Today I intend a kind of introduction. In tomorrow’s lecture, we shall begin to try to give a more or less complete picture of the questions of social and political economy that humanity today must set before itself.

The subject of economics, as we speak of it today, is in reality a very recent creation. It did not arise until the time when the economic life of modern peoples had become extraordinarily complicated in comparison with earlier conditions. As this course is intended primarily for students of political economy, it is necessary by way of introduction to point out this peculiarity of the economic thinking of today.

After all, we need not go very far back in history to see how much economic life has changed, even during the nineteenth century. We need only consider this one fact: England, for example, already had during the first half of the century what was, practically speaking, the modern form of economic life. There was comparatively little radical change in the economic structure of England in the course of the nineteenth century. The great social questions that arise out of economic questions in modern times were being asked in England as early as the first half of the nineteenth century; and those who wanted to think about social and economic questions in the modern sense could pursue their studies in England at a time when in Germany, for instance, such studies would have remained unfruitful. In England,
above all, the conditions of trade and commerce on a large scale had already come into being by the first third of the nineteenth century. Through the great development of trade and commerce in the economic life of England, a foundation was already there in the form of trade capital. In England, there was no need to seek for any other starting point for modern economic life. They simply had to go on with the trade capital resulting from the consolidation of trade and commerce, even as early as the first third of the nineteenth century. Starting from this time, everything took place in England with a certain logical consistency; we must not forget that the whole of this English economic life was possible only on the basis originally given by England’s relation to her colonies, especially to India. The whole of the English economic system is unthinkable without the relationship of England to India. In other words, English economic life, with all its facility for evolving large sums of capital, is founded on the fact that there lies in the background a country that is, as it were, virgin economic soil. We must not overlook this fact, especially when we pass from England to Germany.

If you consider the economic life of Germany, you will see that in the first third of the nineteenth century it still essentially corresponded to economic customs that had arisen out of the Middle Ages. The economic customs and relationships within Germany in the first third of the nineteenth century were absolutely old: consequently the whole pace of economic life was different in Germany from what it was in England during the first third, or even the first half, of the nineteenth century. In England, during the first half of the century, there was already what we may call a reckoning with quickly changing habits of life. The main character of economic life remained essentially the same, but it was already adaptable to quickly changing habits. In Germany, on the other hand, habits of life were still conservative: economic development could afford to advance at a snail’s pace, for it had to adapt itself only to technical conditions that had remained more or less the same over long periods, and to human needs that were not rapidly changing.

But in this respect a great transformation took place in the second third of the nineteenth century. Then there rapidly took place an
approximation to English conditions: a development of the industrial system. In the first half of the nineteenth century, Germany had been in all essentials an agrarian country—now it was rapidly transformed into an industrial country, far more rapidly than any other region of the earth.

But there is an important fact in this connection. We might describe it thus: In England the transition to industrial life took place instinctively; nobody knew exactly how it happened. It came as a natural event. In Germany, it is true, the medieval character still existed in the first third of the nineteenth century. Germany was an agrarian country. But while the outer economic conditions were taking their accustomed course in a way that might almost be called medieval, human thinking was undergoing a fundamental change. It came into the consciousness of human beings that something altogether different must now arise, that the existing conditions were no longer appropriate for the time. Thus the transformation of economic conditions that arose in Germany in the second third of the nineteenth century took place far more consciously than in England. In Germany, people were far more aware of how they entered into modern capitalism; in England, people were not aware of it at all. If you read today all the writings and discussions in Germany during that period concerning the transition to industrialism, you will get a remarkable impression, a strange impression, of how the people in Germany were thinking. They actually looked upon it as a real liberation of humanity; they called it liberalism, democracy. Moreover, they regarded it as the very salvation of humanity to get right out of the old connections, the old binding links, the old kind of corporation, and pass over to the fully free position (for so they called it) of the individual within the economic life. Hence in England you will never meet with a theory of economics such as was developed by the people who received their education in Germany at the height of the period that I have just characterized. Schmoller, Roscher,† and others derived their views from the ideal of this “liberalism” in economics. What they built up was altogether in accord with this ideal, and they built it with full consciousness. The English would have thought such theories of economics stale
and boring; they would have thought that one should not trouble to think about such things. Look at the radical difference between the way in which people in England talked about these things (to mention even a man like Beaconsfield, who was theoretical enough in all conscience) from the way in which Richter or Lasker or even Brentano† were speaking in Germany. In Germany, therefore, this second period was entered into with full consciousness.

