

Economics of E.F. Schumacher and
his International Economics

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Preface

E.F. Schumacher (1911-1977) criticized modern economics and Marxian economics in his book, "Small is Beautiful" (1973) and reconstructed the economic theory and its international economics. His works reflected the periodical spirit of Declaration of the United Nations Stockholm Conference of the Human Environment in 1972. After Schumacher died in 1977, Satish Kumar, Amory B. Lovins, Susan George, Vandana Shiva, etc. have continued to criticize the conventional economics and generated the new economics called Schumacherian economics.

Schumacherian economics started from the treatise on money by J.M. Keynes and the theory on innovation by J.A. Schumpeter, but turned to the opposite through the argument on modern civilization by Mahatma Gandhi. E.F. Schumacher proposed the post war reconstruction programs cooperating with Keynes about the international monetary system and the international trade system. But Schumacher realized that the worldwide economic growth during the 1950s and 1960s caused the exhaustion of natural resources and the deterioration of natural and social environment. And, in Burma and India, he experienced the traditional life style quite different from the western life style. Therefore, he proposed the future economic development through natural capital, permanence, regionalism, human scale, soil conservation, intermediate technology, etc. and constructed the new international economics according to the vision of Mahatma Gandhi.

As the inflation rate in the 1970s rose through the oil crises, the

Keynesian policy of developed countries came to a deadlock. Then in the 1980s, British prime minister, Margaret Thatcher and, US President, Ronald Regan adopted the new economic policies emphasizing tax reduction, privatization, deregulation, incubation of venture business, etc. On the other hand, the IMF and the World Bank forced the export oriented structural adjustment policy on the third world countries under debt crises. These policies were called neo-liberalism. In the 1990s, many free trade agreements and the transformation of the GATT to the WTO were carried out as the neo-liberalistic structural reform pushed by the US government. Globalization was rapidly promoted by the WTO, but monetary crises and chronic excess capacity¹ disturbed the WTO oriented globalization.

In this situation, Germany enforced the Power Purchasing Law in 1991. This measure created the effective demand for wind power generation without fiscal burden and promoted the technical innovation of windmills. The wind power generation capacity in Germany increased to 12 million kW at the end of 2002, which was 39% of the world wind power capacity. The German export of windmills became largest in the world and brought much employment. The German people cooperated very actively to invest in the construction of wind power plants. The theories of Keynes and Schumpeter were well used and the vision of Schumacher was steadily realized in Germany. The rate of energy self-sufficiency in Germany rose and Germany contributed to protect global warming by exporting windmills to the world.

This is one of the cases that Schumacherian economics is

confronting the neo-liberalistic policies. Then, we would like to clarify the principles of Schumacherian economics and the vision of its international economics resisting the WTO oriented globalization.

Chapter 1 International Economic Problems and Schumacherian Economics

Section 1 Agricultural Problem and Energy Problem

Even in the days of the 21st century, main problems of international economics would be agricultural problem and energy problem. Schumacher experienced agricultural labor work in Britain during the Second World War and worked on agriculture joining in the Soil Association in 1950, which was a small group in England following the stream of organic farming by Rudolf Steiner (1861-1925). When the Gardening Club of British Coal Board invited an expert from the Soil Association to give a talk on 'Organic Farming', Schumacher presided and said, "There were two primary factors in the economy - Food and Fuel - everything else was secondary. To listen to a lecture on food production in the Headquarters of fuel production was therefore the most significant concentration on the essential that I could imagine." (1951)²

Already in 1960, he said, "A way of life that ever more rapidly depletes the power of earth to sustain it and piles up ever more insoluble problems for each succeeding generation can only be called 'violent'. It is not a way of life that one would like to see exported to countries not yet committed to it".³ This way of life means the

large scale agriculture through mechanization and chemicalisation which were prevailing in Europe at that time. This must be one direction of innovations J.A. Schumpeter defined. In the 1960s, the large scale agriculture through breeding, irrigation, chemical fertilizer and agricultural chemicals called 'Green Revolution' was exported from the United States to the third world, typically, India. Schumacher regarded this direction as a violent innovation.

In the 1970s, Schumacher was obliged to write, "The social structure of agriculture, which has been produced by – and is generally held to obtain its justification from – large-scale mechanization and heavy chemicalisation, makes it impossible to keep man in real touch with living nature; in fact, it supports all the most dangerous modern tendencies of violence, alienation, and environmental destruction." (1973) ⁴ Vandana Shiva (1952-), who is an Indian scientist and ecologist, founded the International College for Sustainable Living (*Bija Vidya Peeth*) in Dehra Dun of India in 1982, which offers an education through the knowledge of seeds, seasons and soil. For Vandana, seeds are the symbols of self-reliance and sustainability coping with free trade and intellectual ownership, like the hand-spinning wheel (*Charka*) and hand-weaving cloth (*Khadi*) for Gandhi. The traditional agriculture which conserves original seeds and local skills is a non-violent and feminine principle innovation resisting Green Revolution and bio-technology.

About energy problem, Schumacher wrote, "What, after all, is the fouling of air with smoke compared with the pollution of air, water, and soil with ionizing radiation? Not that I wish in any way to belittle the evils of conventional air and water pollution; but we

recognize dimensional differences when we encounter them: radioactive pollution is an evil of an incomparably greater dimension than anything mankind has known before.” (1967) ⁵ He thought that the danger to humanity created by the so-called peaceful uses of atomic energy may be much greater than the danger created by the uses of fossil fuels. And he wrote, “The continuation of scientific advance in the direction of ever-increasing violence, culminating in nuclear fission and moving on to nuclear fusion, is a prospect of terror threatening the abolition of man. Yet it is not written in the stars that this must be direction. There is also a life-giving and life-enhancing possibility, the conscious exploration and cultivation of all relatively non-violent, harmonious, organic methods of cooperating with that enormous, wonderful, incomprehensible system of God-given nature, of which we are a part and which we certainly have not made ourselves.” (1967) ⁶ Then he proposed to increase rapidly renewable energies substituting for fossil fuels and nuclear energy.

