Beyond Gold

Hayek, Keynes and Steiner in concert

By

Christopher Houghton Budd

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Revisiting Hayek and Keynes in the light of associative economics

Dedication

To the youth and folk of Mirleft Beach

'Every man is a consumer, and ought to be a producer. He fails to make his place good in the world, unless he not only pays his debts, but also adds something to the common wealth.'

– Ralph Waldo Emerson

Contents

Mr. Market, Mr. State
both came to the party late
neither could the threshold cross
for both, it seemed, the way got lost

Then each one on a different day
turned left and right and found the way
and then, as in the wildest dream
the path appeared, fresh seen

The markets cleared, as did the sky
the state revealed the waiting I
with prices true and rights renewed
they each went forth to spread the news

That once mankind associates
the market's free, the states relate
and once again, its voice refound
the human fam'ly sings out loud

Each one's sound now fresh and clear
seeks unison, brings others near
as harmony spreads 'cross the globe
all lights beshine our common road

Each one unique and shining bright
yet none outshines or hides from sight
the others' glow...

…for they all know
with commonwealth and circling stars
we've all now found our way at last

Each one of us, all errors spent
our futures bright, horizons vast
with due respect lets go the past
stands tall, unfear'd, with right knee bent

And faces full the future
Whence will come
What’s new to venture
What’s to be done

Foreword

It has been a year between this book's original writing and final polishing for publication. Nothing in those twelve months has dissuaded me from my theme or from its continuing importance. I am not believing, either, that making money digital or cloud-borne, dispensing with hard copy invoices, or doing one's books and filing one's taxes on line affects any of the substance of the challenges money entails.[1] My concern is, rather, not to lose entirely some physicality in regard to finance, lest finance proves to be our only beacon in a world increasingly without bearings.

Nor do I expect much 'noise' on account of my attempt to bring Hayek and Keynes to a shared place through Steiner's treatment of money as bookkeeping. When I asked for comment from two voices representative of Hayek and Keynes respectively, they both replied with cautious politeness… or was it polite caution? Geoffrey Wood, for Hayek, said:

> 'In his fascinating essay on Hayek through the eyes of Rudolf Steiner, Christopher Houghton Budd focuses on one aspect of Hayek's thought in this field: how to maintain monetary stability. His approach is primarily through three Institute of Economic Affairs publications of the 1970s,[2] which had practical effect, insofar as one is willing to ascribe to their influence the spread of central bank independence round the world. But the argument for central bank independence is better traced to –

[1] See discussion in Part 4, Gormez, Y. and Houghton Budd, C. (2003) "Electronic Money Free Banking and Some Implications for Central Banking," Working Papers 0303, Research and Monetary Policy Department, Central Bank of the Republic of Turkey.
[2] See Footnote 4.

> and there were surely prior discussions of the concept – to Milton Friedman's 1962 essay on the subject.[3]

This essay, set out and ultimately rejected the concept as a practical way of bringing price stability. Friedman's argument, very briefly, was that an independent central bank would not have a target in the form "do what you like", but rather a target, or target range, for inflation. And there is the problem with independence. The central bank cannot control inflation. What it can at least attempt to control is the major systematic influence on inflation; that is, some measure of the money supply. That in turn could however allow substantial short run fluctuation in inflation. Over what time period is inflation to be controlled according to the 'independence contract'? One rapidly ends up with a situation where, whatever the fluctuations in inflation, the contract is not enforced, as recent UK experience demonstrates very forcefully.

How, then, can we hope for price stability? The work of Hayek prompts one to look in two completely different, and indeed opposed, directions. One is to gold, and the other to competition among currencies.

Competition is effective in the markets for goods, so why should it not be effective in money? If lack of trust in some private, competitive, money issuers emerges, then people could hold other moneys. If lack of trust emerged over some state moneys, then people could switch to others, certainly for saving and perhaps even for transacting. But that seems to require a high and volatile inflation rate – people will tolerate a lot of misbehaviour in the currency they transact in, because the costs of changing are high, not least the costs of co-ordinating with others.

It is here that Houghton Budd leads us to the work of Rudolf Steiner and to associative economics. As he says in Chapter 2, if people understand the natures of money, and its roles in economic life, then '...there would be financial discipline on everyone's part...'

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[3] Friedman, F. (1962) "Should there be an Independent Monetary Authority?," in "In search of a Monetary Constitution", Ed. Leland B Yeager, Harvard University Press, Cambridge, Massachusetts.

