Balanced Economy

Gift-money / Lend-money / Buy-money

H.J. Gels

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2017

CIP-GEGEVENS KONINKLIJKE BIBLIOTHEEK, DEN HAAG

Gels, H.J.
Balanced Economy (1e edition v2)
ISBN 978-94-02170955
07-04-2019

Gels, H.J.
Evenwichtige Economie (2e edition v5)
ISBN 978-94-0216837-2
07-04-2019
Evenwichtige Economie (1e edition)
ISBN 90-72387-01-5
1987

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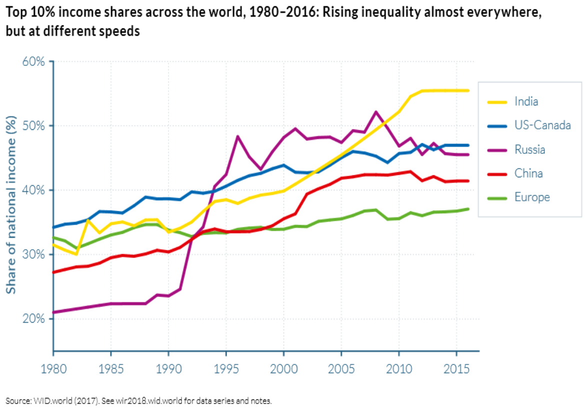
PREFACE

In the autumn of 1987 the first edition of the booklet 'Balanced Economy' was published. I wrote it on the insistence of Lex Bos and with his support. He was one of the founders and the first president-commissioner of Triodos Bank. The content has not lost anything to date. On the contrary, given the years of constant unrest and the series of accidents in the financial world.

In continuation of the first edition of 'Balanced Economy', 'Redesign of Capitalism' was published in 2015. 'Balanced Economy' describes the essence of what has been presented in more detail in 'Redesign of Capitalism'. In 'Redesign of Capitalism' a number of subjects are further deepened, a connection is made to existing literature and - thanks to Tom van der Kroef – a complete chapter is dedicated to the global financial crisis that broke out in 2008. In addition, Appendix-4 gives an initial explanation of the premise that the social organism, if seen as an inter-human organism, can be understood as a metamorphosis of the intra-human organism (our own body). This is fundamental to understanding the physiology of the social organism including the economic system.

This slightly revised version and second edition of 'Balanced Economy' has been published to meet the increasing demand for a summary of the book 'Redesign of Capitalism'. The limited size of this booklet will make the content more accessible than its extensive successors, and more suitable for translation. The enthusiasm of Ad Planken, the former chairman of the Basic Income Association, gave me the last push. The most important change in this slightly revised booklet is the following. The order 'physical - social-cultural' in the financial balance sheet and income statement has been reversed to: 'cultural-social-physical'. Thus 'cultural' is now situated at the top and 'physical' is at the bottom. After all, for us as 'social' human beings, the earth - 'physical' - lies underneath us, it is under our feet (see also page 317 in 'Redesign of Capitalism').

It is of the utmost importance that – thanks to Hayley Bagnall - this translated version is now available to the English speaking, because of their dominating the financial world already for so long. They are therefore pre-eminently the ones to take responsibility and initiative for the worldwide needed fundamental changes in the global financial reality.



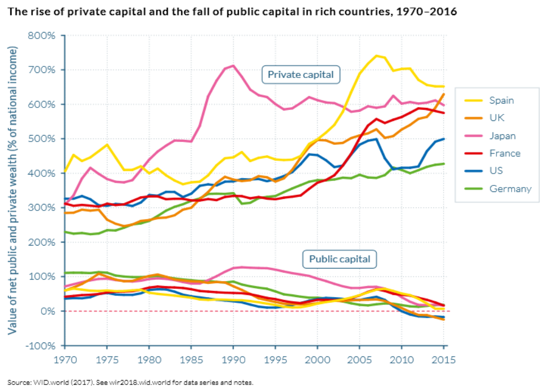
The established powers (governments, financial services and institutions) are yet to take serious lessons from the recent global financial crisis. Like a moat, large financial buffers were created to safeguard the existing financial order and their established ways (mores). Only marginal, but not fundamental adjustments have been made. With renewed strength, one continues with the usual financial practices. But this path of accepted financial conventions inevitably goes from crisis to crisis and will lead the great masses into economic bondage, social chaos and cultural death. An important indicator of the (im)balance of the economy is the distribution of wealth, that is the distribution of incomes on one hand and the distribution of capital on the other hand. And the distribution of income points in the direction of continuing polarisation: economically, the social organism is becoming increasingly ill. That is a most worrying issue that affects us all!

This booklet aims to provide a way out!

The economy, including the complete financial household, is not something we encounter; we create it ourselves! So, we are accountable and we will have to take responsibility. Our society is facing a decisive choice: continue with the existing paradigm or choose for a new, more equitable and sustainable direction.

According to Steiner, this new direction begins with recognising and respecting the threefold social order[1], and by doing so, making a distinction between three fundamental qualities of money: gift-money, lend-money and buy-money. This quality approach leads us to a more human-friendly society with cultural freedom, social harmony (cosmos versus chaos) and economic brotherhood.

Steiner gives an important clue[2]: "That is what is so infinitely necessary for the future of humanity: people must train themselves to stick to reality while thinking, to really stay with their thinking into reality. Today, people are thinking almost only in words, they do not really think in reality." In this respect he also speaks of 'dead concepts' and 'empty words' likened to abandoned shells. It is the result of a gradual but progressive abstraction process that has already been going on for ages. We refer specifically to this clue in this booklet. In the case of the financial term 'share', section 3.16 leads to a most staggering discovery that has major consequences. Unfortunately, Piketty[3] c.s. leave the concept of 'share' untouched. Their graph on the right is based on this. It is very important that the concept of 'share' is reconsidered. This reconsideration is necessary and urgent in order to arrive at a more balanced distribution of assets and properties. You will find this reconsideration in this booklet.



I hope you'll enjoy reading it.

H.J. Gels,

December 2017.

[1] The social threefolding was described for the first time in 1917 by Rudolf Steiner. See Gesamtausgabe number 23.
[2] See the Gesamtausgabe: number 293 page. 118, and number 172 page 139 and number 198 in lecture 10.
[3] Thomas Piketty is a French economist whose work focuses on wealth and income inequality. He is among other things a professor (directeur d'études) at the École des hautes études en sciences sociales (EHESS), associate chair at the Paris School of Economics.

PREFACE ON 'BALANCED ECONOMY' (1987)

During the last twenty years of my career, starting as a junior clerk and now as a senior organisational consultant, I have remarked the following in the world of the organisational consultancy:

- The absence of a deepened and life-friendly insight into the reality of organisations that goes hidden behind a splendid mix of more or less hollow jargon.
- The pace and extensive adoption of automation in organisations, almost always determined by the available financial capacity. Partly because the socio-cultural impact of automation on organisations has been insufficiently experienced and recognised.
- A continuous but healthy distrust, particularly of employees, against mainstream theories and practices as used by experts in the area of organisation, automation, corporate finance and management. Often misinterpreted as ‘resistance to change’.

