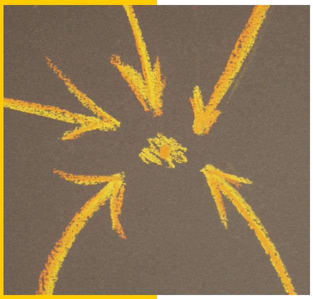

Viral Economics

A challenge to egotism?

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Viral Economics

A challenge to egotism?

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I have been asked by some colleagues if I would comment on the current virus crisis from an economic point of view. I don't know that I have credentials different to anyone else for doing this, but I am happy to share my sense of things.

Whatever one makes of the virus crisis from a medical or political point of view, clearly it is having a major impact on global economic life. This impact ranges from tumbling stock markets to closing cafes; falling job prospects to airlines and others seeking government assistance, as if governments have a source of money other than borrowing against future (dwindling) tax resources. This makes visible the frailty of just-in-time production and delivery systems if, for whatever reason, the music stops. Likewise, businesses running on thin margins rely on the music keeping playing; they literally cannot afford to stop. Not to make a sale is to make a negative sale, as it were. Loss of retail sales is bringing property rents down to where their real economic rents are (what retailers can afford to pay without loss of profitability), down from their speculatively high levels, on which pension funds, and all dependent on them, rely. But the pension funds, too, are on thin margins. And which pensioner can afford not to receive his or her pension? As also which person can afford a drop or cessation of income, without in the same moment defaulting on a mortgage or other piece of financing?

But interesting in this is the sense, albeit possibly transient, that somehow, we need to overcome our self-centeredness and begin to share resources – beginning with toilet rolls, no less. (Or else, heaven forbid, adopt non-first world toilet habits.) Self-interest is not so easily overcome, however. We have been taught that this is a virtue of socio-economic life ever since Adam Smith was (misleadingly) named 'father of economics' – a title he himself said belongs to Aristotle.[1] As his aptronymic name says, Adam Smith's legacy is to be the first one to smith the economics of egoism. Indeed, modern financial and economic policies and techniques might well be named the science of egoism – more precisely, egotism[2] – at its apogee.

And so, we should heed well Rudolf Steiner's injunction that what we need to do above all else is "extirpate egoism root and branch from economic life."[3] Not to be replaced by

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[1] Smith twice mentions Aristotle in his *Wealth of Nations*, for whom, interestingly, he was also a reference for Karl Marx, who describes him as 'the great investigator'. See *Capital*, Pelican, 1976, p.151.

[2] In English, the difference is subtle. A consumer cannot but be egoist when eating because one cannot eat for someone else. A teacher has to be an egoist if he or she is to enter into a subject and then teach it to the class. Teachers have to engage their whole being to do this, but they do so for others. To engage one's whole being in doing something for oneself is ego<u>t</u>istical.

[3] "…with the rise of the modern division of labour, the economic life as such depends on egoism being extirpated, root and branch." *Economics – The world as one economy*. Rudolf Steiner, New Economy Publications, Canterbury, England 2014 [1996/1922]. (GA 340), Lecture 3. (German: In dem die moderne Arbeitsteilung heraufgekommen ist, ist die Volkswirtschaft in bezug auf das Wirtschaften darauf angewiesen, den Egoismus mit Stumpf und Steil aufzurotten.")

some soulful or moralic altruism, but altruism in its technical, even clinical sense of producing for others. Of entering into economic life in order to use one's skills and talents to meet the needs of other people, not oneself. One does not need to cite Steiner's various mottos to this effect. One cannot consume for others; one cannot produce for oneself. These are facts of economic and social life that Adam Smith misread. As would anyone thinking in Smith's times, in awe of the Enlightenment and caught in the spirit of rationalism – even if acting in opposition to it. For how is it rational to rest economic life on something one cannot see, namely, an invisible hand?

