

Keynes and the Making of E. F. Schumacher, 1929 - 1977

Robert Leonard*

“I consider Keynes to be easily the greatest living economist”.

Schumacher to Lord Astor, March 15, 1941¹

“The story goes that a famous German conductor was once asked: ‘Whom do you consider the greatest of all composers? ‘Unquestionably Beethoven’, he replied. ‘Would you not even consider Mozart?’. ‘Forgive me’, he said, ‘I though you were referring only to the others’. The same initial question may one day be put to an economist: ‘Who, in our lifetime, is the greatest? And the answer might come back: ‘Unquestionably Keynes’. ‘Would you not even consider Gandhi?’... ‘Forgive me, I thought you were referring only to all the others’”.

Schumacher, in Hoda (1978), p.18

Introduction

On Sunday, December 7, 1941, from a cottage deep in the Northamptonshire countryside, the 30-year old Fritz Schumacher wrote to fellow German alien, Kurt Naumann. He was reporting a recent encounter in London.

“A man of great kindness, of downright charm; but, much more than I expected, the Cambridge don type. I had expected to find a mixture between a man of action and a thinker; but the first impression is predominant, only that of a thinker. I do not know how far his practical influence goes today. Some tell me that it is extraordinarily great.

The conversation was totally different from what I expected. I was ready to sit at his feet and listen to the Master’s words. Instead, there was an extremely lively discussion, a real battle of heavy artillery, and all this even though we were 99% in agreement from the outset. Somehow I was stung, and I contradicted him without the slightest shyness, if I disagreed; we threw everything at each other (to the great astonishment of a third party present) and parted – I am convinced – as good friends. Anyway, this is clear: Keynes considers the basic idea of the main plan to be the only possible basis for the future. There are still many gaps in the technical design. He himself is already deeper in detail in technical terms, but in the basic idea (at least that’s how it seemed to me) a little bit behind.

* UQAM, Montreal (leonard.robert@uqam.ca). This preliminary draft is strictly for discussion at the Duke CHOPE workshop, Nov. 30, 2018. Please do not circulate, cite or quote it without my permission. I am grateful to Susan Witt (Director) and Amelia Holmes (Librarian) of the Schumacher Center for a New Economics, Great Barrington, Massachusetts, for their generous assistance with the Schumacher archives, and to Barbara Wood, London, for her continued help with my research on her late father.

¹ Box 9, Folder 1, Corresp. with David Astor and Lord Astor, Schumacher Archives, Schumacher Center for a New Economics, Great Barrington, Massachusetts, hereafter SPGB.

He still sticks to bilateral schemata. And I hope that the consistent multilateral nature of my proposals has had or will have some effect on him”.²

The encounter with Keynes was a significant moment in the life of Schumacher, his young admirer. Since June 1940, the Oxford-trained economist had been confined as a wartime alien to a cottage near Eydon Hall, the estate of influential aristocrat and banker, Robert H. Brand. There, for a year and a half, punctuated only by a 10-week stay in Prees Heath internment camp, he lived with his German wife and two young boys, earning his meagre keep as a farm labourer. It was while working on the farm that he came in contact with Keynes.

If Schumacher had found himself at Eydon, it was thanks to his connections with a network of influential British figures, going back to his days at Oxford in the early 1930's. There, Schumacher had befriended David Astor, son of Lord and Lady (Nancy) Astor and future editor of the family newspaper, *The Observer*. David Astor's uncle was Robert H. "Bob" Brand -- widower of Nancy Astor's sister, erstwhile Lazard Bros. banker and wartime Treasury official. The Astors, Brand and several others, including Lord Lothian, were part of what some critics called the "Cliveden Set" -- named after the Astors' sumptuous residence in Berkshire where they would gather. Growing out of a group of colonial administrators in South Africa after the Boer War, they were accused by some of encouraging appeasement with Hitler. It was thanks to David Astor that Brand found room for Schumacher at Eydon.

If Schumacher sought Keynes's attention it was because, discontent with the wages -- but not necessarily the life -- of the farm-worker, he continued doing what he had begun in 1939, namely, writing articles on wartime and future economic affairs, some intended for journalistic publication. One such paper, "Free Access to Trade", proposing a postwar clearing union, was substantial enough for Brand to pass onto Keynes, prompting an invitation from the latter to tea on Sunday, November 23, at 46 Gordon Square. The contrast between the situations of Keynes and Schumacher was very great: in order to get to Bloomsbury, the internee had to get permission to leave his confinement zone, scrape together the price of a train ticket, and stay overnight with a friend in Richmond.

Becoming known personally to Keynes changed things materially for Schumacher. He soon found himself employed as an economic researcher the wartime Institute for Statistics at Oxford, working alongside Michal Kalecki and Thomas Balogh. There, he wrote many articles, in a Fabian vein, about achieving full-employment in the Britain after the war. He contributed to the work of Lord Beveridge. He also wrote about prospective international trade arrangements, and about the Keynes and White Plans presented to Bretton Woods. Although marked by some tension concerning the lack of recognition of his contributions -- particularly his influence on the Keynes Plan, adopted by the English parliament in 1943 -- the war years marked the apogee of Schumacher's years as Keynesian disciple. When Keynes was near death, in 1946, he reportedly said that he regarded Schumacher as his intellectual heir. When he passed away, it was Schumacher who wrote his obituary in *The Times*.

As of 1950, however, the place of Keynes in Schumacher's worldview would begin to change. This was in large measure due to changes in the outlook of Schumacher himself. Having spent

² Schumacher to Naumann, Dec. 7, 1941, Box 9, Folder 6, Internment Correspondence, SPGB.

several years as Fabian working on postwar reconstruction in Germany, Schumacher returned to England to a post as economist with the National Coal Board. Over the next five years, while acquitting himself in his new role, he gradually became increasingly critical of the modern West. From being an atheistic socialist, heavily influenced by Nietzsche, he went on to develop an interest in Buddhism and Eastern spirituality; become involved in the nascent “organic” movement in agriculture; and retreat from active involvement in progressive politics. In 1955, he spent three months as economic advisor in Burma, where, under the further influence of Gandhi, he became radically critical of the effects of Western-led development on traditional culture. In 1961, at the invitation of fellow Gandhians, he spent a period lecturing in India. By now, he was acutely critical of the style of development being promoted by the Bretton Woods-created World Bank, based as it was on expensive, grand projects. Instead, he sought to promote the use of simpler, less-expensive technical means, in 1965 setting up the Intermediate Technology Development Group.