At a pretty late stage I realised that the majority of the above mentioned areas of expertise concern phenomena that cannot be perceived by the human eye. To such experts these phenomena only become (apparent or assumed) reality through inner efforts, such as research, reflection and conceptual thinking.

Our own actions are an expression of our conscious and unconscious thoughts and ideas. The fate of our organisations reflect the impact of those actions, and thus also of our underlying habits and ideas. Ultimately, we have created our own reality, a macroeconomic and microeconomic organism that is confronting us with all kinds of worry and misunderstood issues. That discovery meant to me that we must thoroughly revise our own habits and ideas. But how? Our views and ideas are shared through language. So, in daily life language is a determining factor. Therefore we have to search for the original wisdom, that verifiable still available in our language, as a common heritage. In this booklet we wonder to what extent our usual financial terminology has been alienated or distorted if we compare it to its original meaning (as far as this is still available in the language).

Especially during my spare time in the last seven years (since 1987) I focused on such a revision of financial terminology. This started with the discovery that a hidden source of wisdom has been preserved in language. This booklet will show how this source can authentically serve as a basis for the composition of the balance sheet and the income statement. Also for the subsequent categorising and grouping of financial items, as registered in bookkeeping.

The contents of this booklet are pretty unorthodox. Therefore, in advance, I would like to address and weaken some of the cynical views, which I have encountered in the past:

- "That's way too idealistic, we live in a materialist era." Idealism means that in daily life one favours a particular ideal. But, the materialist is also an idealist, who just doesn’t want to recognise that he gives preference to the idea that matter is the only existing reality.
- "That is not achievable." A practical example, produced using an automated accounting system, gives proof that it can be achieved. With just a small extension to the so-called 'chart of accounts', it is quite easy to integrate into the usual accounting systems. The fact that our legal system is complicating the social integration is certainly true. However, a legal system is a system of agreements and because it operates retrospectively it can and should adapt to changed views.

- "Very interesting, indeed! So this new method offers an alternative for the method we're currently using? But, alas, we already have a method in use." That's the position of the kidney patient, who starts eating their next portion of a salty delicacy. "Nice to know that there is also a salt-free delicacy as well."

Our current economy is characterised by polarisation, which is, among other things, most visible in extreme money concentrations: very poor and very rich countries, organisations and individuals. This problem seems to be a rather insoluble macroeconomic issue. Yet, in this booklet you will find an alternative approach which I think is worth considering.

This approach provides a practical solution to the above mentioned problems. This solution is to be used at the micro level and will enable us to sanitise the social organism upwards, starting from the microeconomic level. Ultimately this leads to sanitisation at the macroeconomic level. This solution method gives everyone the opportunity to contribute at his own place within society.

1. INTRODUCTION

In this chapter we present an overview of the chapters of this booklet. Thereafter we focus on its purpose and some advantages and disadvantages of the new method proposed here.

1.1 Overview of the chapters

Below we give the reader an overview of the chapters and how they are interrelated.

In **chapter 2** we put the question if now is the time to speak of a balanced economy, and to what extent the financial balance sheet plays a role. Among other things, we will have a quick look into the historical development of the balance sheet. We will see that a quantitative but not qualitative reporting principle is used on the composition and format of the yearly financial statement. In addition, that the current ideas on business economics actually proclaim business egotism, with all the antisocial tendencies that result from it.

For us, the financial balance sheet is not just an instrument to report about the financial situation in the past. It provide insight into the financing situation, and acts as an equilibrium instrument aimed at a financial future for restoring the imbalances in the financing of assets on the balance sheet.

The qualitative approach is new. That 'new' requires us to first carefully assess the content of our current concepts and ideas on financial-economic phenomena.

In chapter 2, we start by discussing our view on language as a phenomenon. After all, in our language, we put our views and ideas into words. The same applies to our financial views and ideas. We communicate about finance with financial terminology.

We will conclude, among other things, that finance always may relate: to **objects**, or to **agreements** or to **development**. Accordingly, that the several kinds of financial guarantees in these three fundamentally different realities must be anchored.

These three layers of reality refer to the well known '*nature*', '*nurture'* and '*culture'* (resp. physical objects, relational agreements, and development). These three realities are fundamentally different in terms of source and characteristics. It is therefore not indifferent what certainties are attached to the relevant funding. Even if one cares only very little about the health of the social organism, recognising this distinction and respecting it in the finance practice is of concern to the entrepreneur and financier.

After all, someone who does not take this distinction into account, may confuse different kinds of certainties and thereby create the illusion of certainties that ultimately may be fatal. Note that the financier may also be the victim of this illusion and it's damage.

After the completion of chapter 2, we will have laid a suitable foundation for further designing, or more precise, redesigning our economy.

In **chapter 3** we will examine some very common financial terminology. Words that are widely used in daily social and financial-economic life. One by one we will examine their meaning. We will test to what extent the current common beliefs correspond to the real meaning of each financial term. We will also systematically ask ourselves at what reality the term in question refers to: the cultural, social and physical reality. It is a method, full of surprising discoveries, and because it concerns common terminology, it is of importance to everybody. It is in any case an excellent way of learning how to recognise the principles of the threefold society.

After closely examining our daily financial terminology, we can collect the first harvest in **chapter 4**. In this chapter, we categorise the examined words according to the above mentioned three realities: cultural, social and physical. Doing so, step by step, a new composition of the balance sheet and income statement will be discovered. A composition that clearly reports the financial position in terms of the three qualities of money: gift-money, lend-money and buy-money. A composition, which respects what is indicated by the content of the financial words themselves. It shows the presence of an authentic and verifiable basis in our language for determining the truthful format of the balance sheet and the income statement. In other words, this does not have to be thought out, designed and negotiated by experts, as has happened in the past. In a sense the new composition is already there, but more or less (still) hidden in language.

Chapter 5 shows what this new qualitative composition means for financial daily practice. We discuss the consequences for the presentation of the annual figures as well as a number of conclusions that can be drawn from it. Also some new ratio's will be presented.

We have included the underlying overview of the used ledger accounts in Appendix-1 in order to facilitate the expert reader to compare the new developed format with the current compliant EC directives (1983). However, the conventional classification itself is not discussed. For this we refer to the extensive literature available in the library and bookstores.

After elabourating on the practical example, **chapter 6** explores some of the issues that relate to the possibilities and difficulties of applying insights developed in the preceding chapters.

The closing part, **Chapter 7** briefly describes some perspectives which can be derived from the insights developed in this booklet. This chapter is therefore task-oriented.

Practice has shown that financial and economic experts will likely have the greatest chances of encountering difficulties reading this booklet. The more you identify yourself with the usual financial theories and practices, the more trouble one seems to have with leaving these behind and creating inner room for alternatives. Only thinking about the ‘new’ can sometimes lead to strong feelings of uncertainty and threat. This became promptly apparent during the first course we gave about this subject. Nevertheless, you are being offered a serious alternative that is built on logic and is verifiable as well. Thereby you will be offered a real choice.

