

Weekly

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Rudolf Steiner's Economics

DR. KARL POLANYI

Under a functional constitution there is separate representation of Politics, of Economics and of the Cultural sphere. Today the crucial question is, of course, the organization of economic life. In a functional society the economic system may or may not include workers' control, it may or it may not allow private profits, i.e., it may be more or less socialistic or capitalistic.

The following is an outline of the economic system in Rudolf Steiner's concept of a functional society by our contributor, Dr. Karl Polanyi, whose own views on functional economics are known to our readers by recent articles in NEW BRITAIN. Steiner himself regarded his concept of a Three-fold State as neither socialistic nor capitalistic. This article deals with the use and ownership of capital, with interest, profits, wages and inheritance-laws in Rudolf Steiner's Economics.

I WAS requested by the Editors of NEW BRITAIN to set out in brief the economic proposals included in Rudolf Steiner's concept of a Three-fold State. Undoubtedly, they are interesting. Apart from Guild Socialism they constitute the most stimulating contribution to the economics of a functional society.

Things Private and Public

Steiner was opposed to an essential feature of Capitalism: the right of the owners of the means of production to determine freely the use to which their property is to be put.

But he was also dead against State Socialism, i.e., the administration of the means of production by the State.

Thus he was distrustful of unqualified private ownership as well as of unqualified public ownership.

His solution of this dilemma was to advocate the divorce of the ownership of capital from the right to dispose of the use of capital. He proposed to establish a system of circulation of capital under which capital would remain in private hands, but not in those of the owner, not even always in that of a person selected by him. In fact the function of the *entrepreneur* should become a profession similar to the legal, medical, or engineering profession of today, the capital needed to carry on the enterprise being supplied to him directly or indirectly by society itself.

The legal framework needed to make this plan workable is to be provided by the Political Chamber. The bodies educating, selecting and designating the professional *entrepreneurs* are to be set up by the Cultural Chamber. The business of production and exchange itself belongs to the Economic Chamber. Thus, Politics, Culture, and Economics would co-operate in the Three-fold State to solve the problem of Capital and its use.

Distribution of Income

To begin with the wage-earner: Whether the wage-system is abolished or not, cannot be answered by a yes or by a no. A substantial part of the incomes the wage workers receive would be derived from general taxation through family allowances, old age pensions, and sickness benefits. Education also is a charge on the public purse. Moreover, labour conditions are settled by law, including hours and factory regulations. Wage agreements deal with the "sharing" of the product of labour. Thus the wage system remains, but its working is in a manner "transformed."

As to profits: An income under this title would cease to exist. Actual surpluses would partly go as interest to the owners of capital, partly as a contractual share to the *entrepreneur*, the rest

accruing to the productive capital fund of the community.

As to interest: If the *entrepreneur* is provided with capital by private owners these can charge him an interest on their capital. No dividends or bonuses will be distributed. The rate of interest is fixed by law. After a lapse of time private capital passes into the administration of Trustees nominated by the Cultural Chamber. The capital supplied to an enterprise by the Trustees need, it seems, bear no interest whatever.

As to the share of the *entrepreneur*: The remuneration of the man carrying on the business with the capital partly borrowed from private owners, partly supplied to him by the Trustees, is determined by what he managed to secure for himself under the original contract, under which the money was lent to him. The residual surplus, i.e., the surplus which remains after the deduction both of interest on borrowed capital and the *entrepreneur's* contractual share, will be reinvested in the enterprise. But the *entrepreneur* may look upon this part of the capital as his own in so far as his remuneration will be increased by a sum equal to the interest on the reinvested part of the surplus.

Residual surpluses which are not invested in the enterprise from which they have originated are invested in other enterprises, either by their owners or by the Trustees.

The Residual Surplus

This system of income claims to realize the principle that all income should be either directly or indirectly earned. It is earned directly by the wage-earner and the *entrepreneur* who partake personally as productive agents in industrial life. It is earned "indirectly" by the owner of capital that has been saved out of incomes earned by its present owner.

Thus that part of the surplus of an enterprise which remains after interest and the share of the *entrepreneur* have been deducted is a residue which society is entitled to claim. Its existence is not due to the exertions of any single person associated with the enterprise, it is the "fruit" of the machinery and organization or, to put it in another way, of the co-operative effort of society as a whole.

Inheritance and Trusteeship

Steiner wants to restrict the benefit of drawing interest on capital to saved earnings. Special laws of inheritance are expected to achieve this result.

