

# Economics and the Good Life: Keynes and Schumacher

Victoria Chick, Department of Economics, University College London, UK  
[v.chick@ucl.ac.uk](mailto:v.chick@ucl.ac.uk)

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## Abstract

It is, I think, interesting to compare the views of E. F. Schumacher and J. M. Keynes on the ethical aspects of economics – both the economic systems of which they were a part and economics as a subject. Both agreed that economics (as commonly understood and taught) applied to only a limited sphere of life. They agreed about the role of profits, the market and the love of money. And they both believed that there was much more to life than getting and spending. For Keynes, economic activity was the means to bring society to a position where the good life could be enjoyed. Schumacher was even more ambitious: he thought economic activity should be made part of the good life.

**Keywords:** Keynes, Schumacher, the good life, ethics in economics, work, markets

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## 1. Introduction

A few years ago I had occasion (Chick 2011) to re-read E. F. Schumacher's *Small is Beautiful* (1973, hereafter SIB) for the first time since shortly after its publication. I was struck by the similarities to and differences from Keynes's approach to the ethical dimension of economic life. Both were interested in where the economy was heading over a long time horizon and in the ethical implications of its direction. They were both concerned with values, a subject in short supply in today's economics. In many ways their values were similar, but they came to startlingly different solutions about what should constitute the good life and how to achieve it. Both agreed that economics (as commonly understood and taught) applied to only a limited sphere of life. They agreed about the role of profits, the market and the love of money. And they both believed that there was much more to life than getting and spending. While Keynes accepted, with reservations, the economic system of his time as an efficient means of reaching a comfortable standard of living as a precondition for living the good life, Schumacher was far less forgiving and more far-reaching in his critique: he thought economic activity should be made part of the good life. And unlike Keynes, he was sharply critical of the values on which economics is based.

I interpret 'ethics' in its broader sense, i.e. a system of moral principles, rather than in the narrower (but no less important) sense of principles of individual conduct (the latter, after all, depend on the former) and discuss the principles that two thoughtful economists believed should guide our economic life.

I shall start with Keynes's stance and then introduce Schumacher's and make the comparison. One ancient and a few moderns intrude. A short evaluation concludes.

## 2. Keynes

### 2.1 The Economic Problem

In his Preface to *Essays in Persuasion* (1931, CW IX), Keynes characterises the longer view taken in the last four chapters:

'The author is looking onto the more distant future ... . [H]ere emerges more clearly what is in truth *the central thesis throughout* – the profound conviction that the economic problem[,] ... the problem of want and poverty and the economic struggle between classes and nations, is nothing but a frightful muddle, a transitory and unnecessary muddle. For the western world already has the resources and the technique ... capable of reducing the economic problem ... to a position of secondary importance.' (CW IX: xviii, emphasis added and Keynes's emphasis suppressed.)

His perspective is foreshadowed in 'Am I a Liberal?' (1925, CW IX), where he cites the three stages of development outlined by J. R. Commons<sup>1</sup>: the eras of scarcity, abundance and stabilisation. He argues that millennia of scarcity, where survival was the central issue, began to turn to abundance with the advances in the sixteenth century, reaching its apogee in the nineteenth. This was the period of 'the maximum of individual liberty [and] the minimum of coercive control through government' (1925, CW IX, p. 304). But by 1925 he discerned a turn toward 'a regime which deliberately aims at controlling and directing economic forces in the interests of social justice and social stability ...' (1925, CW IX, p. 305).

The third epoch sounds rather alarming, and he does speak of its abuses, fascism and 'Bolshevism', but there is also a benign interpretation. The nineteenth century went for economic growth and paid little attention to questions of equity and distribution. Society could now afford to address these questions. (Post-war governments, Attlee's in particular, concerned themselves with these matters, but Margaret Thatcher returned us to the nineteenth century where we have remained since.)

