



24 Above, Fritz a few hours before his death in Switzerland
25 Below, Fritz and Vreni Schumacher's children in 1983: from left to right, Robert, Nicola, Karen and James



The Final Break

On January 1st, 1947 the American and British Military Governments announced that their two zones had been merged to make one integrated economic unit. The statement went on:

The agreement contemplates an economic programme designed to make the area self-sustaining in three years. This programme will not only result in decreasing the costs of occupation for the area but will also make possible the gradual restoration of a healthy non-aggressive German economy which will contribute materially to the economic stability of Europe.¹

Naturally economic union with the American zone somewhat changed Fritz's position. The Americans too had their economic advisers. There were more committees to attend; more people to win round to his ideas. When the Marshall Plan went into effect in April 1948 meetings at the newly formed Organization for European Economic Co-operation (O.E.E.C.) also took up more and more of his time. But the growing bureaucratic structure with which he had to battle did not diminish his efforts. There were so many fronts on which he had to keep up a sustained and persistent attack. Coal has already been mentioned and in that area he had some measure of success. Other campaigns were less fruitful, the opposition greater. From the start he had persistently called for financial reform in Germany as a prerequisite for economic recovery. Almost

every memorandum had somewhere a plea for swift action to sort out the financial chaos and the useless currency. He backed up his pleas with plans, schemes which he believed could be quickly and effectively implemented. His unsolicited outbursts did not enhance his popularity with the financial division who considered them an invasion of their brief, but Fritz and the financial adviser had a mutually low opinion of each other, and Fritz pressed on undeterred. He had been thinking about currency reform since 1945 when he and Walter Fliess had written a pamphlet together. In 1946 he drew up another comprehensive scheme which he put forward at every opportunity. He strongly condemned the British plan for reform by stages and believed it imperative that if confidence was to be restored in the currency, any action that was taken should be swift and complete.

There were other implications in his scheme. Currency reform was an ideal opportunity to make sweeping changes in the distribution of wealth. He did not want the rich to get richer at the expense of the poor, and when currency reform finally came in June 1948 he criticized it on precisely those grounds. He acknowledged that it had an immediate beneficial effect on the consumer economy but he believed that its social consequences would be disastrous and its economic effect dubious.

Currency reform and various other developments in the recent past have produced an exceptionally great concentration of wealth and income in the hands of a small minority of the German population. This minority is not yet spending its current income on consumption and taxes, and yet, it is also refusing to make its unspent balances available for investment. The basic explanation for this abnormal behaviour lies in the fact that most of these 'unspent balances' consist of what might be called tainted money; they arise from tax evasion, the liquidation of undisclosed hoards of goods, or transactions which it is desired to keep secret because they yielded an extortionate rate of profit . . . The vast majority of the population, on the other hand, has been deprived of its savings by currency reform and commands a current income that is barely sufficient to cover its re-

quirements for food, rents, and low value essential consumer goods.²

He concluded that if drastic action was not taken to increase investments then unemployment, already growing, would again get out of hand and a slump would follow. He was very critical of the German government and their apparent lack of proper concern and activity and concluded, in his final report with the Control Commission:

Western Germany is not richly endowed with natural resources. Her principal asset is the industriousness and skill of her population. There is no evidence that the Federal Government has any plans to mobilize this asset to the utmost. Mass unemployment is accepted as 'structural', although it is admitted that investment could substantially reduce it. There is a fear of increasing employment (and thus purchasing power) because a man who works spends more than a man on the dole. Federal Government is thus content to offer a programme which promises no recovery or consolidation during the remainder of the ERP period; which tackles none of the burning problems of Western Germany - such as housing and the absorption of the expellees: - which holds out no promise of viability for many years to come; and which threatens to leave Germany, poisoned by mass-unemployment, as a 'serious danger for the whole of Western Europe'.³

Looking at the German 'economic miracle' of the 1950s and 1960s one might wonder at Fritz's despondency and totally wrong prediction. Currency reform, of which he was so critical, has been pointed to as the source of the so called 'miracle'; Dr Erhard has taken the credit and his name has gone down as a sort of Moses taking the children of Germany into the land flowing with milk and honey. Fritz, however, always denied that he had been wrong in his critique of the currency reform or that it had been the real cause of Germany's economic 'take-off'. He maintained that his predictions would have been proved correct if it had not been for the outbreak of the war in Korea. The effect of the Korean war, he claimed, changed the

economic situation in Europe and came to the rescue of Germany.

