

Overcoming Self-Interest in Social Life: Part II

Rudolf Steiner's Indications on Economic Associations

Gary Lamb

“First of all, get a broom and out with everything that negates the spirit in the economic life!’ On that depends the future welfare of mankind. Away with everything that rejects the spirit in the economic life...[O]therwise, economic chaos will result and with it the general chaos of civilization.”

Rudolf Steiner, SSFSF, pp. 189-190

“The task of the future will be to find, through associations, the kind of production which most accords with the needs of consumption and the most appropriate channels from the producers to the consumers.”

Rudolf Steiner, TSR, p.112

Author’s Preface: *This essay is meant to acquaint our readers with some of the key social ideas and principles given by Steiner. Extensive quotations from a variety of sources are used: essays, books, and lectures (including those given to the public and to those already familiar with the threefold social order and Anthroposophy). This essay should be viewed more as a starting point than a definitive summary of his thoughts.*

*A brief characterization of the threefold nature of social life was given in the introduction to part one of this article (Winter/Spring 1996, Issue No. 13). Society was described as consisting of three spheres: culture, law (rights-state), and the economy. Each of these spheres has its own inherent dynamic and should be relatively autonomous. While each of these spheres profoundly affects the others, it is only when each one is established on its own basis, with its own administration, that they can properly relate to each other. (See “Culture, Law, and Economics,” **The Threefold Review** [Summer/Fall 1996, Issue No.14] for a more detailed description.)*

* * * * *

The purpose of the economy is to provide for the needs of human beings. It is unfortunate that the activities related to such a noble purpose—providing goods and services to meet the needs of our fellow human beings—have taken on such an antisocial character in modern life. One of the major reasons this is true in the West is that the economy has intertwined itself with the political rights-state with which it dominates and controls our cultural life, including the education of children. Rather, the economy should take as a given what these other spheres can provide. If, for instance, our political state would remain true to the principles of democracy and equality by confining itself to recognizing and upholding human rights, human and environmental exploitation would not take place within the economy.

Rudolf Steiner referred to the economy as the sphere where true socialism could develop.¹ The economy is precisely the sphere of life in which personal self-interest can and should be overcome.

For socialism can only refer to economic life, democracy only to the sphere of civil rights, and individualism would refer to spiritual life... What lives I the demands of the present cannot in reality be a subject for discussion. These are historical demands. Socialism is a historical demand. But liberalism, freedom, individualism, these also are an historical demand, although they have been little noticed by modern men. People will no longer have anything to say unless they establish the social organism in the sense of the threefold order: socialism for economic life, democracy for the life of rights, and individualism for spiritual life... (ESP, pp.11-12)

It is also important to realize that no matter where we are placed in the economy we are also affected by the other two spheres of culture and rights. Our individual capacities are a result of our cultural development and how we treat others is a reflection of our rights life.

If we contemplate life itself, we shall find that the social life of man is threefold. Three aspects [culture, law, and economics] are clearly distinguished in him when we consider him as a member of human society. If he is to contribute his share, as he certainly must, to the well-being of the social order in modern society, if he is to add to the welfare of the community by cooperation in the production of values, of commodities, he must first of all possess individual capacity, individual talent, ability. In the second place, he must be able to live at peace with his fellow men and to work harmoniously with them. Thirdly, he must be able to find his proper place, from which he can further the interests of the community by his work, by his activity, by his achievements. (SF, pp.17-18)

Social and Antisocial Forces

Steiner's approach to economics is based on the supposition that both social and antisocial forces reside in every person, and as the consciousness of self develops, the antisocial forces become stronger. The intensification of this consciousness is appropriate and necessary for the advancement of humanity. Steiner maintained that the increase of antisocial forces is the consequence of this development, but that it is also necessary to counterbalance the antisocial forces in an appropriate way, even to use their presence as a stimulus to develop stronger social forces.²

In the lecture, "Social and Antisocial Forces," he describes three activities that can help provide a balance to these antisocial forces. Firstly, by educating children in an

¹ The term *socialism* as used here does not refer to any particular theory such as Marxism, but rather to men's taking an interest in and addressing the legitimate needs of others.

² See "Freedom and Society" by Rudolf Steiner, *The Threefold Review* (Summer/Fall 1993, Issue No.9) for more on the relation of individual freedom to social institutions.

appropriate manner; secondly, by adults taking up certain inner exercises; and thirdly, by creating appropriate outer social arrangements or forms.

It is not a matter of finding prescriptions for resisting the antisocial forces, but of so shaping, of so arranging the social order, the structure, the organization of that which lies outside of the individual, that a counterbalance is present to that which works as antisocial force within human beings. Therefore it is vital for our time that the individual achieves independence, but that social forms provide a balance to this independence. Otherwise, neither the individual nor society can develop properly. (SAF, pg.8)

One of the goals of this essay is to describe how economic life in particular can be arranged so as to counterbalance ever increasing antisocial forces, including self-interest.

The key is to go beyond self-interest and develop the ability to take a loving interest in our fellow men. “What is necessary and must be actively acquired is the interest of man in man. This is indeed the backbone of all social life.” (SAF, pg.10)

This approach directly challenges both the belief that self-interest is and should be the driving force in modern economic life and what Adam Smith espoused: “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow citizens.”³

The Evolution of Economic Life

Steiner described how economic life evolved from ancient theocratic societies to the present day.

Theocracy was a uniform structure, the members of which worked together because a single impulse lay behind them. Its three members, the spiritual/cultural life, the life of rights—what today we also call the political life, and what we call the economic life were gathered together in on uniform organism through which pulsed an impulse, which was not to be found on the earth.