Although his stance in 'Am I a Liberal' seems to suggest that we have already achieved sufficient material wealth, a few years later,<sup>2</sup> in 'Economic Possibilities for our Grandchildren' (EPG) (1930, CW IX),<sup>3</sup> he perceives this position to be still some way off. Keynes wrote that the problem then current (in Britain or perhaps the western economies – he just says 'we') was technological unemployment (what a different explanation he will offer in *The General Theory!*), but '[t]his is only a temporary phase of maladjustment. ... [I]n the long run ... *mankind is solving its economic problem*' (EPG p. 325, his italics). Over the page he makes a prediction:

I draw the conclusion that, assuming no important wars and no important increase in population, the *economic problem* may be solved ... within a hundred years. This means that the economic problem is not ... *the permanent problem of the human race*. (EPG, p. 326, his italics.)

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<sup>1</sup> As was usual in those days, he gives no reference. Well-read people were supposed to know.

<sup>2</sup> This essay was first presented in 1928 (editorial note, CW IX, p. 321). It was revised before publication to account for the drastic change in economic circumstances between those years.

<sup>3</sup> In the case of material reprinted in the *Collected Writings* I shall give the date of original publication followed by citation of the reprint as CW, volume number and, where relevant, page number in CW. *The General Theory* will be cited as GT and 'Economic Possibilities' as EPG.

Well, there was an important war, and several less important ones, and population has increased – in the western economies largely by immigration but worldwide by a significant amount. Without these factors, ‘we’ could, according to this estimate, expect to arrive at Bliss twenty years from now. He concerns himself with whether the habit of getting and spending can be transformed into something more pleasurable, involving considerably less work and time to enjoy the Moorean ideals of friendship, aesthetic appreciation and the pursuit of knowledge (Moore 1922). He is somewhat despairing of the new leisure catching on, but he recommends ‘making mild preparations [by] encouraging ... the arts of life as well as the activities of [economic] purpose’ (EPG, p. 331).

## **2.2 Capital Satiety**

By the time of *The General Theory* (GT) (1936, CW VII), the focus had changed slightly. Keynes’s ‘method of expectations’ made investment in productive capital the autonomous variable and thus the driving force of the economy. But he issued a warning which Keynesians in the era of ‘fine tuning’ universally ignored: ‘Each time we secure to-day’s equilibrium by increased investment we are aggravating the difficulty of securing equilibrium tomorrow’ (GT, p. 105). This applies both to the increasing gap between consumption and income as the economy expands – a short-period proposition and the context of the remark – and to the long period, when changes in the capital stock are considered.

Very little of the *General Theory* is concerned with what happens when the effects of investment on the supply of output and the incentive to invest in future are allowed into the analysis. This is the province of the long period. Long-period theory is concentrated in Chapter 17, which many commentators found daunting at least and irrelevant at worst; it has thus not received as much attention as it deserves. As capital accumulates (that is, as production becomes more capital-intensive), the expected productivity and profitability (the marginal efficiency of capital, MEC) of further accumulation tends to decline. The offsetting factors are technical change and population growth, factors held constant in *The General Theory*. Without these offsets, eventually, the declining MEC will eventually reach equality with the rate of interest, at which point net new investment is no longer profitable and stops. On this conclusion, Marx, Keynes and neoclassical economists agree, though the analyses by which they reached it differ.

Keynes’s concern in Chapter 17 was that, because of liquidity preference and the non-reproducibility of money, the rate of interest would be set too high; then the point of nil net investment would be reached at a level of income where positive saving is still desired. The only remedy is for income to fall until the desire to save is reduced to zero, a position which implies unemployment (GT, pp. 105, 218).

But there is another strand of thought about accumulation in the GT: that there would come a time when that capital was sufficient to provide for our needs, in the richer countries. Or perhaps that should be rephrased: if we could take steps to bring the rate of interest down so that unemployment was not a long-period outcome, we could look forward to a sufficiency of productive capital. He was not averse to a zero-growth economy, provided only that it was brought about at a rate of interest low enough to allow full employment: ‘I am myself impressed with the great social advantages of increasing the stock of capital until it ceases to be scarce’ (GT, p. 327). Indeed, Robert Chernomas wrote an article whose whole purpose was to argue that ‘the *General Theory* ... is, from beginning to end, a tract for a post-scarcity society’ (Chernomas, 1984, p. 1007). The last part of *Essays in Persuasion*, too, looks beyond the difficulties of 1931; part of Keynes’s purpose is to ward off despair, with its

potentially dangerous political consequences. Keynes realised, however, that there would be dislocations, though this example is rather gentle<sup>4</sup>:

