

***Finance at the Threshold: Rethinking the Real and Financial Economics.* London: Gower 2011.**

Reviewed by Christopher Schaefer Ph.D.

This book is a very stimulating effort to integrate Rudolf Steiner's economic ideas into the mainstream economic debate about the current financial crisis. The book is meant to give Steiner as an economist credibility among an academic audience not familiar with his ideas. It does this in two main ways, first by using Steiner's economic insights as a way of understanding the present crisis and secondly by suggesting fundamental solutions to the problems of the financial system based on his work. The book is full of intriguing ideas and challenges to mainstream economics. Its basic argument is that the financial crisis is the result of excess liquidity in the global economic system and that just as in the Middle Ages cathedral building siphoned off surpluses so too today by gifting to the young, and to cultural life in vastly increased amounts, the economic and financial system could be restored to health by using excess capital productively, a solution first proposed by Rudolf Steiner in *World Economy*.

The author sees the financial crisis as global in nature and as representing a new defining moment in human history, in which both our ways of acting and our understanding of economic life are called into question. He relies on an image provided by Rudolf Steiner to make this case: "The economic life of a particular time, and the spiritual life of a particular time, hold the same relation as a nut to its shell; the economic life is invariably the shell which the spiritual life has thrown out. It takes its cast from the spiritual life. Today's abstract economic life is, therefore the product of an abstract spiritual life."

From this basic insight Christopher Houghton Budd suggests: (1) The world economy has been global since the beginning of the 20th century but our behavior and our understanding has not until now recognized this fact. (2) The crisis is due to excess capital seeking ever-increased returns at a time when there are no new markets as such since most areas of the globe, including the Islamic countries operate under conditions which allow the free movement of capital and goods. The growth of the international financial market is not only due to the mistaken leverage of assets such as housing stock but also through the vast sums available to capital markets through pension, mutual and investment funds. (3) The consciousness of people and the understanding of economists about the international economy are too abstract and not accurate to the reality of what is happening. The efficient market hypothesis of the Chicago School claims that the market will always do the best job of determining true price. But this approach, based on abstract mathematics, assumes that people act rationally, and that there are clear cause and effect relationships in economic life. As Steiner noted a long time ago, "Economic processes are distinguished by the fact that we ourselves are within them, therefore we must see them from within. We must feel ourselves inside the economic processes, just as a being would do who is inside the chemist's retort..."

There are five basic recommendations, which the author makes to renew and transform the international financial system. The first is to recognize that the world economy is global and will require an international reserve currency. Secondly, the international economic and financial system will need to be self-administered. Thirdly, as one would expect, given the author's previous work, he advocates that the financial system needs to rely much more on accounting, and in particular, double entry book-keeping in order to both connect the individual to economic life (micro-economics) and to the broader field of macro-economics. A central part of this recommendation is also that a greater reliance on accounting would create a self-balancing economics as those requiring liquidity would need to be balanced by those offering liquidity so that all accounts would sum to zero. The fourth recommendation, articulated rather poetically is the plea to recognize that there exists a choir of cultures (free cultural life), a group of states (rights life), and a global world economy, each of which needs to be independently administered according to its own inherent principles. The last, previously mentioned, and to my mind critical proposal is to recognize the need to spend the excess liquidity of the economic system by gifting excesses, which will inevitable arise, to youth and to educational and cultural life.

Finance at the Threshold is an intriguing and stimulating book. Its limitations, beside the high price, are the understandable academic language and mode of presentation. I do wish that a simpler, shorter, and cheaper version of this book would be published in paperback in the future because as a trained economist and social scientist also interested in bringing Steiner's social and economic ideas to a broader audience I find both the examples and the conceptual discourse compelling.

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