



Money, Credit and Accounting – I

Rudolf Steiner's Conception of Money

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The second of a series of events concerning money and credit creation and the role of accounting took place at L'Aubier in Switzerland from 5 – 7 June 2015. Fourteen participants from seven countries took part.

The event began in the afternoon with a round of introductions and a shared discussion of the content of the 12th Lecture and 6th Seminar from Rudolf Steiner's Economics Course. This lively discussion had to be cut short to break for dinner, but provided the backdrop for the rest of the two days.

Marc Desales, one of the organizers and participants of the event, gave a public talk in the evening titled "Growth and de-growth, Rudolf Steiner's conception of money". The essence of this talk, which was held in French and rendered into English by Christopher Houghton Budd, was the crucial concept that money needs to decay and die just like the fruit and other goods it represents and for which it provides a means of exchange. If money is not allowed to do so, growth comes to a limit leading to the myriad economic problems that are experienced today.

A key image of the talk was that of a spring and a sink. A spring where value flows in, and a sink, through which value can flow out again. While this balance between spring and sink is always found in nature, economics requires human beings to take hold of and tame money, to consciously create this "sink" of values to ensure proper balance and to avoid the constant disturbance that the surplus otherwise creates. Regarding the challenge Greece presents to the world, Marc offered the seminal idea of a way forward for both Greece and the Eurozone. Marc's powerful, yet simple idea would ensure that Greece's economy would have enough liquidity to continue autonomously from the Eurozone and give all Greek citizens the ability to manage their own economy. This talk provided another backdrop to the coming days, especially in regard to the discussion on the last day about the future role banks might have, if any, in the global economy.

The next morning began with two short presentations, one by Martijn van der Linden on standard monetary conceptions and in particular "Full Money" and the second by Fionn Meier on the ideas of Swiss economist, Sergio Rossi. Through these presentations, it became clear that there is a true need to find a way forward for economics, one based on reality. What was most striking in the presentations was the strong emphasis and use of accounting and double-entry bookkeeping to explain the arguments and reasoning.

After the presentations, the discussion continued to focus on money, specifically trying to understand the three functions of money: purchase, loan, and gift. While purchase money, exchanging money for a good or service, and loan money, providing the means of production, were fairly understandable, the economic function of gift money was more elusive. The economic function of gift money, versus a gift of money or a donation, was not as easily grasped.

What became helpful here in coming to an understanding was the image from Marc's talk of the "sink", de-growth, where excess values are used up and disappear. The natural economic process is like a spring creating ever more and more surplus value, born of humanity's perennial creativity and development. However, if this surplus is not

“given” away through some sort of “sink” in the economic process, it continues to grow and makes the whole economic process unstable and volatile, just like an untamed animal. Thus, to regulate the economy one needs to understand the economic function and consequence of “gift money” and the correlating “sink”. We made a start during this meeting, but there is still much work and research needed.

The discussion continued after lunch, when Christopher made a short presentation on money creation using double-entry accounting to illustrate the process. In the presentation, he demonstrated how in reality money is created by entrepreneurs through their activity and that banks, as entrepreneurs, have the specific right to conflate their balance sheets with that of their clients whose deposits they manage. This gives to banks a certain privilege and power to create money more easily than entrepreneurs in any other economic activity. However, regardless of this, money creation still begins with every entrepreneur not just the banks.

In the evening, at the request of many participants, Marc presented a brief overview of how L'Aubier is structured and financed. The key to L'Aubier's structure is that the responsibility remains with the entrepreneur, and not with any board or membership structure. This gives to entrepreneurs the necessary freedom to act out of their intuitions and manage their activities responsibly. Through its specific capital structure, L'Aubier has managed to give the six entrepreneurs that make up its management this autonomy. Once this structure was clear, Marc went on to outline the financial structure which began with shares, to which, as L'Aubier expanded, were added client deposit accounts, where the clients set the rate and terms of lending. While continuing to build its share capital, to raise the necessary funds to create a new eco- housing project, bonds were then offered to its clients and the public. With this mix of capital, L'Aubier has been able to expand from a small biodynamic farm to add a restaurant, hotel and gift shop and then, in 2008, a housing community comprising 21 apartments.

The example of L'Aubier was used to illustrate that the money and credit needed to start a business comes from the community, not the banks. It was also used to demonstrate the example of a payment system that works locally and the potential to expand such a payment system to include a credit system, thus localizing to entrepreneurs the functions that are normally associated with banks. This led to the further idea that such localized community payment and credit systems could be connected regionally, nationally and worldwide and in so doing provide the means to empower every human being to manage the world's money and credit.

Grandiose in its vision, perhaps, but it is with such ideas that any real change will be affected in the world today. This idea also brought the discussion full circle to the start of the meeting where Marc presented his seminal idea for Greece. By introducing such a payment and credit system into Greece, a way forward could be found not only for Greece, but also the rest of the world.