1.2 The purpose of this booklet

This booklet is specifically not about discussing accounting. It is about the financial reporting derived from the accounting. The main goal is to contribute to the realisation of the threefold society. Starting with the balance sheet and income statement to make these suitable (again) as a necessary tool for creating a healthy balanced economy. For example, as a result of the financial position that can be read out of the balance sheet, decisions can be made to improve the financial situation. This shows how the financial balance sheet may function as a steering tool for the distribution of assets (distribution of wealth) in society. The income statement provides insight into the incoming and outgoing cash flows and therefore provides a steering tool for the income distribution in society (especially within companies and institutions*)*. In effect they should actively be used for this social role!

As described above, chapter 4 and 5 show a new composition of the balance sheet and the income statement, which is derived from what (still) lives in the daily language. But that composition will only become visible if we have purified our daily financial terminology from the impurities that have penetrated it over time. That is what we have done in chapter 3. The new composition requires a threefold format for reporting the financial figures:

- A 'cultural' subbalance (=gift-money)
- A 'social' subbalance related to 'nurture' or ‘social life’ (=lend-money)
- A ‘physical subbalance related to 'nature' or ‘physical life’ (=buy-money)

all grouped together in one total balance sheet. In short, the new balance format is as follows:

debit	cultural subbalance	*credit*

debit	social subbalance	*credit*

debit	physical subbalance	*credit*

Now, what can we do with this new layout of the balance sheet? Well, a balance is an equilibrium instrument, so, the core task is to create equilibrium in each subbalance. In this paragraph we will describe in what way this can be achieved. Each subbalance also has the same basic format: each has 4 debit categories (assets) and 4 credit categories (liabilities).

debit **cultural subbalance**	*credit*
12. Cultural funds provided	Cultural funds received (incl. internal cultural reserves)
11. Debtors on donations/dividend	Creditors on donations/dividend
10. Debtors on development work	Creditors on development work
9. Creations from the mind/spirit	Depreciation of creations of the mind/spirit
Debitsaldo	*Creditsaldo*
Total cultural subbalance (debit)	Total cultural subbalance (credit)

‘Creatons from the mind/spirit’ is including the R&D. The cultural subbalance is oriented towards 'development' and marks the area that has '**gift-money quality**' (related to donating).

The total at the debit-side of a subbalance must of course be equal to the total at the credit-side!

In this cultural subbalance, only debit-items and credit-items are weighed against each other in so far as they concern the cultural reality.

As humans, we have our inner world on the one hand and the surrounding world on the other hand. We live as social human beings in both realities: culture and nature. *'Nurture'* is needed between *'culture'* and *'nature'*! (In German: *Statur* between *Kultur* and *Natur*). Our common social reality connects cultural reality with physical reality. This is reflected in the three financial subbalances, and thus in the new balance sheet. For example, the social balance sheet creates the connection between the cultural subbalance and the physical subbalance. The social balance sheet has the following format:

debit **social subbalance**	*Credit*
8. Social funds provided	Social funds received
	(incl. internal social reserves)
7. Debitors 'provision of livelihood'	Creditors 'provision of livelihood'
6. Debitors services provided	Creditors services received
5. Land, concessions, licenses provided	Depreciation of Land, concessions, licenses
Debit-saldo	*Credit-saldo*
Total social subbalance (debit)	Total social subbalance (credit)

The social balance sheet marks the area that has **'lend-money quality'** and thus marks the limits of bank lending! An important key point. Of course the total at the debit-side of this subbalance must be equal to the total at the credit-side! Lending plays an important role in achieving the equilibrium in this subbalance.

In the social subbalance, only debit-items and credit-items are weighed against each other in so far as they relate to social reality. A credit-saldo on the social subbalance can be reduced, for example, by taking more money from your bank credit. Another way of reducing it is to raise the internal social reserves (at the credit-side under the heading 'Internal social resrves'), insofar as the needed reserves are sufficiently available of course. The remaining credit balance after the reduction represents the amount that was used by the organisation (socially-economically speaking) unjustly for the purpose of financing social assets. Unjustly, because it has inevitable consequences elsewhere in society (compare: "if I push here, I feel the pain somewhere else").

The last part of the balance sheet is the physical subbalance. It's format is as follows:

debit	**physical subbalance** *credit*
4. Physical funds provided	Physical funds received
	(incl. internal physical reserves)
3. Debitors on interest/damage	Creditors on interest/damage
2. Debitors on products/goods	Creditors in products/goods
1. Products / goods (incl.objects)	Depreciation of products/goods
Debit-saldo	*Credit-saldo*
Total physical subbalance (debit)	Total physical subbalance (credit)

The physical subbalance orientates on 'nature' and marks the area with **'buy-money quality'**.

In this physical subbalance, only debit-items and credit-items are weighed against each other insofar as they concern physical reality.

If we look at the basic format of the three subbalances, we can distinguish three 'cornerstones': 'Research & Development', 'Land & Licenses' and 'Goods & Products'. Each subbalance has it's own cornerstone. See the above mentioned categories 1, 5 and 9. Out of each cornerstone, the rest of a subbalance appears, each time in the same basic format (4 debit-categories and 4 credit-categories).

To reduce a credit-saldo on the physical subbalance the internal physical reserves at the credit-side of the physical subbalance can be raised, insofar as sufficient reserves are available. Namely under the heading "Internal physical reserves".

If there are insufficient reserves available there will still remain a credit-saldo on the physical subbalance. That remaining amount is unjustly used by the organisation (socially-economically speaking) to finance physical assets/receivables. That amount was unjustly withdrawn from the social and/or cultural subbalance. We call this socially economically unjust because elsewhere in society - at a completely different place - someone is unaware of the cause as to why he is trying in vain to get such an amount to fund social and/or cultural assets.

The reader will have noticed that we are talking about the use of internal reserves. This implies the recognition of external reserves, such as damage funds, social security funds and development funds. In section 3.25, we discuss this subject in greater detail.

We have reached a point to draw an important conclusion. What is commonly understood as equity, is split up into three parts in the new balance sheet: internal cultural reserves, internal social reserves and internal physical reserves.

The described procedure in a summary:
First, the equilibrium of the physical subbalance has to be restored by means of available internal reserves. The second step is to restore the equilibrium of the social subbalance, insofar as the internal reserves are available and/or sufficient bank credit is available. Finally the remaining internal reserves are freely available for use for internal development purposes, or are free to be given for development purposes as a dividend to third parties. (Note: this sequence is similar to the top-down order in the so-called Maslow pyramid.)

The income statement.

