

WORKSHOP PAPERS

for

Work & Human Fulfilment

Workshop Leader - Peter Etherden

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The Duke of Buen Consejo by Leopold Kohr

Political Fiction. Stunning Site of Slums. Duke of Good Advice. Drowsy Refuge of Individuality. Privatisation of Development. Stimulus of Wealth, Title and Taste. Palace in the Slums. Conspicuous Abstinence. Creative Indulgence. Whims of Duchess. Social Fallout of Private Gain. Style of Medicis. Savings of Small Scale. Chain Reaction of Emulation. No Need for Public Funds. Variation in Class and Style. The Duke's Head. History of Nuclear Seeding. Utopian Fiction? From Peisistratos to Venice. Value of Monarchy.

I have often meant to write what the Germans call a *Staatsroman* — a state novel, an exercise in literary fiction for the purpose of illuminating the implications of a social theory. The most likely location for my prospective *Staatsroman* is the teeming slum hill of Buen Consejo at the edge of Puerto Rico's metropolitan area of San Juan.

Having been selected not by experts from MIT but by slum dwellers, the site is, not surprisingly, so stunning that it would satisfy even the most demanding sense of residential and commercial location. It certainly has greatly enlivened the planning languor of my dreams. Moreover, it has a singularly charming name — *Buen Consejo*, Good Advice. I have not yet decided on the sort of Machiavellian love plot that should be instilled into the story. But I have a rather clear idea as to the rest. And above all, I have the title: *The Duke of Buen Consejo*.

Even as it is, Buen Consejo has all the makings of a splendid little city, and I often point them out to visitors who are at first bewildered, then amused, and finally enraptured, once they succeed in seeing the exquisite beauty underneath a seemingly unappetizing surface.

Cascading down the slopes of a steep hill, its buzzing streets run joyfully into the eddies of dozens of leisurely squares hanging like flower-bedecked balconies over gullies, houses, and valleys. Its foot-paths, created by the movement of life itself, wind naturally up and down, often abruptly ending in daring flights of stairs leading skywards to dramatically posed houses musing like exotic birds on slender legs, high above the reach of cars and controversy. Its views sweep over the neighbouring communities below, over the tree-lined mirror-still eyes of enigmatic lagoons in the distance, and onto the foaming white horses of the surf until they become indistinct in the shimmering blue expanse of the ocean on the horizon.

The whole settlement looks rather like the cone of Mont St. Michael, San Marino, Fiesole or, on a smaller scale, like Segovia or Toledo — except, of course, that it is an abysmal slum. But so were once also the others. And like the others in their still crowded quarters, it is full of the radiant hum of warm-hearted people, sun-bathed and wind-cooled, happy in the cooperative closeness of their communal existence, and safe in the sovereignty of their huts, the drowsy refuge of their individuality.

Now, instead of shaving Buen Consejo off the surface of the earth and turning it into another wooded park into which no one except rapists will ever set foot again; or instead of waiting for decades until a welfare-minded anxious government, which after all has the whole of the country as its concern, will at last come around to allocating the necessary funds within the slowticking priority scale of a sweepingly comprehensive national plan; my *Staatsroman* envisions the Government entrusting the improvement of this particular community — along with the local rather than national development of a host of similar communities — to a private entrepreneur.

Since the reason for this is the inescapable insufficiency of public funds, necessary for the simultaneous pursuit of a great number of development programs of equal urgency (as otherwise the government would of course undertake the task itself), it follows that the private entrepreneur to be put in charge of Buen Consejo must be able to finance the expected improvements out of his own pocket. In other words, he must be a person of means, a capitalist of substance, a millionaire many times over.

However, in spite of the pathetic ambition to excel in social service rather than private gain, which our mass age has imposed on the intimidated tribe of modern welfare-capitalists, it is doubtful whether a rich man such as a Rockefeller or a Luis Ferré could be enticed into assuming a task of this scope. For whatever it might contribute to his reputation as a benefactor of mankind, he knows that he would still be abused, and have his motives doubted, by the Marxists, by the cynics, by the politicians, by the academics, by the psychologists, by the beneficiaries, by the editors, by the competitors, by Krushchev quoting the gospel and, from far beyond the grave, by the voice of Adam Smith quoting from *The Wealth of Nations*. He would therefore have to be offered a more concrete inducement than mere honour or pretended acclaim, an inducement derived not from his sense of social responsibility but from the always reliable old-fashioned human motivation of pride, vanity, and self-interest.

Money, however, would in this case not work for a variety of reasons. The public has none to offer, the millionaire has enough and, if he *should* be accessible to the lure of additional riches, he would obviously choose more profitable targets for investment than the building of modern accommodation for impoverished slum dwellers. But there are other incentives compellingly stirring the private interest. What a millionaire entrepreneur might not wish to undertake for the sake of an extra million, he might, as England has so fruitfully demonstrated, assume for the sake of a vanity-flattering, high-sounding aristocratic title. There are many rich people in the world, but very few of them who are dukes. So, in order to arouse the necessary enthusiasm, the government of my story decides not only to commission a rich millionaire with executing the novel's featured local development project; it confers this project on him as a duchy. It makes him the Duke of Buen Consejo.

That the country is a Republic should not stand in the way of such titles any more than it does in San Marino which is a republic too — the oldest, in fact, in the world, going all the way back to the year 300 A.D. Yet, republic or not, San Marino has enriched both its incorruptible treasury and its looks, to a not inconsiderable degree, by conferring elegant aristocratic titles on wealthy foreigners.

However, really to produce the desired result, the dukedom of Buen Consejo would have to convey more than a mere title worn by an absentee patron. Like the dukedoms of history, it would have to be invested with a high degree of sovereignty, or with sovereignty under the authority of the national government. Its Duke would therefore actually be the executive head of the new domain, not quite like the Prince of Monaco, but almost. This would have the additional advantage of attracting so many applicants that the Government would have no difficulty in finding candidates possessing not only appropriate riches but also appropriate ability and taste.

There is only one restriction to be imposed on the new Duke. As in the case of most other constitutional heads of self-governing communities, from villages to bishoprics to sovereign states, he is required to reside in Buen Consejo personally. And he is required to bring up his family within the boundaries of his domain.

Taking this as starting point, the rest of the story is self-developing. Being a duke, he must have an appropriately splendid residence. And being the head of a community, this residence must be located not at the outskirts of Buen Consejo but in its very midst. Like the White House, Fortaleza, or Buckingham Palace, it will serve as both government centre and private home. The Duke will therefore hardly need to be prodded into embellishing it.

Moreover, unlike a stern republican government, he will be able to abandon himself to the ego-swelling and beauty-generating principle of conspicuous consumption, which has contributed so much to the sensuous splendour of Renaissance cities, rather than having to pay homage to the puritanical sterility of the nowadays so fashionable principle of conspicuous abstention, which may enhance the moral stature of its practitioners, but hardly the aesthetic value of their communities.

Buen Consejo will make such creative indulgence all the more possible as, contrary to modern theory, the social acceptability of conspicuous consumption varies inversely with the wealth of the public. The poorer a society, the more will its members delight in being represented by pomp and circumstance. The richer — the more will they demand of their leaders the public display of impecunious humility as a guilt-ridden sign of their collective penance for a private affluence they are morally incapable of accepting as deserved.

Thus, Buen Consejo's first ducal development project serves not the slummers but the Duke. No public funds have been used, no money but his own. However, one can imagine the pains of his delicate Duchess, now that she has come to live on the spot. As she looks out from her damask curtained room of gilded mirrors and embroidered tapestries, all she sees is a muddy square surrounded by huts made of cardboard and compressed sardine tins. Lest he lose his lovely wife, the Duke realizes he must do more than just provide her with a palace. He must adorn the approaches.

His second development project will therefore be paving the square. With this, his private gain begins for the first time to produce an asset automatically benefitting also the community. However since, from his point of view, the paving is nonetheless primarily still meant to serve as a mere decorative extension of his private palace, its cost is still chargeable to his personal account. Moreover, precisely because he has his own rather than the as yet insensitive public interest in mind, he will, like the Medicis before him, execute the paving project not in utilitarian republican concrete but in aristocratic marble.

This, in turn, will set the tone also for the other squares, though in their case the improvement will no longer be financed from the Duke's private funds. However, this will not impede their rapid embellishment. For, as history has so often shown, many of the things that are beyond the financial reach of prosperous, integrated, costly superpowers, constitute no budgetary problems in poor communities as long as they are small. The famous savings of scale are all on their side, of small scale that is, with no public need to provide their citizens with, and make them financially responsible for, an average stretch of 13.4 miles of four-lane dual carriageway per each and every man.

But even a square paved with marble will not be enough to satisfy the aesthetic sophistication of the Duchess. So His Serene Highness will, as his next step, induce his tin-shacked neighbours to rebuild their homes, with the help of appropriate subsidies, in material and style befitting the new environment. In fact, aroused by his example, many of them will already have begun to do precisely this on their own initiative, so that the required subsidies will be so insignificant as to leave hardly a dent in the ducal treasury.

The principal need will be for aesthetic and technical rather than financial assistance. Moreover, considering that the new wave of beautification benefits from now on, quite tangibly, no longer only the Duke but every one whose property borders on the recently marbled square, the neighbours will also on this ground be quite willing to bear the bulk of the improvement costs themselves. The only question is: can they? After all, as slum dwellers they are still abjectly poor. But they are poor because for centuries they have held in their hands the costliest of all development resources, labour power, without ever putting it to proper use. Bearing the bulk of the costs themselves means therefore no more than at last using properly the one commodity over which they dispose in abundance already.

As a result, the second phase of urban renewal, though it involves by now also a large degree of *public* improvement, is again executed by means of strictly private resources, mobilized in addition no longer by the Duke alone but jointly with his aroused and equally benefitting neighbours. In other words, the second phase represents from an economic point of view actually less of a problem than the first. All that is at this juncture required of the Duke is to inject a relatively small amount of his personal embellishment funds into the plaza outside his residence. As this is the focal point at which his own private interests intersect with those of his neighbours, and the interests of both with those of the public, an infusion at this strategic location will suffice to trigger off such a chain reaction of supplementary private activities that the marbled square will soon be transformed into an effective urban nucleus — without the need for tapping a penny in public funds.

And the process will of course not stop here. For once the stimulus of outside help, however small at its origin, has released the tremendous dormant forces of self-help, it will spread from square to square, and street to street, until nothing is left of the slum except its exquisite geography. Moreover, fanned by the spirit of both emulation and competition, the whole dramatic development will not be the wearisome product of cautiously phased successive stages of a long-run plan ceremoniously unfolding in majestic lethargy, but of a number of brief bursts of energy erupting with volcanic ferocity in all corners of the place at the same time.

The third development phase now setting in has a more sophisticated objective. Evolving naturally out of the second, it is primarily concerned with the task of introducing variety into that deadly pattern of uniformity which is not only the inevitable result of all central planning, but the most characteristic feature of all slums, the slums of affluence no less than those of poverty.

But once again, the program that might be beyond the reach of super powers will prove practically self-generating as well as self-financing in the Duchy of Buen Consejo. In fact, ducal funds may now no longer be needed at all. For the burst of activities which has enlivened the second phase has raised the Duchy's income level sufficiently to supply it with the development funds for the third. And the same activities that have produced the required funds have also prepared the ground for variety to sprout forth. For the basically uncoordinated self-help and *laissez-faire* character of the majority of these activities have resulted in the gradual assertion of a multitude of differences in taste, temperament, and skill, not only architecturally, but also socially, professionally, and economically.

Following the aesthetic lead of the Duke, or rather perhaps of the Duchess, but otherwise exclusively engaged in the pursuit of their own varied interests, some citizens have thus begun to build taller, some smaller. Some are staying workers, some are becoming craftsmen. Some are rising in affluence, some are lagging behind. With the increase in business transactions of a now no longer lethargic community, some are turning into lawyers, some into bankers. With the increase in personal involvements, some decide to become psychoanalysts, some priests.

Moreover, following the Duke's example, the rising middle class, instead of escaping once again into the costly unurban boredom of the suburbs, considers it smart to live on its business premises. This infuses into the picture an additional dimension in architectural differences, making a number of houses so stately that some of them are beginning to rival even the residence of the Duke.

The same process will affect ecclesiastical buildings with the Church zestfully assuming her traditional role as pace setter in glorious architecture and as discriminating patron of the arts. This, in turn, creates opportunities for the anarchistic diversity of artists. And artists must of course sit in cafés which, adjusting to the new social scene, and bursting out into varying styles and degrees of luxury, are adding the last in convivial amenities by spilling over the sidewalks along leisurely streets, whose vehicular traffic has become largely dispensible under the dense pedestrian living conditions, surviving as one of the principal social amenities from the original slum.

All this is quite contrary to modern planning ideals which are trying their best not to emphasize but to level differences. But luckily our Duke does not subscribe to them. He thinks that the good city is not the uniform but the diverse city; not the rich but the full city; not a diffuse flatland at whatever height a plateau, but a pyramid rising from a sharply defined base in exciting progression through a series of narrowing tiers up towards the sky. He knows with Aristotle that 'a state is not made up only of so many, but of different kinds of men; for similars do not constitute a state. It is not like a military alliance.' And he agrees with Gilbert and Sullivan when they say of a fiesta to which only *grandees* are admitted: 'where everybody is somebody, nobody is anybody.'