Although savings may be handed down at the earner's death to other persons, interest, if at all, would accrue to the heir only during a definite period of time after the earner's death. Also the

inheritance of capital could devolve only on persons who are engaged in industry as producers themselves. To prevent a circumvention of this rule property passing on to relatives at the death of the owner should be subject to the control of the Trustees after a time.

Apart from this, the transference of capital either *inter vivos* or after death is free, persons who have proved their ability to earn through productive effort being also credited with being able to make the right choice of their successors in production. But in case of doubt Trusteeship intervenes.

Prices and Markets

The common form of every enterprise is the "Association". The Association consists of all the persons associated with the enterprises. That is, the *entrepreneur*, the wage-earners, and the suppliers of capital. Clearly this involves a problem. For interest is determined under this system more or less by law; taxation, and a very substantial amount of it, has to be borne, as it is today, in fair weather as in foul; labour conditions are determined by law. How then is business to be carried on?

There is a hint that pricing will be quite differently handled from now. First, because production will be "for use", *i.e.*, it will not be for the market,

but only for the consumer. This suggests something like production only by orders of consumers' associations. Secondly, because prices will not be determined on the market. There will be something like a "just price", including interest charges and the remuneration for the *entrepreneur*. In case of difficulties, however, the Trustees are expected to provide supplementary capital.

It must be added that both the acceptance of the profit motive and the acquiescence in the existing distribution of capital are, with Steiner, less matters of principle than of exigency. He regards them as the price which society must pay for continuity. The future may eliminate them both. The profit-motive will pass away if Mankind is educated to a consciously social attitude. And progressively, the present distribution of capital (mainly unearned today) will pass into a system where the *entrepreneur* is a professional and all capital consists in savings earned by its owner.

Obviously, there is some lack of clarity. Are ownership of capital and its use really to be separated as easily as that? And what does a free market amount to if, after all, prices are not to be determined on the market? Only if ownership itself is vested in the National Guilds can Steiner's functional conception of Society be turned into a workable economic proposition. But that, of course, would be Guild Socialism.

S. G. HOBSON

Capital—III

Karl Marx

TO gain a true perspective of the growth of economic thought in regard to capitalist development, it may be well to keep in mind some dates. Adam Smith was born in 1723 and died in 1790. The *Wealth of Nations* was published in 1776. Ricardo was born in 1772 and died in 1823. His *Principles of Political Economy* was published in 1817. Karl Marx was born in 1818 and died in 1883. The first volume of *Das Kapital* appeared in 1867, the second and third volumes coming after his death in 1885 and 1894. They were published by Engels. As a matter of interest but of no consequence we may note that both Ricardo and Marx were Jews turned Christian; but the overlapping of the ages of these three is more than interesting; it is significant. For the periods they represented and reflected equally overlapped. And the economic continuity thus implied is, almost with scientific precision, disclosed in their writing. How many are there who realize that Marx's whole argument is grounded upon the classical tradition? We may affirm that had there been no Ricardo, there would have been no Marx. Since, too, economic development proceeded apace, all unconscious of Marx, it is possible that, had there been no Marx, the Socialist movement would have equally responded, without him, to the needs, necessities and oppressions of the period. As a matter of fact, Marx's analysis of Capitalism, profoundly stirring though it was, had already been, rationally or instinctively, grasped by the working-class movement in Europe and especially in Great Britain. Indeed, the case for State Socialism had been stated by Dupont-White, and Rodbertus had published his theory concerning the development of governmental organs to meet the needs of higher

social development. Nevertheless, Marx dominated the minds of vast masses of men, more by his intensity than by his theory. It is not his dialectic that stirs us; we are led captive by a prophet and a seer.

We have it on Biblical authority that, on occasion, "the prophet preacheth lies"—a fact well known in racing circles; accordingly, it were prudent on our part to test the word of the prophet. On the theoretical side, Marx is known to us for his theory of surplus labour and surplus value and for the concentration or appropriation of capital. It is the fashion nowadays to brush aside these theories as long since discarded. For my part, I do not regard them as theories but as statements of economic conditions subsisting in the days of Marx. Without arguing the meaning of "value", surplus value, as Marx used the term, was a fact and not a theory. As for "surplus labour", it is surely as obvious today as it was then. The curious thing about Marx is that he appears to regard the commodity valuation of labour (upon which his argument is based) as inevitable in any economic system. His solution was State Socialism, the continuance of the wage system being predicated.

It is when he discusses capital as such that Marx is most suggestive—and most deceptive. He transforms the old "Wage Fund" into what he calls "variable capital". This variable capital is the financial pool out of which labour is paid. The money that goes into machinery, tools and equipment, he calls "constant capital". He follows Adam Smith in essentials with a change of names. The most devoted follower must recognize that Marx cannot be sure whether the surplus is earned by constant or variable capital, or in what pro-

tion. We see this even in Soviet Russia, where "personalisation" is now the favourite slogan, with no thought of wage abolition.

