

E.F. Schumacher
Small is
Beautiful
Economics as if
People Mattered

Chapter 13

Two Million Villages

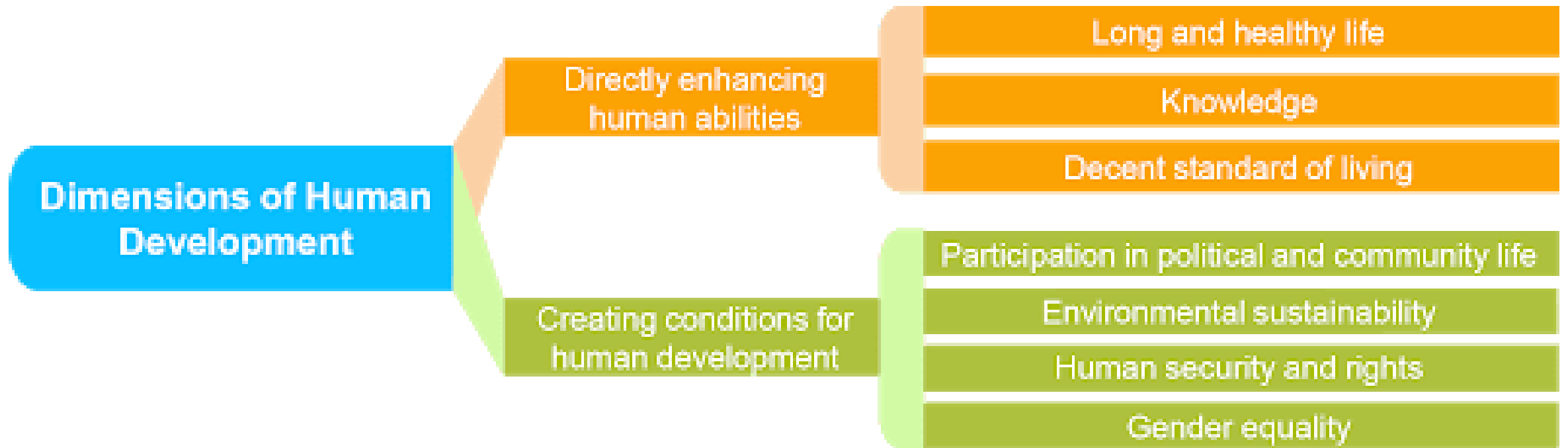
A Lonergan Institute Seminar

St Anselm's Abbey

Discussion Question:
What Do We Mean When
We Say that a Country
Needs To Be Developed?

From Schumacher:

"If we talk of promoting development, what have we in mind - goods or people? If it is people - which particular people? Who are they? Where are they? Why do they need help? If they cannot get on without help, what, precisely, is the help they need? How do we communicate with them? Concern with people raises countless questions like these."



From Schumacher



Kingston Jamaica

"If we have learnt anything from the last ten or twenty years of development effort. it is that the problem presents an enormous intellectual challenge. The aid-givers - rich, educated, town-based - know how to do things in their own way: but do they know how to assist self-help among two million villages, 'among two thousand million villagers - poor, uneducated, country-based? They know how to do a few big things in big towns; but do they know how to do thousands of small things in rural areas? They know how to do things with lots of capital: but do they know how to do them with lots of labor - initially untrained labor at that? "

“The best aid to give is intellectual aid, a gift of useful knowledge. A gift of knowledge is infinitely preferable to a gift of material things.”
- E.F. Schumacher

A Catholic Framework for Economic Life" offers ten key principles to help Catholics reflect on the values that should shape our participation in economic life. It was written by the bishops of the United States based on the Catechism of the Catholic Church, papal encyclicals, the pastoral letter Economic Justice for All, and other statements of the U.S. Catholic bishops:

1. The economy exists for the person, not the person for the economy.
2. All economic life should be shaped by moral principles. Economic choices and institutions must be judged by how they protect or undermine the life and dignity of the human person, support the family and serve the common good.
3. A fundamental moral measure of any economy is how the poor and vulnerable are faring.
4. All people have a right to life and to secure the basic necessities of life, such as food, clothing, shelter, education, health care, safe environment, and economic security
5. All people have the right to economic initiative, to productive work, to just wages and benefits, to decent working conditions as well as to organize and join unions or other associations.



William Blake: The Good Samaritan

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6. All people, to the extent they are able, have a corresponding duty to work, a responsibility to provide for the needs of their families and an obligation to contribute to the broader society.