With the aesthetic, economic, and material conditions improved, we have arrived at the final phase of development. This concerns itself with more than mere urban renewal. It aims at the culminating target: the raising of the Duchy's educational level. This is again in contradiction to conventional development patterns, most of which attempt to educate first and improve material conditions later. But our Duke has long realized that premature education is as much of an obstacle to rapid development as no education. For the educated man has higher wage claims and other requirements than an underproductive underdeveloped community can afford. Provoking claims on a communal product that as yet does not exist, premature education must therefore necessarily lead to frustration rather than satisfaction; to a painful disequilibrium rather than a new equilibrium at a higher level; to an increase in costs when the belt-tightening nature of all progress demands that costs should be kept low; to strikes when all hands should be put to work.

But now the time is ripe for achieving the cultural crowning mission of the ducal reign. As we have seen, one of the few constitutional restrictions imposed on the Duke stipulates that he and his family must maintain their regular residence within the boundaries of the Duchy. This makes it impossible for his Serene Highness to send his children away from Buen Consejo when they reach school age. Since he is nevertheless anxious to provide them with the best possible education, he has no alternative but to bring the best teachers in at his own expense. And since he is also anxious to raise his children in the most normal fashion, he will not content himself with importing the best of teachers. He will also set them up in appropriately endowed and appointed schools to which also the children of the poorest will be admitted free of charge. This will bring a measure of democratic roughage to the wealthy and the sophistication of aristocracy to the poor, until all social layers of Buen Consejo will have become culturally so demanding and economically so strong that they will not only begin to produce the best teachers themselves; they will also be able to bring forth and support the last and most elevated tier of cultural producers; the philosophers, the poets, the composers, as well as the small concert house and the intimate theatre in which they can perform.

And, once again, even at this culminating level, the cost of it all will constitute a negligible problem. Given an initial push from the private purse of the Duke, furnished for reasons of strictly personal improvement, it will in its subsequent and more demanding stages easily be borne by the community itself, not because it will then be producing so much but because — as in the case of every small enterprise — the cost of running it will be so little.

In other words, Buen Consejo will be able to finance its culture simply by *not* having to finance (a) the kind of bureaucracy-infested government machinery that is necessary to keep a large society integrated with its own extremities; and (b) the prohibitively expensive road network necessary to prevent it from losing track of itself, to say nothing of all the impoverishing and privately borne incidentals such a road network entails: the cars racing endlessly up and down in a vain effort to pull abreast of forever increasing technological distances; the repair work keeping the cars in shape; and the petrol quenching their unquenchable thirst.

Utopian? Hardly! A utopia promises the abolition of all misery. What Buen Consejo offers is the utterly realistic advantages of small size. Being so much smaller than most modern political communities, it will quite naturally *minimize* the problems of life in common. And it will minimize them at a geometric rate so that they will be more in line with the small stature of man. But it will *solve* none of them, that is none except the main problem of our age, the problem of excessive size. In wholly un-utopian fashion, it accepts the imperfections in both man and society as they are.

It will therefore still have its quantum of disease, passion, frustration, intrigue, violence, idiocy, trickery. And, for all I know, my story may end with a satiated citizenry reverting to the solid old forms of a non-nonsense republican government by ungratefully dismissing the Duke once he has fulfilled his vital development function, perhaps even beheading him, and in a dignified ceremony commemorating his fruitful reign by naming a zestful pub or a night club *The Duke's Head* (following in this the lead of the restrained English who, while taking their pleasures sadly, as Voltaire once remarked, seem not infrequently intent upon taking their executions gladly).

But I have still an unpuritanical open mind about this. I may keep the Duke. After all, one of the strongest forces of cohesion, particularly during the harassing times of economic development and social change, is precisely a personal, ducal, monarchical centre, a paternalistic father image, that radiates trust along with the indispensable authority, and rules by setting an example rather than by imposing conduct through decree. It makes many things so much simpler and cheaper.

As we have seen, all our Duke must do if there is need for stimulating a subsequently self-generating desire for general education is to make his people the witness of his educational concern for his own family. To instill into them a sense for elegance and style, the pace-setting habits of the Duchess will be as effective as costly appreciation courses. To arouse their enthusiasm for the theatre and the arts, he must but display a conspicuous interest in them himself, as did the Duke of Weimar in Goethe's time, as a result of which the lowliest coachman and humblest maid became as familiar with the latest achievements in literature as they would now be with 'pop'. And to push economic development, all he must do is engage in a display of conspicuous consumption which, far from being socially reprehensible, performs the same function as a national fair, a fashion show, or a Sears & Roebuck mail-order catalogue. It informs the people from the most strategic centre of what is going on, and advertises what is being produced. Indeed, so valuable are monarchical symbols as tools of efficient salesmanship, that an editor from *The Economist* came justly to the conclusion after perusing American advertisements that the United States is the country most devoted to the Crown.

So I may keep the Duke right to the happy end, rather than restore Buen Consejo to the folds of the republic whose codes are most honourable. But they do tend to hound every representative public person seen stepping from his official car into a night club until he either abdicates or descends into the shadows of conspicuous abstention. Which may qualify him for holy orders. But in times of development, it is economically about as beneficial as a frugal government bent on the sterility of saving rather than on spending.

Fiction? I have called it a *Staatsroman*. It is a *Roman* as far as Buen Consejo is concerned, with its heroes and heroics unfortunately indeed bearing hardly any resemblance to living persons or incidents. But otherwise it is nothing of the kind. It pictures not theory but history as it unfolded itself in a vast number of villages, cities, and city states all over Europe during the Middle Ages, or in the countless urban foundations of Greek and Phoenician antiquity. They all were developed through nuclear seeding rather than comprehensive planning. And they, too, were for ages milling around at stagnant substandard levels, hoping for something to come to their assistance, until they became possessed by a tyrant, a lord, an aristocratic merchant, a duke, a prince, a king, who decided that what was needed was not a subtle economic growth machinery but a bit of aesthetic ambition; that the fast way of advancing is not by waiting for outside help but by doing things oneself; that the point is not that communities cannot build because they are poor, but that they are poor because the bastards won't build; not that they must have union before they can afford luxuries, but that they must have reached a level of luxury before they can afford the expensive parasitism of union.

So simple is the economics of development on a local rather than a national and international scale, and so great the scale advantage of small size, that a whole battery of nuclear seeders has, historically, often appeared in a number of hotly competing city states at the same time, and done severally what no great power could ever have achieved unitedly in such a chain reaction of duplicating efforts: raising their domains from slum to marble, often in the brief creative spasm of a single generation.

When Peisistratos appeared on the scene, the major part of Athens consisted of hovels. When he departed, there stood an array of buildings of whose immortal beauty Pausanias could write hundreds of years later that, when they were new, they already looked ancient. Now that they were old, they still looked new.

Similarly, Venice started her scintillating career as an abysmal slum. Had she followed modern advice and waited with her development until Italy had been united, the United Nations established, the Common Market formed, she would still be a slum today. And so would Urbino, Perugia, Assisi, Parma, Padua, and most of the glamorous rest.

By going ahead on her own in the fashion of the Duke of Buen Consejo, she violated all principles of sound politics, economics, planning, location theory, indeed of intellectual levelheadedness itself. For who except a fool or bohemian slummer would build in the midst of a lagoon. But she gave us Venice.

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Towards A Theory of Large-Scale Organisation by E.F. Schumacher

Almost every day we hear of mergers and takeovers; Britain enters the European Economic Community to open up larger markets to be served by even larger organisations. In the socialist countries, nationalisation has produced vast combines to rival or surpass anything that has emerged in the capitalist countries. The great majority of economists and business efficiency experts supports this trend towards vastness.

In contrast, most of the sociologists and psychologists insistently warn us of its inherent dangers — dangers to the integrity of the individual when he feels as nothing more than a small cog in a vast machine and when the human relationships of his daily working life become increasingly dehumanised; dangers also to efficiency and productivity, stemming from ever-growing Parkinsonian bureaucracies.

Modern literature, at the same time, paints frightening pictures of a brave new world sharply divided between *us* and *them*, torn by mutual suspicion, with a hatred of authority from below and a contempt of people from above. The masses react to their rulers in a spirit of sullen irresponsibility, while the rulers vainly try to keep things moving by precise organisation and co-ordination, fiscal inducements, incentives, endless exhortations and threats.

Undoubtedly this is all a problem of communications. But the only really effective communication is from man to man, face to face. Franz Kafka's nightmarish novel, *The Castle*, depicts the devastating effects of remote control. Mr K, the land surveyor, has been hired by the authorities, but nobody quite knows how and why. He tries to get his position clarified, because the people he meets all tell him: 'unfortunately we have no need of a land surveyor. There would not be the least use for one here.'

So, making every effort to meet authority face to face, Mr K approaches various people who evidently carry some weight; but others tell him: 'You haven't once up till now come into real contact with our authorities. All these contacts are merely illusory, but owing to your ignorance...you take them to be real.'

He fails utterly to do any real work and then receives a letter from The Castle: 'The surveying work which you have carried out thus far has my recognition...Do not slacken your efforts! Bring your work to a successful conclusion. Any interruption would displease me...I shall not forget you.'

Nobody really likes large-scale organisation; nobody likes to take orders from a superior who takes orders from a superior who takes orders...Even if the rules devised by bureaucracy are outstandingly humane, nobody likes to be ruled by rules, that is to say, by people whose answer to every complaint is: 'I did not make the rules: I am merely applying them.'

Yet, it seems, large-scale organisation is here to stay. Therefore it is all the more necessary to think about it and to theorise about it. The stronger the current, the greater the need for skilful navigation.

The fundamental task is to achieve smallness *within* large organisation.

Once a large organisation has come into being, it normally goes through alternating phases of *centralising* and *decentralising*, like swings of a pendulum. Whenever one encounters such *opposites*, each of them with persuasive arguments in its favour, it is worth looking into the depth of the problem for something more than compromise, more than a half-and-half solution. Maybe what we really need is not *either-or* but *the-one-and-the-other-at-the-same-time*.

This very familiar problem pervades the whole of real life, although it is highly unpopular with people who spend most of their time on laboratory problems from which all extraneous factors have been carefully eliminated. For whatever we do in real life, we must try to do justice to a situation which includes all so-called extraneous factors. And we always have to face the simultaneous requirement for order and freedom.

In any organisation, large or small, there must be a certain clarity and orderliness; if things fall into disorder, nothing can be accomplished. Yet, orderliness, as such, is static and lifeless; so there must also be plenty of elbow-room and scope for breaking through the established order, to do the thing never done before, never anticipated by the guardians of orderliness, the new, unpredicted and unpredictable outcome of a man's creative idea.

Therefore any organisation has to strive continuously for the orderliness of *order* and the disorderliness of creative *freedom*. And the specific danger inherent in large-scale organisation is that its natural bias and tendency favour order, at the expense of creative freedom.

We can associate many further pairs of opposites with this basic pair of order and freedom. Centralisation is mainly an idea of order, decentralisation, one of freedom. The man of order is typically the accountant and, generally, the administrator; while the man of creative freedom is the *entrepreneur*. Order requires intelligence and is conducive to efficiency; while freedom calls for, and opens the door to, intuition and leads to innovation.

The larger an organisation, the more obvious and inescapable is the need for order. But if this need is looked after with such efficiency and perfection that no scope remains for man to exercise his creative intuition, for *entrepreneurial* disorder, the organisation becomes moribund and a desert of frustration. These considerations form the background to an attempt towards a theory of large-scale organisation which I shall now develop in the form of five principles.

The first principle is called *The Principle of Subsidiarity* or *The Principle of Subsidiary Function*. A famous formulation of this principle reads as follows: 'It is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organisations can do. For every social activity ought of its very nature to furnish help to the members of the body social and never destroy and absorb them.'

These sentences were meant for society as a whole, but they apply equally to the different levels within a large organisation. The higher level must not absorb the functions of the lower one, on the assumption that, being higher, it will automatically be wiser and fulfil them more efficiently. Loyalty can grow only from the smaller units to the larger (and higher) ones, not the other way round — and loyalty is an essential element in the health of any organisation,

The Principle of Subsidiary Function implies that the burden of proof lies always on those who want to deprive a lower level of its function, and thereby of its freedom and responsibility in that respect; *they* have to prove that the lower level is incapable of fulfilling this function satisfactorily and that the higher level can actually do much better. 'Those in command (to continue the quotation) should be sure that the more perfectly a graduated order is preserved among the various associations, in observing the principle of subsidiary function, the stronger will be the social authority and effectiveness and the happier and more prosperous the condition of the State.' (from the encyclical '*Quadragesimo Anno*')

The opposites of centralising and decentralising are now far behind us: the Principle of Subsidiary Function teaches us that the centre will gain in authority and effectiveness if the freedom and responsibility of the lower formations are carefully preserved, with the result that the organisation as a whole will be 'happier and more prosperous'.

