

Remote Learning Packet

Please submit scans of written work in Google Classroom at the end of the week.

Week 8: May 18-22, 2020

Course: Economics, 10th Grade

Teacher(s): Mr. Loomis

Weekly Plan:

Monday, May 18

Read part 1 of *A Question of Size*, by E. F. Schumacher

Tuesday, May 19

Read part 2 of *A Question of Size*, by E. F. Schumacher

Wednesday, May 20

Take parts 1 and 2 of the Assessment

Thursday, May 21

Take part 3 of the Assessment

Friday, May 22

Attend office hours

Catch-up or review the week's work

Statement of Academic Honesty

I affirm that the work completed from the packet is mine and that I completed it independently.

I affirm that, to the best of my knowledge, my child completed this work independently

Student Signature

Parent Signature

Note:

This week is your **last week of new material**. The week after, 5/25 - 5/29, we will do a summary review of the timeline of economic thinkers from this semester. It should be a good opportunity to go over what we learned in the beginning with all of your newly acquired, and well-earned, economic wisdom.

That does mean that this week we will have an **assessment** on the section that we have been working on for the last 2 weeks: *What is a Humane Economy?* The assessment is in 3 parts, 2 reading quizzes on Wednesday, and a reflection on Thursday. All three are on Google Classroom for those with a computer, and are included below for those of you who are not. They are open-book.

There is an option to **upload your packet** on Google Classroom. This is only if you are taking the assessment on paper. You only need to complete the quizzes and reflection on Google Classroom if you have access to a computer.

You have 20 minutes for each day, please time yourself and do not spend longer than you have. For the reading this is going to be challenging, but the following advice might help. Time yourself and divide your time into 2 chunks:

1. Read through the essay once without stopping, just making quick notes: underlining, circling, etc. At this stage you are not expected to understand nuances but you want to get a sense of the whole. It should take you about 10 mn.
2. Once you are done with that, read through it again, focusing mostly on the parts that were difficult. Given that you have 10 minutes to do this, you will have to be selective about what you choose to read.

In doing this you also want to annotate your text for quick reference during times like seminar, or the open-book reading quizzes that you have this week. If you need advice on how to do this, please reach out to me.

Monday, May 18

Read pp. 67 - 73t, ending with "...economists treasure above all else."

Tuesday, May 19

Read pp. 73t - end, starting with "Everything in this world has to have a structure..."

Wednesday, May 20

Today you will take parts 1 and 2 of the assessment. Part 1 is made up of 2 parts:

- 5/20 - Assessment, Quiz, Part 1: *The Role of Economics*
- 5/20 - Assessment, Quiz, Part 2: *A Question of Size*

Thursday, May 21

Today you will take part 3 of the assessment: 5/21 - Assessment, Part 3, *Reflection*

5/20 - Assessment, Quiz, Part 1: The Role of Economics

1. The author believes that landing on the moon and developing supersonic transportation is not in line with human needs.
 - True
 - False

 2. Political Economy (Economics) has always been considered to be on a par with other academic disciplines.
 - True
 - False

 3. The author would agree with the following statement: The individual's incentive to profit is the best mechanism for creating the greatest amount of good for society as a whole.
 - True
 - False

 4. What name does the author give to the discipline that deals with issues “above” or “prior to” Economics?
-
5. The author believes that Economics has been too concerned with quantity, and has ignored the qualitative aspects of things.
 - True
 - False

 6. Which of the following statements best describes the author's thesis?
 - Economics is not self-sufficient, it is in need of a more thorough grounding in quantitative analysis.
 - The Economic methodology is the best one that we have for understanding the market's mechanisms, it just needs to be slightly tweaked so as to be more humane.
 - Economics is not self-sufficient, it is in need of a better philosophical grounding in anthropology and the study of nature to define its aims and methods.
 - If we let the invisible hand run its course, we will naturally find a solution to the problems of the modern world.