Then came the third period, the period essentially of “the state.” It is true that as the last third of the nineteenth century drew near, the German state was consolidated purely by means of external power. What was consolidated was not what the idealists of 1848, or even of the 1830s and on, had desired; no, it was the state that was consolidated, and moreover by sheer force or power. And this state gradually laid claim to the economic life for its own purposes, with full consciousness. Thus, in the last third of the nineteenth century, the structure of the economic life was permeated through and through by the very opposite principle as had been in the previous period. In the second third of the century, economic evolution had been subject to the ideas of liberalism. Now its evolution became altogether subject to the idea of the state. This was what gave the economic life in Germany, as a whole, its stamp. It is true that there were elements of consciousness in the whole process, and yet in another sense the whole thing was quite unconscious.

But most important is that through all these developments a radical contrast, an antagonism of principle, was created, not only in thought but in the whole conduct of economic life itself between the English and the Central European economies. And the manner of their economic interchange depended on this contrast. The whole economy of the nineteenth century, as it evolved into the twentieth, would be unthinkable without this contrast between the West and Central Europe. The way in which people sold their goods, the way in which they found a market for their goods, the way in which they manufactured them—all of this would be unthinkable without this contrast.

The course of development was as follows. First, the economic and industrial life of England became possible on the basis of England
having possession of India; next, it became possible for the whole of economic activity to be expanded on the basis of the contrast between the Western and the Central European economic life. In effect, economic life is founded not on what one sees in one’s immediate surroundings, but on the great reciprocal relationships in the world at large.

Now it was with this contrast that the world as a whole was entering the state of world economy—and could not enter! For the world continued to depend on the instinctive element that had evolved from the past, the existence of which I have just indicated in describing the antithesis between England and Central Europe. In the twentieth century, though the world was unaware of the fact, we stood face to face with this situation. The antithesis became more and more immediate, it became deeper and deeper, and we stood before a great riddle. The economic conditions had evolved out of these antitheses or contrasts and, having done so, they were carrying the contrasts themselves ever more intensely into the future. And yet, if the contrast were to go on forever increasing, economic dealings would become impossible. This was the great riddle of the twentieth century. The contrast had created the economic life; the economic life had in turn enhanced the contrast. The contrast was calling for a solution. The question was how these contrasts or opposites would be resolved. The further course of history was destined to prove that human beings were incapable of finding the answer.

It would have been practical to speak in words like these in 1914, in the days of peace. But, in place of a solution, there came the result of a failure to find such a world historic solution. Such was the disease that then set in, seen from the economic perspective.

You must recognize that the possibility of all evolution always depends fundamentally on contrasts or antitheses. I will only mention one example. Through the fact that the English economic life had been consolidated far earlier than the Central European, the English were unable to make the price of certain goods as low as was possible in Germany. Thus, there arose a great contrast of competition, for “made in Germany” was simply a question of competition. And when the war was over, the question could arise: Now that people
have knocked in each other’s heads instead of seeking a solution for existing contrasts, how can we deal with the matter? At that time, I could not but believe in the possibility of finding human beings who would understand the contrasts that must be brought forth in another domain. For life depends on contrasts, and can exist only if contrasts are there, interacting with one another. Thus in 1919 one could come to the point of saying: Let us now draw attention to the real contrasts or contra positions towards which world-historic evolution is tending—those of the economic life, the political life of rights, and the spiritual-cultural life—the contra positions of the threefold social order.

What, after all, was the actual situation when we believed that we must bring the threefold social idea to the awareness of as many human beings as possible? I will describe it only externally today. The important thing would have been to bring the idea of threefolding to the awareness of as many individuals as possible before the economic consequences ensued, which afterward did take place. You must remember that when the idea of threefolding was first mentioned, we did not yet stand face to face with the monetary difficulties of today. On the contrary, if the threefold social order had been understood at that time, these difficulties could never have occurred. Yet once again we were faced by the inability of human beings to understand such a thing as this in a really practical sense. When we tried to bring the threefold social idea home to them, people would come and say, “Yes, all of this is excellent. We see it perfectly. But, after all, the first thing needed is to counteract the depreciation of the currency.” All that one could answer was that it is contained in the threefold social order. Adjust to work with it; that is the only means of counteracting the depreciation of the currency. People were asking how to do the very thing that the threefold social order was meant to do. They did not understand it, however often they declared that they did.