Windmills, which Schumacher expected to develop as a renewable energy, are a traditional technique in Europe and the United States and wind power generation has prevailed after oil crises in the 1970s. As I mentioned early, it has increased rapidly in Germany pushed by the consensus stopping nuclear power generation. The technology of wind power generation has developed coping with the big technology of nuclear power generation. The generations through fossil fuel or nuclear fuel cause environmental cost and social cost, those are, external costs to manage waste and to recover environmental pollution and climate change. It is questioned that these costs are not burdened on the price of electricity. Wind power generation which needs little

of external cost is supposed to increase in near future and everywhere including France who has increased nuclear power generation. Wind power generations in Europe and the United States cover 90% of its capacity in the world, but its capacities in India and China are increasing rapidly, even though they are trying to increase nuclear power generation. In India, windmills were used in the ancient times and the potential of wind power generation is very large. Suzulon, a manufacturer of wind power generator in India is exporting to Asia, Europe and North America. India covers 10% of wind power generator market.

Section 2 Mass Production System and Mass Unemployment Problem

Mass production and mass unemployment problem would be still the main problem of international economics. This problem was the largest one Gandhi worked on in the Indian independence movement. Gandhi said, "I quite understand that your 'mass-production' is a technical term for production by the fewest possible number through the aid of highly complicated machinery. I have said to myself that that is wrong. My machinery must be of the most elementary type which I can put in the homes of the millions."⁷ He told about the cotton cloth made by mass production and imported by free trade. "It should be intolerable for all thinking Indians that our raw materials should be exported to Europe and that we have to pay heavy prices. Therefore, the first and the last remedy for this is Swadeshi. When Swadeshi pervades the country, everyone will be

set a thinking why cotton should not be refined and spun and woven in the place where it is produced.”⁸ Then he found out a hand spinning wheel (*Charka*), revived and improved its technique, and produced a hand weaving cloth (*Khadi*). This was the first step for Swadeshi, that was, the encouragement of domestic production.

Gandhi's economics were derived from the concepts of Swadeshi and Khaddar. Schumacher said, “The poverty in India was largely due not to the adherence to these concepts but the departure from them.”(1955)⁹ And he had made much of handicraft according to Gandhi's ideas and formulated an intermediate level of technology. Mass production technology has deprived craftsmen of many jobs. Satish Kumar (1936-) who is a Gandhian and founded Schumacher College also makes much not of machine production but of handicraft. He said, “Crafts are the embodiment of ecology and of sustainability. They are the barrier against consumerism. India is fortunate that there are millions of craftspeople still producing objects of the highest quality and making a living. The Indian craft tradition is a most appropriate form of livelihood for the future. If under the influence of machine civilization, this craft tradition is lost, then India will be lost forever.”¹⁰

On the other hand, Schumacher said, “When considering productivity in any society it is not sufficient to take account only of those who are employed or self-employed and to leave out of the reckoning all those who are unemployed and whose productivity therefore is zero.”(1971)¹¹ In India recently, the employment increased only in the tertiary industry. This is supposed to be the result of the government subsidiary policy on the information technology oriented

industry. But this high technology industry could not absorb the mass unemployment. Job seekers increased by a million from 1990 to 1992. In 1993, they were 390,000, but after 1997, increased by a million every year.

Siddharaj Dhadda (Indian Activist, 1908-), who is a leader of Gandhian Sarvodaya social welfare movement, said, “They (some young Gandhians) are campaigning for local self-government, local economies and freedom from the economic colonialism being fostered in the name of globalization. Under the so-called liberalization, Europeans and Americans get goods made in India at rock-bottom prices. This amounts to legalized theft from the poor. Furthermore, Western companies sell their goods in India at sky-high prices. This is called ‘free trade’ ! When the exchange rate is so unfair, how can there be any talk of free trade ? Gandhi and globalization don’t go together.”¹² In the economic liberalization during the 1990s, industrial goods by mass production or domestic production of foreign companies produced mass unemployment in India. This is the same situation as in the British colonial time.

And Vandana Shiba who is working on the agricultural problem in India said, “Thousands of peasants and farmers are committing suicide because they cannot pay their debts and cannot feed their families. The globalization of the food trade is the tyranny of our time. We thought we had put slavery, holocausts, and apartheid behind us, but the globalization of the food trade is imposing a new kind of slavery, a new kind of holocaust and a new kind of apartheid. Global trade is a war against nature, women and family farmers ; war against diversity, smallness and local economies. Centralized, globalized,

large-scale monoculture farming is violent farming. Small-scale, decentralized, diverse and local farming is non-violent farming.”¹³ She denounces that the agricultural products by mass production imported through free trade and the enlargement of large-scale monoculture produce mass unemployment in India.

Mass production produces colonialism. Schumacher pointed out, “They (Western countries) also made use of the ‘undeveloped’ world as a market for sale of their own products and manufactured goods, such as clothes, cars, and tractors, television sets, tobacco, Coca-Cola, pesticides, fertilizers, and more shamefully, armaments. The net flow of wealth flows from the poor to the rich countries. Even the end of political colonialism did not change that fact. If anything, the modern free-market economy has intensified it and thus created a new economic colonialism.”¹⁴ Japan abandoned the political colonialism after the Second World War, but she succeeded in mass production of the above-mentioned goods and joined in the western countries again.

