

Associate! October 2021

Newsletter of the Economics Conference of the Goetheanum

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Welcome to the latest *Associate!*, which has been jointly edited by myself and Christopher, in that he provided much of the material and suggested the original sequencing; I accompanied the process, added material and made such adjustments as I saw fit. The result, I think, portrays a story of a journey, in which the protagonist, whether humanity as a whole or the individual human being, is emerging out of a fog of obsolete thought.

Over the long course of human evolution, sea changes have been signaled by the emergence of certain phenomena – witness the ‘appearance’ of double-entry bookkeeping as a tool to mitigate egotism at a time when wealth was expanding. Or, as is highlighted in this issue, Rudolf Steiner’s economics course to indicate the requisite thoughts needed to organize economic life once the stage of a one-world economy had been reached.

But how do we come out of the fog of our own thinking in order to be effective? Fionn Meier reports on the orienting aspect, both for students and teachers, of associative financial literacy. Even though, as Daniel Osmer describes in his historical treatment of how a one-sided (and erroneous) approach to accounting emerged from early American finance, accounting in its essence overcomes such one-sidedness in favor of balance. As such it is a tool, if not the very ground, for financial sovereignty.

Fionn also gives a nod to the upcoming worldwide associative financial literacy event which is in its preliminary stages.

We welcome Marcelo Delajara, an established economist in Mexico, as our new regular correspondent. From his perspective, he challenges us to bring associative economics to the level of monetary policy, explaining existing complications of cohering the *various economic agents* on behalf of the whole world.

But with money assumed to be moving bookkeeping, per Rudolf Steiner, perhaps these complications can be overcome more easily than we think. Payment Systems regulator Natasha de Terán and Christopher Houghton Budd hash this possibility out. Their interesting conversation points to thoughts which, if coupled with practice, are a true foil to the threats to the ‘cash economy’ one increasingly hears about.

Other pieces address the unfolding future. How do we get traction with associative economics? Beyond theory, pieces from Xavier Andrillon and Anna Chotzen strive to address how associative economics can find its way in the world. And my own story highlights a personal threshold with respect to reconciling ideals and practice. I include it because I doubt I am alone in such matters.

In a few short pages (12 to be exact!), we hope to have represented how, out of the cacophony of the world’s increasing chaos, associative economics can sound a harmonizing tone whose vibrations go far beyond what is audible to the human ear. Listen! Act in accordance! And witness the gradual emergence of its ordering influence.

Best wishes for all of your endeavors.

Kim Chotzen

Our logo alludes to the need to go beyond the gold standard, where one central point governed all else; to everyone meeting in the middle, where no one captures the centre so that it can serve as the point of reciprocity.



An Emerging School of Economic Thought

Economics at the Threshold of Modern Existence

chb

This edition of *Associate!* marks a subtle change in its editorial policy. At the same time as it takes more solid steps in mainstream terms, made possible by its link to bookkeeping and accounting, it aims to be more explicit about its experiential / existential / ontological basis. Just as associative economics has its ground in ideas originally introduced by Rudolf Steiner, so it shares the same assumptions that Steiner makes about the modern human condition.

Whatever vocabulary one uses or worldview one holds, the raw situation is that in our time humanity as a whole is meeting itself as never before in its existence. All external authority is becoming empty of meaning and impossible of application. We have now to make our own way in life and build ourselves the roads we would travel.

In their many different ways, every individual has to face and find within his or herself the means to do this, in order to make sense of today's existence when in all domains our actual experience is far wider than the narrow explanations of it that we are used to.

In that sense, everyone today can say, "I find myself at a threshold."

'Blue sky thinking', 'the quadrant of angels', serendipity', 'out-of-the-box thinking' – all terms current in standard economics – bear witness to this fact.

Everyone has to explain this in accordance with his or her particular place in life (religious affiliation, cultural heritage, ethnicity and so on). And each at one's own pace. But the raw experience is universal.

Whether spoken or implicit, this is what associative economics assumes of those who come into touch with it. If its concepts appear strange, this has everything to do with the fact that economics *prior* to associative economics derives its lore from times before modern existence, especially since the step-change marked by the First World War.

As much as standard economics likes to pretend value-free status, that is in fact a value-laden proposition. Outer life is always underpinned by and an expression of hidden, albeit unstated assumptions. Chief among these as regards *non*-associative economics, is that human beings as such, along with everything they carry as intention, ability and promise, are ignored. Associative economics begins where that assumption is relaxed, then let go altogether.

Associative Economics

chb

The question of associative economics as an emergent school of economic thought is already addressed on the Economics Conference website.¹ Reproduced below, we welcome readers' commentaries.

With its many and wide-ranging implications for modern economic life, associative economics places human beings at the centre of all economic processes. Our capacity to be both free and responsible means we can make conscious what is otherwise left to the unseen working of market forces. Likewise, we can regulate our own behaviour without recourse to the state. Owing much to the observations of Rudolf Steiner, the Austrian 'renaissance man' whose seminal work was concerned with the advent of global economics, associative economics takes full account of wide-ranging views from Aristotle to Adam Smith, Karl Marx to Maynard Keynes and Milton Friedman, as well as the 'sustainability critique' and the sophistications of modern finance.

¹ <https://economics.goetheanum.org/research/associative-economics>.