The new composition of the income statement leads to a new layout, as shown below:

debit / expenses	**Income statement** / *receipts / credit*
7. Expenses to development work by third parties	Revenue from development work for third parties
6. Expenses to services provided by third parties	Revenue from services provided to third parties
5. Expenses to used products/goods	Revenue from sold products/goods
Total external assignments 'provided'	***Total external assignments 'recruited'***
4. Expenses for staff	(Staff benefits)
Total internal assignments 'provided'	
3. Outgoing donations, dividends, depreciation of cultural assets	Incoming donations, dividends, etc.
2. Outgoing provision for livelihood, (capital) rent(e), depreciation of social assets	Incoming provision for livelihood, (capital) rent(e), etc.
1. Outgoing damage compensations, interest, amortisation of physical assets	Incoming damage compensations, interest, etc.
Total capital expenses	***Total capital revenues***
Total expenses	**Total receipts**

Here too, the three debit categories 'income from capital' relate to the corresponding credit categories 'capital expenses'. These can be truthfully placed opposite each other. Similarly, the 'revenue from external assignments' against the 'expenses for external assignments'. Grouping of revenue and expenses thus takes place around the factors:

- Financial capital
- Internal assignments
- External assignments

For convenience: in this context ‘capital’ is given the same meaning as what is commonly understood in the term 'capital'. Later on in the booklet we will elabourate on this even further. The factor 'labour' is divided into two groups: internal assignments and external assignments. The usual contrast made between 'capital' and 'labour' only offers half the truth, therefore it must be seen as an incorrect simplification of reality!

1.3 Pros and cons

For many people the first question is: "What is the benefit for our business? What will this new approach bring us?" A question that is very characteristic for our time! That question can be answered as follows. The organisation does not directly benefit itself… however, it will result in a reshuffled distribution of funds between organisations. And that's precisely what will strengthen the social organism as a whole. Ultimately it is an indirect benefit for all and thus -in the longer term- also a benefit for each organisation, even your own organisation!

Because this new approach takes into account the structure of the organic forces that are active in the social organism it delivers benefits for all. It is an approach that strengthens these organic forces instead of obstructing and weakening them, as is done in the usual approach. The distribution of funds between organisations by means of financing (cultural financing, social financing, physical financing etc.) can now be based on the principles of the threefold society, as described. This enables the parties involved to find a practical balance between (business-)egoism on the one hand and (business-)altruism on the other. This approach will also restore the financial balance sheet as an equilibrium instrument. This refers specifically to the title of this booklet: ‘Balanced Economy’.

There is another important advantage of this approach. The limits of the bank lending are now unequivocally drawn: it is limited to the scope of the social balance sheet, the area of 'lending quality'. Only the social assets provide the scope for bank lending. In addition, the limitation is that banks are no longer allowed to seek the collateral they require in order to cover the credit risk in cultural or physical assets. Obviously, professional lenders will regard such limitations as unacceptable and irresponsible. But of course this is strongly coloured by their limited business-economic interest, in other words their business-egoism. These banking business tensions will have an impact on the lenders involved, mostly the current financial institutions, and will be very inconvenient. But ultimately they will sanitise and strengthen society as a whole.

The scope of banking business restrictions on the area of the social subbalance will first become apparent in chapter 4. Other forms of financing (by social reserves e.g. stored in pension funds) will be given much more room as a result of the limitation on lending by the banks. The need for this has been reported to the legislature by the insurance industry for a long time, as they struggle to invest their money responsibly in society. With the new approach, as described in this booklet, everyone – each in his own position in the social organism - can effectively contribute to the health of the social organism as a whole. Only a small expansion of the ledger accounts and the additional two financial reports (the new quarterly and annual balance sheet and income statement) might be seen as an additional effort.

2. BALANCED ECONOMY

Economists have defined 'balanced economy' as a state of finance in a country or nation in which both the import and export of a country are equal. But 'balanced economy' encompasses much more than just that, as we will show in this booklet.

Since ancient times, a certain level of consciousness has enabled us to recognise that balance and health are very much interrelated to each other. But what about the health of todays' social organism?

Can we call the contemporary economic life fairly balanced? We regularly see recessions, large-scale unemployment, bankruptcy waves, large differences in wealth between poor and rich countries, commodity and currency crises, etc. Therefore we may conclude frankly that we do not have a real balanced economy. Todays' economy, which is continuously dealing with the problem of the right distribution and use of available but finite resources, cannot really find and keep the healthy balance.

If we take that equilibrium issue concretely then it makes sense to take a look at other balancing activities. For example, take a bascule: weight on one side and counterweight on the other side. The exact equilibrium is achieved where (theoretically) the bar is exactly horizontal. It is the process of weighing two quantities relative to each other.

Finance involves among others the weighing of the assets/rights against the liabilities. Changes in the economy are expressed in money and registered in bookkeeping accounts. The financial balance sheet - as a report derived from these accounts - is a sort of scale: weight and counterweight. Provided, however, that when weighing both values against each other (weight and counterweight) we usually consider two things: the amount and quality of what is weighed against each other...

But how is this expressed in the two well known financial reports: the balance sheet and the income statement? The weighing of quantities is clearly recognisable: the total debit amount must be the same as the total credit amount. But how is the quality of both weighing values taken into consideration? i.e. are assets weighed against qualitatively similar liabilities? At first sight a somewhat nonsense question. But in the next chapters we will see that this question is of the utmost importance, at least if we want a healthy balanced economy!

This quality issue seen from the point of view of history:

In his (Dutch) booklet "History of Bookkeeping" Dr. O. ten Have indirectly refers to an essence of this quality issue, that is critical to financial reporting:

In the time of emergence of companies, government firstly protected lenders, later on the creditors became protected and only in the middle of the 20th century did employees receive protection (read: legal certainty has been provided). This legal development shows clearly that the core issue of economics cannot be reduced to just the struggle between 'capital' and 'labour'.

According to the facts we have to distinguish the following three categories: capital, (external) third-party/other organisations and internal staff/own organisation. In summary:

- 1) lenders => capital
- 2) creditors => (external) third parties or other organisations => work done by external parties. Or debtors => work done for external parties.
- 3) employees => internal staff => work done by or for own employees.

The same "History of Bookkeeping" shows the following development:

First phase: from about 2250 BC until about 1300 AD accounting to support large-scale land ownership was being developed. Second phase: from about 630 BC up till now accounting to support the 'legal entity' was gradually being developed. The first form of accounting was essentially warehouse administration, in which all assets (including money) are registered as "things". It shows awareness in the world of things or objects. In the second form of accounting we stress two items. The first item is the introduction of the balance sheet for determining the quantitative equilibrium: assets against liabilities. The second item is the recognition that an organisation is an independent entity that has its own means, its own capital, its own name and its own organism. This shows a growing awareness: 1) determining an equilibrium in terms of quantities and ultimately 2) the recognition of the reality of the individual legal entity.

With the unfolding of modern business economics and practices, ethical awareness fades away. Ultimately business theory and practice slides down to corporate selfishness. As a fatal consequence, 'colleague' companies (operating in the same branch) are considered to be a competitor that has to be contested and - if possible - eliminated. The leading idea is: "If our company is doing well and at the end of each year shows profits, everything is fine". In fact business economics preaches egoism, and that is a powerful source of structural anti-social force in society. This is an important discovery that resulted from my research. Egoism is destructive: slowly but steadily it weakens society and sickens the macro-social organism.

