



The Anti-Capitalistic Mentality, Updated

“In the excitement over the unfolding of his scientific and technical powers, modern man has built a system of production that ravishes nature and a type of society that mutilates man.”

—E. F. SCHUMACHER¹

In 1956, Ludwig von Mises countered myriad arguments against free enterprise in his insightful book, *The Anti-Capitalistic Mentality*. “The great ideological conflict of our age,” he wrote, “is, which of the two systems, capitalism or socialism, warrants a higher productivity of human efforts to improve people’s standard of living.”²

Unfortunately, Mises’s counterattack has done little to stem the tide of anti-market sentiments. One that continues to be popular is E. F. Schumacher’s 1973 book, *Small Is Beautiful*, which has recently been reprinted in an oversized text with commentaries by Paul Hawken and other admirers. Schumacher has a flourishing following, including Schumacher College (in Devon, England) and the Schumacher Society (in Great Barrington, Massachusetts). Hawken hails Schumacher as a visionary and author of “the most important book of [his] life.”³ Schumacher’s message appeals to environmentalists, self-reliant communitarians, and advocates of “sustainable” growth (but not feminists—the old-

fashioned Schumacher cited favorably the Buddhist view that “large-scale employment of women in offices or factories would be a sign of economic failure”⁴).

From Austrian to Marxist to Buddhist

Oddly enough, Fritz Schumacher’s background is tied to the Austrians. Schumacher was born in Germany in 1911 and took a class from Joseph Schumpeter in the late 1920s in Bonn. It was Schumpeter’s course that convinced Schumacher to become an economist. While visiting England on a Rhodes scholarship in the early 1930s, Schumacher encountered F. A. Hayek at the London School of Economics and even wrote an article on “Inflation and the Structure of Production.”⁵ But his flirtation with Austrian economics ended when he discovered Keynes and Marx. He renounced his Christian heritage and became a “revolutionary socialist.” The Nazi threat forced him to live in London, where he was “interned” as an “enemy alien” during World War II. After the war, he worked with Keynes and Sir William Beveridge and supported the nationalization of heavy industry in both Britain and Germany. But his real change of heart came during a visit to Burma

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in 1955, when he was converted to Buddhism. “The Burmese lived simply. They had few wants and they were happy,” he commented. “It was wants that made a man poor and this made the role of the West very dangerous.”⁶

Schumacher greatly admired Mahatma Gandhi and his saying, “Earth provides enough to satisfy every man’s need, but not for every man’s greed.” Eventually he wrote a series of essays that became his classic, *Small Is Beautiful*, published in 1973. In the 1970s, he became passionate about trees and began a campaign against deforestation. After a successful book tour in the United States, including a visit with President Jimmy Carter, he died in 1977 of an apparent heart attack.

The Lure of Buddhist Economics

Schumacher’s message is Malthusian in substance. *Small Is Beautiful* denounces big cities and big business, which “dehumanizes” the economy, strips the world of “nonrenewable” resources, and makes people too materialistic and overspecialized. According to Schumacher, individuals are better off working in smaller units and with less technology.

His most important chapter is “Buddhist Economics,” with its emphasis on “right livelihood” and “the maximum of well-being with the minimum of consumption.” Foreign trade does not fit into a Buddhist economy: “to satisfy human wants from faraway places rather than from sources nearby signifies failure rather than success.”⁷ In sum, traditional Buddhism rejects labor-saving machinery, assembly-line production, large-scale multinational corporations, foreign trade, and the consumer society.

There are two problems with Schumacher’s glorification of Buddhist economics. First, it denies an individual’s freedom to choose a capitalistic mode of production; it enslaves

everyone in a life of “nonmaterialistic” values. And second, it clearly results in a primitive economy. Mises responded to both these issues: “What separates East and West is . . . the fact that the peoples of the East never conceived the idea of liberty. . . . The age of capitalism has abolished all vestiges of slavery and serfdom.” And: “It may be true that there are among Buddhist mendicants, living on alms in dirt and penury, some who feel perfectly happy and do not envy any nabob. However, it is a fact that for the immense majority of people such a life would be unbearable.”⁸

I have no objection to preaching the Buddhist value that sees “the essence of civilization not in a multiplication of wants but in the purification of human character.” Nor do I disapprove of localized markets (see my favorable review last November of the Grameen Bank, which makes small-scale loans to the poor). But none of this idealism should be forced on any society. Ultimately we must let people choose their own patterns of work and enjoyment. Clearly, whenever Third World countries have been given their economic freedom, the vast majority have chosen capitalistic means of production and consumption. As a result, poor people have been given hope for the first time in their lives—a chance for their families to break away from the drudgery of hard labor, to become educated, see the world, and enjoy “right living.”