The reason why men of mettle throughout all history have tried to escape from *status* is found, on analysis, to be, not an objection to *status per se*, but rather to the universal misconception of the rationale of *status*, which now, as then, is built on a wrong foundation. It is evident that what men do, what the community calls upon them to do, constitutes true *status*. To that there can be no objection; on the contrary, it is essential to a well-ordered society. Doctor, scientist, mason, scavenger, tinker, tailor, soldier, sailor—all must play their part in the social orchestra. All these occupations are equally honourable and, economic conditions apart, should be of equal *status*. William Morris saw that when in *News from Nowhere* he gave his dustman the finest raiment and great social consideration. Ruskin expressed the same idea differently: whatever our job, we must do it at our peril and without regard to payment. This is poles apart from the professional and financial snobbery of modern life. We discover, in fact, that money determines *status*; that we are governed by money. A century or more ago, next to royalty, the landowner, even if impoverished, had the highest *status*; to-day he is supplanted by the banker and profiteer. Not forgetting the priest, the lawyer, the teacher, and the officer class, we find that all the social grades are determined by financial standing and not by functional usefulness. One *status*, the wage-earner's, remains unchanged. He possesses nothing but his labour. Nevertheless—another paradox—he remains the most valuable factor in our national life.

From all this it would seem that *status* is not in itself a problem, but an expression of the conditions subsisting in any given period. As the old conventions give place to new, so *status* changes. Therefore, let us reorganize our economic system and *status* can take care of itself. But wait! It is not so easy as that. Before the generality of mankind plunges into a revolution, peaceful or otherwise, we may be sure that a new and more equitable *status* must be definitely projected. And, since we reject finance as the determining factor, what principle must we accept to constitute *status* in our new order of society? The truth slipped out a few lines higher up. *Status* in the new order must grow out of functional utility. Neither money nor social standing, but loyalty to function, will mark our *status* in future society. Our present range of social grades is the *hereditas damnosa* from the libertarian age now fast fading away. Nor will *status* be forced upon us by dire necessity. *Status* will be won in equality and fellowship: will not be imposed by finance or dictatorship: will be something all can willingly seek, and not, as in the

... we may not only find ourselves upon the economic rocks but lose our spiritual significance in the Western World.

DR. KARL POLANYI RUDOLF STEINER'S ECONOMICS

WAS requested by the Editors of NEW BRITAIN to set out in brief the economic proposals included in Rudolf Steiner's concept of a Three-fold State. Undoubtedly, they are interesting. Apart from Guild Socialism they constitute the most stimulating contribution to the economics of a functional society.

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PROFESSOR G. E. G. CATLIN IS IT PEACE?

It was an eminent Liberal statesman who recently remarked: "If they want to have a hell on the Continent it is our business to keep out of it." This policy easily becomes identified with that of "no entanglements", which is notorious on the other side of the Atlantic, although fortunately not unmodified of recent years. The obvious objection is that this detachment is, militarily and economically impracticable in the event of a war of any magnitude breaking out in the Occident. The last war showed that the Atlantic Ocean was not a gulf; aircraft has reduced the Channel, militarily speaking, to a ditch. It is a policy that has an ominous similarity to the official policy of non-commitment pursued by Lord Grey in the days of the international anarchy that preceded and culminated in 1914.

On the other hand, the objections to proposals that involve a system of collective security and international sanctions are worth examining. Especially, perhaps, the damaging one that all such talk to-day merely reveals a childish lack of sense for political realities. The so-called French plan, with its scheme of long-service contingents in a League army, it may be argued, can only be regarded as a wrecking proposal, intended to stultify, by *reductio ad absurdum*, proposals for international action. The

Two distinct charges against any suggestion of Nations is an immediate "realistic" objection "the German objection merely an instrument of the *status quo* in countries that were lo



AFTER M.

point of view, clause which contemplates that can only be regarded as charge the answer can own mouth. The dominant, if not p League. Italy is not shown in *Mein Kampf*, neither of the British identical with that of

The true answer (Stresemann saw) near far as the French alone in so far as Germany of equity before the national justice foundation, however, of formal justice is recognized equitable claims—precedence of even if Germany has to learn optimum population population on one's option—and not to people.

The second "realistic" the Communist objection Superficially contradictory belief is psychologically disappointed and embittered, it means that war. Thus we find issuing a leaflet entitled