The Schumacher Enigma by Peter Etherden
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To those who grew up in the alternative movement in the sixties and seventies, E.F. Schumacher is a giant. The institutions he worked to create in his lifetime...he died in 1977...such as the *Soil Association* and *Intermediate Technology*, have gone from strength to strength.

Small is Beautiful has become one of the few canons of our generation. If not everybody has read it, everybody has accepted its ideas...and this is very unusual in these days of fragmentation and relativity. We are all Schumacherians now. We have *Schumacher Societies*, *Schumacher Lectures*... and even grand prix racing drivers named after him. Yet there is an enigma at the centre of *The Schumacher Legend*. Why did Schumacher show so little interest in money?

Small is Beautiful is in four parts: I: The Modern World; II: Resources; III: The Third World and IV: Organisation and Ownership. Size has its own chapter: *A Question of Size*...the Leopold Kohr's influence; Land is there with its own chapter: *The Proper Use of Land;* Technology is there with its own chapter: *Social and Economic Problems Calling for the Development of Intermediate Technology*; Work is there; Education, Labour, Employment. Everything is there except money, income, wages and capital. Why?

The two principal sources for *Small is Beautiful* were articles commissioned by the editor of *Resurgence*, John Papworth and speeches Schumacher gave in his capacity as chief economist for the *National Coal Board*...modified to some degree (in Part IV) by his involvement with Ernest Bader's small business and by Bader's rather idiosyncratic decision to put his company in a trust for the workers rather than allowing his son to inherit the firm.

Money and capital do not figure prominently in John Papworth's *Resurgence* or in his 1970 book *New Politics* so this could be one possible explanation for its absence in *Small is Beautiful*. Schumacher wanted to be heard, John Papworth offered him a platform. But it was Papworth's magazine. He owned it (and still did up until five years ago when he sold it to me for a pound) and contributors would only be published if their articles were 'on message'.

Perhaps as an aside it is worth mentioning that John Papworth's subsequent journal, *Fourth World Review*, in the 1980s and 1990s has been much more willing to open its pages to the money subject than was his 1960s *Resurgence.* And in his recent book, *Small is Powerful*, John has placed usury at the centre of his diagnosis of the ills of the modern age...although he has seen little need to make changes in his prescription which is as always...human scale, human scale and human scale. Or to bring the message up to date. ‘Size matters, stupid!’

Could it be that the spectre of Marx and fear of communist witch hunts lay heavy upon all these erstwhile radicals in the decade following *The Hitler War*, guiding their pens away from any mention of ‘Marx’ subjects?' Perhaps. Yet this seems unlikely in Schumacher's case for one simple reason. At the end of *The Hitler War* E.F. Schumacher was an internationally recognised up-and-coming young expert on international finance and currency reform. Here is the background...and the evidence.

In April 1943, once it was clear that Hitler would be defeated, a White Paper appeared entitled *Proposal for an International Clearing Union*. This was the *Keynes Plan* for a post-war currency system incorporated shortly afterwards into the Bretton Woods accords as the blueprint for the *International Monetary Fund (IMF)*. In his speech to the *House of Lords* on May 18th, 1943, Lord Keynes declared that the principal object of the *Clearing Union* was to provide that money earned by selling goods to one country could be spent on purchasing the products of any other country.

The *Keynes Plan* included a clause under which a member state would have to pay to the *Clearing Union* a charge of 1% per annum on the amount of its average debit or credit balance in excess of a quarter of its quota; and a charge of 2% in excess of half of its quota. According to Paul Einzig in his 1944 book *Currency After The War* this was not a new idea.

During the 1930s Swiss and American banks had sought to discourage an influx of unwanted refugee money for which they had no profitable use, by charging a commission on new accounts and on additional sums received on old accounts, instead of allowing interest as before. Einzig went on to remark that the theoretical foundation for these ideas could be traced back to Silvio Gesell's monetary reform scheme after *The Kaiser War*. Gesell, like Irving Fisher in the USA with his scrip issues, had recommended speeding up the spending of money by charging a negative interest on banknotes in the form of a stamp affixed weekly or monthly. This scheme had been endorsed by Lord Keynes in his *Treatise on Money*.

Lo and behold, as *The Hitler War* comes to a close, up pops this idea again...this time for application in the international sphere. But are we really talking about the same idea? And, do you remember the argument between the Germans and the French about attaching performance targets, punishment clauses and fines for non-compliance with *EMU* conditions? Is this the same idea creeping onto the agenda yet again the moment *The*

Third European War draws to a close following the surrender of the *Soviet Communists*? So what is going on here behind closed doors? Let us now return to E.F. Schumacher.