5/20 - Assessment, Quiz, Part 2: A Question of Size

1. The author believes that institutions should generally be:
 - Large
 - Small
 - Sized relatively

2. Which does the author value more?
 - Freedom
 - Order
 - A balance of both

3. For the author, technological developments, especially in communication and transportation, necessarily lead to more personal freedom.
 - True
 - False

4. Which of the following statements best describes the author's thesis?
 - In modern economies there is an overemphasis on the large scale. The ideal solution would be many small communities, with no frontiers and no central government.
 - The largeness of scale that we are experiencing in the modern world is not ideal, but it is a natural course of things that will inevitably level out with time.
 - In modern economies there is an overemphasis on the large scale. What is needed is a more balanced judgment with respect to size so as to create economies that are sized appropriately to human needs.
 - People's needs are all so different. Each person knows what is best for him. Therefore, we need to let people's subjective valuation, their wants, determine economies in an uncontrolled way.

5. Select which of the following "ideas" the author DOES NOT mention he was brought up thinking was true.
 - Industries, firms and nations inevitably become larger.
 - The modern world is so complex that only free trade can coordinate a modern economy successfully.
 - To be prosperous, a country must be large, and the larger it is, the more prosperous it will be.
 - Families unite to form tribes, which unite to form nations, which must necessarily result in a single World Government.

6. Which of the following statements describes the author's stance?
 - The author calls for a complete overall of the system.
 - The author would like to compromise with the economists he dislikes to improve the current system.

5

A Question of Size

I was brought up on an interpretation of history which suggested that in the beginning was the family; then families got together and formed tribes; then a number of tribes formed a nation; then a number of nations formed a "Union" or "United States" of this or that; and that, finally, we could look forward to a single World Government. Ever since I heard this plausible story I have taken a special interest in the process, but could not help noticing that the opposite seemed to be happening: a proliferation of nation-states. The United Nations Organisation started some twenty-five years ago with some sixty members; now there are more than twice as many, and the number is still growing. In my youth, this process of proliferation was called "Balkanisation" and was thought to be a very bad thing. Although everybody said it was bad, it has now been going on merrily for over fifty years, in most parts of the world. Large units tend to break up into smaller units. This phenomenon, so mockingly the opposite of what I had been taught, whether we approve of it or not, should at least not pass unnoticed.

Second, I was brought up on the theory that in order to be prosperous a country had to be big—the bigger the better. This also seemed quite plausible. Look at what Churchill called “the pumpnickel principalities” of Germany before Bismarck; and then look at the Bismarckian Reich. Is it not true that the great prosperity of Germany became possible only through this unification? All the same, the German-speaking Swiss and the German-speaking Austrians, who did not join, did just as well economically, and if we make a list of all the most prosperous countries in the world, we find that most of them are very small; whereas a list of all the biggest countries in the world shows most of them to be very poor indeed. Here again, there is food for thought.

And third, I was brought up on the theory of the “economies of scale”—that with industries and firms, just as with nations, there is an irresistible trend, dictated by modern technology, for units to become ever bigger. Now, it is quite true that today there are more large organisations and probably also bigger organisations than ever before in history; but the number of small units is also growing and certainly not declining in countries like Britain and the United States, and many of these small units are highly prosperous and provide society with most of the really fruitful new developments. Again, it is not altogether easy to reconcile theory and practice, and the situation as regards this whole issue of size is certainly puzzling to anyone brought up on these three concurrent theories.

Even today, we are generally told that gigantic organisations are inescapably necessary; but when we look closely we can notice that as soon as great size has been created there is often a strenuous attempt to attain smallness within bigness. The great achievement of Mr. Sloan of General Motors was to structure this gigantic firm in

such a manner that it became, in fact, a federation of fairly reasonably sized firms. In the British National Coal Board, one of the biggest firms of Western Europe, something very similar was attempted under the chairmanship of Lord Robens; strenuous efforts were made to evolve a structure which would maintain the unity of one big organisation and at the same time create the "climate" or feeling of there being a federation of numerous "quasi-firms." The monolith was transformed into a well-coordinated assembly of lively, semi-autonomous units, each with its own drive and sense of achievement. While many theoreticians—who may not be too closely in touch with real life—are still engaging in the idolatry of large size, with practical people in the actual world there is a tremendous longing and striving to profit, if at all possible, from the convenience, humanity, and manageability of smallness. This, also, is a tendency which anyone can easily observe for himself.