And that shows how closely integrated is this approach to modern, strictly economic, approaches to inflation, with its emphasis on the importance of the government's budget constraint and the extension of that to the fiscal theory of inflation. Houghton Budd reminds us that inflation is basically simple, but that a deep understanding involves us in considerable complexity. That is a most useful reminder.'

Robert Skidelsky, for Keynes, wrote:

> 'Wonderful though the Keynes essay is, with many deep insights into Keynes's 'unspoken' agenda, I fear it is far too allusive and therefore elusive to be understood by your average reader or even someone reasonably up to speed with the subject. There were dozens of places when I wanted to say: What do you mean? Could you not say this more simply?

I have a lot of sympathy with your attempt to swing Keynes's centre of gravity back to the *Tract* and so reconcile him with Hayek (and indeed the other monetary reformers of his day and ours); more generally, with your rejection of bipolar, either-or, zero-sum reasoning (inapplicable to a world of uncertainty). Your argument that he didn't believe in mathematicising economics, because economics was a branch of logic, and should therefore use methods of reasoning appropriate to logic, like intuition, judgment, as well as incorporating non-numerical facts, is spot on.

But I don't really agree with you that the Keynesians 'made a temporary device permanent'. Keynesianism misinterpreted Keynes in many ways, but by the time he wrote the *General Theory* Keynes believed that under-employment was a normal, not exceptional, condition of a capitalist economy, that therefore continuous government support for demand (both monetary and fiscal) was needed to maintain full employment. Yet it was the first contention that was the decisive break with the traditional school and was not present in [the] *Tract*.'

Very fair comment in both cases, but not enough to put me off my stride. Indeed, that they did me the courtesy of engaging, also in reading the MSS, suggests I am not completely beside the point. At the very least, as my editor remarked when accepting the MSS, 'adding Steiner to the usual binary story of Hayek versus Keynes is an original twist… and one that sets up a shift in the perspective traditionally taught of macro-economics.'

I remain convinced, as this work details, that Keynes's *A Tract on Monetary Reform* marks the fork in the road to which we need to return. It was there and then (1923) that we took the 'wrong' turning and set off down the road that led to Hitler and the Great Depression and everything those events gave rise to by way of problems and attempts to solve, or at least address, them. Challengingly, the history with which we have all grown up, characterised by many debates that admit to no reconciliation precisely because of their binary context and assumptions, is one we have to try and forget. In its stead, we need to imagine how differently things might have turned out… and may yet do so!

Of course, this is a hugely complex undertaking to embark upon, stretching one's credulity as much as one's mind. And I fully admit to not having always found the simplest way to express what I have in mind and so crave my readers' forbearance. And yet, it *is* wrenching to 'swing the centre of gravity', not only of Keynes's work, but of history itself. To 'twist and shift' the habits of thought and conduct that have grown up while going down the 'wrong' road until we find ourselves on the 'right' one was never going to be a simple affair. Nor – though I would welcome it – was it my intention to have my ideas taught. I'd be content if they were just listened to with an open mind and given some time of day. If they are possessed of any truth, this will find a resonance of its own accord. After all, careful listening is itself a way of being taught.

Preface

The purpose of this study is to revisit two of the most important, if not the two most important, monetary theses of the 20th and now the 21st century, and to do so in the light of a third, but substantially unknown one. The first one, here dubbed 'the Hayekian view', is the trenchant critique of Keynesianism by six Institute of Economic Affairs (IEA) writers. Not Keynes directly, but his 1936 'paradox of thrift' suggestion that, by not balancing their budgets, governments can (and perhaps even should) intervene in economic life. Although published in the late 1970s as *Hobart Papers*,[1] the critique is representative of the IEA's perspective and remains valid today. At that time, it was part of the movement that sought its political moment and found it in the Thatcher-Reagan years; a paradigm that, albeit with mixed results, has ever since been the prevailing doctrine, in the 'western' world at least.[2] Next to this, we look afresh at Keynes's work through the lens of his own 1923 *A Tract on Monetary Reform*[3] (of which, intriguingly, the IEA texts studied make no mention), wondering what really was in the back of Keynes's mind when, in 1936, he seemed to contradict or forget his prior work.

Both enquiries are contextualised by Rudolf Steiner's contribution to monetary affairs, generally known as 'associative economics'.[4]

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[1] *Gold or Paper*, Morgan and Morgan. Hobart Paper 69, IEA September 1976, *The Denationalisation of Money*. Hobart Paper 70, IEA, FA Hayek, October 1976, and *The Consequences of Mr Keynes*, Buchanan, Burton & Wagner. Hobart Paper 69, IEA, April 1978. They have been designated A, B and C respectively so that the page numbered references are readily located in the different texts.