Paul Einzig was clearly a Keynes man, judging by such effusive comments as '...to the experts the *Keynes Plan* is in every way an inspiring document, as it is bound to be, considering that Lord Keynes is its main, if not its only, author.'

Leopold Kohr, the author of *The Breakdown of Nations*, made his mark initially as a world expert on customs unions. Kohr was Schumacher's friend and 'mentor'. But Schumacher was also something in his own right. Paul Einzig again... 'At the beginning of 1943, a scheme for multilateral exchange clearing was put forward by the *Nuffield Institute*. It was elaborated by a German refugee economist, Mr. Schumacher.

Under this scheme, the participants in the arrangement would undertake to accept payment in gold or their own currency. In practice, this would mean that the strongest country with a net export surplus would accept payment in the currency of the weakest country with a net import surplus.'

After this Einzig comments that there was little likelihood of such a scheme being accepted 'even though some of its features were identical with the official British and American schemes subsequently put forward.' Some of its details? Which ones? The devil is always in the detail where money is concerned. There are two more connections I wish to make.

Schumacher worked closely with John Kenneth Galbraith on German reconstruction after the war. Galbraith too made his mark as an expert about money. *Money* and *The Money Power* were the subjects radical economists studied in the 1930s. After the seeming fiasco of President Wilson's wonder plan, it was clear to these angry young men where the villain of the piece was to be found.

Galbraith's 1975 book *Money: Whence it Came, Where it Went* is a little masterpiece and provides a wealth of evidence of Galbraith's keen interest in the subject throughout his life. And his book *The Great Crash of 1929* is still regarded as the authoritative account. So what did Schumacher pick up from his time working under Galbraith? And why did he avoid the subject in *Small is Beautiful*. Indeed what did Galbraith have to say about Schumacher's book?

The puzzle becomes even greater when reading the ''authorised' biography of Schumacher by his daughter. *International Finance* was his subject. He considered that he would soon be knocking the mighty John Maynard Keynes from his pedestal.

Finally there is the *Chester-Belloc* connection. Although the catchphrase *Small is Beautiful* was Schumacher's, coming from his essay on *Buddhist Economics*, it was his publisher who had the idea of using it for the title. Schumacher's contribution was to insist on 'economics as if people mattered' being tacked on after it.

Chestertonian Economics, the working title, was abandoned because, in the 1970's, few people were aware of G.K. Chesterton as the leader of the school of social philosophy known, in its day, as *Distributism*. But one who knew it well was John Seymour. Before his international breakthrough as the author of *The Complete Book of Self-Sufficiency* his fame rested not so much on his travel books as on his radio renditions on *Chestertonian Economics.*

Hilaire Belloc founded the *Distributism* movement with the publication of his book *The Servile State* in 1905. It is surprisingly short. (Less than a hundred pages of large print. Books do not need to be long to be influential). And this led to the founding of a paper called *The New Witness* which was in turn the seed for Chesterton's journal *New Age*. It was the managerialism of the Fabians, as much as anything that these *Catholic Revivalists* fought against...a theme echoed by Michael Oakeshott half a century later. But it was Pope Leo XIII's letter *Rerum Novarum*...of new things...of 1891 that was really behind it all...aah those Jesuits! Give me a boy to the age of six, and I will give you the man!

A year previously, in 1904, G.K. Chesterton had published a story entitled *The Napoleon of Notting Hill*. I have long been of the view that this, for *Home Affairs*, together with Halford Mackinder's foreign affairs book *Democratic Ideals and Reality*, with its sound distinction between the *Landsman's* and *Seaman's* point of view, were all the politics we need. Mackinder was forming his ideas at much the same time while teaching geography at the Fabian's staff college, the *London School of Economics*...although this particular book was not published until 1919.

And all this suggests that it is to that *Edwardian Age*...between the death of Queen Victoria and *The Great War of 1914*...that our generation of Englishmen should look for its ideas. It was after this that the thinking started to go so terribly terribly wrong. Certainly it is here in this catholic economics that we find many of the most fertile roots of Schumacher's (and Seymour's) thinking.

But once more the enigma. *Chestertonian Economics* and *Distributism* are steeped in ideas for a sane monetary order. So what happened? And where lies the true Schumacher legacy? In his archives, perhaps?