

World Improvement Plans

Fritz's recommendations for improving British agriculture never reached the stage of any great plan. They were written as part of the conscientious execution of his duties as Brand's employee, part of his daytime persona - that of James. The real interests of Fritz, husband, father and economist and world citizen, lay elsewhere, so that farm labour completed, he would return home to Muschi, the boys, and above all to his world of ideas. Then he became a man with a mission, a man who believed that he had the ability to make a major contribution to making the world a better and safer place.

His ideas absorbed him late into the night when he would sit hammering at his typewriter, working out his ideas and reading, reading, reading. With an income of forty-five shillings a week there was not much left over for books and he felt very guilty when he went to Blackwell's bookshop in Oxford and spent half of his week's wages. Sometimes he tried to hide his new books by putting old covers on them so that Muschi would not guess at his extravagance. Fortunately his friends were very good to him. Ivor Worsfold gave him the complete works of Lenin and David Astor sent him new books from time to time.

Reading and studying hard every night, Fritz felt exhilarated and stimulated but also lonely. He threw his ideas at Muschi but she could not be the intellectual sparring partner that he needed. He would look forward to Brand's visits to the estate when he would be invited up to the house for a talk. But Brand

was not at Eydon very often and shortly after Fritz and Muschi arrived he left for America, where he worked for the British Food Mission.

The isolation would have been unbearable had it not been for the existence of Mr A.P. McDougall, who managed Brand's affairs and to whom Brand took care to introduce Fritz before he left. McDougall was a man of much experience whose career spanned academic as well as practical farm work. He wrote on agriculture as well as advising Lord Astor on his Scottish farms and this combination of practical expertise and intellectual endeavour made him a man with whom Fritz could have a useful exchange. He had other uses to Fritz too. He was the local estate agent and a pillar of the community of nearby Banbury. He introduced Fritz to Rotary clubs, W.E.A. (Workers' Education Association) classes and other groups who required speakers, so that Fritz could try out his ideas on a wider public. The two men got on very well personally, the older McDougall generously admiring his young friend to whom he once wrote, 'I greatly enjoyed the time I had with you yesterday. Your mind is like a Rembrandt painting or a Beethoven Symphony.'

Fritz's mind was certainly working on a large canvas at that time. Not surprisingly his thinking revolved around the most fundamental question of the day: how could a real peace be achieved? He was not concerned with the short term question of how to win the war, but with questions that were much more basic. What caused wars to recur? Were there any removable causes of war? How could things be arranged so that a lasting peace could be achieved? What was needed in a post-war world? What could be done about Germany to remove not only the effects of the present war but also the more fundamental tendencies that might lead to war again in the future?

This last question absorbed him both as a German and as a citizen of the world. The problem of Germany he now saw was greater than the repercussions of the First World War, which he had blamed for so long. Now that he used a much wider range of tools for his analyses, his more advanced economic thought, his newly discovered political understanding, and a rigorous application of scientific thinking which ruthlessly

rooted out all emotional reaction and moral judgments, he could put the problem into a wider context.

The starting point for his ideas was that first most fundamental question of all. What causes war? Fritz knew that it would be the height of folly to believe that he could find the conclusive answer to this question and above all he wanted to make a practical contribution. He knew it could serve no purpose if he were to analyse the causes of war if nothing could then be done about them. Only removable causes were of interest. He suggested 'that to look upon war as an accident writ large is a useful way of looking at it - useful because it makes you see all sorts of things. Dangerous corners; slippery surfaces; level crossings; not *only* drunken drivers and reckless speeders ... There is no one single, simple solution.'¹ In his analogy to accidents, Fritz pointed out that it was the aim of traffic experts to make roads safe, not to fix the blame for accidents. He saw his task as making the hazardous road of international relations a little safer, so that when the next driver drunk with lust for power should lurch and swerve along its path there would be less risk of the rest of the world being drawn into another ghastly conflagration.

