

# Associate!

A MONTHLY DIGEST FROM THE WORLD OF ASSOCIATIVE ECONOMICS

JANUARY / FEBRUARY 2016

## Realising Associative Economics

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### One-World Economy

Humanity is now part of a one-world economy. Despite diverse interpretations of this fact, ranging from alternative to neo-liberal, the challenge is to reach an understanding of economics that all can own.

### Associative Economics

Non-partisan and based on the idea that economic life is the shared responsibility of all human beings, associative economics aims to play its part in achieving this great task.

### Rudolf Steiner

Associative economics recognises its debt to Rudolf Steiner, whose insights make a valuable contribution to the work of developing a modern humanity-wide economy.

### Editors

Stephen Torr  
Arthur Edwards

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**Centre for  
Associative Economics**

## Editorial

### A New Context

2016 brings with it some changes for *Associate!* In the first place, after over 35 years of publishing a newsletter dedicated to bringing key economic insights into an appropriate form for the modern mind, **Christopher Houghton Budd** is now stepping back. He leaves the journal in the hands of his co-editors, **Arthur Edwards** and **Stephen Torr**, and to mark the occasion we have dedicated this issue to the tremendous contribution that Christopher has made, not only in articulating the clear thoughts by which humanity can give expression to an associative economy but providing inspiration to thousands of people around the world.

The 'Metamorphosis of Capitalism' is the leitmotif of Christopher's journey since early days in the 1960s, when he first began to address himself to the urgent necessity of rethinking economics; it is also the title of his 2003 book, which, together with its companion volume by Marc Desaulles, *A Human Response to Globalisation*, is a primer in associative economics. The theme of this issue, '**Realising Associative Economics**', the book's subtitle, is a nod to this endeavour, both Christopher's part in it and what remains to be done.

But it is not quite time to say goodbye! Christopher will continue to contribute to *Associate!* and has offered a *Going Emeritus* piece to this issue in which he gives a concise summary of his journey from *NewEconomy* to *Associate!*

There are also changes in the format and publication schedule. *Associate!* will now come out on a bi-monthly basis in an extended double-issue, which we hope will provide more space for in-depth analysis, punctuated by illustrations and digressive features.

The intention remains, as ever, to explore how the knots of contemporary reductionist economic thinking can be loosened such that the many and varied challenges by which humanity is faced become tractable. This entails various aspects, in the first place a descriptive approach is needed to bring to our close attention the key features of the phenomena at hand. This finds expression in the never-ending stream of economic stories demanding our attention, in both mass media and specialist academic journals. We aim to begin with those stories, as presented, and then bring up alongside them an associative rendering of the same phenomenon, whether using archive material from Rudolf Steiner and others or current writing. Space will continue to be given for discussions among those who identify with an associative outlook, taking excerpts from the online ae-exchange and correspondence. All of this serves to give a flavour of what the issues are in current consciousness (meaning popular, academic and from practitioners), how they are to be understood and described when seen from an associative perspective in terms of underlying ideas and then to explore how such matters might be practically managed in terms of an accounting treatment. Accounting is key and the final segment of the journal, now renamed '**Awakening Accounts**' will reinforce the potential use of accounting as a discrete tool to help humanity to 'do differently' which is ultimately what is called for.

In acknowledging the story of this journal - an account, necessarily partial is offered of some of the iterations of associative economics that have appeared within its pages, at least in recent years. Of course the term 'associative economics' is relatively new in that whole history - a task for the future remains to complete an accessible archive of not only 35 years of the journal's back-issues but also of related material. This is a project that the editors intend to accomplish, and hope that some of the glimpses given here will whet the appetite for a more comprehensive survey.

In part the journal's development necessarily also tracks the metamorphosis of Christopher's own approach and points to the nascent contemporary consciousness of 'money as accounting'. It is arguably the emphasis on 'economics through accounting' that, more than anything else, gives associative economics its characteristic feature, provides it with the credentials to be taken seriously and bridges the ideal with the practical.

The name of the game however is not so much that we all end up in the same place but recognise that we inhabit the same context which can then be understood from a diversity of perspectives. It was interesting therefore to learn from Christopher that one of the original ideas he had for a journal name was *Context!*

## Going Emeritus

A Bridge to the Future

Christopher Houghton Budd

This journal has had several incarnations or at least names. *Context* was my first idea, but it never saw the light of day. Instead the journal was born as *New Economy*, initially as a photocopied newsletter with graphics that I would now rather forget. That was May 1980.

*New Economy* was issued occasionally and eventually in 32 page format. This irregularity and unwieldy size was replaced in January 1990 by a bi-monthly edition – a frequency maintained, albeit with a name change to *e2* until December 2004, at which point Arthur joined me in the editing and the journal was renamed *Talking Economics Monthly* (then *Associative Economics Monthly* and finally *Associate!*). In 2009, Stephen came on board with Accounting Corner and in 2011 as occasional then joint editor and as producer in January 2013.

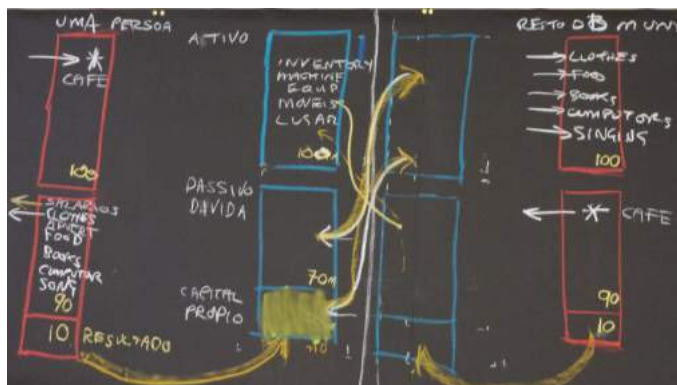
Throughout that time, nearly 36 years, the editorial aim has been simple and consistent: to build a bridge of active thought between the socio-economic ideas of Rudolf Steiner and today's circumstances and realities, both conceptual and practical. Put in other words, to involve Steiner in today's debates instead of leaving him in obscurity or, perhaps a worse fate, identifying him with a parallel universe rather than the delicate and complex further evolution of mainstream economics.

By going 'emeritus', and by entrusting the next steps in the journal's own journey to Stephen and Arthur, I am trusting also that this bridge of thought now exists and can even bear weight. Time will tell, but the aim throughout has been, in the one direction, to use Rudolf Steiner's ideas to develop a different perspective on current events than is normal, and, in the other, to look from 'inside' those events at Steiner's ideas, thereby testing, as it were, their validity and relevance.



My own journey during these 36 years has been an interesting one, in that life has led me into many contexts, from lay to professional, into many countries, and into both practical business and academic projects.

I like to think – but it is not for me to judge – that years of crisscrossing the globe, countless workshops, over 500 black paper drawings, and especially conversations with experts and practitioners in finance and accounting, has made this whole enterprise robust and pertinent, but above all that it has contributed to demonstrating the credibility of Rudolf Steiner as an economist.



The link to accounting, which is the unique thing about our version of associative economics, requires special mention of my Swiss colleague for 30 of those 36 years, Marc Desaulles, who first introduced me to the link between money and bookkeeping, on which my work has come to be predicated.



Many others have joined into a little band of travellers that now continues this work elaborating and testing it, such that associative economics is now ready to play an increasing, and increasingly important, part in framing today's debates.

But history is not pushed forward by the intentions of human beings so much as it is pulled forward by the needs and possibilities of the times. Since 2008, humanity has been sailing in uncharted waters, where everything depends on having a seaworthy boat, its hull shaped by the sea, combined with a fair wind. In handing over to Stephen and Arthur, I'd like to think the first is to hand, and that the second is on its way.

Lastly, a big 'thank you' to the readers, some of whom have been there since the very first edition.

Keynes's chair at Tilton Farmhouse, now a guest house.