How can such a structure be achieved? From the administrator's point of view, i.e. from the point of view of orderliness, it will look untidy, comparing most unfavourably with the clear-cut logic of a monolith. The large organisation will consist of many semi-autonomous units, which we may call *quasi-firms*. Each of them will have a large amount of freedom, to give the greatest possible chance to creativity and *entrepreneurship*.

The structure of the organisation can then be symbolised by a man holding a large number of balloons in his hand. Each of the balloons has its own buoyancy and lift, and the man himself does not lord it over the balloons, but stands beneath them, yet holding all the strings firmly in his hand. Every balloon is not only an administrative but also an *entrepreneurial* unit.

The monolithic organisation, by contrast, might be symbolised by a Christmas tree, with a star at the top and a lot of nuts and other useful things underneath. Everything derives from the top and depends on it. Real freedom and *entrepreneurship* can exist only at the top.

Therefore, the task is to look at the organisation's activities one by one and set up as many quasi-firms as may seem possible and reasonable. For example, the British National Coal Board, one of the largest commercial organisations in Europe, has found it possible to set up quasi-firms under various names for its opencast mining, its brickworks, and its coal products. But the process did not end there. Special, relatively self-contained organisational forms have been evolved for its road transport activities, estates, and retail business, not to mention various enterprises falling under the heading of diversification.

The board's primary activity, deep-mined coal-getting, has been organised in seventeen areas, each of them with the status of a quasi-firm. The source already quoted describes the results of such a *structurisation* as follows: 'Thereby (the centre) will more freely, powerfully and effectively do all those things which belong to it alone because it alone can do them: directing, watching, urging, restraining, as occasion requires and necessity demands.'

For central control to be meaningful and effective, a second principle has to be applied, which we shall call *The Principle of Vindication*. To vindicate means: to defend against reproach or accusation; to prove to be true and valid; to justify; to uphold; so this principle describes very well one of the most important duties of the central authority towards the lower formations. Good government is always government by exception. Except for exceptional cases, the subsidiary unit must be defended against reproach and upheld. This means that the exception must be sufficiently clearly defined, so that the quasi-firm is able to know without doubt whether or not it is performing satisfactorily.

Administrators taken as a pure type, namely as men of orderliness, are happy when they have everything under control. Armed with computers, they can indeed now do so and can insist on accountability with regard to an almost infinite number of items — output, productivity, many different cost items, non-operational expenditure, and so on, leading up to profit or loss. This is logical enough: but real life is bigger than logic. If a large number of criteria is laid down for accountability, every subsidiary unit can be faulted on one item or another; government by exception becomes a mockery, and no-one can ever be sure how his unit stands.

In its ideal application, the Principle of Vindication would permit only one criterion for accountability in a commercial organisation, namely profitability. Of course, such a criterion would be subject to the quasi-firm's observing general rules and policies laid down by the centre. Ideals can rarely be attained in the real world, but they are none the less meaningful. They imply that any departure from the ideal has to be specially argued and justified. Unless the number of criteria for accountability is kept very small indeed, creativity and *entrepreneurship* cannot flourish in the quasi-firm.

While profitability must be the final criterion, it is not always permissible to apply it mechanically. Some subsidiary units may be exceptionally well placed, others, exceptionally badly; some may have service functions with regard to the organisation as a whole or other special obligations which have to be fulfilled without primary regard to profitability. In such cases, the measurement of profitability must be modified in advance, by what we may call *rents* and *subsidies*.

If a unit enjoys special and inescapable advantages, it must pay an appropriate *rent*, but if it has to cope with inescapable disadvantages, it must be granted a special *credit* or *subsidy*. Such a system can sufficiently equalise the profitability chances of the various units, so that profit becomes a meaningful indication of achievement. If such an equalisation is needed but not applied, the fortunate units will be featherbedded, while others may be lying on a bed of nails. This cannot be good for either morale or performance.

If, in accordance with the Principle of Vindication, an organisation adopts profitability as the primary criterion for accountability - profitability as modified, if need be, by rents and subsidies - government by exception becomes possible. The centre can then concentrate its activities on 'directing, watching, urging, restraining as occasion requires and necessity demands', which, of course, must go on all the time with regard to all its subsidiary units.

Exceptions can be defined clearly. The centre will have two opportunities for intervening exceptionally. The first occurs when the centre and the subsidiary unit cannot come to a free agreement on the rent or subsidy, as the case may be, which is to be applied. In such circumstances the centre has to undertake a full efficiency audit of the unit to obtain an objective assessment of the unit's real potential. The second opportunity arises when the unit fails to earn a profit, after allowing for rent or subsidy. The management of the unit is then in a precarious position: if the centre's efficiency audit produces highly unfavourable evidence, the management may have to be changed.

The third principle is *The Principle of Identification*. Each subsidiary unit or quasi-firm must have both a profit and loss account and a balance sheet. From the point of view of orderliness a profit and loss statement is quite sufficient, since from this one can know whether or not the unit is contributing financially to the organisation. But for the *entrepreneur*, a balance sheet is essential, even it is used only for internal purposes. Why is it not sufficient to have but one balance sheet for the organisation as a whole?

Business operates with a certain economic substance, and this substance diminishes as a result of losses, and grows as a result of profit. What happens to the unit's profits or losses at the end of the financial year? They flow into the totality of the organisation's accounts; as far as the unit is concerned, they simply disappear. In the absence of a balance sheet, or something in the nature of a balance sheet, the unit always enters the new financial year with a nil balance. This cannot be right.

A unit's success should lead to greater freedom and financial scope for the unit, while failure - in the form of losses - should lead to restriction and disability. One wants to reinforce success and discriminate against failure. The balance sheet describes the economic substance as augmented or diminished by current results. This enables all concerned to follow the effect of operations on substance. Profits and losses are carried forward and not wiped out. Therefore, every quasi-firm should have its separate balance sheet, in which profits can appear as loans to the centre and losses as loans from the centre. This is a matter of great psychological importance.

I now turn to the fourth principle, which can be called *The Principle of Motivation*. It is a trite and obvious truism that people act in accordance with their motives. All the same, for a large organisation, with its bureaucracies its remote and impersonal controls, its many abstract rules and regulations, and above all the relative incomprehensibility that stems from its very size, motivation is the central problem. At the top, the management has no problem of motivation, but going down the scale, the problem becomes increasingly acute. This is not the place to go into the details of this vast and difficult subject.

Modern industrial society, typified by large-scale organisations, gives far too little thought to it. Managements assume that people work simply for money, for the pay-packet at the end of the week. No doubt, this is true up to a point, but when a worker, asked why he worked four shifts last week, answers: 'Because I couldn't make ends meet on three shifts' wages,' everybody is stunned and feels check-mated.

Intellectual confusion exacts its price. We preach the virtues of hard work and restraint while painting utopian pictures of unlimited consumption without either work or restraint. We complain when an appeal for greater effort meets with the ungracious reply: 'I couldn't care less,' while promoting dreams about automation to do away with manual work, and about the computer relieving men from the burden of using their brains.

A recent Reith lecturer announced that when a minority will be 'able to feed, maintain, and supply the majority, it makes no sense to keep in the production stream those who have no desire to be in it'. Many have no desire to be in it, because their work does not interest them, providing them with neither challenge nor satisfaction, and has no other merit in their eyes than that it leads to a pay-packet at the end of the week. If our intellectual leaders treat work as nothing but a necessary evil soon to be abolished as far as the majority is concerned, the urge to minimise it right away is hardly a surprising reaction, and the problem of motivation becomes insoluble.

However that may be, the health of a large organisation depends to an extraordinary extent on its ability to do justice to the Principle of Motivation. Any organisational structure that is conceived without regard to this fundamental truth is unlikely to succeed.

My fifth, and last, principle is *The Principle of the Middle Axiom*. Top management in a large organisation inevitably occupies a very difficult position. It carries responsibility for everything that happens, or fails to happen, throughout the organisation, although it is far removed from the actual scene of events. It can deal with many well-established functions by means of directives, rules and regulations. But what about new developments, new creative ideas? What about progress, the *entrepreneurial* activity *par excellence*?

We come back to our starting point: all real human problems arise from the *antinomy* of order and freedom. Antinomy means a contradiction between two laws; a conflict of authority; opposition between laws or principles that appear to be founded equally in reason.

Excellent! This is real life, full of antinomies and bigger than logic. Without order, planning, predictability, central control, accountancy, instructions to the underlings, obedience, discipline - without these, nothing fruitful can happen, because everything disintegrates. And yet - without the magnanimity of disorder, the happy abandon, the *entrepreneurship* venturing into the unknown and incalculable, without the risk and the gamble, the creative imagination rushing in where bureaucratic angels fear to tread -without this, life is a mockery and a disgrace.

The centre can easily look after order; it is not so easy to look after freedom and creativity. The centre has the power to establish order, but no amount of power evokes the creative contribution. How, then, can top management at the centre work for progress and innovation? Assuming that it knows what ought to be done: how can the management get it done throughout the organisation? This is where the Principle of the Middle Axiom comes in.

An axiom is a self-evident truth which is assented to as soon as enunciated. The centre can enunciate the truth it has discovered - that this or that is 'the right thing to do'. Some years ago, the most important truth to be enunciated by the National Coal Board was *concentration of output*, that is, to concentrate coal-getting on fewer coalfaces, with a higher output from each. Everybody, of course, immediately assented to it, but, not surprisingly, very little happened.

A change of this kind requires a lot of work, a lot of new thinking and planning at every colliery, with many natural obstacles and difficulties to be overcome. How is the centre, the National Board in this case, to speed the change-over? It can, of course, preach the new doctrine. But what is the use, if everybody agrees anyhow? Preaching from the centre maintains the freedom and responsibility of the lower formations, but it incurs the valid criticism that 'they only talk and do not *do* anything'. Alternatively, the centre can issue instructions, but, being remote from the actual scene of operations, the central management will incur the valid criticism that 'it attempts to run the industry from Headquarters', sacrificing the need for freedom to the need for order and losing the creative participation of the people at the lower formations - the very people who are most closely in touch with the actual job. Neither the soft method of government by exhortation nor the tough method of government by instruction meets the requirements of the case. What is required is something in between, a *middle axiom*, an order from above which is yet not quite an order.

When it decided to concentrate output, the National Coal Board laid down certain minimum standards for opening up new coalfaces, with the *proviso* that if any Area found it necessary to open a coalface that would fall short of these standards, a record of the decision should be entered into a book specially provided for the purpose, and this record should contain answers to three questions: -

- Why can this particular coalface not be laid out in such a way that the required minimum size is attained?
- Why does this particular bit of coal have to be worked at all?
- What is the approximate profitability of the coalface as planned?

This was a true and effective way of applying the Principle of the Middle Axiom and it had an almost magical effect. Concentration of output really got going, with excellent results for the industry as a whole. The centre had found a way of going far beyond mere exhortation, yet without in any way diminishing the freedom and responsibility of the lower formations.

Another middle axiom can be found in the device of *Impact Statistics*. Normally, statistics are collected for the benefit of the collector, who needs - or thinks he needs - certain quantitative information. Impact statistics have a different purpose, namely to make the supplier of the statistic, a responsible person at the lower formation, aware of certain facts which he might otherwise overlook. This device has been successfully used in the coal industry, particularly in the field of safety.

Discovering a middle axiom is always a considerable achievement. To preach is easy; so also is issuing instructions. But it is difficult indeed for top management to carry through its creative ideas without impairing the freedom and responsibility of the lower formations.

I have expounded five principles which I believe to be relevant to a theory of large-scale organisation, and have given a more or less intriguing name to each of them. What is the use of all this? Is it merely an intellectual game? Some readers will no doubt think so. Others - and they are the ones for whom this chapter has been written - might say: 'You are putting into words what I have been trying to do for years.' Excellent! Many of us have been struggling for years with the problems presented by large-scale organisation, problems which are becoming ever more acute. To struggle more successfully, we need a theory, built up from principles. But from where do the principles come? They come from observation and practical understanding.

The best formulation of the necessary interplay of theory and practice, that I know of, comes from Mao Tse-tung. Go to the practical people, he says, and learn from them: then synthesise their experience into principles and theories; and then return to the practical people and call upon them to put these principles and methods into practice so as to solve their problems and achieve freedom and happiness.

The above is the full text of Chapter 16, the second of five essays on 'Organisation and Ownership' in the final part of 'Small is Beautiful: a study of economics as if people mattered' first published in 1973 by Blond & Briggs (ISBN 0 349 13132 5).

The Scott-Bader Commonwealth by E.F. Schumacher

Ernest Bader started the enterprise of Scott Bader Co Ltd in 1920 at the age of thirty. Thirty-one years later, after many trials and tribulations during the war, he had a prosperous medium-scale business employing 161 people, with a turnover of about £625,000 a year and net profits exceeding £72,000.

Having started with virtually nothing, he and his family had become prosperous. His firm had established itself as a leading producer of polyester resins and also manufactured other sophisticated products, such as alkyds, polymers, and plasticisers.

