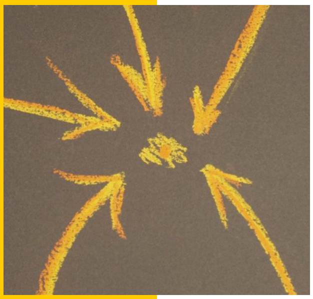

True Money is Bookkeeping

How are we to understand the 21st Century?

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True Money is Bookkeeping

How are we to understand the 21st Century?

This was the sixth in a series of research events of the Economics Conference of the Goetheanum (economics.goetheanum.org) taking place at L'Aubier (www.aubier.ch/en) in Switzerland, this time from 23-25 February 2018.

The question of money is front and centre of how we engage with and manage economic life; this is reflected in how economic life is described, how policy is formulated and what arrangements are in place. Conventional thinking treats money as if it were a kind of invisible artefact that has an existence in itself and that can be counted, stored and accumulated. In the background is an image of money as a physical object (such as gold) or deriving from the right of an authority (such as the state) to issue money.

In both of these scenarios, money exists in the abstract and is made the content of accounting – an external 'thing' *in* the accounting. As a result, people think that accounting shows a certain amount of money in an account, as if bookkeeping counts money.

By contrast, and following Rudolf Steiner's indication of money as bookkeeping, we explored the idea that 'true money *is* bookkeeping' and conversely, bookkeeping is true money. This is a radical proposition but one that is borne out by precise study. To restate: money is not something that is 'put in' to an accounting system; it is the accounting itself. An important rider to this is the word 'true'. We need to understand that money can be true or false, but so, too, can be the values it represents – as when, for example, lending is collateralised to real estate.[1]

A Twin Problem

We live, therefore, in a world of untrue money. To overcome this circumstance we need to reckon with something of a Catch 22, namely that we are confronted by a sick monetary 'system' which we do not have the means to observe fully because the instrument, with which we would perceive and 'treat' it, is itself distorted. That is to say, the inherent logic of accounting is insufficiently appreciated for it to be used in a neutral way.

i) Sick Money

The health of money as a reliable indicator for economic circumstance is compromised by the following:

- fake money which is generated by collateralised lending, behind which stands capital stuck in land.

[1] This was picked up from last year's theme: True Money, Growth and Accounting. Then we explored three primary issues, and whether and how they might be addressed:
1. The impossibility of mere growth in a closed economy – requiring 'gift money'.
2. The problem of fake values caused by collateralised lending resulting in 'untrue' money.
3. The cause and effects of today's excess of loan money – calling for 'dying money'.

- growth in *monetary* capital, the result of money being given an external existence, as if it were a commodity.

- the missing notion that surpluses need to be used up, thereby fulfilling a 'gift money' function.

ii) A Distorted Instrument

The second part of the problem concerns our understanding and use of accounting as an instrument that enables us to perceive economic life. This instrument needs to be kept true in order that it can furnish us with a 'right' picture. However, accounting can itself be distorted when it is made use of not purely to perceive, but to shape financial reality to reflect the agenda of the person using it, for example to avoid tax or inflate values.

A further question then arises – who has the task of keeping the instrument true and how would they go about doing this? In traditional terms this takes us into the realm of monetary policy which is enacted in central banks through committee decisions on interest rates, open market operations and various forms of 'signalling'. By contrast, we looked at the idea that, instead of a Romanised centre-out financial dynamic, the participants in the economy can themselves come together 'in association', using the requisite skills to take responsibility for money. In other words (and as Steiner indicates[2]), one of the tasks of associations is to undertake monetary management by ensuring that money-as-bookkeeping remains true in the sense of giving a true picture of the envaluation, circulation and devaluation of economic values.

Start Today!

It is this double problem of sick money and distorted accounting that needs to be considered if we are to make sense of and address the issues of today. One can begin at either end; but key is for the total amount of capital to be reduced. Direct uncollateralised lending has this effect (for example by reducing bank debt) – challenging though this may be for our manifold reliance on the banking system with its centralised monetary functions. A more fundamental financial literacy, beginning in school with double-entry bookkeeping, would provide the necessary foundation for a move in the direction of decentralised finance where associations would replace banks.

[2] "In terms of what I said yesterday (Discourse 5) such a thing as a state bank would not arise. A form of bank would arise between those who have received gift-money and those who create new funds through their work on nature. This process would be removed from the state. The economy must administer itself on a basis of such laws as the rejuvenating of money. That is, on a basis of laws belonging to the economic life, not those belonging to the state. Were this to happen quite other conditions would arise than are possible under fiscal economies, where the exchequer usurps the associations". Rudolf Steiner (1922) – Economics Discourse 6.