Chapter 2 How did Schumacherian Economics be formed ?

Section 1 Starting from J.A. Schumpeter, J.M. Keynes and K. Marx

Schumacher succeeded the vision of Mahatma Gandhi who insisted on Swadeshi (encouragement of domestic production), Kadi (homespun clothes) and Ahinsa (non-violence), and developed

Gandhian economics.¹⁵ But at first Schumacherian economics started from J.A. Schumpeter (1883-1950), J.M. Keynes (1883-1946) and K. Marx (1818-1883). Therefore, we should observe the formation process of Schumacherian economics.

E.F. Schumacher (1911-1977) had starved in the childhood during the First World War and experienced the hyperinflation in Germany. Then he entered Bonn University in 1929 to study economics and was given an introduction to international economics by Professor J.A. Schumpeter. In the same year, he went to England temporarily and joined in the seminar by J.M. Keynes. When he entered Oxford University next year, he began to analyze and understand the whole unhappy post-war history of Germany in economic terms and saw in economic distortions a grave threat to peace of Europe. After Nazis won in election, Schumacher sought political asylum to Britain in 1936. In 1940, he was put in the internment camp as an enemy person, where he met Kurt Naumann (ex German communist) and began to study Marxian economics. After he was released from internment, he worked in the village farm and wrote world improvement plans.

Working in the British farm, Schumacher argued, "For generations there has been going on a process of 'negative selection'. The best have left the land and the dullest stayed behind. The rural population of today strikes me as less enterprising, less adaptable, less efficient and less methodical than the town population. But farming needs people who are enterprising, adaptable, efficient and methodical." (1941)¹⁶ He applied J.A. Schumpeter's entrepreneurship to agriculture. Twenty years later, Schumacher argued on the same theme. Although

capital shortage in India was of a far more extreme nature, his diagnosis about the flight from agriculture and the impoverishment of rural life remained fundamentally the same, but the solution he offered were very different. This time he recommended scaling down agricultural equipment to make it accessible to the ordinary farmer. In 1941 Schumacher discarded any suggestion of establishing a smallholding system because the equipment cost would be beyond the ordinary farmer.

Schumacher's fundamental idea about international trade and exchange system was to devise a new system in which surplus countries had to spend what they earned in the long term financing the deficits of the economically weaker countries with their surpluses in the short term. In order to achieve this, Schumacher believed it was essential that world trade should be organized on a multilateral rather than bilateral basis. A central banking and clearing system should watch all the imports and exports making all the short-term imbalances tend towards long term balance. In 1941, Schumacher sent his memorandum on the international clearing system to Keynes and received a positive reaction from Keynes. On the other hand, Schumacher thought 'Free Access to Trade' would be a pillar for the post war reconstruction. Therefore, the idea of the International Trade Organization which was founded by Keynes should be related with the idea of Schumacher. But too progressive for the United State who refused to ratify the ITO Charter, it included provisions for using trade to reach full employment and even agreements to ensure fairer and more stable prices for the Third World primary products, which must be Schumacher's ideas. The ITO Charter was duly

scrapped except for one chapter concerning industrial goods. In 1947, this became the General Agreement on Tariffs and Trade (GATT).

Schumacher wrote a report titled "Full employment in a Free Society" in 1944 for Sir William Beveridge who was a member of British Liberal Party. And then Schumacher wrote a report titled "Socialization of German Industry" in 1946 as an economic adviser of the British Control Commission in Germany after he became a British citizen. In this report, he suggested that only a few vital industries needed to be nationalized, such as coal, steel and transport, and the private ownership of any concern likely to affect many people should be abolished. In the same year, he joined in British Labor Party and advocated to unite the liberal politics and the controlled economy in Germany. But J.A. Schumpeter said, "Impossible political and economic conditions, irrationally imposed upon the German people, will of course discredit the laborite governments and annihilate their chances, such as they are, of establishing themselves." (1949)¹⁷

Section 2 Turning through A. Schweitzer, Mahatma Gandhi and the Buddha

After his post war reconstruction plan for Germany was frustrated, Schumacher accepted the visions of Mahatma Gandhi (1869-1948) and the Buddha completely different from those of Schumpeter, Keynes and Marx. One of the reasons why he accepted Gandhi and Buddha is that he had well read the books of Albert Schweitzer (1875-1965). Schweitzer was not only engaged in medical

service in Africa, but also studied Indian philosophy and appreciated non-violence of Buddhism and Jainism. It is well known that he preached the philosophy of 'Reverence for life'. If Schumacher had not received such a philosophy, he could not have developed Buddhist economics and Gandhian economics, and would not have worked on the poverty problem in India.

Gandhi was a leader of the Indian National Congress and led the resolution demanding 'the immediate ending of British rule in India' in 1942, which shook British government during the Second World War. Schumacher admired Gandhi, whose assassination had greatly shocked him. When he was invited by Harold Wilson (former prime minister of British Labor Party Cabinet) in 1951 and joined in discussions on the development of the under-developed countries, he began to study the books and speeches of Gandhi. He thought Gandhi had a very different view of economic development which needed to be examined carefully.