As a young man he had been deeply dissatisfied with his prospects of life as a employee; he had resented the very ideas of a 'labour market' and a 'wages system', and particularly the thought that capital employed men, instead of men employing capital. Finding himself now in the position of employer, he never forgot that his success and prosperity were the achievements not of himself alone but of all his collaborators and decidedly also of the society within which he was privileged to operate. To quote his own words:

'I realised that - as years ago when I took the plunge and ceased to be an employee - I was up against the capitalist philosophy of dividing people into the managed on the one hand, and those that manage on the other. The real obstacle, however, was Company Law, with its provisions for dictatorial powers a shareholders and the hierarchy of management they control.'

He decided to introduce 'revolutionary changes' in his firm, 'based on a philosophy which attempts to fit industry to human needs',

'The problem was twofold: (1) how to organise or combine a maximum sense of freedom, happiness and human dignity in our firm without loss of profitability, and (2) to do this by ways and means that could be generally acceptable to the private sector of industry.'

Mr Bader realised at once that no *decisive* changes could be made without two things: first, a transformation of ownership - mere profit-sharing, which he had practised from the very start, was not enough; and, second, the voluntary acceptance of certain self-denying ordinances.

To achieve the first, he set up the Scott Bader Commonwealth in which he vested (in two steps: ninety per cent in 1951 and the remaining ten per cent in 1963) the ownership of his firm, Scott Bader Co Ltd.

To implement the second, he agreed with his new partners, that is to say, the members of the Commonwealth, his former employees, to establish a *constitution* not only to define the distribution of the 'bundle of powers' which private ownership implies, but also to impose the following restrictions on the firm's freedom of action:

First, the firm shall remain an undertaking of limited size, so that every person in it can embrace it in his mind and imagination. It shall not grow beyond 350 persons or thereabouts. If circumstances appear to demand growth beyond this limit, they shall be met by helping to set up new, fully independent units organised along the lines of the Scott Bader Commonwealth.

Second, remuneration for work within the organisation shall not vary, as between the lowest paid and the highest paid, irrespective of age, sex, function or experience, beyond a range of 1:7, before tax.

Third, as the members of the Commonwealth are partners and not employees, they cannot be dismissed by their co-partners for any reason other than gross personal misconduct. They can, of course, leave voluntarily at any time, giving due notice.

Fourth, the Board of Directors of the firm, Scott Bader Co Ltd shall be fully accountable to the Commonwealth. Under the rules laid down in the Constitution, the Commonwealth has the right and duty to confirm or withdraw the appointment of directors and also to agree their level of remuneration,

Fifth, not more than forty per cent of the net profits of Scott Bader Co Ltd shall be appropriated by the Commonwealth - a minimum of sixty per cent being retained for taxation and for self-finance within Scott Bader Co Ltd - and the Commonwealth shall devote one-half of the appropriated profits to the payment of bonuses to those working within the operating company and the other half to charitable purposes outside the Scott Bader organisation.

And finally, none of the products of Scott Bader Co Ltd shall be sold to customers who are known to use them for war-related purposes.

When Mr Ernest Bader and his colleagues introduced these revolutionary changes, it was freely predicted that a firm operating on this basis of collectivised ownership and self-imposed restrictions could not possibly survive.

In fact, it went from strength to strength, although difficulties, even crises and setbacks, were by no means absent. In the highly competitive setting within which the firm is operating, it has, between 1951 and 1971, increased its sales from £625,000 to £5 million; net profits have grown from £72,000 to nearly £300,000 a year; total staff has increased from 161 to 379; bonuses amounting to over £150,000 (over the twenty-year period) have been distributed to the staff and an equal amount has been donated by the Commonwealth to charitable purposes outside; and several small new firms have been set up.

Anyone who wishes to do so can claim that the commercial success of Scott Bader Co Ltd was probably due to 'exceptional circumstances'. There are, moreover, conventional private enterprise firms which have been equally successful or even more so. But this is not the point

If Scott Bader Co Ltd had been a commercial failure after 1951, it could serve only as an awful warning; its undeniable success, as measured by conventional standards, does not *prove* that the Bader 'system' is necessarily superior by these standards: it merely demonstrates that it is not incompatible with them. Its merit lies precisely in the attainment of objectives which lie outside the commercial standards of *human* objectives which are generally assigned a second place or altogether neglected by ordinary commercial practice. In other words, the Bader 'system' overcomes the *reductionism* of the private ownership system and uses industrial organisation as a servant of man, instead of allowing it to use men simply as means to the enrichment of the owners of capital. To quote Ernest Bader:

'Common Ownership or *Commonwealth*, is a natural development from Profit Sharing, Co-Partnership or Co-Ownership, or any scheme where individuals hold sectional interests in a common enterprise. They are on the way to owning things in common, and, as we shall see, Common-Ownership has unique advantages.'

While I do not intend to go into the details of the long evolution of ideas and new styles of management and co-operation during the more than twenty years since 1951, it is useful here to crystallise out of this experience certain general principles.

First: the transfer of ownership from a person or a family - in this case the Bader family - to a collectivity, the Commonwealth, changes the existential character of 'ownership' in so fundamental a way that it would be better to think of such a transfer as effecting the *extinction* of private ownership rather than as the establishment of collective ownership. The relationship between one person, or a very small number of persons, and a certain assembly of physical assets is quite different from that between a Commonwealth, comprising a large number of persons, and these same physical assets. Not surprisingly, a drastic change in the *quantity* of owners produces a profound change in the *quality* of the meaning of ownership, and this is so particularly when, as in the case of Scott Bader, ownership is vested in a collectivity, the Commonwealth, and no individual ownership rights of individual Commonwealth members are established. At Scott Bader, it is legally correct to say that the operating company, Scott Bader Co Ltd. is owned by the Commonwealth; but it is neither legally nor existentially true to say that the Commonwealth members, as individuals, establish any kind of ownership in the Commonwealth. In truth, ownership has been replaced by specific rights and responsibilities in the administration of assets.

Second: while no-one has *acquired* any property, Mr Bader and his family have nonetheless deprived themselves of their property. They have voluntarily abandoned the chance of becoming inordinately rich. Now, one does not have to be a believer in equality, whatever that may mean, to be able to see that the existence of inordinately rich people in any society today is a very great evil. Some inequalities of wealth and income are no doubt 'natural' and functionally justifiable, and there are few people who do not spontaneously recognise this. But here again, as in all human affairs, it is a matter of scale. Excessive wealth, like power, tends to corrupt. Even if the rich are not 'idle rich', even when they work harder than anyone else, they work differently, apply different standards, and are set apart from common humanity. They corrupt themselves by practising greed, and they corrupt the rest of society by provoking envy. Mr Bader drew the consequences of these insights and refused to become inordinately rich and thus made it possible to build a real *community*.

Third: while the Scott Bader experiment demonstrates with the utmost clarity that a transformation of ownership is essential - without it everything remains make-believe - it also demonstrates that the transformation of ownership is merely, so to speak, an enabling act: it is a necessary, but not a sufficient, condition for the attainment of higher aims.

The Commonwealth, accordingly, recognised that the tasks of a business organisation in society are not simply to make profits and to maximise profits and to grow and to become powerful: the Commonwealth recognised four tasks, all of equal importance:

- The economic task: to secure orders which can be designed, made, and serviced in such a manner as to make a profit.
- The technical task: to enable marketing to secure profitable orders by keeping them supplied with up-to date product design.
- The social task: to provide members of the company with opportunities for satisfaction and development through their participation in the working community.
- The political task: to encourage other men and women to change society by offering them an example by being economically healthy and socially responsible.

Fourth: it is the fulfilment of the social task which presents both the greatest challenge and the greatest difficulties. In the twenty-odd years of its existence, the Commonwealth has gone through several phases of constitution-making, and we believe that, with the new constitution of 1971, it has now evolved a set of 'organs' which enable the Commonwealth to perform a feat which looks hardly less impossible than that of squaring the circle, namely, to combine real democracy with efficient management. I refrain here from drawing diagrams of the Scott Bader organisation to show - on paper - how the various 'organs' are meant to relate to one another; for the living reality cannot be depicted on paper, nor can it be achieved by copying paper models. To quote Mr Ernest Bader himself:

'I would very much prefer to take any interested person on a tour of our forty-five-acre, ancient Manor House Estate, interspersed with chemical plants and laboratories, than to laboriously write (an) article which is bound to raise as many questions as it answers.'

The evolution of the Scott Bader organisation has been - and continues to be - a *learning process*, and the essential meaning of what has been happening there since 1951 is that it has enabled everyone connected with Scott Bader to learn and practise many things which go far beyond the task of making a living, of earning a salary, of helping a business to make a profit, of acting in an economically rational manner 'so that we shall all be better off'.

Within the Scott Bader organisation, everybody has the opportunity of raising himself to a higher level of humanity, not by pursuing, privately and individualistically, certain aims of self-transcendence which have nothing to do with the aims of the firm - *that* he is able to do in any setting, even the most degraded - but by, as it were, freely and cheerfully gearing in with the aims of the organisation itself. This has to be learned, and the learning process takes time. Most, but not all, of the people who joined Scott Bader have responded, and are responding, to the opportunity.

Finally, it can be said that the arrangement by which one-half of the appropriated profits must be devoted to charitable purposes outside the organisation has not only helped to further many causes which capitalist society tends to neglect - in work with the young, the old, the handicapped, and the forgotten people - it has also served to give Commonwealth members a social consciousness and awareness rarely found in any business organisation of the conventional kind.

In this connection, it is also worth mentioning that provision has been made to ensure, as far as possible, that the Commonwealth should not become an organisation in which individual selfishness is transformed into group selfishness.

A Board of Trustees has been set up, somewhat in the position of a constitutional monarch, in which personalities from outside the Scott Bader organisation play a decisive role. The Trustees are trustees of the constitution, without power to interfere with management. They are, however, able and entitled to arbitrate, if there should arise a serious conflict on fundamental issues between the democratic and the functional organs of the organisation.

As mentioned at the beginning of this account, Mr Ernest Bader set out to make 'revolutionary changes' in his firm, but '*to do this by ways and means that could be generally acceptable to the private sector of industry*'. His revolution has been bloodless; no-one has come to grief, not even Mr Bader or his family; with plenty of strikes all around them, the Scott Bader people can proudly claim: 'We have no strikes'; and while no-one inside is unaware of the gap that still exists between the aims of the Commonwealth and its current achievements, no outside observer could fairly disagree, when Ernest Bader claims that:

‘the experience gained during many years of effort to establish the Christian way of life in our business has been a great encouragement; it has brought us good results in our relations with one another, as well as in the quality and quantity of our production.

‘Now we wish to press on and consummate what we have so far achieved, making a concrete contribution towards a better, society in the service of God and our fellowmen.’

And yet, although Mr Bader’s quiet revolution *should* be ‘generally acceptable to the private sector of industry’, it has, in fact, not been accepted. There are thousands of people, even in the business world, who look at the trend of current affairs and ask for a ‘new dispensation’. But Scott Bader - and a few others - remain as small islands of sanity in a large society ruled by greed and envy. It seems to be true that, whatever evidence of a new way of doing things may be provided, ‘old dogs cannot learn new tricks’. It is also true, however, that ‘new dogs’ grow up all the time; and they will be well advised to take notice of *what has been shown to be possible* by The Scott Bader Commonwealth Ltd.

Beauty & Community by Leopold Kohr

Futility of Rapid Transit System. From Bad to Worse. Effective versus Numerical Population Size. The Ignored Velocity Factor. Jam Cure through Urban Contraction. Back to the Neighbourhood. Live Where You Work. The Lure of Inner City. Return by Ministerial Persuasion. Rank. Location and Chic. Residential Prestige. Economics of Pedestrianism. Urbanization of Suburbs. Vital Role of Aesthetics. Architectural versus Urban Beauty.

One thing seems certain: rapid-transit systems will not contribute a thing to the solution of traffic congestion. They will make a bad situation worse. This has happened in every community where such a system has been adopted. Can anyone name the city whose traffic situation is better today than it was last year? Or five years ago? Or fifty years ago? There is none.

The reason for this is that more traffic arteries invariably engender not less but greater traffic pressure. And since traffic pressure grows at a geometric ratio with every arithmetic increase in traffic facilities, it follows that, as I have suggested in the two preceding columns, instead of alleviating the asphyxiating problem of congestion, every expansion of transit systems not only aggravates it, but does so at a more than proportionate rate.

I have called the principle expressing this relationship the 'Velocity Theory of Population'. Analogous to the 'Quantity Theory of Money', it suggests that the mass of population increases not only with every addition to its numbers; irrespective of numerical changes, it increases also with every acceleration in the speed with which a population circulates. Indeed, as I have frequently stressed, the real problem of our age is not one of numerical but of velocity overpopulation.

Planners who are wont to adjust their designs to increases in the *numerical* population of a community are therefore invariably bound to fall short in their projections by ignoring the infinitely more significant increases in the *effective* or *velocity* population: that is numerical population multiplied by the speed of its movement.