It is characteristic of the further evolution of humanity that these three impulses, spiritual-cultural life, politico-legal-moral life, and economic life, burst asunder, became differentiated. Instead of one stream, within which theocracy flowed as the uniform life of humanity, there gradually arose two... and then later three; and today we are confronted by these three streams. Theocracy as it existed in ancient times, with the inspirations of its priests in the mysteries, flowed into the social structure, it flowed too into the juridical-moral life, and into the economic life. This theocracy has come to a dead end in economic life, it can only go with an agricultural economy, with the relations of people to the land. If the economic

³ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Liberty Fund, Inc., Indianapolis, Indiana, 1981), pp.26-27. Originally published in London in 1776

life is based fundamentally on the soil, on the cultivation of the land, on cattle rearing and so, appropriate rules akin to commandments can be developed out of inspiration. This is because a particular relation exists between people who are attached to the soil. Such people have in their hearts something which goes out to meet what comes from theocracy. As soon as trade and craft begin to play a greater role things are different...

We see the first beginnings of the emancipation of trade and craft from agricultural life in ancient Greece, and then more clearly in the ancient Roman Empire. There we see how the activity of people in trade and craft, so to say, grows out as something independent in the social structure, and that gives the whole Roman life its configuration...

And now for the first time something is seen as independent which was previously membered into the whole social structure, and that is human labor, which establishes a special relation between person and person. When one knows from the commandments that one stands on a lower level in relation to another on a higher level, one does not ask how one ought to shape one's labor—that comes out of the human relationship. But as soon as labor emerges as something emancipated, independent, the question arises as to how one stands in relation to one's fellow human being so that one's labor shall be membered into the social structure in the right way. Trade, craft, labor, these are the three economic factors through which the human being is stimulated to work out what rights are, what abstract morality is, what morality derived from religion is. And the human being is conscious of having brought about the emergence of two streams from the single theocratic stream, of letting the ancient theocracy go on whilst at the same time bringing into flow a second stream, the stream of military and legal life. (TSO, pp.11-13)

To these two streams that I have described there comes more and more from the beginning of the fifteenth and sixteenth centuries onwards, but most clearly in the nineteenth century, a third stream. The more culture moves toward the West, the more obviously this third stream emerges. It is added to what was originally theocratic, to what was adapted to the land, to agriculture; to this is added ever more and more what is later comprised under the term industrial, with all the mechanization that enters into it.⁴(TSO, pp. 19-20)

The emergence of a worldwide industrial economy creates the necessity to work consciously toward social groupings in the economy in order to arrive at appropriate decisions.

We do not want to conjure up what belonged to times past, to the time of the theocracies. In those ages social judgments came about unconsciously, not consciously. But they came about through groups of people. ...

Primeval men did not ponder about social judgments, they accepted the inspiration of the priests and received it in their unconscious. But these unconscious social judgments arose only when people belonged to a structured

⁴ The Community Supported Agriculture movement (See main text, page 10.), in its efforts to create a new economic basis for agriculture, appears to be going through a recapitulation of these three phases.

group through family and other bonds. Social groups, not single individuals, had an understanding, social groups leading to a common life. Out of this common life of the group healthy social forms arose....

Well, so we see that it is becoming necessary to build up something within the economic life which, now among fully conscious men, is similar to those original social groupings. In my book [Towards Social Renewal] I called this institution associations. There, social judgments arise not from single individuals, but from social interaction in those associations formed by consumers, producers, and traders. So social groupings would arise in which fully conscious judgments are made which the individual is incapable of making. We may ponder for ever so long a solution of the social question. All this pondering is just nonsense. There is only sense in the formation of social groups which can be expected to produce partial answers to the social question. Such groups can produce an approximate answer to a social question related to a particular place and time, which then can be tested by the general flow of human life. (TSA, pp.20-22)

Economic decisions should be made by people actually engaged as producers, distributors, and consumers, or their representatives, and based on concrete situations, not abstract general theories.

In the economic sphere, above all, we must not think short-sightedly. We must think all things in connection. We must think [of] things in connection with one another, as a whole.

But, you see, that is not at all easy to do, for the simple reason that the economic process is very different from a scientific system. A scientific system in its totality can be contained in a single human being—perhaps only in outline, but still, it can be contained within a single human being. But the economic process can never take place in its totality within a single human being. The economic process can only find its reflection where judgments, proceeding from men who stand in the most varied spheres, are working together.

The only possibility of arriving at a real judgment on these things—not a theoretical but a real judgment—is by way of association.... You may say: But surely, men are not so unintelligent as not to be able to think beyond their own narrow horizon. Surely a man who is merely a consumer or merely a tradesman can think beyond his own horizon? Yes, that is perfectly right, where one general world outlook is concerned. But in practical economic life there is no other effective way of knowing what is going on in trade, for example, except to be engaged in trade oneself. You must be in the midst of it, you must be trading. There is no other way. There are no theories about it. Theories may be interesting, but theories are natural science. The point is not that you should know how trade goes on in general.... The point is not that we should know about things in general, but that we should know something in a particular region.... The judgments that have to be formed in the economic life must be formed out of immediate, concrete situations. And that is only possible in this way: For definite domains or regions (whose magnitude, as we have seen, will be determined by the

economic life, there must be the representatives of the three things that occur in it—production, consumption and circulation. (WE, pp. 106-107)

The Principle of Economic Association versus the Competitive Market

Steiner's economic approach is based on the principle of association. Producers, distributors, and consumers would join together consciously to determine such things as: what and how much should be produced, the most efficient means of distributing goods and services, and appropriate prices. Competition and the uncertainty or chance of the marketplace would be replaced by conscious, rational decision making and collaboration. An associative economy would be consumer driven whereas by and large our modern economies are producer driven.

The market relation must be superseded by associations that regulate the exchange and production of goods through intelligent consideration of human needs. Such associations can replace mere supply and demand by contracts and negotiations between groups of producers and consumers, and between different groups of producers. (RSO, pp. 41-42)

In our existing economy one can find a variety of trade or consumer associations, but they are usually focused on mutual interests. It seldom, if ever, occurs that the separate associations collaborate so that the entire span of the economy is represented from production to consumption.

