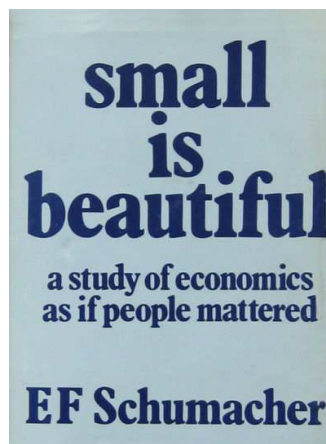


Observatoire du Management Alternatif
Alternative Management Observatory

Fiche de lecture

Small is beautiful
Economics as if People Mattered

E.F. Schumacher
1973



Claudia Pöpperl – Avril 2009
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Genèse de la fiche de lecture

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Small is beautiful, Economics as if People Mattered

Editeur: E.F. Schumacher, New York

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Résumé : Cette fiche de lecture a pour objectif de résumer le livre « Small is beautiful » de E. F. Schumacher. Dans cet ouvrage, l'auteur cherche à développer une nouvelle approche économique en s'appuyant sur les technologies intermédiaires et l'économie bouddhiste.

Mots-clés : Technologie intermédiaire, Économie Bouddhiste

Small is beautiful, Economics as if People Mattered

Editor: E.F. Schumacher, New York

Date of publication: 1973

Date of first publication: 1973

Abstract: This text aims to resume the book “Small is beautiful” by E. F. Schumacher. This book is representing a new economical approach introducing intermediate technology and Buddhist economy.

Key words: Intermediate technology, Buddhist economy,

Table des matières

Table des matières	4
1. L'auteur et son œuvre	5
2. Résumé de l'ouvrage.....	7
3. Commentaires critiques	12
4. Bibliographie de l'auteur	14
5. Références	15

1. L'auteur et son œuvre

1.1. Brève biographie

Ernst Friedrich Schumacher was born in 1911 in Bonn, Germany. After initially having studied in Bonn and Berlin, he then went to New College, Oxford, England and later to Columbia University New York City, in order to finish his studies in the field of Economics. Being an economist he worked in the fields of business, farming and journalism.

With his paper “Multilateral Clearing” which he had written in internment camp in Great Britain during World War II, he managed to capture the attention of famous John Maynard Keynes who made Schumacher his “protégé”, finding him a position at Oxford University. This relationship will influence Schumacher’s work significantly, even though rather in a way of dissociating critic than subordinate admiration.

After the war, Schumacher was an advisor to the British Control Commission, which aimed to rebuild the German economy which had been devastated in the prior decades. Here, he could prove himself, stepping out of the overwhelming shadow of his patron. Thereon, he became Chief Economic Advisor for the National Coal Board, a position he maintained from 1950 – 1970. This experience is clearly reflected in his opus and enabled him to accord his vision practical measures. For example, he clearly defend a coal based energy supply claiming that fuel, being a finite resource located in politically unstable countries, and nuclear energy, representing an unforeseeable risk, are no appropriate alternatives.

Schumacher was furthermore president of the Soil Association, a long established organic farming association, an economic consultant to Burma where he applied a completely different approach to foster development, and he was founder and chairman of the Intermediate Technology Development Group, an organization dedicated to technology development adapted to regional needs in developing countries. A significant influence on his ideas can be found in the person of Gandhi of who he was a close student and whose idea can be found all over Schumacher’s works.

When in 1971 Schumacher converted to Catholicism, it was a manifestation of the strong influences that religion, and in particular Catholicism, had gained upon his thinking. Schumacher died in 1977 in Switzerland as result of heart attack he suffered from during one of his lecture tours.

Yet, after his death, his ideas were carried forward in form of several organizations, such as the Schumacher College in Totnes, Devon, and the E.F. Schumacher Society and his numerous publications.

1.2. Place de l'ouvrage dans la vie de l'auteur

The book "Small is beautiful" is a collection of essays whose title is based on the works of Leopold Kohr, a famous economist, known for his book "The breakdown of Nations", and what he himself called a "philosophical anarchist". It was first published in 1973 by Blond & Briggs Ltd., London, the year when the United Kingdom entered European Economic Community, the year the United States ceased their involvement in the Vietnam War, and the year especially marked by the oil crisis.