## An Appreciation

Encounters with Christopher Houghton Budd

### Arthur Edwards

*"Something hit me very hard once, thinking about what one little man could do. Think of the Queen Mary -- the whole ship goes by and then comes the rudder. And there's a tiny thing at the edge of the rudder called a trim tab. It's a miniature rudder. Just moving the little trim tab builds a low pressure that pulls the rudder around. Takes almost no effort at all. So I said that the little individual can be a trim tab. Society thinks it's going right by you, that it's left you altogether. But if you're doing dynamic things mentally, the fact is that you can just put your foot out like that and the whole big ship of state is going to go. So I said, call me Trim Tab."* Buckminster Fuller

Having worked on yachts in his youth, Christopher often deploys nautical metaphors (see for example 'Going Emeritus') and the idea of the trim tab from Buckminster Fuller, which he often draws attention to, is a key one. In fact Christopher has recollected how, towards the end of the 1960s while 'at sea' in the Bahamas he was suddenly struck with the thought that his task in life lay back in England and it was no less than to transform capitalism. Could this possibly be a job for one person? If one takes the idea of a trim tab seriously, then the trick is both to understand the dynamics of what one is endeavouring to affect and then to have the courage to put one's foot out! Of course the results will not be immediate ... but in both respects Christopher has been tireless and history will be the judge of the rightness his efforts. While the current climate can, in many respects, be considered discouraging, there are signs on many fronts, that the door is opening to the 'associative' understanding which is needed if capitalism is to metamorphose. Or, in his image, a fair wind is on its way.

Bringing an imaginative element into economics is key. Christopher's great gift lies not just in the ability to discern what is new and essential in the realm of ideas and but then also to clothe it in clear and memorable, even poetic, language. Such short-hands are necessary if we are to divest ourselves of the individualistic and marketised backdrop which currently informs our thinking. A new wallpaper is needed, which discretely speaks to the imagination and inspires humanity toward true economic thinking. In this we can thank Christopher for many of his bon-mots which provoke us to reimagine our circumstances and become the authors of more fitting arrangements. So for example, one can think of a 'choir of cultures', 'faithful capital', 'differentiated money', 'a capital economy', 'youth bonds', 'citizenised central banking' and many many others - when these become part of everyday parlance then their authorship will have been forgotten but their effect will be all the more profound for that.

When I first met Christopher in 1999 it was in Chilham Village Hall for a one-day seminar, which though it was sparsely attended, made a significant impression. At the time I was fired up with ideas about monetary reform and travelled down ready to test my understanding. The roundabout way in which Christopher contextualised the whole subject helped me re-orient my outlook and I became aware that in his approach Christopher expressed not just intellectual rigour, informed by a deep background, but an artistic sense of how to communicate which was coupled with a profound ability to read a situation and respond

in a way that spoke also to the soul experience which inevitably accompanies a question. This was a world away from the self-serving intellectuality of much economic argumentation with which I was familiar and the trivial popularising of economics tinged with celebrity culture that is now so rife. It was at this time also that Christopher was completing his PhD, which has now been published as *Auditorial Central Banking*. Both the subject and the context which Christopher chose to research in (and his supervisors no less) constituted a daunting test: it is one thing to talk about the need for economics to be fraternal and to not like what one sees in the world; however to translate one's thinking such that it can stand scrutiny in the most demanding of contexts and find expression in pointing the way forward in the development of central banking, such that it can serve humanity ... well that is a much taller order.

Getting to know Christopher was also the doorway to meeting various other colleagues and associates from around the world who had not so much 'found' Christopher but recognised in what he was able to convey something distinct and true. Such gatherings of associative economics have been profound and significant occasions which brought people together in friendship and common purpose. Through these meetings many important relationships have been formed. Indeed it would not go too far to say that through this kind of meeting, associative economics has been able to find a community. As a paradigm it is starting to be able to stand free such that it can be represented by increasing numbers of people for whom its inner logic has become a reality.

Christopher seems to have spent a good part of his life circumnavigating the globe, fostering new connections and developing old ones. From the 1970s onward he has worked with a great diversity of people around the world and he freely admits to having synthesised from others much of what he has learned and incorporated in his current practice. In this way ideas and experiences have been passed on, tested, modified and re-clothed - the reality of associative economics is therefore not just a product of the intellect but of much and varied human experience in diverse contexts. In this lies one of Christopher's strongest suits, the ability to integrate new perspectives and give them a place. It should also be a caution against those who would denigrate associative economics by ascribing it to the authorship of one person only, as for example when people have referred to 'Buddist' economics. Indeed, when Christopher finds a true peer, as for example he has done with Marc Desaulles in Switzerland, then the catalysing effect is all the more pronounced and that collaboration 30 years on is as strong and fruitful as ever. And those who have been mentored by Christopher will also be aware that while he can be an exacting critic, his generosity of spirit is such that most often he will not claim ideas as his own which in fact he has patiently fostered and discretely encouraged.



So much for Christopher in person, one should not neglect to refer to his accomplishments in print, many of which are in fact not yet 'printed'. Readers of *Associate!* will likely be familiar with his published books; there is also a list on his website of many hundred of written pieces - the titles alone give much pause for thought as to the index of articles published from *NewEconomy* to *Associate!*

An important task for the future, as already indicated in the editorial, is to ensure that this can become widely available and finds its way to where it is really needed, whether that be among entrepreneurs, academics, financial practitioners or on school reading lists. Anyone who has had to contend with the paucity and brittleness of much current economic writing will recognise that the discipline of economics must feed the imagination if it is to communicate itself - by expressing itself in an artistic manner, it is no less scientific thereby. No one can be in any doubt that the determined, dedicated and steadfast manner in which Christopher has championed associative economics, often in humanly challenging circumstances, deserves recognition and gratitude.



There is a difference between being a champion and being a guru - Steiner describes in his *Economics Course* the peculiar property that free beings have of 'loosening and liberating the mother-wit of the others'. Whether

waxing eloquent, articulate, incisive, provocative, anecdotal or controversial, Christopher never fails to be stimulating in his interactions. No more fitting tribute could be paid to him than that others 'see' the point and become 'bearers' of a new economic outlook: the more that increasing numbers of people are able to prove a hypothesis for themselves, the more its social objectivity will become self-evident.

### **Voices from around the world**

*The following views were recently solicited from colleagues around the world.*

Christopher has been really helpful to us in understanding Rudolf Steiner as an economist and the practicalities of finance and its meaning in a spiritual sense as well as practical. I think Christopher above all is a practical man, I have realised in due time that the only way he can come across some of the thoughts he speaks about on his lectures is through having had the experience. I know it because I am also a practical man, an entrepreneur, and the only way I understood some of his thoughts was after having lived them.

- Argentina

Christopher Houghton Budd's history with Brazil goes far back, when he wrote his PHD in Central Banks. Many activities today in Brazil related to Associative Economics are due to a work begun by him. For instance he helped with the translation of GA 340 - Called here "Economia Viva" - and he gave much helpful advice in the founding of Widar, an Anthroposophical Bank in São Paulo.

- Brazil

I have enjoyed Christopher's friendship and collegueship in our mutual grappling for a sound understanding and practical unfolding of Dr Steiner's indications on economics and the social organism. He has also helped many, including myself gain a working knowledge of bookkeeping and accounting. As a professional engineer and business manager in my daily life, the knowledge that Christopher conveyed has given me many important skills and confidence, for which I am grateful.

- Canada

Christopher is ceaseless in his dedication to renewing economic life in the sense of Rudolf Steiner's analysis in the World As One Economy course. He has an impressive background of varied entrepreneurial experiences driven by efforts to give expression to Steiner's economic thought. He has managed projects in real estate development, cooperatives, publication and financial literacy for young people, to name a few. He is also known and respected among monetary policy makers and central bankers in London for his economic thinking. In this way, he forms an important bridge between esoteric and exoteric aspects of economics.

Christopher is the author of many books on various economic themes, both mainstream and anthroposophical, and is an expert in assessing both micro and macro implications of most any economic circumstance. If he is known to be other than tolerant, it is only because his insight into economic matters, especially as regards Rudolf Steiner, is so keen as to eclipse most others.

- United States of America

His advice concerning our finances gave another dimension leading to the rethinking of the structure and the commitment of its members. Seeing the finances, an area which is often not really understood, as a reflection of the conscious development of an organisation and as the driving force of that process of grounding. His view of finances as a tool to bring consciousness in the entity's life is basic to his approach.

- Spain

I also asked him to look over our organisational structure and financial recording which was an exciting experience for me as it was the first time I found a true colleague in this work and his recommendations for advancing our work were timely.

Christopher is particularly aware of the necessity of clear and transparent accounting practices, allowing informed and consequent decision making.