If Schumacher stressed the metaphysical dimension of his stance on technology and economic development, it was because of the influence upon him of metaphysical writers. These included Traditionalist thinkers such as Ananda Coomaraswamy and René Guénon, and, later, Catholic authors such as Etienne Gilson and Jacques Maritain. (Schumacher himself converted to Catholicism in 1970). If he was already critical of the institutions, such as the World Bank, that promoted Western development, by the late Sixties he was writing about the metaphysical and ethical underpinnings of modernity, and it was in this context that we find him returning to Keynes. By now, however, for Schumacher, Keynes was no longer the brilliant economic architect he had so admired during the war but, rather, was synonymous with the greed and envy that underlay modern economic development, which was stripping the world of its resources. Repeatedly, Schumacher returns to Keynes’s 1930 essay, “Economic Possibilities for our Grandchildren” and seizes upon the latter’s warning that, for the next century at least, “fair must be foul, and foul fair”: in order to ensure sufficient development for the disappearance of economic want, money-making would have to remain a central pre-occupation for mankind. In view of the inability of the environment to sustain incessant growth, said Schumacher, the Keynesian edict represented nothing less than a collapse of intelligence.

In what follows, we trace the influence of Keynes on Schumacher over the arc of his life. Please note that here, for purposes of discussion at Genoa, I am providing the outline argument: the detailed paper, drawing on all the documentary evidence, will follow in the next revision. We first consider the 1930’s, when Schumacher admired Keynes from afar, so to speak, reading his books and, to the extent permitted by his limited academic career, teaching his ideas. We then examine the critical period from 1939 till Keynes’ death in 1946, when Schumacher drew closer to Keynes’s world, first as farm-labouring essayist, then as economic researcher at Oxford. Here, Schumacher became a full-blooded Keynesian, so to speak. Following that, we consider the second half of Schumacher’s life, when he went from being a conventional economist to being a critic of unsustainable, modern economic growth. Here, for Schumacher, Keynes has become a deleterious ethical influence on modern life. We close with a brief conclusion.

Out into the World: the 1930’s

The second son of Hermann Schumacher, professor of economics at the University of Bonn, Fritz Schumacher began studying law and economics at the same institution but, within a few

months, in 1929, took off to England. Attending classes at the L.S.E. he also spent time at Cambridge that autumn, meeting A. C. Pigou, D. Robertson and J. M. Keynes. It is not impossible that it was his father Hermann who provided the letter of introduction to Keynes, for not only was he a figure of some eminence but he had already published an article in Keynes' *Economic Journal* in 1923, criticizing the French occupation of the Ruhr.³ Apparently, Keynes was sufficiently impressed by the young German to make room for him at one of his "highly selective seminars" – presumably a meeting of the Political Economy Club. This not only impressed his father -- "That Keynes has actually invited a young person as yourself to his famous seminars exceeds even my wildest expectation"⁴ – but apparently helped Schumacher settle upon economics as his future field of study. No sooner did he return to Germany than he won a Rhodes Scholarship to Oxford and, in the autumn of 1930, took off for England once more. At Oxford's New College, he began a two-year B. Litt. degree in economics and politics. While he does not seem to have enjoyed his time at Oxford, he did participate in several university debates criticizing the effect on Germany of the war reparations imposed at Versailles. He also befriended David Astor, an important future ally.⁵

In September 1932, extending his studies by a year, Schumacher left for Columbia University, New York, where he worked as a research assistant to the Wall St. critic, Prof. Parker Willis, in the field of banking and gold. In the spring of 1933, at Willis' instigation, he accepted a year-long post as lecturer at Columbia's School of Banking to begin that autumn. In the meantime, in the company of some German friends, he drove across the country to California. One senses that he may not have been the best of travelling companions for, while his friends pursued their Californian holiday together, he retreated to his books – "Keynes, Schumpeter, Robertson and Beckhart"⁶ – before driving straight back to New York again. His Columbia lectures included the work of Keynes -- presumably *The Economic Consequences of the Peace* and *Tract on Monetary Reform* -- the difficulty of teaching which provided a lesson in achieving pedagogical clarity. Keynes notwithstanding, Schumacher was apparently quite critical at this time of the inflationary effects of Roosevelt's New Deal.⁷

In April 1934, he returned to Germany, where, unlike his conciliatory father, or his younger brother Ernst, who had joined a Nazi youth group, he refused to acquiesce with the regime. He suffered ill health and depression, and was unable to finish the requirements for his Oxford B. Litt. He developed a plan for the absorption of Germany's unemployed by means of wage subsidization of manufacturers, but it was rejected outright by his father. In August 1935, he joined the *Syndikat zur Schaffung Zusätzlicher Ausfuhr*, a small organization that arranged barter trade for Germany, given the great restriction on currency movements imposed by Hitler's Economy Minister, Hjalmar Schacht. This experience, which involved travelling abroad to

³ See Schumacher, Hermann (1923).

⁴ Quoted in Wood (1984), p.20.

⁵ The most authoritative account of Schumacher to date is Wood (1984), the biography written by his eldest daughter, Barbara, not long after his death. Drawing on Wood, Hession (1986) considers the relationship between Schumacher and Keynes, while Toye (2011) examines Schumacher's writings of the 1930's and 1940's on international monetary and trade arrangements.

⁶ Wood, op cit, p. 50.

⁷ The outcome of Schumacher's American stay was a chapter on "Inflation and the Structure of Production" in Willis and Chapman (1935) *The Economics of Inflation*.

arrange trade deals for clients, many of which were Jewish-owned firms, undoubtedly gave Schumacher great practical insight into the functioning of the international commercial system.⁸

In October 1936, he married Anna Maria Petersen, daughter of a Hamburg trading dynasty, and shortly thereafter was offered a post in London with Unilever, one of the *Syndikat's* clients. His decision to accept this was a source of tension between him and his parents-in-law and his own father, for reasons relating to family- and national loyalty. Pressing ahead, he moved to London at the beginning of 1937, with his pregnant wife joining him a month later. Within a few months, they had moved into a company house in plush Weybridge, Surrey. Schumacher worked in the city, as economic and financial advisor to the head of Unilever. Throughout these years, he was, in philosophical matters, resolutely “post Christian” – indeed, at times, aggressively anti-religious -- having fallen under the influence of Nietzsche in 1934. He remained thus until roughly 1950.

