

The Social Future

Social Future: Lecture II: The Organization of a Practical Economic Life on the Associative Basis

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II

THE ORGANIZATION OF A PRACTICAL ECONOMIC LIFE
ON THE ASSOCIATIVE BASIS.

TRANSFORMATION OF THE MARKET AND FIXING OF PRICES.
MONEY AND TAXATION. CREDIT.

THE idea of the Three-Membered Social Organism set forth in my book, *The Threefold Commonwealth* has grown out of perceptions which have ripened in view of the facts of modern social evolution, such as I attempted to describe yesterday. This idea of the threefold ordering of the social body aims at a practical solution of the problems of life and includes nothing Utopian. Hence, before writing my book, I presupposed that it would be received with a common instinct for actual facts, and that it would not be judged out of preconceived theories, preconceived party opinions. If what I said yesterday be correct and it is correct, undoubtedly, namely, that the social facts in the conditions of human life have grown so complicated that it is extremely difficult to survey them, a new method of dealing with the matters under discussion to-day will be necessary in order to enkindle the general social purpose. In view of this complexity of facts, it is only too comprehensible that there should be, for the time being, no understanding of the economic phenomena, except of such as have come within the experience of individual people; but everything of this nature is dependent upon the whole of economic life, and at the present time not only on the economic life of one country, but on that of the entire world. The individual human being will have, quite naturally and comprehensively, to judge the needs of world-economy from the experience of his own immediate circle. He will, of course, go astray. Anyone who knows the demands of thought that are in line with strict reality knows also how important it is to approach the phenomena of the world with a certain amount of instinct for the truth, in order to gain fundamental facts of knowledge. Such facts play the same part in life as fundamental truths in the knowledge gained at school.

Were we to try to acquaint ourselves with the whole of economic life in all its details and from it to draw our conclusions concerning the social purpose, we should never come to an end. In fact, we should just as unlikely come to an end as we would were we compelled to review all the details, let us say, of the application of the Pythagorean theorem in the technical field in order to recognize the truth of that theorem. We accept the truths of the Pythagorean theorem through certain inner thought-connections with it, and then we know that wherever it can be applied it must hold good. It is also possible to wrestle with the facts of social knowledge, until certain fundamental facts reveal themselves as truths to our consciousness by their inner nature. Our own sense of truth will then enable us to apply these facts everywhere as the occasion demands. In this way I should like my book, *The Threefold Commonwealth*, to be understood out of its own inner

nature, out of the inner nature of the social conditions described. Emphatically, the whole idea of the Three-Membered Social Organism should be so understood. But I will particularly endeavor in these lectures to show that certain phenomena of social life give force to the conclusions arising from the idea of the threefold membering of the social organism. This idea is a result of the necessities of the present day and of the near future of humanity. I will also show how these confirmations may be arrived at.

But first it will be necessary to recall to you, as an introduction to my subject for to-day, the fundamental idea of the threefold membering of the social order. We have seen that our social life has three principal roots or members, from which spring its demands — in other words, that it is a question of culture, of State, law, politics, and of economics. Any one who studies modern evolution will find that these three elements of life, cultural, political, and economic, have intermingled gradually, until they now form a chaotic whole, and out of the amalgamation of these three elements the present evils of society have arisen.

If we thoroughly understand this — and these lectures are intended to help us do so — we shall find that the direction evolution must take in the future will be the ordering of public life and of the social organism so that there will be an independent cultural life, especially as regards general culture, education and teaching, an independent political, legal body, and a completely independent economic body. At present, a single administrative body embraces these three elements of life in our States, and when a three-membering is mentioned it is always misunderstood. It is taken to mean that an independent administration is demanded for the cultural life, another for the political life, and a third for the economic body — three parliaments instead of one. This is a complete misunderstanding of the threefold order, for that idea embodies the determination to do full justice to those demands which have shown themselves in the unfolding of history. Those demands, three in number, have come to be regarded as party cries, but if we look for their true meaning we shall find that there is an authentic historical impulse contained in them. These three demands contain the impulse of liberty in human life, the impulse towards democracy, and the impulse towards a social form of community.

But if these three demands are taken seriously they cannot be mixed up together under a single administration, because the one must always interfere with the other. If the cry for democracy has any real meaning at all, everyone must acknowledge that it can only flourish in a representative body or parliament, where every single man and woman of full age, being placed on an equality with his fellows, with every other adult in the democratic State, can make decisions from his own judgment.