The Community Supported Agriculture (CSA) movement in North America has begun to take some initial steps toward operating on the principle of association. It is one of the few examples where one can see an effort to develop conscious relations between producers (the farmers) and the consumers they serve.⁵

As Steiner characterized economic associations, they would be composed of participants or representatives of all aspects of the economy. The resulting decisions would be based on specific situations, and the size and scope of the associations would be determined by concrete practicalities. Decisions arrived at through negotiations would be upheld through contractual agreements.

Economic life is striving to structure itself according to its own nature, independent of political institutionalization and mentality. It can only do this if associations comprised of consumers, distributors and producers, are established according to purely economic criteria. Actual conditions would determine the scope of these associations. If they are too small they would be too costly; if they are too large they would become economically unmanageable. Practical necessity would indicate how inter-associational relations should develop....Professionalism and objectivity could cause a general harmony of interests to prevail in the associations. Not laws, but men using their immediate insights and interests, would regulate the production, circulation

⁵ For more information on the CSA movement, contact the Biodynamic Gardening and Farming Association in Kimberton, Pennsylvania, at 1-800-516-7797. See also, "Community Supported Agriculture: Can it Become the Basis for a New Associative Economy?", *The Threefold Review*, (Summer/Fall 1994, Issue No.11).

and consumption of goods. They would acquire the necessary insights through their participation in the associations; goods could circulate at their appropriate values due to the fact that the various interests represented would be compensated by means of contracts. (TSR, pp. 17-18)

Unfortunately, government is often expected to solve our economic problems through such means as price supports, quotas, and the purchasing of excess goods. This is based on the prejudice that economic organizations and initiatives themselves aren't able to regulate production, distribution, and the valuation of goods and services to everyone's benefit. But an associative approach to economics is based on the premise that proper economic decisions can only arise from those actively participating in the economy. What the appropriate role of the government should be in regard to the economy will be discussed later in this essay.

Steiner maintained that associations could arise at any time and interact with existing economic institutions. CSA projects are an example of new economic forms that can arise alongside of existing ones. These individual projects are gradually developing in such a manner that individual CSA farmers are beginning to associate in practical ways. Germinal CSA distribution systems are also beginning to form.

Technically speaking, setting up such new forms is not any more difficult nor do they require more skills than the managing of a conventional business. Of course, it will still be necessary for producers to work as professionally and efficiently as possible, but it will need to be done out of motives different from those typically found in marketplace competition. (More will be said about motivation to work in Part III.)⁶

People who depend on their accustomed lines of thought will say, "These are very fine ideas, but how are we to make the transition from present conditions to the threefold system?" It is important to see that what has been proposed here can be put into practice without delay. One need only begin by forming such associations. Surely no one who has a healthy sense of reality can deny this is immediately possible. Associations based on the idea of the threefold social order can be formed just as readily as companies and consortia were formed along the old lines. Moreover, all kinds of dealings and transactions are possible between the new associations and the old forms of business. There is no question of the old having to be destroyed and replaced artificially by the new. The new simply takes its place beside the old; the new will then have to justify itself and prove its inherent power, while the old will gradually crumble away.

The threefold idea is not a program or system for society as a whole, requiring the old system to cease suddenly and everything to be "set up" anew. The threefold idea can make a start with individual undertakings in society. The transformation of the whole will then follow through the ever-widening life of these individual institutions. Because it is able to work this way, the threefold idea is not utopian. It is a force adequate to the realities of modern life. (RSO, pp. 47-48)

⁶ See also "Ability to Work, Will to Work, and the Threefold Social Order" by Rudolf Steiner, *The Threefold Review* (Winter 1989, Issue No. 2).

[W]e should not ask: How are new associations to be formed, but how can the existing economic organizations and institutions be integrated into associations? Then, out of economic experience of the associations, an economic circulation can result from which as a matter of fact a social order can arise, just as out of a healthy human organism health in the life of man results. (TSA, pp. 51-52)

Associations are not to be based on utopian idealism but on practical reality and necessity. There can be nothing abstract about them. Insight must be gained about all aspects of the economy from production to consumption. Human intelligence, not the chances of the market, needs to prevail, and participants need to develop the capacity to picture the details of the total economic process in question. A picture-thinking should replace abstract theories. Participants should not only have the opportunity to express their needs in a given situation, in the give and take that occurs, but also to be confronted with the consequences of their actions.

[W]e must make up our minds to enter into the events of production, trade, and consumption with a picture-thinking. We must be ready to enter into the real process; then we shall get appropriate conceptions—only approximate ones, it is true—but conceptions which will be of real use to us when we wish to take an actual part in the economic life. Above all, such conceptions will be of use to us when what we do not know by our own sensibility (supposing we ourselves have not arrived through sensibility at the corresponding pictures) is supplemented or corrected by others who are associated with us. There is no other possibility. Economic judgments cannot be built on theory; they must be built on living association, where the sensitive judgments of people are real and effective; for it will then be possible to determine out of the association—out of the immediate experiences of those concerned—what the value of any given thing can be. (WE, p. 131)

* * * * *

It is all too easy in our present economy for consumers and producers to avoid being confronted with the consequences of their actions. Through ongoing associative interaction and discussions, individuals will continually be made aware of such things.

Theoretically, no one will want to deny that a larger sense of responsibility is necessary in the present-day world of business and economics affairs. To this end, associations must be created that will work to confront individuals with the wider social effects of all their actions. (RSO, p. 50)

In what has been presented thus far, we can understand what a social activity the economy can and should be and how human intelligence and foresight can replace the chances of the marketplace.

Everyone has basic human needs that must be provided for in the economy, but the dynamics of give and take in the associative relations enable individuals to picture the

wider economic process and the implications of their actions. This picture-thinking activity allows for a new type of intelligence to prevail in the dynamics of the economy.