Let us now approach our subject from another angle and ask what is actually *needed*. In the affairs of men, there always appears to be a need for at least two things simultaneously, which, on the face of it, seem to be incompatible and to exclude one another. We always need both freedom and order. We need the freedom of lots and lots of small, autonomous units, and, at the same time, the orderliness of large-scale, possibly global, unity and coordination. When it comes to action, we obviously need small units, because action is a highly personal affair, and one cannot be in touch with more than a very limited number of persons at any one time. But when it comes to the world of ideas, to principles or to ethics, to the indivisibility of peace and also of ecology, we need to recognise the unity of mankind and base our actions upon this recognition. Or to put it differently, it is true that all men are brothers, but it is also true that in our active personal

relationships we can, in fact, be brothers to only a few of them, and we are called upon to show more brotherliness to them than we could possibly show to the whole of mankind. We all know people who freely talk about the brotherhood of man while treating their neighbours as enemies, just as we also know people who have, in fact, excellent relations with all their neighbours while harbouring, at the same time, appalling prejudices about all human groups outside their particular circle.

What I wish to emphasise is the *duality* of the human requirement when it comes to the question of size: there is no *single* answer. For his different purposes man needs many different structures, both small ones and large ones, some exclusive and some comprehensive. Yet people find it most difficult to keep two seemingly opposite necessities of truth in their minds at the same time. They always tend to clamour for a final solution, as if in actual life there could ever be a final solution other than death. For constructive work, the principal task is always the restoration of some kind of balance. Today, we suffer from an almost universal idolatry of giantism. It is therefore necessary to insist on the virtues of smallness—where this applies. (If there were a prevailing idolatry of smallness, irrespective of subject or purpose, one would have to try and exercise influence in the opposite direction.)

The question of scale might be put in another way: what is needed in all these matters is to discriminate, to get things sorted out. For every activity there is a certain appropriate scale, and the more active and intimate the activity, the smaller the number of people that can take part, the greater is the number of such relationship arrangements that need to be established. Take teaching: one listens to all sorts of extraordinary debates about the superiority of the teaching machine over some other forms of teaching. Well, let us discriminate: what are we

trying to teach? It then becomes immediately apparent that certain things can only be taught in a very intimate circle, whereas other things can obviously be taught *en masse*, via the air, via television, via teaching machines, and so on.

What scale is appropriate? It depends on what we are trying to do. The question of scale is extremely crucial today, in political, social and economic affairs just as in almost everything else. What, for instance, is the appropriate size of a city? And also, one might ask, what is the appropriate size of a country? Now these are serious and difficult questions. It is not possible to programme a computer and get the answer. The really serious matters of life cannot be calculated. We cannot directly calculate what is right; but we jolly well know what is wrong! We can recognise right and wrong at the extremes, although we cannot normally judge them finely enough to say: "This ought to be five per cent more," or "that ought to be five per cent less."

Take the question of size of a city. While one cannot judge these things with precision, I think it is fairly safe to say that the upper limit of what is desirable for the size of a city is probably something of the order of half a million inhabitants. It is quite clear that above such a size nothing is added to the virtue of the city. In places like London, or Tokyo, or New York, the millions do not add to the city's real value but merely create *enormous* problems and produce human degradation. So probably the order of magnitude of 500,000 inhabitants could be looked upon as the upper limit. The question of the lower limit of a real city is much more difficult to judge. The finest cities in history have been very small by twentieth-century standards. The instruments and institutions of city culture depend, no doubt, on a certain accumulation of wealth. But how much wealth has to be accumulated depends on

the type of culture pursued. Philosophy, the arts and religion cost very, very little money. Other types of what claims to be "high culture"—space research of ultra-modern physics—cost a lot of money, but are somewhat remote from the real needs of men.