Now, according to the idea of the threefold membering of the social body, there is a great region of life — that of law and equity, the State and politics — in which every adult has the right, out of his own democratic consciousness, to make himself heard. But if democracy is a reality, and all political life is to be entirely democratized, it is impossible either to include, on the one hand, the cultural life or, on the other, the economic life in the democratic sphere of administration. In the democratic administration a parliament is absolutely in its place, but questions belonging to the department of spiritual life, including education and teaching, can never be properly decided in such a democratic parliament. (I will here only touch upon this subject, as I will deal with it fully in my fourth lecture.) The

threefold order strives to realize an independent life of thought, especially in public matters and in everything relating to education and the manner of giving instruction, that is, the State shall no longer determine the matter and manner of teaching. Only those who are actually teachers, engaged in practical education, shall be its administrators. This means that from the lowest class in the public schools up to the highest grade of education, the teacher shall be independent of any political or economic authority as regards the subject or manner of his teaching. This is a natural consequence of a feeling for what is appropriate to the life of thought within the independent cultural body. And the individual need only spend so much time in imparting instruction as will leave him leisure to collaborate in the work of education as a whole and the sphere of spiritual and cultural life in general.

I will try to show in my fourth lecture how this independence of thought places the whole spiritual constitution of man on quite a different footing, and how such independence will bring about precisely what is now believed, because of prevailing prejudice, to be impossible of realization. Through this independence, the life of thought will itself gain strength to take an active and effective part in the life of the State, especially in economic life. Independent thought, far from giving rise to hazy, theories or unpractical scientific views, will penetrate into human life, so that out of this independent thought-life the individual will permeate himself not with theories, but with knowledge that will fit him to take his place worthily in economic life. Because of its independence, the intellectual life will become practical, so that it may be said: practical and applied knowledge Will rule in the cultural sphere. Not that the opinion of every It person capable of forming a judgment will be authoritative. Parliamentary administration must be deprived of all authority over the cultural body. Whoever believes that it is intended that a democratic parliament should again rule here quite misunderstands the impulse for bringing into existence the social organism consisting of three members.

The same holds good in the economic sphere. The economic life has its own roots and must be governed in accordance with the conditions of its own nature. The manner in which business is carried on cannot be allowed to be judged democratically by every grown-up person, but only by someone who is engaged in some branch of economic life, who is capable in his branch and knows the links that connect his own branch with others. Special knowledge and special capacity are the only guarantees of fruitful work in economic life. Economic life, therefore, will have to be detached, on the one hand, from the political and, on the other hand, from the cultural body. It must be placed upon its own basis.

This is just what is most of all misunderstood by socialist thinkers of to-day. Such thinkers conceive of some form of economic life whereby certain social evils shall cease in the future. We have seen, as it is easy to see, that under the private capitalist order of the last few centuries, certain evils have arisen. The evils are evident enough: how do people judge them? It is said: It is the private capitalist order which is the cause of these evils; these will disappear as soon as we get rid of the system, when we replace it by the communal system. All the evils that have arisen are caused by the fact that the means of production are in the hands of individual owners. When this private ownership is no longer permitted, and the community is in control of the means of production, the evils will cease.

Now it may be said, socialist thinkers have acquired certain isolated facts of knowledge and it is interesting to see how those isolated facts already have their effect in socialist circles. People are already saying that the means of production, or capital which is its equivalent, should be communally administered. We have seen, however, to what state-control of certain means of production has led, for instance of European post offices, European railways, and so forth. We cannot say that the evils have been removed, because the state has become the capitalist. Thus, neither by nationalization nor communalization, nor by the founding of cooperative societies by people who all need the same kind of articles, can any fruitful result be attained. According to the views of socialist thinkers, the people who regulate this consumption, and wish to regulate also the production of the goods to be consumed, become in their turn, as consumers, tyrants over production. The knowledge has, therefore, penetrated the minds of these socialists that nationalization and communalization, as well as the administration by cooperative societies, leads to tyranny on the part of the consumer. The producer would be subjected to the consumer's tyranny. Many therefore think that workers' productive associations in which everybody should have a voice in the management might be founded. In these the workers would unite and produce for themselves according to their own ideas and principles.