Steiner's lectures indicate that such imbalances in our contemporary economy are caused, inter alia, by the worldwide lack of the qualitative equilibrium principle in all financial balance sheets. Due to International Financial Reporting Standards (IFRS) – like EU guidelines in the past - the layout of financial statements e.g. balance sheet and income statement have more or less been reduced to an annual presentation of just a quantitative vertical sum of amounts. It clearly shows a summative approach.

Todays' financial statements are compiled and presented on the basis of international standards and legislation. This conventional presentation of figures shows in the balance sheet a form-oriented aggregation of amounts: fixed (cristalised), floating (syrupy), and liquid (watery) assets. Additionally, of course, the conventional balance must be (quantitatively) balanced. In other words, the balance sheet is fully arranged according to materialistic quantitative principles! Existing standards clearly do not take any qualitative principles into account as far as this presentation of financial figures is concerned.

In the mandatory presentation of the income statement, the lack of qualitative classification criteria is also showing a good deal: revenue + other revenues - direct costs - indirect costs + financial income - financial charges - taxes. The summative approach is again clearly visible! "Shape and content are one", but only the shape aspect is respected! A true weighing of similar values with same quality does not take place: the qualitative equilibrium between similar assets and liabilities has not been established i.e. the equilibrium between physical assets and liabilities, between social assets and liabilities and between cultural assets and liabilities (including equity) is not separately determined. Measures and actions to restore and retain these three equilibria are not taken. This is not supported by legislation, in contrary it is counteracted.

To show how this qualitative equilibrium can be found, is the goal of the following explanations, including a practical example. The example shows an instrument that can be used by each organisation. It is meant to contribute, through its funding choices, to the much needed sustainable recovery of a balanced economy. It is an important instrument to realise and retain a healthy social organism: practical social economy for every organisation!

This new instrument, for threefold financial reporting, offers entrepreneurs/management as well as funding and banking institutions a key to fund organisations in a socially sound way. Socially sound financing involves: funding tangible assets exclusively with physical liabilities, financing social assets exclusively with social liabilities, and financing cultural assets exclusively with cultural liabilities. This means precise allocation to the three qualities of money: 'gift-money', 'lend-money' and 'buy- money'. In other words: do not mix up these three fundamentally different areas of reality when you are involved with funding. Whoever wants to mix up these three qualities, acts like a colour blind art painter who unfortunately mixes the paint colours wrongly. Inevitably he makes an unsightly artwork because he does not see the difference between the colours. In section 2.4 we will discuss this in more detail.

In many cases this approach does not directly benefit your own organisation. But indirectly it really does! Respecting the three qualities of money, when funding, results in a structurally reshuffled distribution of funds between organisations. And that's precisely what is strengthening the social organism as a whole. Thus an indirect benefit for all and for your own organisation as well!

Considering that each organisation has its own unique share, each organisation remains fully responsible for its own finances, and periodically tunes its funding to its own financial-economic situation (which, of course, changes constantly and requires continuous adjustment).

2.1 Basic principles

We must pay the necessary attention to our starting points and basic principles. After all, a starting point is the point where we anchor innerly on our minds. Ultimately this is the point where all our other thoughts will come true. These points of view or inner positions actually determine the perspective in which all phenomena that we shall have to consider, will be perceived by us. Other starting points cause other points of view, other thoughts and opinions. That is why we must exercise a thorough testing of our thoughts and ideas to determine what extent they match the original wisdom that still lives in our language.

In accounting, language - albeit a little hidden - plays a key role. This becomes evident when we realise that e.g. the heading (and description) of a financial account determines what financial transactions will be allocated to it. The same applies to the ledger accounts and the headings in the financial statement. In other words, language determines the allocation of all financial transactions and movements, and to which account they shall be registered, and subsequently where they will appear in our financial reports! So, language is key!

The description of starting points and basic principles enables you to determine in advance whether you can agree with those described starting points and basic principles. In the case of pure perception of phenomena, all the rest is actually a matter of 1) accurately describing and 2) evaluating the logic that has been used to order our observations and 3) judging the conclusions we have drawn.

Because of the key role we assign in this book to the strength and meaning of language, we have dedicated a separate paragraph to this subject. Section 2.2 will clarify why language is so important in relation to finance. A number of other basic principles are discussed in section 2.3. In the book 'Redesign of Capitalism' there is a separate chapter that discusses 'Basic principles' in more detail.

2.2 The origin of language

The notion that language, or more precisely, a word gets its content or meaning through the appointed terms that people assign to it is widespread. That notion may apply to newly added (modern) words. But that notion is fundamentally incorrect to our traditional vocabulary. The origin of the language - instead of being appointed by people - can better be seen as a "gift of the gods”. That is what we'll try to make plausible here.

The answer to the question which of these two views is correct is very important to further our case for a Balanced Economy. Financial reality shows that the current "agreed" content of financial terminology has doubtful effects and is not so beneficial to society. In the context of this booklet, we draw the conclusions!

In the book "Animals are, what people have", the physician Leen Mees points out, among other things, Ernst Haeckel who discovered the biogenetic law. This law implies that the embryonic development of each individual exhibits a shortened or accelerated repetition of the species.

That law offers a surprising but most welcome grip on the origin of language. Unlike the mineral, the plant or the animal, man is a creature that still has capabilities to (inner) development. Animals do have a physical and social reality; in addition human beings also have a cultural reality. After all: you can teach animals certain tricks, but never art!

Whether humans originate from animals or just the other way around it seems indisputable to state that, in contrast to humans, animals neither have possibilities nor access to the three fundamental areas of culture: art, religion and science.

Haeckel's biogenetic law implies that we can perceive development of human beings in a shortened form 1) in the development of the human embryo, and 2) subsequently to the growing of the child in its very first years.

Through the biogenetic law we are able to retrieve, how humanity has acquired the ability of language. When we observe a young child growing, we can watch how the child acquires the ability of language. (In the embryonic phase, there is of course no real use of language yet.) Only, we need to avoid getting mislead through current theories on this subject. It is primarily a matter of describing the phenomena and thereafter to listen carefully what the theories have to tell us. I like to refer to the book "Childhood Development Phases" by Bernard Lieveqoed; it’s a standard work on the subject. Let’s take a closer look.

In the first period after birth, the baby expresses his feelings with vowels, through a single cry. As in the embryonic period, there is still no real use of language or attempted wording; These expressions are like the uncontrolled movements of the little legs.

