



Money as Bookkeeping

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A brief consideration of the history of money from the point of view that money is essentially always a form of bookkeeping, that, when understood as a mirror of the evolution of human consciousness, can be seen to have evolved in three stages.¹

Money is omnipresent. At the same time it seems to be increasingly disappearing. Due to the developments of recent years we need ever fewer notes and coins today. Not only do we receive our income directly into our account, but we also increasingly pay bills by electronic transfer when we do our daily shopping. In this process, no coins and notes are exchanged for goods and services. All that remains are numbers. Bookkeeping numbers.

This development has given some historians and economists the idea of the 'end of money'. We will soon be living in an economy where cash stops circulating and only figures in accounts reflect the economic process. And yet in principle money is nothing else; it always was, is now, and will always be a form of bookkeeping. Is now the time in human history when we can finally and generally understand that this is the very essence of money as such?

Commodity theory and law theory

In economics today, by and large, there are two opposing views concerning the very nature of money: commodity theory (Metallism) and law theory (Chartalism). However, neither considers money as bookkeeping, but as a 'thing' with specific properties.

The commodity theory regards its commodity character as the essential property of money. Money is accepted because it is inherently valuable (e.g. gold or silver coins). The theory of law, on the other hand, states that money's essential characteristic is its official and protected issue (e.g. bronze coins or uncovered banknotes). It is accepted because you have to use it to pay taxes. Depending on which attribute one avers, there is a corresponding story about the evolution of money. The question is which story belongs to the view, which understands money not as a thing but as bookkeeping? Can one understand the often-contradictory historical representations in their actual inner coherence? And what insight can this contribute to the challenges of today?

Temple Administration in Mesopotamia: Centralized, single-entry bookkeeping

We begin our reflection on the history of money with the high culture of Mesopotamia, i.e. about 3000 years before the birth of Christ. In those days, society was administered by temple priests and a market economy, as we know it today, did not exist. The temple priests were responsible for spiritual life, rights life and economic life, which formed an undifferentiated unity.

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A complex temple administration managed the means of production, and the production and distribution of goods. Coins and notes had not yet come about. In order to manage the economic administration, all economic processes were accounted for. For this purpose, a sign system was developed (which only later became a script). Printed on clay tablets, these signs made it possible to record working hours, production volumes and goods distribution accurately.

The temple administration fixed the prices of the goods in either silver or cereal units. These units of account made it possible to record the economic processes. Hardly any economic process was disregarded. In historical research, this clay tablet system is therefore also variously compared with our modern, computer-based bookkeeping systems. Despite this similarity, however, there are two main differences. On the one hand, the bookkeeping, which is evident from the written traditions, was conducted at the behest and on behalf of the gods. On the other hand, only single-entry bookkeeping was used, rather than the double-entry system of today.

Public coinage in Greece and Rome: externalised bookkeeping

About 700 years before Christ, a new development begins. For the first time, state structures with formalized legislation emerged in the region of modern Greece. As did coinage also. While in ancient Mesopotamia temple servants and workers were rewarded with rationing, now they were paid with coins bearing the mark of the city-state in which they were minted.

The very first mint coins were issued by the temples. Paying state employees, however, was the main factor contributing to their spread, with the military playing the most important role. Thanks to the campaigns of Alexander the Great, coinage reached the East, where it sealed the fate of the ancient temple bookkeeping systems. The Romans then introduced coinage in the northern European area and England, from where it spread almost over the whole world.

The written single-entry bookkeeping disappeared. However, if one regards the function of bookkeeping as being the very essence of money, then it can be stated that bookkeeping did not cease, but – in a transformed form – was now done by means of coins: the transfer of a coin (or banknote) is only an externalized form of bookkeeping. A process that was previously expressed in numbers was now carried out virtually on the material plane, giving individuals the freedom to dispose of their income and expenditure independently of external authorities.

Commercial revolution in Italy: decentralized double-entry bookkeeping

Another decisive development began in the late twelfth century in what is today northern Italy. On the one hand, people began to see themselves as ‘spiritual individuals’, on the other hand, they were discovering the ‘objective world’. Perspective in drawing and double-entry bookkeeping emerged, the latter a concomitant of the emergence of an autonomous economic life independent of church and state.

For the first time, a self-standing economic life arose, manifesting especially through the newly-created monetary system, which was born completely out of entrepreneurial activity. The collapse of the Roman Empire also led to the collapse of its cash-based monetary system. In the context of the resulting monetary confusion, entrepreneurs, starting from northern Italy, developed a European trading and payment network in which trade was no longer mediated by exchange of coins, but through debits and credits. Large markets lasting several weeks were organized, to which entrepreneurs from all over Europe travelled and in which only debits and credits were written down in ‘commercial banks’ and periodically offset against each other – a process that was only possible through trust, cooperation and the use of double-entry bookkeeping.

This self-standing nature of economic life is also reflected in the development of modern corporations. Capital broke away from the hereditary stream and was brought into more general circulation. Thanks to these newly-created corporate forms, everyone was able to capitalize his entrepreneurial project, insofar as he was able to convince others to lend to him. No longer was origin decisive, but ability. Mutual investment confidence was created through the use of double-entry bookkeeping, which allowed traders to portray the capitalization and success of their entrepreneurial activities accurately.