Here, again, socialist thinkers have perceived that nothing further would be attained than the replacement of the single capitalist by a number of capitalist working-men producers, who would not be able to do otherwise than the private capitalist. Thus, the Worker-Producers' Associations were also cast aside.

But all this fails to convince people that those separate associations cannot lead to fruitful results in the future.

Another scheme was that the whole population of a country, or some particular economic region, might be able to form a great federation in which all the members were to be both producers and consumers, so that no single individual could of his own initiative produce anything for the community. The community itself was to decide how the production should be carried on, how products should be distributed and the like. In short, a great federation embracing production and consumption would be substituted for the private administration now found in our present economic system!

Now anyone with a little insight into facts knows that the idea of founding this great federation in preference to smaller enterprises only arises from the fact that in a larger scheme the errors are less easily detected than in the schemes which propose to nationalize or communalize production and distribution schemes such as the Worker-Producers' Association and Cooperative Societies. In these latter the field to be surveyed is smaller and the faults committed in founding the enterprises are more easily seen. The great federation embraces a vast social area. Plans are made for the future; and no one sees that the same errors, which were easily discernible in the smaller undertakings, must inevitably again appear. They are not recognized in the larger scheme, because in it the promoters are incapable of taking in the whole matter at a glance. This is the explanation. And we must understand where the fundamental error in this kind of thought lies, an error which leads to the foundation of a great federation in which certain persons presume to take the whole administration of the entire production and consumption into their own hands.

What kind of thought leads to the imagination of such a project? This question can easily be answered if we consult the numerous party-programs at the present moment. What gives rise to these party-programs? Someone thinks: Here are certain branches of production; these must be managed by the community; they must then be united in larger branches, in larger administrative districts. Then there must be some kind of central management over the whole, and, above all those, a central board to control the whole consumption and production. What kind of thoughts and representations underlie such an economic scheme as this? Exactly those which are applicable to the political life of modern times. Those who today announce their economic programs have mostly had a purely political training. They have taken part in electioneering campaigns; they know what is expected of them when they are returned to parliament and have to represent their constituents. They are experienced in official and political life. They know the whole routine of political administration and see no reason why it should not be adapted to economic affairs — in a word, economic administration must be altogether modeled on political life.

What we are now so terribly in need of is to see for ourselves that the whole of this routine work, plastered on to the economic system, is something absolutely foreign to its nature. *But by far the greater number of persons who now talk of reform, or even of a revolution in economic life, are, as a matter of fact, mere politicians, who persist in thinking that what they have learnt in politics can be applied in the management of economic affairs. A healthy condition of the economic system can, however, only prevail if that system be considered by itself and built up out of its own conditions.*

What do these political reformers of the economic system want to bring about? They demand nothing less than that this hierarchy of the central management shall determine what is to be produced and how production is to be carried on and the whole manner and process of production brought under the control of the administrative offices. They demand that those persons who are to take part in the work of production shall be engaged and appointed to their places by the central office and that the distribution of raw material to the different works shall be effected by the central office. The entire production would therefore be subject to a kind of hierarchy of political administrators. And this is really typical of what is aimed at to-day in the greater part of the patent schemes for the reform of the economic system. The would-be reformers do not see that these measures would leave the economic system just where it is now; they would not remove its evils; on the contrary, they would immeasurably increase them. The reformers see clearly that nationalization, communalization, cooperative societies, worker producers' associations, are all alike useless; but what they do not see is that by their program they would only transfer to the communal administration of the means of production the very powers to which they object so severely in the private capitalist system.

It is this, above all, which really must be understood to-day. People must see that such measures and such institutions as those described will of a certainty bring about the conditions we see only too plainly in Eastern Europe to-day. There, certain individuals were able to carry out these ideas of economic reform and to realize them. People who are willing to learn from facts might see from the fate that threatens Eastern Europe and how these measures themselves lead ad absurdum. If people were less dogmatic in their ideas

and more willing to learn from actual events, nobody would think of saying that the failure of the economic socialization of Hungary was caused by some unimportant factor or other. They would try to find out why it was bound to fail, and then they would be convinced that every such scheme of socialization can only bring destruction and cannot create anything fruitful for the future. But for vast numbers of people it is still very difficult to learn from facts in this way. This is best seen in things that are really often treated by socialist thinkers as of secondary importance. They say, it is true, that modern economic life has been transformed by modern technical science. But if they were to carry this train of thought further they would have to recognize the relationship between modern technical science and specialized knowledge and expert skill. They could not help seeing how modern technical science everywhere intervenes in industrialism. But they refuse to see it. So they say, in parenthesis, they will have nothing to do with technical science in the processes of production. It can take care of itself. They only wish to occupy themselves with the manner in which those who are engaged in production-processes live socially, what sort of social life they lead.