Then the child slowly starts to discover its own body, trying to control the movements of mouth, hands, feet etc. just by playing. But still not the first attempt to acquire the language, even though that is nearing. More and more, the child is interested in his environment, but it cannot hold its attention properly. But still ... if his mother is doing a clean diaper, he looks intensively at the mom's mouth which is repeatedly and clearly speaking "m a m a". Very intimate is the moment when her child shows first attempts to imitate the same mouth movements, at the same time as her's. Often by very slightly exhaling of air...then suddenly a bit stronger and well audible. Mother encourages her child, reacts enthusiastically...the child smiles broadly ... and quickly has already lost it's attention. That's the stage of shaping the first words, but still without any content. Words are pronounced (time and again) without any context. In the next stage and driven by his natural focus on imitation, the child is communicating with his housemates. Continually trying to "place" small words in the context of simple events. Like saying "oat" in the early morning. Or saying loudly "Daddy Daddy Daddy Daddy ..." while waving with his spoon in the sky. He slowly discovers the connection between: out of bed, lights on, daddy still at home, in the kitchen, mother with a bottle of milk and mother's question "Do you want some oatmeal?".

The word 'want' is not heard yet. But soon the child will say: "... Johnny oat ...". First after the question, but soon already before he enters the kitchen, prior to the question. At this stage perception and word are still a unity, strongly connected. (At this point the animal world continues to sting.) As the intellectual development is increasing, the distinctiveness grows along with the vocabulary. There is a growing "distance" between the perception on the one hand and the matching word on the other hand. Perception becomes observation.

Gradually, implicit wording has passed into an explicit method, with active thinking becoming an increasingly important role. This is reflected in e.g. syntax, thought constructions, disassembling of toys, experimenting, etc. The mind is increasingly used to distinguish in more detail. Furthermore, words are used that fit more precisely with the different observations. From this time onwards when the child is able to do this on it's own through practice, then the time has come to make agreements about word content. Children even naturally pass through a stage in which they develop their own secret language with their classmates. Only a lot later, is a child able through reasoning to understand previously made mental distinctions and to construct their own more complex argumentations. Ultimately, the observations are reflected in a multi-coloured usage of words by means of conceptualisation. Observation and word content are brought together mentally, and become unified in an inner living idea. The idea in our mind is a spiritual manifestation of the subject that is represented in the observed object. Subject and object prove to be one and the same along this path of development. Within our consciousness the outer and inner, the objective and the subjective are brought back into their true unity, and so reborn in the spiritual reality. This rebirth adds something new to creation which is totally dependant on our own dedication.

During the period in which the child acquires the possibility of the language, no agreement is made with the child on any word content. The nonsense of the agreement theory on language becomes evident, if we imagine that we should teach a child - of around 18 months old - all words in a way like: "what you see here, we call .... and the definition of that word is... "etc. The appointment theory only applies when children are old enough to make language agreements; but by then the basis for language has already been laid.

All in all, the young child acquires the language from the family environment as a whole. It is during this period in which the child receives perception and word in unity, still not separated by the mind. Unconsciously, the little child from his family environment receives the language gift of family members, who are not aware that they have also received a gift from generation to generation: language is largely a traditional cultural asset.

In our present times, we are becoming more and more independent of the - old and familiar - passing on of tradition and habits. We can take away from it and stop the tradition. This also applies to language that traditionally has been passed on. This also has a positive side. Because we take away from it, we can shine our (inner) light over our traditional language from a certain distance, and thereby see the essential value of it. More and more we become able to perceive language as a spiritual object, and to use it as a means. That is also the reason why we can fall under the illusion that words without consequences for the language can be arbitrarily defined and encoded, in accordance with the agreement theory. The fact that we are treating the living language in this way as we have done with nature, is obvious. Now, however, we pollute the language or word environment ... which subsequently creates barriers and problems in the social organism.

If 1) the little child unconsciously receives the language as a gift in his birth environment, if 2) the biogenetic law for humans also remains valid after birth, then in that case 3) the following is also correct: in her youngest times - in her birth environment - humanity unconsciously has received the language as a gift. That conclusion matches with the following statement about the origin of language, that we can read in a very ancient religious document: "In the beginning was the Word. The Word was with God. The Word was God." This means: language is of divine origin, it is a gift of the gods.

The notion that language is a living phenomenon does not imply that we can change the meaning of words without consequences. It affects our living (social) reality. If we ignore this effect, we will damage this living gift and thereby our social organism.

Mind you: the fact that a plant, animal or human is a living creature does not imply that we can change their essence just as we desire without consequence to their natural shape or way of being.

The shape (Gestalt) in which a living being shows itself to us, gets older over the course of time, the same as all living creatures get older. Therefore it can easily be understood, that language and words also change gradually over the course of time: gradual changes in shape (metamorphosis) or ultimately dying out. However, the deliberate and self-willed change of a word content is something completely different!

Humans are beings in development. The same counts for our languages i.e. that such a being has not yet reached the final stage in its development. It will change over time, expressing other aspects of oneself. This also applies to the words from our traditional vocabulary (so, excluding modern terminology). A word filled with life never really can be defined, but can only be described or characterised. The modern tendency of working with definitions is a real hinder for the development in real life.

The view that words can be assigned arbitrary meaning by mutual agreement introduces an alien principle regarding the traditional language. Whoever claims that humans have the power to "cipher" words differently, is right. But with that claim, it emphasises that human beings are confronted with a real free choice: either to use that power or to withhold that power unselfishly for the sake of the survival of the relevant - traditionally passed on – words e.g. the financial term ‘rent’.

In the ancient times, when the creative life force of language strongly lived in humanity, myths, sagas, spells and fairy tales arose. Later, when that force was weakening, the legends, fables, stories, etc. emerged. In the last few ages the creative force of language has almost receded, and that "empty space" has been filled with free fantasy such as novels, fictions, non-fictions, etc. This implies that we sometimes have to go back in time, to reverse historical word metamorphoses until in the ancient Greek and early Roman times, in order to trace back the source of the creative force of language e.g. the term 'cost' is a nice example.

The fact that every language has its own word form to denote a same phenomenon from reality, is not contrary to the aforementioned. This difference in wording (table, tafel, Tisch, etc.) does not change the relevant phenomenon. The difference shows that people in different ways relate to the same phenomenon. As a people or collective, apparently they have a different sense, relationship or consciousness to the same phenomenon. (The language is the soul of a people: as referred to by Dutch writer J.H.Halbertsma.)

Through abstraction, a word is robbed from it's own creative life force (Latin ‘abstraho’ meaning: squeezing, cropping, locking out). This happens when the user of a word in his mind loses the contact partly or completely with the spiritual essence of that word. Thus the word loses its capability to fulfil its creative task for our social life within the social organism. It is then the responsibility of the user of that word, not of the word itself. This phenomenon does not distinguish between rank or position. This is todays’ common practice, and usually results from intellectualism that is insufficiently receptive to reality.

In short, we must be alert. It is a task for everyone to judge independently with what saying power he or someone else uses words related to the financial reality.

In word research, it is a matter of scrupulous observing through our inner ear when carefully listening to what the essence of a word is telling us. This is a kind of eavesdropping on the word content. A rather difficult task in times of dimming word awareness and strong intellectualism.

Especially in ancient words there is a creative life force, for which we have almost lost consciousness over the centuries. When we go and look for that life force in words - of words used to indicate certain financial and economic phenomena - then we are going to look for the creative life forces that are active in those phenomena within the social organism!

If we find the source from which those creative forces originate, then we arrive at the sources from which the social organism originates, including our financial and economic reality.

