

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

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*Chapter 18*

Ownership

*A Lonergan Institute Seminar*

*St Anselm's Abbey*



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# From Schumacher, quoting Tawney:

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'It is obvious, indeed, that no change of system or machinery can avert those causes of social malaise which consist in the egotism, greed, or quarrelsomeness of human nature. What it can do is to create an environment in which those are not the qualities which are encouraged. It cannot secure that men live up to their principles. What it can do is to establish their social order upon principles to which, if they please, they can live up and not live down. It cannot control their actions. It can offer them an end on which to fix their minds. And, as their minds are, so in the long run and with exceptions, their practical activity will be.'



Initial comments and thoughts?



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# Who is R.H. Tawney?

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**Richard Henry Tawney**, (born Nov. 30, 1880, [Calcutta](#), India—died Jan. 16, 1962, [London](#), Eng.), English economic historian and one of the most influential social critics and reformers of his time. He was also noted for his scholarly contributions to the economic [history](#) of [England](#) from 1540 to 1640. Tawney was an [ardent](#) socialist who helped formulate the economic and [moral](#) viewpoint of [Britain's Labor Party](#) in the 1920s and '30s by his influential publications. He served on numerous economic committees and as an adviser to governmental bodies, and he campaigned vigorously for social reforms. Many of them—raising of the school-leaving age, extension of workers' [education](#), fixing of minimum wages—were adopted.

Some of his works include:

*The Agrarian Problem in the Sixteenth Century* (1912).

*The Acquisitive Society* (1920)

[Religion and the Rise of Capitalism](#) (1926)

# From Schumacher

“Every problem touched upon in the preceding chapters leads to the question of 'system or machinery', although, as I have argued all along, no system or machinery or economic doctrine or theory stands on its own feet: it is invariably built on a metaphysical foundation, that is to say, upon man's basic outlook on life, its meaning and its purpose. I have talked about the religion of economics, the idol worship of material possessions, of consumption and the so-called standard of living, and the fateful propensity that rejoices in the fact that 'what were luxuries to our fathers have become necessities for us'.”



What happens when conspicuous consumption becomes global?

# From Schumacher

“The answer is self-evident: greed and envy demand continuous and limitless economic growth of a material kind, without proper regard for conservation, and this type of growth cannot possibly fit into a finite environment. We must therefore study the essential nature of the private enterprise system and the possibilities of evolving an alternative system which might fit the new situation.”



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# From Schumacher

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“For it is not private ownership, but private ownership divorced from work, which is corrupting to the principle of industry; and the idea of some socialists that private property in land capital is necessarily mischievous is a piece of scholastic pedantry as absurd as that of those conservatives who would invest all property with some kind of mysterious sanctity.”



*“Young, rich, and restless—that’s a career?”*

# From Schumacher

“It is immediately apparent that in this matter of private ownership the question of scale is decisive. When we move from small-scale to medium scale, the connection between ownership and work already becomes attenuated; private enterprise tends to become impersonal and also a significant social factor in the locality; it may even assume more than local significance. The very idea of private property becomes increasingly misleading.”

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# From Schumacher

“When we come to large-scale enterprises, the idea of private ownership becomes an absurdity. The property is not and cannot be private in any real sense.

Again, R. H. Tawney saw this with complete clarity:

'Such property may be called passive property, or property for acquisition, for exploitation, or for power, to distinguish it from the property which is actively used by its owner for the conduct of his profession or the upkeep of his household. To the lawyer the first is, of course, as fully property as the second. It is questionable, however, whether economists should call it "property" at all ... since it is not identical with the rights which secure the owner the produce of his toil but is the opposite of them.' ”

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## From Schumacher, quoting Tawney:

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"All these rights - royalties, ground-rents, monopoly profits, surpluses of all kinds - are "property". The criticism most fatal to them ... is contained in the arguments by which property is usually defended. The meaning of the institution, it is said, is to encourage industry by securing that the worker shall receive the produce of his toil. But then, precisely in proportion as it is important to preserve the property which a man has in the results of his labor, is it important to abolish that which he has in the results of the labor of someone else."



# Socrates Cafe

*The unexamined life is not worth living.*



**What is private ownership? How would you define it? Let's collect some definitions from the group...**

Ownership is a central feature in economies

Where does it come from and what does it mean?