US President Harry Truman redefined the world in terms of the 'developed' and the 'undeveloped' in the inauguration speech (January 21st 1949) and classified the poor countries in the third world into the 'undeveloped'. But Schumacher could notice the society based on the different value during his stay in Burma for three months, as he was invited there in 1955 by Burmese prime minister U Nu (1907-1995). Then he criticized modern economics as follows, "The only fully developed system of economic thought that exists at present is derived from a purely materialistic view of life. --- Yet, while no system of economics existed that was compatible with spirituality, there existed an economist whose economics was based on such

criteria. This was Mahatma Gandhi.”¹⁸

In order to build a system of economics compatible with spirituality, Schumacher studied and experienced Buddhism in Burma, and developed Buddhist economics and Gandhian economics. Schumacher suggested a Buddhist approach to economics would be a ‘middle way’ based on two principles. The first principle was a definition of limits. A Buddhist approach would distinguish between misery, sufficiency and surfeit. Economic progress is good only to the point of sufficiency, beyond that it is evil, destructive, uneconomic. The second principle struck at the very basis of Western industrial development, and followed on directly from the first principle. A Buddhist economy would make the distinction between renewable and non-renewable resources. Schumacher said, “A civilization built on renewable resources, such as the products of forestry and agriculture, is by this fact alone superior to one built on non-renewable resources, such as oil, coal, metal, etc. This is because the former can last, while the latter cannot last. The former co-operates with nature, while the latter robs nature.” (1955)¹⁹

Gandhi told about the same as the first principle of Buddhist economics, “A certain degree of physical comfort is necessary, but above a certain level it becomes a hindrance instead of a help ; therefore, the ideal of creating an unlimited number of wants and satisfying them seems to be a delusion and trap. The satisfaction of one’s physical needs must come at a certain point to a dead stop, before it degenerates into physical decadence. Europeans will have to remodel their outlook if they are not to perish under the weight of the comfort to which they are becoming slaves.”²⁰ Gandhian

economics and Buddhist economics were born from the same traditional sense of value in India.

On the other hand, Keynes wrote, “Now, it is true that the needs of human beings may seem to be insatiable. But they fall into two classes — those needs which are absolute in the sense that we feel them whatever the situation of our fellow human beings may be, and those which are relative in the sense that we feel them only if their satisfaction lifts us above, makes us feel superior to, our fellows.” (1930)²¹ As a consequence, he said, “Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight.”²² Schumacher criticized Keynes and said, “If human vices such as greed and envy are systematically cultivated, the inevitable result is nothing less than a collapse of intelligence.”²³ Buddhist economics also argues it is evil, destructive, and uneconomic to satisfy the relative needs, which are the insatiable desire for superiority.

Schumacher realized the second principle working in the British National Coal Board before he visited Burma and said, “We forget that we are living off capital in the most fundamental meaning of the word. Mankind has existed for many thousands of years and has always lived off income. Only in the last hundreds has man forcibly broken into nature’s larder and is now emptying it out at a breathtaking speed which increases from year to year.” (1954)²⁴ This point of view was succeeded to the argument in “Small is Beautiful” (1973), and became one of the fundamental principles of Schumacherian economics.

“Economics in a Buddhist Country” was published in India in

1955. Barbara Wood said, "It was the beginning of a process in which Schumacher found himself explaining to Indians, including Gandhians, the real meaning of Gandhian economics, the concepts of *Swadeshi* and *Khaddar* and their practical application." ²⁵ Schumacher visited India in 1961 and 1962, and noticed the more severe reality of India than that of Burma. He said, "Poverty is not to be equated with misery or starvation. Originally, poverty meant the voluntary acceptance of a materially simple and uncomplicated life and the renunciation of unnecessary possessions. In the Christian tradition a monk takes the vow of poverty, which means that simplicity should underpin the religious life." ²⁶

It was in Burma that Schumacher got the idea of Intermediate Technology. He said, "The Buddha taught the value of Middle Path. For instance, in agriculture many Third World countries still use sickle technology to harvest their crops. This could be called stage one. Whereas in the West we have the automated and highly sophisticated combine harvester, which has nearly eliminated the human element in farming altogether. This could be called stage ten. So I thought: what has happened to all the stages in between? This is my theory of the disappearing middle. As a consequence, I launched the Intermediate Technology Development Group (1966) to research and reintroduce some of those middle technologies which are human friendly, environment friendly and which render considerable help to farmers around the world without the depletion of resources and loss of employment that high technology involves." ²⁷ The response to Intermediate Technology came from people over the world who were actually trying to improve farming methods, or small

business, or manufacturing. There was the grass roots entrepreneurship which Schumacher had mentioned in the British agricultural improvement plan during the Second World War.

Chapter 3 Globalization of the WTO and Schumacherian Economics

Section 1 Liberalization of Agricultural Products vs. Food Sovereignty

In a series of negotiating rounds, the GATT member countries gradually reduced tariffs on goods. In 1986 began another round in Punta del Este, Uruguay. After eight years, the Uruguay Round ended in the 'Marrakech Agreement' (1994), and the charter for the World Trade Organization (WTO). The WTO is not a member of the United Nations, not even with a tenuous connection like that of the GATT, the World Bank or the IMF. Thus it escapes the international laws established elsewhere such as the Universal Declaration of Human Rights or the subsequent protocols. Nor is it even remotely governed by Multilateral Environmental Agreements or the core labor standards of the ILO. The WTO is establishing its own jurisprudence without reference to any texts but its own. The WTO is completely different from 'Free Access to Trade', which Schumacher asked for the defeated or weak and small countries.