So it is with the economic process. The economic process can only be sound when... a wise self-active intelligence is working within it. And this can only happen if human beings are united together—human beings who have the economic process within them as pictures, piece by piece; and, being united in the associations, they complement and correct one another, so that the right circulation can take place in the whole economic process. (WE, p. 132)

Values, Prices, and the Compensation of Labor

One of the most important aspects of the economy is the valuation of goods and services and the establishment of prices. As has already been indicated, the pricing of goods arises out of the deliberations and negotiations of associations rather than out of the fluctuations of supply and demand and the chance of the market place.

And how is the essential fact of an economic life which is to be based only on knowledge of facts and on practical ability—this setting of prices—to be achieved? It must not be decided by the chances of a free market as has been the case hitherto in both national-economy and world-economy. By means of the associations which will come into being to suit the circumstances existing between the various branches of production and consumption—associations which will be composed of men whose position is justified by their knowledge of facts and practical ability—we shall obtain organically and rationally what is nowadays attained through crises in the chances of a free market. (POT, pp.131-132)

There are of course, many factors affecting the valuation of goods and pricing.⁷ If goods are to have any value they must be needed and wanted by consumers. They must find their values in human needs on the one hand, and on the other hand, their values must take into consideration everything to do with the cost of production and distribution. When these factors meet in the economic process, price arises.

From a threefold a perspective, a worker should actually be compensated for his needs while he is working, not labor itself. This compensation is a rights issue that the economy should take as a given. Minimum wage laws are an attempt to establish minimal support for those who labor in the economy. Unfortunately, the level of support is determined to a large degree from a purely economic perspective—how it will affect industry and commerce. But, it is important to note that the present form of minimum wage laws reinforces the idea that labor is a commodity by connecting income to hours worked. (As mentioned previously, labor and income will be discussed in Part III.)

Steiner provides the fundamental formula for determining the compensation for labor and its relation to the valuation of goods.

⁷ In *World Economy*, Steiner describes the two ways that values are created in the economy: through the transformation of nature or a product of nature by labor and through the organization or directing of labor by human intelligence.

The socially correct value of a [product] can only be determined by comparison with other [products]. Its value must equal the value of all other [products] needed by the producer to fulfill his own requirements, until the time when he can again produce a [like product]. This he must do while considering all those requirements necessary in the interest of other people. (Herein must be included, for instance, the needs of his children and what he must contribute for the support of persons incapable of working, etc.) The institutions and provisions of a healthy economy must act in an intermediary capacity to guarantee the value of such goods. (RSO, p.12)

* * * * *

The social thoughts that originate in the threefold idea do not aim at replacing the free business dealings governed by supply and demand with a command economy. Their aim is to realize the true relative values of commodities, with the underlying idea that the product of an individual's labor [will] be of value equal to all the other commodities consumed in the time spent producing it. Under the capitalist system, demand may determine whether someone will undertake the production of a certain commodity. Yet demand alone can never determine whether it will be possible to produce it at a price corresponding to its value in the sense defined above....The essential aim of the threefold social order is to create a just balance between human needs and the value of the products of human work. (RSO, pp. 50-51)

Another important point is that consumers who need certain goods must be able to pay for them.

The remodeling of the market,...will follow as soon as a real principle of association finds a place in our social life....Then it will no longer be the impersonal supply and demand having nothing to do with the human being that will determine whether a commodity shall be produced or not. Then, from those associations by the will of those working in them, other persons will be brought in whose business it will be to find the relation between the value of a manufactured commodity and its price.... We many want things; if we do not possess the means to satisfy our wants, we shall not be able to create a demand. What is essential is that a connecting link be formed between human needs, which give the commodities their value, and the value itself.... Institutions must arise out of the social order that form a link between the value attached to the commodities by human needs and the right prices. The prices are now fixed by market in accordance with the known purchasing power of potential buyers. A truly social order must be guided by the fact that those who quite justifiably must have commodities must be able to pay for them, that is, the prices must fit the value of the commodities and correspond to it. (SF, pp. 45-46)

Employment of the Work Force

One the most significant factors in the determination of prices is the number of workers employed in production. The present trend to downsize the work force in various industries has generated much controversy. It is not uncommon to read articles describing the deplorable contrast between the plight of the laid off workers and the rejoicing of stockholders who anticipate increased stock dividends and a higher share price when layoffs are announced.

It is legitimate to try to produce goods and services as efficiently as possible as long as quality does not unduly suffer and the rights of those employed are not infringed. Nor does it make sense to employ workers if there is no real need for them. But, there is little organized effort to retrain or relocate workers as consumer demands or production needs change. Indeed, under the present market system there is probably no effective way to do so because the overall distribution of the work force is yoked to the supply and demand of the market. Efforts by the political state to retain or help workers find new employment have also proved to be inadequate.

Every form of modern economy is faced with the problem of creating the means for capable human beings who are willing to work to be able to do so. A healthy economy will require a mobile work force.⁸ There is no magic formula that will ensure that a job is available to every worker at any given moment. What is required is insight into the total economic process in a given field of work whereby the ramifications of any decision are visible to all concerned. Steiner opposes the idea that there must be unemployment in a modern economy. Full employment is a question of the appropriate administration of the economy.

In the free market economy, prices and the distribution of labor are subject to chances of the marketplace, and in a socialist economy they are controlled by the state. In an associative economy the placement of workers will be overseen by representatives of all aspects of the economy in a context where the uncertainty and chaos of the market is overcome and, as we shall see, the drive for ever increasing profit by investors and management is countered.