But taking the egotism out of economic life is not in the first place an economic act. It is a spiritual act, meaning by that, one has to manage everything in one's own life that relies on economic egotism. The values by which one lives, the habits by which one behaves, the thoughts one uses to describe life in general. Serving others is the least of our problems; recognising that as the starting point of economic life is a far bigger challenge.

Even so, we are in fact made for this; we are not in the first place self-interested creatures. That belongs to early 'consciousness soul'[4] times; with individuation, emancipating oneself from one's elders, from one's parents, one's teachers, leaders, ideologies and so on. Emancipation is to no avail, however, if at the end one does not recognise that one depends on serving others and on identifying how one can best do that with the talents and possibilities one has. But the self in service to others also depends on being recognised for this in the amounts people pay one for one's services and products.

Just as one might think more about the need for sunlight (rather than house isolation) when combatting a virus, or for shining social relationships (rather than house isolation) if one is to correspondingly breathe easily and harmoniously, so one should not underestimate in economics, especially financial economics, the role of psychology – more concretely soul-spiritual dimensions – in these areas of life. That markets are 'nervous', for example, is not an arbitrary thought; the soul knows how to describe what it experiences. That is the source of all language. The question is why are they nervous? What does modern finance have to do with the nerves?

In April 2009, the now chief economist of the Bank of England, Andrew Haldane gave a talk entitled *Rethinking the Financial Network* to Amsterdam's Financial Student Association on the link between AIDS transmission, SARS and modern finance. He concluded by saying: "Throughout history, there are many examples of human flight on an enormous scale to avoid the effects of pestilence and plague. From yellow fever and cholera in the 19th century to polio and influenza in the 20th. In these cases, human flight fed contagion and contagion fed human catastrophe. The 21st century offered a different model. During the SARS epidemic, human flight was prohibited and contagion contained.

In the present financial crisis, the flight is of capital, not humans. Yet the scale and

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[4] The consciousness soul is a way of describing the type of consciousness we have today and which we take for granted – namely, an acute, if incomplete, sense of oneself, matched by a tendency to eclipse rather than embrace one's physical and social environment. But then thereby it becomes aware of both these realms and begins to include them

contagious consequences may be no less damaging. This financial epidemic may endure in the memories long after SARS has been forgotten. But in halting the spread of future financial epidemics, it is important that the lessons from SARS and from other non-financial networks are not forgotten."

Two years ago, Haldane spoke at a meeting in Kings College, London commemorating a well-known economic historian who knew that data as such are not the source of one's intuitions. Rather, ample, well-marshalled data enable the intuitive mind to become active. That is to say, Haldane knows that human beings are not caused by outer circumstances but respond to them. We are ourselves the key circumstance. Indeed, outer events can be understood as the results of previous actions.

One has to start one's assessment with one's own behaviour; taking as concrete the fact that one is the author not the victim of one's circumstances, so the last thing one should accept is to start other than in one's own sense of self. One's own sense of what is right and wrong, in general and specifically. One should not begin with what 'the government says' or what 'the scientists say' because in our times neither of these may be valid, not even in their own terms.

How, then, can each one of us begin the process of extirpating egotism from our economic and financial dealings? After all, bemoaning the fall of markets is only a form of egotism, as is begging governments to take the risk of one's own initiatives or to bail out one's shareholders by using funds supplied by the whole population (taxation), many of whom might not have agreed to support such behaviour in the first place.

It is here, in weaning ourselves off egotism, that most of Steiner's economic indications come into their own right. But not unless seen as tools for such a purpose. Three kinds of money, true prices, not overcapitalising land, decollateralising lending, promoting personal rather than real credit (need one go on?) – all these ideas become tools for overcoming egotism in economic life.

One can bemoan profit maximising, arguably the very opposite ethos, but the more serious question is whether profit maximising can in fact work long term? Does it not amount to falsifying the type and quantity of values in the world? If this process continues it must of its own accord self-destruct. The Monopoly game tells us this. The last person to buy the last thing in the market now owns everything, at which very point everything loses its value.