[A] little reflection will show what enormous social changes would result from a gradual disappearance of a rate of return on accumulated wealth. A man would still be free to accumulate his earned income with a view to spending it at a later date. But his accumulation would not grow. He would simply be in the position of Pope's father, who, when he retired from business, carried a chest of guineas with him to his villa at Twickenham and met his household expenses from it as required' (GT, p. 221).

In 'National Self-sufficiency' (1933, CW XXI, p. 240) Keynes speaks of the necessity for the rate of interest to fall 'towards vanishing point within the next thirty years' if the threat of long-term underemployment is to be avoided. In the GT Keynes provided another estimate of when this might come about: if full employment could be sustained 'in countries so wealthy as Great Britain or the United States', a situation of 'full investment [i.e. capital satiety] ... might be reached ... within twenty-five years or less' (GT, p. 324). These estimates bring us, without the War, to 1961-66!<sup>5</sup>

### **2.3 Keynes's Values**

The reason that Keynes was unperturbed by the prospect of a zero-growth economy lay in his understanding of what economics was for: it lay in the value system that we have already seen in EPG and know from his other writings on, for example, the arts. To neoclassical economists, as well as to capitalists, economic growth is almost an end in itself. At best growth is 'good' because it provides employment. But Joan Robinson long ago reminded us to ask 'what is employment for?' (Robinson 1972, p. 8). What is economic activity for? First, to provide food, clothing and shelter, but after that, what? To Keynes, economic activity was merely a means to the end: a good life, where there is time for 'friendship and the contemplation of beautiful objects'. He was content with the economics of enough – enough to provide for needs so that the good things of life could be enjoyed.<sup>6</sup>

A recent book revisited EPG (Pecchi and Piga, 2008). Its general tone was 'Keynes thought he was so clever. How could he have got it so wrong? Te he! Silly man.' No one took this value system seriously<sup>7</sup> and explored why others might not share it or what forces might be ranged against its realisation. Many remarked on the seeming insatiability of consumers, though ever since *The Hidden Persuaders* (Packard 1957) we have been rather knowing about advertising and Duesenberry (1967) taught us about 'positional consumption' – though Keynes knew that too:

'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 to be, and

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<sup>4</sup> I have explored the less gentle dislocations and resistance to them in Chick 2009 and 1978.

<sup>5</sup> I wonder what caused him so drastically to revise down his estimate from EPG, especially given the rise of Hitler in the interval. Robert Skidelsky (private communication) suggests the advent of full employment policy. I am not so sure.

<sup>6</sup> In his own life, he earned far more than was 'necessary'. But he spent much of it on cultural pursuits, including treats for his friends, and he worked for Cambridge University without pay after the first few years.

<sup>7</sup> As Mario Cedrini pointed out in his comments on the paper, the only contributor to address it (Fitoussi) did so critically, disparaging Keynes for 'freeing himself from economic rigor' to '[attempt] to unveil his moral philosophy'. The message is clear: economists have no business meddling in ethical or moral issues; they have nothing to lose but their rigor.

those which are relative in the sense that we feel them only if their satisfaction lifts us above ... our fellows.' (EPG, p. 326)

But having raised the point, he ignores it, concentrating only on the satiability of the first kind of need. Why did Keynes, having recognised positional consumption, then ignore it? I would hazard the guess that positional consumption did not fit with his values and that he underestimated how rare his values were. It takes self-confidence to dismiss keeping up with the Joneses and base ones self-esteem on other values. Keynes had plenty of self-confidence – and plenty of non-material values. These were reinforced by membership of the Bloomsbury Group, whose ethos was to ignore what others thought of them and pursue the Moorean ideal.

