

As if people mattered, 40 years on

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THE *Times Literary Supplement* in 1995 ranked *Small is Beautiful: A study of economics as if people mattered* by Dr E. F. (Ernst Friedrich) Schumacher among the 100 most influential books produced since the Second World War. Published 40 years ago next month, on 30 June 1973, the book's vision of a world in which the economy serves people, instead of people's serving the economy, struck a chord with those concerned about environmental degradation and inhumane working conditions.

Dr Schumacher's warning over reliance on scarce resources such as oil was almost immediately vindicated by the oil crisis three months later. Now, 40 years on, the book still needs to be read and its message received. Many decisions - by governments, churches, and even in our homes - are still based on economics as if people did not matter.

Small is Beautiful was the fruit of insights gained by Dr Schumacher when working for the British Government during and after the Second World War, and for 20 years as the chief economic adviser to the National Coal Board, as well as through extensive observation and economic consultancy in developing countries. He was also interested in comparative religion, and was eventually received into the Roman Catholic Church.

Some of the book is inevitably dated, as Dr Schumacher was writing in the very early days of computers ("the most intriguing product of technological progress"), and his views on the place of women could most charitably be described as "traditional".

Yet there is still much of value in the areas of economic decision-making, industry and technology, work, education, aid, and ownership. Here are some of Dr Schumacher's arguments - and a highly subjective modern report-card.

1973: Economics is at the centre of public concern, and modern societies are obsessed with economic performance and growth. No rich society is saying "We have enough." Economics even dictates foreign policy; a country's human-rights record may be terrible, but we will ignore that if we need its credit, export market, or oil.

2013: GDP growth remains an obsession. The UK sells arms to Saudi Arabia, and goes to war in oil-rich Iraq, but tolerates repression in Syria.

1973: Economic judgement is extremely fragmentary. An activity deemed "uneconomic" has its existence not only questioned but denied. But "uneconomic" means only that it fails to earn enough profit for the participants, even though the activity may benefit wider society or have social, moral, aesthetic, or political benefits.

2013: In an increasingly privatised NHS, care will be further overridden by cost. We need to take care if we apply economic arguments to the parish system.

1973: There is a right scale for every activity, but we suffer from an idolatry of giantism.

2013: We have banks that are "too big to fail". The BBC's economics editor, Stephanie Flanders, wonders whether the UK would be better off without London.

1973: The buyer in a market seeks value for money, and does not care where or how the goods are produced. The seller does not reduce prices to the poor. Both have responsibility only to themselves, and must never behave "uneconomically". Conversely, consumers are duty-bound to spend, in order to keep money circulating in the economy, whether or not they can afford it.

2013: There is horse meat in our elongated food-supply chains, and advertising has moved up a gear in manipulating our desires and emotional responses. On the other hand, the local-food and social-enterprise movements bring hope.

The following items on the report card could not be published for reasons of length:

1973: *Economic methodology is extremely narrow. It weights the short term over the long term, and 'free goods' are excluded from definitions of cost. Or worse, cost-benefit analysis sets a price on the priceless, such as beauty or a human life. It ignores our dependence on the natural world. Any finance officer can distinguish between capital and income, and knows a firm is not viable if it consumes its capital. But we treat natural capital – fossil fuels, other minerals, nature's tolerance margins – as income, and are consuming it an alarming rate instead of employing it minimally and wisely to develop renewable patterns of living.*

2013: *George Osborne has not got the message that the economy is dependent on people and the natural world. In the 2011 Autumn Budget Statement, he said: "If we burden [British businesses] with endless social and environmental goals – however worthy in their own right – then not only will we not achieve those goals, but the businesses will fail, jobs will be lost, and our country will be poorer." Oil consumption continues to rise.*

1973: *Work is viewed as merely a necessary evil, both as a input to production and as a sacrifice of leisure. Hence workplace costs and wages are minimised. Work could be a creative endeavour and technology a tool, but goods and production are elevated above humanity, and technology is an enslaving machine.*

2013: *Workers in Bangladeshi factories are units to be exploited. Speaking of 'work-life balance' still puts work and life in opposition. The introduction of the minimum wage in 1999 did not cause mass unemployment as some feared.*

SO WE have made some progress, but there is far to go. It is a journey towards peace and wisdom, which is the most powerful aspect of *Small is Beautiful*. As Dr Schumacher argues, seeking material prosperity leads to clashes over limited world resources, not peace. Peace instead starts with wisdom, and the central concept of economic wisdom is: "Nothing makes economic sense unless its continuance for a long time can be projected without running into absurdities."

In nature, there are limits to growth. Insect populations may flare up, but then crash when they run out of food. We do not continue to grow taller as we get older, but we have not grasped the absurdity of continual infinite economic growth on a finite planet.

On the last pages of *Small is Beautiful*, Dr Schumacher writes: "Everywhere people ask: 'What can I actually do?' . . . we can, each of us, work to put our own inner house in order."

Dr Schumacher had already founded the Intermediate Technology Development Group (now Practical Action) to promote village-scale technology, and his vision inspired the foundation of the Centre for Alternative Technology in 1974. These and other groups, including the Soil Association and the New Economics Foundation, are now members of the Schumacher Circle, which provides a practical expression of his joined-up thinking.

I believe that all this is a matter of seeking peace and pursuing it (1 Peter 3.11). Get wisdom; get insight (Proverbs 4.5). Challenge the prevailing economic "wisdom" in government, church affairs, and home life. Sign up to the New Economics Foundation's series of briefings, which are designed to help non-economists and the public to identify misguided economic arguments, and join in debates.

Read *Small is Beautiful*, and engage with economics. Decisions should not be based on fragmentary judgement and narrow methodology. Otherwise, we will have 40 more years of economics as if people did not matter.

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Visit www.schumachercollege.org.uk for information about the Schumacher Circle organisations; www.neweconomics.org for the New Economics Foundation; and www.impossiblehamster.org for running into absurdities.