The book is partitioned into four major parts, "The Modern World", "Resources", "The Third World" and "Organisation and Ownership". All these parts are broken down into smaller components which are linked to each other, but are strongly influenced by different lecture notes, articles and quotations. So is for example the first part based on a lecture, Schumacher gave at the Gottlieb Duttweiler Institute in Switzerland, articles published by Pyarelal, Dorothy L. Sayers, a lecture by the National Society for Clean Air, a book called "A Handbook" edited by Guy Wint which Schumacher used to deepen the topic of Buddhist economics and which is a collection of works of such authors as Adam Smith, Ananda K. Coomaraswamy, Richard B. Gregg and others.

As you can see, it is a collection of all different kind of sources which allows Schumacher to gain a really complex and interesting point of view which cannot only be considered as economic-scientific, but which certainly carries a politic aspect in it. Interesting here is definitely his style of writing. The book is accessible even to people who do not have an economic background, it is easy and sometimes even entertaining to read and one might therefore assume that the public it is aimed to is not necessarily one which consist of peer economists and experts, but rather a bigger audience.

2. Résumé de l'ouvrage

This book represents a critique of at that time current, so to say actual way of doing business in developing countries from the author's point of view. It is an attempt to approach development aid from a small-scale, regional level in order to respect nature and human beings.

2.1 Plan de l'ouvrage

As already mentioned, the book consists of four major parts.

Part I is called "The Modern World" and is itself broken down into five sub-parts, "The Problem of Production", "Peace and Permanence", "The Role of Economics", "Buddhist Economics" and "A Question of Size".

Part II – "Resources" – consists of "The Greatest Resource – Education", "The Proper Use of Land", "Resources for Industry", "Nuclear Energy – Salvation or Damnation?" and "Technology with a Human Face".

Part III is called "The Third World" and contains the parts "Development", "Social and Economic Problems Calling for the Development of Intermediate Technology", "Two Million Villages" and "The Problem of Unemployment in India".

The final part, "Organisation and Ownership" is treating the topics "A Machine to Foretell the Future?", "Towards a Theory of Large-Scale Organisation", "Socialism", "Ownership" and "New Patterns of Ownership".

All this finds its end in an epilogue which tries not only to summarize what has been said, but which is a call upon the reader to change his or her ways of seeing and doing things.

2.2 Principales étapes du raisonnement et principales conclusions

2.2.1. The Problem of Production

When Schumacher start off his line of thought, he first analyses what he calls “The Problem of Production”¹. He he points out that Capitalism as well as Socialism contain a major flaw in their reasoning, the fact that in case of irreplaceable capital – which is namely fossil fuels, the tolerance margins of nature and the human substance - people tend to fail to distinguish between income and capital. Schumacher says that we are “inclined to treat as valueless everything that we have not made ourselves” and consequently, we do not account in our cost calculations for what nature provides. Or in case we attempt to measure them, we fail to use adequate measures. In case of the human substance for example, we try to measure it using the National Growth Product, which Schumacher rejects as being not the right way to evaluate here. He therefore concludes that the problem of production despite the general belief has not been solved since mankind is aiming at unlimited growth in a limited environment.

2.2.2. The way to peace and permanence

In the second sub-chapter, Schumacher investigates the belief that rapid economic growth is a way into a brighter future. If people are wealthier and can consume more, it is commonly believed that they will be more peaceful and happier. He summarizes this within three hypotheses: 1) Universal prosperity is possible; 2) Its attainment is possible on the basis of the materialist philosophy of “enrich yourselves” and 3) This is the road to peace. So on our way to attain a better world, we should despite religious advise, be greedy and forget about moral doubts. Remarkable here, is the way Schumacher is criticizing his former mentor, Lord Keynes, who has advocated that before being able to live up to moral standards once we attained economic wealth for more that just a minority of people, “we must pretend to ourselves and to every one that fair is foul and foul is fair”. Schumacher points out two major “physical-material” problems related to this belief: the availability of basic resources and the capacity of the environment to cope with the degree of interference implied. And additionally, he underlines the negative non-material impacts a cultivation of greed would have on mankind, such as oppression, alienation, frustration -just to list a few- and the loss of wisdom.