The process of economic bookkeeping was thus brought to a third level. Money now took the form of decentralized double-entry bookkeeping. This form of money not only enabled free disposal of income and expenditure, but also free and individual use of capital.

Hybrid money system

The further development of nascent non-national economic money was stopped by the emergence of nation states. Under Mercantilism (the advancing of the economic interests of one's nation), state-issued coinage revived and pushed back commercial banks and their payment networks. This was most pronounced in England, which in the sixteenth century, about a thousand years after the fall of the Roman Empire, rebuilt its monetary system almost unchanged.

In the further course of history, instead of a non-national, economy-based bookkeeping money, a 'hybrid' monetary system developed. By creating state-owned banks, nation-states gained access and control over the credit-based payment networks of commercial banks. Money systems emerged, based on deposits at state banks and banknotes issued by nation states.

The big detour

At about the same time as the expansion of state-owned banks, an opposite trend set in – the emergence of globally-integrated global economy. Individual nation states therefore linked their currency to gold at a fixed exchange rate. This resulted in an international monetary system – the gold standard – which collapsed with the First World War, facing humanity for the first time with the need for a money for the world.

In the summer of 1922, in his course for students of economics, Rudolf Steiner pointed out that money should be seen in the future as "fluid world bookkeeping", a clearing system of debits and credits. In 1944, at the Bretton Woods Conference in New Hampshire, British economist John Maynard Keynes put forward his idea of an international clearing house, originally proposed in 1941, which in principle would have been a practical implementation of Steiner's idea of world bookkeeping.

Neither Steiner nor Keynes was heard. After the First World War, contrary to the advice and warnings of Keynes, politicians restored the gold standard from before the war. After the Second World War, the Americans took advantage of the hour and, disregarding the proposal of Keynes, created a world financial system predicated on the US dollar as the world's reserve currency. With the financial crisis at the beginning of the 21st century, this system collapsed, and we are once again before the question of a money for the world – only this time as a matter of urgency.

World Bookkeeping = I-bookkeeping

From the synopsis of the preceding consideration, an inner connection between the single-entry bookkeeping of temple priests and the entrepreneurial double-entry bookkeeping of today opens up. At that time, the temple priests did their bookkeeping on behalf of and in service to

the gods, who directed in those days the destinies of humanity from outside. But now, having passed through Christ's death on Golgotha, this responsibility needs to be resurrected today directly in the human souls.

Accordingly, the form of bookkeeping has changed. Double-entry bookkeeping is today, in the same sense, an instrument of the resurrected god within the human being, just as single-entry bookkeeping in pre-Christian times was the instrument of the gods outside human beings. In the resurrected god, the spiritual world today lives in the individual ego. When double-entry bookkeeping is used in service to this inner divinity - for initiatives that serve the progress of humanity - it is therefore individual bookkeeping and world bookkeeping at the same time.

The necessary step today towards 'world money' is therefore primarily a step in consciousness. When this is done, double-entry bookkeeping allows people to illuminate their individual initiatives from the world point of view and to coordinate them with other initiatives consciously. Individual double-entry bookkeeping is thus not only the first step towards world bookkeeping, but also an instrument for the coordination of our individual will with that of our fellow human beings – in other words, it is an instrument for the creation of sun karma.

Excursus: Double-entry bookkeeping

The image shows a handwritten double-entry bookkeeping system on a chalkboard. It consists of several T-accounts:

- CA (Cash):**
 - Debit side: 100, 50, 30, 60, 70
 - Credit side: 100, 30, 20, 70, 10, 10, 60, 70, 30, 60
- Friends:**
 - Debit side: 100, 30, 70
 - Credit side: 100, 70, 0
- Machine:**
 - Debit side: 70, 0, 70
 - Credit side: 70, 70
- Flour:**
 - Debit side: 10, 10, 10, 20, 0, 20
 - Credit side: 10, 20, 0, 20
- Sales:**
 - Debit side: 50, 30, 80, 0, 1
 - Credit side: 50, 30, 80, 0, 1
- I-E (Income and Expenditure):**
 - Debit side: 80, 20, 50, 10, 0
 - Credit side: 80, 60, 50, 10, 0
- Balance Sheet (Assets and Liabilities/Equity):**
 - Assets (Left side):** CA 60, Machine 70, Flour 20, Surplus 10
 - Liabilities/Equity (Right side):** Friends 70, SD LLC 50, Equity 10

Marc Desaules, Economics Conference meeting, Folkestone June 2016.

All economic activities have two sides. For example, if we buy a dough machine to bake bread, we have an output of a certain amount. But how will this be paid for? In cash, or with a loan? Double-entry bookkeeping gives both sets of information. On the one hand, all our revenues and expenses are recorded. If we look at the income and expenditure calculation (also called the profit statement), we see exactly our past

reflected (red). The balance sheet shows on the assets side (also called active) what we have available to carry out our initiatives (our 'means of production'), and on the liabilities side (also called passive) it shows how we are financed: debt or equity (blue). Between the income and expenditure account and the balance sheet, at the same time connecting the two sides, lies a mystery – the closing entries (yellow). Here, the free human spirit finds itself mirrored.