Rudolf Steiner's contribution to economics is based on his 1922 seminal course *Economics – the World as One Economy*, in which he describes how since the beginning of the 20th century humanity has entered a new stage of societal development characterised by three autonomously governed spheres (spiritual life, rights life and economic life), the last of which, economic life, transcends the prior but still existing stages of private and national economies and their corresponding economics.

This development in human affairs requires a rethinking of economic science. Closed and single, the appearance of a global economy marks the culmination of the validity of today's conventional approach originating in 18th century mercantilism and predicated on separate national economies. Economically seen, the earth as a whole has no extra-terrestrial balance of payments. Instead, the dynamic of a closed economy requires inherent regulation, achieved in particular, per Steiner, by differentiating money into three *kinds* (purchase, loan and gift money), not just three *functions* (means of exchange, store of value and unit of account).

In large part, it was the failure to recognise and accommodate this change that resulted in World War I. According to Steiner, the remedy for this historical problem lies in autonomous economic governance on a consciously co-ordinated – i.e. 'associative' – basis. This does not require a political programme of any kind, but a more nuanced and precise understanding of actual economic phenomena themselves. For Steiner, insofar as economics has its roots in 19th century emulation of the 'hard' sciences, it cannot be called a true science. For that, an entirely new approach is needed, embracing *inter alia* methodology, history, sociology, accounting and the insight that money is an articulated rather than a monolithic phenomenon. Above all, Steiner emphasises the need for human beings to be placed at the centre of economic processes and to draw their understanding of economic life from the experience of their own conduct, rather than the theoretical world of the abstract observer.

The term 'associative economics' describes just such a way of understanding modern economic life. Pointing to the next step after market economics, it describes the landscape that comes into being as and when humanity, individually and collectively, thinks and acts associatively. This it can only do, however, when economic life is grasped as a whole, not from the point of view of one person only, and when the way we do business and manage the economic aspect of our lives and institutions matches the exigencies and inherent dynamics of a single global economy.



We think with that which flies away from the Earth

Rudolf Steiner

Given his seminal role, here are some key extracts from Steiner's economics course² pertinent to the items included in this issue.

Since I am speaking to students of economics, trying to show the way into this subject, let me relate the most essential thing on which it all depends...

We as human beings have our physical bodies, which are heavy just like any other physical bodies. Your physical body will be heavier after a midday meal than before; we could even weigh the difference. That is to say, we partake in the general laws of gravity. But with this gravity, the property of all ponderable substances, we could do very little in our human body; we could at most go about the world as automatons, certainly not as conscious beings. I have often explained what is essential to any valid concept of these matters, what the human being needs in order to think. On its own, the human brain weighs about 1,400 grammes. Were the weight of these 1,400 grammes to press on the veins and arteries, which are situated at the base of the skull, it would destroy and kill them. You could not live for a single moment if the human brain were pressing downward with its full 1,400 grammes. It is indeed a fortunate thing for the human being that the principle of Archimedes holds good. I mean, that every body loses as much of its weight in water as is the weight of the fluid which it displaces. If this is a heavy body, it loses as much of its weight in water as a body of water of equal size would weigh. The brain swims in the cerebro-spinal fluid, and thereby loses 1,380 grammes: for such is the weight of a body of cerebro-spinal fluid of the size of the human brain. The brain only presses downward on to the base of the skull with a weight of 20 grammes, and this weight it can bear.

But if we now ask ourselves: What is the purpose of all this? Then we must answer that with a brain which was a mere ponderable mass, we could not think. We do not think with the heavy substance, but with the buoyancy. Substance must first lose its weight. Only then can we think. We think with that which flies away from the earth. (*Economics*, Lecture 1.)

² *Economics – The world as one economy*, Rudolf Steiner, Associative Economics Worldwide, 2014. Available from <https://aebookstore.com/publications/associative-economics-worldwide/authors/rudolf-steiner/economics-the-world-as-one-economy/>

One can formulate natural laws when one observes them. One can also formulate social laws – but these are only valid as the expression of a certain tendency and, as such, are subject to change. Insofar as the economy is still based on free competition ... Lasalle's iron law of wages [for example] is correct. It applies so long as the entrepreneur is left in freedom. But for this reason, the purely deductive method of thinking is not possible in economics.

The inductive method, as used by Lujo Brentano, is even more useless. Induction states that one perceives economic laws by observing economic facts, an approach that completely contradicts the creative thinking I have elsewhere characterised. Unfortunately, in pretending to be scientific, modern economics bases itself on the inductive method and, for that reason, leads one nowhere.

Economics needs a descriptive method of thinking, which sets out from different starting points, allowing them to culminate in concepts. Even so, the concepts arrived at in this way tend to be one-sided, because one can never oversee all the factors involved. However, they can be verified by being referred back to the phenomena. One reaches economic conceptions by verification and modification of concepts in the light of experience. This is the descriptive method needed by economics. (*Economics*, Discourse 1.)

From truth we have slid into the empty phrase; from the sense of right into mere convention; and from a practical hold on life into dead routine. We shall not escape till we develop the will to go down into the facts and to see how things are shaped in their own real nature ... [and yet] so few human beings have an earnest will to go into realities.