By contrast, many of the authors in the Pecchi and Piga volume, and also Skidelsky and Skidelsky (2012) – much more amiably – concentrate on insatiable consumer demand. Indeed the latter give insatiability as one of the two forces preventing the realisation of Keynes's vision, the other being the power relations existing in capitalism (In my view the two are causally related). However, in both these books, the reasons for insatiability go beyond Keynes's positional motivation. Frank, in Pecchi and Piga (2008), looks at the insatiable demand for ever-improving or ever-more affordable quality. Skidelsky and Skidelsky (2012, pp. 34-9) identify five motives, only three of which are relative. These authors could argue that Keynes's category failed to capture the importance of the problem because it was simply too narrow: the demand for positional goods may be insatiable, but not all insatiable demands are positional.

But how to reach the post-scarcity economy? For Keynes, economic growth was a means to an end: a reasonable standard of living for all (at least in the west), which he looked forward to in EPG. When everybody has enough, we shall:

'once more value ends above means and prefer the good to the useful. But beware! The time for all this is not yet. For at least another hundred years we must pretend to ourselves and to others 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 while still, for *only they* can lead us out of the tunnel of economic necessity into light.' (EPG, p. 331. Italics added.)

This passage enraged Schumacher: Keynes is saying that '[e]thical considerations are not merely irrelevant, they are an actual hindrance ... The road to heaven is paved with bad intentions' (p. 10). This thinking was the 'antithesis of wisdom'.

### **3. Schumacher**

#### **3.1 Means and Ends**

Keynes, Schumacher wrote:

'advised us [in EPG] that the time was not yet for a 'return to some of the most sure and certain principles of religion and traditional virtue – that avarice is a vice, that the exaction of usury is a misdemeanour, and the love of money is detestable'. Economic progress, he 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. ...

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, ... and his very successes become failures' (SIB, pp. 15-16).

Moore insisted on the Aristotelian principle of distinguishing sharply between means and ends, which he designated the realms of 'practical ethics' and 'speculative ethics' respectively, the former dealing with 'how to' questions and the latter with 'why' questions. But one would hope that the two show at least some consistency between them. Here, however, we have a case of apparent conflict: the principles do not seem to be coherent. It is all very puzzling. Keynes viewed capitalism as an efficient way to organise production, though he thought it had many objectionable features (1926, CW IX, p. 294). To Schumacher's disgust, Keynes seems to have been prepared to put up with, even promote, some unpleasant human qualities, which he thought the economic system depended on, to achieve his desired end – material sufficiency.<sup>8</sup>

This is a charge that needs to be considered, but Schumacher's further allegation, that Keynes championed unfairness, I believe is a step too far. It is, after all, based on nothing more than a little word play with the witches' speech, play that might contain a grain of truth but not more.

More seriously, is the separation of means and ends an illusion? Keynes does confront the possibility that, having cultivated these unpleasant qualities to get where one wants to go, it may become impossible to see, when they have outlived their usefulness, that they were only means. Psychological features encouraged over many years are likely to become entrenched:

'[W]e have been expressly evolved by nature ... for the purpose of solving the economic problem ... I think with dread of the readjustment of the habits and instincts of the ordinary man, bred into him for countless generations, which he may be asked to discard within a few decades' (EPG, p. 327).

Worse, the means could dictate ends (SIB, p. 31). And at the level of the individual they are corrosive.

Keynes agrees with Schumacher that these values are corrosive. His condemnation of the love of money as a 'somewhat disgusting morbidity' (EPG, p. 320) is well known. Earlier, he reflected, in his review of H. G. Wells's *The World of William Clissold* (1928, CW IX), on why 'practical men find it more amusing to make money' than to join the 'open conspiracy' to create a better society:

'They lack altogether the kind of motive, the possession of which, if they had it, could be expressed by saying they had a creed. ... That is why ... they fall back on the grand substitute motive, the perfect *ersatz*, the anodyne for those who, in fact, want nothing at all – money' (pp. 319-20).

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<sup>8</sup> This disjuncture reminds me of nothing so much as the mainstream conception of the long and short runs, which have nothing to do with one another. By contrast, Keynes understood the long run to arise organically out of a series of short runs – exactly the opposite of what seems to be happening here.