Whatever the economic effects of the German currency reform, it cannot be denied that the following day, as queues of people waited outside post offices to claim their allocation of Deutsche Marks, the shelves of shops were suddenly full of goods. Sanity had been restored. Politically too, there were significant consequences. The discussions had been long and protracted between the four occupying powers, the Russians and the French obstructing all the plans the Anglo-American delegation put forward. Eventually the Americans and the British decided to go it alone. The French were pacified by various bargains (among them a higher coal allocation in which Fritz had a hand), but the Russians' fury could not be contained and they retaliated viciously by sealing off the borders of their zone, cutting Berlin off from the rest of Germany.

The Russian blockade was countered by a stupendous Allied effort to 'carry on as normal'. The most ambitious airlift programme imaginable was organized and non-stop aeroplanes droned over the Russian zone to Berlin day and night carrying essential supplies. Even coal was flown in by air. It was a time of great uncertainty and great stringency. Berliners were only allowed two hours of electric power a day and if these happened to occur at three in the morning housewives just had to get up and do their cooking in the middle of the night.

Among those affected by the siege of Berlin were Fritz and Muschi. At least Fritz could escape to normality from time to time on his trips to Paris but he was concerned whether Muschi could bear this new tension and uncertainty. From Paris he wrote on June 29th, 1948:

I am deeply unhappy about leaving you alone just now. Can you still bear it? The situation is very uncomfortable. I have a vague hope that perhaps one doesn't get quite as nervous about it in Berlin as one gets when being so far away and having only the newspapers to go by. But I doubt it.

There is of course only one consideration: yours and the children's safety. Never mind about our things. I would even write off my books - and the grand piano. It is even not necessary to 'write them off' yet. Either there is an evacua-

tion or there is not. In the former case I just can't believe that the three Western Powers would tolerate being robbed of the private possessions of their people. But all this is quite secondary. If you feel unsafe or if you would feel happier in Hamburg: go to Reinbek for a holiday.

For some months before the siege of Berlin there had been talk of Muschi and Fritz transferring to Frankfurt where the bizonal economic headquarters were situated and from where Fritz could more easily travel to Paris to increasingly frequent O.E.E.C. meetings. The political uncertainties of Berlin now made such a move even more desirable and a month later the family - Fritz, Muschi, Christian, John and I (it was my birth in London Fritz had narrowly missed when he left for Germany in May 1946) - moved to Hoechst in Frankfurt.

The move to Frankfurt was the turning point for Fritz. Possibly the atmosphere in Berlin, the city of his youth, had had something to do with his hopeful dedication, possibly the elation of being in on things right from the beginning had kept him going. But in Frankfurt he began to feel less and less optimistic about the work he was doing and its achievements. This was also partly because he had felt near to a significant victory as he moved to Frankfurt. He had a new scheme up his sleeve which he was pushing for all he was worth. In 1948, the year of the Marshall Plan and the O.E.E.C., Fritz became very involved in the discussions which eventually led up to the European Payments Union. The plan Fritz put forward was not dissimilar to his multilateral clearing plan but he had developed and expanded it to meet the particular circumstances of Europe. At first he was confident that the sixteen member countries would view it favourably. In his letter of June 29th he wrote to Muschi from Paris:

I would have returned long ago if my presence here were not absolutely essential. The fact is that I *am* setting the pace here; that my thoughts and proposals *are* dominating the present work of the Conference. I have now worked out a complete and almost foolproof scheme for European Co-operation, - the only complete scheme so far in existence. It had been circulated to all Delegations and, very likely sixteen governments are considering it at present. Never before have

I been so near to achievement. If I can push it through now I shall have done something for Europe.