Fritz had already formed some ideas on the dangers to peace prior to the outbreak of war before he had been touched by the transforming brush of Marxism. His new political thinking did not alter the fundamental principles of his economic analysis which remained the cornerstone of his work during the war years. He believed that he had hit upon something fundamental although he kept stressing: 'I am *not* claiming that the economic causes of war are the sole and exclusive causes. I *am* claiming that they are *important* - important because we can do something about them ... Let us remove all removable causes of war and not waste time searching for "sole" causes, "fundamental" causes.'¹

Within the framework of economic causes, Fritz had isolated one problem which in his view required urgent attention in the interests of future world peace. This was the unsatisfactory system of international trade and exchange. It was the area of economics which had interested him most ever since he had embarked on his studies. All his experience, his academic studies in Oxford and New York, his practical work in the

banks in Hamburg and New York, his study of the history of the gold standard, led him to the conclusion that there were serious malfunctions in the system of international exchange that not only failed to cope with the economic needs of a twentieth-century world but which, in transmitting depressions from one corner of the world to another, had in its malfunctioning the seeds of war. It was a thought that had struck Fritz well before the outbreak of war and no doubt contributed to his certainty that war would be inevitable, in the second half of the 1930s. It was not merely Hitler's will and actions that would in the end be fatal, war was endemic in the economic system.

As Fritz's study of Marxist economics deepened, his analysis also took in more factors in the internal economies of individual nations, particularly the powerlessness of the masses to escape the economic oppression of a powerful minority and rise above their poverty. When he had worked on the problem of unemployment several years earlier he had been motivated by a belief that it was the fundamental right of every man to work and earn a living. Without realizing it, he had been arguing for socialist principles. He had put forward that the successful should subsidize the less fortunate, for the good of the people. One should act because it was man's right to have the necessities of life and not because the poor and hungry might constitute a danger to society. In any case, Fritz believed that those who could be largely satisfied by material things such as food, work and homes, did not tend to become dangerous when they had to do without; they were more likely to become apathetic. He believed that the danger lay in what he called the 'dynamic minority', those creative, extraordinary individuals who were not satisfied by material things alone. Their need was the opportunity to fulfil their creative potential. This dynamic minority, even if prosperous, was likely to cause war if it could not fulfil its potential peacefully. In the past, the pioneering days of geographical expansion, it had been comparatively easy for the dynamic minority to fulfil its creative urges, but 'The great problem facing the western world is that this age of primitive expansion has come to an end and that outlets for creative ability have now to be found not so much in extensive, but in intensive cultivation.'²

This argument was not new but Fritz added his own ideas to it. The message he wanted to preach was that the malfunctioning of the economic system prevented the creative minority from operating successfully within the system. They saw the possibilities but were frustrated because they could not realize them. 'The outstanding fact of our age - to my mind - is the staggering discrepancy between our economic possibilities and our actual achievements during times of peace ... It seems quite plain to me that no moral, political, or social structure that we might build up after the war can last for long, unless the economic problem - this problem of discrepancy - is solved.'³

Fritz did not dispute the necessity to correct some of the more obvious discrepancies in the economy by such measures as the redistribution of income. He was also particularly interested in the structure of industry which he believed had become top heavy because too much investment had gone into capital goods and not enough attention had been given to consumer needs. He was very much a Keynesian in all these matters. But he was too realistic to suggest that such solutions could be applied world wide.

Thus he returned again and again to the idea that to preserve the possibility of peace without tampering with the internal freedom of individual countries, something had to be done about the framework of international economics. The question of transferring economic ills across national borders had to be tackled, as well as the tendency within the system which made it almost impossible for any country to shift out of their difficulties because of international pressures.

We cannot have a peaceful international economic system as long as one or several countries have a permanent excess of exports (in the widest sense) over imports, because they will always get the rest of the world into unpayable debt ... This therefore is the strategic point of control where international action - international co-operation - should set in. Let every country (including Germany) pursue any such internal policies as it sees fit, let it distribute its national income according to its own principles or lack of principles, let it pursue any employment policy it likes - *insist* only that

every country should keep its foreign trade in balance, that it should currently spend on foreign goods and services as much as it earns by providing goods and services to other countries.⁴