Something we have learned - it is not a given

Learned this very early on in our life - small children say "this is mine"

Some cultures that does not even exist

Not ownership in the sense of "mine", totally unintelligible to think of something as mine

A territory that belongs to us - is learned

Private ownership - add to the idea of mine, something around the individual

Some place the concept of individual does not even exist

It is a cultural product - we assign and learn this

The question of territory - the territory is us - impacts how nations conceive of their borders

It is a learned concept - a meaning is given - private ownership is a specialization of that learning

Anabaptist group - hotterites - communities, agrarian, everything is owned by the community

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## What is private ownership? How would you define it? Let's collect some definitions from the group...

Time element to ownership and a legal aspect - the right to use a thing for a period of time  
Sense of being temporary. Idea of a legal right. Necessary to have it. Stewardship involved in it.  
Responsibility to take care of a thing - steward for a time. Responsibility to the next generation.

A lot to do with the teleology of the object in questions

Involves the obligation to ensure that a particular object fulfills its final end

Example - you own a plow, and you are a farmer.

The farmhand has a lot more control over whether the plow is used properly

Versus the owner of the farm

The corporation does not have as much say, the person directly using it has the most say

Things that the laborer improves by their labor

What is private ownership - used to maintain the status quo

Can be used to deny access to wealth and deny rights and privileges that people deserve - through the law or unfair legal barriers - sometimes used to enforce structural racism

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**What is private ownership? How would you define it? Let's collect some definitions from the group...**

McCormick reaper, small vs medium vs large

Scythe - cutting grass

Early 19<sup>th</sup> century, reaper patent. One man and a team of horses can do what 30 men use to do

Factory to make a reaper, marketing and distribution

Becomes international harvester - why is that wrong?

Jamaica as an example - land titles - wealthy have the right of ownership denied to lower classes (squatters)

Right to have my property protected

Nova Scotia - from 1780's - black loyalists - freed one of George Washington's slaves

They actually didn't get title to the land they lived on for 50 years

Right to negotiate the judicial system differs per different groups (race/gender)

Trying to promote critical consciousness (Schumacher), not necessarily predefined policies

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**What is private ownership? How would you define it? Let's collect some definitions from the group...**

If the dynamic is simply to benefit corporate ownership - where is the final end?  
Efficiency, in Chile, government favors major multinational fishing corporations  
Negativity impacts artisan fisherman, see sea bass  
Big companies are much more efficient, sure  
What about the impact to the environment caused by that large-scale efficiency

Do you really truly own something?  
Big factor is power and influence  
Is ownership based on power? Bigger term is people who have power and do not have power  
Only own something when you have the power to enforce the right of ownership  
Small guy has less power, and does he or she really own something in the same way that a big ongoing concern does?

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**What is private ownership? How would you define it? Let's collect some definitions from the group...**

Since ownership and power are correlated, the best way to distribute power is to distribute ownership

Old Testament approach - the year of jubilee

An approach to level the field in the way Schumacher is talking about

The person who owns it should have some responsibility

The smaller you are - the easier something can be taken away

Power and influence - lobbying and eminent domain

Taxes - where has the say where the money goes

What you thought you had become something different

Security and enforceability

Abuse in area of ownership - people refuse government's offer to buy land, then government uses eminent domain

Expropriation for national parks - people losing their community for other people's leisure

# Socrates Cafe

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**What is private ownership? How would you define it? Let's collect some definitions from the group...**

Is ownership primarily learned?