How important it is, then, that those who would be economists contribute to the healing and reconstruction of our civilisation. To this end, we must endeavour to make economics more than mere theory; something of real economic value, so that the labour we are being saved can be put to good use by those who relieve us of it, for the benefit and progress of humanity as a whole. I believe that in resolving to come here you were thus mindful of this task of the economist; and I hope that this has been confirmed in you by what we have attained, however inadequately, through our work together. I look forward to an opportunity of working at these things again another time. (*Economics*, Lecture 14.)



It's a Great Day for Economics

Marcelo Delajara

For many years, under 'Accountants' Corner' a regular column was run in this journal written first by Stephen Torr, then the late D'Arcy Mackenzie.³ We have invited Marcelo Delajara to provide a new regular feature from his perspective as an economist. Marcelo lives and works in Mexico where, between 2017 and 2020 he ran a TV magazine show, the contents of which are now available as a book: México – Una Economía en Piloto Automático.⁴ The rubric 'It's a great day for economics' belongs to Marcelo's perception of the importance of associative economics for economics generally, its current outlier and fringe status notwithstanding.

1: Sustainable Macro-Policies

In ancient times, the emperors, the pharaohs, only made the important decisions for their people after carefully scrutinizing the stars. What the initiates, who were the councilors of the kingdom, saw in heaven behind the threshold of visible experience was what sustained the sovereign decisions, which all subjects then obediently followed.

Nowadays, humanity for the most part has emancipated itself from kings and priests. Each individual is responsible for his or her relations with the rest of humanity and places his or her individual stamp on the world. However, while each individual is actually on the other side of the threshold financially,⁵ he or she lacks clairvoyance. By itself, the individual's normal vision is not enough to make the important decisions.

We see this in economic decisions mainly, which give direction to most of our daily activity. No one can make decisions about his or her own venture or business alone. The sellers interact with buyers; the entrepreneurs have dealings with lenders or donors; innovators with those who will implement the improvements in production methods, and so on.

³ See <https://aebookstore.com/publications/associative-economics-worldwide/authors/books-by-darcy-mackenzie/accountants-corner/>

⁴ <https://www.goodreads.com/book/show/55313098-m-xico-una-econom-a-en-piloto-autom-tico-ingreso-inflaci-n-y-empleo-e>

⁵ Witness the financial markets never closing. Human beings cannot function without sleep, so the locus of their financial awareness must be beyond the experience of their senses.

In this modern context, instead of gazing at the stars people gaze at the prices of goods and services and at the value of shares on the stock market. However, each individual sees them from different perspectives. Reality is only accessible through the confluence of the visions on prices of those associated in a project. If that collaboration, that associative work, were possible then decisions could be made that would move the economy in the right direction.

But it is not easy to discern prices when one's view is clouded by laws and rights, as well as by the functioning of public and private institutions, which actually belong to bygone eras. These distort the economic process and, therefore, prices. This situation discourages or hampers associative decision-making, and it generates at the macroeconomic level recurrent economic crises.

Government officials, *experts* in different fields who have replaced the old imperial advisors, believe that people's decisions can be influenced through regulation (a.k.a public policy) to yield a particular, crisis-free, aggregate outcome. Armed with their mathematical models based on self-centred economic behavior, they fix a price here, alter a cost there, or limit the availability of goods or people in different parts of the economy.

These policies fail all the time. In its own terms, this kind of model-based policy is at most valid for the *average* economic agent, which anyway does not exist or exists in a very small number. It should not be surprising, therefore, that governments change their expert advisers so frequently and, thus, their public policies.

Sustainable macro-policies cannot be implemented by following political processes and theoretical premises. Instead, to be sustainable macro-policies must consist in the provision of the kind of structure, tangible or not (often a legal or informational framework), that promotes trust, allows for a clear view and perception of prices, and favors mutually-profitable conscious associative economic behavior at all levels and in all activities.

Associative Financial Literacy
Starting your own life journey...

Associative Financial Literacy

In today's rapidly changing world, young people need to be financially literate if they are to find their own path to their life, live to become winners in their communities, and winners of their own future.

Our aim is to help teachers and students alike on this journey. Our approach to financial literacy is based on the following three pillars:

1. History of Money and Accounting
2. Accounting and Financial Planning
3. The Structure of a Company

Let's explore...

History of Money and Accounting

Understanding the history of money and accounting will give you an awareness of what money means in the world. A money economy is far more complex than you think. A money economy is far more complex than you think. A money economy is far more complex than you think.

Accounting and Financial Planning

If you want to make your own financial decisions or know about accounting and financial planning, you will need to get to know the numbers and concepts. If you want to get to know the numbers and concepts, you will need to get to know the numbers and concepts.

Building your Company

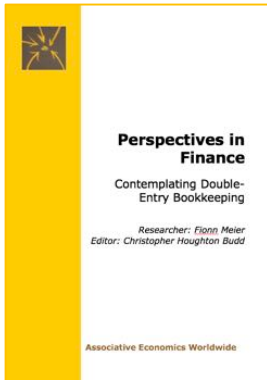
Building your company is a complex task. It requires a lot of planning and execution. It requires a lot of planning and execution. It requires a lot of planning and execution.