A method for achieving greater international co-operation had already occurred to Fritz while he was still in New York in 1934 but it had not been until he was unemployed in the autumn of 1939 that he had begun to work seriously on a scheme. The aims of his system were twofold: to produce a long-term tendency towards balance in international trade and to remove the evil effects of short-term imbalance. He saw that conventional thinking on trade balances had to be turned upside down. It was considered a virtue to achieve and sustain a surplus in the balance of payments, but Fritz realized that it was the surplus countries that were the danger to economic peace not the deficit countries. He pointed out that it was easier to spend a surplus than it was to reduce imports without disturbing the international freedom of trade. If the attitude in the world towards trading balances could be reversed then a new sort of moral pressure would be put on trading nations. The obligation to change things would be put on to the strong instead of the weak. International pressure would not be on deficit countries to find ways of financing their deficits but on surplus countries to get rid of their surpluses by spending more abroad. In February 1940 he wrote to Werner von Simson: 'The principle of "Balance" is the only one which is compatible with international economic peace, and ... any nation which achieves a surplus ... is endangering the economic security of some other nation or nations - unless, indeed, we manage to devise a system, whereunder the surplus is the thing that hurts and the deficit is shorn of its terrors.' In a later paper Fritz explained:

It is considered prudent policy to achieve a surplus, to spend less than is earned. Yet, since one nation's spending is another nation's earning, if all nations strive to earn more than they spend, they want the moon. If they set their mind to it with determination, they must get into conflict with one another.

No wonder that international trading which should be a

peaceful exchange of 'specialities' has become anything but peaceful. It has become a mad struggle for surpluses, supercharged with political tension; every nation trying to 'steal' every other nation's trade and protecting itself with all the modern armoury of bilateral clearing, quotas, exchange control, etc. . . . Well you may consider me a utopian, but I believe that politics and economics march together, and that once order has superseded chaos in the economic relations between nations, the day will not be far off when mankind will rid itself of the scourge of war.⁵

Fritz considered himself anything but utopian. His aim was to further world peace by action. He had understood that war had underlying economic causes which were partly due to faulty thinking - praising the rich and powerful surplus countries and condemning the weak deficit countries - and which were institutionalized by the way the international economic system worked. His task was to devise a new system which encouraged a different attitude to trade whereby surplus countries had to spend what they earned in the long term while financing the deficits of the economically weaker countries with their surpluses in the short term. In order to achieve this, Fritz believed it was essential that world trade be organized on a multilateral rather than bilateral basis, and that order would be maintained by a central banking and clearing system which would keep tabs on all the to-ings and fro-ings of world trade, making sure that all short-term imbalances tended towards long-term balance.

Fritz worked on the technical details of the multilateral clearing office late each night after he had finished a hard day's labour on the farm. He believed that he had tumbled upon another idea to save the world and his one desire was to get his world improvement plan to the light of day, to the attention of people of influence who would take action. With the interruptions of moves, internment camp and harvest to contend with, it took him almost a year before the thoughts which at the beginning of 1940 he had described to Werner von Simson as 'a favourite idea of mine for a long time' had been welded into a memorandum which he felt could be circulated more widely.

One of the first to receive a copy was David Astor. He was one of the few friends still around whose opinion Fritz respected. Most of Fritz's German friends had not been as lucky as Fritz and were still in various different internment camps, Werner von Simson being hit hardest in the group. He and his English wife Kathleen had left Germany only weeks before the outbreak of war and he was therefore under much greater suspicion than others who had already shown their colours several years earlier. Fritz put in a great deal of effort in trying to procure his friend's release, using all the contacts which had helped his own, but it was well over a year before Werner was allowed to rejoin his wife and family.

Once Werner von Simson was free he was to become an important sounding-post for Fritz's ideas but until then it was largely the Astor family and their contacts to whom Fritz turned. The first reaction came via Lord Astor, who had sent Fritz's paper to Geoffrey Crowther of *The Economist* and Professor Fisher for comment. Their remarks, coming early in the new year, were not encouraging. Crowther concluded that Fritz's views were 'rather too highly coloured by German experience and . . . (took) . . . too little account of the circumstances and experience of other countries.' It was an opinion that enraged and hurt Fritz. He was not afraid of criticism but such an accusation of partiality he found unjust and totally unfounded. He made his point very clear to Lord Astor:

Considering that since 1929 when I left school, I have spent hardly three years in Germany and nine years in England, the United States and Canada, that moreover, I have never studied economics in Germany at all, but have spent nearly five years over it at English and American universities, I should understand if someone suggested that my views were too Keynesian - I consider Mr Keynes to be easily the greatest living economist - or too American, but too highly coloured by German experience? In any case, it is my ambition that they should be highly coloured by *experience*, whatever extraction or nationality.