And now the situation is such that if we are to speak again to people today, we can no longer speak in the same forms as we did then. Today another language is necessary, and that is what I want to give you in these lectures. I want to show you how one must think
about these questions today, especially if one is young and can still have an opportunity to play a part in shaping the immediate future.

Thus, on the one hand, we can characterize a certain period—the nineteenth century—in terms of world-historic economic contrasts. But we might also go still farther back and include the time when people first began to think about “political economy,” as it was then called, at all. If you take the history of economics you will see that earlier everything took place instinctively. It was only in modern times that there arose that complexity of economic life, in the midst of which human beings felt it necessary to think about these things.

Now I am speaking, in effect, for students. I am trying to show how students of economics should find their way into this subject. Let me, therefore, now relate the most essential thing on which it all depends.

You see, the time when individuals had to begin to think about economics was just the time when they no longer had the thoughts to comprehend such a subject. They simply no longer had the requisite ideas. I will give you an example from natural science to show that this is so.

We as human beings have our physical bodies, which have weight just like any other physical object. Your physical body will be heavier after a midday meal than before; we can even weigh the difference. That is to say, we partake in the general laws of gravity. But with this gravity, which is the property of all ponderable substances, we could do very little in our human body; we could at most go about the world as robots, certainly not as conscious beings. I have often explained what is essential to build any valid concept of these matters. I have often said what we need for our thinking. The human brain, if we weigh it alone, weighs about 1,400 grams. If the weight of these 1,400 grams were to press directly on the veins and arteries, which are situated at the base of the skull, it would destroy them. You could not live for a single moment if the human brain were pressing downward with its full 1,400 grams. It is indeed fortunate that the principle of Archimedes holds true. I mean that a body loses as much of its weight in water as the weight of the fluid that it displaces. A body that has a certain weight loses as much of its weight in water as a body of water
of equal size would weigh. The brain swims in the cerebrospinal fluid, and thereby loses 1,380 grams: for such is the weight of a body of cerebrospinal fluid of the size of the human brain. The brain presses downward onto the base of the skull with a weight of only 20 grams, and this weight it can bear. But if we now ask ourselves what the purpose of all this is, we must answer that with a brain that was a mere ponderable mass, we could not think. We do not think with the heavy substance; we think with the buoyancy. The substance must first lose its weight. Only then can we think. We think with what flies away from the earth.

But we are also conscious in our whole body. How do we become thus conscious? In our whole body there are some 25 billion red blood cells. These 25 billion red cells are very minute. Nevertheless, they have weight; they have weight because they contain iron. Every one of these 25 billion red cells swims in the serum of the blood, and loses weight exactly in accordance with the fluid it displaces. Once again, therefore, in every single blood cell an effect of buoyancy is created—25 billion times. Throughout our body we are conscious by virtue of this upward-driving force. We may also say that whatever food we consume must first, to a very large extent, be divested of its weight; it must be transformed in order to serve us. Such is the demand of the living organism.

To think in this way, and to regard this way of thinking as essential, are the very things individuals ceased to do just at the time when it became necessary to think in terms of economics. Thereafter, they reckoned only with ponderable substances; they no longer thought of the transformation that a substance undergoes in a living organism—as to its weight, for example, through the effect of buoyancy.

And now another thing. If you call to mind your studies of physics, you will remember that the physicist speaks of the “spectrum.” This band of colors is created with the help of the prism: red, orange, yellow, green, blue, indigo, violet. So far (from the red to the violet), the spectrum appears luminous. But, as you know, before the area that shows a luminous effect, what we call the infrared rays are assumed to exist; and, beyond the violet, the ultraviolet rays. If,
therefore, one speaks merely of light, one does not include the total-
ity of the phenomenon. We must go on to describe how the light is transformed in two opposite directions; we must explain how, beyond the red, light sinks into the element of warmth and, beyond the violet, into chemical effects. In both directions the light, as such, disappears. If, therefore, we give a theory of light alone, we are giving a mere extract of the greater whole. (The current theory of light is, in any case, not a true one. It is significant that at the very time when humankind had to begin to think consciously of economics, human thinking on physics was in such a condition that it resulted, among other things, in an untrue theory of light.)