Associative Financial Literacy Accompanying the Journey of Life

Though not a high-brow publication, London's Evening Standard has a very large daily circulation, so when it comments on something many people take note.⁶ In its 6th September edition it drew attention to '[the] need for financial literacy in schools,' noting that, "less than half of seven-to-seventeen year-olds receive adequate financial education... Although financial literacy has been part of the National Curriculum since 2014, it's not required to be a distinctive lesson and isn't required by academies and independent schools... Some people – such as estranged students (without family support), marginalised communities, young women, school leavers – are disproportionately affected by lack of financial literacy. This can leave them vulnerable to exploitation, debt and lost in the world of money... And with more students turning to the internet and social media to access financial literacy, it is clear that young people need it and want it but that the education system doesn't go far enough."

This is surely a sign of the times, even an indictment; but a spur also to our own efforts to develop associative financial literacy. With this as background, Fionn Meier reports below on his work as the Economic Conference's 'ambassador for financial literacy'. As part of this endeavour, a number of colleagues have been collaborating on fine-tuning a basic bookkeeping exercise that has grown out of Economics Conference meetings in the past ten years. One question was whether the Trial Balance is needed and if so why? To this point under To Balance or not to Balance, Daniel Osmer provides a brief commentary from a US perspective.

⁶ According to its website, 'pre-Covid numbers were 787,000 copies, however our readership extends to 1.2 million, which is at least 1/3 more than all the national quality titles.'



Associative Financial Literacy Project 2020–2023

Report, September 2021

Fionn Meier

In autumn 2019, the research project was set up as a 4-year co-working with Christopher Houghton Budd (convenor of the Economics Conference of the Goetheanum), Florian Osswald (Co-Leader of the Pedagogical Section at the Goetheanum) and myself, in which my role is to be a 'Financial Literacy Ambassador'. The main goal of this project is to establish a pedagogical approach to financial literacy that enables young people to understand clearly the modern financial world and to give them the instruments to become financially sovereign in order to be able to discover and follow their own destiny.

The project has three main aspects.

1. Worldwide

The aim is to develop an understanding of associative financial literacy that is not biased toward any particular cultural habits but is truly universal. A particular interest is found in Waldorf schools, in themselves based on a universal pedagogy, but the aim is to include teachers generally from all over of the world.

2. Regional

The next question is: How does this concept fit to regional circumstances? How can associative financial literacy be taught in Switzerland, in the USA, in Latin America and in other countries? Are there any fundamental differences that need to be considered?

3. Individual

Many teachers already have a workload that almost makes it impossible for them to engage in new subject areas. However, as the saying goes, where there is a will there is a way! Most important is to find the teachers that have the will to learn and put the teaching of associative financial literacy into practice. Especially because this is a subject that needs to be developed in link with actual teaching experiences!

Steps in 2020

After an initial period funded by various schools, foundations and individuals, a research colloquium was held at Goetheanum 17th October 2020. (See Special Edition of *Associate!*, January 2021.⁷) As Covid-19 restrictions were already in place, international travelling was no longer possible for many people from abroad, so the meeting consisted primarily of (Swiss-)German speaking teachers.

Several seeds were sown at this event. Two will be mentioned here: First, the "Arbeitsgemeinschaft Rudolf Steiner Schulen Schweiz" (ARGE) showed interest and started a research project to establish a 'Finance and Economics Curriculum' for classes 1-9 in Swiss Waldorf Schools. The working group is led by Vanessa Pohl and me. Our goal is to establish this curriculum by the autumn of 2022.

Second, inspired by the ideas that had been presented and discussed at this colloquium, Vanessa Pohl held a 4-week "economics course" in her mixed class (7th and 8th grade). In her experience, children at this age are eager to learn the technique of double-entry bookkeeping and put it into practice for their own project. A process by which the students are able to learn many aspects of today's economic and financial world through practical experience.

Steps in 2021

The main step so far in 2021 has been to establish the website: www.associative-financial-literacy.com. The aim of this website is to make this work visible to anyone in the world. It has three main pages. On the first, the concept of associative financial literacy is explained. The second page is called 'Worldwide Faculty' and provides an overview of active teachers and non-teachers who are developing and imparting associative financial literacy in their various contexts. We are still a small group in that faculty, however, I hope this will gradually increase such that members from many corners of the world will join us in this research work. The third page consists of resources that can be used by teachers (or, indeed, any person that is interested).

On the 4th September the Evidenz Foundation near Basel organised a zoom-based "Expert Meeting" on the topic of economic education. Vanessa and I were able to present our work there. Evidenz has been working on this topic for several years and is currently planning a public symposium on this topic in spring 2022. Hopefully we will also be there.

⁷ https://economics.goetheanum.org/fileadmin/economics/Newsletters/ECN33Associate__Jan_2021.pdf

In Switzerland, Vanessa and I further organised a research colloquium for the 25th October this year in Zurich. We have asked teachers to talk about their experiences in teaching economic matters in the other subject fields (like history, math or language). What works and what doesn't? The results will be used for the curriculum proposal.

Next steps in the future:

A main regional work will be to establish the Curriculum Proposal for 1st-9th Classes for the Swiss Waldorf Schools. As this is done as a project mandated by the ARGE, it has the potential to have significant influence in the Swiss context, but hopefully also in other countries.