The reference to Keynes gave away the standards by which Fritz wished to be measured and against which he would find criticism acceptable and useful. His admiration for Keynes had

grown steadily from the first encounter with him in Cambridge in 1929. Since then he had explained Keynes in America, and studied the 'General Theory' as well as other works, until he genuinely considered Keynes to be one of the great men of the world to whom due praise should be given. He wrote to Keynes in 1940:

I should like to tell you that there are very few books which have given me as much joy as yours and if this were not . . . immodest, I should like to say that a certain familiarity with your thought is among the greatest gains I can show for the last ten years. Please forgive me when I say that it is joy which I derive from your books. This is a very un-academic reaction on my part. But something in me responds directly to the utter earnestness and sincerity of your writing and I cannot read your works without a feeling of gratitude and delight.

Such a display of emotion did not lessen Fritz's critical facilities as he read Keynes's books and when Keynes thanked him for his letter by sending a copy of his latest book, *How to Pay for the War*, Fritz did not hesitate to send Keynes a list of corrections to the calculations in the book, some of which Keynes acknowledged as faulty.

By mid-1941 Fritz was getting impatient that his memorandum on International Clearing was not reaching the right ears. Brand was due to visit Eydon in September and when a dinner invitation came from the Hall, Fritz made up his mind to discuss it with his landlord. He was astonished and delighted to discover that David Astor had already got the wheels in motion for him. Unbeknown to Fritz, he had sent a copy of the memo which Fritz had called 'Free Access to Trade' to his uncle and Fritz found that Brand was not only eager to discuss the scheme, but that he had actually sent it to Keynes himself for comment. Fritz wrote at once to thank David adding, 'That the great J.M.K. has now got it in front of him . . . I consider very satisfactory indeed.'

Eventually, in mid-October the anxiously awaited letter arrived at the cottage. Keynes's reaction was positive and encouraging. He wrote:

Mr Brand showed me a note of yours on post-war international currency arrangements. Indeed I have myself been thinking along closely similar lines and have been putting up proposals which go perhaps rather further than yours, but bear a strong family resemblance to them. If you are giving further thoughts to these matters and writing out any notes, I should be very glad indeed if you would let me have the advantage of seeing them.

This was praise indeed; that Fritz's scheme should bear a close family resemblance to the work of the great J.M.K. Fritz was spurred on. Two weeks later a further memo was dispatched. But Fritz was impatient. Was it not time, he asked Keynes, to publish? Keynes's reply, while again encouraging about Fritz's work, was reticent about the prospect of publishing the papers. He wanted his own ideas to be protected. One November 5th he wrote:

Dear Mr Schumacher,

Thank you for sending me your further note. I find this as I found the previous one, excellent and, as I said, in line with what appears to me to be the right sort of constructive ideas.

But I am a little embarrassed what to do with it. I am working at some proposals of my own, which are more detailed and go rather further, but these are of a confidential description. Meanwhile would it or would it not be helpful for you to proceed to publication? Generally speaking, I am in sympathy with the feeling that there is a great deal to be said for bringing proposals to the bar of general opinion. But at this stage I am not sure how far this is true.

This is perhaps because I think that my own plan goes rather further than yours. I cannot disclose that yet, and it would be a pity to get discussion and criticism moving along different lines.

I must leave the matter to you. But what would help me most is that you should simply let me see your ideas on this matter and have a talk next time you are in London, but put off actual publication for the time being.

Yours very truly,

J.M. Keynes

Fritz did not press his wish to publish his article. In December a tea party with Keynes was arranged. Fritz was amazed at the untidy house, where even the stairwell was lined with books piled high on every side, but which also had a touch of the exotic provided by Keynes's wife, a ballerina. The afternoon, which he described a few days later in a letter to Kurt Naumann, was a great success and left Fritz feeling exhilarated.

I was with Keynes for several hours – a strange impression. A man of great kindness, even charm; but he was much more the Cambridge Don than I had expected. I had expected to find a mixture between a doer and thinker, but the first impression is overwhelmingly, if not almost exclusively that of a thinker. I don't know how far his practical influence goes these days but some tell me that it is extraordinarily significant.