By mid-1938, he had moved from investment management to running a short-lived venture, owned still by his Unilever boss: a firm manufacturing battery-powered delivery vehicles. By the end of 1939, not only had he fallen out with his boss, leading to termination of his employment, but, with the outbreak of war, he and his wife were enemy aliens in England. He was quite happy to be out of Germany; she, expecting another child, was sad to be separated from her family – and unhappy she would remain.

Farm Labourer and Underdog: 1940 - 1945

Without a job, and with a second child in the household, and with the end of their tenancy at Weybridge fast approaching, Schumacher began to write articles as a source of income and began to cultivate contacts that might be helpful. One of the first he targeted was Keynes, whom he had not seen since their brief, but significant, encounter in 1929. He was ostensibly responding to a recent article by Keynes in *The Times* on the subject of wartime savings.

“It is perhaps presumptuous of me to write to you at all, as I can lay claim neither to experience matured by age, nor to academic distinction, and have nothing but my intense interest in Economics to recommend me. If it had not been for the fact that about ten years ago I was so kindly received by you, I should have hardly dared to write now.

I should like to tell you that there are very few books which have given me as much joy as yours and, if this were not again immodest, I should like to say that a certain familiarity with your thought is amongst the greatest gains I can show for the last ten years. Please forgive me when I say that it is joy which I derive from your books. This is a very un-academic reaction on my part. But something in me responds directly to the utter earnestness and sincerity of your writing, and I cannot read in your works without a feeling of gratitude to you and of delight.

I am sure this is not so unusual a letter for you to receive as it is for me to write. I may perhaps give it a more conventional turn by attaching to it – though with some diffidence –

⁸ His colleagues in the *Syndikat* included Gustav Petersen, his future brother-in-law; Werner von Simson, later a fellow German alien in wartime England and an important correspondent; and Erwin Schüller, a German-Jewish banker who would shortly find his way to new employment at Lazard Brothers in London and remain a significant presence in Schumacher's economic circle during the war.

a Note, containing a few observations which may be adduced in support of your Compulsory Saving Scheme”.⁹

By March, Keynes had replied with a complimentary copy of his new book, *How to Pay for the War*, to which Schumacher responded by pointing out a list of errors.

“I was greatly delighted to receive a complimentary copy of your new book which I have with the greatest possible interest, and I should like to thank you very much for your kindness. Your arguments have impressed me profoundly; I can think of no alternative to your scheme, which would achieve the same results with an equal amount of smoothness and certainty. I find Chapter IX, on Voluntary Saving and the Mechanism of Inflation, wonderfully clear”.¹⁰

To this he appended “NOTES on ‘How to Pay for the War’”, which were essentially corrections to the numerical examples in Keynes’ book. Within a week, Keynes responded, saying that most of the mistakes were due to the printer, but acknowledging that he was not sufficiently clear on several points.¹¹ Thus came to a close Schumacher’s re-introduction to Keynes, while his own fortunes were changing rapidly.

By June 1940, Schumacher and his family had moved to the village of Eydon, Northamptonshire, halfway between London and Birmingham. They were housed in a tied cottage at Eydon Hall, the estate of “Bob” Brand, who was connected to the Schumacher circle in various ways. As widower of Nancy Astor’s sister, he was David Astor’s uncle. As a Lazard Brothers banker, in peacetime, he was known to Schumacher’s fellow exile, Erwin Schüller. As a Treasury official in wartime, he had the ear of Keynes. Residing mainly in London, and increasingly in Washington D.C. during the war, he would visit his farm at Eydon whenever he could.

Within the space of a few months, Schumacher had gone from the relative comfort of life in the City of London to the harsh physical realities of life on the land. For this he received a labourer’s wage, and paid a labourer’s rent on the cottage. Matters were complicated further when, in the late summer of 1940, he was whisked away by the authorities and confined for 10 weeks at Prees Heath Internment Camp, in Whitchurch, Shropshire. Although conditions there were difficult, with accommodations and even the field hospital being in tents, the sojourn did bring Schumacher in useful contact with other German enemy aliens. Among these were Kurt Naumann, a committed socialist who was to have a significant influence on him, and some economists later present at Oxford’s Institute of Statistics, including Fritz Burchardt.¹²

⁹ EFS to Keynes, January 18, 1940, Box 9, Folder 4, Corresp. with Keynes and others, SPGB. Schumacher’s appended observations are not included in the file.

¹⁰ EFS to Keynes, March 5, 1940, loc cit.

¹¹ Keynes to EFS, March 13, 1940, loc cit. A further postcard from him on March 18 acknowledged another inconsistency. During early 1940, Schumacher also wrote a paper on Nazi economic policy for an ill-fated Europe Study Group, set up by his friend Erwin Schüller, of Lazard Brothers, and Thomas Jones, Assistant Secretary to the Cabinet. See manuscript note by EFS in Box 9, Folder 4.

¹² Schumacher’s correspondence suggests that it took interventions from Brand and Nancy Astor, amongst others, in order to have him released from the camp and returned to the farm. See Brand to EFS, Aug. 3, 1940, Box 9, Folder 5, R.M. Brand Corresp., SPGB.

Returning from the camp that autumn, Schumacher settled into a new life that was remarkable on many fronts. By day, he worked in the fields with the other labourers, who needless to say, ridiculed this thin, intellectual upstart, who had all too many bright suggestions about how to do things differently from their usual way. There were also difficulties with the local villagers, who looked askance upon these German intruders. Nonetheless, Schumacher acquitted himself well and developed a genuine liking for life on the farm. When he eventually left it, in March 1942, not only did he regret it but he had by then learned to look down on the privileged, effete creatures he would meet at Oxford.

