

Beyond Brundtland

True Price and Sustainability

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w. Xavier Andrillon

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True Price and Sustainability

Introduction to the doctoral thesis of Xavier Andrillon

Ever since its adoption in 1987, the Brundtland definition of sustainability has been a standard reference: “*Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*”

Strictly speaking, this is a definition of sustainable development, a distinction underlined in UNESCO’s typical descriptor: “Sustainability is often thought of as a long-term goal (i.e. a more sustainable world), while sustainable development refers to the many processes and pathways to achieve it (e.g. sustainable agriculture and forestry, sustainable production and consumption, good government, research and technology transfer, education, and so on.”¹

It is important to bear in mind that the Brundtland Report² was framed in terms of global environmental problems that were primarily attributed to the enormous poverty of ‘the South’ and the non-sustainable patterns of consumption and production in ‘the North’ and that poverty in turn is “the greatest sustainability challenge.”

While there is much truth in this, even so it is an over-simplified view of things. The reality is more rich-poor, have and have-nots in every country – what one might call universal inequitable wealth distribution. The image is more stratified than geographic. Moreover, indignation can freight such language with meanings it cannot bear, making it relatively easy to formulate general statements about sustainability, including the all-important intra- and inter-generational considerations. Of course, we need to ensure sustainability now, as well as tomorrow, but how does one give ‘teeth’ to such rhetoric? How does one find effective and especially financial ways to allow entrepreneurs of all stripes, scale and scope to achieve, not just aim for, sustainability? And sooner rather than later?

From an associative point of view, the so-called ‘North-South divide’ is an effect of what in 1906 Rudolf Steiner described as the deeper problem of untrue prices:

“...no one is oppressed or exploited through my wearing one sort of coat or another; but simply from the fact of my paying the workman who makes the coat too low a wage in return. *The poor workman who buys his cheap coat at a low price is, in this respect, in exactly the same position towards his fellow-men as the rich man, who has his better coat made for him.* [Italics added.] Whether I be poor or rich, I am equally an exploiter when I purchase things which are underpaid.”³

By this ‘mechanism’, everyone exploits everyone else with the result that debt replaces lack of revenue, leading to today’s endemic imbalance between excess capital and

¹ <https://en.unesco.org/themes/education-sustainable-development/what-is-esd/sd>

² Brundtland, G. (1987). Report of the World Commission on Environment and Development: Our Common Future. United Nations General Assembly document A/42/427.

³ *Anthroposophy and the Social Question*, Rudolf Steiner. GA 34, 1906. Various published.

inadequate income. In Steiner's nomenclature, there is too much loan money in the world and not enough purchase money.⁴

To students of Rudolf Steiner's work in economics, his 'true price formula' (1919, then again in 1922⁵), with its forward-funding focus and emphasis on meeting needs, is clearly germane to Brundtland's phrasing, preceding it by some 60 years (80 if one begins in 1906 when Steiner first enunciated the idea, but without its later formulaic expression). More than germane, it can become a tool for change. Not in the sense of today's fashionable 'fair trade' and even 'true price' organisations, whose arrangements are in fact no match for what Rudolf Steiner had in mind. "[The aim of Fair Trade, for example, is] not truly future-oriented. Fair Trade is a premium against the market price, and a minimum guaranteed floor if market prices are too low. This floor price is calculated against 'average' costs for large groups of farmers. It is set in foreign currency (quite absurd when one considers the fluctuation of exchange rates!), and applies to long periods of time (there were no adjustments to the price for fair trade coffee between 2011 and 2017). Fair Trade is also different from 'true pricing' because true pricing focuses on the underlying conditions and the balance sheet first. Plus, Fair Trade requires producers to join a cooperative to participate in the scheme; true price does not. Finally, Fair Trade generates a lot of money for distributors, but very little goes to farmers. This has nothing to do with Steiner's definition of true price."⁶

The quoted remarks are from correspondence with Xavier Andrillon, a colleague in the Economics Conference of the Goetheanum, who in June this year was awarded a doctorate in economic development by Campinas University in Brazil. His thesis was entitled "True Price as a Condition of Sustainability." Central to it was the use of Rudolf Steiner's true price formula (now the formal definition of 'true price' in Campinas' 'controlled vocabulary'⁷) via the medium of accounting, so that individual entrepreneurs can use their own balance sheets to navigate themselves into sustainable business practices.