¹ « Small is beautiful » by E.F Schumacher, p. 15

All this striving for more and the resulting loss of wisdom are just incompatible with permanence.

As a way to attain permanence, Schumacher claims that not only a profound change of mindset is necessary. On top of that he demands to include wisdom in technology in order to develop methods and equipment which are:

1. cheap enough so that they are accessible to virtually everyone
2. suitable for small-scale application
3. compatible with man's needs for creativity

2.2.3. Meta-Economics

Schumacher demonstrates that today's universal guideline is to evaluate if something is economical. Only if an endeavour is considered as economical, has it a right to be conducted. Economists seem to never call into questions the assumptions behind the calculus which determines economically. But if they don't do so, they lose the freedom to really choose what should be considered desirable. In his chapter of Buddhist economics, Schumacher demonstrates on a more concrete example how economics should be modified to adapt to local needs, beliefs and specificities. By taking into account prevailing local convictions, economic development is not only more in sync with the people being involved, Schumacher argues that it is also more successful.

2.2.4. A Question of Size

Regarding Schumacher's claim to respect local particularities, he consequently addresses the question of size. What size should a city have, what is appropriate so that people do not suffer from degradation? He shows that the common belief that big is better can lead to devastating effects. Due to increased mobility in our times, foot-looseness is draining out people from the rural areas into the big cities where conditions do not improve, but worsen. He concludes that this should also be taken into account when reframing economics and development. Later on his book, in the chapter "Towards a Theory of Large-Scale Organisation" he takes up this thought to illustrate that in organisations and especially in companies a fine balance has to be found between large-structured efficiency and small-structured creative autonomy.

2.2.5. Values and Ideas

After having reflected on “The Modern World”, Schumacher then turns to an analysis of resources. Here, he first puts into question what is called education. In our belief, education is all about gaining knowledge. Never do we account for the fact, that the way we learn is strongly influenced by fixed ideas which have been settled in our mind. These ideas determine how we perceive information, and how we filter it. Like in the case of economics, Schumacher calls into question the way people do neglect what is hidden behind our knowledge and he points out that due to these ideas in our mind, we seem to be unable to reconcile what we perceive to be complete opposites, something that prevents “man [from straining] himself to a level above himself”². Furthermore, we shall turn our back on the values of greed and profitability and return to values which had been neglected due to our quest for wealth to avoid confusion about ideas which will then influence our education. This existing confusion and our incapability to converge divergent problems, however, have a strong negative impact on human kind. Being split up into two different beings, man as a producer and as a consumer, we create situations where we actually harm ourselves just to gain profit because we seem not to be able to combine these two roles into a compromise. Schumacher then demonstrates these reasonings using the case of agriculture and the proper use of land and the past failure to recognise them using the case of energy and illustrating an economy “as if people really did not matter at all.”³

2.2.6. Intermediate Technology

After having advocated a change in metaphysics and ideas, Schumacher then points out the consequence such a change must have on technology, which is strongly correlated to prevailing ideas. What mankind needs is a technology which is responding to actual needs, which is developed in true respect of nature and of human beings. It should be a technology which enables man to use his creativity and which is taken local necessities into consideration. Especially in the case of developing countries, a less capital intensive and simpler technology has to be developed, far away from existing trends to mass-produce but towards logic of production of the masses. This would allow increasing employment, a precondition needed to improve the situation in those countries. After having developed all these ideas and claims, Schumacher then details them in his chapter “The Third World”.

