

Socialism by E. F. Schumacher

To follow is the full unaltered text of the third of five essays on 'Organisation and Ownership' in the final part of E. F. Schumacher's 'Small is Beautiful: a study of economics as if people mattered' first published in 1973 by Blond & Briggs (ISBN 0 349 13132 5).

Both theoretical considerations and practical experience have led me to the conclusion that socialism is of interest solely for its non-economic values and the possibility it creates for the overcoming of the religion of economics. A society ruled primarily by the idolatry of *enrichissez-vous*, which celebrates millionaires as its culture heroes, can gain nothing from socialisation that could not also be gained without it.

It is not surprising, therefore, that many socialists in so-called advanced societies, who are themselves - whether they know it or not - devotees of the religion of economics, are today wondering whether nationalisation is not really beside the point. It causes a lot of trouble - so why bother with it? The extinction of private ownership, by itself, does not produce magnificent results: everything worth while has still to be worked for, devotedly and patiently, and the pursuit of financial viability, *combined* with the pursuit of high social aims, produces many dilemmas, many seeming contradictions, and imposes extra heavy burdens on management.

If the purpose of nationalisation is primarily to achieve faster economic growth, higher efficiency, better planning, and so forth, there is bound to be disappointment. The idea of conducting the entire economy on the basis of private greed, as Marx well recognised, has shown an extraordinary power to transform the world.

'The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations and has left no other nexus between man and man than naked self-interest...

'The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation.' (Communist Manifesto)

The strength of the idea of private enterprise lies in its terrifying simplicity. It suggests that the totality of life can be reduced to one aspect - profits. The businessman, as a private individual, may still be interested in other aspects of life - perhaps even in goodness, truth and beauty - but as a *businessman* he concerns himself only with profits. In this respect, the idea of private enterprise fits exactly into the idea of The Market, which, in an earlier chapter, I called 'the institutionalisation of individualism and non-responsibility'. Equally, it fits perfectly into the modern trend towards quantification at the expense of the appreciation of qualitative differences; for private enterprise is not concerned with what it produces but only with what it gains from production.

Everything becomes crystal clear after you have reduced reality to one - one only - of its thousand aspects. You know what to do - whatever produces profits; you know what to avoid - whatever reduces them or makes a loss. And there is at the same time a perfect measuring rod for the degree of success or failure. Let no one befog the issue by asking whether a particular action is conducive to the wealth and well-being of society, whether it leads to moral, aesthetic, or cultural enrichment. Simply find out whether it pays; simply investigate whether there is an alternative that pays better. If there is, choose the alternative.

It is no accident that successful businessmen are often astonishingly primitive; they live in a world made primitive by this process of reduction. They fit into this simplified version of the world and are satisfied with it. And when the real world occasionally makes its existence known and attempts to force upon their attention a different one of its facets, one not provided for in their philosophy, they tend to become quite helpless and confused. They feel exposed to incalculable dangers and 'unsound' forces and freely predict general disaster. As a result, their judgments on actions dictated by a more comprehensive outlook on the meaning and purpose of life are generally quite worthless. It is a foregone conclusion for them that a different scheme of things, a business, for instance, that is not based on private ownership, cannot possibly succeed. If it succeeds all the same, there must be a sinister explanation - 'exploitation of the consumer', 'hidden subsidies', 'forced labour', 'monopoly', 'dumping', or some dark and dreadful accumulation of a debit account which the future will suddenly present.

But this is a digression. The point is that the real strength of the theory of private enterprise lies in this ruthless simplification, which fits so admirably also into the mental patterns created by the phenomenal success of science. The strength of science, too, derives from a 'reduction' of reality to one or the other of its many aspects, primarily the reduction of quality to quantity. But just as the powerful concentration of nineteenth-century science on the mechanical aspects of reality had to be abandoned because there was too much of reality that simply did not fit, so the powerful concentration of business life on the aspect of 'profits' has had to be modified because it failed to do justice to the real needs of man. It was the historical achievement of socialists to push this development, with the result that the favourite phrase of the enlightened capitalist today is: 'We are all socialists now.'

That is to say, the capitalist today wishes to deny that the one final aim of all his activities is profit. He says: 'Oh no, we do a lot for our employees which we do not really have to do; we try to preserve the beauty of the countryside; we engage in research that may not pay off,' etc. All these claims are very familiar; sometimes they are justified, sometimes not.

What concerns us here is this: private enterprise 'old style', let us say, goes simply for profits; it thereby achieves a most powerful simplification of objectives and gains a perfect measuring rod of success or failure. Private enterprise 'new style', on the other hand (let us assume), pursues a great variety of objectives; it tries to consider the whole fullness of life and not merely the money-making aspect; it therefore achieves no powerful simplification of objectives and possesses no reliable measuring rod of success or failure. If this is so, private enterprise 'new style', as organised in large joint stock companies, differs from public enterprise only in one respect; namely that it provides an unearned income to its shareholders.

Clearly, the protagonists of capitalism cannot have it both ways. They cannot say 'We are all socialists now' and maintain at the same time that socialism cannot possibly work. If they themselves pursue objectives other than that of profit-making, then they cannot very well argue that it becomes impossible to administer the nation's means of production efficiently as soon as considerations other than those of profit-making are allowed to enter. If they can manage without the crude yardstick of money-making, so can nationalised industry.

