been

studied in every corner of the globe. Yet it yields two major questions which are long overdue for answer.

TWO MAJOR DOUBTS

* First, why did he condemn private enterprise, root and branch, when only one facet of the system is susceptible to criticism? How did a perceptive, informed scientist of such calibre come to miss the vital distinction between, on the one hand, the fair rewards of labour (for manual, mental and managerial effort) and of capital (for the provision of capital equipment) and, on the other, the exactions made for the use of land, i.e., for the use of natural resources provided by the Creator?

* Second, why did he produce a scheme dependent on government subvention or the charity of the outside world, to provide artificial jobs for the cast-offs of the free-market system, without seeking the kink in the system which produces those cast-offs? Why did he not spot the shameful flaw that puts millions of families in the permanent grip of idleness and poverty?

BLIND ABOUT LAND

WITH HIS experience of conditions overseas he must surely have been aware of the grotesque, one-sided distribution of land in most countries of the Third World. He must have seen for himself, in many Latin American countries, the vast haciendas of the ruling families with their many square miles of land held idle or for speculation, while penurious peasants in their thousands scratch bare livings from scraps of near-barren wasteland. He must have been aware of the constant pressure in those countries for land reform. Why did he ignore the evidence that a just system of land tenure would have meant a new deal for the underdogs of those societies, yielding them the prospect of real jobs instead of the mere hope of fabricated, precarious jobs contrived by intermediate technology?

Since Schumacher died in 1977, precise answers to these questions are now unlikely. But those who support his proposals should ask themselves whether intermediate technology could ever promise to solve that great enigma; could ever be a substantive and permanent remedy for unemployment and poverty. Or whether it is just one more entry on the list of makeshift expedients that offer to the world's deprived merely a passing dribble of short-term relief.

References:

1. Henry George, *Progress and Poverty* (1879); New York: Robert Schalkenbach Foundation, centenary edn., p.10.

2. Child Poverty Action Group (cited in *The Daily Telegraph*, 23 October, 1991).
3. *The Observer*, 10 November 1991
4. In Chapter III(4) of *Small is Beautiful*, Schumacher quotes Leo Tolstoy as supporting his view that educated people should consider themselves as servants of their country: "I sit on a man's back, choking him and making him carry me, and yet assure myself and others that I am very sorry for him and wish to ease his lot by any means possible, except getting off his back." Tolstoy's words (in *What Then Must We Do*), however, were written, not in the context of education, but of the burden exerted on the worker by the landowner.

FROM WASTELAND TO PROMISED LAND

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Foreword by John D. Davies, Bishop of Shrewsbury

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