The goals of the Marrakech Agreement on Agriculture were against the agricultural protection to decrease the barriers of imports, to prohibit the direct and indirect supports of governments for

production, and to decrease the subsidies for exports. From the beginning, there were two conflicting groups in the WTO. One was the United States plus so-called Cairns Group which were the 18 agricultural product exporting countries including Canada, Australia, New Zealand, Chile, Thailand, Philippine, South Africa, etc. Another was EU plus so-called the Friends of Multi-functionality group (G9) which were against the liberalization of agricultural products and tried to secure the multi-functionality of agriculture and to conserve environment and community including Norway, Switzerland, Iceland, Israel, Bulgaria, Korea, Taiwan, Japan, etc. In the fifth ministerial conference of WTO (2003, Cancun, Mexico), there existed the 22 countries group (G22) which was the confronting bloc to ask the abolition of export subsidies including Brazil, India, China, Argentina, Mexico, Chile, Thailand, Philippine, Egypt, South Africa, etc. They opposed the coalition of US and EU who insisted the introduction of maximum tariff rates and asked the liberalization of agricultural products. And there existed the other 78 countries group which was African, Caribbean and Pacific coastal poor countries (ACP) seeking sustainable development and poverty crusade through the Cotonou Agreement with EU signed in 2000, including Nigeria, Senegal, Kenya, Tanzania, Chad, Mali, Uganda, Ivory Coast, Dominica, Fiji, etc. Then many NGOs, especially Via Campesina carried out the non-violent resistance insisting the concept of food sovereignty. Via Compesina (The Path of Peasants) is an international farmers' organization of 80 countries covering four continents, mainly Latin America and Europe.

The concept of food sovereignty which was proposed by Via

Campešina in the food summit of 1996 means as follows.²⁸

- 1) Placing priority on food production for domestic and local markets,
- 2) Ensuring fair prices for farmers, which means the power to protect internal markets from low-priced and dumped imports,
- 3) Access to land, water, forest, fishing areas and other productive resources through genuine redistribution, not by market forces
- 4) Recognition and promotion of women's role in food production and equitable access
- 5) Community control over productive resources, as opposed to corporate ownership of land, water, and genetic and other resources
- 6) Protecting seeds, the basis of food and life itself, for the free exchange and use of farmers, which mean no patents on life and a moratorium on the genetically modified crops
- 7) Public investment in support for the productive activities of families, and communities,

This concept of food sovereignty is connected with Gandhi's Swadeshi (encouragement of domestic production), Charka (hand spinning), Khadi (homespun cloth) and the feminine principle of Vandana Shiva.

In the NGO members who took a protest action against the fifth trade ministerial conference in Cancun, a Korean farmers' leader, Lee Kyang Hae, stabbed himself in protest against the WTO. South Korean Federation of Farmers and Fishermen made a comment on this accident as follows. "After the Uruguay round negotiation in

1994, Korean economy and her agriculture were destroyed. The increasing imports of agricultural products caused the decline of the prices of agricultural products and the decrease of farmers' incomes, which resulted in the sudden increase of farmers' debts. This vicious cycle destroyed agriculture and village economy. At this moment, the exporting countries of agricultural products, like the United States, etc. started a meeting on the liberalization of agricultural markets headed by the WTO, which included the markets of the importing countries like Korea and the small and weak developing countries. The undergoing negotiation on agricultural products is the same as the death sentence on Korean agriculture"²⁹ In Korea, the agricultural subsidies which were given to buy crops in autumn were cut annually. Many farmers whose income decreased committed suicides as they could not pay their debts.

Also in Japan, the agricultural association in Akita Prefecture reported as follows. "In this year (2001), the early 50 year old certificated farmers committed suicides as they were suffered from their debts. As the price of rice declined sharply, farmers surrendered the insurance or withdrew their cooperative in order to repay the debts or make money for living. In Akita Prefecture where the rates of agriculture and rice to the total industry are very high, the local economy collapsed as the selling price of rice declined. Although the Prefectural office recommends growing vegetables, the prices of vegetables are falling because their imports increase. The Japanese agriculture is at a standstill."³⁰

The farm villages in Korea and Japan are exposed to the globalization of WTO as well as those in India quoted early.

Schumacher told if no fundamental justification could be found for agricultural protectionism, it would be totally incomprehensible that agricultural protectionism, throughout history, had been the rule rather than the exception. And he wrote, "A wider view sees agriculture as having to fulfill at least three tasks :

- to keep man in touch with living nature, of which he is and remains a highly vulnerable part ;
- to humanize and ennoble man's wider habitat ; and
- to bring forth the foodstuffs and other materials which are needed for a becoming life."³¹

He believed that a civilization which recognized only the third of these tasks and pursued it with ruthlessness and violence could not have any chance of long-term survival if the other two tasks were not merely neglected but systematically counteracted.

Schumacher's view is the same as that of the Friends of Multi-functionality like Norway, Switzerland, Korea, Japan, etc., who took account of multi-functionality of agriculture. In the Uruguay round, Japan and Korea insisted rice was exceptionally important for national food supply, farmers' income, natural environment and conservation of land. But the United States and Cairns group did not admit the multi-functionality of agriculture except the third task. In the Cancun ministerial conference, G22 lead by Brazil, India and China urged the liberalization of agricultural markets competing with the coalition of the United States and European Union. G78, that is, ACP coastal countries, Via Campecina and NGO group asked more strongly to realize the multi-functionality of agriculture than the Friends of Multi-functionality who were the food importing countries.