Cultural factor - nonwestern culture

Some cultures have a sharing system

Ownership is necessary for humans as political animals

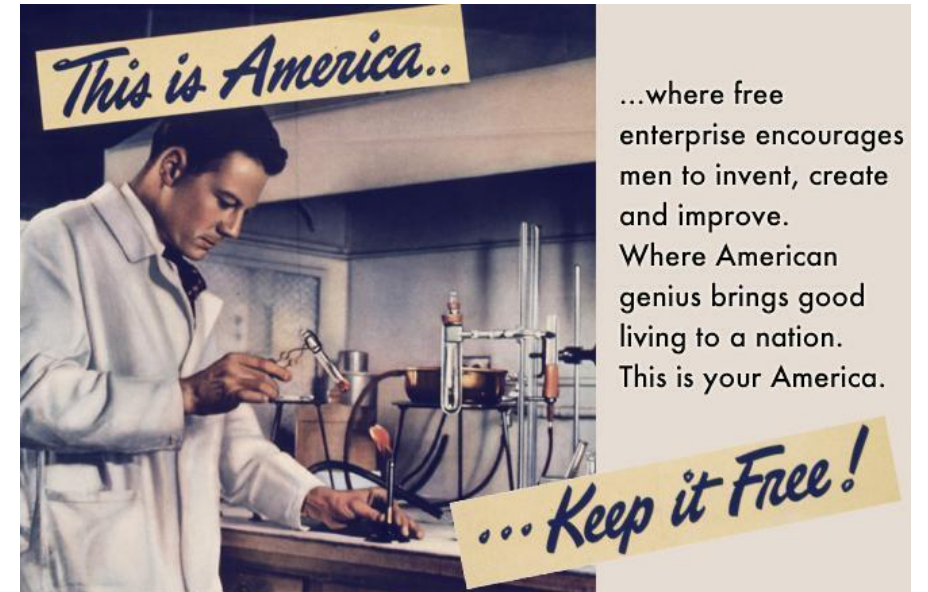
Order of nature - root cause or source of ownership

Not innate - we learn these things

# From Schumacher

To sum up:

- a) In small-scale enterprise, private ownership is natural, fruitful, and just.
- b) In medium-scale enterprise, private ownership is already to a large extent functionally unnecessary. The idea of 'property' becomes strained, unfruitful, and unjust. If there is only one owner or a small group of owners, there can be, and should be, a voluntary surrender of privilege to the wider group of actual workers
- c) In large-scale enterprise, private ownership is a fiction for the purpose of enabling functionless owners to live parasitically on the labor of others. It is not only unjust but also an irrational element which distorts all relationships within the enterprise. "





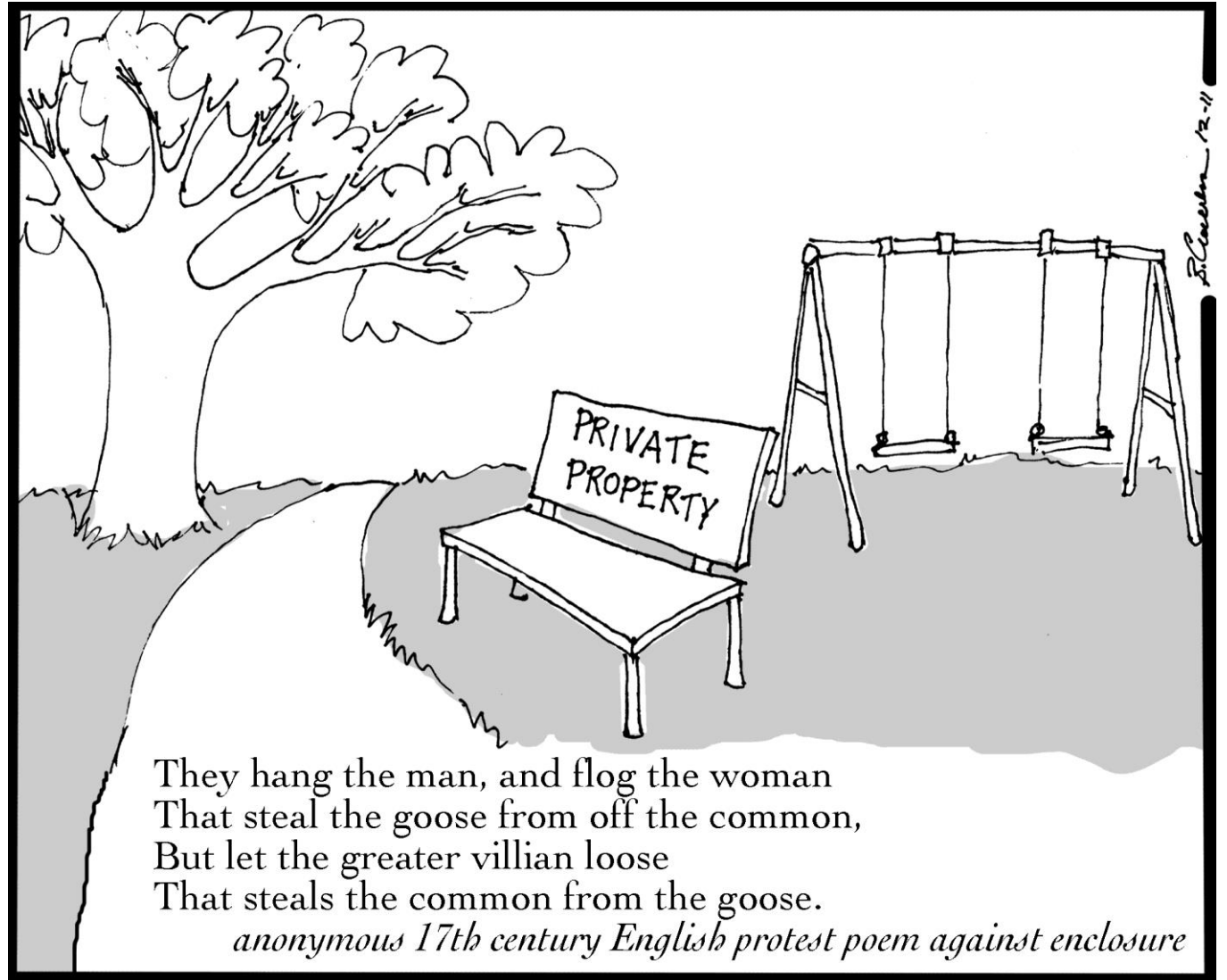
# From Schumacher, quoting Tawney:

“If every member of a group puts something into a common pool on condition of taking something out, they may still quarrel about the size of the shares ... but, if the total is known and the claims are admitted, that is all they can quarrel about. But in industry the claims are not all admitted, for those who put nothing in demand to take something out.”



# From Schumacher

“The objection to public ownership, in so far as it is intelligent, is in reality largely an objection to over-centralization. But the remedy for over-centralization is not the maintenance of functionless property in private hands, but the decentralized ownership of public property.”



# From Schumacher

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“A number of principles may, however, be observed in all cases of nationalized enterprises providing public services:

First, it is dangerous to mix business and politics. Such a mixing normally produces inefficient business and corrupt politics. The nationalization act, therefore, should in every case carefully enumerate and define the rights, if any, which the political side, e.g., the minister or any other organ of government, or parliament, can exercise over the business side, that is to say, the board of management. This is of particular importance with regard to appointments. ”

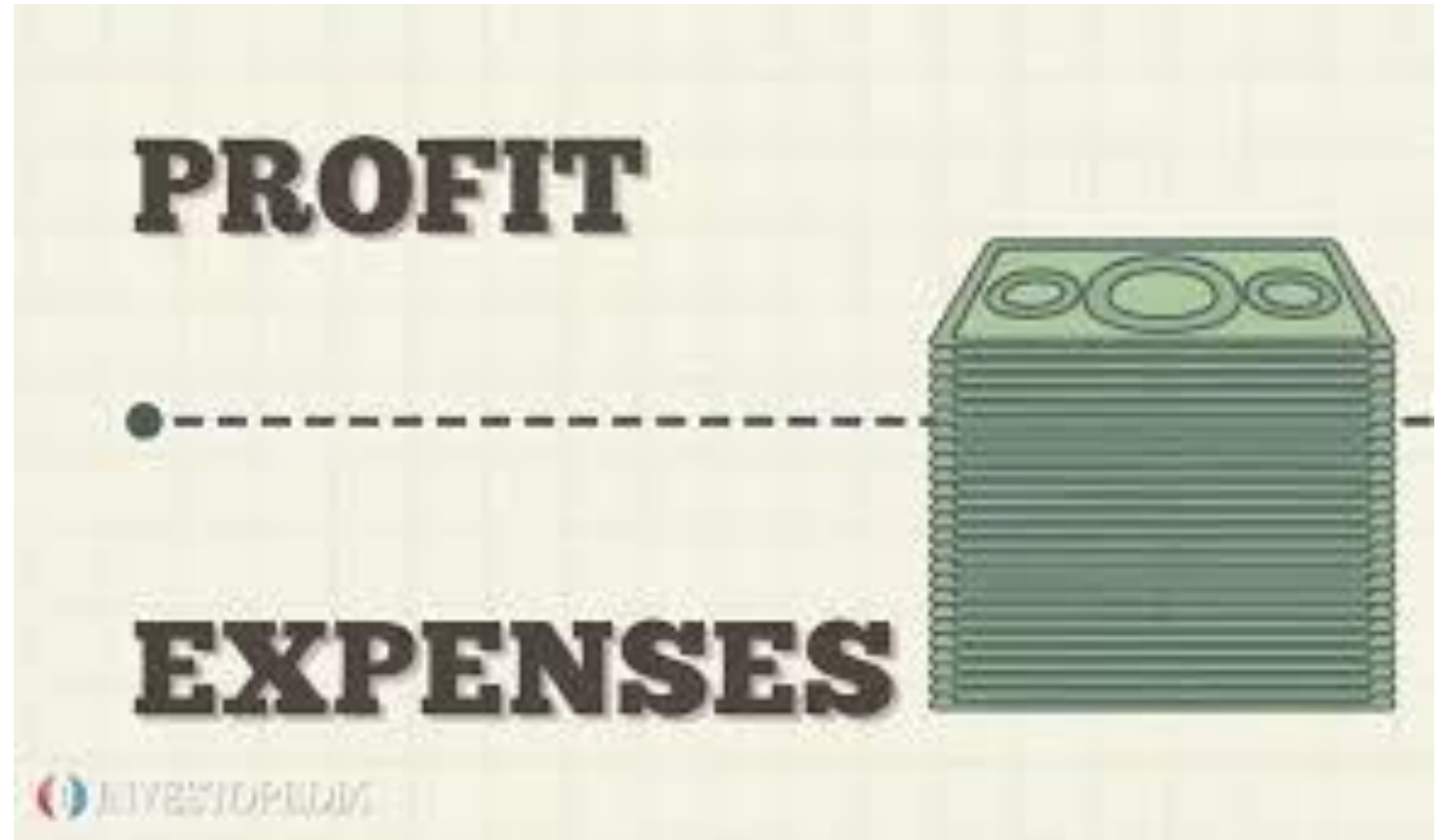
## Examples of state ownership overseas

- Hypo Real Estate (Germany)
- Fortis (Netherlands)
- Kiwi Rail (New Zealand)
- AIG (US)
- General Motors (US)
- Bolivian energy company (Bol)
- 50% of Gazprom (Russia)
- Seylan bank (Sri Lanka)
- 2009, Chavez ordered the army to take over all rice processing and packaging plants
- Zimbabwe has nationalised food distribution infrastructure
- Nationalised oil industries in many OPEC countries