Perhaps in EPG Keynes was being ironic. He had a fondness for irony – the GT is full of it and some of it has badly backfired (notably the bit about burying banknotes in bottles and digging them up again, p. 129). He would have been familiar with the Principle of Unripe Time from the brilliantly satirical *Microcosmographica Academica* (Cornford 1908), and what is this if not a classic example? Catephores (1991, p. 24)<sup>9</sup> refers to the ‘facetious style’ of EPG, and Skidelsky (1992) regards it as a jeu d’esprit. At the very least he was exaggerating. Even Schumacher notes that the view Keynes expressed in EPG is not borne out in his other writings:

‘[I]n contradiction to his own advice (already quoted) that ‘avarice and usury and precaution must be our gods for a little longer still’, he admonished us not to ‘overestimate the importance of the economic problem, or sacrifice to its supposed necessities other matters of greater and more permanent significance’ (SIB, p. 24).

But Schumacher takes him at face value, and so shall we, at least for now. After all, Keynes did say that it was *only* avarice, usury and precaution which could bring us to the Promised Land where the good life could be enjoyed.

Schumacher, by contrast, wanted to reorganise our economic life to make that life an integral part of the good life. This pertained especially to work and the environment. Indeed it is with the environment that he begins his critique of both economic life and economics as a subject:

‘One of the most fateful errors of our age is the belief that ‘the problem of production’ has been solved. ... The arising of this error, so egregious and so firmly rooted, is closely connected with ... man’s attitude to nature. ... Modern man does not experience himself as a part of nature but as an outside force destined to dominate and conquer it. He even talks of a battle with nature, forgetting that, if he won the battle, he would find himself on the losing side’ (SIB, p. 2).

Keynes viewed production as unambiguously desirable because it gave us material prosperity and employment and would bring us to the point where the good life could be enjoyed. So rosy was his view of large companies that he believed that the rise of joint-stock ownership, by the passivity of the shareholders, freed management to act more in the public interest than as profit-seekers (1926, p. 289)! Schumacher, by contrast, was alive to the rapacious side of industry and its effects not only the environment but also on human beings:

‘[T]he modern industrial system ... lives on irreplaceable capital which it cheerfully treats as income. I specified three categories of such capital: fossil fuels [as an example of resource depletion], the tolerance margins of nature, and the human substance’ (SIB p. 7).

We are now far more aware of our finite resources and our abuse of them than we were in Schumacher’s time, let alone Keynes’s, and industry too has changed since Keynes wrote. It has become bigger, more powerful and less socially responsible. But could it also be the case that Keynes had not escaped the usual economists’ outlook, simply accepting that this is how production took place and where employment was to be found?

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<sup>9</sup> This brilliant, insightful essay deserves to be much better known.

### 3.2 Work

A difference of outlook also marks the two men's attitude to work. Where Keynes saw industry as largely benign and unemployment as destructive of human capacities and dignity even though much employment was drudgery, Schumacher emphasised the soul-destroying quality of much employment but at the same time recognised the contribution of fulfilling work to self-realisation, a point Keynes would have known for himself and witnessed in his Bloomsbury friends. How much the two really differ is a matter of balance, but the place each gives to work in the good life reflects a more negative evaluation on the part of Keynes.

Schumacher admired the Buddhist mode of economic organisation, learned from travels in Burma.<sup>10</sup>

'The Buddhist point of view takes the function of work to be at least threefold: to give a man a chance to utilise and develop his faculties; to enable him to overcome his egocentredness by joining with other people in a common task; and to bring forth the goods and services needed for a becoming existence. Again, the consequences that flow from this view are endless. To organise work in such a manner that it becomes meaningless, boring, stultifying, or nerve-racking for the worker would be little short of criminal: it would indicate a greater concern with goods than with people, an evil lack of compassion and a soul-destroying degree of attachment to the most primitive side of this worldly existence. Equally, to strive for leisure as an alternative to work would be considered a complete misunderstanding of one of the basic truths of human existence, namely that work and leisure are complementary parts of the same living process and cannot be separated without destroying the joy of work and the bliss of leisure. ...