Success was not to be. The plan was not accepted and Fritz put his failure down to the fact that he could not spend enough time in Paris and so 'the infant that came into the world so joyfully has fallen into bad hands,' he wrote to his parents in September. 'These have ruined him to such an extent that I doubt whether he can survive.'

An American lawyer, Kingman Brewster (later U.S. Ambassador to London), who was present at the discussions believed it failed for other reasons. He thought that the scheme was too original for the assembled governments. Fritz was aware too that the stumbling block was Whitehall. He was very depressed and wrote in October to Sir Cecil Weir, 'In conclusion I should like to say that the present tendency in Paris fills me with apprehension and gloom.'

In the middle of the following year, when the battles had finally been lost, Fritz was relieved that it was all over. Even defeat was better than the endless wranglings. But it had not been entirely fruitless for him. Thinking afresh about trade and its efficient organization had given him new insights. He still thought in terms of large comprehensive schemes to solve the problem he had identified but he saw that changes had taken place in the elements that made up the problem, which a new scheme would have to take into account. It was more complicated than he had realized because the quantitative changes in trading arrangements had had qualitative effects. The bilateralism which he had condemned had originally functioned when trade had taken place between many small traders ('the atomistic system of private traders'). A qualitative difference had taken place as small private traders became integrated into national groupings, protected by all sorts of price mechanisms and price support systems. 'The atoms have become lumps of matter (or energy) of very much differing size-weight-shape-chemical quality.' Multilateralism had applied to these new rules and laws - the law of the big number. Now Fritz believed things had changed again: 'The units have grown from the free enterprising atoms - John Smith and Jack Jones - to the size of an integrated rock (I won't say: Atom bomb)

e.g. the U.S.A. In other places, however, only the size of a brick - U.K. or a little marble - Ireland. How could the law of the big number - The principle of Indeterminacy—work as between rocks and little marbles?'⁴

This led him to look more closely at the reasons for the new situation which he concluded was due to the change in industrial and agricultural techniques. Industrial equipment had developed from being small-scale, short-lived and highly versatile, to being large-scale, long-lived and highly specific. A new 'law of mechanics' had to be worked out to explain and regulate the new economic machine.

With the failure of his European Payments Scheme Fritz shelved this line of thought for the time being. He had experienced repeatedly how his grand schemes, which were designed to solve major problems, had not received recognition. Again and again he was driven to conclude that the 'experts', particularly in his field of economics, did not have the powers of understanding that he had. They failed to find the right solutions because they were incapable of penetrating the real core of the problems, and therefore they were unable to understand the proper solution when it was offered to them.

In Germany, where he had the strong conviction that he was responsible for the fate of millions, even 'the life and death of millions', such a failure to get his 'solutions' across and accepted was the cause of tremendous tension and nervous strain. All around him people were thronging with demands and questions and he became acutely aware of the need to judge between the essential and the inessential, not only in his job but in life in general. What was it that prevented most people from distinguishing between what was really important and what was not? And how was he to develop this ability which he had always assumed he had?

Such questions had already occurred to him when, inundated with more work than he could handle on his arrival in Berlin, he had to distinguish between the many pressing demands that landed on his desk from dawn to dusk. Immersed as he was in the economic problems of Germany, he realized that to do his job properly he had to give some time to more general questions. As soon as Muschi had joined him and relieved him of the daily domestic pressures he began to search

for answers in books by Epictetus the Stoic, August Bier and Ortega y Gasset. It was a new departure and one he felt needed explanation. In March 1947 he wrote to his parents:

My main endeavour is to discover what is important and what is unimportant in this world. Most of us waste our time with all sorts of side issues. But we will never find our way out of the current disorder if we do not find our way back to a sense of the essential. In this sense these seemingly remote areas of learning do have a lot to do with my work. They give me an orientation in the big things and the strength to carry out thousands of details with utter commitment, but without losing my soul to my work.

As the demands of this new path of enquiry became more time-consuming Fritz had to pack more and more into his already overfilled day. He began to rise earlier, starting his studies at six in the morning. He felt much better for the peace of the early morning, he told his parents.