For an increase in effective population means an increase in traffic pressure. Increased traffic pressure increases the need for added rapid-transit facilities. New transit facilities lead to a further increase in the *effective* or *velocity* size of the population with the result that, once the spiralling process has started, new facilities can never again catch up with the rising need for more which they themselves create. This is why, after a given urban expansion, a rapid-transit system will not improve but aggravate the very traffic conditions it tries to alleviate.

Having elaborated the implications of the 'Velocity Theory of Population' in three books, 'The Overdeveloped Nations', 'Development without Aid' and 'The City of Man', I hope I shall be forgiven if I do not go into its mathematical detail. After all, what matters for practical purposes is not the theory but the solution it offers. But what is the solution?

Starting with the assumption that the jammed-up cities of our time suffer not from too little but too much traffic, it is obvious that the real question is not how to *increase* the available rapid-transit facilities but how to *reduce* the need for requiring them in the first place? And the only way to bring this about is through urban contraction by means of a geographical rearrangement of both our personal and professional lives. Let everyone again live close to where he works, and seek work close to where he lives, and then bring all the rest of the institutions which he needs for a full life — shops, schools, church, theatres, recreation facilities — into his immediate neighbourhood.

In other words, turn an integrated metropolis from the centralized octopus it is today into a loosely federated *community of communities* whose locally clustered residents will see little reason in consuming, at high speed, intra-urban distances of 20 to 50 miles a day in pursuit of an existence that could be that much richer and more civilized, if their daily movements were reduced to a leisurely two or three miles by restricting their socially necessary activities to their pedestrian neighbourhoods.

But to bring this about is not only a problem of rearranging the citizen's economic, convivial, and professional activities around a number of competing urban nuclei dispersed with a high degree of self-sufficiency over the metropolitan area.

The community of communities must be a community of *beautiful* communities. For only a beautiful community, as only a beautiful woman, will prevent its residents from constantly flitting around in search of livelihood and pleasure elsewhere.

In the case of my favourite example, San Juan, this could be achieved quite simply if, as Ursula von Eckardt also urged shortly before her untimely death, people who work in the old city could be induced to live there as well. Then, no rapid transit system would be needed for shipping the army of officials in every morning, and out every evening. Though Dr. von Eckardt thought the idea excellent, she sadly added that this is not enough to make it government policy.

Actually, it would be quite simple to translate the idea into practice. The only question is: how could one induce our modern suburbanites to return to the inner city as permanent residents rather than as mile-devouring, road-jamming daily commuters?

In spite of the fact that large numbers of these wretched souls are state officials, it would be impossible for the government to order them back by decree. But it would be possible to lure them back by example, demonstrating to them that old San Juan is a better residential address than even the fanciest of modern suburbs. All that would be necessary in the beginning is to persuade key cabinet members to do what men of distinction have done throughout the ages: live, like the fortunate Governor does, in their working place — the Secretary of Justice in the Justice Department; the Secretary of State in the Department of State; the Secretary of the Treasury in the old Treasury.

These buildings, now overcrowded by day and underutilized by night, are among the most splendid in the land already. There is therefore no reason why a cabinet member, urged to take up residence in them, should consider this an intrusion into his freedom of choice or a reduction in rank. More likely, he would appreciate it as a status symbol, enabling him at last to live in the style appropriate not only to the power of his office but to the dignity of the people he serves.

With the cabinet members back in town, it should not be too difficult to attract the civil-service heads of the various departments by offering as part of their remuneration not so much an apartment as the location of an apartment appropriate to their rank — that is, not in, but in the immediate neighbourhood of, their office buildings. The same can be done with the bulk of the lower ranks of officialdom by setting aside the appropriate accommodation for them in the rest of the old city. And the process would, of course, not stop there. For an elegant capital city populated by a large proportion of civil servants would soon induce many others connected with servicing a city — bankers, business executives, restaurant owners, actors, teachers, waiters — to follow their example once the administrative elite has shown that a residence close to your working place is not a degradation but the hallmark of a chic style of life. Besides, relocation in the centre would of course also offer the enormous energy and cost-saving advantages of pedestrianism which, in themselves, should be equivalent to a 30 per cent rise in income without costing the government a penny in higher wages.

However, resettling the commuters in old San Juan is only half the job. In order to reduce the pressure on roads, the process must be duplicated also in the other regions of the metropolitan area. But there, the problem must be tackled from the opposite end. What is needed in the old city centre of San Juan for transforming commuters into residents is residences. What is needed in the other districts of the metropolis — Santurce, Ocean Park, Puerto Nuevo, Isla Verde, Country Club, Villa Fontana — is the sophistication of city life. This means the building up of closely packed urban nuclei composed of theatres, cafés, plazas, churches, inns, town halls in the midst of their already abundant residential areas, and their functional integration with working places to be located not in motorized but in pedestrian distances. Otherwise, their residents will stick to their commuting way of life in order to enrich their existence with the variety all of us desire.

And this is where the administrative task of rearranging the metropolis turns into an aesthetic problem. For it is not sufficient to have the nuclear urban structures functionally arranged on a narrow pedestrian scale; the arrangement must also appeal to the senses.

This is no problem in old San Juan which was built with the unfailing taste of former centuries and restored by the unfailing taste of Ricardo Alegria whose accomplishments are without rival. But it is the main problem of all other subdivisions of the metropolitan area. In many of them, we find an abundance of handsome residential buildings and of factory structures of outstanding architectural beauty. But there is no beauty in their urban arrangement, and no near all-purpose nucleus that would prevent their citizens from hopping into their cars in search of excitements which are inversely proportionate to the distance they must travel for reaching them.

This, then, would be the civilized alternative to the increase in urban velocity offered by a rapid-transit system: not more but fewer traffic facilities. But fewer traffic facilities are adequate only if the size of the population can be reduced. And this, according to the velocity theory of population, can be achieved not only through the decimation of its numbers but, more humanely, also through the reduction in its speed. For a slower moving population has the same effect as if it were numerically a smaller population, just as a faster population has the effect of being numerically a larger one.

But what must be stressed again is that a reduction in speed, and with it of a city's *effective* (in contrast to its *numerical*) size requires not only the functional and administrative reorganization of a widely dispersed, yet centralized, metropolitan area into a federated system of small cities; such reorganization will yield the desired results only if it is animated by a spirit of aesthetic concern.

In other words, if Ursula von Eckart's laudable dream is to become a reality, San Juan — as every overgrown city of the world — must be rearranged as more than just a community of communities. It must become a community of beautiful communities. For only a beautiful community, as only a beautiful woman, will prevent its residents from constantly flitting around in search of livelihood and pleasure elsewhere.

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Tea-Time at Marshbeck: Looking Back from 2050 by James Robertson

It is the afternoon of 5th January 2050. A few days ago the 21st century reached the half-way mark. The occasion has made people think. They are still talking about the New Year celebrations, and the various ideas about the past and the future that came up.

Emily Malik, Eskimo Johnson, and their two children, Bruno (aged eight) and Shantih (aged six), are a typical English family group. Their way of life is typical too. They live in a village (called Marshbeck) a few miles from a town centre (called Trentside) about a hundred and fifty miles from London.

Emily and Eskimo originally came to Marshbeck as a result of a contact made through the LHP. A house and work-role had become vacant and the members of the cluster concerned were seeking a new family group to take the place of the people who had left. As they were reminded during the New Year celebrations, their grandparents and great grandparents seventy years ago did not have LHPs —‘leisure, home and personal’ informatic sets linked to the worldwide networks. The possibility of combining telephones, television sets and computer terminals had long been foreseen, but it was not until after 1990 that LHPs began to come in as standard domestic equipment.

Similarly, it was not until the ‘90s that clusters of houses owned in common by the residents came in as a regular form of home occupation and neighbourhood living, after the final breakdown of the old money system had brought publicly provided housing virtually to an end and put personal house purchase out of most people’s reach.

Emily’s and Eskimo’s predecessors at Marshbeck has been invited to move to PISCES (the Pacific Inter-Species Communication and Empathy School) in Tahiti to work out their growing commitment to the marine consciousness movement. The cluster needed someone to take their house who would also take responsibility for managing the minifarm. This suited Emily well, and Eskimo discovered that the biodegradable plastics and recycling unit in Trentside would give him three days work a week, monitoring their automated quality control.

He also found that the Marshbeck community health centre would be an ideal place to develop his capacities as a healer. So Emily and Eskimo visited Marshbeck and met the residents of the cluster. Then both sides made a few enquiries, agreement was quickly reached, and the newcomers moved in and took up their share in the common ownership. That was about five years ago.

Their cluster is a little smaller than the average. It covers about six acres. The minifarm occupies three. Buildings and private houses occupy the rest. There are three other family houses, two four-room bungalows for elderly people, one of which is shared by three people and the other by two, and a teenagers’ mess (containing six bedsitters, a common room, kitchen and shower room).

In addition to the teenagers’ mess and the sheds for the minifarm, other shared buildings contain: the deep-freeze units; food-processing equipment (for making breads, meats, jams, chutneys, cheeses, wines, beers, and so on); the laundry; and a repair and maintenance workshop with tools for repairing clothes, household furniture and equipment, minifarm equipment, electronic and electrical equipment, bicycles and other vehicles, and buildings.

There is also a coppice, a small communications and operations office with informatic facilities more sophisticated than the ordinary living room LHPs. Several of the cluster’s residents use the coppice for their work: for example, Harley Jones does environmental and architectural consultancy; Sheelah Mackenzie calculates personalised diet and exercise optimisations; and Pik Musgrove puts together multi-media skill-transfer packs.

It is Pik, in fact, who — with his nineteen-year-old daughter Indira and her friend Herbert from Lagos — has dropped in on Emily and Eskimo this afternoon. Harley Jones’ mother, Meg, an elderly widowed lady who shares one of the bungalows, is also there. Pik is a recent widow; Marika, his partner, died last summer after an accident at a solar-powered bike-plane show in Arizona. Indira met Herbert during her community service last year at a biotechnics centre in China, where they learned to use bacteriological techniques in urban horticulture. They came back together by round-the-world windship just before Christmas.

Herbert remarks how strange it is that in England mid-afternoon is still called 'tea-time' and mid-morning is still called 'coffee-time.' although it must be thirty or forty years since people living outside the tea- and coffee-growing areas of the world have drunk tea and coffee regularly. Emily doesn't find this surprising; surely, she says, one of the functions of language is to reassure us that things haven't changed all that much; later generations use the same words as earlier ones, and don't recognise that what the words refer to is something quite new.

Pik has recently been doing historical research with the Trentside Community Communications Society for their contribution to New Year's Eve Worldwide. 'Yes,' he says, 'and I think this is especially true of the last sixty or seventy years. The biggest changes that have taken place since the 1980s, when the great transformation gathered speed, have been intangible changes — changes in what some of our grandparents used to call 'software,' meaning people's ways of thinking, communicating and organising. The deep, unspoken priorities have changed.

It's difficult now to imagine how things must have been when life for most people was empty of meaning — before they were seized, as we are, by the commitment to develop our potential as persons, in society, as part of planet Earth. Everything must have seemed quite different for them — much emptier, you would think — and yet they used the same words — like sane, humane and ecological — as we do to refer to those aspects of life.'

Emily interrupts, 'Yes, and human potential is another good example. A lot of people used to think that developing human potential meant escaping to places like ashrams in India or beaches in California. There was even a 'human potential movement.' Whereas we now take it for granted that developing our potential as humans means living our ordinary daily lives in creative, productive, enriching ways, including our relationships with other people and the natural world around us.'

Indira chips in, 'Those old people must have seen what was coming, don't you think? After all, history makes it pretty obvious that by the early '80s a change of direction was taking place. Here in England they had celebrated the bicentenary of the Industrial Revolution — two hundred years of fantastic progress on the material side of life — and all their good writers and thinkers had begun to discuss what post-industrial society was going to be like — the 'coming age of human growth,' 'psycho-social invention and innovation,' 'personal self-development in an eco-planetary culture,' and so on — maybe they still felt a bit awkward with these concepts and phrases, but their vision corresponded more or less to what actually happened.'

'That's not correct historically, you know,' says Eskimo. 'We tend to remember now only the people who got it more or less right, and whose books and recordings still have something interesting to say to us. But most of the experts and spokespeople seventy years ago were firmly imprisoned in an altogether different set of assumptions.

Take a simple example, which I happen to know about. Many people, like me, have a natural capacity for healing, in the same way as many people have aptitudes for swimming, or music, or whatever. No-one today doubts that most people have some capacity for healing which can be trained and developed with practice. But in the early '80s almost all the accepted people in medicine and science, including medical and scientific writers, ignored or rejected it. It wasn't until about 1990 that they really began to take it seriously and to train healers in a big way. It was then, of course, that they began to conquer the killer diseases of industrial society like cancer.'

'Exactly the same was true of economics,' Pik says. 'You have to put on a different mindset to understand what people then thought economics was about. It's fascinating to hear and watch the speeches and discussions on the old tapes and videos. Even in the late '70s and early '80s one of the main aims — this is what 'full employment' meant — was that as many people as possible should work away from their homes, and should do their work for people and organisations, and on tasks, unconnected with their own lives. That seems crazy to us, I know. But for people then 'employment,' 'unemployment,' 'jobs' and so on, were passionately important.