If a man has no chance of obtaining work he is in a desperate position, not simply because he lacks an income but because he lacks this nourishing and enlivening factor of disciplined work which nothing can replace. ...

The very start of Buddhist economic planning would be a planning for full employment, and the primary purpose of this would in fact be employment for everyone who needs an 'outside' job: it would not be the maximisation of employment nor the maximisation of production' (SIB, pp. 33-35).

But no man is perfect. In his next sentence he declares, 'Women, on the whole, do not need an "outside" job...', thus casually denying to half the human race access to 'nourishing and enlivening work which nothing can replace', where she can 'utilise and develop' her faculties, and work with others on a common task – in other words to participate in an activity which leads to development and autonomy.<sup>11</sup>

Apart from that spectacular lapse, Schumacher is of course right: work should contribute to self-realisation and be part of the good life, not viewed as outside the good life and thus minimised.<sup>12</sup> But, as he points out, the way economics treats work encourages the

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<sup>10</sup> He points out that the principles he expounds are shared by many other religions, and cites Pius XI and the Anglican theologian (and mystery writer) Dorothy L. Sayers in this connection as well.

<sup>11</sup> Subtext: Were she to gain autonomy she might be less willing to be a servant to man. It is not she, but *he* who has 'no need' for her to have an 'outside' job.

<sup>12</sup> On a visit to the Minton china factory rather a long time ago (I think they now manufacture in China) I was told an interesting story. Following the dictates of 'efficiency', the making of a teapot was the work of several potters - one to make the spout, another the handle, the lid, the body. But the workers expressed dissatisfaction: no one was actually making a teapot. The management restored responsibility for each entire pot to individual potters. Morale improved.



latter evaluation. Or perhaps it is the other way round: the rise of mass production gave rise to boring and stultifying work, and the assumption that this was the norm was incorporated into economic theory, where work is a disutility and a cost, so it is in the interest of both producer and worker to do as little as possible to produce the desired output (and call it efficiency). To speak thus of the desired output is an illustration of another of his criticisms of economics: that it puts goods before people. Economists' obsession with GDP:

'shift[s] the emphasis from the worker to the product of work. From a Buddhist point of view, this is standing the truth on its head by considering goods as more important than people and consumption as more important than creative activity' (SIB, p. 34).

Schumacher's artisans engaging in creative activity bear a resemblance to Marx's unalienated labour, work in which the worker has full control over the production process and time spent doing it. Skidelsky and Skidelsky (2012, p. 165) distinguish work done for money (or some other extrinsic goal) and work done for its own sake. The latter, somewhat confusingly, they call leisure, which they distinguish from mere rest. Although their leisure is not quite the same thing as Marx's concept, they note that the two concepts share the property of freedom from compulsion. But the border between work and this concept of leisure is not at all clear in those jobs which are enjoyable in their own right,<sup>13</sup> as they acknowledge.

Other contemporary writers who see that this type of labour is part of the good life, in the way that much work is not, include Potts and Simms (2012), Sennett (2008) and Simms (2013). But in a modern world, it is difficult to imagine this type of labour being the dominant form of work. Nor did Schumacher think that everyone should or could become an artisan. The point of the Buddhist example is to contrast the conception of work and prioritisation of people over things that that vision represents, and thereby to challenge the assumptions of economics.

### **3.3 The Market**

The question Schumacher does not ask is what if all this creative activity gave rise to goods nobody wanted? But of course almost anything can be sold at some price, especially with a bit of hidden persuasion. Schumacher has a wonderful time lambasting 'the market' and its place in economics:

'In the current vocabulary of condemnation there are few words as final and conclusive as the word 'uneconomic'. If an activity has been branded as uneconomic, its right to existence is not merely questioned but energetically denied. Anything that is found to be an impediment to economic growth is a shameful thing ... Call a thing immoral or ugly, soul-destroying or a degradation of man, a peril to the peace of the world or to the well-being of future generations: as long as you have not shown it to be 'uneconomic' you have not really questioned its right to exist, grow, and prosper.