By night, on the farm, fatigue notwithstanding, Schumacher maintained his intellectual pursuits, often burning the midnight oil to do so. In this respect, three features stand out. First, he became increasingly socialist in his outlook. The influence of Kurt Naumann in the camp was evidently important here, with their subsequent correspondence covering politics and common reading. Schumacher read Marx, Engels and Lenin. He read Haldane. He also read Bernal's *The Social Function of Science*, Rowntree's *Poverty and Progress*, and C. H. Waddington's *The Scientific Attitude* (1941). For reasons that are not yet clear, he greatly appreciated all four volumes of Pareto's *Mind and Society*. He began working his way through Frazer's *Golden Bough*.

Second, he began to read about farming and agriculture, including the work of Sir George Stapledon, who was to become a key figure in the postwar, nascent "organic" movement. The roots of Schumacher's later involvement in the Soil Association lie here, in his life as an alien in the Northamptonshire countryside. For the moment, however, this was overshadowed by his interest in the third element, namely, Germany, England and the sphere of international political economy. Here, spurred by both genuine interest and a desire to be involved, not to mention the need for extra income, he persisted in writing papers and articles, and it was this that brought him back once again in contact with Keynes.

In September 1941, he wrote to David Astor: "The harvest is safely gathered in. It has been four weeks of very long and strenuous work. Now I shall be a bit more master of my own time and, I hope, a more reliable correspondent". He went on to thank Astor for sending his "Pool Clearing Memo" to Brand, who had shown great interest in it and even sent it onto Keynes. "That the great J.M.K. has not got it in front of him (and will undoubtedly study it very carefully, merely because R.H.B. gave it to him) I consider very satisfactory indeed. I wonder what may come out of it; as these things go: probably very little. But it may be a beginning".¹³ He hoped that his ideas would be given proper consideration, ideally by Keynes along with some men from the Treasury, Bank of England and the American Embassy. All of this was necessary for peace and internal reconstruction after the war. The whole future of Anglo-American cooperation, he felt, depended on the solution of the international exchange problem. He also thought that Victor Gollancz might be interested. He had very much liked his book, *Russia and Ourselves*.

Schumacher's Pool Clearing Memo proposed an arrangement designed to facilitate multi-lateral trade after the war. Countries could run up trade deficits or surpluses, but were encouraged to achieve balance, through the provision of penalties for excessive surpluses. The system involved the use of an imaginary currency, Bancor, for making settlements, and there were to be strict

¹³ EFS to D. Astor, Sept. 28, 1941, Box 9, Folder 4, Corresp. with Keynes and others, SPGB.

controls of capital movements between countries. The whole system was designed in a Keynesian spirit, ensuring that surpluses did not act as leaks in international aggregate demand, stimulating the steady expansion of international trade. What Schumacher did not realize when writing it was that Keynes was working on the same matter.

In October 1941, the awaited reply from Keynes found its way to the Schumachers' cottage:

“Mr. Brand showed me a note of yours on post-war international currency arrangements, which I thought both interesting and helpful. Indeed I myself have been thinking along closely similar lines and have been putting up proposals which go perhaps rather further than yours, but bear a strong family resemblance to them. If you are giving further thoughts to these matters and writing out any notes, I should be very glad indeed if you would let me have the advantage of seeing them. And, if at any time you are able to get up to London, will you let me know so that we can have the chance of a talk”.¹⁴

Schumacher responded by sending him a revised version of the essay, and making a veiled bid for publication in the *Economic Journal*:

“I wonder if the attached Essay will appeal and appear convincing to you. I am also asking myself whether the time has not arrived when some of these ideas and possibilities should be put up for public discussion, and, since I am a bad person for any kind of publicity, who would be able to do it”.¹⁵

Unmoved, Keynes replied the following week:

“I find this, as I found the previous one, excellent and, as I said, in line with what appears to be the right sort of constructive ideas.

But I am a little embarrassed what to do with it. I am working at some proposals of my own, which are more detailed and go rather further, but these are of a confidential description. Meanwhile, would it or would it not be helpful for you to proceed to publication? Generally speaking, I am in sympathy with the feeling that there is a great deal to be said for bringing proposals to the bar of general opinion. But at this stage I am not quite sure how far this is true.

That perhaps because I think that my own plan goes rather further than yours. I cannot disclose that yet, and it would be a pity to get discussion and criticism moving along different lines.

I must leave this matter to you. But what would help me more is that you should simply let me see your ideas on this matter and have a talk next time you are in London, but put off actual publication for the time being”.¹⁶

A fortnight later, Keynes sent a card, inviting Schumacher to tea at 46 Gordon Square the following Sunday.¹⁷ As we have seen in the letter to Naumann with which we opened this paper,

¹⁴ Keynes to EFS, Oct. 14, 1941, Box 9, Folder 4, Corresp. with Keynes and others, SPGB.

¹⁵ EFS to Keynes, Oct. 26, 1941, Loc cit.

¹⁶ Keynes to EFS, November 5, 1941, Loc cit.

¹⁷ Keynes to EFS, November 19, 1941, Loc cit.

that encounter went rather well, with Keynes certainly taking Schumacher seriously. Keynes himself said as much in a follow-up note on Dec. 10: “I greatly enjoyed that tea-party and found it a most fruitful discussion. I hope your contact with Chatham House will be effected all right. I have written today to Dr. Rosenstein-Rodan to make sure how matters stand”.¹⁸

This was effectively the beginning of Schumacher’s reintegration into official circles. Throughout late 1941 and early 1942, on the foot of Keynes’s endorsement, he was in correspondence with both Fritz Burchardt at Oxford’s Institute of Statistics and Rosenstein-Rodan of the Royal Institute of International Affairs (i.e., Chatham House). His “Free Access to Trade” was circulated at Chatham House in the spring and appeared in *World Review* in March 1942.¹⁹

By early 1943, he had prepared a more extended version of his plan, titled ‘Multilateral Clearing’, which he duly sent to Keynes, via Wilfrid Eady, the latter’s Treasury colleague. Once again, it elicited a similar reponse, i.e., great interest on Keynes’ behalf, but no encouragement to share it with anyone else:

“I showed your paper on Multilateral Clearing to Lord Keynes. He had apparently had a talk with you at an earlier stage, and knew the way in which your mind was moving. You might like to know that he shares my view of the very lucid and interesting way in which have set out the problem.