[2] 'Western' because, despite its ubiquitousness and casual use, this seems an indeterminate word, as is the relativeness of its location and the meaning of its sibling, 'West'.

[3] *A Tract on Monetary Reform*, J M Keynes, Macmillan, London 1923.

[4] Outlined in 14 lectures given in July/August 1922. See *Economics – The world as one economy*. Rudolf Steiner, New Economy Publications, Canterbury, England 2014 [1996/1922]. (CW 340) (Search aeBookstore.com.)

Because it is little known, although to my mind both relevant and significant and by no means outdated, in this present work I have had to set out Steiner's stall in this realm. This I have done as best as I can, given that his ideas (which were mostly spoken, not written, in lectures he did not edit or revise) had to be translated from German into English and then transposed from Central Europe as it was at the end of his lifetime (1925) into the essentially Anglo-Saxon context of today.

Before continuing, I need to recognise some significant debts. First, to Geoffrey Wood, who quickened my life-long interest in this topic by introducing me to Keynes's *Tract* in the first place, rescuing my late-in-life doctoral aspirations from oblivion in the process. Likewise, the Keynes section is my way of settling another huge debt, this one to Robert Skidelsky and his three-part biography of Keynes.[5] Finally, debts equally need to be acknowledged to the three protagonists of this story, whose own wrestling with such a challenging subject matter has 'loosened the soil' and made it accessible to the rest of us, so that others may till it more readily or even go down a spit or two, eventually to the water table, safe and sound.

In the popular mind, Hayek and Keynes are depicted either as having their faces turned away from each other or staring at each other to see who will blink first – the one advocating free markets, the other statist economics.[6] But might they not, even now, be imagined as smiling to one another in some unexpected synthesis and reconciliation? Indeed, the question asked via this study is whether, post Versailles, had economists in general and Hayek and Keynes in particular interfaced

[5] John Maynard Keynes: Hopes Betrayed, 1883-1920, Robert Skidelsky. Macmillan, London 1983; John Maynard Keynes: The Economist as Saviour, 1920-1937, Robert Skidelsky. Macmillan, London 1992; John Maynard Keynes: Fighting for Britain, 1937-1946, Robert Skidelsky. Macmillan, London 2000. In Chapter 3 they are respectively designated L, M and N, with direct quotations from Skidelsky marked by an *.

[6] One well-known cartoon has them tentatively shaking hands, while each holds a club behind his back.

with Steiner's ideas, instead of being about enlarging or reducing the state's economic remit, would the discussion have been about giving autonomy to both political and economic life, allowing each to follow its own logic. This is a topic that would likely lead to a more nuanced and less confrontational understanding of the challenges we face today, displacing the perennial struggle between the state and the economy, socialism and capitalism – and their surrogates, fiscal and monetary policy – which has been the framework that has provided our terms of reference for the last 180 years or more.

To speak about, let alone on behalf of Steiner's ideas (i.e. not about the man himself) is a thrice risky thing to do. Firstly, because (as also with Hayek and Keynes) not only is one inevitably expressing an interpretation, not the actual thing, but secondly Steiner (as also Hayek and Keynes) is no longer around to contest or confirm one's view of his contribution to economics, not to mention amend his thinking if fair critique of it shows that to be necessary. Thirdly, many others are equally interpretative of Steiner's work in this field and their concerns merit canvassing. Not in order to create a united front of opinion, for that way dogma lies, but because one's own enquiry may be enriched by doing so.

My intended readership is those who can lend an ear to both Hayek's and Keynes's arguments without immediately seconding either to a prior conviction about them, a conviction very likely to be tainted by or predicated on today's bifurcated situation existing precisely because the conversation suggested here, between Hayek and Keynes and they with Steiner, did not occur. Before sharing this study with those readers-to-be, I circulated it to some close colleagues who have long concerned themselves with Steiner's ideas and how to interface them with a world that has grown up without them. All these colleagues have professional grounding in 'western' finance and/or are involved in academia in one way or another, either full time or, like myself, incidentally. In addition, in their different ways they have made Steiner's ideas central to the content of their masters, doctoral or post-doctoral work, and so have also interfaced and interwoven them with the substance of monetary policy, accounting and today's financial system.