Another project is to organise for summer 2022 a worldwide meeting on Associative Financial Literacy, either in the US, Canada or England. The main goal is to develop more of a presence in the English-speaking world. It is from there that much of today's financial world is driven and if seeds of associative financial literacy can be sown there this could prove an effective way to change the concept as it is understood by the general public today.



To Balance or not to Balance

How necessary is the trial balance?

Daniel Osmer, Sebastopol, USA

In the USA, the trial balance is used to close the accounts and create the financial statements rather than doing so directly from each of the account totals. Much emphasis is placed on the 'adjusting entries' process, a large worksheet and income summary that makes adjustments to the trial balance related to discrepancies in certain accounts: supplies, prepaid insurance, prepaid wages and depreciation.

There was a moment in history when the clearing of trade accounts via consensus and voluntary cooperation made a brief appearance among the merchants of Venice, along with accumulated surplus forming the first great 'pools of capital'.

Per Steiner, capital becomes emancipated through traders trading with traders,⁸ which is why merchant banks are at the forefront of financial evolution, now as then.

But with this development of freed capital comes the growth of egotism as the driver of economic life, giving rise to the attempt by the owners or representatives of capital to separate it off from the wider economy, especially the real economy.

This manifests as capital (equity) becoming 'emancipated' from liability status, as if it were not a debt of some kind. A turning point for this development occurred during the second half of the 19th century in the US, as the profession of accounting came to prominence simultaneously with the emergence of steel, rail and oil corporations (i.e. Rockefeller, Morgan, Vanderbilt, etc.) and their shareholders. A 'science of accounts' was introduced in the first issue of the *'Book-keeper'*, where accounting was viewed as a mathematical science. This new 'accountics' was a mathematical science of values supported by representing double-entry bookkeeping as an algebraic opposition – a formula, whereby the trial balance can be expressed as $Assets = Liabilities$. See the work of Charles Sprague⁹ (pictured) and his *'Algebra of Accounts'* (1880).

Benjamin Franklin and his colleagues would have understood why capital is a liability account and also not exclusively private. Even the first American merchant investment houses (families) honored the original accounting equation and acted accordingly until the 20th century.¹⁰

But Sprague suggested manipulating the equation using the rules of algebra. He saw that debt and equity (capital) were both considered liabilities. Well, how can that be? It did not make sense; how can capital be a liability? It should be: $Assets = Liabilities + Capital$ (Proprietorship).

In 1882, an article in the *'Book-keeper'* wondered, "Is the Capital Account a Liability?" The founding members of the New York University Business School, founded in 1900, were also the architects and

⁸ See closing remarks in Lecture 3, *Economics*, op. cit., pp.54-5.

⁹ Charles Ezra Sprague (October 9, 1842 – March 21, 1912) was an American accountant, born in Nassau, Rensselaer County, New York.

¹⁰ The story of Goldman Sachs is interesting here. Goldman would only invest where there was a possibility of real new value being created, rather than speculation. He did not agree with the partnership becoming a publicly quoted company where the intention was to transfer liability to shareholders. See *When Money was in Fashion*, June Breton Fisher, Palgrave Macmillan 2010.

promoters of the adoption of the new accounting equation: $Assets = Liabilities + Proprietorship$ (Capital, Equity). This new formula was thought to make common sense and to capture the essence of double-entry bookkeeping. The practice spread westward through various schools and universities as the accounting profession gained status and importance in an economically-expanding America undergoing industrial revolution and huge growth of the 'share' company.



The Payments System Regulating through bookkeeping

A recent Economic Research Council webinar (6 October 2021) featured Natasha de Terán, a member of the Payment Systems Regulator Panel and the Financial Services Consumer Panel of the FCA, having previously held the roles of Head of Corporate Affairs and Head of Public Affairs at SWIFT, the world's largest payments dependency. As a finger on the pulse of current conventional thinking, this brief exchange should be of interest to readers of Associate!

CHB: Did I understand you to say, or imply, that the payments system, whatever the medium one uses and whether cash or digital, is based on bookkeeping, effectively a shared ledger?

NTD: I said (or meant to say) that behind payments sit private ledgers; when I transfer £50 to you, the same amount comes off my ledger at Barclays and is added to yours at NatWest. The central ledger (at the Bank of England) is then adjusted as the two banks' balances are adjusted. Does that make sense?

CHB: Is that not, then, a distributed ledger? The same as used in Local Exchange Trading Systems, which in turn use, or used to use Clipper software, i.e. standard bookkeeping used by banks. In the LETS case, the shared currency is an invented one, whereas in a fiat system the shared currency is not (?) invented. Beyond that, though, you are referring to the single entries in each account – my expense is your income; my asset is your liability; my receivable is your payable, etc. In strict numerical terms and seen from the overall ledger's point of view, $-1 + 1 = 0$ (so no 'money' has been created). But from within each account and independently of the other, the single entries, which simply record that something has happened, are matched by their double entries, which provide detail as to what happened, and also the possibility to correct misentry. One can then ask whether the misentry was accidental or deliberate. In this way, if one is so minded, one can add depth to any transaction and also, again if one is so minded, modify the behaviour that caused the misentry. Easier done, of course, when accidental rather than deliberate; an error of transposition rather than commission, so to speak.