'Some historians of the transformation argue that all the debate and discussion about that kind of economics was just a complex tangle of empty quibbles and sophistries, with which the ambitious and clever people blinded the rest and achieved power and privilege for themselves.

‘But the riots of the 1980s showed that these questions were real and relevant to people’s lives. It must have been a bit like the theological debates (how many angels can stand on the point of a pin and all that) which mattered so much to people six or seven hundred years ago and then seemed such nonsense as soon as the Middle Ages were over.’

‘I suppose all this was connected,’ says Herbert, ‘with what we see as the over-masculine psyche of people at that time. I mean, they always wanted to push outwards and spend their energies on someone else’s patch, not on their own — working in jobs outside their home, sending their children out to school, trading with people in other countries, converting people with different beliefs, sorting out other people’s problems instead of their own.’

‘It was only about sixty years ago, you know, that people in the so-called ‘developed’ countries realised that putting their own way of living on a permanently sustainable footing was the most effective way of helping people in the ‘less developed’ countries to do the same. When my grandfather joined the Nigerian representatives at the U.N. just over fifty years ago, the old hands were still recalling the panic which had hit the place in the late 1980s when that simple fact began to sink in.’

‘Let’s be fair to them, though’, Emily says. ‘The great transformation didn’t take place suddenly, out of the blue. Indira’s right. People had been discussing alternative futures for some time. Would it be Business As Usual? Disaster? Police State? We once retrieved some of the debates from the archive data bank through the LHP. And surely, Herbert, there was the big controversy in the ‘80s about masculine and feminine values, and whether the post-industrial future was going to be HE or SHE.’

Old Meg Jones can keep silent no longer. ‘This is all very interesting, Emily’, she says, ‘but the biggest thing that changed was politics. It’s only about fifty years since most people realised that politics was about how you lived your own life. Then they began to do politics for themselves.’

When I was young in the ‘80s and ‘90s, a few thousand full-time politicians did politics for everyone else, mainly in places like Washington and Moscow, London and Brussels. They made a profession of it, a career. My mother was in the game herself for a while. She was an MP. And Herbert’s quite right; I remember her saying it was a very masculine game, even for women. For most people politics meant casting a vote from time to time. That was it. The politicians liked it, of course. It gave them a lot of attention, and made them feel really important.

No-one would want to go back to that now. But imagine how exciting it was at election time. Everyone stayed at home to watch the results on television. In fact, as that way of doing politics began to break down, it turned into an entertainment like horse-jumping and all the other spectator sports of those days. It must be difficult for you young people to realise what it was like, with everyone sitting passively in front of the television all the time, watching and listening to the performers. Ordinary people couldn’t communicate directly with each other all over the world as you do today through the LHP’.

‘Talking of politics,’ says Emily, ‘it’s nearly six o’clock, and time we all went to the monthly cluster meeting. There won’t be many domestic matters on the agenda this time, though I want to get the minifarm roster settled for the year and I think your Harley wants to propose up-grading the coppice, doesn’t he, Meg?’

But there are some external questions to discuss: what should be done about the dispute over the Marshbeck water supply? What do we think of the proposal that Trentside District should stop trying to be self-sufficient in energy? Do we have any ideas for this year’s inter-continent exchange programme? And shall we take up the idea of a special link with the dolphin group at PISCES?

‘Come on Bruno and Shantih. ‘We want a full quorum of under-tens at the cluster meeting; the voice the future must be heard. Anyhow, we don’t want people saying you’re missing your education. They might suggest we send you out to school!’

extracted from the revised 1983 edition of ‘The Sane Alternative’ first published in 1978

The Future for Large Organisations by Peter Etherden

Introduction; Control Shifts; Virtual Size; Eiconic Management; Increasing Returns; Repersonalising; Hanseatic Organisation; Holonic Organisation

Introduction

In this discussion paper I talk of first, second, third and fourth generation large organisations. When talking of first-generation companies, I have in mind the companies who dominated the early and middle years of the 20th century...the Fords, Edisons, du Ponts and Unilevers.

As a shorthand for the second-generation of large organisations think of any of the current crop of multinational or transnational corporations.

The third-generation large organisation is the subject of my study of Swedish IT firms which at the limit can be thought of as all turnover and no payroll. The fourth-generation is a glint in my eye...but one that I argue has a historic provenance.

Cutting across the x-y axes with their first, second and third-generation large organisations there is a third dimension along the x-z axes that has to do with the form of organisation.

Here I talk of three organisational forms: the hierarchic, the hanseatic and the holonic and I seek to develop the argument that over the thousand year period from 1200 to 2200 we will have undergone a transition from the holonic to the hanseatic to the hierarchic...and back again.

There is much more work to be done before this *Rise & Fall of Large Organisations* can be defended academically, but this is the hypothesis we are muddling ahead with for the time being. This is the best diagram I have drawn to date...upgraded from the back of a napkin. It confuses the three axes and collapses them into two rather poorly, but it will have to do to be getting on with.

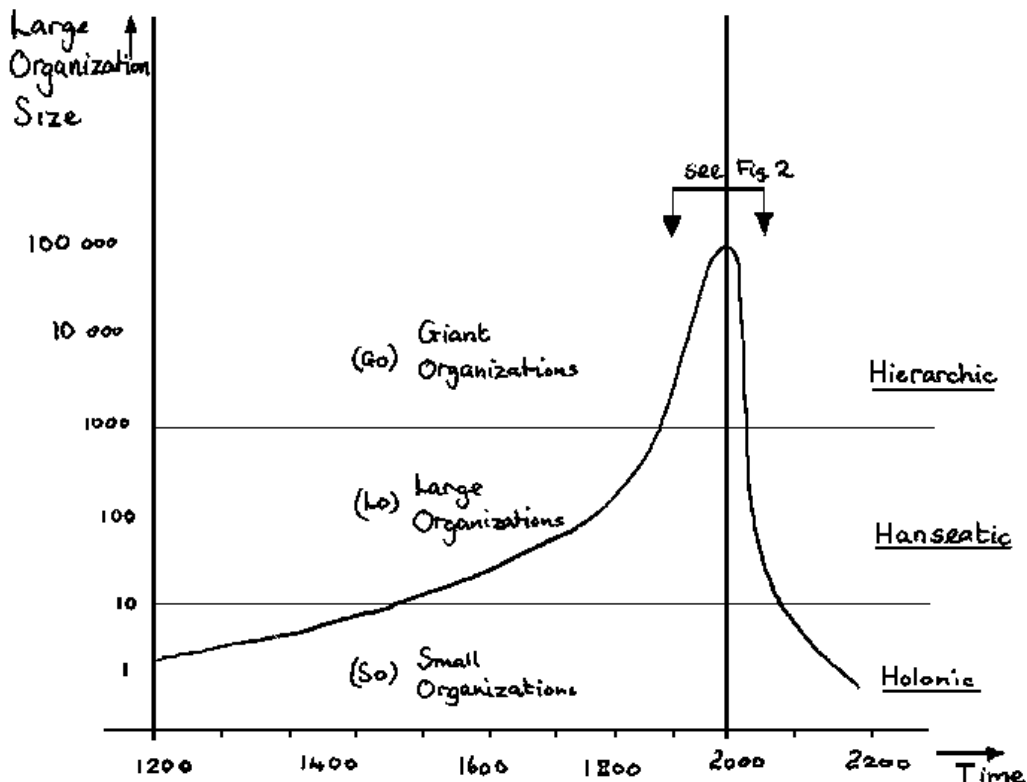


Fig 1: The Rise & Fall of Large Organisations (1200-2200)

Control Shifts

In the past few decades the financial control of second-generation large organisations has shifted from the direct control of labour and material costs to a more indirect financial control over the corporate hierarchy as a reaction to the increased unit cost of capital investment and the spiralling cost of unionised labour.

So the financial control of large second-generation organisations now takes an indirect form with such instruments as 'return on investment' and 'headcount control' being wielded in the cause of shareholder value. What this actually means is that the money spent on capital and labour is directly rationed by top management. To understand these second-generation organisations the rule of thumb is to follow the money. Cash is king.

The consequence of this shift has been an ever-increasing capital component being added to prices as: (1) investment payback periods have been stretched to several times their biblical seven years limit...and one year was the average payback time for investments in the Middle Ages; (2) ever more work has been shifted onto the household from the factory in the form of commuting, depackaging etc; (3) public welfare bills have spiralled in industrialised countries as jobs have disappeared in the large second-generation organisations. Outsourcing, industrial robots and third world wage slavery are derivative effects.

Virtual Size

Meanwhile a third-generation of large organisation has emerged. These are typically knowledge-based businesses where the 'hands' of the blue-collar workers have been replaced with the 'minds' of knowledge workers.

These new third generation organisations are often loose-knit confederations of well-schooled middle class professionals brought together by entrepreneurs and designers. These organisations are flatter (i.e. less levels of hierarchy) than the older second-generation organisations.

In terms of headcount and number of employees, these third-generation organisations seldom appear to be as big as the second-generation organisations. But this could reflect a deficiency in the measure employed to calibrate an organisation's size.

A broader measure extending outside corporate boundaries would often show these third-generation organisations to be of considerable size, being structured as nested networks within networks that include self-employed individuals, small businesses and 'virtual resources' developed and managed by other individuals, businesses and organisations.

Eiconic Management

In these third generation large organisations, money still matters but ideas matter more. Here cash is no longer control king. Making sense is more important than making money. So the rules are different. To control the direction of these organisations the rule of thumb is not to follow the money but follow the ideas.

Instead of concentrating single-mindedly on financial management and control, large third generation organisations are often more interested in the management and control of ideas...what Kenneth Boulding was calling image or eiconic management thirty years ago...see *The Image* by Kenneth Boulding (1954). Ezra Pound was grasping at similar ideas in the 1920s when seeking to bring together a group of artists and writers under the banner of his *Imagist* movement.

In recent decades eiconic organisation as an organisational form has been increasing rapidly...even within the large hierarchic second-generation organisations...at the expense of hierarchic organisation. Knowledge, unlike manufactures, is not a zero-sum game. I do not lose my knowledge by giving it to you. This changes nearly everything...although not quite everything because the obsolescence factor associated with modern knowledge is probably significantly greater than in earlier times because of its high technology content.

Increasing Returns

Nonetheless this shift is real enough and is taking place at the same time as implementation of second-generation financial management and control theory has led to another unsuspected side effect. The scarcity upon which the economics of manufactures has been based is no longer a plausible assumption.

There is now potentially enough to go around despite the fact that extrapolation of current trends imply the need for 'two more earths' to meet the needs of a future planetary population of ten billion. This shift is due in no small measure to the tacit alliance between the large global second-generation organisations and an increasingly 'third-generation trend' in the societies of the industrialised world which has led to 'doing more with less' and early signs of moves towards a sustainable third-generation recycling economy from the linear 'make and throw-away' society dominated and created by the large-second generation organisations.

But equally perplexing to conventional organisational wisdom has been the discovery that the economic theory of large second generation organisations is grounded in the idea of 'diminishing returns to scale' while the third generation of large organisation seem to follow the opposite rule of 'increasing returns to scale'.

It is this that makes the *Microsoft* anti-trust case lumbering its way into the American court rooms a little more interesting than it might otherwise have been. The guiding business principles preached from the oak-panelled corridors of the *Boston Consulting Group* to the office-less offices of *McKinsey & Sons* has been to grab market share at almost any price. Without it you are dead in the water. But with it your corporate learning expands geometrically.

Repersonalising

But there is a problem. At present work and money are closely coupled in our large hierarchical second-generation societies. As the worker becomes once again the master of his work and controls (instead of being controlled by) his tools (see *'Tools for Conviviality'* by Ivan Illich) so work is beginning to return from the private and the public domains to the personal domain.

In so doing, money is rediscovering its intrinsic merit...as a commodity to be exchanged for other commodities on equal terms (currently other commodities trade at a disadvantage because of their tendency to corrupt) and as a way of keeping score.

This shift will bring much social upheaval in its wake.

We have so far only seen as through a glass dimly the social consequences of money having become depersonalised. At the turn of the century, Georg Simmel attempted to catalogue these effects in *'The Philosophy of Money'*. As we 'go back to get ahead', by repersonalising our money, so we will need Georg Simmel to light our way and help us muddle through the troubled times ahead.

Hanseatic Organisation

Historically the large hierarchic form of organisation represented today by the limited liability company grew out of what might be called the hanseatic form of organisation prevalent in much of Europe during the late Middle Ages.

But in Europe the hanseatic form of organisation itself grew out of a feudal system in which each individual was at the heart of the large organisation in the sense of reflecting the characteristics of the whole and having access to the tools and facts of the whole organisation. The centre held because there was no centre.

This organisational form can be seen as the counterpart to E.F. Schumacher's *'Economics as if people matter'*...the natural form of personal organisation in a *Buddhist Economy*. It will return once the little individual's reach allows him access to everybody else's knowledge and the freedom to use that knowledge and the tools the knowledge commands for his or her family's own ends.