I have, however, mentioned the matter here because there is a valid analogy. Consider for a moment not the economy of peoples, but, let us say, the economy of sparrows or the economy of swallows. They too, after all, have a kind of economy. But this—the economy of the animal kingdom—does not reach far up into the human kingdom. Even in the case of the hamster we may indeed speak of a kind of animal capitalism. The essence of animal economics is that nature provides the products, and the animal as a single creature takes them for itself. Humanity does indeed reach down into this animal economy; but we have to emerge from it.

The true human economy may be compared to the part of the spectrum that is visible as light. What reaches down into nature would then be comparable with the part of the spectrum that extends into the infrared. Here, on the one hand, for example, we come into the domain of agriculture, of economic geography, and so forth. The science of economics cannot be sharply defined in this direction: it reaches down into a region that must be grasped by very different methods. This is one side of the situation.

On the other hand, just under the influence of the very complicated relations of today, it has gradually come to pass that our economic thinking fails us once more in another direction. Just as light ceases to appear as light, as we go on into the ultraviolet, so does human economic activity cease to be purely economic. I have often characterized how this came about. The phenomenon began only in the nineteenth century. Until then, the economic life was
still more or less dependent on the capability and efficiency of the individual human being. A bank prospered if some individual in it was a thoroughly capable person. Individuals were still of real importance. I have often related, as an amusing example, the story of the ambassador of the King of France who once approached Rothschild, trying to raise a loan. Rothschild happened to be in conversation with a leather merchant. When the ambassador of the King of France was announced, he said, “Ask him to wait a little while.” The ambassador was terribly upset. Was he to wait, while a leather merchant was in there with Rothschild? When the attendant came out and told him, he simply would not believe his ears. “Go in again and tell Herr Rothschild that I am here as the ambassador of the King of France.” But the attendant brought the same answer again, “Will you kindly wait a little?” Thereupon he himself burst into the inner room. “I am the ambassador of the King of France!” Rothschild answered, “Please, have a seat.” “Yes, but I am the ambassador of the King of France!” “Please, then, take two seats!”

You see, what took place in the economic life in that time was placed consciously within the sphere of the human personality. But things have changed since then. Now, in the “great” affairs of economic life, very little indeed depends on the individual personality. Human economic functioning has to a very large extent been drawn into what I am here comparing with the ultraviolet light. I refer to the workings of capital as such. Accumulations of capital are active as such. Over and above the economic, there lies an ultra economic life, which is essentially determined by the peculiar power inherent in the actual masses of capital. If, therefore, we wish to understand the economic life of today, we must regard it in this way. It lies in the midst of two regions, of which the one leads downward into nature and the other upward into capital. Between them lies the domain that we must comprehend as the actual economic life.

Now from this you will see that people did not even possess the necessary concept to enable them to define the science of economics and set it in its proper place within the whole domain of knowledge. As we shall presently see, it is a curious thing, but this region alone (which we have compared to infrared light)—this region, which does
not yet actually reach up into the sphere of economics—this alone is intelligible to the human intellect. We can consider with ordinary thinking how to grow oats or barley, and so forth; or how best to obtain ore in mining. Basically, that is all that we can really think about with the intellect as we have grown accustomed to apply it in the science of modern times.

This is a fact of immense significance. Think back for a moment to what I have just indicated as the concept that we need in science. We consume as food, substances that have weight. That they can be of use to us depends upon the fact that they continually lose their weight within us. That is to say, within the body they are totally transformed. This is not all. They are changed in a different way in each organ; the liver acts upon the substances differently than the brain or the lungs. The organism is differentiated, and the conditions are different for each substance in each single organ. We have a continuous change of quality along with the change from organ to organ.