But if people will only open their eyes to facts, nothing can be more evident than the immense importance of the part directly played by technical science in economic affairs. One example, a really typical one, may be given here. By multiplying machines, technical science has, to put it in a few words, succeeded in providing commodities for public consumption and to the existence of this machinery is entirely due the fact that from four hundred to five hundred millions of tons of coal were brought to the surface per annum for industrial purposes before the War. Now if one calculates the amount of economic energy and power required by those machines, which are entirely the result of human thought and can only be worked by human thought, the following interesting result is arrived at. If we reckon an eight-hour day, we get the startling result that by these machines, i.e. through the human thought incorporated in the machines, through the inventive gift of the mind, as much energy and working force are used as could be produced by seven to eight hundred millions of men!

Hence, if you picture to yourself that the earth has a working population of about 1500 million men, it has gained, by the inventive genius of human beings in the recent periods of modern civilization, seven hundred to eight hundred millions more. Therefore, two thousand millions of human beings work, that is to say, the seven to eight hundred millions do not themselves actually work, but the machines work for them. What works in these machines? The human intellect.

It is of the utmost significance that facts like these, which might easily be multiplied, should be grasped. For they show that technical science cannot be treated with indifference and lightly put aside; but that it cooperates actively and ceaselessly in industrial life and is inseparable from it. Modern economic life is altogether unthinkable without the basis of modern technical science and without special knowledge and expert skill.

To overlook these things is to set out with preconceived ideas, inspired by human passions, and to close our eyes to realities. The idea of the Threefold Order of the Social Body is honest in its endeavors to solve the social problem. For that reason its standpoint cannot be the same as that of party-leaders, with catchwords and programs. The Threefold Order must start from facts. Hence, taking its stand on the realities of life, it must recognize

that industry, especially in our complicated life, is based on the initiative of the individual. If we try to substitute for individual initiative the abstract community at large, (See: *Appendix I*) we give the death-blow to economic life. Eastern Europe will prove this, if it remains much longer under its present rule. It means extinction and death to the economic body when we deprive the individual of his initiative, which must proceed from his intellect and take part in the ordering of the means of production purely for the benefit of human society.

What is the origin of the evils we see to-day? The modern process of production, because of its technical perfection, necessitates the initiative of the individual and therefore necessitates that the individual shall have capital at his disposal, and that he shall be able to carry on production on his own initiative these are the results of the recent development of humanity. And the accompanying evils, as we shall see grow out of very different causes. If we want to know their origin, we must, in the first place, take our stand, not on the company-principle, not even on the great syndicate-principle, but we must take our stand on the principle of Association.

What do we mean by taking our stand on the principle of Association rather than on that of companies? We mean that whoever takes his stand on the company-principle (See: *Appendix II*) considers that all that is necessary is for individuals to join together, to confer together, and come to resolutions; then they can control the process of production. Thus the first thing is to join together, and form the company; then from this society, from this community of human beings, to start production. The idea of the Threefold Social Organism starts from realities. It requires, in the first place, that men should be there, who can produce, who have technical knowledge and special skill. On them must depend the business of production. And these experts in technical knowledge and skill must unite and carry on the economic activity founded on the production which springs from individual initiative. *This is the true principle of Association. Commodities are first produced and then brought to the consumer on the basis of the union of the producers.*

What may be called the misfortune of our age is that the difference, the radical difference between these two principles is not understood; for, as a matter of fact, everything depends on their being understood. Entirely wanting is the instinct to observe that every abstract community which attempts to control production must undermine the process. The associative community can only receive what is produced by the initiative of the individual who offers it to the community, to the consumer.

The most important aspect of these things is not perceived, for the reason which I gave yesterday. I said then that at about the time of the Renaissance, of the Reformation, at the beginning of modern history, the precious metals began to be introduced into Europe from Central and South America, and that this led to the substitution of the financial for the natural system of economy, up till then almost the only prevailing system. By this change, a very significant economic revolution was accomplished in Europe. Conditions then arose, to the influence of which we are still subject at the present day. These conditions have at the same time shut out the view like a curtain which prevents one from obtaining sight of true realities.