- Australia

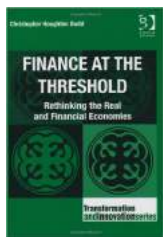
I worked closely with Christopher over a period of 12 years in building up and running a variety of businesses including shops, wholesale distribution, commodity import export, a dairy farm, a market garden, building construction and property development. What I saw of Christopher then showed him to have a good grasp of profit and loss accounts, balance sheets budgets and cash flow forecasts.

- England

## Publications

[www.associative-economics.com/publications/](http://www.associative-economics.com/publications/)

### ***Finance at the Threshold 2011***

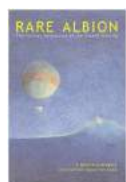


Christopher Houghton Budd argues that the popular explanation of the crisis, concentrating as it does on matters of loose credit and lax regulation, is essentially a sideshow to the real underlying monetary issues that have been carefully ignored through the course of the last century, whether intentionally so or not. Humanity, however, according to the author, was bound to arrive at a threshold in its way of thinking, through the advent of a single global economy, beyond which anachronistic ideas of money cannot carry weight. According to Dr. Houghton Budd, and for specific developmental and historical reasons, we have entered a qualitatively new economic circumstance and must therefore relinquish outmoded monetary thinking in favour of an approach that differentiates 'money' and credit. This, coupled with an accounting analysis which makes counterparts visible, will enable us to bridge the much commented upon chasm between the so called real and financial worlds: "once abstraction is complete, re-embeddedness becomes a necessity." Indeed today's economy, he argues, operates on another level to the one to which our thoughts have become accustomed – not only must we leave our nation-centred orientation in favour of a systemic (or perhaps better organic) global view but, even more disorientatingly, because "in finance thoughts are as things", causality becomes reflexive and it is not the laws of physical space and time that determine events. From this perspective it is an epistemological crisis first and foremost with which we must reckon before we can think a future that is apt to today's new circumstances.

### ***La Economía Moderna (The I in Economics) (Spanish) 2009***

### ***Auditorial Central Banking 2006***

### ***Rare Albion 2005***



Did you ever wonder what happened to the Wizard of Oz? In this book he travels to Rare Albion, the island capital of the Confederated States of Columbia, a worldwide community in which people do business in the name of humanity rather than the market.

The crucial events of our time – from monetary policy to pension funds, from triumphant capitalism to anti-globalisation groups – are all woven into an allegorical tale about an imagined land where everything described is based on fictionalised fact.

### ***Freeing the Circling Stars 2004***



Beyond state interference and parental sacrifice, this publication argues the case for freely funded education. With education more and more caught between being in the gift of the state or subject to the cold wind of market forces, this book revisits both what we expect of education and how it should be funded.

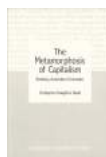
### ***The Right On Corporation 2004***



The corporation (or company) is a universal form used for doing business. It is also the most appropriate way to link capital to individual initiative.

Unless updated, however, it can also be used to give capital power over social life, thus turning the corporation from a social to an anti-social creature. This book discusses the background to this problem and suggests how simple changes can overcome it.

### ***The Metamorphosis of Capitalism 2003***



Showing that associative economics not only gives deep historical foundations to our understanding of current events, but also provides positive and practical means to address the many issues these developments give rise to, this book outlines a path to metamorphose capitalism.

A companion volume to 'A Human Response to Globalisation', this book asks what would have to happen in Western economic thinking and behaviour if the axioms of associative economics were to be adopted.

### ***Rudolf Steiner, Economist 1996***



An anthology of writings by and about Rudolf Steiner qua economist that documents his search for a deeper understanding of modern economic life.

This book throws light on many of the problems that face us today, problems that we cannot solve unless we take hold of the economic life in a conscious, human way and resist the temptation to defer such matters to a combination of market forces and the state.

### ***Of Wheat and Gold 1988 (1996)***



The world's financial system proceeds from crisis to crisis, as if determined to forsake both its ancient agrarian basis and the more recent gold standard in favour of abstract finances.

This book sets forth an alternative approach to money that combines both wheat and gold to offer unexpected resolutions to the seemingly intractable problems of today's monetary system.

### ***Prelude in Economics 1979 (1996)***



An aphoristic guide to the cardinal ideas of modern economic life, its twenty-two brief chapters survey the major socio-economic questions of our time and point to a fruitful relationship between capitalism and socialism.

This book was written as a 'reader' and based on many years of seminars, it provides an initial excursion into associative economics. Intended to acquaint the layperson with economics in comprehensible language, but also to reset the cast of mind for economics generally, it covers many of the main ideas and concepts that characterise an associative approach.



## Free Association

### Emerging Perspectives

This extended montage explores some of the many and various facets of associative economics by way of extracts from past issues of *Associate!* The journal itself has the aim of providing a commentary on contemporary events so that, as it draws up alongside them, gradually and discretely manages to re-describe the world. An exercise such as revisiting past themes and pieces provides an opportunity to review to what extent another world begins to become visible through these pages. One can be in no doubt, 'another world' is needed and if one is to step into it, then one must in the first place be able to describe and imagine it.

### Voluntary co-operation - the new ideal

In his 1916 *British Destiny* Daniel Dunlop outlined the principle of **Voluntary Co-operation**. His meaning was not that economic life should be organised through the formal member co-operatives that flourished in the 19<sup>th</sup> century, but rather that the underlying, if emergent, nature of economic interaction involved working together. The word 'voluntary' implies freely undertaken through the will and 'co-operation' means not alone, or for one's own purposes, but with others for mutual and societal benefit. In this formulation one can perhaps see the first germ of what can now be understood with the idea of associative economics.

### Individual and initiative – a creative combination



This was picked up in the **January 2007** issue of *Associative Economics Monthly*, entitled "**The Challenge to Britain**" as part of the retrospective from the 1930s that also included extracts from W J Stein, Owen Barfield, T Gordon Jones, G S Francis, A A Hanbury-Sparrow, Lord Northbourne and Charles Waterman - all taking their cue from Steiner's social and economic thinking.

In the Dunlop extract, emphasis was placed on individual initiative as the starting point for economic undertaking, seen in the context of a longer process of societal development:

*"The powers of initiative, developed by a wide and varied experience, stimulated the demand for the rights of the individual. These experiences, gained in the struggle for freedom during the centuries, have disciplined many individuals, and taught them to use their freedom more or less impersonally. When a person is disciplined he is free, he has become impersonal in a universal sense and freed from the narrowness of personal bias. Man has attained to a certain degree of self-consciousness, and, ages ago, repudiated the semi-conscious existence of organisms, which, however perfectly adjusted in function, could not express his desire for self-conscious, responsible existence. Therefore he undertook to consciously form a society consisting of human relationships that depend on individual initiative.*

*Creative force is focussed and expressed through individuals. In every realm of nature individualism is a basic factor, but the functions of individuals are exerted and observed only in*

*co-operation with other individuals. And the more highly developed and individualized a community or nation becomes, the greater is its knowledge and use of the resources of nature and of the different classes among its people. A great nation rests on the co-operative activity of all its members. "The survival of the fit" does not mean that one dominates over others, but that certain forms are suited for certain functions for which their constituent elements fit them."*

### A free spiritual life

In **April 2007** issue of *Associate!*, entitled "**The Essence of Associative Economics**" Christopher Houghton Budd puts the unfolding capacities of the human beings in the foreground in his piece: **A Free Spiritual Life: The Individual, Society and Credit**. As the editorial of that issue puts it:

*As part of our continuing review of how we understand associative economics, in this issue we touch on the idea of a free spiritual life. Central to associative economics and linked to the tradition of Western liberal individualism, the idea is explored in such a way that its economic and societal dimension is emphasised.*

Christopher then goes on to put the point:

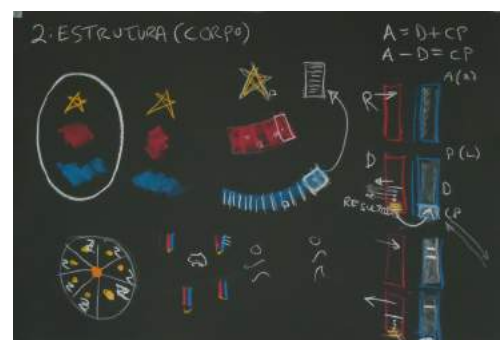
*"The idea of a free spiritual life is central to understanding associative economics. Indeed, if this idea is absent the whole point and purpose of associative economics evaporates, which is to be the corollary of a free spiritual life."*

Associative economics therefore must be understood to exist within a wider societal framework in which the individual steps forward in expressing his 'free' creative capacities. He outlines the historical evolutionary step needed to accomplish this:

*"the essential macro problem we face – the challenge to step beyond the blood-ties that bind us to a monolithic state that embraces not only rights, but cultural and economic affairs, into freedom from blood which will reveal to us the threefold nature of social life and make each one of us the glue that renders harmonious their otherwise autonomous working."*

And then points to its radical consequence:

*"But what does it mean to speak of freeing the spiritual life of its shackles so that it can direct capital? ...the bulk of modern capital, should be credited to private individuals to underwrite their initiatives from whence alone new economic values can be born. In a word, foregoing real for personal credit. ... A free spiritual life is nothing more in other words than the capitalisation of the initiative of the individual, whether alone or with others, without real or third party collateral. In today's fraught conditions, if one is not willing to be party to such an economy, one forfeits one's right to bemoan the conditions that otherwise result."*



### 'Sensing what is right economically'

Another way of characterising associative economics is by placing an emphasis on the innate and consciously extensible sense of responsibility that human beings have toward one another. This has become a necessary corollary of global economic life, given the tendency of societal evolution already described. In 'All About Associating' from January 2011, this is put in terms of 'Sensing what is right economically'.