There is one point in connection with your paper on which we should like to have more information. As part of your scheme you contemplate the creation in each of the countries concerned of a national clearing fund. What have you in mind by this? Is this a kind of exchange control machinery to be run by the Central Bank of each of the countries? Where before the war international clearing was undertaken through the Central Bank, is there any need for a national fund?

It may be that you had in mind that in several countries the Central Bank technique is not fully developed, and thereby some special piece of machinery must be created, or perhaps I have misunderstood the purpose of the suggestion.

I shall be grateful if, at your convenience, I could have a note on this, and I hope that when you are in London again you will let me have a chance of seeing you”.²⁰

By April, Keynes had published his own “Proposal for a Currency”, which was adopted as a government White Paper and would soon be presented at the Bretton Woods discussions. Schumacher, published his own paper in *Economica*, in June of that year. Although later colleagues of Schumacher, such as George McRobie and Leopold Kohr, would say that Schumacher claimed he had been plagiarized by Keynes, he never went into print saying so. Not until a 1975 interview, in Dutch, with two students from Amsterdam’s Free University did he speak freely of Keynes in print. He recalled 1940 and Eydon:

¹⁸ Keynes to EFS, December 10, 1941, Loc cit.

¹⁹ See also Schumacher (1942).

²⁰ Eady to EFS, Feb. 12, 1943, Loc cit.

“I received a letter from him in which he wrote that he had read the memorandum and was very interested. He asked me if we could meet together. That was quite difficult to arrange. After all, I was still a German citizen. Moreover, I had no money to travel.

However, a meeting was being arranged. One day I met him; then there followed an exchange of letters. He always said to me, keep at it. At one point I could go no further because I was completely isolated from the outside world. I could not get in touch with colleagues. Then I wrote to him asking if he could not publish my article in a journal published by Keynes. He wrote back to me that the time of publication had not yet come. Shortly thereafter, my plan was issued as a white paper by the Ministry of Finance. Keynes had made changes to a number of minor points. Thus he changed what I called "banking entity" to "banker". But that was really too bad. It was my plan.

It's crazy but I had a premonition that this publication would take place. I then made contact with "Economica", a journal that competed with the journal where Keynes was editor. I managed to see that my article was published, but Keynes was so famous that the fact that my plan was under his name became history".²¹

By the time he gave that interview, as we shall see, the course of Schumacher's life had led him to take a more critical stance towards Keynes. In the meantime, however, in the early 1940's, he continued his work at Oxford as a fully committed Keynesian, writing many papers on postwar monetary and trade arrangements, all designed to ensure free international trade and encourage its expansion. His loyalties were thrown into sharper relief in 1941, when he heard that his younger brother had been killed fighting for Germany on the Eastern Front. He participated energetically in discussions among English economists surrounding the Keynes and White plans later debated at Bretton Woods, obviously favouring the former. His participation in these discussions extended to several leader articles in *The Times*, where he became a significant contributor. He wrote papers on the prospects for full employment after the war, and the financing thereof, and is reputed to have been a key, if unrecognized, author of the Beveridge Report, which led to the establishment of the postwar welfare state.

When Keynes died in 1946, it was Schumacher who wrote an appreciative and knowledgeable obituary in *The Times*: “a very great Englishman”, “a man of genius”, a prodigy of intellect”. “To find an economist of comparable influence one would have to go back to Adam Smith”. On the questions of the German reparations after Versailles, condemned by Keynes, there was “now general agreement with his view that the settlement . . . was ill-conceived”. Keynes was “the leader of the British experts in the preparatory discussions of 1943” who, he wrote tellingly, “gave his name to the first British contribution – ‘the Keynes Plan’” (emphasis added). He made “continuous exertions to advance the cause of liberality and freedom in commercial and financial policies as a means to expand world trade and employment”. In the closing passage, where he describes Keynes the man, I believe he was also describing the person he himself wished to be:

“His entry into the room invariably raised the spirits of the company. He always seemed cheerful; his interests and projects were so many and his knowledge so deep that he gave the feeling that the world could not get seriously out of joint in the end while he was busy in it. He did not suffer fools gladly ; he often put eminent persons to shame by making a

²¹ “Schumachers Simplisme”, *Vu Magazine*, 4e jaargang, nr. 7, juli/augustus 1975, in Box 3, Folder 1 “Direct Speech Interviews and Contributions and Discussions”, SPGB.

devastating retort which left no loophole for face-saving. He could be rude. He did not expect others to bear malice and bore none himself in the little or great affairs of life. He had many rebuffs but did not recriminate. When his projects were rejected, often by mere obstructionists, he went straight ahead and produced some more projects. He was a shrewd judge of men and often plumbed the depths in his psychology. He was a humane man genuinely devoted to the cause of the common good”.²²

If Schumacher held the “Master” in great esteem, so, too, it appears, was there some reciprocation. In 1949, he wrote to his parents that Keynes, before his death, had named him as a worthy intellectual successor. Sir Wilfred Eady, who visited Keynes shortly before he passed away, reported him as saying: ‘If my mantle is to fall on anyone, it could only be Otto Clarke or Fritz Schumacher. Otto Clarke can do anything with figures, but Schumacher can make them sing’.²³

The Big Change: 1950-1955

As a German-speaking economist with great knowledge of both England and Germany, Schumacher was obviously of continued value to the English authorities. He spent part of 1945 back in Germany, alongside Kaldor and Galbraith, with the Strategic Bombing Survey, and then the next four years with the British section of the Allied Control Commission, working on the postwar economic reconstruction of Germany. There are clear signs in his correspondence that he was greatly affected by his return to Germany after an absence of almost a decade: seeing Berlin, Dresden and other cities reduced to rubble; coping with the strange moral position of the German people, including members of his own family. Throughout his time in his homeland, he agitated for policies that were largely “progressive”, including the nationalization of Germany heavy industry, but overall he appears to have been of little influence. By 1950, he was glad to leave Germany and return once more to England, to an ostensibly quieter post as economist with the National Coal Board.