The main thing is that once again I have a bit of time for myself during which I can work at my own questions in peace. This has an extremely healing influence on my whole frame of mind and so on my health. I just don't feel like letting myself be completely consumed by my work and living out the definition of an expert 'who knows more and more about less and less'.

He got more peace than he bargained for because his demanding schedule proved too much and in the spring of 1948 he went down with pneumonia. The six weeks off work were a gift to him. He read constantly, Schopenhauer and the complete works of Maxim Gorky. Schopenhauer particularly gave him tremendous pleasure: 'I can think of nothing better to read - perhaps even no better way to spend my time than to "think with the mind of Schopenhauer",' he wrote enthusiastically to his parents.

Away from the battles to get his ideas through he was able to think carefully about the failure of the 'experts' to understand the real issues of the problems they tackled. The expres-

sion 'An expert is someone who knows more and more about less and less until he knows everything about nothing' was to him an amusing but profound truism. It led him to think more deeply about the failure of the intellectuals and academics to recognize the real danger of Hitler and by upholding the truth of their discipline to resist his rise to power. He said in a lecture in March 1948:

Our crisis - much wider than just Germany, did not come to pass because of a failure of doctors, engineers or lawyers as doctors, engineers or lawyers. They did not fail as experts but as people.

Man does not wander alone through the world but with others, so one can say that our task is a double one:

1. to fully develop oneself
2. to form one's relationship to other people - family, groups, one's countrymen, mankind, - sensibly, ethically, or expressed quite simply, with joy. I do not need to emphasize particularly that this division is artificial. One without the other is impossible.⁵

It posed again those questions which he had pondered in the war years in Eydon. What is the purpose of man's existence? Are there moral values? Is there any other useful tool beyond scientific fact and logic? His conclusions in 1943 had satisfied him. Logic and scientific fact were the only methods by which an intelligent person could make sense of the world. But since then his experience had failed to confirm this belief. As he travelled around Germany he had come to the conclusion that the unintellectual peasants had more understanding and more rounded personalities than the most clever expert, who had had the benefit of a proper education. If one could succeed in being an expert but fail as a person something was wrong in the aims of education. By failing to understand man's task in life, education failed to provide people with the proper tools. The answer, Fritz suggested, was not returning to the unintellectual state of the peasant but to restore education to its proper function of teaching people how to think. Facts and the scientific method alone could not produce ideas.

Ortega y Gasset, the author who had so inspired him when

as a student he had set off for America, was his inspiration once more and Fritz quoted from *The Mission of the Universities* to illustrate his point:

The medieval university does no research. It is very little concerned with professions. All is 'general culture' - theology, philosophy, 'arts' - ... It was not an ornament for the mind or the training of the character. It was, on the contrary, the system of ideas, concerning the world and humanity, which the man of that time possessed. It was consequently, the repertory of convictions which became the effective guide of his existence.⁶

There was an important message here for someone who regarded himself as an exceptionally clear thinker. Was the 'system of ideas', the 'repertory of convictions' which Fritz had worked out effectively guiding his existence? He was beginning to discover that his creed of the early 1940s was no longer satisfying him. In examining how to think effectively, facts and logic had failed to help. And as Ortega y Gasset forcefully pointed out there was a difference between facts and knowledge. 'The man of science can no longer afford to be what he is now with lamentable frequency - a barbarian knowing much of one thing ... From all quarters the need presses upon us for a new integration of knowledge, which today lies in pieces scattered around the world. But the labour of this undertaking is enormous.'

The message was so clear to Fritz that he felt that the answers he had been searching for were within his reach and must be offered to others. He began at once to write a book to show people how to think clearly. It was now obvious to him that clear thinking required one to ask the right questions and to be well informed politically. This was the task of the universities and the educational system: to open people's eyes to the political and ethical realities about them and teach them how to relate one to the other. But his 'book' did little more than stimulate him to further reading. As he wrote, he discovered that he was uncovering more questions than he was answering and his own ideas needed more substance.