[P]rice depends on the number of workers engaged in a given field of work. To try to regulate these things bureaucratically, through the state, would be the worst form of tyranny; but to regulate it by free associations, which arise within the social spheres, where everyone can see what is going on—either as a member, or because his representatives sits on the association, or he is told what is going on, or he sees for himself and realizes what is required—that is what we must aim at. (WE, pp.70-71)

* * * * *

When a product shows a tendency to become too dear, that is a sign that there are too few workers engaged on it. Negotiations must then be carried on with other branches of production to transfer workers from one branch to another where the

⁸ Henry Ford wrote about the importance of a mobile work force in his autobiography, *My Life and Work* (Arno Press, New York, 1973), originally published in 1922.

need lies, in order that more of the lacking products may be supplied. If a commodity tends to become too cheap, [if the producer earns too little], arrangements must be made to employ fewer workers on that particular product. This means that in the future the satisfaction of the needs of the community will depend on the way in which men are employed in industry. The price of the product is conditional on the number of persons engaged in its production. But, through these arrangements, the price will really correspond to the value attached to the commodity in question by the community in accordance with its requirements.

So we see that human reason will take the place of chance, that as the result of the arrangements that will come into existence the price will express the agreements arrived at, the contracts entered into. Thus we shall see a revolution of the market accomplished by the substitution of reason for the chances of the market now prevailing. (SF, pp. 46-47)

Lending, Borrowing, and Giving Credit

In an associative economy many of the functions that are now carried out by banks would be carried out by economic associations. Individuals with savings would go to the associations to find out where and how their money could be used.

As described in Part I of this article, the use of land as collateral for loans would be avoided in a threefold society. Personal credit would be given based on the capabilities and know-how of those who want credit in order to provide goods or services to society.

Since capital in the form of land and other means of production would be entrusted to capable individuals without cost (with the exception of the initial cost of construction), investments or loans would not be needed for such capital to be transferred. Loans would be needed primarily for such things as the initial construction of the means of production, inventory, and wages until the operation is self-supporting.

Take the case of one who has money to lend. You will not let him lend it in a senseless way. You will bring him into connection with his association. The association will act as a mediator. The association will provide him with the most sensible way in which to lend.... (WE, p. 159)

* * * * *

Work done in confidence of the achievements of others is the social basis of credit. In older civilizations there was a transition from barter to [a money-based economy]. Similarly, as a result of the complications of modern life, a transformation has recently occurred from the simpler [money-based economy] to working on a credit basis. In our age, life makes it necessary for one man to work with the means that are entrusted to him by another or by a community [confident] of his power to achieve a result. Under capitalism, however, the credit system involves a complete loss of any real and satisfying human relationship to the conditions of one's life and work. Credit is given when there is a prospect of an increase of capital that seems to justify it; one's work is constantly

overshadowed by the need to justify it in capitalistic terms. These are the motives underlying the giving and taking of credit. And what is the result of all this? Human beings are subjected to the power of a financial sphere remote from life. The moment people become fully conscious of this fact, they feel it to be unworthy of their human dignity.

Take the case of credit on land. In a healthy social life, an individual or a group possessing the necessary abilities may be given credit on land, enabling them to develop it by establishing some kind of production. It must be a development that seems justified on that land in light of all the cultural conditions involved. If credit is given on land from the purely capitalist viewpoint, in the effort to give it a commodity value corresponding to the credit provided, use of the land which would otherwise be the most desirable is possibly prevented.... The economic life in a threefold social order is built up by the cooperation of associations arising out of the needs of producers and the interests of consumers. These associations will have to decide on the giving and taking of credit. In their mutual dealings, the impulses and perspectives that enter economic life from the cultural and legal spheres will play a decisive part. These associations will not be bound to a purely capitalist point of view. One association will deal directly with another; thus the one-sided interests of one branch of production will be regulated and balanced by those of the other.

Responsibility for the giving and taking of credit will thus be left to the associations. This will not impair the scope and activity of individuals with special faculties; on the contrary, only this method will give individual faculties full scope. The individual is responsible to his or her association for achieving the best possible results. The association is responsible to other associations for making good use of these individual abilities. (RSO, pp.45-47)

In the long run, credit cannot work in a healthy way unless the giver of credit feels himself responsible for all that is brought about thereby. The recipient of credit, through his connection with the whole economic sphere, that is, through the associations, must give grounds to justify his taking responsibility. For a healthy national economy, it is important not merely that credit should further the spirit of enterprise as such, but that the right methods and institutions should exist to enable the spirit of enterprise to work in a socially useful way. (RSO, p.50)

Socially Responsible Business

The phrase *socially responsible business* is virtually a cliché now. A variety of efforts are related to it. They include, among others: profit sharing for workers within a business, investment firms that have a portfolio of businesses that make efforts not to pollute the environment, worker-owned businesses, consumer cooperatives, and philanthropic contributions by corporations. All of these indicate an aspiration by many people to act socially or to bring about social change within the economy, but none of them get to the root of the antisocial element in modern economic life, and consequently, they do not bring about fundamental changes in the existing capitalistic system. In essence, they are conforming or adapting to the prevailing economic practices.

Working from threefold ideas would lead to changes that really matter. It was already described in Part I that land would no longer be a commodity to be bought and sold and that owners and management would no longer abuse the rights of others by means of economic power or by obtaining an unwarranted amount of wealth.

Individual businesses by themselves cannot overcome their antisocial tendencies. Nor can individual businesses making internal organizational changes bring about significant social change. To focus on organizational development without addressing such issues as the ownership of land, the effect of stock dividends, how values and prices are currently determined, and the relations between consumers and producers may temporarily relieve individuals of their guilty feelings about their previous deeds, or lessen tensions between workers and management, but it will not bring about real change.

When blue collar and white collar workers meet with each other, they need only consider economic issues because legal matters will be dealt with separately under the state's jurisdiction. The blue collar worker can associate freely with the manager of the business because only the division, on economic principles, of that which they have earned together will be allowed; there will be no economic resources of the manager. The associative structuring of the economic body will place the blue collar worker's contractual relationship to the business manager in a totally different light. Up to now, he has been forced to fight against the interests of the business manager, but in his new associative role he will share in the fruits of production....