But what does it mean when we say something is uneconomic?: something is uneconomic when it fails to earn an adequate profit in terms of

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<sup>13</sup> I am reminded of a debate in Senate on the appropriate payment of PhD examiners. One colleague said, 'We don't do it for the money', and another replied, 'no, but we don't want to do it for free either'.

money. The method of economics does not, and cannot, produce any other meaning' (SIB, p.24).

And he hates that. But so did Keynes:

'The nineteenth century carried to extravagant lengths the criterion of what one can call for short 'the financial results', as a test of the advisability of any course of action sponsored by private or by collective action. The whole conduct of life was made into a sort of parody of an accountant's nightmare.

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The same rule of self-destructive financial calculation governs every walk of life. We destroy the beauty of the countryside because the unappropriated splendours of nature have no economic value. We are capable of shutting off the sun and the stars because they do not pay a dividend.' (1933, CW XXI, pp. 239-40. See also GT, p. 129.)

There are really two connected issues here: the distinction between private profit and social usefulness on the one hand and between intrinsic value and market price, but both Keynes and Schumacher agree that to apply the criterion of market price and profitability to nearly everything is a vast mistake (Oscar Wilde's definition of a cynic springs to mind).

In markets, only exchange value counts: the intrinsic value of things is of no interest. Schumacher characterised the market as the 'institutionalisation of individualism and non-responsibility' (p. 25).

In the example of Buddhist organisation, goods are produced locally for local use, not for an impersonal market. This implies a good correspondence between use-value and exchange value which both producers and consumers know and understand, so the problem of unwanted output that I posed as the lead into this section is unlikely to be serious.

But, again, Schumacher did not advocate village economics, but rather the principle of subsidiarity. This meant doing things:

'...at the smallest *appropriate* scale. Hence, Schumacher's vision wasn't that everything should be small and local, but that in all things, ranging from decision-making in firms, to growing and distributing food and generating energy, our default position should be toward [a] human scale.' (Simms 2011, no pagination. Italics added.)

### **3.4 Localism**

Schumacher had several aims: to restore human dignity, to bring work into the good life, to preserve the planet. His prescription, which, if successful, would have gone some way to achieve these aims, was not just to accept the existing possibilities for subsidiarity but also, where possible, to develop cheap technology that is able to be used on a small scale and encourage creativity:

'so that people have a chance to enjoy themselves while they are working, instead of working solely for their pay packet and hoping, usually forlornly, for enjoyment solely during their leisure time' (SIB, p. 8).

Imagine how he would have hated the phrase 'work/life balance'.

'I have no doubt that it is possible to give a new direction to technological development, a direction that shall lead it back to the real needs of man, and that also means: to the actual size of man. Man is small, and, therefore, small is beautiful' (p. 111).

A noble aim, but now further away than ever. But that is a story for another day.

#### **4. Conclusion**

Both Keynes and Schumacher were concerned with the Good Life, and many elements in what they considered that life to be were similar. But it cannot be doubted that Schumacher's vision included a factor which Keynes, despite his evident enjoyment in his own work, did not see as part of the good life in general. The economic machine was efficient; it could soon produce enough for all, at least in the advanced countries. Therefore there was no need to work long hours. It seems that he followed the presupposition of his subject, that work was only a chore and a cost. The idea of working less 'efficiently' but in a more satisfying way was apparently no part of his vision.

The result, for Schumacher, was a much more radical proposal. Keynes spoke of the 'transformation of society' (CW XXI, p. 240), when there was enough output for all and enough capital to make it, but the structure of production was something he did not question. This may be a manifestation of his pragmatism; Schumacher does come across as utopian by comparison. And while Schumacher's criticism was aimed mainly at the means Keynes espoused, Schumacher does not discuss means at all: there is precious little discussion of how subsidiarity can be achieved, apart from the discussion of appropriate technology.

The lesson which I found most important is the insidious quality of the assumptions of economics. Schumacher is spot on.

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