*"Since the beginning of the 20th century humanity has entered a new stage of societal development, characterised by the appearance of a single global economy, as distinct from the preceding, but still co-existing stages of private and national economies. This new circumstance of a one-world economy calls for a wider awareness of the deeper nature of economic relationships, a new paradigm that we describe as associative economics."*

*"One can discuss or dispute this choice of name or the meaning we give to it, but the label is not as important as the modality. In a single global economy, as distinct from a world made up of competing national economies, synergies are what matter, the corollary of which is that human beings need to take responsibility for and give direction to economic undertakings in association with one another. This contrasts with the approach of market economics, which delegates the primary functions of economic life to the market (which then acts as the touchstone for the rightness of what should happen), as also to state intervention, which suggests that the state can know what to do economically. Both approaches place outside the human being what associative economics would place within, namely a sense for what is 'right' in economic affairs."*



The background of the work of Aristotle, Aquinas and Rudolf Steiner is given to make clear how this responsibility can become manifest in technical arrangements such as true price and the need to transcend the for-profit / not-for-profit division. When this happens then accounting can be seen to serve a higher purpose:

*"Modern economic life has to be understood as a single global affair, but that means we need to experience it as something suprapersonal, an experience that will be denied us if accounting does not pass from being an aid to tax minimisation to become an instrument of perception. What can be perceived through this instrument always has two dimensions. On the one hand, it reveals our capacity for enlarged, not just narrow egoism; that the individual can act on behalf of others and the economy as a whole, and that in fact true economic conduct consists in precisely this. He does not need to set his moral compass by the market or depend on corrective regulation by the state in order to adhere to the right path. He need only ensure that the prices recorded in his accounts are 'true prices', to cite the core concept of association. ... One can shift one's ideology or move money about, but a real economy, certainly an associative economy, does not begin outside itself."*

The idea of a self-contained global economy is cited on the cover of associate as follows: "Humanity is now part of a one-world economy." What are the implications of this fact for economic governance? For many people the natural inference is that this requires ever more centralised control in the form of state-life supranational agencies. While the intellectual logic of

such an approach is seductive, is it in fact a good fit for today's circumstances?

### World economic governance

The August 2007 issue was entitled **World Economic Governance** and the lead article dealt with the question of 'Supranational or autonomous economic life?' asking whether "the next stage in economic history one of supranational governance of economic life, or should it move towards autonomous management but subject to a clear social remit?"

To set the stage for this question an extract was given from a piece by Prof. Dr. Wolfgang Filc at a conference entitled *A Holistic Approach: Conceptual Building Blocks for a Human and Just Globalisation*, held 11th - 13th October 2002 at Trier University, Germany. Prof Filc makes the argument thus:

*"The salient point, which must be firmly implanted in the heads of those responsible for international economic policy, is that globalisation of financial markets requires an institutional accompaniment by Global Governance. Global markets are not compatible with an economic policy which is bounded by state boundaries, or with controlling/regulating institutions attuned to currency areas. A much wider international cooperation is required in this respect. In addition, an internationally accepted framework is needed to support financial markets and international financial relations in this era of globalisation. Only such a structure can save globalisation from stumbling into a trap, the closing of which could trigger an implosion of world economics."*

The challenge is clear, the economy cannot go ungoverned but what kind of framework based on what core logic is needed? The article goes on to ask:

*The key question raised concerns whether regulation of markets, especially financial markets, should now be effected at the international level given the irrelevance of national boundaries in a global economy. If not, and if national jurisdictions are outmoded, how is stability to be assured?*

The associative response comes in an allusive manner pointing to Churchill's insight "in sensing the need to locate economic governance somewhere between individualism and state control" and pointing out that:

'it would matter enormously in public discourse if those who were dissatisfied with current world economic governance were to bang the drum of autonomous economic management. Such a concept may smack of neo-liberalism, yet this is not here that neo-liberalism is to be found wanting but its idea that self-interest is de facto social, thus the injunction to 'obey the market.' Associative economics would make this social remit a function of that side of human nature which is not about self-seeking, but concern for others, for the environment, and for the future.





### Beyond the market

What then of the intercourse between associative economics and neo-liberalism or market economics or indeed Austrian and libertarian economics? It would be all too easy to make an unwarranted connection.

In the **September 2009** issues, **Economics at a Threshold**, Marc Arnold a teacher from Oxford, writes about ‘**Rudolf Steiner – the Austrian who isn’t**’, making it clear where differences and similarities lie:



*“The economic philosophies of both Rudolf Steiner and the Austrian school privilege the free, creative, individual and consequently differences can become obscured. However Owen Barfield’s characterisation of Steiner’s general philosophy as ‘romanticism come of age’ indicates a very different orientation compared to the Austrian school.*

*The holistic traditions of the German Historical School with its roots in Hegel were formative for Steiner, who advances a cosmology framed in terms of evolutionary consciousness, a social philosophy which speaks of the “souls of nations”, and society characterised as organic. These and other themes such as “historical stages” and notions of “social wholes” are alien to Austrian metaphysics. ...*

*Effectively Steiner’s economics challenges the Austrian notion of ‘the market’ as the ultimate arbiter of how economics values are to be allocated: firstly ‘the market’ is to be contained by limits given by the environment, human rights, and traditional ways of life and secondly it is to evolve into a confluence of individuals acting in association with one another, rather than as now in relative alienation. Austrians privilege homo economicus while Steinerite economists suggest moving beyond the market economy towards an associative economy.”*



While it is clear that Rudolf Steiner advocates an economic life, managed through its own logic and without political supervision, it must be made explicit that he is not meaning anything approximating market anarchy – on the contrary he is pointing to the need for a higher degree of willful and conscious co-ordination. For those who hear the phrase ‘autonomous economic management’ and would then pull associative economics into their own market paradigm, some clarification is needed.

### The new liberalism



In **December 2012** light is thrown on this subject in an issue entitled “**The New Liberalism**” which positions associative economics as “**The true heir to the liberal tradition**”. British economic historian Eric Roll (1907-2005) is cited to back up the view that ‘in claiming to be liberal, classical economics – which is mainstream economics today – has its origins in Aristotle’s Ethics.’