*An individual business cannot be socialized; socialization can happen only when the production of economic value that a separate business contributes to the total economic life has no antisocial effect. As a result of such genuine socialization, the capitalist system will lose its harmful tendencies. (In my book, **Towards Social Renewal**, I have described how capital must function within a healthy threefold organism.) It should be clear by now that one cannot "do away" with capital, since capital is nothing other than the means of production working for the community. It is not capital itself that is harmful, but rather capital in private hands, especially if this private ownership is able to control the social structure of the economic body. (RSO, pp. 10-11)*

In these associations there would be no "wage earners" using their collective strength to demand the highest possible wages from management, but artisans who, together with management and consumer representatives, determine reciprocal outputs by means of price regulation—something which cannot be accomplished by sessions of parliamentary bodies. (TSR, p. 18)

Steiner makes it clear that one of the first and most important things needed to really address worker-management relations and the structure of an organization is the formation of producer-consumer associations.

What is the relationship between management and workers? How is a factory to be socially structured? First we need to form appropriate associations, the human groupings from which answers will then arise. We need to ask appropriate

*questions and then wait and see how answers will come from human groupings.
(TSA, p. 23)*

Steiner used severe terms when describing the antisocial effects of stockholders' dividends. He maintained that the mere fact that individuals who are capable of working can command an income through dividends without having to work in any way to justify receiving them is the equivalent of a tumor in the human organism.⁹

.... The harmfulness of the nonworking recipient of dividends is not that to a small degree they diminish the working man's earnings, but that the sheer possibility of someone being able to have income without working for it lends an antisocial aspect to the whole economic body. The economic body that blocks the possibility to derive income from dividends differs from the one that cannot block it just as human organisms, too, differ—the one is healthy and impervious in all areas to the invasion of a tumor; the other, through the accumulation of unhealthy elements, is beset by a tumorous growth.... (RSO, pp. 11-12)

It was previously described how antisocial tendencies are displayed by stockholders when businesses are downsized. A confirmation of this occurred in March 1996. The Bureau of Labor Statistics announced there were 705,000 new jobs created in the month of February. How could anyone not feel glad that there were now more jobs available, thus reducing the number of unemployed workers? But there was little rejoicing by stockholders as indicated by the fact the Dow Jones Industrial Average immediately plummeted 171 points in response to the Bureau's announcement. "The passion for expanded profit comes not only from senior managers of giant corporations but from their stockholders. And their stockholders like downsizing. They make it clear when they tack 3 points onto a stock price after a corporation announces thousands of sackings, and they make it clear when they greet 705,000 new workers with mini-panic."¹⁰

It is not just individual shareholders that create this pressure to maximize profits but also organizations with pension funds and not-for-profit institutions that have endowment funds. It is only natural that even foundations want to obtain as much as possible on their investments to further their charitable work. But in doing so they are also contributing to the antisocial forces in society.

Associations would provide a basis for producers (management and workers), distributors, and consumers to bridge the gulf that presently exists between them. In an associative economy, investors would be limited to receiving interest on the amount lent. There would be no selfish rejoicing of shareholders if a business had to lay off or transfer workers.

Under the [money-based economy] the capitalist is, of course, also dependent on those who work, but he is quite a stranger to these workers. How close was the tie between consumer and producer in the old natural economy in which actual commodities were dealt with! How remote is the person who transacts business in

⁹ See also the excellent article, "Why All the Fuss About Stockholders?," by Marjorie Kelly in this issue.

¹⁰ "The Dow and Jones," *The Nation* (April 1, 1996), p. 3

money from those who work in order that his money may yield interest! A deep gulf has opened between one human being and another. They do not get near to each other under the [money-based] economy. This is one of the first things to be considered if we wish to understand how the masses of workers (no matter whether they are intellectual or manual workers) can again be brought together with those who also make business possible by lending capital. This, however, can only be done through the principle of association by which men will again unite with each other as men. The principle of association is a demand of social life, but a demand such as I have described it, not one resembling those that often figure in socialistic programs. (SF, p.40)

The Economy in Relation to Political Life and Cultural Life

The full development of an associative economy is dependent on a threefolding of society.

The intelligence developed in the give and take in economic associations is dependent on capacities developed in the spiritual-cultural life. Also developed in the spiritual-cultural life are the skills and capacities of the workers and management.

The political rights-state has jurisdiction over exchanges in the economy. Exchanges are subject to various laws having to do with such things as property ownership and liability.

I pointed out how in the simple case of exchange, where money becomes more and more important, or indeed where exchange is recognized at all, the economic life enters directly into the region of law and rights. Moreover, the moment intelligence is to enter the economic life, we must allow to flow into the economic domain that which prevails in the free life of the spirit. The three members of the social organism must stand in the right relation to one another, so that they may work on one another in the right way.

*This was the real meaning of **Towards Social Renewal**—not the splitting into parts of the three members; the splitting apart is always there. (WE, p. 134)*

As previously mentioned, the economy itself should take as a given what the political state determines regarding working conditions and the value attached to labor. It is only through an independent political state in which economic interests have no say that labor can be adequately protected. The economy, which is based on efficiency, productivity, and the utilization of expertise would run roughshod over human rights if left to its own devices. Steiner is adamant that human rights come before economic considerations. Labor must be protected by law. Think about our present minimum wage laws. Few people could live a dignified life on the legally established minimum wage. Whenever there is an attempt to raise the minimum wage there is intensive lobbying against it, particularly by businesses utilizing low-salaried workers. They claim that any significant increase in the minimum wage would be detrimental to their operations. (It is not ever certain that this would be the case.) This is the same type of argument used by farmers in the South before the Civil War who opposed the abolition of slavery because they thought their economy would suffer.