Agriculture could not fulfill its second task, unless it clings faithfully and assiduously to the truths revealed by nature's living processes. Schumacher said, "One of them is the law of return ; another is diversification as against any kind of monoculture; another is decentralization, so that some use can be found for even quite inferior resources which it would never be rational to transport over long distances." ³² Via Campecina, the farmers' association in the poor countries who urged food sovereignty has asked sustainable agriculture, environmental conservation and seed preservation. They understand the three tasks of agriculture. It is small farmers, consumers and women peasants that ask food sovereignty. Via Campecina did not agree with the agricultural proposal of G22 lead by Brazil, India and China. They argued this proposal could not resolve the social exclusion and the poverty problem of poor people in the world and would deteriorate the situation by increasing liberalization and access to markets. Economics of Via Campecina which fights with neo-liberalism is the same as Gandhian and Schumacherian Economics.

Section 2 Liberalization of Energy Service vs. Energy Sovereignty

The General Agreement on Trade in Services (GATS) of the WTO is a framework agreement achieving a higher level of liberalization of services. The GATS has divided services into twelve major sectors including energy. GATS defined public services so narrowly that only Central Bank, the army, the police and the justice

system could escape. All other services like the post office and railways, schools and hospitals, energy and water are covered by GATS rules. Domestic laws and regulations of the member countries are forced to be abolished or changed according to its rules for liberalization. GATS brings by far the biggest profit to multinational enterprises dealing with services.

In the United States, the government of President Jimmy Carter promoted decentralized power generations like small scale renewable energy or cogeneration after oil crises and required utility companies to buy excess power by the Public Utility Regulatory Policies Act (PURPA), 1978. And in the late 1980s when utility companies could not cope with the increased demand because of the rising cost of new power generations through environmental oppositions, the Independent Power Producers (IPP) covered the gap between demand and supply with market prices. In 2000, the United States proposed formally including energy services into GATS. This proposal asked the liberalization not by energy sources, but by vertical divisions of energy service including whole sale, transportation (power supply and distribution), transportation by pipe line, heat transfer and retail. In Japan, the whole sale market of electricity was liberalized in 1995 and the retail market was partially liberalized in 2000 responding to the request of the United States.

In the NGOs of the world, there are pro or against arguments to the liberalization of energy services. Some NGOs oppose the privatization not only of power supply but also of the other public services. They said, "The public services are the goods and services which should be out of strict market mechanism. No one should be

excluded from receiving the public services. The public services in the society are based on the principles of reciprocal help and solidarity.”³³ On the other hand, there is an expectation to stop expensive nuclear power generation, if market competition would be introduced through the liberalization of electricity. However, there is an anxiety to cause a big accident of nuclear power plants, as the liberalization of electricity would pursue the cost efficiency.

Mining (on the ground or at the bottom of the sea) and transportations (pipeline or tanker) of non-renewable energies, those are, fossil fuels and uranium are themselves causing large external costs like forest destruction and ocean pollution. Consumptions of them take external costs of carbon dioxide and nuclear waste, which exceed latitude of nature and could cause big damage in the accidents. It would take large external costs to protect global warming and nuclear proliferation. But the transnational companies (multinational companies) are supplying cheap large-scale energy of non-renewable goods not paying external costs. When the energy services are liberalized, cheap mass-productive energy must be supplied without considering the will of residents who want to use the local energy of regional renewable goods. The same things as agricultural products will happen. Therefore, like food sovereignty against agribusiness, energy sovereignty against oil majors is advocated as follows.³⁴

The Eighth Conference of the Parties to the United Nations Framework Convention on Climate Change in 2002 took place at the Vigyan Bhawan Center in New Delhi in India. There Oilwatch (a network of 120 civil society organizations in Africa, Asia and Latin

America that resists mining and transportation of oil and gas to promote a post petroleum civilization, typically World Rainforest Movement) brought the items of energy sovereignty that controlled resources, prices and distribution of energy as follows.

- 1) Halt the expansion of the oil frontier. There is already a precedent of a country, Costa Rica, which has been declared oil extraction free.
- 2) Stop the promotion of the oil industry by states and the multilateral agencies.
- 3) Eradicate the over consumption of energy, and guarantee access to the resources necessary for the majority of the population, signifying the minimum necessary consumption, so all may lead a decent life.
- 4) Stop depending on oil as a source of foreign income which is normally used for the payment of an illegitimate foreign debt, a debt which has often been accumulated for the development of the oil industry itself.
- 5) Recognize those fights to stop the extraction of oil resources are offering a service to the planet.
- 6) Penalize the oil industry for the environmental and social impacts it has generated on the local and global level.
- 7) Democratically develop and use energy that is clean, decentralized, renewable, and low impact.

These items come from the recognition that the oil majors pushing neo-liberalism are destroying rainforest. This recognition is based on Schumacherian Economics, which argued the thermal pollution by fossil fuels and nuclear power generation, and advocated

the rapid transition to renewable energies and simple lives. Then Oilwatch proposed the new concept of Ecological Debt which explains the real flow of capital, natural resources and human beings. The Ecological Debt explains the destination and the impacts of the monetary external debt, and proposes to identify the debtors, comprised of the developed countries which maintain its high level of consumption of the resources of the undeveloped countries. The exploration, extraction, transport, refining and consumption of natural resources, produce the serious environmental, social and cultural impacts both on the local and global levels.

Chapter 4 Schumacherian Economics and its International Economics

Section 1 Regionalism and Human Scale

As Buddhist Economics and Gandhian Economics became the principles of Schumacherian Economics, its international economics did not remain making frameworks of free access to trade or international monetary system. On the contrary, Schumacher said a most important problem in the second half of the twentieth century was the geographical distribution of population, the question of regionalism. And he continued, "Regionalism, not in the sense of combining a lot of states into free-trade systems, but in the opposite sense of developing all the regions within each country. This, in fact, is the most important subject on the agenda of all the larger countries." (1968)³⁵ Regionalism seems to be a completely opposite

concept of free trade. The nationalism of small nations and the desire for self-government and independence are simply a logical and rational response to the need for regional development.