What is needed are concrete cases of people giving effect to Steiner's ideas. Not treating land, labour or capital as commodities, for example. Not letting one's house rise in value due to no economic doing of one's own, then cashing in that increased value when it suits one, thus transferring false values into the economy – not because of so-called market forces, but by the simple economic act of wanting something for nothing.

That can be seen in moral terms, but is best seen on a practical level. One cannot get something for nothing in life. It is not technically possibly; if one seems to do so it is because of an illusion. This can be an illusion caused by the wrong or misleading vocabulary and concepts of business schools; or by simply not being willing to review one's motives or life circumstances. The problem is that finance in our times makes illusory behaviour seem normal and non-illusory. But who has the time, energy or mental acumen to see through that?

Not many people, because the problem is existential. We describe money and economic life in the first place as an extension of our own 'interests' and perceptions, and understanding of life. To think about money is to think about all those things, but no-one has been told that that is what is needed, or that that is the role of today's strongly-financial culture. Better, therefore, to start there, thinking of money in its true (mirror-like) role. For then it evidently has no more power over one, than does one's face in the mirror. If one doesn't like what one sees, the mirror can do nothing about that. Only the observer can.

But now, where are we? In a sphere that can have no effect on the day-to-day? Maybe, but maybe not. Whence comes confidence? By definition, confidence sits between this world and that. It does not exist as a chair does, yet can have the effect of crashing the world if it disappears and redeeming it if it reappears. But to where does it go and from where does it come?

On what does our confidence rely? Not on markets coming back up, which can be as readily a manipulated affair as when they go down. It relies on walking one's talk, on being the change one wants to see. On acting so that serving others becomes the raison d'etre of economic life and the basis of 'success' and of indicators. Only then indicators such as the Dow, with its feverish nature and implicit idea of going higher and higher without end, might not be the indicators we will watch.

Better to refer to the accounts of the individual or of individuals together (companies). For in their income streams and in their expenditures one can see whether they practice true pricing; whether they treat land, labour and capital as commodities; and whether they externalise costs on to the public balance sheet and so falsify their profits and pander to unreal expectations on the part of those seeking to invest money (which they also do only out of egotism). One can also see whether their balance sheets are properly capitalised, whether they hold the right amount and type of capital as required by their core activity, or whether they hold and depend on sums in reserve, i.e. out in the markets seeking the kind of returns that require profit maximising.

Why do I stress accounting? Because, when not used to profit maximise or tax minimise, accounting becomes a stark and ineluctable mirror of one's behaviour, for good or for ill, and all without making moral comment. It shows what lives in one's will life, regardless of protestations often made to the contrary. It also gives one a quiet method for changing one's behaviour, without external regulation or disciplining. For example, someone not good at sales, could simply realise he or she is better at teaching and so quietly change his or her vocation, meaning changing a revenue stream. The cash flow and balance sheet counterparts of doing so can be tracked and so also managed. There is no other way I know of whereby individuals can manage their life account. No wonder that Rudolf Steiner often explained karma[5] by analogy to bookkeeping (and vice versa).

An intended 500 words has now become 2000, so it's time to stop. Has this helped the reader in any way? I hope so. I adhere to such ideas in my own life, and in the part of town where I am, if only sleepily, such ideas are the context in which I live. So, I speak from a certainty born of direct experience of the ideas I aver. If I commend this experience (which I do) it is because I do not start at the levels of income, asset values and return expectations that today's endemically over-valued economy takes as its starting point. I also live from fat *on* the lamb, not savings. Earned not unearned income.[6] That is to say, on taking seriously that one is as successful in life as one is able to realise one's purpose on earth. For this however, there is no indicator worth devising.

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[5] The idea that people have more than one life and that in the very long run of history they can balance out the accounts of their conduct.

[6] Earned income is, for example, sales, what people pay one directly for one's service or goods. Unearned income is money from investments, inheritance and so on, for which one has done nothing economically in exchange.