*[J]ust as in a natural organism one single organic system would destroy itself through its specific activity if there were no other systems to keep it in balance, so does one function of the social organism need to be kept in balance by another. [What happens through the economically active person within the economic sphere would have to lead in the course of time, to corresponding damage according to its nature unless such harm were counteracted by the political rights organization, which] **must** rest on a democratic basis, just as the economic life **cannot**. [In the democratic rights-state, parliamentary or legislative activity is justified.]. What is done there works within economic activity to counteract its innate tendency to cause damage. If one were to harness economic life to the administration of the state, one would deprive it of its efficiency and freedom of movement. Those engaged in economic work must **receive** the law from somewhere outside of economic life, and only **apply** it in the economic life itself. (RSO, p. 92)*

The value put on labor leads us most definitely into the realm of law, into the political-legal life. This is not an outdated idea, as you can see labor everywhere protected and subjected to labor laws. But these laws are today not even half-measures which will take full effect only within a properly threefolded social organism. Only then will man face man and will labor be handled properly, when people discuss these matters on a basis of human dignity and do this in that sphere where all men are competent to speak.

You will say: Well, there won't be sufficient labor if labor is democratically evaluated in this way. Indeed, this is one of the areas where social life leads us into the general development of mankind. Economic life must not determine human labor. Economic life must be enclosed within the boundaries set by nature and by democratically determined labor laws. Just as no committee can decide how many rainy days there are to be in 1923 so that the economy will run on course in 1923, just as we have to accept rainy days as something given, something given by nature, so the independent economic life will have to reckon with something given, with a specified amount of labor which is determined by the political-legal sphere. (TSA, pp. 50-51)

The actual regulation of labor-power does not belong to the economic life, in which the economically stronger can impose upon the economically weaker [the kind of work he does]. The regulation of work as between man and man, what one man does for [the other], should belong to the sphere of law and right, where each adult is [equal to] every other [adult]. How much work one human being has to do for another ought never to be decided on economic grounds, but solely on principles which will develop in the state of the future, the state of rights as opposed to the present state of might. (POT, p.129)

Individualism, Common Consciousness, Love, and Christianity

In addition to all the external arrangements of economic associations, something else must arise in order for them to be effective.

You may even find associations, associations whose members have a great deal of economic insight; yet if something else is not contained within the associations, all their insight will be of little avail. Something else must be contained in the associations, and will be contained in them once the necessity of such associations is recognized. There must be [a common consciousness in these associations, a real sense for the whole course of the whole economic process] [T]he moment the life of associations enters the economic process, it is no longer a question of immediate personal interest. [Rather,] the wide outlook over the economic process will be active; the [interests of the others] will actually be there in the economic judgment that is formed. In no other way can a true economic judgment come about. Thus we are impelled to rise from the economic processes to the mutuality, the give and take between man and man, and furthermore to that which will arise from this, namely [an objective common consciousness] working in the associations. This will be a [common consciousness] not proceeding from any moral acid but from a realization of the necessities inherent in the economic process itself. (WE, pp. 132-133)

A common consciousness can arise out of groups of producers, traders, and consumers collaborating together. Steiner relates this dynamic to a fundamental Christian principle. From this perspective, if people engage in producer-trader-consumer associations appropriately, they create the possibility of bringing selfless Christian love right into economic life.

What society needs is strong individuals who develop their capacities to their fullest and utilize them by taking initiatives out of a love for mankind. Working together in associations provides the means to overcome egoism.

If we do not see to it that all our talents are developed, we shall have little success in helping our brothers. In order to develop these talents, a certain egoism is necessary, because egoism is connected with initiative. The person who understands how not to be led, how not to be influenced by everything in his surroundings, but who descends into his own, inner being where the sources of strength are to be found will develop into a strong and able person, and in him kinds of influences that come from his surroundings. Obviously, this principle which is necessary for man can be developed to an extreme. But this principle will bear the proper fruits only when it is combined with that of brotherly love. The guilds in the free cities of the Middle Ages show how what is practical became strong precisely under the principle of the mutual, personal, and individual rendering of help. From where did the guilds draw this strength? They drew it from living in brotherhood with their fellow men. It is correct to make oneself as strong as possible; but can we become strong at all without brotherly love? He who rises to a real knowledge of the soul must answer with a decisive NO. ... Association means the possibility for a higher being to express itself through the members when they are united. This principle is general for all life. Five people together, who think and feel harmoniously together, are more than 1 plus 1 plus 1 plus 1 plus 1; they are not just the sum of the five, just as our body is not the sum of the five senses. Men's

living together and within one another has the same significance as the living together of the cells within the human body. A new higher being is in the midst of the five—yes, even among the two or three. “Where two or three are gathered in my name, I shall be in their midst.” It is not the one or the other, or the third, but something entirely new that springs from the union. This new entity arises only when the one lives in the other, when the single individual person draws strength not only from himself, but also from others. But that can happen only when each lives selflessly in the other. Thus, human associations are the secret places where higher spiritual beings descend in order to work through the single individuals, just as the soul works through the members of the body. ... One cannot see the spirit who works through an association, but he is there; and he is there through the brotherly love of the people working within the association. Just as the body has a soul, so a guild or brotherhood has a soul; this is not just a figure of speech. (BSE, pp. 8-9)

Spiritual Science, Statistics, and the Economy

Much has been said regarding the importance and methods of transforming the present capitalist economies into ones based on associations. But the figures and statistics accumulated by associations will require spiritual-scientific knowledge. You can go beyond the individual in forming associations, but if the information and perspectives generated by them is evaluated from a materialistic point of view or through unconscious instincts, little progress can be made.