To these people, I sent my first draft, asking them, as one colleague put it, 'to kick its tyres'. Built out of their responses, this section of the preface serves as an expression of my gratitude, which is not gainsaid in anyway if, should it have turned out that way, I resisted or refuted some of their counsel. Some of them being known to one another, they were blind-consulted; none knew of the others' involvement, lest they unintentionally colluded and contaminated the evidence their disconnected commentaries might provide for the 'shareability' of Steiner's ideas – not only with those already familiar with them, but with those who may yet become so, perhaps via the medium of such a study as this one.

Their combined counsel had two components. One was their debates with me about how my views on associative economics are at variance with theirs. In some instances, we have since come to terms and so I incorporated these concurrences in the final version, thereby enriching it and, ideally, making it more objective and more catholic. In other instances, we have agreed to differ and conduct further debate on another occasion.

Another part of their counsel was not about what they thought of my version of associative economics, but whether my thesis, exposition and proof were comprehensible – because discussion let alone sympathy with or adoption of a new perspective presupposes and requires comprehension of it. In that regard also, where I felt it valid to do so, I amended my first draft to take account of their comments. When, where and how I did this will not be evident to the general reader but the fact needs recording and, again, it is my way of recognising my debts to my colleagues.

A third aspect of the responses was common to all of them – namely, their recognition of the idea that by way of this study I was not seeking to get any of the three characters in its story – Hayek, Keynes and Steiner – to beat the other two over the head with his particular view of things, to allude to the earlier-mentioned cartoon. Instead, I was calling them all into a space in which they could come into Socratic conversation: three 'what-iffers' rather than three representatives each believing he possesses the one truth. I have woven the various responses on this point into the following paragraphs, much of it by repeating my correspondents' own words (minus quotation marks).

Though challenging, conducting this narrative through the personages of Hayek, Keynes and Steiner is also engaging, as is the general idea of a three-way comparison with those three individuals' ideas in hypothetical and Socratic mood. One can quibble with details, but the enterprise is welcome for its introduction of Steiner into a discussion involving mainstream economic thinking. That said, it is worth admitting early on that Steiner's approach represents an ideal whose time may not yet be at hand because he maximises something, never explicitly stated as such, but by implication collective, even though featuring individual vitality, potentiality or spirit – or whatever is the opposite of, or next step after, alienation. In that sense, what may come across as his somewhat utopian quality needs to be owned up to directly and early on. One also needs to explain why his ideals warrant being made visible as guiding beacons in humanity's shared challenge to find and create meaning, both as individuals and collectively, whether that be as nations, associations or companies. If humanity is evolving in the direction of an ideal that we can all embrace, then meaning arises in aligning ourselves with that collective purpose. In that case, Steiner's contribution deserves to be fleshed out more fully and made more visible and credible as the highly useful, albeit for some idealistic, outlook that it is.

The challenge in doing so comes not only from the technical and historical side but also the imaginative and epistemological one. While the image of Hayek and Keynes in conversation rather than with heads turned away is helpful and intriguing, it may also be confounding, given the distance that contemporary culture has put between them. After all, to show how denationalised currency is congruent with monetary co-ordination by controlling authorities on an 'own lights' basis[7] is quite an 'ask'!

A potted summary of this adventure or some explicitly stated policy outcomes would be helpful, therefore, which I have done by way of the upfront warning or advisory Chapter 1: *Rudolf Steiner – a voice as yet unknown*. Notwithstanding the risk this poses to the study's central idea of imaginative rediscovery rather than fixed prescriptions, it might provide an avenue of approach to a subject that for many is simply too demanding – not only of their understanding and their ability to manage what they then might come to understand, but also how to make it tractable. Not a few people take comfort in the notion of intractability and may not want this excuse for inaction taken away.

That said, playfully undertaking to bring Hayek, Keynes and Steiner under one roof can be as much a delight to work with as a challenge. A delight because of the opportunity it affords to experience how the deeper ideas of the time manifested in each of these commentators in their different ways. A challenge because of its resulting probe into and behind what was actually said or was trying but failed to become fully conscious in either Hayek or Keynes – or Steiner for that matter

[7] Referring to the study's several mentions of Milton Friedman's proposition that "…flexible exchange rates are a means of combining interdependence among countries through trade with a maximum of internal monetary independence; they are a means of permitting each country to seek for monetary stability according to its own lights, without either imposing its mistakes on its neighbours or having their mistakes imposed on it. If all countries succeeded, the result would be a system of reasonably stable exchange rates; the substance of effective harmonisation would be attained without the risks of formal but ineffective harmonisation." (1966:200) Friedman, M. (1966 [1953]) *Essays in Positive Economics*. Chicago: Phoenix.