Let us look more closely at these conditions. Let us begin with the old system of natural

economy, though it is not so much in evidence in our day. The only factor in the economic process is the commodity produced by the individual. This he can exchange for something produced by another; and in this natural economic system, according to which one product is exchanged for another, a certain standard of quality must be attained. For if I wish to barter one commodity for another, I must have something that I can exchange for it and that the other accepts as of equal value. This means that people are forced to produce if they want anything. They are forced to exchange something which has a real, an obviously real, value. In place of this exchange of commodities which have a real value in human life, we have introduced finance, and money has become the medium with which one buys and sells, as one buys and sells with real objects in the natural economic system. We need only recall the fact that money, by becoming a real object in economic transactions, deludes men as to its true nature and, by producing this imaginary effect, at the same time tyrannizes over them.

Take an extreme case. Let us assume that the credit system which I mentioned at the close of my lecture yesterday, makes its way into the economy of finance. As a matter of fact, it has done so of late in many cases. The following example shows the result of this. A government or an individual enterprise has for its object the installation of the telegraph. A very considerable amount of credit can be raised and the scheme is successfully carried out. Certain circumstances demand considerable amounts of money, and interest on these amounts must be paid; provision must be made for the payment of interest. And what do we find in many instances within our social structure especially when the state itself does this business? It happens most frequently in state enterprises that the object for which the money was provided and employed has long since become useless; it is no longer there but the public funds still go on paying off what was once demanded as credit. In other words, the object for which the debt was incurred has vanished, but the money is still an object of economic transaction. Such things have a world-economic significance. Napoleon III, who was completely under the spell of modern ideas, took it into his head to embellish Paris and he had many buildings erected. The Ministers who were his willing tools carried out the operations. It occurred to them that the national income might be applied to pay the interest. The result is that Paris has been very much improved, but the people are still paying the old debt. That is to say, long after the thing has ceased to have any real foundation, manipulations are still going on with the money which has itself become an economic object.

This had, to be sure, its advantages. When business was carried on in the old natural system of economy, the production of commodities was necessary. These were, of course, liable to spoilage; and people had to work, and to continue working, so as to keep up a supply of goods. This is not necessary with money. A man gives over money, lends it, insures himself; that is, money transactions are carried on quite independently of those who produce commodities. *Money emancipates man in a certain sense from the actual economic process, just because it becomes itself an economic process. This is extremely significant. For in the old natural economy, one individual depended on another. Men were forced to work together, to bear with one another. They had to agree on certain arrangements, otherwise the economic life could not go on.* Under the financial system 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 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 financial system of 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.

What else has happened under the ever-increasing influence of modern finance? What is called human labor has become dependent upon it. The regulating of human labor in the social structure is a subject of dispute among socialists themselves, and excellent grounds can be found for and against what is said on both sides. One can understand — especially when one has learnt not to think and feel about the proletariat, but to think and feel with the proletariat — one can well understand why the proletarian says that his labor-power must no longer be a commodity. It must no longer be possible that on the one hand commodities are bought on the market, and on the other hand human labor is also bought on the labor market and paid for in the form of wages.

That is easy to understand. It is also easy to understand that Karl Marx had many followers when he calculated that the workman produces a profit and that he is not paid the full value of his labor, but that the profit produced by him goes to the employer. It is easy to understand that under the influence of such a theory, the workman should fight about this profit. But it is just as easy to prove on the other hand that wages are paid out of capital, and that modern economic life is altogether regulated by capitalism; that certain products create capital and, according to the capital created, wages are paid, labor purchased. That means wages are produced by capital. One argument can be proved as clearly as the other. It can be proved that capital is the parasite of labor; it can also be proved that wages are created by capital. In short, the opinions of either party may be defended with the same validity. This fact ought to be once for all thoroughly grasped. Then it will be understood why it is that, at the present day, when people seek to attain something, they do so preferably by fighting for it, not by progressive thought, and by accounting for circumstances. Work is by its nature so entirely different from commodities that it is quite impossible to pay money in the same way for goods and labor without economic injury. But people do not understand the difference. They still do not see through the economic structure, especially in this section of it. There are countless economists in our day who say: "If money, the currency, either coin or paper money, is increased ad lib., it loses its value, and the necessities of life, especially the most indispensable, go up in price." We observe this and see the folly of simply increasing the currency, for the mere increase, as anyone can see, has only the effect of raising the price of the necessities of life. The well-known endless screw is still turning! (See: [Appendix III](#))