They were not destined to come to fruition in Germany. By the middle of 1949 Fritz's heart was no longer really in his

work and he was looking for a change. The defeat in the battle over the European Payments Union symbolized the waning of his influence and that of the Allied powers generally. Germany would now go its own way and as Fritz was not happy about the way German politicians were choosing, it did not make sense for him to stay. In October 1949 Sir Cecil Weir left Germany. Fritz had regarded him as an ally and as his 'battering ram' but they had disagreed over the European Payments question and Fritz was finding himself out on a limb.

The future took care of itself. Since the days at the Oxford Institute, Fritz's reputation had been growing. His self-confidence was not based on false pride. People did take note of him. Soon after his arrival in Germany in the summer of 1946 he had been offered a highly lucrative and 'safe' job as Director of the United Nations Economic and Social Council in New York. His sense of mission to Germany was so great at that time that he had no doubts about turning the offer down at once. There were other less significant but flattering incidents. He reported one which took place in July to Muschi, much amused.

On Saturday, there were lots of people, mostly from 'Public Relations', the journalistic type. I asked a French lady to dance with me and the following conversation ensued: -

She: You are the bearer of a very famous name.

I: Possibly. What does the name convey to you?

She: Isn't your name Schumacher - well, that's the leader of the S.P.D. And there is also a famous economist of that name.

I: An economist? Where?

She: At Oxford.

I: There is no economist of that name at Oxford.

She: Oh yes there is. I have read everything he has written.

I: Then you must have read everything *I* have written.

She: Don't be silly. You are not from Oxford are you? You can't be the Oxford Schumacher. You are only a little boy.

I: Maybe I am. That is a failing only time can mend. At any rate, the only economist of that name at Oxford is me.

She: But this is incredible. - And I have been reading your writing with such *veneration* (All this in a French accent).

I: That will now cease, I hope.

She: I don't know what to say. I can't get over it. I must have a drink . . .

This sort of thing happens quite frequently. Sometimes I am asked whether I am a relation of the Schumacher who is Economic Adviser to the Control Commission. It is really very amusing.

Inconsequential as such conversations were, except to amuse and boost Fritz's ego, they served to assure him that the future would look after itself. In November 1949, this view was confirmed when three offers came Fritz's way. The first was another U.N. post, this time in Geneva. Fritz turned it down, it was not what he wanted. The second was an invitation from the President of Burma asking Fritz to become his economic adviser. Again, Fritz turned it down. It was not what his family wanted.

The third job fitted his hopes and aspirations exactly. It was from the British Government. Fritz was asked to return to England as Economic Adviser to the National Coal Board. It was the ideal opportunity. He wanted to return to England. The experiment to live in Germany again had not worked. His own status as an Englishman had been fraught with tension and difficulty. The lack of sympathy with his stand over Hitler's Germany disillusioned and saddened him, and his decreasing influence, and particularly the fact that Germany was set on a course directly opposite to the one he recommended and had worked for, convinced him that his task in Germany was over.

The job at the National Coal Board on the other hand seemed to offer everything he felt he lacked. It would give him status in the community to which he wanted to return. The suggestion that he should be appointed had come from the highest level. At one of his weekly meetings with Lord Hyndley, Chairman of the N.C.B. since nationalization, the Minister of Power, Hugh Gaitskell, had suggested that the Board might find it useful to employ an economist. Hyndley

asked whether the Minister had anyone in mind and Gaitskell had replied 'Fritz Schumacher'.

Also present at the meeting were the Permanent Secretary, Sir Donald Ferguson, a junior minister, Alf Robens, and Hyndley's deputy, Sir Arthur Street, who had known Fritz since his appointment to the Control Commission. He heartily endorsed Gaitskell's suggestion.