(whose plea was always 'don't quote me; corroborate me') – let alone the rest of us.

Playing with history in this way allows one to connect with the sphere of ideas we are all moving in and even help those closest to them to give them more precise formulation and so make clearer what is not yet, but might have become so had Steiner and Keynes lived longer and, more importantly, had all three met.[8] After all, ideas do not evaporate for want of their being worked with, while those concerning the next step in economic evolution – for where we are now is surely best understood as a staging post, not the final destination – remain in the ethers of history, off-stage, biding their time but ready to be taken up by those around when that time is right and ripe. That moment will be when no one is able to add to the debate, when all avenues of understanding and interpretation have been explored, and when the only work left to do is to reconcile and corroborate what is already on the table.

Albeit unknown to them, in a sense all three protagonists have already met together ethereally or in the rabbit hole of my mind. Steiner and Hayek became acquainted in my 2018 essay on *Triple Governance*;[9] Keynes and Steiner met on the set of my 2019 essay-play, *An Improbable Conversation*.[10] So the event imagined here may not be so fanciful after all. Moreover, in this regard past or future do not matter, as long as the meeting happens. Otherwise today's proliferation of social division will continue to haunt human history. Perhaps that's our fate; perhaps it's too late – but one does what one can and tries one's best to avoid this outcome.

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[8] Steiner 1861-1925 (64); Keynes 1883-1946 (63); Hayek 1899-1992 (93).

[9] Budd C.H. (2018) Triple Governance: Hayek's Lost Thesis. In: Leeson R. (eds.) Hayek: A Collaborative Biography. Archival Insights into the Evolution of Economics. Palgrave Macmillan, Cham

[10] 'An Improbable Conversation', in *A Second Chance for the World – A Deed in Becoming.* Documentation of meetings held during 2019 in Vancouver, Canada and Folkestone, England. 2020. (Search aeBookstore.com.) Also, a video: https://vimeo.com/352678017/872e4e51f0.

Following on from my earlier work, *Finance at the Threshold – Rethinking the real and financial economies*,[11] in which I was asked to suggest Steiner's take on the 2008 global fianancial situation, this study also represents a further endeavour on my part to make associative economics more operational than has been possible to date, precisely by considering Hayek's and Keynes's contrasting views on monetary matters in the light of Steiner's own contribution to the field. The deliberations of all three focus on the replacement of gold post World War I. This is the pivotal challenge of all history since then, and remains a problem still unresolved. Meaning, humanity cannot move on until it is. Many may profit from the chaos born of not doing so, but no-one gets the moral high ground here. Too much is at stake.

The study speaks for itself as regards the three contributors' views of this problem and how to address it, so these paragraphs will not repeat or abstract that here. On the other hand, the way these essays came about might well be of interest to the reader and should at least be made known.

They were written back-to-back. First the one on Hayek, which took a week; then the one on Keynes, requiring another week, albeit a slightly longer one than the first. The Hayekian critique is based on a 'stream of consciousness' non-stop read (copiously annotated as I went along) of the three already mentioned mid-1970s IEA pamphlets which collectively set out what I have called the 'Hayekian view'. These books were given to me as a set shortly before I studied them by someone whose identity at the time of writing I could not remember, but as if I was supposed to do something with them. 'Keynes's Unspoken Mission', on the other hand, is an idea long in gestation, and that paper was written in the same way, this time after reading

[11] *Finance at the Threshold – Rethinking the real and financial economies*, Christopher Houghton Budd. Gower 2011.

Skidelsky's three-volume biography of Keynes non-stop cover to cover – a life-treat I had long promised myself.

Notes in hand, I took myself off to south Morocco, to the simple accommodation and fare of an empty beach with endless surf in the background, there to enter with alert empathy into the ideas found in these six publications. Empathy does not betoken blind agreement, of course, but it is a way of stilling one's own preconceptions and ideological reactions, and entering into other authors' arguments as faithfully as possible, in order to walk side by side with them along the wide pathway beloved of peripatetic economists such as myself. However narrow that path appears in the distance, it begins and continues its whole length as wide as necessary to include everyone, but not in a relativist sense. There cannot be several truths about money; and yet no one person claim ownership or authorship of *the* truth. Truth in economics and monetary affairs must dawn on us equally, like the rising sun's rays on my Moroccan beach.