While it would be difficult to imagine a life more prosaic than one devoted to the statistics of coal production, the next five years in fact proved to be deeply transformative for Schumacher. This occurred not in the professional sphere, however, but in the private realm. The change he underwent seems to have had its roots in his time on the farm at Eydon, and it was certainly related to the impact of the German wartime experience. Put briefly, Schumacher retreated somewhat from the public sphere and, both literally and figuratively, began to cultivate his own garden. Settling in a large house in Surrey on over three acres, he became a keen gardener and, joining the Soil Association, became involved in the promotion of organic culture. The Nietzschean within him disintegrated: in the light of the destruction of World War II, he began to question the value of science, and his previous scepticism concerning religion gave way to curiosity about spiritual matters. This extended to the esoteric teachings of G. I. Gurdjieff and, particularly, to Buddhism. He became a member of the London Buddhist Society and began to accumulate an extensive library in the subject. In this sphere, he was particularly influenced by another German expatriate: the former Communist and now Buddhist scholar, Edward Conze.²⁴

²² Schumacher, E. F. (1946), Obituary of J. M. Keynes, *The Times*, April 22, 1946.

²³ Letter EFS to his parents, April 16, 1949, quoted in Wood (1984), pp. 134 – 135).

²⁴ For a more detailed discussion of this phase of Schumacher’s life, see Leonard (forthcoming).

Through all of these involvements, Schumacher began to question a modernity that vaunted its material and scientific progress but, in fact, seemed to be predicated on violence and destruction.

It was because of his interest in Buddhism and curiosity about the “East” that he accepted a 3-month mandate as U.N. economic consultant to Burma in the first months of 1955. He was there to evaluate the government’s Economic and Social Plan, which had been prepared, in large measure, by American consulting economists and engineers. The proposed plan would have brought about significant changes in this Buddhist society, including the development of industry, with attendant migration from the villages to the cities; the intensification of resource extraction, including forestry and fishing; and the implementation of modern, chemical-based, methods in agriculture. It also emphasized the need for deep *cultural* transformation, i.e., the development of a work- and profit ethic, if development were to be achieved.

This sojourn proved to be decisive for Schumacher, reinforcing his suspicions about the cultural destructiveness of the West and hardening his scepticism about Modernity in general. Although his official consultant’s report on the Burmese Plan was critical, it was restrained, remaining confined to economic arguments. More expansive was his privately written paper, “Economics in a Buddhist Country”, which called into question a model of development based on intensive extraction, production and consumption, with the inevitable attendant cultural upheaval. The push towards perpetual growth, based on the use of finite, non-renewable resources, he argued, was not only destined for failure: it was not coherent with the teachings of any of the world’s great spiritual teachings, including Buddhism.²⁵

This paper marked the birth of Schumacher the critical development economist, and he returned galvanized from Burma. All the while remaining a Coal Board technocrat, he plunged into the reading of Gandhi and his followers, Richard Gregg and Joseph Kumarappa. He also immersed himself in the work of the metaphysical critics of Modernity associated with the Traditionalist movement, namely René Guénon, Ananda Coomaraswamy and Frithjof Schuon. These authors questioned the transformation of human society wrought by the development of Western science and progress, particularly insofar as it had led to the erosion of spiritual beliefs. In their estimation, Modernity had led Western man to betray “Man’s” true nature.

Seeing Keynes Differently, 1956 - 1977

In 1956, Schumacher contributed to a BBC (European Division) radio documentary on Keynes, on the 10th anniversary of the latter’s death. In his draft copy for the producer, Schumacher described not only Keynes’ transformation of economics, through his insights on aggregate demand, but his impact on the lives of many, through the Keynesian revolution. “It has been a liberating force par excellence. To tens of millions of people, it has been the greatest blessing they have known in their lifetime”.²⁶ However, less than year back from Burma, Schumacher now took the opportunity to give his portrait a twist:

“Yet, there is no light without shadow, and even a great blessing, in this imperfect world, produces its own problems and difficulties. The knowledge that enables us to avoid the

²⁵ See Schumacher (1959).

²⁶ Untitled document, Box 9, Folder 23, Early BBC Broadcasts, SPGB, p.2.

recurrence of mass unemployment does not, by itself, enable us to make good use of our newly-won opportunities. It may merely show up more clearly than ever before that we do not know where we are going.

More and more voices are being heard which point to enormous and reckless exhaustion of irreplaceable natural resources which is being perpetrated by the highly industrialised countries of the world – all going full speed ahead with full employment”.

He continues:

“I am certainly not suggesting that we should abandon full employment and impose the terrible burden of joblessness and frustration on millions of willing workers – just to conserve vital raw materials and fuels for our children and grandchildren. But I am suggesting that the fundamental question of where we are going has become all the more pressing because we are now going so much faster . . .

In his time twenty years or so ago, [Keynes] was not concerned with the problem of natural resources – there was no need or occasion for him to be so concerned. But I am sure, today he would put this question of resources – of non-renewable fuel and other mineral resources – into the very centre of his thinking and teaching. He would not be a mere ‘Keynesian’ economist and would not, I believe, advocate an ever accelerated, heedless ‘expansionism’ of consumption and waste.

Let there be jobs for all, but let us not – he would have said – by reckless consumption, destroy the very foundation of our civilisation”.²⁷

This may be seen as an understandable attempt by Schumacher to align the “spirit of Keynes” with his new self, and there would be other occasions thereafter when he do the same: pointing, for example, to Keynes’ salutary insistence that economics should be a pedestrian matter, like dentistry, and that economic matters should not be let eclipse more elevated and worthy human concerns. On balance, however, he chose thereafter to see Keynes, not as an ally, but as an adversary. First of all, he became an ardent critic of the World Bank, which, of course, had emerged from those very postwar reconstruction debates in which he had sought to involve himself, alongside Keynes. Then, he turned against Keynes himself, singling him out as a promoter of egotism and self-interest, forces that were partly responsible for the ills of the modern world.

In the first half of the 1960’s, Schumacher repeatedly targeted Eugene Black, President of the World Bank, for pursuing the wrong kind of development, based on large projects and involving the active destruction of cultures, all in the name of modern economic growth.²⁸ For example, invited to Varanasi, India, in 1961, on the strength of his “Buddhist” paper, Schumacher lambasted Black for privileging material development over everything else, and regarding social, psychological, moral and political changes as being merely means to an economic end. Black and “a great multitude of economic technicians” spoke about “*driving* men to work” and sought

²⁷ Ibid, p. 3. Parts of these passages appear to have been deleted from the final radio script. See “John Maynard Keynes, by T. R. Fyvel (With a contribution by E. F. Schumacher)”, loc cit.