But neo-liberalism has supplanted its Aristotelian origins with marginal utility theory in order to champion the financial economy without regard to the real. Capital has become, in neo-liberal thought, just another commodity to be traded - hence financial markets and everything that accompanies them. An understanding of capital to be developed though associative economics however puts its true nature in the spotlight and following Folkert Wilken’s analysis (German economist and author of *The Liberation of Capital*) a different story is told:

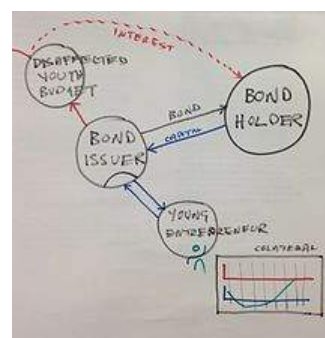


*“Capital ... arises not out of any single person’s intellectual effort alone but out of the accumulated inventive and creative capacities of previous generations and to some extent of other men at any one time. Furthermore ... as prices adjust downwards in response to each new invention, the whole benefit of the innovation is eventually dispersed to society as a whole.*

*Capital is neither by origin, nor by destination, the property of any individual. The question of who should appropriate the—temporary—benefits of new inventions is thus a wide open one in this analysis.”*

The succinct point in an editorial view is made with the question ‘Is finance an instrument for liberating capital or creativity?’ This is then picked up in the *Sign of Our Time* column as follows:

*“the idea [is], not of championing capitalism, but of nuancing it, metamorphosing it. After all, the problem is not the emancipation of the money markets from the goods markets (to allude to Rudolf Steiner’s perceptive analysis); the challenge is not to separate finance from the real economy, but nor should one think it can become again subsumed in goods. The challenge is to see, through finance, that there is indeed a creative side to economic life and that modern finance needs to find ways to articulate and instrumentalise this aspect – to give it concrete economic expression.”*





### Where human values count

Associative economics largely hinges on whether human beings can see their circumstances with new eyes and thereby free themselves from the tether of the narrow focus of utilitarian thinking that materialism has inspired. Changing paradigm has been a perennial theme through the journal, which has ranged from how one sees the human being to how monetary policy is conceived.

In the **November 2012 Creative Money** issue Marc Desaulles addressed this question of how the human being is understood in a piece entitled: **'Economy: where Human Values Count'**.

*"Each human being comes into relationship with other human beings in three very different ways: through his needs, his dignity and his abilities. In order to satisfy his needs, he requires the products of others. Dignity he derives from the way he is treated and appreciated in his social environment. This is something very different to the satisfaction of needs. The third aspect, his abilities, he experiences perforce of being an individual. And yet he owes the development of his abilities almost entirely to his fellow human beings.*

*For each and every person, needs, dignity and abilities are doorways into separate and different worlds of experience. If today's individual human being is to develop and live in a healthy relationship with his community, the social space needs to be consciously designed and ordered to that end. Meeting everyone's needs is the task of the economy as a whole – comprising the wide universe of production, trade and consumption. The rights life of today's many states should ensure dignified relationships between their peoples and uphold the dignity of the individual. Countries are places where a common understanding of right can be experienced, where the right to vote allows every human being to be recognised as a citizen.*

*With its different approaches to education and training, modern cultural diversity serves the development of individual abilities. In this way human beings become free, but they also become bearers of conscious responsibility. This begins with infants' imitation of deeds and speech, continues through the joy of learning in school, and then becomes deepened in link with humanity's great ideals and achievements. If carried by society in its future design, these three areas – each with their very different criteria – can overcome the confusion brought about by the individualisation of humanity."*



### The true price paradigm

**Changing the Paradigm** in **September 2013** reflects on the technical dimension of adopting an associative paradigm by asking how monetary policy is to change from 'price stability to true pricing' if, in conceptual terms, we are to go beyond the widely discredited, but not yet defunct, efficient market hypothesis.

*"What are prices?*

*Conventionally, prices are signals. The information they provide enable us to ration or allocate resources (normally said to be scarce). But such signals are subject to power*

*influences. The forces that give rise to them can be captured by narrow interests. True prices, therefore, are prices not so affected. They begin when we (all) stop shopping for the cheapest. Prices are like the mercury in a thermometer. They reflect circumstances and conditions. So if we do not like a price, we need to change the conditions that gave rise to it. Merely changing the price will do nothing. In fact, it will make things worse because, while one cannot change the temperature by manipulating the mercury, one can interfere with economic conditions through price fixing.*

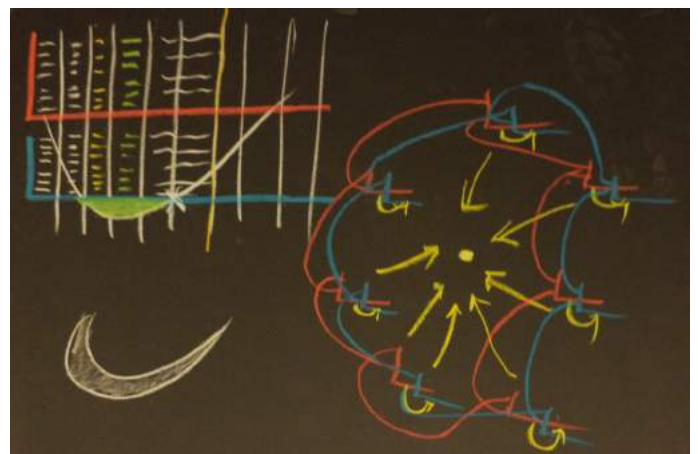
### Switching from price stability to true pricing

*The switch from price stability to true pricing needs to begin in one's own behaviour. Given that we are all consumers on one side of our economic existence but producers on the other, it is here we should begin. If production is properly remunerated the economy will come right. If we all pay the true price of production, we will all receive true income.*



### Needed: A culture of gift money!

*If true pricing is to become a reality, it will require an active culture of giving, informed above all by the concept of 'gift money', meaning the money that is provided for the recipient to use freely for educational or cultural purposes, for this is the most productive money of all, the economic equivalent of teaching someone to fish. But someone, somewhere, or rather many people in many places, need to make a first move. If no one is prepared to forgo the gains he could get in terms of narrow self-interest (gains that create the very volatility one then regrets and asks the state to remedy) then there can be no true prices. That is to say, prices become untrue when gift money is not allowed to take its course in economic life."*



## Double vision - a new perspective

**Shifting Paradigm** is again the theme in **March 2014** but this time there is an emphasis on how accounting becomes the instrument for this change in perception - **Double Vision** demonstrates how this is evident in the story of accounting:

*From single entry to multiple perspectives*

### STEP 1 Narrative



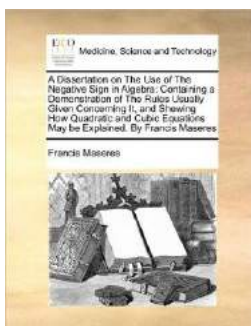
Although the step by step approach used here is not meant as a sequential re-run of history, our aim is to echo the long history of accounting since before ancient Mesopotamia. To begin with, were one to make a record of one's day's trade, it would be represented by a single narrative organised chronologically and differentiated only by words.

### STEP 2 Numbers in a Column



Next, one would organise the narrative in columnar fashion and denote the numerical element with Hindu-Arabic numbers although undifferentiated as to positive and negative. (1)

### STEP 3 Positive and Negative Numbers



Now comes the introduction of differentiation by narrative and number, including the use of positive and negative numbers, dating from the 17th century.

### STEP 4 Running Balance / Differentiated Columns

DATE	DESCRIPTION	DEBITS	CREDITS	BALANCE
Balance brought forward				35.00
8 May	COBT High St	10.00		25.00
8 May	DCBT Post Care Plc	3.00		22.00
11 May	BACS Regular Times		40.00	62.00
19 May	CHBT	2.00		60.00
19 May	DD Gas & Co	10.00		50.00
22 May	SO TV Licence Company	21.00		29.00

The next step organises the previous information more systematically, in the manner of a modern bank statement with which most people today are familiar. This is a running account, known as a day book (journal) or book of prime or original entries. In this case, 'cash' refers to money or means of payment that can readily be swapped for goods without the involvement of a third party, such as a bank.

It is important to note that the simple format of a customary bank statement is not arbitrary, but the tip, as it were, of the iceberg that is accounting and monetary history.

Double entry bookkeeping begins when transactions are taken from their original or single entry stage and allocated to specific accounts. At any point in time, the net balances of these accounts – whether continuing and therefore left open (e.g.

stock) or tied to a period and therefore closed (e.g. profit and loss) – comprise the Balance Sheet, which is not an account. That is to say, while the two key aspects of accounting, the Income and Expenditure Accounts and the Balance Sheet are another twosome, they, too, are not double entry bookkeeping.

Before looking technically at double entry bookkeeping, it can help to consider that the move from single entry to double entry bookkeeping occurred at the time when, in art, what the Renaissance painter, Uccello, called "that sweet thing", perspective, developed. Before that objects and figures were distributed in one plane, their size denoting their importance in the mind of the painter or his patron, not their relationships in three-dimensional space.

Behind this is a step-change in the evolution of consciousness. In addition to looking out at the world, the human being began to look at himself from the world's, that is to say, humanity's point of view. Put differently, accounting describes a 'space' into which values enter (debit) and from which they leave (credit).