I raise the question of the proper size of cities both for its own sake but also because it is, to my mind, the most relevant point when we come to consider the size of nations.

The idolatry of giantism that I have talked about is possibly one of the causes and certainly one of the effects of modern technology, particularly in matters of transport and communications. A highly developed transport and communications system has one immensely powerful effect: it makes people *footloose*.

Millions of people start moving about, deserting the rural areas and the smaller towns to follow the city lights, to go to the big city, causing a pathological growth. Take the country in which all this is perhaps most exemplified—the United States. Sociologists are studying the problem of "megapolis." The word "metropolis" is no longer big enough; hence "megapolis." They freely talk about the polarisation of the population of the United States into three immense megalopolitan areas: one extending from Boston to Washington, a continuous built-up area, with sixty million people; one around Chicago, another sixty million; and one on the West Coast, from San Francisco to San Diego, again a continuous built-up area with sixty million people; the rest of the country being left practically empty; deserted provincial towns, and the land cultivated with vast tractors, combine harvesters, and immense amounts of chemicals.

If this is somebody's conception of the future of the United States, it is hardly a future worth having. But whether we like it or not, this is the result of people hav-

ing become footloose; it is the result of that marvellous mobility of labour which economists treasure above all else.

Everything in this world has to have a *structure*, otherwise it is chaos. Before the advent of mass transport and mass communications, the structure was simply there, because people were relatively immobile. People who wanted to move did so; witness the flood of saints from Ireland moving all over Europe. There were communications, there was mobility, but no footlooseness. Now, a great deal of structure has collapsed, and a country is like a big cargo ship in which the load is in no way secured. It tilts, and all the load slips over, and the ship founders.

One of the chief elements of structure for the whole of mankind is of course *the state*. And one of the chief elements or instruments of structuralisation (if I may use that term), is *frontiers*, national frontiers. Now previously, before this technological intervention, the relevance of frontiers was almost exclusively political and dynastic; frontiers were delimitations of political power, determining how many people you could raise for war. Economists fought against such frontiers becoming economic barriers—hence the ideology of free trade. But, then, people and things were not footloose; transport was expensive enough so that movements, both of people and of goods, were never more than marginal. Trade in the pre-industrial era was not a trade in essentials, but a trade in precious stones, precious metals, luxury goods, spices and—unhappily—slaves. The basic requirements of life had of course to be indigenously produced. And the movement of populations, except in periods of disaster, was confined to persons who had a very special reason to move, such as the Irish saints or the scholars of the University of Paris.

But now everything and everybody has become mobile.

All structures are threatened, and all structures are *vulnerable* to an extent that they have never been before.

Economics, which Lord Keynes had hoped would settle down as a modest occupation similar to dentistry, suddenly becomes the most important subject of all. Economic policies absorb almost the entire attention of government, and at the same time become ever more important. The simplest things, which only fifty years ago one could do without difficulty, cannot get done any more. The richer a society, the more impossible it becomes to do worthwhile things without immediate pay-off. Economics has become such a thralldom that it absorbs almost the whole of foreign policy. People say, "Ah yes, we don't like to go with these people, but we depend on them economically so we must humour them." It tends to absorb the whole of ethics and to take precedence over all other human considerations. Now, quite clearly, this is a pathological development, which has, of course, many roots, but one of its clearly visible roots lies in the great achievements of modern technology in terms of transport and communications.

While people, with an easy-going kind of logic, believe that fast transport and instantaneous communications open up a new dimension of freedom (which they do in some rather trivial respects), they overlook the fact that these achievements also tend to destroy freedom, by making everything extremely vulnerable and extremely insecure, unless conscious policies are developed and conscious action is taken to mitigate the destructive effects of these technological developments.