²⁸ The article by Black to which Schumacher repeatedly returned was his (1960) “The Age of Development”, published, as it happens, in the *Economic Journal*. He was also critical of Walter Rostow’s “The Take-off into Self-sustained Growth” of 1956, which also appeared in the *Economic Journal*.

to “stimulate desires beyond any practical possibility of satisfaction”.²⁹ The suggestion that undeveloped countries should imitate the technological approach of the West, or could jump from rudimentary to advanced stages without passing through any intermediate steps, was simply wrong. Indeed, it was here, in India, in confrontation with the policies of the World Bank, that Schumacher developed his idea of Intermediate Technology: using relatively simple, affordable means that would mobilize large populations of workers, *without* requiring them to migrate to already overcrowded cities.

He targeted Black again in 1961, this time at a lecture at Clarens, “Economic Development and the Search for Peace”, where he discussed the 1961 Papal Encyclical, “*Mater et Magistra*”. The pursuit of science, technology and material wellbeing, as ends in themselves, he said, had been conducted at the expense of human values, with architects such as Black of the World Bank leading the way.

“I feel bound to warn the underdeveloped countries against copying the vices and errors of the modern world

- a vastly complicated way of life, sustainable only by an almost total concentration of attention on material things
- a robber economy based on non-renewable resources, the end of which is rapidly moving into sight
- a frustrating and soul-destroying division of labour and specialisation, and as a result
- an ineradicable tendency to violence and – through the latest advances of physics – total destruction.”³⁰

Black would remain a target to the very end. In “Asia Undermined”, published in 1976 in the countercultural magazine, *Resurgence*, Schumacher wrote scathingly of the World Bank director’s blithe disregard for culture and tradition, in favour of the “religion of economics”.³¹

Schumacher’s renewed focus on Keynes the person seems to have coincided with own embrace of Christianity in the late 1960’s, when he began reading authors such as Jacques Maritain, Etienne Gilson and Joseph Pieper. In “Industry and Morals” (1969), he is almost certainly alluding to Keynes’ 1930 essay, “Economic Possibilities for our Grandchildren”, when he impugns the “formula by which we live today”, namely, “Seek ye first to achieve a higher rate of economic growth, and its material benefits, and heaven on earth will follow by itself” (p. 88). The adoption of economic growth as a primary aim would “inevitably promote greed, impatience, ruthlessness and envy, destroying those fundamental virtues without which no society can function satisfactorily” (p. 92).

In “Peace and Permanence”, which was originally a 1969 lecture at the Gandhi Centenary, and later reprinted in his bestselling 1973 book, *Small is Beautiful*, Schumacher confronts Keynes head-on, quoting his “Economic Possibilities” essay:

²⁹ Schumacher (1962), p. 31.

³⁰ Schumacher (1961), “Economic Development and the Search for Peace”, Clarens, August 23, unpublished, in Gillingham-Schumacher Box 2, SPGB.

³¹ Schumacher (1976), p. 197. Alongside Herbert Read and John Papworth, Schumacher was a founder and regular contributor to this magazine, which still runs today, under the editorship of Satish Kumar.

“For at least another hundred years we must pretend to ourselves and to every one that fair is foul and foul is fair; for foul is useful and fair is not. 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” (quoted on p. 20).

“The Keynesian message is clear enough: Beware! Ethical considerations are not merely irrelevant, they are an actual hindrance, “for foul is useful and fair is not”. The time for fairness is not yet” (*ibid*). He then takes apart Keynes’ proposition. It implies, first, “that universal prosperity is possible”; second, “that its attainment is possible on the basis of the materialist philosophy of ‘enrich yourselves’; and, third, “that this is the road to peace” (*ibid*).

On the contrary, says Schumacher, the rich countries are stripping the world of its resources, and they are likely to push up prices long before the poor countries can acquire the development and sophistication required for the use of alternative fuels. The “idea of unlimited economic growth, more and more until everybody is saturated with wealth, needs to be seriously questioned on at least two counts: the availability of basic resources and, alternatively or additionally, the capacity of the environment to cope with the degree of interference required” (p. 26).

Schumacher places Keynes at the centre of contemporary problems: “Economic progress, Keynes counselled, is obtainable only if we employ those powerful human drives of selfishness, which religion and traditional wisdom universally call upon us to resist. The modern economy is propelled by a frenzy of greed and indulges in an orgy of envy, and these are not accidental features but the very causes of its expansionist success. The question is whether such causes can be effective for long or whether they carry within themselves the seeds of destruction. If Keynes says that ‘foul is useful and fair is not’, he propounds a statement of fact which may be true or false, or it may look true in the short run and turn out to be false in the longer run. Which is it?” (pp. 26 - 27).

He goes on to say that it is obvious that the affirmation is “false in a very direct, practical sense. If human vices such as greed and envy are systematically cultivated, the inevitable result is nothing less than a collapse of intelligence. A man driven by greed or envy loses the power of seeing things as they really are, of seeing things in their roundness and wholeness, and his very successes become failures. If whole societies become infected by these vices, they may indeed achieve astonishing things but they become increasingly incapable of solving the most elementary problems of everyday existence. The Gross National Product may rise rapidly: as measured by statisticians but not as experienced by actual people, who find themselves oppressed by increasing frustration, alienation, insecurity, and so forth” (p. 27).

Repeatedly in his essays and lectures of the late Sixties and early Seventies, Schumacher impugns Keynes as a promoter of greed and envy rather than the *temperantia* required by the situation. In 1972, Schumacher participated in a conference on Keynes organised by Joan Robinson, contributing a paper entitled “Does Economics Help? An Exploration of Meta-Economics”. Here, he avoids the man himself but criticizes traditional orthodox economics, for its assumption that the environment is, and will remain, capacious enough to host economic growth. In lectures given on a return visit to India in 1973, as evidenced in the quotation with

which we opened this paper, Keynes had essentially given way to Gandhi, in Schumacher's estimation. The Mahatma's lessons of "smallness", "simplification" and "non-violence" were more appropriate to contemporary dilemmas than were Maynard's gods of avarice and usury.