Satish Kumar said, "Gandhi's dream was to base the Indian economy once again on the craft tradition and re-create local economies (Swadshi). People outside India know of Gandhi as a champion of Independence movement, and of his non-violent struggle to end British colonialism. But that was only a small part of his vision. — Gandhi said, 'The true India is to be found not in its few cities but in its 700,000 villages. If the villages perish, India will perish too.' His vision was of a confederation of self-governing, self-reliant, self-organizing and self-employed people living in village communities and smaller towns, deriving their right livelihood from the products of their homestead and crafts."³⁶ Schumacher succeeded this vision. The development policy concerned merely or primarily with India as a whole will concentrate development mainly in a few metropolitan areas. Vast areas within the country, containing eighty per cent of the population or more, will benefit little and may indeed suffer from heavy governmental taxes.

In addition, Schumacher wrote, "The crucial task of this decade (the UN second development decade, that is, the 1970s), therefore, is to make the development effort appropriate and thereby more effective, so that it will reach down to the heartland of world poverty, to two million villages. If the disintegration of rural life continues, there is no way out — no matter how much money is being spent." (1970)³⁷ Here is the renewed world improvement plan about agriculture developed by Gandhi's vision. Satish Kumar told

about Gandhi's vision concretely, "When an economy is built on local resources, natural and human, then every community will have its own carpenters, shoemakers, potters, builders, mechanics, engineers, farmers, weavers, teachers, bankers, merchants, musicians and artists. In other words each village would be a microcosm of society as a whole. For Gandhi such local communities and villages were so important that he thought they should be given the status of Village Republics." ³⁸

Schumacher wrote, "People can be themselves only in small comprehensive groups. Therefore we must learn to think in terms of an articulated structure that can cope with a multiplicity of small-scale units. If economic thinking cannot grasp this it is useless. If it cannot get beyond its vast abstractions, the national income, the rate of growth, capital / output ratio, input-output analysis, labor-mobility, capital accumulation; if it cannot get beyond all this and make contact with the human realities of poverty, frustration, alienation, despair, breakdown, crime, escapism, stress, congestion, ugliness, and spiritual death, then let us scrap economics and start afresh." ³⁹ Schumacher insisted economics which contacted with realities were not macro economics or micro economics, but Gandhian economics or Buddhist economics. The globalization by macro and micro economics of the WTO does not assure the free access to trade for the ACP coastal countries, preventing the development of weak countries and regions through the liberalization of agricultural products and energy services. The concepts of food sovereignty and energy sovereignty by Gandhian and Schumacherian economics of the NGOs aim to restore nation states and regional communities, which

are the unit of national regionalism. The international economics of Gandhi and Schumacher is based on the human scale economic unit like the regionalism of fishermen and farmers in Iceland, Norway and Switzerland opposing to join in the European Union.

Section 2 Natural Capital and Permanence

Schumacher wrote in "Buddhist Economics" (1966), "The teaching of the Buddha, on the other hand, enjoins a reverent and non-violent attitude not only to all sentient beings but also, with great emphasis, to trees. Every follower of the Buddha ought to plant a tree every few years and look after it until it is safely established, and the Buddhist economist can demonstrate without difficulty that the universal observation of this rule would result in a high rate of genuine economic development independent of any foreign aid." ⁴⁰ This story comes from the legend of the great Buddhist emperor of India, Ashoka (the reign of BC273 - BC232), who proclaimed that all citizens should plant a minimum of five trees in their lifetime and look after them.

Schumacher said, "Anyone can work it out on the back of an envelope that the economic value of such an enterprise, intelligently conducted, would be greater than anything that has ever been promised by any of India's five-year plans. It could be done without a penny of foreign aid; there is no problem of savings and investment. It would produce foodstuffs, fibers, building material, shade, water, almost anything that man really needs." ⁴¹ Planting trees will produce not only natural capital formation but also natural

income, and moreover, protect most effectively global warming.

Gandhi was an economist who considered how to conserve global environment, because he formulated the idea of trusteeship of the Earth. Siddharaj Dhadra said, "Gandhi believed we humans should hold the Earth in sacred trust on behalf of all living beings and on behalf of future generations. It is the responsibility of a good trustee not to squander the original capital – only the interest can be spent, without depleting the capital. Trustees are not allowed to use the money for their own personal advantage. They can receive expenses, which mean that they can take what they really need, but not more. Trustees must use the income of the trust for the benefit of the general public." ⁴² Trusteeship does not only preserve natural capital but also produces natural income. Schumacher succeeded Gandhian economics and applied the concepts of capital and income to the physical economy in global scale.

Schumacher specified three categories of natural capital : fossil fuels, the tolerance of nature, and the human substance. The fossil fuels of the first category have been treated as income items although they are undeniably capital items. But oppositely they must be used to produce renewable energy as natural income. The tolerance of nature of the second category is always provided by benign nature. Human beings are very rapidly using up this tolerance margins which are a certain kind of irreplaceable capital. On the other hand, Schumacher said, "We can hardly be surprised when men of outstanding intelligence and integrity, such as Albert Schweitzer, refuse to accept such administrative decisions with equanimity : 'Who has given them the right to do this ? Who is even entitled to give

such a permission ? ' ' ' ' 43

On the human substance of the third category, Schumacher wrote, "Is it not evident that our current methods of production are already eating into the very substance of industrial man ? To many people this is not at all evident. — The substance of man cannot be measured by Gross National Product. Perhaps it cannot be measured at all, except for certain symptoms of loss. However, this is not the place to go into the statistics of these symptoms, such as crime, drug addiction, vandalism, mental breakdown, rebellion, and so forth." 44 Our current methods of production signify mass production producing mass unemployment, and mass labor in the factories. The collapse of the human substance is usually supposed to come from poverty. But Satish Kumar said, "In the context of Schumacherian thinking, poverty is not the problem; affluence is the problem and poverty the solution. The problem is not poverty, it is social injustice, human exploitation, conspicuous consumption and the loot of natural world. And these are perpetuated by the rich, not by the poor. People with wealth have diverted our attention — they always talk about the poor as if they are the problem." 45 It is now important to change the focus. Instead of pretending to aid the poor countries, the rich countries should take less from the poor countries.