The conversation was completely different from what I had expected. I was prepared to sit at his feet and listen to the words of the master. Instead an extraordinarily lively discussion arose, a very battle between heavy artillery – and all this despite the fact that from the beginning we were 99% in agreement. Somehow something got me and I contradicted him without the least shyness when my views differed from his. We threw all sorts of things at each other's heads (to the astonishment of a third present) and parted – I am sure – good friends. Anyway, this is certain: The fundamental ideas of my plan Keynes considers to be the only possible basis for the future. Technically there are still gaps. He himself, has gone rather further into the technical details, but, it seems clear to me at any rate, he is still rather behind in his fundamental thinking. He is still rather hooked on bilateralism. And I hope that the consistency of the multi-lateralism of my suggestions will have influenced him, or will still influence him in the future.

The meeting with Keynes was the high point of Fritz's double life at Eydon. His fellow farm hands had probably not even heard of Keynes and wondered what all the fuss was about when Fritz asked permission of the farm manager, a more knowledgeable man, to have the day off to go to London.

'What do you want to go to London for?' he asked Fritz. 'To take tea with John Maynard Keynes,' came the unexpected reply. Fritz described the look he received as 'the loony look'. The farm manager clearly thought Fritz had gone off his head.

He received the same look from the police sergeant at Banbury police station who had to issue him with papers to get out of the zone. What did a farm labourer want to go to London for? Fritz felt that it was perhaps time for him to look for a job which could help him devote himself more fully to the cause of economic peace.

Again an encounter arranged by fate settled the matter. Several of Fritz's fellow inmates at Prees Heath had been employed at the Oxford Institute of Statistics. Fritz had remained in touch with them and at the beginning of 1942 Burchardt, fondly known by his colleagues as Bu, told Fritz that there was a job going at the Institute for which Fritz would be considered an outstanding candidate; his interview would be a mere formality. Fritz applied for the job assuming that it was already his, but his optimism turned out to be misplaced. Suddenly he was informed that in fact there were five other candidates, one of whom was considered hot favourite. Fritz reacted angrily. The recognition of his ability by Keynes had increased his self-esteem, in which intellectual arrogance was apparent. But his feeling of insecurity as an enemy alien in Britain, without power or status, made him feel both vulnerable and unjustly treated. He knew that he could be turned away from the job purely on grounds of his nationality or a malicious word from an unknown enemy. He wrote at once to Harold Scott complaining of his treatment and asking Scott to put in a good word on his behalf. The irrational hostility at Eydon village had made him unusually touchy and suspicious.

His fears also turned out to be misplaced; he was formally offered the job and in March 1942 Fritz left Eydon for Oxford. He went alone, leaving Muschi and the children in Eydon. The plan was that he should live in a room at New College until such time as he could find suitable accommodation.

The main purpose in leaving the farm and becoming a professional economist once more was that Fritz would have

more time to devote to his scheme for international clearing arrangements. He was not sure that the move had many other advantages as he wrote to David Astor in March.

I am not quite certain yet whether I have made a change for the better or worse by exchanging the status of a proletarian plain and simple for that of a 'stehkragen-proletarier'. It has one advantage that I can push my 'Free Access to Trade' scheme a bit harder than I could before. And I can do about 10% more studying during the whole day than I previously did during off hours.

With his new status as an economist among economists, instead of an isolated intellectual farm hand, Fritz was certainly in a better position to further his scheme. Not only could he discuss it with his colleagues, but he was also freer to travel to London. His meeting with Keynes had provided him with a hopeful opening: R.N. Rosenstein Rodan, who ran the Royal Institute of International Affairs at Chatham House in London, had been the third person at the tea party with Keynes. He invited Fritz to circulate his paper to the Institute's members and throughout 1942, as part of his job at the Oxford Institute, Fritz travelled regularly to London to participate in discussion groups at Chatham House.

All publicity was useful and eventually in May Fritz's paper made its way into Government circles and the Treasury. It reached the desk of Sir Stafford Cripps, the then Chancellor of the Exchequer, to whom Fritz was summoned, as well as Sir Hubert Henderson, who held detailed discussions with Fritz. Fritz wrote to Muschi from London in high spirits: 'The Schumacher scheme is being discussed right and left. There are many supporters for it: Memos are being written, some for it, some against. But I haven't come across one single argument yet which forced me to think anew.'