But there is another thing not understood: as soon as labor is paid for in the same way as commodities or products, it must happen as a matter of course that at that moment labor begins to fight for better and better pay, for higher and higher wages. But the money which labor receives as wages plays the same part in the determining of prices as the mere increase of the money in circulation. This ought to be understood. You may do as many a

Minister of Finance has done and, instead of increasing production and taking care to improve it, you may simply issue banknotes and increase the currency. Then there will be more money in circulation, but all commodities, especially those indispensable to life, will be dearer. People see this for themselves; therefore they see how foolish it is simply to increase the money in circulation. But what they do not see is that all the money that is spent in order to pay labor actually has the effect of raising the price of commodities. For sound prices can only be fixed within an independent economic system. Sound prices can only be fixed when they develop in accordance with the true valuation of human activity. *Therefore the idea of the Threefold Order of the Social Organism is to detach labor completely from the economic process.* It will be my task especially to-morrow to go into this matter in detail.

Labor as labor has no place in the economic process. It may seem strange, or even paradoxical, to say what I am about to say, but many things now seem paradoxical which we must nevertheless understand. Consider how far people have fallen away from right thinking! For this reason they often find things absurd which must, nevertheless, be said because they are true. Let us suppose that a man gives himself up to sport from morning till evening; that he makes it his occupation. He expends exactly the same labor-force as one who chops wood, and in exactly the same manner. What is important is to use one's strength in working for the community at large. The sportsman does not do this; the most that can be said of him is that he makes himself strong, only, as a rule, he does not turn his strength to account. As a rule, it is of no importance to the community that a man make a profession of sport by which he tires himself as much as by chopping wood. Chopping wood is of some use. That is to say, the use of labor-power has no importance socially, but what results from such use has a meaning in social life. We must look at the result of the application of labor. That is valuable to the community. *Hence, the only thing which can be of value in economic life is the product of labor-power. And the only thing with which the administration of economic life can have any concern is the regulation of the comparative values of products.* Labor must lie quite outside the economic circuit. It belongs to the department of equity, of which we shall speak tomorrow, in which every adult human being has a right to make himself heard, on equal terms with every other human being. The manner and duration and the kind of work will be determined by the legal conditions prevailing between man and man. Labor must be lifted out of the economic process. Then there will remain to be regulated by the economic system only the valuation of commodities and of the service which one person should receive from another in exchange for his own service. For this purpose certain persons will withdraw from the Associations composed of producers of various things, or of producers and consumers, and so on. These people will occupy themselves with the fixing of prices. (See: **Appendix IV**) Labor will lie entirely outside the sphere to be regulated in the economic process; it will be banished from it. *As long as labor is within the economic system, it must be paid out of capital. This is precisely the cause of all that we call striving for mere profit, the race for wealth in modern times. For in this process the man who has commodities to supply is himself part of the process which ends at last in the market.* At this point it is very important that a highly erroneous idea should be corrected by all who wish to see things in their true light, We say the capitalist places his commodities on the market to make a profit from them. For a long time socialist thinkers have been saying with a considerable amount of justice that the moral law has nothing whatever to do with this

production, but that only economic thought is concerned with it. Today, however, a great deal is said from the ethical standpoint on the subject of profit and gain. Here we are going to speak neither from an ethical, nor from a merely economic point of view; we speak from the point of view of the whole of human society. And the question must be asked: What is it that arises as gain, or profit? It is something which plays the same role in social economy that the rising quicksilver plays in the tube of the thermometer. The rising of the quicksilver shows that the temperature has risen. We know that it is not the quicksilver that has made the room warmer, but that the increased warmth is caused by other factors. The market profit resulting from present conditions of production is only a sign that commodities can be produced which yield a profit. For I should like to know how any one can possibly discover whether a commodity ought to be produced, if not from the fact that, when it has been produced and placed on the market, it yields a profit. This is the only sign showing that one may influence the economic system by bringing out this product. The only way in which we know whether or not a commodity should be produced is that it finds a sale when placed on the market. If there is no demand for it, there is no profit in it.