### From Perspective to Multi-perspective



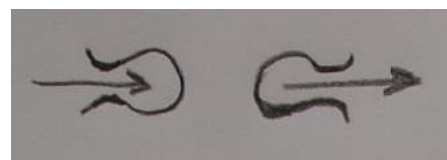
If one asked what the next step would be, a clue is presumably to be found in the move from perspective to multi-perspective, as in Cubism, for example, or in certain Chagall or Picasso paintings. That means not 'triple bottom line' or similar developments, but the use of double entry to share one's accounts with others.

That double entry is the bookkeeping equivalent to perspective can be sensed if one compares Steps 2 and 4. Now one not only perceives money coming to and going away from oneself; one can also stand on the other side of the transaction where the money 'coming in' originates and where the money 'going out' ends up.

This is not the same as looking at oneself in a mirror, nor is it the same as you looking at me. It is something altogether more subtle, to do with the idea of the so-called left and right sides of the brain, science and art (2). Only, we must conceive things more sophisticatedly in the sense that 'science' means perceiving the world as it enters or invades our consciousness (the task of sensory nerves), while 'art' is perceiving when we extend beyond the envelope of our consciousness (motor nerves).

(1) An advertisement for Hindu-Arabic math from a sixteenth-century English book, Maragarita Philosophica. The smiling man has discovered Hindu-Arabic numbers; the frowning man is still using Roman numerals.

(2) Of these two aspects of consciousness, Rudolf Steiner said: "The so-called motor nerve does not serve movement in the sense assumed in the teachings of the division [into motor and sensory nerves] theory; rather, as the bearer of nerve activity [the motor nerve] serves the inner perception of the metabolic process that underlies our willing, in just the same way as the sensory nerve serves the perception of what takes place in the sense organ." Riddles of the Soul, Rudolf Steiner. Mercury Press, Spring Valley, New York, 1919. (GA 21) p.139.





### Iterating insights - towards a school of thought

Associative economics can also be characterised as a school of thought, whether informally by enumerating its features or in formal academic terms. Robert Karp in August 2009 issue **Ideas in Economics** shares his ten personal insights which characterise associative working:

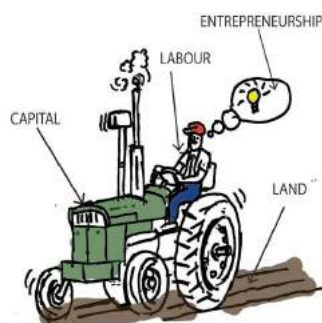


**1. The World as a Single Economy:** Associative Economics sees the whole earth as a single, closed, economic organism.



**2. The Inherent Altruism of Economic Life:** Associative economics sees within economic life an inherent altruism and spirit of cooperation and sharing, and it recognizes that these qualities must become stronger and more conscious in order for there to be a healthy creation and circulation of values of a kind that brings well being to all people.

**3. The Need for a New Economic Science:** Associative economics recognizes that this worldwide economic organism needs for its health a new economic science that is not limited by materialistic assumptions about the nature of reality and that can grasp through living insights, concepts and pictures the dynamic forces involved in social life as a whole and in the creation and circulation of values.



**4. Harmonizing Labor and Capital:** Associative economics recognizes that values arise in the economy from two primary sources, these are:

The transformation of nature through human labor, and

The transformation of labor through human intelligence or creativity.

Our economy is a reflection of the multitudinous ways in which these two value creating processes impinge on, intersect with, and flow into, one another. Through these two and through their interaction, commodities and capital come into being. Economic health, from one perspective, consists in bringing into right relationship the values created primarily through labor and the values created primarily through intelligence and creativity.

**5. The Need for True Prices:** Associative economics recognizes that in the process of buying and selling the economic life becomes real for every single human being and it recognizes that in the formation of price the most varied factors influencing the creation and circulation of values come together. A 'true price' from the standpoint of associative economics is a price that allows all those who have participated in the creation and distribution of any given product to be able in the future to provide the same services so that another such product can be produced, distributed and consumed.

**6. The Need for an Associative Form of Economic Life:** Associative economics recognizes that the complexity and fluidity of the modern economy and the justified and unique needs and perspectives of its different participants (producers, workers, traders, consumers, etc.) demands an associative form of

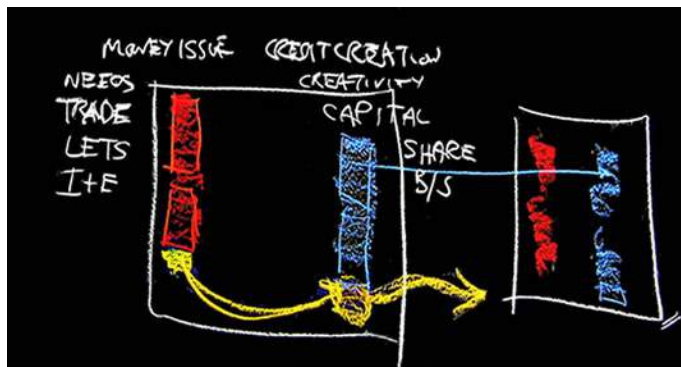
economic life: that is, a form wherein the diverse participants in the economy work together cooperatively to coordinate the processes of production, distribution and consumption,



**7. Transforming Money:** Associative economics is especially concerned with understanding the true nature of money and facilitating its healthy use and circulation. Associative Economics recognizes three types of money active in economic life, these are: purchase money, loan money and gift money.

**8. Freeing Work and Education:** Associative economics recognizes that the health of society is dependent on the degree to which each person can unfold his or her inherent gifts, capacities and talents. It recognizes that the economy should take its shape from human creativity rather than human creativity being tethered to economic interests.

**9. Stewarding Land and Capital:** Associative economics recognizes that a healthy economic life requires fundamentally new ways of conceiving of and practicing ownership and finance. Specifically, Associative Economics recognizes that land (and other forms of natural capital), the means of production, and financial capital need to be creatively stewarded in a fashion that provides the widest possible social benefits, rather than their use being arbitrarily determined by financial means, profit motive, and historical precedents.



**10. Understanding and Balancing the Three Processes and Spheres:** Associative economics recognizes three primary processes and associated spheres whose interactions comprise human society and human institutions. These are:

1) Economic processes, which comprise all those activities related to transforming and distributing the earth's resources, and managing the circulation of values, in order to provide human beings with the goods they need to lead meaningful lives.

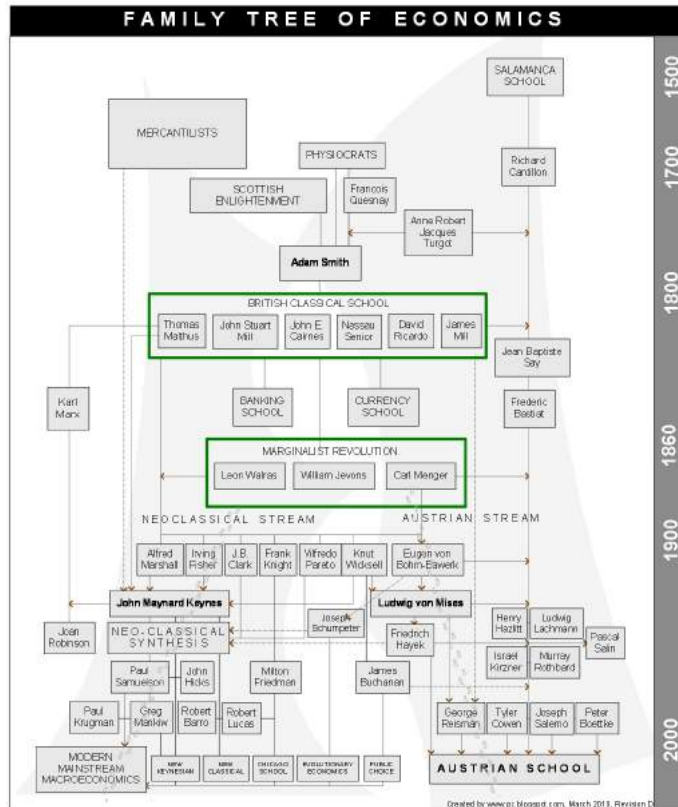
2) Spiritual and cultural processes, which comprises all those activities and institutions that give expression to human striving for meaning, for knowledge, for self-development and self expression, as well as for community, cultural belonging and for physical and mental well being.

3) Political or Rights processes, which comprise all those activities related to establishing and upholding human rights and responsibilities which in turn provide the ground rules or the framework within which the economic sphere on the one hand and the spiritual cultural (or social) sphere on the other, conduct their activities.

