# Money, Credit and the Role of Accounting – II

## Understanding Rudolf Steiner's Economics Course

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Understanding Rudolf Steiner's Economics Course

*The meeting was held at L'Aubier in Switzerland from 2-4 October 2015 and built on the themes from the previous research event concerning how to understand money and credit in the 21st century.*

This was the third in a series of research meetings at L'Aubier this year, attended by a core group of individuals who have concerned themselves in depth with Rudolf Steiner's economic thinking. The previous event report by Jesse Osmer provides an important background to the material we worked with. The significant themes worked further included ageing money, accounting as a payment system, zero sum cash, concepts of asset valuation, as well as methodological questions about testing propositions and evidencing.

*Is Experience our Guide?*

In the first place we face the challenge of coming to terms with an economic circumstance that is misdescribed and, in institutional terms, largely built on apparent rather than real economic values. However, from the logic of that illusory yet nevertheless rational world, in which money leads an independent existence, it is hard to break through the internally coherent rational justifications that 'explain' and give apparent substance to present arrangements. If on the other hand one 'starts with Steiner' the question arises as to whether one can find a proposition that is 'self-evident' or whether one falls into the trap of asserting an idea a priori as an 'Ur-gedanke' which communicates itself merely as ideology and risks creating a parallel world.

*Testing our Propositions*

In order to test this, we discussed the idea of ageing money and whether this could be represented as self-evident – given that money is proxy for goods circulating in the economy. How did Steiner do this? We looked at the example of the Pomeranian farmer, given in Seminar 6, who wishes to pay off the Prussian national debt by making an investment at compound interest. Although this may look arithmetically possible it is clearly not a reality, the payments could never be made on his investments. While it is a striking example, we did not feel that it succeeded in demonstrating in a self-evident way that money ages, or at least it is not an example we would choose.

*Accounting as a Touchstone*

The foundations of conventional market economic analysis only give way when one insists on describing in accounting terms how values are tracked. This exercise brings one's experience to the threshold and it is therefore how one manages one's soul life rather than the economic arguments per se that create the primary challenge. It also has the effect of making much current debate in economic analysis superfluous, a case in point being the quantity theory of money.

*The Money Supply and Collateralised Loans*

Marc Desaules presented a series of introductory questions which, in essence, challenged the basic idea of a money supply. We used Steiner's illustration of the economic process to clarify that at the point where capital becomes 'free' (see sketch) at the top of the circle it must then either be consumed in nature (by being spent and thereby allowing the values to be used up – 2) or become the seed with which new productivity is engendered (financing the means of production – 1). If this does not happen then its existence is continued in an illusory way: the apparent value is given a permanent existence in mortgages and other financial techniques that involve not investment in capacities but collateralising loans with 'assets' which are then used to stock value. This much we all know. Marc then took the argument further and brought us the insight that the whole financial and institutional apparatus whereby the economy is thought to be 'supplied with money' is purely a corollary of the fact that such 'investments' then need to be to be 'fed' with a stream of income. If we were to stop collateralising loans (and to start investing directly in the capacities of individual entrepreneurs) then what we would find is that the money supply mechanism would wither.


The challenge we are faced with at the moment is a situation in which real economic values are subsumed within a larger and more dominant stream of illusionary values that are buttressed by the banking system. This process starts with houses, cars and means of production, goes over to land, and then infects all other values that become corrupted by illusion.

*Payment by Account*

The focus then moved to the question of how we understand money without a concept of supply. We imagined the situation that Greece had faced earlier in the year and the solution proposed by Marc at the annual Economics Conference meeting in Montreal, which it later transpired was very close to a plan that Greek finance minister Yanis Varoufakis had been considering but never put into effect, namely, to bypass the banking system by introducing a payment infrastructure that relied on setting up for each citizen a cash account. Using double entry bookkeeping we tracked out how this would allow economic activity to continue and capital to arise, notwithstanding the fact that overall the cash accounts zero out. Were this to have happened, the consequences would have been momentous because the banking system would no longer have had an economic role.

*The Threshold between Paradigms*

It is no wonder that Yanis Varoufakis faced the opposition he did. Indeed one wonders whether his courage failed him on the threshold of such a decision realising that there would be no going back from such a place, or whether he discovered that his colleagues were not with him. Such a scenario (mapping out the effects in bookkeeping terms of the decision to pursue a bankless path) can be imagined but not modelled. One must simply step on the path and follow it where it leads. When one leaves behind the notion of money as a thing, then one finds oneself in a new monetary paradigm, in which, for example the notion of money as a quantum, disappears and with it the theoretical underpinnings of price stability and other corollaries of the quantity theory of money.

*An Accounting Mechanism for Ageing Money*

To return to the idea of ageing money, Marc Desaules set himself the challenge of demonstrating how this might be made evident and operational in accounting terms, for example by delimiting the current cash account within certain balances (positive or negative) and beyond that applying negative interest. While one can imagine such rules applying and their likely efficacy, it nevertheless raises the question of whether any mechanism for ageing money is needed if in fact we manage money consciously, for example by not collateralising loans (Steiner points out that whether one prints money or capitalises land are two sides of one coin), by not putting assets in play and by recognising that the role of surplus is to be given (whether in funding culture or capitalising the means of production). On the last point, there was a strong consensus that gift money has no moral connotation (either of gratitude from the receiver or the beneficence of the giver), at least in economic terms. Rather we should think of what happens when a room becomes stuffy and the bad air must be let out rather than being held onto: old money needs to be given away so that fresh air can come in!

*Rejuvenation*

There was another aspect of ageing money that proved harder to get hold of. Marc proposed that we should imagine a spectrum between those working on the first value stream (labour on land and in particular food production) as being insufficiently valued while at the same time those at the other end were able to allocate gift money to themselves, so to speak, such that they were not obliged to work. He thought therefore that it belongs to the concept of ageing money, that not only does gift money come about (and thereby make resources available for spiritual work), but it also implies a rejuvenation of values at the land pole of the spectrum. We discussed what this might mean: for example, whether in the hands of a farmer, old money could then be made new through an association.

*Two Schools*

The discussion was not conclusive and in some ways highlighted a difference of emphasis between two approaches. On the one hand, there are those who think that when the economic process is understood, one is then able to act in an economic way (without any further ado). On the other, there are those for whom it is important to outline the concrete institutions and mechanisms whereby what Steiner describes can be given practical effect.

*The Economics Conference*

Ancillary to this last point we briefly touched on the question of how the Economics Conference itself, in its arrangements, constitutes an example of what Steiner was referring to, namely an associative modality whereby money can be transferred to cultural enterprise on the terms of the recipient.

*Conclusion*

Being able to stay on-topic with Steiner's texts and re-examine in humility one's own interpretation of key passages enabled us to engage in a productive research process unencumbered by having to manage off-topic distractions. The effect of the continuity of participants and the concentrated focus on the topic was that a level could be reached in the discussions which reflected real understanding and expertise in the room, as well as a genuine questioning of how Steiner's economic thinking can best be translated in today's context. There was a sense of unanimity concerning the fundamentals of Steiner's analysis and their relevance in meeting the problems by which humanity is confronted today.

The question remains how to share this work more widely and in particular within the anthroposophical movement which still tends to base itself, not on Steiner's economic thinking, but on the conventional analysis of which Steiner was so critical. The effects, both for the health of the movement itself and the potential for it to make a relevant contribution to humanity at large are decisive. Humanity is experiencing a rolling economic crisis without the intellectual apparatus to describe the phenomena or build a road into a different landscape. Steiner's economic analysis, when really understood in its depths, shows a way forward. Is there anything more important that we should give our attention to at this moment in time?