7. In economic life, free markets have both clear advantages and limits; government has essential responsibilities and limitations; voluntary groups have irreplaceable roles but cannot substitute for the proper working of the market and the just policies of the state.

8. Society has a moral obligation, including governmental action where necessary, to assure opportunity, meet basic human needs, and pursue justice in economic life.

9. Workers, owners, managers, stockholders and consumers are moral agents in economic life. By our choices, initiative, creativity and investment, we enhance or diminish economic opportunity, community life and social justice.

10. *The global economy has moral dimensions and human consequences. Decisions on investment, trade, aid and development should protect human life and promote human rights, especially for those most in need wherever they might live on this globe.*



Caravaggio: Christ Expulses Money Changers

From Schumacher

“This, then, should become the ever-increasing preoccupation of aid programmed - to make men self-reliant and independent by the generous supply of the appropriate intellectual gifts, gifts of relevant knowledge on the methods of self-help. This approach, incidentally, also has the advantage of being relatively cheap, that is to say, of making money go a very long way.”

From USAID:

Self-Reliance is a country's capacity to plan, finance, and implement solutions to local development challenges, as well as the commitment to see these through effectively, inclusively, and with accountability. Policy makers and development partners alike need to understand how best to design and implement policies and programs and foster relationships that support countries on their journey to self-reliance.



Fish Farming

What Do Poor People Want?

From Schumacher:

"As I have said already, poor people have relatively simple needs, and it is primarily with regard to their basic requirements and activities that they want assistance."

"So what do poor people want? Thanks to some very big studies, such as the World Bank's [Voices of the Poor](#), which involved 60,000 people in 60 countries, we have a pretty good idea. There's a long list. But near the top in most countries is a desire for a job, better connections to the rest of the world, a reduced threat of violence, and an end to the regular daily humiliations and disrespect that are too often the reality for poor people."

Source: <https://www.theguardian.com/global-development/poverty-matters/2011/mar/17/what-poor-people-want>



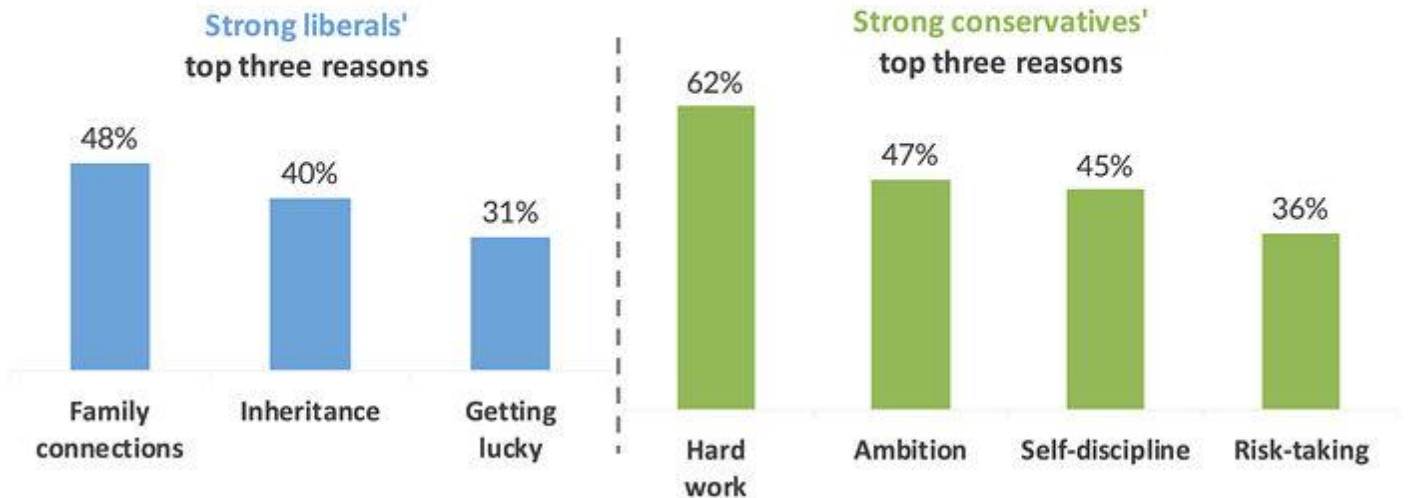
What Causes the Poor to be Poor?

From Schumacher:

“It is quite wrong to assume that poor people are generally unwilling to change; but the proposed change must stand in some organic relationship to what they are doing already, and they are rightly suspicious of, and resistant to, radical changes proposed by town-based and office-bound innovators who approach them in the spirit of: ‘You just get out of my way and I shall show you how useless you are and how splendidly the job can be done with a lot of foreign money and outlandish equipment.’”