These are the facts, without all the rambling talk about demand and supply, which we find in the theories of so many economists. The consideration that lies at the root of the matter in this sphere is that the yielding of profit is at present the one and only thing that enables a man to produce a certain commodity, because it will have a certain value in the community. The remodeling of the market, which to-day operates in this way, 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, which 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 out the relation between the value of a manufactured commodity and its price. We may say that the value of a commodity does not come under consideration. It certainly gives the impulse to the demand. But the demand in our present social conditions is extremely doubtful because there is always the question whether there are sufficient means available to make the demand possible. We may 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. For the commodity which we need acquires its human value always in accordance with that need.* Institutions must arise out of the social order which form a link between the value attached to the commodities by human needs, and the right prices. The prices are now fixed by the 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, i.e. the prices must fit the value of the commodities and correspond to it. Instead of the present chaotic market, there must be an arrangement by which the tyrannizing over human needs and the interference with consumption is eradicated. The methods of the Worker-Producers' Associations and the Cooperative Societies must cease, and research be made into the scope of consumption, and decisions reached on how consumption needs can be met.

For this purpose, and following the principle of Association, it will be possible to produce a supply of commodities corresponding to the needs which have been investigated. That is, arrangements must exist with persons who can study the wants of consumers.

Statistics can only give the present state of affairs. They can never be authoritative about the future. The needs for the time being must be studied, and, in accordance with these, measures must be taken to produce what is needed. *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 need lies, in order that more of the lacking products may be supplied. If a commodity tends to become too cheap, that is to say, to earn too little profit, 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 which 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.

We see, then, that as soon as we detach the economic body from the two other departments, which we shall discuss in the following lectures when we shall also treat of the relationship of the other departments to the economic body and of many things which must now seem difficult to understand — as soon as the economic body has been detached from the two others, the State or rights body and the spiritual or cultural body, the economic body will find itself on a sound and reasonable basis. For the only thing with which it will have to concern itself will be the manner of carrying on business. It will no longer be necessary to influence the prices of commodities by manipulating them so that these prices will determine how long or how much the people should work and what wages should be paid, and so on. The only thing that need be considered in economic life will be the relative values of commodities. In this way economic life will be placed on a sound basis, and this sound basis must be preserved for the whole economic life. Hence, in such an economic life as this there will be a return to a condition which has now almost ceased to exist because of the financial system in which money itself has become an object of economic business, a condition in which economic life will be re-established on its natural and worthy foundation. It will not be possible in future to carry on business by means of money and for money; for economic institutions will have to deal with the respective values of the commodities. That is to say, society will again return to goodness of quality, excellence of workmanship and the capability of the worker. The granting of credit will no longer depend on the condition that money is available or tight, or on the degree of the risk to be taken; it will depend entirely upon the existence of men capable of starting an enterprise or of producing something. *Human ability will command credit.* And since human capability will condition the amount of credit to be granted, that amount can never be given in excess of human capability. If you merely give money and allow it to be used, the object to which it has been applied may long have ceased to exist, but the money is still the object of transactions. *If the money is given for human capability, when that human capability comes to an end the object for which the money is used also ceases to exist.* We shall discuss this in the following lectures. Not until the economic body is supported by the two other departments of social life, the independent political and the independent cultural

body, not until then can the economic system be established independently in a sound way on its own foundation. But, to this end, everything within the economic system must grow out of the conditions proper to itself. Material commodities are produced out of these conditions. We need only think of an instance in social life, of something which might be compared to a waste product of economic life, and we shall see how, as a result of true economic thinking, many a thing must be discarded which is now reckoned as a matter of course in the social order and is even defended as a progressive measure of social science.

Among all those who at the present day profess to be experts in practical life, there is not a single individual who doubts that an improvement has been made by the transition from all kinds of indirect taxation and other sources of national income to what we call the income tax, especially the graduated income tax. Everyone thinks it is unquestionably right to pay income tax and yet, however paradoxical this may sound to the modern mind, the belief that the imposition of a tax on income is a just measure is only an illusion resulting from the modern financial system of economy. We earn money; we trade with it. By money we detach ourselves from the sound productive process itself. Money is made into an abstraction, so to speak, in the economic process, just as thoughts are in the process of thought. But just as it is impossible to call up by enchantment real ideas and feelings from abstract thought, so it is likewise impossible to bring forth by enchantment something real from money, *if that money is not merely a symbol for commodities which are produced. if it is not merely a kind of book-keeping, a currency system of book-keeping, in which every piece of money must represent a commodity.* This subject will also be more fully discussed in the following lectures. Today it must be stated that in a period which is only concerned with turning money into an economic object, incomes cannot escape being considered an object of taxation.