In the February of 1943 Sir Wilfred Eady saw Fritz at the Treasury for further discussion. After the meeting he wrote to Fritz to clarify one or two points and added that he had sent a copy to Keynes who had once again described the paper as 'lucid and interesting'. The time had definitely come, Fritz

decided, to publish in the May edition of the economists' periodical *Economica*. It was a month too late. In April Keynes published his scheme. It was called 'Proposals for an International Clearing Union', and it was prefaced with the following words: 'The particular proposals set forth below lay no claim to originality. They are an attempt to reduce to practical shape certain general ideas belonging to the contemporary climate of economic opinion, which have been given publicity in recent months by writers of several different nationalities.'⁶

One of those writers was clearly Fritz, but precisely how much influence Fritz had on the shaping of Keynes's ideas cannot be known. From Fritz's letters at the time it seems clear that he believed he and Keynes were thinking along the same lines and that in some ways he had gone further than Keynes while in other points Keynes had worked out the scheme in more detail. At no point does he either accuse Keynes of plagiarism or even insinuate that Keynes was using his work without acknowledging its proper origin. Nor do his colleagues recall that he expressed such sentiments at the time. Yet later Fritz always referred to the Keynes plan as his own plan, giving the impression that Keynes derived his ideas from Fritz's papers, ideas which are now enshrined in history books as the 'Keynes Plan' put forward at the historic Bretton Woods conference.

This is not quite consistent with his view at the time, for Fritz was critical of Keynes's final version of the plan for not being sufficiently multilateral (although not as critical as he was of the American 'White Plan' which was adopted by the conference and which led to the International Monetary Fund and its accompanying structure). Less than three years later in 1947 he went even further, criticizing his own ideas by saying, 'I used to think that we might be able to *cheat* our way out of the necessity of working out the New Law of Mechanics [of international trade] simply by matching the growth of units with the growth of reserves.'⁷ Elsewhere he added, 'Experience shows this is "too simple". Nations won't lend to an anonymous debtor.'

The question remains why Fritz should later have given the impression that he believed that Keynes had used his ideas when he did not do so to his colleagues at the time. It is possible

that he only came to the conclusion that he had had a significant influence on Keynes when he came to realize that Keynes was known to use other people's ideas without necessarily acknowledging their source, a fact which he may not have known at a time when he regarded Keynes with such admiration.

It is more likely that in the reality of war he was less concerned with the origins of the ideas than with their implementation. His commitment to his 'world improvement plan' was absolute. He believed that it could make a major and significant contribution to the preservation of world peace, a cause which he regarded higher than any other. Everyone who knew him knew of this commitment, knew of his plan and knew of his contact with Keynes. He had no need to make any claims to originality or brilliance. In a letter in August 1941 to David Astor he had already made his position very clear when he wrote (my italics):

The measures I propose take full notice of existing conditions, they would throw nothing out of gear, but they supply a gearbox for something that has been out of gear for the last twenty years. Well I have praised my own child too much, forgive me . . . I don't care who takes it up, *as long as somebody pays attention to the ideas and, if he approves of them propagates them.*

Later, his trips to London, his tea party with Keynes, his discussions with Government ministers made a very good story when they were set in the context of an enemy alien farm labourer leading a double life. It made a dramatic punchline to add that the famous 'Keynes Plan' was in fact the 'Schumacher Plan'. It did not mean so much that Keynes had stolen his glory than that his plan had been the same as Keynes's. Certainly that seems nearer the truth. Fritz and Keynes were working along the same lines, a fact remarkable enough in itself. It is quite possible too that Fritz's ideas contributed to the final shaping of Keynes's own paper just as discussions with Keynes probably helped Fritz finalize his version.

Fritz's association with Keynes did not end with his discussions over the multilateral clearing plan. He continued to re-

gard him as one of the greatest economists the world had known and, as a known admirer, though not an uncritical one, he was asked by *The Times* newspaper to prepare an obituary of Keynes. It is the paper's policy to prepare obituaries in advance and Fritz felt like a murderer as he sat typing his final judgment on a man he knew to be still very much alive.

Shortly before his death Keynes pronounced his own judgment of Fritz. Sir Wilfred Eady of the Treasury was visiting him and Keynes told Sir Wilfred: 'If my mantle is to fall on anyone, it could only be Otto Clarke or Fritz Schumacher. Otto Clarke can do anything with figures, but Schumacher can make them sing.'⁸