Now, these destructive effects are obviously most severe in *large* countries, because, as we have seen, frontiers produce "structure," and it is a much bigger decision for someone to cross a frontier, to uproot himself from his native land and try and put down roots in another land,

than to move within the frontiers of his country. The factor of footlooseness is, therefore, the more serious, the bigger the country. Its destructive effects can be traced both in the rich and in the poor countries. In the rich countries such as the United States of America, it produces, as already mentioned, "megalopolis." It also produces a rapidly increasing and ever more intractable problem of "drop-outs," of people, who, having become footloose, cannot find a place anywhere in society. Directly connected with this, it produces an appalling problem of crime, alienation, stress, social breakdown, right down to the level of the family. In the poor countries, again most severely in the largest ones, it produces mass migration into cities, mass unemployment, and, as vitality is drained out of rural areas, the threat of famine. The result is a "dual society" without any inner cohesion, subject to a maximum of political instability.

As an illustration, let me take the case of Peru. The capital city, Lima, situated on the Pacific coast, had a population of 175,000 in the early 1920s, just fifty years ago. Its population is now approaching three million. The once beautiful Spanish city is now infested by slums, surrounded by misery-belts that are crawling up the Andes. But this is not all. People are arriving from the rural areas at the rate of a thousand a day—and nobody knows what to do with them. The social or psychological structure of life in the hinterland has collapsed; people have become footloose and arrive in the capital city at the rate of a thousand a day to squat on some empty land, against the police who come to beat them out, to build their mud hovels and look for a job. *And nobody knows what to do about them.* Nobody knows how to stop the drift.

Imagine that in 1864 Bismarck had annexed the whole of Denmark instead of only a small part of it, and that nothing had happened since. The Danes would be an

ethnic minority in Germany, perhaps struggling to maintain their language by becoming bilingual, the official language of course being German. Only by thoroughly Germanising themselves could they avoid becoming second-class citizens. There would be an irresistible drift of the most ambitious and enterprising Danes, thoroughly Germanised, to the mainland in the south, and what then would be the status of Copenhagen? That of a remote provincial city. Or imagine Belgium as part of France. What would be the status of Brussels? Again, that of an unimportant provincial city. I don't have to enlarge on it. Imagine now that Denmark a part of Germany, and Belgium a part of France, suddenly turned what is now charmingly called "nats" wanting independence. There would be endless, heated arguments that these "non-countries" could not be economically viable, that their desire for independence was, to quote a famous political commentator, "adolescent emotionalism, political naivety, phoney economics, and sheer bare-faced opportunism."

How can one talk about the economics of small independent countries? How can one discuss a problem that is a non-problem? There is no such thing as the viability of states or of nations, there is only a problem of viability of people: people, actual persons like you and me, are viable when they can stand on their own feet and earn their keep. You do not make non-viable people viable by putting large numbers of them into one huge community, and you do not make viable people non-viable by splitting a large community into a number of smaller, more intimate, more coherent and more manageable groups. All this is perfectly obvious and there is absolutely nothing to argue about. Some people ask: "What happens when a country, composed of one rich province and several poor ones, falls apart because the rich province secedes?" Most probably the answer is: "Nothing very much happens."

The rich will continue to be rich and the poor will continue to be poor. "But if, before secession, the rich province had subsidised the poor, what happens then?" Well then, of course, the subsidy might stop. But the rich rarely subsidise the poor; more often they exploit them. They may not do so directly so much as through the terms of trade. They may obscure the situation a little by a certain redistribution of tax revenue or small-scale charity, but the last thing they want to do is secede from the poor.

The normal case is quite different, namely that the poor provinces wish to separate from the rich, and that the rich want to hold on because they know that exploitation of the poor within one's own frontiers is infinitely easier than exploitation of the poor beyond them. Now if a poor province wishes to secede at the risk of losing some subsidies, what attitude should one take?