Xavier's dissertation was predicated on a simple and heuristically powerful drawing:

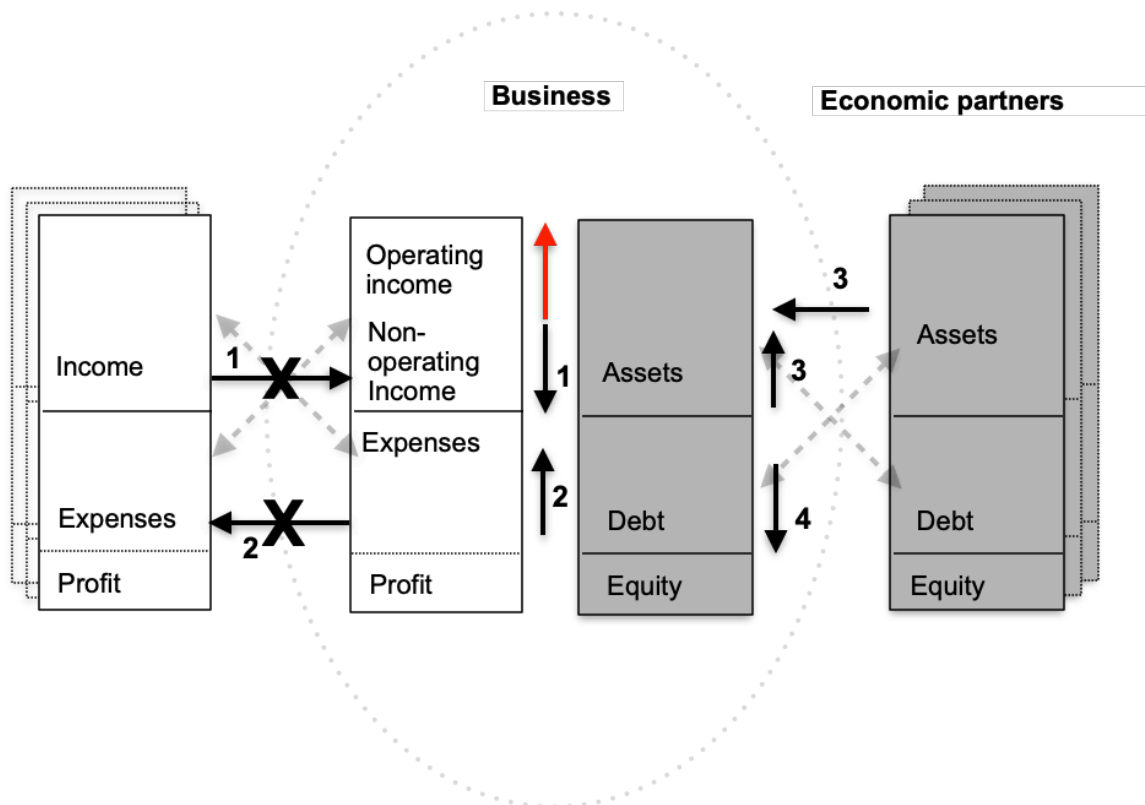
⁴ This is not to say that this is the *only* effect of untrue prices because cost avoidance, reliance on non-operational income and loss of assets can also ensue – to complete the fourfold basis of Xavier's thesis. But this brief paper is focused only on what Steiner mentioned directly. A chief merit of Xavier's work is precisely the detailed way he expands and gives practical accounting expression to Steiner's initial observation.

⁵ See references for Campinas University 'true price' entry in next footnote.

⁶ Similar could be said of the various 'true pricing' groups, where the concept is mainly about managing externalities or giving effect to rights, while most people's understanding of true price is mainly about estimating externalities rather than overcoming the wrong-headed economic thinking that gives rise to such concepts.

⁷ STEINER, R. Economics. The world as one economy. New Economics Publications: Canterbury. GA 340: Fourteen lectures, July 24 to August 6, 1922 and GA 341: Six seminars, July 31 to August 5, 1922. Originally published in German as *Nationalökonomischer Kurs* and *Nationalökonomischer Seminar*. 249 p. 1993 [1922].

STEINER, R. Towards Social Renewal: rethinking the basis of society. Rudolf Steiner Press: London. GA 23. Originally published in German as *Die Kernpunkte der Socialen Frage*. 134 p., 1999 [1919].



Xavier uses this drawing to identify four ways which any entrepreneur can use either singly or in combination to steer a business into a sustainable situation as regards its three main dimensions – social, environmental and financial, a.k.a. people, planet, profit – both threesomes being possibly also an unconscious nod to Steiner’s image of society comprised of the three spheres: culture, rights and economy.

Once, as here, accounting becomes understood and used as an instrument for economic perception (rather than profit or dividend maximisation and cost or tax minimisation) then it serves to place entrepreneurship on the ground of what Steiner calls ethical individualism⁸, protecting the entrepreneur from the economic abstractions of market forces and/or statism.

Xavier’s thesis referenced the cases of coffee growers around the world and farmers on deforestation fronts in the Brazilian Amazon. His case studies showed how differently events could have been had his thesis been policy and practice.

The next step, therefore, is to set about doing exactly that. Some would say such an idea is quixotic in the extreme, tilting at windmills. But I like to think in terms of David confronting Goliath. Or, to be more pragmatic and historically up-to-date, of how Keynes’s 1930s remedies for entrenched economic depression and unemployment went from being seen as the preachings of a pariah to becoming universal government policy in the course of a decade.

⁸ See explanation in *The Philosophy of Freedom*, Rudolf Steiner, 1894. Various published.