Conclusion

J. M. Keynes played an important role in the life of E. F. Schumacher. From his student days at Oxford in the early 1930's, Schumacher was a careful student of Keynes, reading and assimilating his work. During the critical years of World War II, when Schumacher was confined as an enemy alien and began to write about the reconstruction of postwar international economic institutions, he deliberately sought, and succeeding in gaining, contact with Keynes. While it remains unclear the extent to which he influenced the Keynes Plan, developed for Bretton Woods, it is clear that he fully engaged Keynes' attention. Obtaining a wartime appointment at Oxford through his activities, he became very involved in the discussions surrounding the plans for postwar reconstruction, whether at the international level or at the domestic level of Beveridge's Britain. So familiar was he with Keynes' work that he wrote the great man's obituary in *The Times* in 1946.

After 1950, Schumacher went from being a conventional, and technically highly competent, economist, to becoming a critic of Western development, based on science, technology and economic growth. With this he became firstly a critic of the World Bank, a key institution emerging from the pre-Bretton Woods, wartime discussions in which he had been involved. Then, as his own ethical influences evolved, Schumacher began to criticize Keynes himself, in particular singling out the emphasis, in "Economic Possibilities for our Grandchildren" (1930), on the continued need for the pursuit of lucre. By the time of the publication of his surprisingly successful *Small is Beautiful* (1973), Schumacher regarded Keynes as an insidious influence on contemporary attitudes, with his counsel of greed and envy amounting to a veritable "collapse of intelligence".

Bibliography

Black, Eugene, R. (1960), "The Age of Economic Development", *Economic Journal*, Vol. 70, No.278 (June), pp. 266 – 276

Chick, Victoria (2013), "Economics and the Good Life: Keynes and Schumacher", *Economic Thought*, Vol.2, No. 2, pp. 33 - 45

Crump, Norman (1943), "Post-War International Monetary Plans: A Discussion before the Royal Statistical Society", *Journal of the Royal Statistical Society*, Vol. 106, No. 3, pp. 201-213

Hession, Charles H. (1986), "E. F. Schumacher as Heir to Keynes' Mantle", *Review of Social Economy*, Vol. 44, No. 1, (April), pp. 1 – 12.

Hoda, M. M. (ed.) (1978), *Future is Manageable: Schumacher's Observations on Non-Violent Economics and Technology With a Human Face*, New Delhi: Impex

Kalecki, Michal and E. F. Schumacher (1943), “New Plans for International Trade: International Clearing and Long-term Lending”, Institute of Statistics, Oxford, (later became Oxford Bulletin of Economics and Statistics), Bulletin Vol. 5, Supplement No. 5, August 1943, pp. 29 – 32

Keynes, J. M. (1943), “Proposal for a International Clearing Union”, in (1980), *Activities, 1940 – 1944: Shaping the Post-War World. The Clearing Union*. Vol. 25 of *The Collected Writings of John Maynard Keynes*. Edited by Donald Moggridge. London: Macmillan for the Royal Economic Society.

Kern, William (1983), “Returning to the Aristotelian Paradigm: Daly and Schumacher”, *History of Political Economy*, Vol. 15, No. 4, pp. 501 – 512.

Leonard, Robert (forthcoming), “E. F. Schumacher and the Making of ‘Buddhist Economics’ 1950 - 1973”, *Journal of the History of Economic Thought*.

Rostow, Walter (1956), “The Take-Off Into Self-Sustained Growth”, *Economic Journal*, Vol. 66, No. 261 (March), pp. 25 - 48

Schumacher, Hermann (1923), “The Situation in the Ruhr”, *Economic Journal*, Vol. 33, No. 130 (June), pp. 155 – 162

Schumacher, E. F. (1935), “Inflation and the Structure of Production”, in Willis, H. Parker and John M. Chapman, *The Economics of Inflation*, New York: Columbia University Press.

Schumacher, E. F. (1935), “Inflation and the structure of production”, in Willis, H. P. and J.M. Chapman (eds.) The Economics of Inflation, New York: Columbia Univ. Press

_____ (1942), “United States Foreign Trade Policy”, *Agenda*, Vol. 1, No. 3, July

_____ (1943a), “Multilateral Clearing”, *Economica*, New Series, Vol. 10, No.?, pp. 150-65

_____ (1943b), “New Plans for International Trade: An International Clearing Union”, Institute of Statistics, Oxford, (later became Oxford Bulletin of Economics and Statistics), Bulletin Vol. 5, Supplement No. 5, August 1943, pp. 8 – 22

_____ (1944), Export Policy and Full Employment, Revised Ed., London: Fabian Publications Ltd. and Victor Gollanz

_____ (1945a), “Public finance – in relation to full employment”, in Burchardt, F. A. (ed.), The Economics of Full Employment, Oxford: Basil Blackwell

_____ (1945b), *What will Planning Mean in Terms of Money?*, Cheam: Architectural Press, Pamphlet

_____ (1945c), “Anglo-Egyptian Currency Relations”, *Institute of Statistics, Oxford, Bulletin*, Vol. 7, No. 2, (February), pp. 30 – 36

_____ (1945d), “Tax Incentives for Export”, *Institute of Statistics, Oxford, Bulletin*, Vol. 7, Nos. 6 & 7, pp. 124 - 127

_____ (1959), “Economics in a Buddhist Country” in Narayan, Jayaprakash, A Plea for Reconstruction of Indian Polity, (Varanasi, Wardha: A. B. Sarva Seva Sangh), Appendix A, pp. 81 – 88.

_____ (1962), “Help to Those Who Need It Most”, in *The Roots of Economic Growth*, Varanasi: Gandhian Institute of Studies, pp. 29 – 42.

_____ (1973), Small is Beautiful: Economics as if People Mattered. London: Blond & Briggs

Toye, John (2011), “The World Improvement Plans of Fritz Schumacher”, *Cambridge Journal of Economics*, Vol. 36, No.2, pp. 387 - 403

Vandewalle, G. (1986), “Romanticism and neo-romanticism in political economy”, *History of Political Economy*, Vol. 18, No. 1, pp. 33 – 47

Wood, Barbara (1984), *E. F. Schumacher: His Life and Thought*. New York: Harper & Row