This will be Good Work carried out to satisfy the limited needs of himself, his own family and his neighbours. 'Love God and love thy neighbour'...the core idea in The Sermon on the Mount...will be the ethical basis of Future Work.

Technology put these things out of reach between the Middle Ages and the capitalist era but is now bringing them within reach once again as we move from the capitalist era to a post-capitalist era that has yet to speak its name.

As money loses its power and ideas become the new currency, so hierarchic organisations will move ever more rapidly into decline.

Holonic Organisation

But the large third-generation organisation is probably no more than a temporary organisational form.

Where we are headed is back home to the organisation of the early Middle Ages.

At the core of both large hierarchic and hanseatic organisations is the pursuit of interests that are remote to the worker's everyday life needs.

In a large second-generation organisation it is not the job that is wanted, but the money it provides at the end of the week. In a third-generation organisation the ideas being pursued may be intriguing and the pursuit disinterested but the work only indirectly meets any of the worker's 'hierarchy of needs'.

This fourth-generation of large organisation we might call a 'holonic' organisation. In these organisations it is the hologram which best expresses the organizing principle.

Holonic organisations are promising because they are based on the pursuit of personal and local interests...where work is done as if 'for whom' and 'to where' matters.

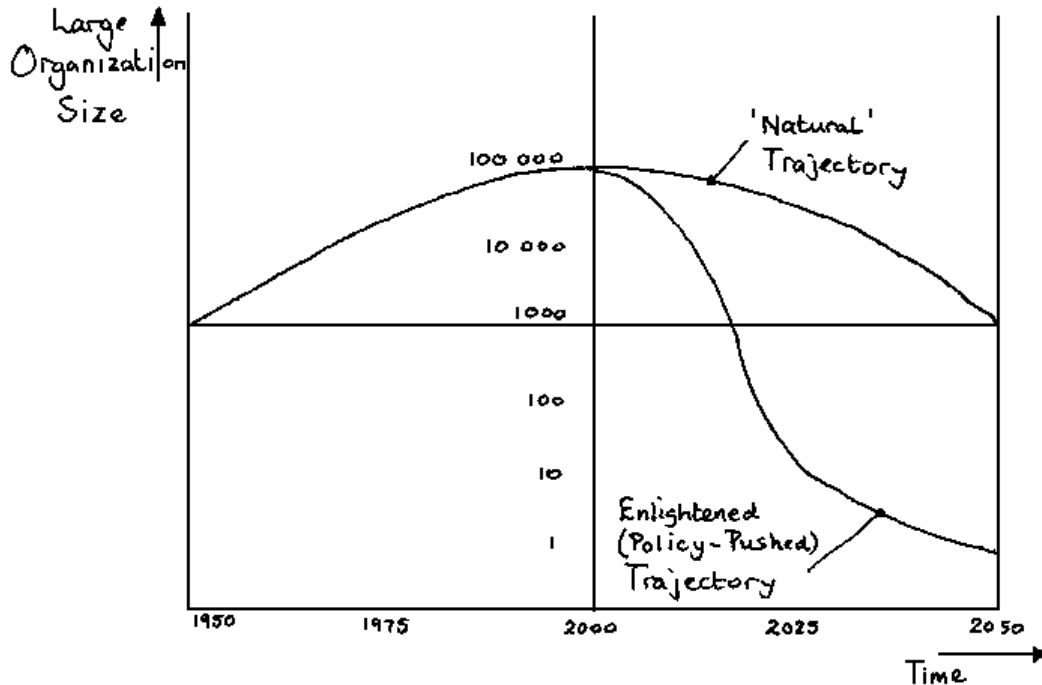


Fig 2: The Rise & Fall of Large Organisations
(1950-2050)

Indeed it may be that by pushing rapidly beyond hanseatic to holonic organisation we can kill two birds with one stone; adding meaning to living...for 'life is work' as Thomas Carlyle insisted...and concentrating our energy, skills and money in the needs of our own backyards.

Stockholm, Sweden
March 1999

The Foundations of Structural Sociology by William Shepherd

Fundamental to my thinking on all structural matters is the idea of societal inversion which I first encountered in Thomas Robertson's 1947 book *'Human Ecology'*. The implications of embracing this perspective on the problem of our age are profound, because Leopold Kohr's identification of the problem of society as dimensional implies distinctly different policy responses in the natural and inverted state.

Leaving to one side, for a moment, the second world of the Communist states and the third world of the underdeveloped regions of the globe, the dimensional issue in the first world is primarily one of management. There are nowadays not two types of problem but three, the third type being problems which are too big to either solve (convergent problems) or grapple with (divergent problems). However, once we have moved out of the domain of the 'uncircumvergent problem', and we are in a Fourth World environment, then the dimensional issue takes on a different form.

It may be useful to bear in mind the analogy of a gas turning into a liquid as the temperature is reduced. At these lower size levels the nature of the rules of dimensions are of a different nature. And indeed, when size levels fall even further, there is another change of state analogous to the solidifying of a liquid.

Social morphology and the idea of the vernacular 'kohr' which Illich has suggested deal with the laws of dimensions in the 'socially liquid' state.

And so, to pursue our analogy one stage further in order that the strategic implications can be explored, the Fourth World political problem is to bring the first world from its gaseous to its liquid state while simultaneously melting the many fragmented crystals of the fourth world and fusing them into a liquid state.

Now just as this task would be extremely difficult for the laboratory technician to effect as long as the gas and the solid were maintained at similar temperatures in the same vessel, so it will defeat the Academic Inn scholar and the Fourth World samurai if they do not take the steps that the technician would take and isolate the gas and the solid from each other while taking steps to ensure that the energy in the gas was transferred in a controlled manner to effect both the liquefaction of the gas and the melting of the solid.

Without this controlled heat exchange, there will be a whole range of unpredictable intermediate conditions, such as superheating, supercooling, boundary layers, turbulent fluid flows and the like that can lead to such undesirable results as chemical reactions and even the explosion or the cracking of the containing vessel. Each of these intermediate conditions could with imagination be given its analogous condition in the 'social liquid'.

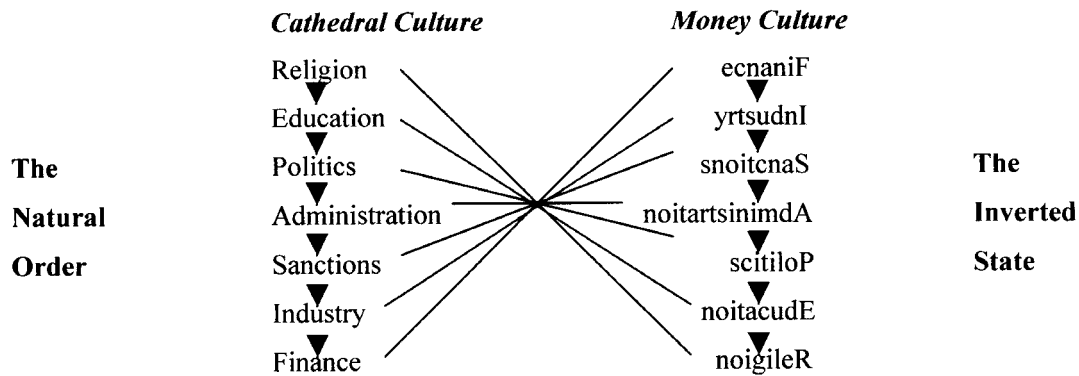
Let me now leave this metaphor and turn once more to Thomas Robertson's models of societies in the natural state and the inverted state. Since this model postulates an inversion of dominance between the 'religious' and the 'financial' mechanisms, it is appropriate to refer to the natural state as a 'Cathedral Culture' and the inverted social conditions as a 'Money Culture'.

For those who prefer their theories to be presented in a tangible and visible manner, it might be useful to visualise the process of inversion as similar to the way in which a sheet of metal bowed out under pressure from its ends can be made to bow out in the opposite direction by a relatively slight relaxation or fluctuation in the pressure on the ends or a more substantial force applied at the point of major curvature and stress in the centre of the rod or sheet of metal.

In the Robertson model a society is made up of seven major mechanisms or 'subsystems' as they would be referred to nowadays after von Bertalanffy's invention of the language of general systems theory.

In a Cathedral Culture, instead of the financial mechanism determining the behaviour of the other six mechanisms, thereby controlling the environment in which the individual and his collective institutions must function, as happens in a Money Culture, it is the religious mechanism which establishes the values on which the educational, political, administrative, sanctions and industrial mechanisms are structured. Industry then, in its turn, calls forth from the financial mechanism the money required to fulfill the needs of society for goods and services.

Diagrammatically the nature of the inversion can be modeled like this:



Now it is helpful to print the words this way, because two things have happened in the inverted state. Firstly the hierarchy of dominance has inverted. This is the societal inversion to which Robertson refers. But secondly, and as a consequence of this inversion, the goal or purpose of each mechanism becomes distorted, often taking on the appearance of the complete reverse to what it would be in the natural state.

Hence, when a society is in a state of inversion, the operant conditions, the local policies and the 'goal-seeking targets' to which each of the seven mechanisms respond will themselves either become plastic, as in the buckling of a hinge in structural theory, or be distorted into a highly stressed and mechanically unstable condition.

A Money Culture is thus a society in which its constituent institutions are under great stress and where small changes in one of the subsystems can lead to a sudden shift in the structure of the whole system. The Nobel prizewinning scientist Ilya Prigogine referred to such structures as dissipative structures.

George Bernard Shaw was greatly skilled in his use of metaphor. In 'The Intelligent Woman's Guide to Socialism and Capitalism' he asked rhetorically whether his young woman reader had seen a curiosity called the Price Rupert drop. It is, he explained, a bead of glass in such a state of internal strain that if you break off the tiniest corner, the whole bead flies violently to bits.

'Europe was like that in 1914', he added before switching off from the big things like empires and their wars to little familiar things like pins. The image was effective enough but where was the hope? The foundations of structural sociology are much more hopeful.

extracted from 'Let the People Sing' published by Academic Inn Books in 1989

Minding Your Own Business by Chris Wright

Introduction

Industrial estates are so common place as to merit barely a second glance. As we pass by in car or train, the functional uniformity produces a flash of recognition - at most a certain curiosity as to what is going on behind the shuttered doors - and then they are behind us and gone from mind. And yet, we should look at them more carefully because they represent the hopes of the enterprise culture. They are the outward sign of the cut and thrust of small business, seeking to establish a toehold in the market place from which to expand and increase profitability - or die.

Our prosperity as a nation depends on the ability to produce the energy and initiative that creates new products, new jobs and that keeps the economy growing - or so current economic orthodoxy would have us believe.

That orthodoxy also emphasises the power of money to change lives: for, without money, no industrial estate could exist. The process by which they come into being is multi-layered. At each stage, however, the ability to attract finance is critical. A failure to find backers means the project stalls; it is shelved and those who have already invested in it lose out.

Developers see the potential in a piece of land, the potential to make a return on the investment that will be required to purchase it. Almost certainly, they will need to persuade private corporations or individuals to back them. The response will depend in large measure on the developers' track record. Have they produced similar returns before? For every success, how many failures do they notch up? Can we predict how long our money will be tied up?

Once the piece of land has been bought from its original owner there is immense pressure to sell it on to a building consortium that will actually create the business park. Our developer will have links with such organisations but will still have to "sell" this particular project in relation to other claims on any development moneys the organisation may be able to raise.

To do that will, once again, depend on being able to persuade financiers that the project will not only be successful in its own terms but, more crucially, will produce a reasonable return. Perceptions of the state of the economy, the relative merits of the proposed site in terms of access to transport networks, suppliers and distributors, what grants might be available, what planning obstacles might have to be overcome, etc., etc. will all play their part in whether backing is forthcoming, i.e. what chance the venture has of being profitable.

Risk & Investment

Whether building actually starts will also hinge on persuading a company to buy and manage the estate as a going concern. Depending on size, that might well include public institutions as well as private companies. It is increasingly a game for the bigger players. Government agencies, local authorities and pension funds are increasingly looking to spread their assets and liabilities. But all share the common goal of wanting to see their investment grow, whether in the short or longer term.

As the park begins to take shape, the hunt for tenants will have already started. An empty unit is dead money and getting businesses in, even at heavily discounted rates, gets the ball rolling. Just as you wouldn't let your house to anyone, people have to know that rents will be paid and that, if a particular company goes bump, they won't be left with a mess on their hands.

Equally, no new enterprise - or even reasonably established company - is likely to be allowed to take on (increased) commitments unless *their* backers are confident that the balance sheet can stand the strain. Bank managers will be scrutinising proposals with care, trying to judge whether the figures stack up. How realistic are the business plans? Are the cash flows sustainable? How long can we give people to prove they have got it right?

Throughout this process the bottom line has been, 'how safe an investment are we being asked to support'? Because the future is an unknown country we can only answer that question by looking at past performance and using it to second-guess what is going to happen next. Hence the almost obsessive interest in trends in the profit and loss account, gearing of loans, security, etc., figures that tend to give a spurious objectivity to what will always be a highly speculative activity.