Much has *not* been said here concerning Steiner that could be said. For example, his image that the cry of the French Revolution – '*Liberté, Egalité, Fraternité!'* – was a premature sense of how, in our times, but not then, the inherently threefold nature of social life would be important to recognise.[12] However, my purpose is not to provide a full-blown exposition of Steiner's views, which I have already anyway introduced in *Finance at the Threshold*, but to focus tightly on those of his ideas that are closest to the question of gold's replacement.

Though I may not always have succeeded, my aim has been to enter into the thinking of Hayek, Keynes and Steiner and my method has been to do so by 'converting' Steiner's ideas into accounting because this can then become a neutral bridge to today's received wisdom. I have conducted my research and written it up empathetically, treading the fine line between normative commentary and cold disinterest, but alert, too, to what might come to meet my enquiry.

[12] As in this study it is through the device of 'threesomes'.

In this instance, two 'events' occurred that surprised me. The first was that, as my research proceeded, I came upon what I felt to be a 'core insight', which arose at a crucial moment in Chapter 3, section 10. In the first draft I included it as an appendix, but in this final version it has been 'upgraded' to an early-stated guiding intuition on my part. The second surprise was that, having sent the first draft to both Geoffrey Wood and Robert Skidelsky, each came back independently of the other with the advice that I should place Steiner's views front of stage and at the outset, rather than feed them into the narrative on an as-needed basis as I went along, which is what I had originally done. This gave me 'permission' to rearrange the original draft with less modesty on Steiner's behalf than I had previously assumed to be both wise and necessary.

The nature of writing empathetically is such that at the end of the writing day, one can find on one's notepad something that has never before been thought or written, or at least not said out loud, something one did not start out intending to write. Writing as sensing, not writing as opinion-offering. That, at any rate, is the intended ethos of this enquiry, which I invite the reader to read, and indeed critique, in an equivalent spirit.

Whether empathetically or otherwise, as concerns writing, one has to ponder which style is most appropriate to one's subject matter. In the case of this study, which will challenge any reader who needs the comfort of either/or thinking or prefers to inhabit a particular camp, one has to ask whether, for example, an 'academic' style would suit, with its understandable allergy to anecdotes and discursiveness, not to mention poetry! Or something that would better suit a journal, even though most journals, including the heterodox and pluralist ones, usually have some degree of prescription. Or does one write more in the manner of an essayist and let things fall where they will? I have chosen the latter.

I mention this because this was the critique of a commissioning editor, consulted after Robert Skidelsky wished my 'project' well and Geoffrey Wood, despite my at times 'flowery language', encouraged me to find a publisher. Fair comments all of them, and yet, if my style is florid on occasion, this is something I allow deliberately because I think flights of fancy, poetry even, provide the mind some respite when confronted with technical complexity. And this *is* a dense text; necessarily so because its focus is the fulcrum of our times, away from which my treatement never allows the reader to wander. Nor is letting go our link to gold a simple matter, neither monetarily nor psychologically. It has us in its unseen grip the way that Plato supposed it to lace the blood of rulers.

To conclude this preface, I'd like to return to the controversial nature of this project: the improbability for many that the Hayek-Keynes divide might be bridgable and that the classical dichotomy between them is not historically necessary but the child, not so much of a disagreement among economists, as the framing of all economic discussion in terms of the over-arching capitalist-communist, Left-Right divide that came to dominate all human relationships post World War 1.

Key to my interest in Rudolf Steiner's work is precisely his view that, post World War 1, economic history had entered upon the stage of a single global currency, in terms of which, not only ought capitalism-communism not to be the terms of reference, but economics itself ought not to be caught on a political divide, such that economic theory is then used to champion one side or other of the ideological debate. Economics itself should be depoliticised.

It was in fact partly due to Steiner (in the early 1970s) that my attention was first drawn to Keynes in connection with the latter's critique of Versailles. Much later (1999), Geoffrey Wood introduced me to *A Tract on Monetary Reform*. And in 2011, having been invited to write a paper on Steiner and Hayek,[13] I turned my attention to their treatments of economic affairs, intrigued specially by their common Austro-Hungarian background.

For some, so entrenched is the idea that Hayek and Keynes inhabit separate universes, that to dare to bring them onto the same page (let alone bringing Steiner into the mix) is to embark on a lonely journey. Once in the lift on the way to present precisely that thesis in a doctoral seminar at St George's, Windsor, my two elevator companions confided to one another: "Who is this crazy guy who thinks Hayek and Keynes can be reconciled?" It turned out that they were the seminar examiners.