2.3 Everything has it’s own place

The Dutch and German language indicates a tight connection between "counting" (numbers) and "telling" (words). That connection also lives in an old Flemish saying, to which Hubert Lampo refers in the title of one of his books: The gods must have their number. In this chapter we take this indication seriously to elabourate further.

Forces, as well as economic forces, work in good order (cosmic) when they work according to their own being, and in accordance with their own "mission". And vice versa. These forces work in disorder (chaotic) when they do not work according to their essence or actual "mission". This view is essential for achieving and guarding harmonious cooperation within the social organism. We distinguish three qualitatively different forces to be able to recognise them in daily practice: cultural, social and physical forces. Once recognised, we can then give all financial positions and events their own 'place' on the financial balance sheet and income statement.

We will research all relevant words from the usual financial-economic terminology and try to find out which of these three forces they refer to: cultural, social or physical. Here we have to restrict ourselves to the words we use daily.

Financial phenomena that occur in an organisation should be reported correctly in financial reports (e.g. an annual account). To ensure the correct representation it is crucial that we give each financial phenomenon it's right place in the financial reports. That right place must be in accordance with the force where the word for that phenomenon itself refers to. In concrete terms, for example, financial 'rent' has to be reported in a different place in the financial statements than 'interest'. In the following chapters this will be discussed in detail.

When every financial phenomenon is reported at the correct (justice = right = proper) place, then the financial report shows us a real life view of our financial reality. Vice versa: the same in an incorrect place does not show us a real life view. In the current annual financial statements this is ignored. That is why they give us a structurally incorrect view of the financial reality.

In order to intervene financially in good order (cosmos) and bring light to our economic reality, it is vital to get a true representation of that reality. A correct financial report shows us that reality. Vice versa, an incorrect representation invites a financially incorrect (chaotic) intervention in economic reality. And that's exactly what the current legally mandatory layout of the financial statements does. It invites financial interventions that contribute to chaos within the social organism. The more chaos, the more it weakens society, the more our social organism gets ill!

We should give each financial phenomenon its own place to where it really belongs in the balance sheet and income statement. If we do, then we listen to the cosmic wisdom that (still) lives in the language that has been passed on to us by tradition. If instead we give each financial phenomenon a place at our discretion, then we listen out of stubbornness to our 'own wisdom'. To the extent it differs from the cosmic wisdom that lives in the language, we ourselves create our "own (chaotic) wisdom".

The words that we use in (business) reality to designate financial phenomena can be subdivided into three categories: cultural, social or physical. Which category must be chosen depends on the content of the word involved. We will make this subdivision in the following chapters. While doing so we will gradually get an idea of what should be understood as **'gift-money', 'lend-money' and buy-money'.**

For many, it is evident that our economy shows our social organism is regularly "sick." These diseases only reflect that we are dealing with our social organism in a wrong and sickening way. Those 'sicknesses' are the mirror images of our own ideas and thoughts about economy. The same counts for finance. Some of the usual beliefs and ideas are supposedly 'sick'. What is striking is the difference between poor and rich countries is getting bigger. But also in rich countries, slowly and surely the difference is increasing between the rich and poor individuals and between rich and poor companies. Such polarization can be regarded as a generic hallmark of the disease process. The usual beliefs, ideas and practices work to polarise at the micro, meso (= mid sized) and macro level in society! In spite of all good measures that are implemented even in empathetic (socially-feeling) countries, only the sanitisation of these ideas can really help our social organism and our economy to get structurally healthy.

Financial reporting by companies has been standardised in the IFRS-guidelines. EU Member States have detailed national legislation about the composition of the financial annual statements. If, however, 'sick' ideas and thoughts are standardized, then the 'disease' itself is elevated to standard! To improve this situation it will require superhuman involvement because it is managed and defended by the prevailing order of bankers, investors, controllers, accountants, tax specialists , etc. They defend a powerful stronghold that is firmly anchored in a multitude of national and international laws and regulations, and global networks of all sorts of financial systems.

Finally we conclude that, in the case of innovations, "the child should not flush away with the bath water". A number of common accounting practices and ideas are therefore also used in the renewed, threefold reporting as will be shown in the following chapters. As we said: this booklet is not about financial accounting, but about financial reporting!

2.4 Three different realities: cultural, social, physical

In the concept of the threefold society we make a distinction between three interacting realities: **the cultural, social and physical reality.** To create and facilitate healthy interaction (in respect to the social organism) each of these three realities should be made independent.

In order to determine the financial equilibrium in the complex process of our social organism, we need the instrument of the financial balance sheet. More precise: we need the equilibrium between the finance of culture and nature, between the investments in ideals (culture) on one hand and the physical (nature) on the other. Therefore it is vital to develop a qualitative distinction between **the cultural, social and physical assets and liabilities** on the financial balance sheet. That is why we need three subbalances. The financial balance sheet must provide an insight whether we are behaving in a financially balanced manner in relationship to **the cultural, social and physical reality.**

This view is in line with the principles of the threefold society as described by Steiner in 1917 in his 'Key Points of the Social Problem'. It's economic aspects are highlighted in the "National-Economic Course" in August 1922. During this course he emphasised the importance of distinguishing between three money qualities and introduced the new words: 'gift-money', 'lend-money' and ‘buy-money'. In 1922 that distinction was completely new and even in 2017 it is still difficult to understand for many.

For example, the money quality 'purchase-money' is not the same as the activity 'to purchase'! Each money quality has 8 modalities within the financial balance sheet and 4 modalities within the income statement. The ‘gift-money' is exclusively related to the cultural or developmental reality, the 'lend-money' is exclusively related to the relational or social reality, and the ‘buy-money' is exclusively related to the physical reality.

Like nature and all living creatures, the social organism has a very powerful adaptability. The more we demand of that adaptability in nature, the bigger the environmental issue will be. This applies in full to the social organism. Within the social organism, the economic, social and cultural issues will unavoidably grow bigger, along with increasing poorness, unemployment, loneliness and meaninglessness. Nature and our social organism behave exactly the same in this respect... That makes economics a reflexive science, on which the Hungarian Soros[4] rightly makes us aware. In other words: we always have to question our own doings to solve economic problems! In financial terms, the distinction between three money qualities means that:

[4] George Soros (born in Budapest on 12-08-1930) is a Hungarian-American businessman, publicist and idealist. He became a multi-billionaire with exchange and currency speculations. He used this capital to realize his ideals.

1)	subject or personal finance exclusively must be linked to developments.
2)	relational finance exclusively must be linked to agreements or licences (i.e. not to objects).
3)	object finance exclusively must be linked to physical objects (including livestock).

We will come back to this later.

That financing of objects refers to physical reality speaks for itself (materials, goods, products and livestock). It goes without saying that financing of developments refers to the cultural reality; after all, only human entities (individuals and legal entities) can develop themselves.

In the case of object financing, the market demand provides the financial certainty to the financier (the object as collateral). In the case of the financing of developments, only the personal belief in the potential of the funded entity provides financial security to the financier. Ultimately here there is only uncertainty, because the financier has to wait and see whether his belief in the potential will come true.