On the other hand, if all this is rather a sham and private enterprise works for profit and (practically) nothing else; if its pursuit of other objectives is in fact solely dependent on profit-making and constitutes merely its own choice of what to do with some of the profits, then the sooner this is made clear the better. In that case, private enterprise could still claim to possess the power of simplicity. Its case against public enterprise would be that the latter is bound to be inefficient precisely because it attempts to pursue several objectives at the same time, and the case of socialists against the former would be the traditional case, which is not primarily an economic one, namely, that it degrades life by its very simplicity, by basing all economic activity solely on the motive of private greed.

A total rejection of public ownership means a total affirmation of private ownership. This is just as great a piece of dogmatism as the opposite one of the most fanatical communist. But while all fanaticism shows intellectual weakness, a fanaticism about the means to be employed for reaching quite uncertain objectives is sheer feeble-mindedness.

As mentioned before, the whole crux of economic life - and indeed of life in general - is that it constantly requires the living reconciliation of opposites which, in strict logic, are irreconcilable. In macro-economics (the management of whole societies) it is necessary always to have both planning *and* freedom - not by way of a weak and lifeless compromise, but by a free recognition of the legitimacy of and need for both. Equally in micro-economics (the management of individual enterprises): on the one hand it is essential that there should be full managerial responsibility and authority; yet it is equally essential that there should be a democratic and free participation of the workers in management decisions. Again, it is not a question of mitigating the opposition of these two needs by some half-hearted compromises that satisfies neither of them, but to recognise them both. The exclusive concentration on one of the opposites - say, on planning, produces Stalinism; while the exclusive concentration on the other produces chaos. The normal answer to either is a swing of the pendulum to the other extreme. Yet the normal answer is not the only possible answer. A generous and magnanimous intellectual effort - the opposite of nagging, malevolent criticism - can enable a society, at least for a period, to find a middle way that reconciles the opposites without degrading them both.

The same applies to the choice of objectives in business life. One of the opposites - represented by private enterprise 'old style' - is the need for simplicity and measurability, which is best fulfilled by a strict limitation of outlook to 'profitability' and nothing else. The other opposite - represented by the original 'idealistic' conception of public enterprise - is the need for a comprehensive and broad humanity in the conduct of economic affairs. The former, if exclusively adhered to, leads to the total destruction of the dignity of man; the latter, to a chaotic kind of inefficiency.

There are no 'final solutions' to this kind of problem. There is only a *living* solution achieved day by day on a basis of a clear recognition *that both opposites are valid*.

Ownership, whether public or private, is merely an element of framework. It does not by itself settle the kind of objectives to be pursued within the framework. From this point of view it is correct to say that ownership is not the decisive question. But it is also necessary to recognise that private ownership of the means of production is severely limited in its freedom of choice of objectives, because it is compelled to be profit-seeking, and *tends* to take a narrow and selfish view of things. Public ownership gives *complete* freedom in the choice of objectives and can therefore be used for any purpose that may be chosen. While private ownership is an instrument that by itself largely determines the ends for which it can be employed, public ownership is an instrument the ends of which are undetermined and need to be consciously chosen.

There is therefore really no strong case for public ownership if the objectives to be pursued by nationalised industry are to be just as narrow, just as limited as those of capitalist production: profitability and nothing else. Herein lies the real danger to nationalisation in Britain at the present time, not in an imagine inefficiency.

The campaigns of the enemies of nationalisation consists of two distinctly separate moves. The first move is an attempt to convince the public at large and the people engaged in the nationalised sector that the only thing that matters in the administration of the means of production, distribution and exchange is profitability; that any departure from this sacred standard - *and particularly a departure by nationalised industry* - imposes an intolerable burden on everyone and is directly responsible for anything that may go wrong in the economy as a whole. This campaign is remarkably successful. The second move is to suggest that since there is really nothing special at all in the behaviour of nationalised industry, and hence no promise of any progress towards a better society, any further nationalisation would be an obvious case of dogmatic inflexibility, a mere 'grab' organised by frustrated politicians, untaught, unteachable, and incapable of intellectual doubt. This neat little plan has all the more chance of success if it can be supported by a government price policy for the products of the nationalised industries which makes it virtually impossible for them to earn a profit.

It must be admitted that this strategy, aided by a systematic smear campaign against the nationalised industries, has not been without effect on socialist thinking.

The reason is neither an error in the original socialist inspiration nor any actual failure in the conduct of the nationalised industry - accusations of that kind are quite insupportable - but a lack of vision on the part of the socialists themselves. They will not recover, and nationalisation will not fulfil its function, unless they recover their vision.

What is at stake is not economics but culture; not the standard of living but the quality of life. Economics and the standard of living can just as well be looked after by a capitalist system, moderated by a bit of planning and redistributive taxation. But culture and, generally, the quality of life, van now only be debased by such a system.

Socialists should insist on using the nationalised industries not simply to out-capitalise the capitalists - an attempt in which they may or may not succeed - but to evolve a more democratic and dignified system of industrial administration, a more humane employment of machinery, and a more intelligent utilisation of the fruits of human ingenuity and effort. If they can do that, they have the future in their hands. If they cannot, they have nothing to offer that is worthy of the sweat of free-born men.