In the background is my assumption that the world's financial system, whether physical or digital, whether bank-based or non-bank based, is a huge global bookkeeping system, meaning two things: (i) it can be regulated by what I call 'deep accounting' to enquire into both the real economic and motivational aspects of any financial transaction, and (ii) it can be regulated inherently, by each one of us applying deep accounting to our own numbers.

Surely, in the end, beyond checking that people have abided by certain norms and rules, regulation from outside relies on recourse to the principles of double-entry bookkeeping?

NTD: Um, yes. I think so. But while recourse to that would solve matters if, for instance, someone had hacked me and sent my 50 pounds to you where it sat. But if you were the hacker, you would move the 50 pounds on pretty swiftly. And on and on until it's left the system in which it can be intercepted. You could take it out in cash ... it's left the system. Or you could send it abroad. Once abroad it's left the regulatory and judicial system. And depending on where that is, the ability to follow the money (and possibly recover it), can be complicated if not impossible.

CHB: But in accounting terms I only need to enter the lost money as a donation and my accounts are happy (though maybe not me or the tax office). In principle, my money has now entered someone else's accounts as a donation, which can then be used to save, spend or give away, and so on round the global bookkeeping system

These movements are there, even if not rendered immediately visible, so one can use bookkeeping to estimate what has happened and then one is on a search for the evidence. This is what the tax office does when it has a client that it thinks is not disclosing all information. The only way one can regulate is if one can render visible what is hidden, which I suppose is what people try to do when they say the central bank has monopoly on issue, the national currency is sole legal tender, and all money must pass through visible institutions.

But that is surely an increasingly ahistorical thing to do. With more and more transactions going digital, etc., one's only hope of tracking one's money is first one's own bookkeeping, then making sure one gets value for money when buying anything (for the money is gone, and in due course so, too, will be the thing bought); not lending to people one cannot see, find, trust or do not know; then allowing for forced donations of anything that goes missing. Between parties who behave in this way, stability will ensue. Making the case of financial literacy of a deep accounting sort all the stronger; a financial literacy that includes the merits of ethical behaviour, not just the techniques of how money moves.

One can then imagine networks of 'properly' behaving players. After all, surely that is what the members of a LETS group are or the invisible community which has the central bank at its centre?

But I'll leave you in peace now!



Where does one begin?

The following three items are in response to our request to readers to say what they think needs to happen in order for associative economics to get on the map? Conversely, what is it that hinders or hampers its recognition?

People want to read from the beginning to the end, and then to know that they have come to the end. They don't like to entertain the idea that the end is the beginning. – Rudolf Steiner, 29 August 1922, Oxford, England.

Begin at the end...

Initially trained as an agronomist, for many years Xavier Andrillon¹¹ has been at the 'front line' of environmental and development economics in the harsh circumstances of Brazil's rainforest and similar locations. He knows well Rudolf Steiner's economics course, but also the absence of and even resistance to associative economics in the world at large. Reflecting this experience, the following extracts are from an e-conversation that took place in July and August this year.

True Price

XA: To further associative economics, I would focus on where Steiner's course *ends*, not where it starts. The final paragraph reads: "We must endeavor to make economic science more than a mere theory; it must be our aim that it should prove itself of real economic value, so that the labor we are being saved can be put to good use by those who relieve us of it for the benefit and progress of humanity. I believe that in resolving to come here you were thus mindful of the task of the economist; and I hope that this has been confirmed in you by what we have attained, however inadequately, through our united work. We can hope that we will have an opportunity to work with these ideas again another time." (See also p.4 in this issue.) For me, therefore, economics becomes of real value when true prices arise.

CHB: Better put? "Associative economics becomes real when true prices arise."

XA: True price is the ultimate metric for associative economics, for stopping the damming of capital, and so giving rise to gift money, personal credit and the many other things needed if we are to achieve scale.

CHB: To true pricing I would add capitalising capacities.

XA: This is a foremost question. We need to redouble our efforts to stay on course. For me, it is about picturing the most vulnerable people on the planet and what we can do about them. 800 million people suffer from hunger (mostly farmers by the way, what an irony!), 2 billion from malnutrition. They should always be in our minds, and our work dedicated to them.

CHB: That would be a good theme to discuss. But surely, the remedy to the world's ills can only come out of actual people actually walking a different talk? It cannot be ideological or even policy-based in the first instance, but has to arise from when one seeks to take an initiative, because it is precisely then that one realises that 'the spirit comes of itself', not at the world's behest, but that one has to create the context for the autonomy one then relies upon. By definition, it will never be given to one.

¹¹ Author of *Beyond Brundtland*, Associative Economics Worldwide, 2020. Available from <https://aebookstore.com/publications/associative-economics-worldwide/authors/books-by-xavier-andrillon/beyond-brundtland/>

At the threshold of modern existence, everything has to come from beyond it, from where 'blue sky thinking' has its home.¹² but as deeds. Deeds that politicians and markets can then follow but not of themselves initiate.

XA: Yes, politicians are followers. By nature they only look for the lowest common denominator. True price will only come on their radar when it has become a societal concern and we have seen some success with the idea. Hence, my concern with trying to start things where Steiner's course actually ends.