But by imposing taxes we make ourselves co-responsible with others for the whole system of financial economy. Something is taxed which is not a commodity at all, but only a symbol for a commodity. We are dealing with an abstraction from the economic life. *Money only becomes a reality when it is spent for something.* It then takes its place in the circuit of economic life, whether I spend it on amusement, or for bodily or mental necessities, or whether I bank it to be used in the economic process. Banking my money is a way of spending it. This must, of course, be kept in mind. But money becomes a reality in the economic process at the moment it passes out of my possession into the process of economic life. If people would reflect, they would see that it is of no use for a man to have a large income. If he hoard it, it may be his; but it is of no use in the economic process. *The only thing that benefits a person is the ability to spend a great deal.* In public life to-day, in a life fruitful of results, the ability to spend a great deal is just the sign of a large income. Hence, if a system of taxation is to be created which constitutes a real service of the economic process to the good of the general community, instead of a parasitical growth upon it, capital must be taxed at the moment it is transferred to the economic process. And, strange to relate, income tax comes to be transformed into a tax on expenditure, which I beg you not to confound with indirect taxation. Indirect taxation is often the expression of the wishes of rulers at the present day, because the direct taxes and income tax do not ordinarily yield enough. We are not referring to either direct or indirect taxation, in speaking of the tax on expenditure; the point in question is that at the moment my capital passes into the economic process, and becomes productive, it shall be taxed. (See: **Appendix V**)

Precisely by this example of taxation, we see how very necessary is a change in our method of thinking, and how the belief that a tax on income is first in importance is an accompaniment of that financial system which has appeared in modern civilization since the Renaissance and Reformation. When the economic system is once placed upon its own basis, the only matter to be considered is that capital actually involved in the production of commodities shall supply the means for the manufacture of the products necessary to the community. It will then be a case of a tax on expenditure, but never one on income.

These are things we must relearn, and we must change our method of thinking. In these two lectures I have only been able to give a sketch of the matter with which I shall deal much more exhaustively in the next four lectures. Anyone who gives utterance to such things knows well that he will arouse opposition on all sides, that at first hardly anyone will agree with him; for all such matters are overlaid by party opinion. But no improvement can be hoped for until they are raised out of the sphere of party passions into that of true thought, resulting from close connection with life. How desirable it would be if people, on first hearing of the Three-Membered Social Organism, instead of judging in accordance with their party programs and opinions, would take their own instinct for truth to aid them in forming their judgments. Party opinions and principles have in many cases led people away from that feeling for truth. Hence, one finds over and over again that those who are more or less dependent on the mere consumption of commodities really find it easy, prompted by their own feeling for the truth, to understand what is the aim of such an institution as the Three-Membered Social Organism. But then come the leaders, especially those of the masses of the socialist party, and it cannot be denied that the leaders show no inclination to enter into consideration of reality. One thing, belonging more especially to economic life, is unfortunately evident, and this is one of the most urgent matters belonging to the social question.

I found, when speaking to the workers on the Threecold Order, that their own instinct for truth enabled them to understand well what was said. Then came the leaders who told them that what was proposed was only a Utopia. It certainly did not agree with their own thoughts or with all that had been working in their brains for decades. They told their faithful followers that these were Utopian ideas, without reality. And unfortunately blind faith has grown too strong in modern times, a blind following, a terrible feeling of subjection to authority in these circles. It must be said that all the respect for authority once shown to bishops and archbishops of the Catholic Church is nothing as compared with that shown by the masses of modern workers to their leaders. This makes it comparatively easy for those leaders to carry out their intentions. What I wish to do is to point out above all things what is honest and not what merely serves cut and dried party interest. If I should be able to succeed in these lectures in showing that what is sought for in the Threecold Organism is really honestly intended for the general welfare of all humanity, without distinction of class, conditions, and so forth, the main object of these lectures will have been achieved.