## Schooling our thinking

In considering characteristics of formal school of thought in the **October 2013** issue Christopher Houghton Budd turns the matter on its head with his piece **Schooled Thinking**:

*There are many schools of thought in economics. But is it school of thought we need, or a schooling in thinking, especially economic thinking? How would such a schooling come about? What would characterise it? Of what would it consist?*



*A school of thought can mean that one begins with a thought and then follows it out logically and then derives policy and practice in conformity with it. Such, for example, could be a description of Marxism or Keynesianism.*



*The thought in itself may be ever so valid and obvious, but does it originate in link with or to one side of economic life? It is born of economic experience or of contemplation, and then often not from an economic point of view, but from the perspective of social concern, a sense of injustice and so on?*

*To school one's thinking is not the same as to have and follow out a thought, though this may be part of it. While to school one's thinking in a way that is compatible with economic life needs even more precision. Do our thoughts stem from the wish to treat and preserve money at all costs, in which case it would be more the thinking of a banker than an economist? Or does it derive from entrepreneurial experience, in which case it is more born of experience in the field than meditating in an ivory tower?*

*Can such thinking be inductive or deductive, both of them relying on a gap between experience and thought which they, in their different ways, leap over. Or should it be descriptive – in effect the description of actual experience, raising what lives unconsciously for the most part into the light of day?*

*And how are we to avoid spinning off into abstract theorising, when economic life itself is the base of what we experience and what (if that is the aim of thinking economically) we wish to affect, change and manage? The most effective way to do this is to link one's economics, and therefore one's economic thinking, to the method used by businesses to make their activity conscious, namely accounting (rather than supply and demand theory, for example). For accounting, when used for its true purpose, which is not to avoid tax, is an instrument that makes visible to us what we do in economic life, what our intentions are, what the effects of our actions are and whether these are (a) as we thought they would be and (b) socially acceptable. The fact that we can act into economic life without permission to do so (or so we think) means that our thinking usually follows our deeds, and so we have to render them conscious after or independently of our behaviour. ...*



*Was it, for example, the intention of Adam Smith that his 'invisible hand' sound bite should be used as justification of so much unconsciousness in subsequent economic life? Or is this an opportunistic philosophy convenient to those who believe in narrow self-interest as the only driver of economic behaviour? ...*

*Finally, what is being schooled? Surely it is one's will life, one's deeds that often follow on from instinctive, subjective or in other ways unconscious acts? Acts in which one's deeper intentions live and can be seen, but also much else. One's egoism, for example, or one's shadow side (greed and all that).*

*In an age that prides itself on free will, the idea of training the will may seem unfashionable, anachronistic and invasive. But so many of today's problems as regards economic life stem precisely from unschooled actions. Laissez-faire, laissez-passar is a two-edged sword. Yes, we need to be free to follow our noses in economic life, to take initiative and not be afraid of our shadows. But, no, we ought not use this as license to do anything and everything we can get away with, whether with the intention of a thief or the subtler method of externalising costs.*

*When people go to economics classes or business schools, is it to learn to school their will or to exploit the economy in furtherance of their private interests and proclivities only? For the most part it is the latter, which goes a long way to explaining why modern economic life is so much the battleground it has become.*





### Thoughts and things

Hot on the heels of the question of how schooling thinking and schooling the will is that of how we 'know' in economics - or as Christopher Houghton Budd says in the December 2008 issue- 'It's the epistemology, stupid'.

*In a single economy nothing works the way it used to. There are no fences over which to throw one's rubbish, export one's inflation, hide one's cash, and so on. The problem is not only the technical one of figuring out how can there be more than one currency (let alone over 170!) in a one-world economy. In particular, what would be its name and what its cover? The problem is also epistemological – it depends on how we think and how we understand our thinking. In other words, even in its practical aspect, which is largely finance-driven these days, economic life is about the way we think. If economic life is faltering, therefore, we ought to review the way we think about it, not continue with the thoughts we had before.*

In July 2011 this theme is treated in a piece entitled **Thoughts are as Things - The epistemology of modern finance.**

*The beauty, as also the curse, of economics is that in it thoughts are as things. We must therefore be careful what we think and how we think. Theory and practice are so close that one cannot tell if the theory is correct, for the practice always confirms it...*

*If we take [such thoughts] seriously we are bound to change both the way we think about finance and the way we behave. In other words, by thinking differently about such things we create a reality that is also very different. In economics, precision in thinking is everything.*

### Four criteria

*Another way to set out a perspective (qua school of thought) is to outline the criteria by which an assessment is to be made. From this perspective, to the question 'what exactly is associative economics?', 'how is it to be understood?', the answer could be given in a cut and dried way - 'it is defined by the four criteria of the guarantee mark in associative economics'*

#### 1: Competence

*Human beings, not market forces, as the true agents of economic development.*

*The management of the Organisation is in the hands of a person or persons striving to understand associative economics.*

#### 2: Structure

*Appropriate legal, financial, and management frameworks.*

*The structure of the Organisation is such that its existence as a legal person, the management of its activities, and the financing of its means of production are distinguished from each other so that no one element has undue power over the other two.*

#### 3: Accounting

*Transparent and open books as a common language and key to responsible change.*

*Use of a budget, bookkeeping and year-end forecasting open and transparent accounting both internally and externally based on double-entry bookkeeping and structured in terms of a common financial language.*

#### 4: Meeting

*Associative rather than competitive ways of working. Independently of any trading or financial relationships, the Manager of an Organisation and the Managers of at least two other Organisations hold a meeting of constant composition and on regular basis in order to share and comment on the economic situation of their respective Organisations through the medium of budgets, management accounts, and year- end*

*forecasts, as a basis for building a shared picture of their own and each others' situations both individually and together.*

The Feb 2011 issue, **The Quality of Commerce** sets out the idea of the guarantee mark:

*The idea of the mark or label is to identify the crucial characteristics of any undertaking that strives to work associatively. The Mark entails those concerned taking four steps in order to fulfill four criteria. Originally, there were only the last three criteria, but a fourth, 'competence', was added because were one to ask what does competence in associative economics amount to, it was thought that it had to be a 'walking of the talk', that competence was not merely a matter of ideas, but of giving them concrete expression in today's reality. Someone who is competent in associative economics ought not only be conversant with its guiding thoughts, but should also be familiar with the way economic activity is organised and financed, as well as what in these areas is associative, as distinct from statist or merely market.*

*The focus and locus of the Mark is the entrepreneur – that is to say, the individual who takes an initiative in service to his fellow human beings. After all, one can declaim all manner of things about how economic life ought to be conducted, creating all manner of schemes and regulations to prompt social and ethical behaviour; but in the end one is dependent on the ethical and social sensitivities and behaviour of the entrepreneur. The spirit of the Mark is not to prescribe how an entrepreneur should behave, therefore, but to describe the way he might behave were he imbued with associative economics.*

### Conclusion - realising associative economics

In a review such as this, much is necessarily excluded, but the idea is to give glimpses rather than a comprehensive survey, as this is after all how a journal is normally experienced by its readership. Many other themes, which were only touched upon, could equally have been brought to the fore: altruism in the division of labour, the nature of 'an association', real and personal credit, the articulated nature of money, the problem of surplus, the need for financial literacy education, geo-historical perspectives and the role of the West.

We hope that our readers, past, present and future are able to see the value of the body of work that has been developed through Associate! and will recognise the need to develop it further. When such appreciation grows then we can expect a step-change in our economics circumstances.



## Rethinking Economics

Work in Progress

### Arthur Edwards

The following piece is an abridged version of an article originally published in *Associative Economics Monthly* February 2006 – exactly 10 years ago and just before the 2007/8 financial crisis. It highlights what kind of a revolution in our thinking is needed if economics as a discipline is to recover itself.