Not that we have to decide this, but what should we think about it? Is it not a wish to be applauded and respected? Do we not *want* people to stand on their own feet, as free and self-reliant men? So again this is a "non-problem." I would assert therefore that there is no problem of viability, as all experience shows. If a country wishes to export all over the world, and import from all over the world, it has never been held that it had to annex the whole world in order to do so.

What about the absolute necessity of having a large internal market? This again is an optical illusion if the meaning of "large" is conceived in terms of political boundaries. Needless to say, a prosperous market is better than a poor one, but whether that market is outside the political boundaries or inside, makes on the whole very little difference. I am not aware, for instance, that Germany, in order to export a large number of Volkswagens to the United States, a very prosperous market, could

only do so after annexing the United States. But it does make a lot of difference if a poor community or province finds itself politically tied to or ruled by a rich community or province. Why? Because, in a mobile, footloose society the law of disequilibrium is infinitely stronger than the so-called law of equilibrium. Nothing succeeds like success, and nothing stagnates like stagnation. The successful province drains the life out of the unsuccessful, and without protection against the strong, the weak have no chance; either they remain weak or they must migrate and join the strong; they cannot effectively help themselves.

A most important problem in the second half of the twentieth century is the geographical distribution of population, the question of "regionalism." But regionalism, not in the sense of combining a lot of states into free-trade systems, but in the opposite sense of developing all the regions within each country. This, in fact, is the most important subject on the agenda of all the larger countries today. And a lot of the nationalism of small nations today, and the desire for self-government and so-called independence, is simply a logical and rational response to the need for regional development. In the poor countries in particular there is no hope for the poor unless there is successful regional development, a development effort outside the capital city covering all the rural areas wherever people happen to be.

If this effort is not brought forth, their only choice is either to remain in their miserable condition where they are, or to migrate into the big city where their condition will be even more miserable. It is a strange phenomenon indeed that the conventional wisdom of present-day economics can do nothing to help the poor.

Invariably it proves that only such policies are viable as have in fact the result of making those already rich and

powerful, richer and more powerful. It proves that industrial development only pays if it is as near as possible to the capital city or another very large town, and not in the rural areas. It proves that large projects are invariably more economic than small ones, and it proves that capital-intensive projects are invariably to be preferred as against labour-intensive ones. The economic calculus, as applied by present-day economics, forces the industrialist to eliminate the human factor because machines do not make mistakes, which people do. Hence the enormous effort at automation and the drive for ever-larger units. This means that those who have nothing to sell but their labour remain in the weakest possible bargaining position. The conventional wisdom of what is now taught as economics by-passes the poor, the very people for whom development is really needed. The economics of giantism and automation is a left-over of nineteenth-century conditions and nineteenth-century thinking and it is totally incapable of solving any of the real problems of today. An entirely new system of thought is needed, a system based on attention to people, and not primarily attention to goods—(the goods will look after themselves!). It could be summed up in the phrase, "production by the masses, rather than mass production." What was impossible, however, in the nineteenth century, is possible now. And what was in fact—if not necessarily at least understandably—neglected in the nineteenth century is unbelievably urgent now. That is, the conscious utilisation of our enormous technological and scientific potential for the fight against misery and human degradation—a fight in intimate contact with actual people, with individuals, families, small groups, rather than states and other anonymous abstractions. And this presupposes a political and organisational structure that can provide this intimacy.

What is the meaning of democracy, freedom, human

dignity, standard of living, self-realisation, fulfilment? Is it a matter of goods, or of people? Of course it is a matter of people. But people can be themselves only in small comprehensible groups. Therefore we must learn to think in terms of an articulated structure that can cope with a multiplicity of small-scale units. If economic thinking cannot grasp this it is useless. If it cannot get beyond its vast abstractions, the national income, the rate of growth, capital/output ratio, input-output analysis, labour mobility, capital accumulation; if it cannot get beyond all this and make contact with the human realities of poverty, frustration, alienation, despair, breakdown, crime, escapism, stress, congestion, ugliness, and spiritual death, then let us scrap economics and start afresh.

Are there not indeed enough "signs of the times" to indicate that a new start is needed?