It is necessary to know that an individual can get nowhere with figures; only associations can do something with numbers—groups of people make use of these experiences, each complimentary to the other. Yet despite this, such associations will accomplish nothing special unless they have forces of direction, and what kind must they be? They must be those arising from imaginative perception, from initiation science.... Where will spiritual-scientific directive forces first be required, if the needs of mankind in the present and near future are correctly understood? They will be needed precisely in the domain of the economic life. There, associations must be formed. The results that associations compile with their figures must be given their guidelines from the effects that can be gained solely from inner experience in the higher worlds. The life of the spirit... must be drawn from the chaos of the natural human organization by means of education. The basis of the economic life must be given its guidelines from initiation science. Initiation science must regulate whatever is collected by the different associations from various professional, industrial or agricultural circles, and so on. It is precisely the economic [life] that makes the influence of the spiritual life mandatory, particularly in [economic life]. There will be no advancement without it. For, in the [economic life], everything will remain instinctive if it is not brought to consciousness by being developed in the manner I have stated. Therefore, one should really say, “First of all, get a broom and out with everything that negates the spirit in the economic life!” On that depends the future welfare of mankind. Away with everything that rejects the spirit in the

economic life—there above all! There, it is the most compelling; otherwise, economic chaos will result and with it the general chaos of civilization; and this, I might say, is becoming evident clearly and plain enough. (SSFSF, pp.189-190)

Economic Associations and the Funding of Spiritual Cultural Activities

The economy is dependent on spiritual-cultural institutions to provide individuals with appropriate skills and capacities.

Surplus capital beyond what is necessary for current production and expansion would be guided to cultural institutions. Steiner pointed out that during his time surplus money was primarily invested in land. (Why this is a grave social problem was addressed in Part I of this article.)

*And when one day the associations begin to understand something of the influence of free spiritual life on the economic process, we can give them a very good means of regulating the economic circuit. I mentioned this in my [book, **Towards Social Renewal**]. The associations will find that when free spiritual life declines, too little is being given freely; they will grasp the connection. They will see the connection between too little giving and too little free spiritual work. When there is not enough free spiritual work, they will realize that too little is being given. When too little is being given, they will notice a decline in free spiritual work.... Let the associations see to it that the money which tends to get tied up in mortgages finds its way into free spiritual institutions. There you have the connection of the associative life with the general social life. Only when you try to penetrate the realities of economic life does it begin to dawn on you what must be done in the one case or in the other. I do not by any means wish to agitate that this or that must be done. I only wish to point out what is. And this is undoubtedly true: What we can never attain by legislative measures—namely, to keep the excess capital away from nature—we can attain by the life and system of associations, diverting the capital into free spiritual institutions. (WE, pp. 82-83)*

Conclusion

Rudolf Steiner's approach to economics is based on the premise that each person is in essence a spiritual being whose experience of self is continually evolving and growing stronger. This progression also results in antisocial forces growing stronger and affecting human interactions. One way of counterbalancing these forces is through creating social forms, including those of the economy, that encourage and foster the overcoming of self-interest.

The formation of economic associations that take into consideration the entire span of the economy creates the possibility for individuals to take an interest in their fellow men and to know the consequences of their economic activities no matter where they may be positioned and what tasks they may perform.

A healthy economy requires an independent democratic political sphere that recognizes and upholds human rights that the institutions of the economy must take as a given, rather than capitalist influencing laws and regulations for their own benefit. This

also means that everyone who works on behalf of the community receives an adequate income to lead a dignified life and to support his or her dependents. The economy is also dependent on an independent cultural life to provide it with skilled and ethically motivated workers and socially conscious consumers.

Steiner's approach to economics is not utopian or theoretical but a necessity of our age whereby the men striving for profit by investors and managers or the struggle to earn a living by workers is overcome and replaced by the motivation to work out of the recognition of the needs of others. An economy based on the principle of association creates the conditions for the Christ force to permeate economic activity.

References to the Works of Rudolf Steiner

BSE: "Brotherhood and the Struggle for Existence" (Mercury Press, Spring Valley, New York, 1980). Lecture given in Berlin, November 23, 1905.

ESP: *Education as a Social Problem* (Anthroposophic Press, Hudson, New York, 1984). Six lectures given in Dornach, Switzerland, August 9-17, 1919

POT: *The Problems of Our Time* (Anthroposophic Press, Hudson, New York, 1943). Four lectures given in Berlin, September 1919

RSO: *The Renewal of the Social Organism* (Anthroposophic Press, Hudson, New York, 1985). Essays and articles from 1919 and 1920.

SAF: "Social and Antisocial Forces" (Mercury Press, Spring Valley, New York, 1982). Lecture given in Bern, December 12, 1918.

SF: *The Social Future* (Anthroposophic Press, Hudson, New York, 1972). Six public lectures given in Zurich, Switzerland, October 24-30, 1919.

SSFSF: *Spiritual Science as a Foundation for Social Forms* (Anthroposophic Press, Hudson, New York, 1986). Seventeen lectures given between August 6 and September 16, 1920, in Dornach, Switzerland, and on September 17 and 18 in Berlin, Germany.

TSA: *Threefolding as a Social Alternative* (Rudolf Steiner Press, London, 1980). This title is a translation of two of the three lectures Steiner gave on the threefold social order at Oxford, England, in August 1922. This is the only series of lectures in which Steiner spoke about the threefold social order to an English speaking audience. Another translation of the same lecture series, which includes all three lectures, has been recently published as *Threefold the Social Order*. (See below.)

TSO: *Threefold the Social Order* (New Economy Publications, Canterbury, England). Three lectures given in Oxford, England, August 1922.

TSR: *Toward Social Renewal* (Anthroposophic Press, Hudson, New York, 1977). Book first published in Germany in 1917.

WE: *World Economy* (Rudolf Steiner Press, London, 1977). Fourteen lectures given in Dornach, Switzerland, July 24 – August 6, 1922.

Originally published in *The Threefold Review*, Summer/Fall 1997 (Issue No. 15), ©1997
The Margaret Fuller Corporation.