## From Schumacher

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“Second, nationalized enterprises providing public services should always aim at a profit - in the sense of eating to live, not living to eat - and should build up reserves. They should never distribute profits to anyone, not even to the government. Excessive profits - and that means the building up of excessive reserves - should be avoided by reducing prices.”



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# From Schumacher

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“Third, nationalized enterprises, nonetheless, should have a statutory obligation 'to serve the public interest in all respects'. The interpretation of what is the 'public interest' must be left to the enterprise itself, which must be structured accordingly. It is useless to pretend that the nationalized enterprise should be concerned only with profits, as if it worked for private shareholders, while the interpretation of the public interest could be left to government alone.”



## From Schumacher

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“Fourth, to enable the 'public interest' to be recognized and to be safeguarded in nationalized industries, there is need for arrangements by which all legitimate interests can find expression and exercise influence, namely, those of the employees, the local community, the consumers, and also the competitors, particularly if the last-named are themselves nationalized industries.”



# From Schumacher

“Finally, the chief danger to nationalization is the planner's addiction to over-centralization. In general, small enterprises are to be preferred to large ones. Instead of creating a large enterprise by nationalization - as has invariably been the practice hitherto - and then attempting to decentralize power and responsibility to smaller formations, it is normally better to create semiautonomous small units first and then to centralize certain functions at a higher level, if the need for better co-ordination can be shown to be paramount.”



## An easy guide to Catholic Social Teaching Principles





THE END





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