CHB: This is where I think a problem arises, not of egotism but of flunking the challenge of life at the threshold. It is not egotism that stops us listening, let alone hearing; it is timidity at the threshold that places our efforts at the level of our extant forces, rather than those that can come from digging deeper into our will forces, our intentions and motivations. A falling back at the threshold rather than blotting it out. We should not underestimate what is at issue here, simply at the level of epistemology. For me, this gives to the Economics Conference its specific task or possibility or responsibility: namely, to promote associative economics in the world at large.

'The West'

CHB: As you know from what we have discussed at length, I am in no doubt in my own mind that the implementation of 'true price' as a guiding principle is the way to go, but also that much of Europe may now have lost its mission or power – especially in this regard. For how can there be a true price when the dominant currency, the Euro, is a political one? For me, the idea of Central Europe holding the balance has lost a lot of its meaning, the more so the more 'Europe' is used as a synonym for 'European Union'. This has been the intent and 'achievement' of those who stand opposed to Rudolf Steiner's threefold social ideas. But they did not count on the threefold idea manifesting via three kinds of money per accounting, and so becoming universal or non-specific as to where in the world real change will begin. But where is that place? In Europe, insofar as it is outside the European Union's grip, Switzerland alone remains able to follow its own destiny, while for me, predictably perhaps, much depends on how we understand 'the West', 'western finance' and so on.¹³

XA: The concept of the 'West' is something I really struggle with. If we do not pay attention, it can quickly become tainted by some form of spiritual colonialism.

CHB: For me, 'the West' has two very specific meanings, the one related to the other. As generally used, it refers to how the Anglo-American relationship dominates world affairs. In this sense – to take but one example – China, Russia and India are all peoples being made use of and it is a falsehood to suggest that communism exists in its own right, or that in their modern form these countries are what they would be were they left to themselves.

'The West' is also the place where egotism permeates economic life, so this is not only a characteristic of the *geographic* West, which is anyway a relative term.

But behind everything is the West in the sense of *spiritual* geography. As humanity has moved from the Orient to the Occident it has moved into its own will life, where it meets itself as never before; where people become 'self made', but always expressed in terms of wealth and fame. This occurs *representatively* to the West of the Rockies and is why 'the American dream' holds such fascination for so many people.

CHB: Fear of 'the West' runs deep, however, with many people seemingly unable to conceive that there is a baby in the bathwater of modern, so-called 'western' finance. Let alone that out of 'the West' anything can arise except economic egotism.

And yet my reading of Steiner is the opposite: We must seek and unfold in 'the West', i.e. out of our own 'free' will life, a sense for the other. Whether one spells it out or not, true prices cannot arise otherwise. One does not need to predicate one's efforts in that regard on any specific social analysis, not even Steiner's. One will simply be confronted *as raw experience* with the fact that at the threshold of modern existence the three spheres of society, as a reflection of our thinking, feeling and willing, will first separate but then be brought into conscious relationship by our own I stepping into what previously was a 'given' world. We have to create that world based on perception and deed, not ideology and party programmes.

¹² While this is, of course, mentioned in the first lecture in Steiner's economics course (see p. 4), one should beware thinking that only he understood the problem. See, for example, the discussion on John Keynes and epistemology in *Reassessing the Paradigm of Economics*. Valeria Mosini. Routledge, 2012

¹³ A detailed account of this story can be found in, *Reparations and All That*, Christopher Houghton Budd, Collected works, available from <https://aebookstore.com/publications/chb-collected-works/full-chb-list/1919-reparations-and-all-that/>

This is surely the point of Chapter 2 in *Die Kernpunkte*,¹⁴ which I first came across as a sociologist back in the late 1960s, some years before I found the economics course. I devoured it, but I did so as a sociologist (as distinct from a management expert, for example, or the entrepreneur/economist I later became). And because it was clear to me that in it Rudolf Steiner resolves the impasse between capital and labour, capitalists and workers.



Is this what Grampa would have wanted?

I never thought of our forest as a weapon before!

Kim Chotzen, Viroqua, USA

"Trees hold climate gold," a recent article¹⁵ in my local newspaper announced. The piece described a *new frontier* for investment in carbon markets – private landowners. The caption to the accompanying photo read, "In the fight against the growing threat of climate change, forests are a weapon – and a potential paycheck." Based on the *carbon storage value* of their forests, private landowners can work with an (as yet) not

profitable start up company – Forest Carbon Works, which is backed by a climate and biodiversity fund of AXA Investment Managers, a global asset management company based in France.

Referring to the fact that 30-40% of US forest land is in the hands of private landowners, Carbon Forest Works CEO, Kyle Holland, stated that, "We are trying to unlock value for this massive forest resource," citing that historically carbon offset programs have involved only large corporations with tens of thousands of acres. "Small owners have been overlooked," he said, due to the high cost of making a 'carbon inventory' of the forests. But with the new Smartphone app he has created, Holland says carbon storage values can be quickly assessed. The carbon credits are then issued by a regulatory agency, sold to major regulated polluters¹⁶ by Carbon Forest Works that takes a portion of each sale, and the property owners receive an annual paycheck.

According to the article, one critique of this arrangement is that most carbon credits are issued for land that is *already* being preserved by its owners. But Holland argues that the extra income provided by this arrangement can prevent people from succumbing to the pressures of selling their land for development in order to 'pay for college or for healthcare.'¹⁷

Modern economic life still operates as if capital can be preserved in this most egregious of arrangements, which is, surely, just human egotism made visible. This and many similar so-called sustainable investment vehicles seem to grow out of the fact that economic materialism is in its last throes, desperately trying to get a foothold when the writing is on the wall for capital that does not accept its proper place as a liability.