Events on the other side of the world can create circumstances here that will destroy the strongest companies. Changes in government, scientific discoveries, consumer confidence are all part of a matrix of factors that influence the market place but which have nothing to do with the viability of a product per se. Rapid change of any sort will make individuals and corporations more cautious about investing in new ventures. It also means that the horizon becomes increasingly short term.

As well as having a firm grasp of the economic "realities" of their particular sector, successful investors develop a "feel" for such things. Even they don't always get it right and for that reason the process is inherently conservative. Good projects (in the sense that they might provide a public benefit) may never see the light of day because they have been proposed by the wrong people at the wrong time.

The decision making process is dominated by the need to show a return and, increasingly, it is the institutions - the banks, pension funds, etc. - who are calling the shots. In other words the process is becoming ever more detached, impersonal and driven by simple and simplistic economics. The days when an individual bank manager, having spent a lifetime in a community, had the leeway to invest in a locality's long term future is long since past.

The success of today's corporate banker - based in a city centre office block - is measured by how much money they bring into the bank. But for the fact that it is illegal, laundering drugs money would be among the most obvious, risk free investments and the institutions would be falling over themselves to service it. Where the boundary between legality and illegality actually lies is often a moot point.

Because we can hardly move today without money and the economic structures that create and put it in our hands, it is sometimes difficult to believe that any alternative exists.

Wealth & Power

At root, the use of money is a transaction between individuals, a reckoning of the relative worth of goods and services being exchanged. The central problem with the money economy is that it has lost this human dimension. It has become the one and only end, and human need, or even basic humanity itself, has become subordinated to it. The catalogue of economic woes that afflict our society - from redundancy to house repossession, from benefit fraud to insider dealing - all stem from the institutional nature of money and its consequent tendency to ride rough shod over real, flesh and blood human beings.

If such a fundamentally life threatening system seems to be an inevitability in the kind of society we inhabit, it is worth remembering that money was not always the dictator it is today. From time immemorial, absolute rulers have held spectacles, created public and private works and amassed treasures for no other reason than that it pleased them. The building of the great mediaeval cathedrals did not represent a return on an investment - at least not in this life - rather an expression of ecclesiastical will allied to a populist tide of feeling.

To be sure, in both these examples there had to be wealth and the material base to sustain what was achieved. Such magnificence may also have required a peasantry to be bled dry but the important thing is that wealth did not determine what was, or how it should be, achieved. It was a means to, rather than an end in itself.

If one had to choose between the rule of money and that of autocratic individuals whose only constraint might be the perception of where their own self-interest lay, most of us would opt for the former. That, at least, has been the triumph of the Western nation state, the spreading out of power so that no one individual, or group of individuals, has absolute control. And the growth in the money economy - the objectification of exchange - has been central in that process. At the same time the limitations on the use of power - that may once have been enshrined in a constitution or credo - have also become dispersed in a tangle of arcane and conflicting legislation so that, truly, the only test has become, "did it make money?".

As the units of the world economy grow ever bigger - whether in terms of multi-national companies or super states such as Europe - this tendency will only increase. People will cease to matter except in so far as they contribute to the health, or otherwise, of the bottom line on the balance sheet.

People & Communities

It is at this point that we should be seeking our alternative; one that puts people - and the communities that sustain them - centre stage. And that brings us back to where we started. If an industrial estate is the outward manifestation of the way the money economy works, it is useful to explore what a community dedicated to human scale and values might produce and how.

The first difference would be that decisions about what developments to make would not be made on the basis of a single dimension - what is profitable. For a project to move forward the community as a whole would have to be convinced that it was of general benefit, rather than merely enriching an individual or group of individuals.

Consensual decision making structures would evolve in which a holistic view of the common good would emerge, looking not just at the material impact of a proposal but at its social, emotional and spiritual repercussions as well.

Personal and communal responsibility would be refined to the point where concern for the environment in the widest sense would become ever deeper because it would be *our* collective environment that was at stake.

The second fundamental shift in perception would be around what the concepts "wealth" and "material base" mean. Instead of trying to amass more and more of the one by exploiting the other in any way we can, "wealth" would, once again, be seen in a more rounded way and, while it would certainly include quality made material possessions (comfortable, well built homes would be a priority, for example), it would also focus on individual and communal well-being; including the quality of relationships enjoyed by people and the effectiveness of the decision making processes.

Sustainability & Relationships

Any audit would be multi-dimensional and reflect real change in a way that figures such as Gross Domestic Product never can. The "material base" would be seen as the community's ecosystem and the emphasis would be on living within and sustaining it, rather than seeing it solely as providing the potential to increase wealth. It would also include the skills available to the community and there would be a premium on using those skills to the benefit of both individual and community.

Paradoxically, for most people, that would mean avoiding the extreme specialisation that is so typical of "work" in the money economy, developing instead a broad mix of talents that would lead the individual towards a greater realisation and acceptance of themselves as complex, multi-faceted organisms.

The third major switch in emphasis would be away from roles - the doing of a more or less proscribed task in a more or less proscribed manner - to relationships in which outcomes will have to be negotiated between one or more parties. It is an altogether messier, less absolute approach to life, inherently less arrogant than the life threatening certainties of the institutional world.

Assumptions would be tested and a greater flexibility in responding to the ups and downs of life would develop. More time would be spent discussing and resolving differences both between individuals and groups. Differences of opinion would be valued and minority views listened to because they would help clarify thinking and contribute to a creative and constructive decision-making process to which everyone could ultimately subscribe.

As a result, the skills of "listening" and of helping people to see themselves and others would be at a premium and the level of "maturity" within the community as a whole would rise; a community that is more sustainable both in the short and longer terms because it would be capable of adapting in life enhancing, rather than the life threatening, ways.

Industrial Estates or Work Parks

What, then, would be the equivalent of the industrial estate in such a community? For a start, it would be unlikely that there would be specialised places where making things, or delivering services from, might take place.

"Work" would be much more integrated into everyday life and, as indicated above, most people might undertake a range of activities during a week, or even a day. There would still be a need to make things, both to satisfy the needs of the community itself and to "export" to other communities so that things the community could not produce for itself might be purchased. The emphasis would be on small scale, however, and on cooperative enterprises that empower the individuals involved as well as making them more accountable to the communities they are part of.

"What" is produced, "why" and "how" become the vital questions. "What" will depend on the resources and skills that are available within the community and, in that sense, entrepreneurs will still be needed to turn potential opportunities into real ones. The ability to take a vision and see it through to a finished product - especially one that may involve many different people and processes - is a rare one, which is why it is so valued by the money economy.

In terms of the “why” the process of deciding which project to back, as we have seen, will be very different from the single minded attempt to quantify the degree of profit that will be generated. It will refer back to the quality of life in the community in the widest sense and that will require a careful balancing of the positives and negatives of the development.

Given the importance placed on relationships, this aspect of any project will receive especial attention. How are decisions made? Are people involved in the processes? Are the tasks they will be doing valued ones - or are they merely servicing machinery?

Uniformity or Diversity

Once the decision has been taken to proceed, the “how” will also be very different to the current emphasis on cost effectiveness. If buildings are required the skills of the community will be used to construct plant that reflects the function to be performed - rather than having to make do with an “off the peg” unit on an estate of identical structures.

It will also allow for the need to adapt and grow so that, once again, there will be no need to move simply because the operation has outgrown the original premises. In keeping with the emphasis on human scale and value, its size and appearance is likely to harmonise with its surroundings. Individual skill and craft will be at a premium and technology will be harnessed to that end rather than to the routinisation of the human component - because it is cheaper.

As a consequence, there will be less standardisation in what is produced, with local design and character coming to the fore once again. With the emphasis on life as a whole, considerations of personal safety and environmental impact will become second nature, implicit in discussions from the planning phase to actual building and will, therefore, no longer depend on a bureaucratic, quasi legalistic framework policed by “experts” who look out at the world from their own narrow perspective. Personal, group and communal responsibility will be uppermost and become realisable because the community - and the people who comprise it - will be in control of its destiny.

It is a very different picture to the segregated uniformity of the industrial estate where complying with a raft of environmental and health and safety requirements is seen as a necessary evil rather than a desirable good, and where the ultimate test of success is the level of profit that can be generated - for everyone from the developer to the small business struggling to survive in the market place.

We can only see that, however, if we look beneath the surface at the world we are creating and to try and understand both the forces that are at work and the consequences if a different set of priorities were to be adopted. In that sense the industrial estate is both a symbol of the money economy and a signpost to another world altogether, a world that values people above all else.

The choice is ours. We can decide to move in that direction, or not, just as, every day, we participate in the transactions that underpin a system dedicated to the pursuit of profit at all costs. But we have to choose.

Ownership Transfer Organisations by Shann Turnbull

Written confirmation in the form of a newspaper article has just come to my notice of an example of a recent high profile limited life corporation created with that intention. It reported that the recent UK Jubilee 2000 campaign, organised by a registered UK charity to cancel 'Third World Debt', terminated at the end of the last calendar year so as to implement my proposal in this regard. In this way the campaign also walked the talk of limiting the life of debt as described in the 'Old Testament'. Coincidentally or otherwise I have referred to the 'Old Testament' practices to support my 'Ownership Transfer Corporation' proposals.

My first refereed academic article to introduce this idea then described them as 'Time Limited Corporations' (*Abacus: A Journal of Business and Accounting Studies*. Sydney University Press, 9:1, pp. 28-43, June, 1973)...although it is a bit of a worry to think that I have been promoting the same idea for 28 years!

I changed the name of 'Time Limited Corporations' to 'OTCs' when I wrote 'Democratising the Wealth of Nations' in 1975 as the concept of time limits on equity investments and corporate life was just too hard for people to get their mind around. The growing use of 'Build Own Operate and Transfer (BOOT)' schemes by governments since the 1980s has helped people to expand their minds to accommodate the concepts. One of the first 'BOOT' schemes was implemented in Australia on my suggestion for a power station that had its funding arranged by the current President of the 'World Bank'.

According to a report in the UK 'Guardian Newspaper' of December 28th 2000, (*Special Report '2000 Deadline Brought Sense of Urgency' at www.guardian.co.uk/Print/0,3858,4110208,00.html* the 'Jubilee Campaign' "proved to be one of the biggest global campaigns ever; it is compared to the anti-apartheid movement of the 1980s and its reach has far outstretched campaigns for nuclear disarmament"

However, it would seem that the closing down of the campaign was not only based on walking the talk. The Guardian article went on to say, "The deadline also offered a unique organisational model for a campaign," Ed Mayo, one of 'Jubilee 2000's' founders, said. "It was based on an idea by a radical Australian economist, Shann Turnbull, that all organisations should have a limited life, otherwise they develop ways of slowing down." This shows how the power of ideas can be even a bit more of a worry, especially to the staff who commit so much of themselves to such campaigns.

One of those most effected by the close down was the 'Jubilee' CEO Ann Pettifor. Ed Mayo the CEO of the 'New Economics Foundation' was chair of the 'Jubilee' organisation and when I was his house guest last November he shared with me the anguish that it created. Some of this is recorded in the 'Jubilee' discussion lists which even matched some of the emotions shared in this list about ideas!

However, like my proposals for 'OTCs' to create 'off spring' corporations, this has now happened with the 'Jubilee 2000' initiative with many independent self-sustaining organisations carrying on the work in many parts of the world.

As proposed in my writings on 'OTCs', the most valuable and talented executives of the progenitor organisation transfer their energy, knowledge, connections and talents (human capital) to the offspring organisations.

For example, Ann Pettifor has now set up 'Jubilee plus' as a successor operation as part of the 'New Economics Foundation'. It has started its own web pages at www.jubileeplus.org and to close the circle it has just posted my April 'COG' meeting discussion paper on 'The Use of Central Banks to Spread Ownership' on its 'Analysis' page www.jubileeplus.org/analysis/articles/shann_COG_spread.html.

More importantly, the idea that the 'World Bank' should also have a limited life is now up for discussion in the 'Jubilee Plus' site. Refer to their 'Opinion' page with a contribution from myself on 'Liquidating the World Bank: with debtor countries buying back their loans and introducing self-financing development'. Refer to www.jubileeplus.org/opinion/opinion.htm. The proposal would make the 'World Bank' a form of 'OTC' with a limited life by transferring its debts to its clients!

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About the Workshop Facilitator

Peter Etherden is an economist, engineer and entrepreneur.

He is a member of the '*Swedish Green Party*'.

In the early 80s he helped establish the '*Human Scale Institute*' at '*Wheelock College*' in Boston with a summer school for nursery and primary school teachers at '*Solviva Gardens*' on Martha's Vineyard.

In the 1990s he co-founded '*CESC*', a Brittany-based think tank, designed to bring together the various European alternative traditions on 'work' and 'money'.

He is a patron and regular contributor to '*Fourth World Review*' and the author of '*The Rise & Fall of The Swedish Green Party (1982-1997)*' published in 1989 under the pen name of William Shepherd.

He stood as the Parliamentary Candidate for the '*Referendum Party*' in Oldham in the 1997 Westminster elections.