What causes wealth? Liberals emphasize external forces; conservatives focus on personal agency

Of the following, which three reasons do you think are the most important in determining a person's wealth or success?



CATO INSTITUTE 2019 WELFARE, WORK, & WEALTH NATIONAL SURVEY

What Causes the Poor to be Poor?

"We all know that history has proceeded very differently for peoples from different parts of the globe. In the 13,000 years since the end of the last Ice Age, some parts of the world developed literate industrial societies with metal tools, other parts developed only nonliterate farming societies, and still others retained societies of hunter-gatherers with stone tools. Those historical inequalities have cast long shadows on the modern world, because the literate societies with metal tools have conquered or exterminated the other societies. While those differences constitute the most basic fact of world history, the reasons for them remain uncertain and controversial."

- Jared Diamond, from *Guns, Germs, and Steel*



Hernan Cortes conquers the Aztec Empire

What Causes Economic Development?



Slavery in the U.S. - Cotton Field

“One of the myths is that slavery was not fuel for the growth of the American economy, that it actually puts the brakes on US growth. Another myth is that slavery, in and of itself as an economic system, was unchanging. The third myth about this is that there was not a tight relationship between slavery in the South and what was happening in the North and other parts of the modern Western world in the 19th century. It was a very close relationship: Cotton was the No. 1 export from the US, which was largely an export-driven economy as it was modernizing and shifting into industrialization.

So, those are the three myths: that slavery did not cause in any significant way the development and transformation of the US economy, that slavery was not a modern or dynamic labor system, and that what was happening in the South was a separate thing from the rest of the US.”

Source:

<https://www.vox.com/identities/2019/8/16/20806069/sla-very-economy-capitalism-violence-cotton-edward-baptist>

What Causes Economic Development?

Factors of Economic Growth

- 1 Natural Resources
- 2 Physical Capital or Infrastructure
- 3 Population or Labor
- 4 Human Capital
- 5 Technology
- 6 Law

Factors of Limiting Growth

- 1 Poor Health & Low Levels of Education
- 2 Lack of Necessary Infrastructure
- 3 Flight of Capital
- 4 Political Instability
- 5 Institutional Framework
- 6 The World Trade Organization

Source: <https://www.intelligenteconomist.com/economic-growth/>

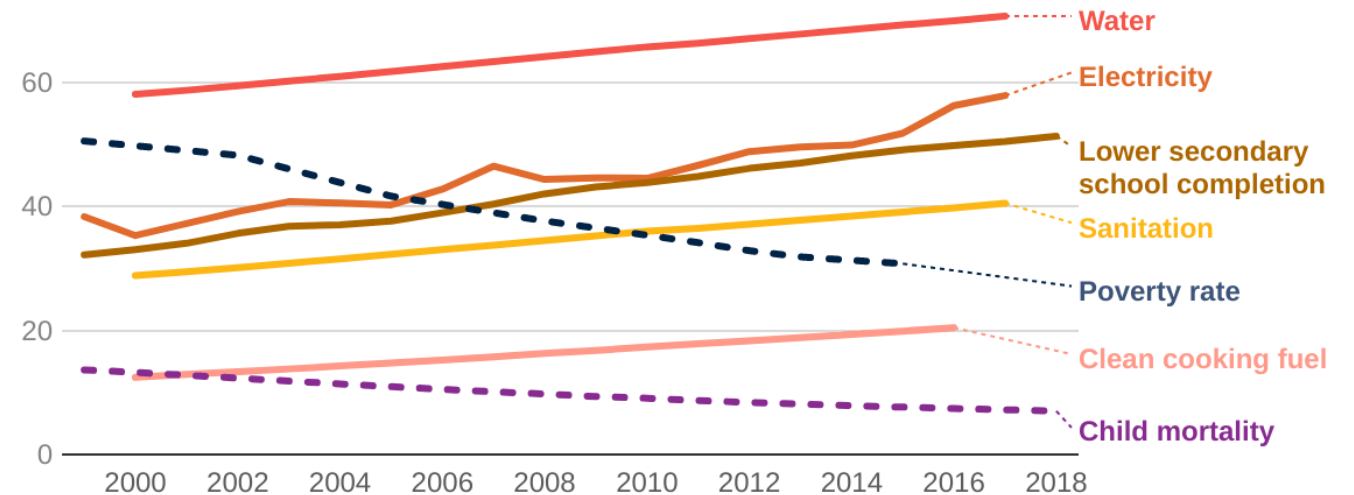
From Schumacher

“Why is it so difficult for the rich to help the poor? The all-pervading disease of the modern world is the total imbalance between city and countryside, an imbalance in terms of wealth, power, culture, attraction, and hope. The former has become over-extended and the latter has atrophied. The city has become the universal magnet, while rural life has lost its savor. Yet it remains an unalterable truth that, just as a sound mind depends on a sound body, so the health of the cities depends on the health of the rural areas.”