Reading the article with these thoughts in mind brought me to a personal threshold since I am 'in line' to inherit such a forest property in the Midwestern states. Pressure is on to convert a trust, established by my grandfather for ensuing generations to enjoy the property, into a limited liability company (LLC) in order to protect personal assets from liability while ensuring that succession and governance remain in the family – i.e. the beneficiaries of the assets.

Isn't converting the ownership structure from a trust to an LLC also a form of commoditization of Nature, so that land that was freely given becomes a 'thing' to be traded on the market, precisely by limiting any liability associated with the asset? Additionally, seen associatively, an entity's legal structure is the body or clothing by which an activity can freely operate and be visible in the world. If, as Meg Freeling suggested some time ago in an article,¹⁸ the term 'LLC' referred instead to Land, Labor and Capital as the three boundaries of economic life that cannot therefore be commoditized and enter into merely financial transacting – how would arrangements proceed differently?

This brings me to a threshold: I cannot think these thoughts, feel these feelings nagging at my conscience and yet proceed to do something so contrary without losing all ground. Clothing the 'family cabin' in an LLC feels like putting on a business suit when all that is needed is something a lot less formal. Would such

¹⁴ In 1919, Rudolf Steiner published his (best-selling) book, *Die Kernpunkte der Sozialen Frage (Cardinal Aspects of the Social Question)*. This has been variously translated into English – inter alia, *The Threefold State, The Threefold Commonwealth, Towards Social Renewal*.

¹⁵ From Minnesota Star Tribune September 26 2021. <https://www.startribune.com/minnesota-company-aims-to-help-families-tap-into-carbon-markets-to-serve-forests/600100772/>

¹⁶ Presumably, they can then go on happily polluting!

¹⁷ By further damming, better put, sequestering capital into land in this way, the already existing problem of these two realms of social life – education and health – being commoditized is exacerbated.

¹⁸ 'Two trim tabs for Turning Ourselves Around, Meg Freeling, *Associate!* June 2016.

a structure equip me to navigate life's terrain step by conscious step, and so enable me to meet the challenges of modern economic life as they present themselves?

With a sigh, I realize these types of questions point to what is asked of many people today – to align one's thoughts, feelings and actions according to what one stands for in life. Perhaps from this a light will shine to illuminate the path ahead.



Agricultural Policy Reform

A challenge for associative economics

Anna Chotzen, Burlington, USA

Anna Chotzen is engaged with the problems of financing farming and land ownership in the USA, especially in the Pacific Northwest and especially with Latino farmers. She is in the process of formulating a PhD thesis.

Within the agricultural sector (in the US, at least), if an associative approach to land ownership reform could be offered such as addressed retiring farmers' need for a financially attractive exit strategy and meet new farmers' need for secure and affordable long-term land tenure, associative economics would have a good chance of getting on the map. Below are two examples of how this could be done.

Associative Succession Plan

A succession plan model could be developed and implemented that transitions a retiring farmers' land asset into a corporation/LLC structure. Then, shares of the corporation could be sold to investors interested in preserving farmland and supporting the next generation of farmers. New farmers would enter into a long-term lease agreements with such a corporation, where the lease rate was a function of the farms' financials, and farmers had the autonomy, security, and control necessary to run their operation successfully.

Additionally, the bylaws and terms of such a corporation would be such that investors would not expect a financial return and would not receive a vote to determine the farm operations. For the farmer, they would not have the land as an asset on their balance sheet, but nor would they have a mortgage as a corresponding liability. I have talked to numerous farmers who are not concerned with owning the land they farm if they have the security and autonomy they need.

Capital Fund

A fund could be established to help the next generation of farmers secure land and operating capital. The fund would be infused with capital either by philanthropic donors as a gift, or by investors who were interested in offering their capital to the endeavor, but who wanted the option of selling their share and retrieving their capital at some future point (albeit without a financial return).

This fund would then either a) provide capital to a farmer to buy land that becomes available, or b) buy land itself and lease it to a farmer on similar terms as discussed above. Either way, it would respond to the two-fold challenge that many farmers face of 1) not having enough cash to purchase land and 2) not being able to come up with a financing arrangement quickly enough to compete in an aggressive market. The key would be that those who invest their capital understand that the purpose of the fund is not to earn investors a financial return but rather, to uplift the next generation of farmers.

That said, I think what hampers the recognition of associative economics is primarily the fact that it is so closely associated with the rather 'fringe' Steiner movement. The more associative economics can enter into 'mainstream' discourse, where its validity can be tested, the more it will be seen as an approach worthy of consideration.

Circulation Videos

chb

In September, as part of Folkestone's 5th Triennial, I organized two lectures, that were live-streamed and are now on YouTube: *The Circulation of Blood* (with Dr Branko Furst) and *The Circulation of Capital*.

Dr. Branko Furst (1:20:38):

https://www.youtube.com/watch?v=FjwsvJIX_Fw

Christopher Houghton Budd (1:22:37):

<https://www.youtube.com/watch?v=egJumwMIqb0>