*“Modern economics is sick... Economists have converted the subject into a sort of social mathematics in which analytical rigour is everything and practical relevance is nothing.” - Mark Blaug. (1)*

*“Economics has become increasingly an arcane branch of mathematics rather than dealing with real economic problems.” - Milton Friedman. (2)*

*“[Economics as taught] in America’s graduate schools... bears testimony to a triumph of ideology over science.” - Joseph Stiglitz. (3)*

*Given such views, the authors of which are all of high standing in the profession, what is one to make of modern economics? That economics fails to describe adequately the workings of the economy may be thought a matter of concern only to professional economists. And yet society depends on its economists for the underpinning of its policies and daily deeds.*

*Looking at the situation in the 21<sup>st</sup> century, one can now see how, on the one hand, an orthodoxy has been enshrined which promulgates a neo-classical paradigm, resting on foundations that are abstract and mathematical; its exponents follow a behaviourist tack that seeks to establish an understanding of finance that is based on physics not philosophy. On the other hand, growing numbers of diverse approaches contend for attention; both the more established schools such as the Austrians, Post-Keynesians, Marxists, and Institutionalists, and the newer disciplines such as the Feminists and the Ecologists.*

*Given an increasingly entrenched orthodoxy that takes little account of its many critics, it is instructive to revisit the development of the discipline. It is with philosophers and moral philosophers, such as Aristotle (384 – 322 BC) and Thomas Aquinas (1225 – 1274), that the subject first developed. Then the likes of David Hume (1711 – 1776) and Adam Smith (1723 – 1790) made the transition from moral sentiment to political economy. Later still, Alfred Marshall (1842 – 1924) established economics in its own right. During the 1930s, the sterile predictive models were clearly no longer a match for events. It was then that Keynes revitalised the subject with a completely new approach, which turned out to be no more than a leap from the frying pan into the fire. Keynes’ reformation delivered responsibility for economics up to the state, to bureaucrats and policy makers, and provoked a counter-reformation among those who saw this as a road to serfdom. (4) Following World War 2, economics splintered into sub-disciplines which no longer treat of the whole human being, but concern themselves with mathematical modelling, statistical analysis, systems theory, motivational psychology, development studies, and so on. This is the outcome of three*

*main influences: the narrow rationalism born of the Enlightenment, the mechanising effect of the Industrial Revolution on the human psyche, and the physicalism that arose through the aping by economics, as an aspiring scientific discipline, of the objectivism of natural science, especially the belief that one can approximate economic life in terms of fixed and measurable properties. In short, it tended to reduce living phenomena to abstractions and definitions rather than to lend itself to an imaginative participation within them. A further consideration is that while the framework that we still use today came about during the 18th and 19th centuries (a world of national economies), that was before the phenomenon of global economy, as something closed and single, became evident, a phenomenon which represents a step-change in the inherent dynamic of economic life. Circumstances have moved on, but not so economics!*

*On this analysis the prognosis is not encouraging. The proof of an economic theory is not to be found in historical data but in the practice it gives rise to. According to their truth or error, economic ideas inform policy and business practice for better or worse. This is not an indifferent matter given the current economic landscape, with its intellectual wreckage strewn far and wide in the form of failed policies, failed institutions and a sense of having entered a cul-de-sac.*

*So what is the way forward? If economics is to aspire to be a science – free of relativism, convenience and pragmatism – it must acknowledge that it has its roots in thinking, a medium ruled by logic, which is both universal and independent of the sensible realm. In Rudolf Steiner’s terms “The conceptions of economics are the very ones which you can never evolve by reference to mere external reality. You must always evolve them by reference to the economic process as a whole, and within a process everything is perpetually changing.” (5)*

*In the Cambridge Economic Handbook of 1922, one of the 20<sup>th</sup> century’s most renowned economists, John Maynard Keynes, wrote as follows: “The theory of economics does not furnish a body of settled conclusions immediately applicable to a policy. It is a method rather than a doctrine, an apparatus of the mind, a technique of thinking, which helps its possessor to draw correct conclusions.” Or more briefly in a letter to Harold Nicholson: “Economics is a science of thinking.”*

*Simple enough to say, but the challenge could hardly be more daunting!*

(1) Blaug, M. 1997. *Ugly Currents in Modern Economics*, Options Politiques, Septembre pp 3-8.

(2) Friedman, M. 1999. in Snowdon B, and Vane H, *Conversations with Leading Economists*, Cheltenham, Edward Elgar.

(3) Post-autistic Economics Review, Issue no. 32, 5 July 2005, Article 5.

(4) Friedrich A. Hayek. (1944) *The Road to Serfdom*.

(5) Economics – The World as One Economy. Lecture 1.





## Awakening Accounts

Finding Humanity in the Numbers

**Stephen Torr**

Thinking back to my first involvement with associative economics, see picture below from the 2003 festival held in Canterbury, England, I am even more appreciative of the eye opening ideas and images pursued by Christopher and his colleagues which truly enlivened the subject for which I had wholly lost interest. The change in name of this column also represents a refocussing on the ability of associative economics to awaken the nascent humanity of the accounting profession, so often caricatured as grey, dull, and boring.

To an impressionable student sat in a university lecture hall, the flow of capital, disconnected from the world, surging past national boundaries and sweeping across the globe to find the best return for investors, can appear mathematically beautiful if not also magical. However as one begins to experience the wider world, and begins to clothe one's ideas and initiatives with the resources required, one's thoughts turn from the free, circling flows of capital, to how one can attract, capture and ground them.

Here one can see a potential opportunity to awaken accounting to the idea of taking the exact, precise, unrelenting logic of double-entry to produce solid, thought out business plans in a language that potential investors can understand. At this point the meaning of 'account' can unveil itself, providing an opportunity for anyone interested to hear the story and vision of those who can intuit a new way to meet the needs of others. Clothing these ideas in figures and line items does not stifle the creativity of the original intuition, but allows communication, via the global language of accounting, with those with the vision to recognise, and the capital to support, such enterprising activities.

With all accounting problems, the solutions can be reversed; do I have too many expenses, or not enough income. Likewise accounts can also be used to awaken those whose activities are reflected in them. This is of course no easy practice, highlighted when an accountant turns one's attention from one's clients figures to one's own. Here, standing in the fire, one really feels what it means to not only awaken to one's imperfections, but also to one's hidden potentials.

The following article is reproduced from the January 2011 issue of *Associate!* which represented a statement of intent marking the first issue of which I was a joint editor. As well as a backward glance, this issue's final page also signals a change of name to 'Awakening Accounts'.

*Having written the accounting corner column for Associate! for over two years, I often fear that the source of topics will begin to dry up. However, for me, the importance of the accounting emphasis of my column is that every transaction, undertaken anywhere, and between anyone, can, with the required insight, give rise to a multiplicity of questions and through their answers a glimpse of universal themes and gestures applicable to each individual situation.*

*The role of double-entry bookkeeping, for example, gives a self-contained, consistent logical base with which one can begin to make sense of the, at first glance, seemingly incomprehensible world of global finance and multinational corporations. This underlying logic also throws light on previous unconscious assumptions and biases which are not a result of the neutral logic of double-entry bookkeeping, but proceed from subjective dimensions of life.*

*An obvious example is to whom do the profits of an entity belong. The assumption is that this is the shareholders, but nothing within the accounting entries can lead to this conclusion. It could be argued that shareholders own the company and thus the company's profits, however the profit and loss reserve is shown as a credit on the balance sheet and indicates it is a value which the entity owes to someone else, without specifying to whom, thus by default to the world in general.*

*In addition to helping to interpret these global events, accounting can also shed much needed light on the actions of individuals. It can reveal where noble motives have been misapplied and how to overcome previously impassable hurdles, as well as the effects of our actions, which had we been conscious of them we might not have done.*

*Being an accountant in my working life also allows me to observe evidence for my column first hand, and more importantly, to make sure that I apply these revelations in my day-to-day activity.*

*In giving seminars on double-entry bookkeeping I have been asked what associative economic accounting would look like. However, for me, there is no such technique separate from the well-thought through and rigorously applied method of double-entry, and thus no distinguishing labels are required.*

*Moreover, it is often well-intentioned attempts to mould and distort accounting templates to fit ideas not revealed in the accounting itself that can in fact cloud the issues which they are intended to overcome. It could also be that a pursuit of the underlying accounting logic behind the questionable actions may reveal economic reasons to change behaviour, rather than moral commandments prohibiting certain actions from outside.*

*Thinking back to my time studying accountancy and economics at the University of Sheffield, I am intrigued to find myself still interested in a topic which at the time I thought was dull, if not dismal. However, the humanity which I thought was missing from my continual study of flows of numbers was in fact always present. For me now, the cause of my continued involvement is the thought that, through deepened appreciation of accounting, none of us, no matter who, where or what we are doing, can be left unaffected by the global economy. More to the point, this is also how we can affect change for the better.*



# Associate!

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