Freedom is beautiful! □

1. E. F. Schumacher, *Small Is Beautiful: Economics as if People Mattered: 25 Years Later with Commentary* (Point Roberts, Wash.: Hartley & Marks, 1999 [1973]), p. 248.

2. Ludwig von Mises, *The Anti-Capitalistic Mentality* (South Holland, Ill.: Libertarian Press, 1972 [1956]), p. 62.

3. Paul Hawken, Introduction to Schumacher, p. xiii.

4. *Ibid.*, p. 40.

5. See *The Economics of Inflation*, ed. by H. P. Willis and J. M. Chapman (New York: Columbia University Press, 1935).

6. Quoted in Barbara Wood, *E. F. Schumacher: His Life and Thought* (New York: Harper & Row, 1984), p. 245.

7. Schumacher, p. 42.

8. Mises, p. 74.

BOOKS

Illusions of Prosperity: America's Working Families in an Age of Economic Insecurity

by Joel Blau

Oxford University Press • 1999 • 272 pages
• \$30.00

Reviewed by Donald J. Boudreaux

When Joel Blau looks at the United States today, he sees a population of mostly poor, confused, frightened people helplessly in the grip of greedy corporations who extract profits from the hides of workers, welfare recipients, women, and minorities. He sees an environment rendered toxic, communities made lifeless, and a federal government suffering “perpetual deprivation.” He also sees big business monolithically dictating government policy: selfishly pressing for free trade, low taxes, privatization, and deregulation.

When I read the dust jacket of this book I anticipated that Blau would present challenging arguments against the free market. I hardly expected to be persuaded by such arguments, but I wanted to sharpen my thinking about the nature of capitalism and of state intervention. My hope was to write a positive review that, while critical of the author's faith in government intervention, reported how those of us who are less enthusiastic about the state can nevertheless benefit from reading Blau's work.

I regret to say that I cannot write such a review. In almost every way this book is appalling. Not only is Blau's factual analysis unsalvageable, his arguments are confused and often internally contradictory, and his Marxist perspective is childish. Also, his writing style is horrid, with the organization of the material even worse. The book reads as though Blau (professor of social work at SUNY-Stony Brook) just started writing one day, energized by his hatred of the market, and kept on writing down anything that

popped to mind until he'd filled a sufficient number of pages for Oxford University Press to consider the result a book.

Blau's principal problem is his fantasies about the facts. An incomparably better book on the current state of the American economy is W. Michael Cox's and Richard Alm's *Myths of Rich and Poor* (1999). Cox and Alm show beyond any doubt that Americans of all income levels enjoy standards of living today that far exceed those of Blau's imagined golden age of the early 1970s. Cox and Alm also demolish many of the other myths that motivate Blau's written rampage. For example, material inequality is not increasing in America (it's decreasing); Americans are not working harder and longer (they're working easier and less); and job stability has not declined. (See my review of *Myths of Rich and Poor* in the January 2000 issue of *Ideas on Liberty*.)

It's impossible to take Blau seriously given his outlandishly backward portrait of current economic conditions.

Equally outlandish is the poor quality of Blau's arguments. For instance, he argues for greater government interference in the labor market (higher minimum wages; legislative efforts to enforce a maximum wage; higher employment taxes; enforced worker participation in corporate decision-making). He rightly anticipates that an objection to his scheme is the fact that European unemployment is much higher than in America and that economists explain this fact by pointing to European governments' greater interference in their labor markets.

Blau rejects economists' explanation, offering instead his own theory that European unemployment is higher than American unemployment in large part because the 1992 Maastricht treaty obliged European governments to reduce their budget deficits and to pursue tighter monetary policies. But if smaller budget deficits and tighter monetary policy were the principal causes of unemployment (as Blau implies), then the rate of U.S. unemployment should now be at least as high as those in European countries. Of course, it is substantially lower.

Blau also entertains the naïve assumption that business interests are monolithic—that