But sometimes one's audacity is rewarded, as was the case when, in early 2021, I came across a paper by Filomena de Sousa.[14] In her abstract, she writes:

> The relationship between John Maynard Keynes and Friedrich Hayek is generally thought about in terms of polarity, while points of convergence between the two economists' views have been scantily highlighted. This paper addresses the latter and provides an account – based on primary sources – of the transformative relationship between Keynes and Hayek, both intellectual and personal. My aim is to contribute to a better understanding of lesser-known affinities between the two economists.

Such a prospect provides valuable succour to those who are thought crazy. Keynes's and Hayek's affinities may not have been elected in Goethe's sense, but their biographical back story is important to know about when, as here, one seeks to bring into concert such outwardly different minds. For the record, de Sousa's conclusion merits quoting in full:

[13] Budd. C.H. (2018) 'Triple Governance – Hayek's Lost Thesis', op. cit.
[14] Filomena de Sousa, F. (2021) Keynes: The Object of Hayek's Passion? *Cambridge Journal of Economics* 2021, 45, 1–18.

> Dominated by rivalry in its beginnings, the relationship between Keynes and Hayek was initially shaped by their fiercely antithetical stance on the nature of recessions and the wider circumstances to do with debates among British academic economists in the 1930s. Keynes was intrigued by Hayek's ideas, who, in turn, was eager to get his point across and carve a place within an intellectual landscape where Keynes was a major force. As they began corresponding on a frequent basis as intellectual adversaries and eventually came to terms with their differences, their relationship changed in both intellectual and personal terms. Rivalry gave way to friendship, one that grew out of challenges.
>
> When practical preparations for the war started in the early 1940s, discussions over politics and war finance pushed capital theory quarrels to the side-lines and Hayek proved himself an important ally of Keynes. By then the pair had reached a tacit understanding and somehow became intellectual confidants. Keynes advised Hayek on certain aspects of his work even if they continued to disagree on points of economic theory and policy. But through the trials that marked the early years of the war, Hayek and Keynes grew more appreciative of affinities. Moreover, the help that Keynes offered Hayek when he moved to Cambridge and the doors he opened had far-reaching consequences, which together with the many interests they shared cemented a sincere and life-lasting, if short, friendship.

A religious man I once knew spoke of how the longest paths on earth can be the shortest in heaven. The story essayed here is mindful of this counsel.

Guiding Intuition

In my experience, when writing one normally sets out with a clear idea of one's planned subject and a provisional sense of how one plans to treat it, but it is wise to keep an eye out for what wants to be written, as distinct from what one intends to write. The title of a work, for example, often arrives at its end. In the case of this study, an insight occurred late in its writing up when my thoughts turned to what I describe in Chapter 3, Section 10 as 'the general turmoil, humanity on edge.' I was tempted to stop and start again, placing the insight centre-stage, recasting the research in its light, but I decided to leave it as a pearl found along the way. Even so, it felt appropriate to lift it verbatim from its context and place it here. Although referred to as a 'guiding intuition', it would be more accurate to describe it as an intimation received.

In the background of deeper history, behind the early 20th century chaos that marked humanity's first attempts to go it alone, without the comfort and guidance of either gold or the ancient value system it represented, almost pre-bitten apple, was something of a seismic shift in human affairs taking place? Both gold and the gold standard belong to 19th century developments, usually explained by the British, at least, in terms of the economic and colonial prowess of Britain and its Empire. And yet, leaving aside the discussion one could have about slave-based wealth, 'land grabbing' of foreign lands and such adventures as the East India Company,[1] quite another process may have been under way, a process that overtook actual developments and is absent from most descriptions of them.

The eventual demise of gold and the gold standard was due to their being overtaken by events. In particular, already by the end of the Napoleonic Wars in 1815, per Rudolf Steiner's analysis, the money markets began to emancipate (note: not separate) themselves from the

[1] See 'The Financial Death and Afterlife of the East India Company', a talk given on 17 November 2022 by research professor, William Pettigrew, at Schroders in London.

goods markets.[2] Financialisation had begun or, in Steiner's image, 'money doing business on its own account'. It is this process (arguably the historical as distinct from the ideological underpinning of financial liberalisation post the 1986 'Big Bang') that had the effect of reversing or reflecting the reversal of causation in financial affairs, allowing one, for example, to work the balance sheet of a company from outside via secondary markets – a development that, if the financier, George Soros, is to be believed, leads not only to reversed causation but reflexivity, especially in the rarefied realms and conditions of financial markets.

