

Tribute to E. F. Schumacher by Leopold Kohr

If the Nobel Prize selection committee had wished to give the prize in economics to an innovator, they would not have alternated between the repairmen of the left and the repairmen of the right side of the ship of state caught in the increasing pull of Niagara River a mile above the Falls; they would have selected Dr E. F. Schumacher, whose death on 6 September 1977 of a heart attack in Switzerland tore him away at the very time his ideas were close to a breakthrough. He was one of the few economists who had really something new to offer. Instead of concentrating on mending the sides of the overgrown hull of the ship, he suggested: get out of it. Save yourself in a fleet of small lifeboats.

A former protégé of Maynard Keynes, who brought the young German student during the last war from internment on an isolated English farm to the fermenting halls of Oxford University, Schumacher first captured the famous economist's attention through a paper, Multilateral Clearing, which he had written between tending the fields. When it was published in the spring of 1943 in *Economica*, it caused some embarrassment to Keynes who, instead of arranging for its separate publication, had used the essay almost verbatim in his famous Plan for an International Clearing Union which the British Government issued as a White Paper a few weeks later.

In his swift rise, Schumacher became chief editorial writer on economics for *The Times*, a Kissinger-like achievement for a native German so early in postwar England. In this capacity he was, among other things, in due course charged with the somewhat uncomfortable task of preparing, many years before the event, the obituary of Maynard Keynes, of whose theories he had by then become increasingly critical. He subsequently served as adviser to the India Planning Commission, as well as to the governments of Zambia and Burma - an experience which led to his fascinating essay on Buddhist Economics. The final twenty years before his retirement, he held the position of Chief Economist to the British Coal Board, and later Chief Statistician. I presume it was his attempt to penetrate the inextricable complexities confronting the overblown political and economic giant organizations of our time that gave him the first idea for writing *Small is Beautiful* which, among many other things, revealed him as the only person who had accurately and consistently predicted for fifteen years the approach of the world's current fuel crisis.

Schumacher's basic development theories can be summed up in two catch-phrases: Intermediate Size, and Intermediate Technology.

About the first, he wrote:

A given political unity is not necessarily of the right size as a unit for economic development . . . In this matter [of appropriate size] it is not possible to give hard and fast definitions. Much depends on geography and local circumstances. A few thousand people, no doubt, would be too few to constitute a 'district' for economic development. But the community of a few hundred thousand people, even if fairly widely scattered, may well deserve to be created as a development district. The whole of Switzerland has less than 6 million inhabitants. Yet it is divided into more than 20 cantons and each canton is a kind of [autonomous] development district, with the result that development towards formation of vast industrial concentration is minimized.

In other words, the first half of Schumacher's development philosophy is based on the administrative idea superimposing on large-area states a cantonal structure of

such modest unit-dimensions that vast industrial concentration (with all this entails in imbalance, ineptitude, and diseconomies of scale) becomes not only unnecessary but also uneconomical.

The second half of his system - Intermediate Technology - is the direct consequence of the first. For once development district is 'appropriately' reduced, it becomes possible to fulfill a society's material requirements by means of less expensive and simpler equipment than the costly, computerized, labour-saving machinery necessary for satisfying the massive appetite for the remedial transport and integration commodities without which a far-flung modern market community cannot exist. Though this means a reduction in productivity, it does not mean a reduction in the product that a smaller society needs for the enjoyment of even the highest humanely attainable standard of living.

Putting it differently, the reduced efficiency of intermediate technology provides the same amount of goods, but at a higher cost in labour, than can be achieved under conditions of labour-saving advanced technology. However, since higher labour cost (in terms not of wages but of longer working hours) means simply that the desired level of production can be achieved only by full rather than partial employment of the available labour force, they represent socially no additional cost at all. They are, in fact, a benefit. It is unemployment - the degrading saving of manpower through the inappropriate use of advanced machinery - which is the prohibitive cost which no society can afford to pay in the long run. For unlike earlier forms of unemployment, the unemployment caused by excessive technological progress spells in the end only one thing - the revolt of the unemployed.

This is still only vaguely understood by modern growth theorists for whom intermediate technology means merely a step backwards. One has to go back all the way to Vespasian to encounter a government advanced enough to realize the social value of higher rather than lower costs. As Suetonius tells us: When an inventor offered the Emperor to transport giant columns to the top of Capitol hill at an unheard-of low cost, Vespasian rewarded him richly for his technical genius, but dispensed with his services with the remark, 'You must permit me also to let the man in the street earn his bread.' By the standards of modern economics, this would earn a student a failing grade at Harvard or Oxford.

Lately, however, with orthodox economics having run its course, and hiding its ineptitudes in mathematical obscurity of Nobel-Prize-winning proportions, Schumacher's ideas, particularly on the question of how to sponge up unemployment and at the same time solve the energy crisis, have begun to make their impact in Asian and African countries whose leaders realize that what is needed is not highfalutin theory but a bit of horse sense. People such as Indians, or Zambians, and lately even leaders such as Governor Brown of California and President Carter of the United States (though not yet the economists advising them) seem to be among the first since Vespasian to understand once again after their talks with Schumacher that New Man, whose coming they all await with such impatience, is in need of two props: an older mode of production in the form of intermediate technology, and an older political environment in the form of more translucent, smaller and more meaningfully human societies.

There was also another side to Schumacher's praise of smallness of which few of his admirers were aware. This had to do neither with technology nor with political organization, but with the composition of delightful verses for his children. I was fortunate to acquire some of them when, after a week's stay as my guest in Puerto

Rico in 1973, I somewhat shocked him with the request to sign a paper in order to balance his accounts with me. He laughed when he found out that what I wanted was not a promissory note, but the text in his own handwriting of the poem he had recited to me earlier that day - and which I should like to share with the reader in memory of a friend who inspired us all not only by his wisdom and charm, but also by the abiding humour of his humanity.

Little children, surely, Age you prematurely. Though, if all be told: They keep you young when old.

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