² „Small is beautiful“ by E.F. Schumacher p. 97

³ „Small is beautiful“ by E.F. Schumacher, p. 145

2.2.6. Predictability

Schumacher demonstrates here that predicting the future, an incredibly popular trend in our days, is based on misconceptions, mixing up certainties and uncertainties, concepts and valid ranges. As a major conclusion of this chapter, Schumacher recalls that “[t]he future cannot be forecast, but it can be explored”⁴ – something that should be kept in mind when Schumacher in the next chapter treats socialism where it is said that “concentration [...] produces Stalinism”⁵

2.2.7. Ownership

“Ownership, whether public or private, is merely an element of framework.”⁶ Yet, the form of ownership determines the freedom existing on the choice of objectives, i.e. if means of production are private ownership, the person who owns them will request a certain profit in order to provide them. Publicly owned means of production can be used for any purpose without a focus on profitability. Logic of profitability should not be applied to publicly owned capital, a mistake often made, even in socialism. Private Ownership is best used in small-scale enterprises as here ownership of the one using the means of production is functionally necessary. The bigger an enterprise becomes, the more the right of private ownership should be called into question. So should already medium-scale enterprises rethink their concept of ownership, and in large-scale enterprises private ownership is mainly “a fiction for the purpose of enabling functionless owners to live parasitically on the labour of others”⁷ and should therefore be abandoned and replaced by hybrid types of ownership, mainly varying in terms of freedom and totalitarianism, market economy and planning, and private and public ownership.

⁴ „Small is beautiful“ by E.F. Schumacher, p.240

⁵ „Small is beautiful“ by E.F. Schumacher, p. 258

⁶ „Small is beautiful“ by E.F. Schumacher, p. 259

⁷ „Small is beautiful“ by E.F. Schumacher, p. 267

3. Commentaires critiques

3.1 Avis d'autres auteurs sur l'ouvrage

Just after « Small is beautiful » had been published, it received a lot of attention and soon became a “bestselling book of 1973”⁸. “The Times Literary Supplement ranked Small Is Beautiful among the 100 most influential books published since World War II”⁹. It also left room for controversy¹⁰, but nevertheless had a huge impact on society. Even today this impact is visible and influencing current debates about sustainable development.¹¹

3.2 Avis de l'auteur de la fiche

This book is an inspirational attempt to approach economics in a less conventional way, combining it with philosophical and ethnical questions. However, it has to be understood that this book is not a scientific essay, but rather a general description which therefore implicates certain limits, like a need to simplify as much as possible in order to make complex structures easier to understand. And it is exactly in this point, that Schumacher commits a mistake which seems also to be one of the reasons for the economical reasoning he is criticizing.

Economics is always giving only a limited picture of reality and since while drawing this picture one has to apply a certain filter to concentrate on only a few aspects, this filter, as Schumacher calls it metaeconomics, strongly defines the output, i.e. the picture of reality. Schumacher himself is strongly influenced by certain values which define his reasoning, values that might not necessarily be shared by everybody.

Nevertheless, this book is more than remarkable, especially considering the time it has been written in. Not only does it address the problem of lack of adapted, not so capital

⁸ http://www.inwent.org/E+Z/content/archive-eng/11-2003/tribune_art1.html, visited the 20th of May, 2009

⁹ http://en.wikipedia.org/wiki/Small_is_Beautiful, visited the 20th of May, 2009

¹⁰ Review: [untitled] Author(s): Gary Levy Reviewed work(s): Small is Beautiful: Une société à la mesure de l'homme by E. F. Schumacher Source: Canadian Journal of Political Science / Revue canadienne de science politique, Vol. 12, No. 1 (Mar., 1979), pp. 173-174 Published by: Canadian Political Science Association and the Société québécoise de science politique.

¹¹ http://www.opendemocracy.net/theme_9-foodwithoutfrontiers/article_1470.jsp, visited the 20th of May 2009

intensive labour, a problem which can still be seen today. It reminds economists that their knowledge and models have limits and that the striving for wealth is devastating if based on the wrong values - something they sometimes seem to forget. Schumacher's work is therefore more than ever up to date, in a situation of crisis partially induced by the believe of economist and financial experts that their knowledge cannot be questioned, that their reasoning is only based on neutral facts and that greed will lead to wealth and peace. It is timeless food for thought.

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