The international and regional economies based on the nation states and regional communities are necessary to keep the natural capital presented by fossil fuels, the tolerance of nature and the human substance, and to produce the natural income. Modern civilization after the industrial revolution and the recent globalization of WTO have wasted fossil fuels, neglected the tolerance of nature

and damaged the human substance, where violence has dominated nature and society deteriorating the environment. There is no way to restore the natural capital and recover the permanence except depending on the non-violent economics. In Old Testament, man was given 'dominion' over every living being, but Schumacher understood it was no use talking about the dignity of man without accepting that noblesse oblige. Schumacher constructed the new economics based on the traditional values of the Buddha, Gandhi and Catholicism, which resulted in the international economics consistent with global environment.

Epilogue

Schumacher told about three crises in the modern world shaped by modern technology. "First, human nature revolts against inhuman technological, organizational, and political patterns, which it experiences as suffocating and debilitating ; second, the living environment which supports human life aches and groans and gives signs of partial breakdown ; and, third, it is clear to anyone fully knowledgeable in the subject matter that the inroads being made into the world's non-renewable resources, particularly those of fossil fuels, are such that serious bottlenecks and virtual exhaustion loom ahead in the quite foreseeable future." ⁴⁶ J.A. Schumpeter attributed the dynamics of economic development to innovations, especially technological innovations, but E.F. Schumacher attributed the causes of three crises to modern technology. And Schumacher asked, "Can we develop a technology which really helps us to solve our problems —

a technology with a human face ? ”⁴⁷ When violent innovations produced three crises, solutions must be non-violent innovations.

As Gandhi said, the poor of the world cannot be helped by mass production, only by production by the masses. Schumacher wrote, “The system of production by masses mobilizes the priceless resources which are possessed by all human beings, their clever brains and skillful hands, and supports them with first-class tools. The technology of mass production is inherently violent, ecologically damaging, self-defeating in terms of non-renewable resources, and stultifying for the human person.”⁴⁸ Schumacher named intermediate technology to the system of production by masses, which signified that it was vastly superior to the primitive technology of bygone ages but at the same time much simpler, cheaper, and freer than the super-technology of the rich. Intermediate technology is conducive to decentralization, compatible with the laws of ecology, gentle in its use of scarce resources, and designed to serve the human person instead of making him the servant of machines.

It became the practice of Schumacherian economics to support intermediate technology. Schumacher was a member of the Soil Association after 1950 and was elected its chairman in 1970. It is a private, voluntary organization and has been engaged in exploring the vital relationships between soil, plant, animal, and man, keeping the public informed about developments in these fields. They restored and improved the crop rotation method based on the three-field crop rotation in the European middle age. In Japan, Masanobu Fukuoka (1913-) argued the conventional organic agriculture was the imitation of the past stock farming and a kind of scientific agriculture, so it

would become a part of big scientific agriculture or its system. He advocated the natural agriculture during the Second World War and practiced it after the war. The main methods of the natural agriculture are no plowing, no fertilizer, no weeding and no agricultural chemicals, which become known domestically and abroad, prevailing in Africa and India. M. Fukuoka was welcomed in India as a pioneer whose spirit accorded with that of Gandhi and was given the Award of Deshikottam, the Indian highest honor in 1988. Organic agriculture, crop rotation method, natural agriculture and the feminine principle of Vandana Shiva are developing as technologies with human face which are completely different from the dinosaurian scientific method of large scale agriculture.

The Intermediate Technology Development Group (ITDG) was founded in 1966 by Schumacher himself and after he died George Mrobie succeeded chairman and developed the international activities. In 1978, IT Power was established as a business unit of ITDG. It subsequently became an independent organization, undertaking over 700 projects in 91 countries, for institutional and private clients. In 1980, the Prince of Wales (Prince Charles), who had always expressed an interest in the intermediate technology concept, agreed to become ITDG's Patron. In 1985, ITDG opened its first office in a developing country, as food processing and energy programs began in Peru, concentrating at first on a micro hydro project in Cusco. In 1991, after four years of working in the training of food processing, ITDG South Asia established a Training Center in Food Processing. In 1998, ITDG moved its UK Head Office to Bourton Hall, seven miles from Rugby in Warwickshire. The Schumacher Center for

Technology and Development was to evolve as a national and international center for knowledge and expertise on technology, poverty reduction and the environment. ITDG now employs 300 staff in four continents, and has worked in over 60 countries.

The same kinds of activities as the intermediate technology development recommended by Schumacher have been promoted by the Japanese groups. For example, the Japan Association for Greening the Deserts was founded in 1991 and working in the Inner Mongolia Autonomous Region of China. The NGO called the 'school of wind' for digging wells by hand was founded in 1967 and working in Afghanistan, Philippine and Mexico, etc. International Economics of Schumacherian Economics is prevailing in the grass roots. If the idea of Schumacher would be frustrated, there would be no hope in the poor people of the world.

End

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