However, despite inequities, progress is being made:

Two decades of progress in the world's poorest countries*

Rates in IDA countries for access to at least basic drinking water, basic sanitation, clean cooking fuel, and electricity, and rates for lower secondary school completion, people living below extreme poverty, and mortality of children under age 5.



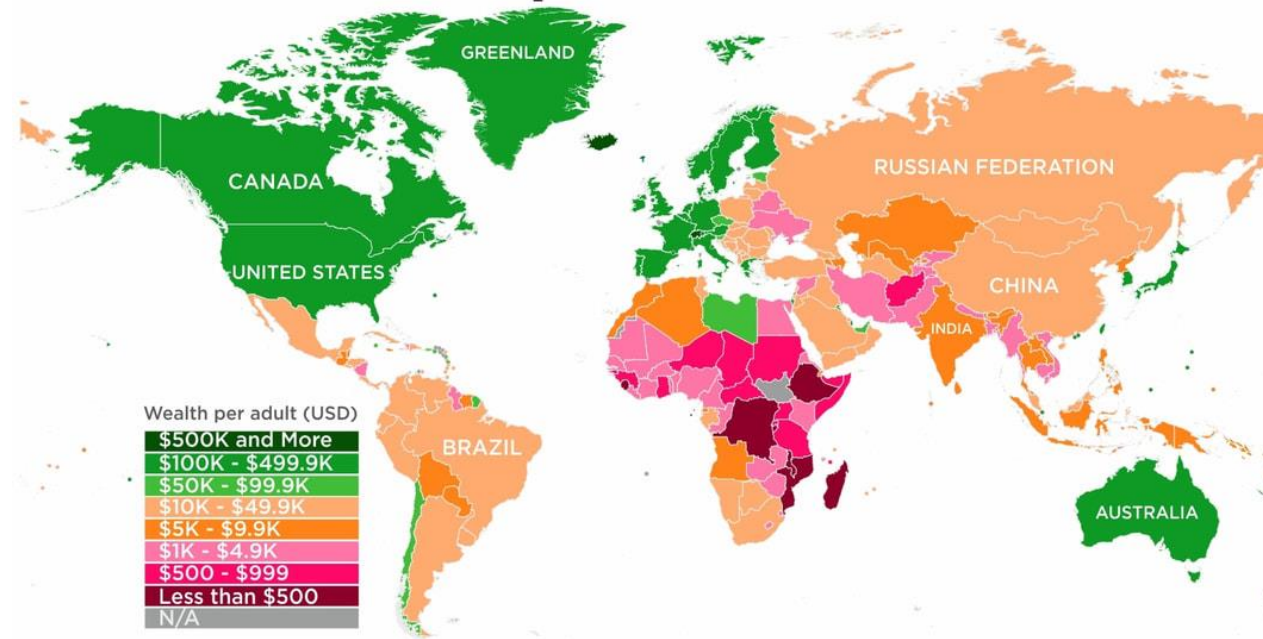
*Lower income countries receiving assistance from the World Bank's International Development Association (IDA).

The dashed lines display indicators that show progress with declining trend, while solid lines display indicators that show progress with rising trend.

Source: World Bank IDA RMS database • Embed this chart

Final Thoughts on Economic Development?

World Wealth Map 2018



Article & Sources:
<https://howmuch.net/articles/world-wealth-map-2018>
Credit Suisse - <https://www.credit-suisse.com/>

howmuch

From Schumacher:

“Economic development is something much wider and deeper than economics, let alone econometrics. Its roots lie outside the economic sphere, in education, organization, discipline and, beyond that, in political independence and a national consciousness of self-reliance. It cannot be ‘produced’ by skillful grafting operations carried out by foreign technicians or an indigenous elite that has lost contact with the ordinary people. It can succeed only if it is carried forward as a broad, popular ‘movement of reconstruction’ with primary emphasis on the full utilization of the drive, enthusiasm, intelligence, and labor power of everyone. Success cannot be obtained by some form of magic produced by scientists, technicians, or economic planners. It can come only through a process of growth involving the education, organization, and discipline of the whole population. Anything less than this must end in failure.”



THE END



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