Such knowledge helped Fritz's self-confidence as did the announcement of his appointment in the *Financial Times*: 'Mr Schumacher, who had an outstanding career as an economist at Oxford before the war, joined Sir Cecil Weir's staff in the early days of allied occupation. He was later mainly concerned with the analysis of German economic trends and is regarded as one of the most able men on the staff of the British Control Commission.' More important was the significance he felt the job itself had. It contained all the elements of his thinking on industrial development, peace and socialism. It was an opportunity to match his skills as an economist, businessman and creative thinker, in an industry which he knew was unrivalled in its importance for the economy. While fighting for a proper coal policy in Germany he had learnt that energy was fundamental to all industrial activity, that the recovery of Germany depended on coal output. He had realized that energy was the foundation stone of industry, and coal, being indigenous to Europe, was the foundation stone of the European economy. In putting the coal industry on a firm footing he was working at the very centre of the economic life of the country. The British industry, although nationalized since 1946, consisted of a host of different scattered mines whose owners had for years jealously guarded their independence and which now had to be welded into a cohesive whole. He realized too that a strong indigenous coal industry was in the interests of peace. If an industrial nation could avoid depending on imported energy it would be avoiding the dangers to peace that international trade in such a sensitive commodity would bring.

Politically, too, the offer appealed to him. He had been a member of the Labour Party since 1946 and a supporter of nationalization and centralization of certain industries, and as a socialist he had every interest in making this new great experiment of nationalization work. He was committing him-

self to an exciting experiment dreamt of for years by socialist writers and thinkers. The socialist revolution he had anticipated as he studied Marx in the cottage in Eydon had not come about in Germany, nor had he been more successful in his own attempted revolution to get his paper on 'The Socialisation of German Industry' accepted in the first years after the war. But all the while the revolution had been taking place in England and Fritz was eager to play his part.

For Fritz the decision seemed straightforward. The only complication was Muschi. For her, his decision was terrible. Her loyalty to her mother had always been immense and now that her sister Olga's children were in the care of her parents, it was even stronger. She felt it her duty to be a mother to her sister's children as well as being a wife to Fritz and a mother to her own children. For her the obvious solution was to stay in Germany where she knew a man of Fritz's ability could easily find work. Once again the conflict between head and heart arose: Fritz's intellectual needs against Muschi's emotional ones. Once again the power of the intellect was the stronger. Fritz was determined to return to England and felt moreover that he needed it for his whole being. He wanted to breathe the air of England, and live in that very different atmosphere. He tried hard to convey this feeling to Muschi. After a week in England, the first in April and his first at the Coal Board (during which he caught such a heavy cold that he had to take two days in bed), he wrote to Muschi: 'This last week I felt more cheerful than I can remember for at least eleven years. You will discover the same when you come. It has been an enormous load and burden living in Germany (in our particular position). You have *every reason* to look forward to your return. It will be grand.'

Anxiously he asked the next day: 'Do you now feel reconciled to all the changes I am imposing on you? I am doing my best to lighten your burdens. You have a lot to look forward to here. So don't get too much attached to Reinbek, please.' Reinbek, he knew, was the real threat to their happiness. Muschi could not let go of her home. Her attachment to her family grew stronger with every year that passed.

When at last she joined Fritz in London at the beginning of May 1950, it was a difficult time for them both. Fritz was

grieved by Muschi's unhappiness at the prospect of her future away from her family; Muschi was unable to control her feelings, sad and homesick and yet feeling disloyal to her husband. For a while she wavered, unable to accept that there was really no choice in the matter for her. And when he saw her, Fritz, who had always been confident in her strength and loyalty to withstand the difficulties they encountered in their life together, recognized that their marriage had reached a crisis point. Even after they had found the house they wanted and Muschi had returned to Germany in June to finalize the move, there was still a question mark in the air whether she would return and Fritz wrote to her once more about the crisis.

The thing that got me worried is the problem Germany/England or Reinbek/Caterham. Because there I am completely powerless to make an adjustment on my side: there is no choice for me. I could not possibly return to Germany - it would finish me. I think that even you do not really have a choice - if only because of Christian. But if you think you have, it is difficult for you and may become dangerous. What worried me no end was that you would choose England and Caterham so reluctantly that everything here would become a frightful burden for all of us.

Muschi chose England and Caterham, but it was with difficulty. Her home always remained in Reinbek and the heartache she felt each time she left it never abated.