It is as if, without really noticing it, we all crossed a threshold from conventional to 'quantum' consciousness, in the sense that, just at the moment when we became able to discover and even measure the most discrete of phenomena with every object appearing isolated from its surroundings, we realised that in fact they are all connected – past, present and future exist simultaneously. Just when we thought we were alone in history, we saw that we can also look back to the beginning of time and forward to its end. In the sense of Nicholas Cusanus's *coincidentia oppositorum,*[3] or the more recent argument of crypto currency celebrity, Nick Szabo,[4] but, see also Endnote – that the essence of quantum thinking requires one to hold two 'significantly possible but inconsistent hypotheses' simultaneously without declaring one's preference for one extreme or the other, – we found ourselves with the ability to hold two opposing thoughts at the same time.

Is it this phenomenon that is behind Keynes's focus on demand-led economics? For pre-quantum consciousness, supply seems primary

[2] See 'The Abstract Nature of Modern Economic Life' in *Rudolf Steiner, Economist. Articles and Essays* by Rudolf Steiner, Emil Leinhas and Christopher Houghton Budd. New Economy Publications, Canterbury 2018 [1996]. (Search aeBookstore.com.)
[3] According to neuroscientist, psychiatrist, thinker and former literary scholar, Ian McGilchrist, 'coincidentia oppositorum' was first formulated by 15th century German scholar, Nicholas Cusanus. See McGilchrist's magnum opus *The Matter with Things*, where he explicitly describes the importance of holding apparently contradictory points of view in order to arrive at a higher synthesis.
[4] a.k.a. Satoshi Nakamoto?

and determinative, but from a 'quantum' point of view, it is demand that has these attributes. Of course, both are valid points of view, depending on which side of today's epistemological threshold one finds or places oneself.

At its most radical, it is as if the averring of supply over demand takes us back to the far past and ties us to the earth, for which reason we experience the production of something as existentially primary. Conversely, demand links us to the future, requiring us to have faith in the heavens, in serendipity and the 'quadrant of angels', no longer only in calculation, known activities and the tried-and-tested, and so inclines us to the tempting adventures of abstract finance.

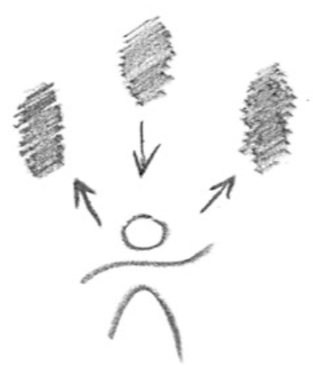
Is this, the flipping of recent history, the event that we all need to comprehend? Was the reversing of causation – by the 1930s matured as *the* characteristic of modern economic life – the source of Keynes's preoccupation with demand, the driving influence perhaps of his 1936 *General Theory of Employment, Interest and Money* [5] and the whole idea that, by not balancing its budget or being balance sheet constrained, the state was the new reality? For that is what Keynesian*ism* (as distinct from Keynesian) seems to amount to.

Is it here that the post Cusanan revelation is found, namely, the question: What really is the role of the state? Does such a turn of events require the state to enter the economy, or could the modality of economic life simply be modified by individuals developing a more coherent civic dimension and so taking a new and next step? In other words, after Skidelsky, was *The General Theory* 'an invitation to thought rather than a machine for solving crises' (M*538)? Ought a temporary device have been made permanent (N90)? Should a remedy for a specific condition have become a principle of conduct whether or not that condition continued or even existed?

[5] *The General Theory of Employment, Interest and Money*, J M Keynes, Macmillan, London 1936.

Endnote: The idea of *coincidentia oppositorum* is also ancient. In Steiner's treatment of this topic in lectures on Thomism given in 1920,[6] he speaks about the 5th century individuality, Dionysus the Areopagite, who, in the religious terms of his time, had to understand that if he would perceive the divinity he must recognise there are two paths. One is the path of God the nameless, the other the path of God the best, the highest, the superlative. Normally, one would choose one or the other, but what Dionysus the Areopagite had to learn was not to choose either but to follow both to their ends, so that by following both paths, not preferring one or the other, one then has the experience of being met by the divinity, truth, call it what one will, coming towards one. (See Figure. 1.)

Figure. 1.



[6] *The Redemption of Thinking*, Rudolf Steiner. Hodder and Stoughton, London 1956.

Chapter 1

Rudolf Steiner – A Voice Not Yet Known

1. Associative economics
2. Gold and 1923
3. Limits to knowledge
4. True price
5. Twin value theory
6. Supply and demand
7. Financialism
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9. Three kinds of money
10. Money-as-bookkeeping – I