Now, it is approximately the same when, within a given economic domain, we speak of the value of a commodity. It is nonsense to define some substance as carbon, for example, and then to ask how it behaves inside the human body. The carbon, even regarding the way it is to be considered, becomes something altogether different depending on where it is in the outer world. Likewise, we cannot simply ask, what is the value of a commodity? The value is different according to whether the commodity is lying in a shop, or whether it is transported to this or that place.

Thus, our ideas in economics must be quite mobile. We must rid ourselves of the habit of constructing concepts with the intention of defining things once and for all. We must realize that we are dealing with a living process, and must transform our concepts within the living process. But what the economists have tried to do is to grasp such things as value, price, production, consumption, and so forth, with ideas such as they had in ordinary science. And these were of no use.

Fundamentally speaking, therefore, we have not yet attained a true science of economics. With the concepts to which we have grown accustomed thus far, we cannot truthfully answer the question, for instance, “what is value?” Or, “what is price?” Whatever has
value must be considered as being in perpetual circulation; likewise we must consider price, which corresponds to value, as something in perpetual circulation. If you ask about the simple properties of carbon, you will still know absolutely nothing of what goes on in the lungs, for example, although carbon is also present in the lungs. For the whole configuration of carbon becomes quite different in the lungs. In the same way, iron, when found in the mine, is something altogether different from what it is in the economic process. Economics is concerned with something quite different from the mere fact that it “is” iron. It is with these unstable, constantly changing factors that we must reckon.

Forty five years ago, I met a certain family. They showed me a painting. I think it had been lying up in an attic for about thirty years. As long as it lay there, and no one was there who knew any more about it than that it was the kind of thing one throws away in the corner of an attic, it had no value in the economic process. Once its value had been recognized, it was worth 30,000 gulden—quite a large sum of money in those days. What did the value depend on in this case? Purely and simply on the opinion people formed of the painting. The painting had not been removed from its place; rather, individuals had simply arrived at different thoughts about it. And so, in no case does value depend on what a thing “is” directly. You can never develop concepts of economics in reference to the mere external reality. No, you must always develop them in reference to the economic process as a whole. And within this process each thing is continuously changing. Therefore we must speak of the economic process of circulation before we can arrive at such things as value, price, and so forth.

In the economic theories of today, you will observe that they generally begin with definitions of value and price. That is quite wrong. First it is necessary to describe the economic process. Only then do those things emerge with which the theorists of today can begin.

Now, in the year 1919, when everything had been destroyed, one might have thought that people would realize the need to begin with something fresh. Alas, it was not the case. The small number of people who did believe that there must be a new beginning very
soon fell into the comfortable reflection: “After all, there is nothing to be done.” Meanwhile, the great calamity was taking place: the devaluation of money in Eastern and Central Europe, and with it a complete revolution in the social strata; for it goes without saying that with each progressive devaluation of money, those who live by what I have here compared to ultraviolet light must be impoverished. And this is happening today, far more perhaps than people are yet aware. And it will happen more and more completely. Here, above all, we are directed to the idea of the living, social organism. For it is evident that this devaluation of money is determined by the old state restrictions and limitations. The old state restrictions and limitations are interfering with the economic process. The latter must indeed be understood, but we must first gain an understanding of the social organism. Yet all economic systems—from Adam Smith† to the most modern—reckon, after all, with small regions as if they were complete social organisms. They do not realize that, even if one is only using an analogy, the analogy must be correct.

Have you ever seen a complex, full-grown living organism, such as the human being, for instance, in this drawing?—immediately beside this human being a second one, and here a third, and so forth. These human organisms would be quite charming, attached to one another in this way; however, with complex, full-grown organisms there is no such thing.

Yet, with the separate states and countries, this is the case. Living organisms require an empty space around them—empty space between them and other living organisms. You could at most compare single states or countries with the cells of the organism. It is only the whole earth that, as an economic body, can truly be compared with a living organism. This ought surely to be taken into account. It is quite palpable ever since we have had a world economy that the single states or countries are at most to be compared with cells.

The whole earth, considered as an economic organism, is the social organism.
Yet this is nowhere being taken into account. It is precisely owing to this error that the whole science of economics has grown so remote from reality. People want to establish principles that are meant to apply only to an individual cell. Hence, if you study the French theory of economy, you will find it differently constituted than English or German or other economic theories. But as economists, what we really need is an understanding of the social organism in its totality.

So much for today by way of introduction.