However it may not be self-evident that the financing of agreements and licences refers to the social reality. It should be noticed that every agreement is based upon giving his "word", a word of honour. The financial certainty is just as certain as the extent to which one keeps to their word. Language including the promise given with 'his word of honour' is a social phenomenon par excellence. When through a given promise (agreement) one is connected to someone else, such a connection or relationship is characterised by the agreement and the duration of the relationship. These two characteristics we will encounter again e.g. in the subject of money loans.

Up to this point our attempt has been to underpin the fundamental significance of the distinction between the three realities of the social organism: cultural, social and physical as preparation for our further research efforts in the next chapter.

3. WISDOM IN LANGUAGE

In our daily language there are a number of words that we use to express ourselves about the economic and financial reality. We are using these words as if we are walking over stones in the street - no longer really aware of their true meaning...

In this chapter we will try to increase our language awareness. The emphasis here is not on etymology, so, we will ignore any etymological imperfections. In addition, we will make small "excursions" where necessary.

We will come to surprising discoveries. We are going to listen to what words themselves have to tell us. We start with words from social economic reality and then continue with words from the financial-economic reality.

3.1 Labour and Work

The terms Labour and Work, are these actually synonyms?

The word labour originates from ***labourare*** (Latin: physical effort in agriculture) and is related to ***labare*** (Latin: stagger under a heavy burden). "Being in labour" in biblic terms meant: giving birth to a child. So, originally labour refered to a sort of production effort that requires much of our vital forces.

Characteristic of **labour** is:

- the provision of internal physical forces;
- a personal experience;
- a kind of suffering of something that is necessarily undergone.

In respect to **work**, that is fundamentally different. But watch out, the physics might mislead us. From devices, machines, chemicals, tools, vending machines, etc. we may say: they are working. 'Work' appears as a result of:

- human labour, and
- working devices.

Another essential difference is expressed in the following sentence:

Many people perform their individual **labour** and jointly create **work**.

Labour is untransferable and only relevant for the individual; work is transferable and relevant for the community. Labour takes place within the body of the individual; work is emerging from his hands. Work can therefore circulate as merchandise; labour in itself cannot circulate as merchandise, thanks to the abolition of slavery.

As a consequence, the working employee can never transfer his own labour. Therefore, he can never sell or rent his own labour - even if he wants to. In a fair society labour is fundamentally unfit for sale or rent. Although, some do their utmost to make us believe differently, mostly from a need for more obedience and for a comfortable "lord slave" relationship. Such people are hardly aware that they ignore the dignity of man, only addressing the working person at the physical or physiological level.

3.2 Two territories: work and labour

From the above we can now also conclude:

- Labour including all the processes involved is the territory of the physician, physiologist, and psychologist, etc;
- Work including all the processes involved is the territory of the economist, the sociologist, the industrial engineer, the organisation theorist, etc.

3.3 Income from labour?

The suggestion that income from labour is obtained is false and must therefore be rejected. It is already clear from paragraph 3.1 that people derive their income from the transfer of their work, not their labour. The body is active 24 hours a day, thus labouring 24 hours a day. What is relevant to the social economic reality, is whether work is done, (not that this requires labour), as income is derived from the transfer of work. Such considerations have decisive significance for a correct and justified relationship between employee and entrepreneur.

3.4 Collective labour agreement (CBA)

Here we have another nice example of the lack of 'language wisdom'.

It is simply not possible to conclude contracts about labour, this in contrary to contracts about work. Labour is only relevant to the individual labourer, not for the collective. Rather consider a collective work agreement!

If we gather several collective 'labour' agreements, we will not find any job descriptions. Instead it is full of descriptions of the:

- circumstances under which assignments are fulfilled;
- rights and duties of employer and employees;
- timing or time period during which assignments are completed;
- levels of income and fees.

The phenomenon that collective agreements on employee incomes are made, in which the employee himself is not present, is in itself doubtful and sometimes even unfair. It also creates some unwanted side effects.

The fact that this practice is incorporated into Dutch law leads to the conclusion that laws sometimes legalize unjustifiable acts.

The living conditions of employees can vary widely. But those collective income agreements ignore that employees, with the same jobs and with the same production levels, will have very different income needs. Age is taken into account somewhat (alas with little sense of reality). But with family composition and circumstances not at all. So, these agreements completely pass by the social reality.

On the other hand, this linking of the type of work to the level of income is asking for unwanted manipulations of employees in organisations. This is caused by their pursuit of power and income expansion. Their personal ego(ism) is inserted into an impersonal system, which should inhibit entrepreneurs and business owners in their egocentric pursuit of expanding private capital.

The tendency is that this egocentric endeavour of employees manifests itself more vigorously the more they climb up the hierarchy and ultimately approach the entrepreneurial position. This means that the largest group of employees is actually faced with an impersonal system of income distribution, which has been infiltrated by two egocentric powers: those of the entrepreneur and those of their colleagues in the high income groups. Two anti-social powers that are intrinsically active in the CBA system. Such a system does not meet its purpose, it passes by social reality, and thus should be regarded as impractical. The deception of the system is in the fictitious convenience of a mechanism, in which everyone seems to know exactly where he stands.

However, that's not all. On a large scale employees are systematically distracted from a rather important social exercise: the periodic discussion within the department of how to divide the available staff budget. A meaningful but indeed difficult social exercise (provided that the correct procedure is taken). An exercise, which nevertheless has already been tested in some small companies. If one really wants, it can be done! But, be prepared, it won't be easy.

3.5 Employer and Employee

To employ means: to make use of. An employer makes use of an employee. This does not mean that he makes use of the labourer, but of the capacity of the employee to create work while doing his job.

The employer does not buy or hire labour! He is only interested in the work that is delivered from the employee.

Further consider the following role ratio:

- The employer acts as a principal (director or boss) to his employee;
- In fact he represents the customer and therefore acts as a representative or commissioner of the client;
- The actual customer is the end user of the work produced by the employee.

So, if we want to be consistent and express ourselves in accordance with the facts, then we should talk about:

- the employee as the contractor for work to be done;
- the employer as a contract arranger, an intermediary or commissioner between the employee and the customer. On one hand he is acting as a principal and on the other hand he is operating as an entrepreneur to acquire assignments;
- the client of the employer (as intermediary), being the customer that first gives the order, the original assignment and who ultimately is the end user of the delivered work.

Of course, everything in modern society goes through a hard-to-understand and nontransparent network of budgeting, planning, cost-sharing and income-sharing procedures, etc. But all these techniques and procedures leave untouched the essence of the foregoing!

3.6 Assignment: order or command

An assignment can have several connotations: give an order. But also: giving commands, commission someone with a mandatory assignment.

The aspect of freedom to accept or refuse an assignment is very relevant. This freedom is essential for devotion and dedication. Which approach would you prefer? Yet, where urgency grows, coercion and command will become inevitable, especially when there is no time left for consultation. However, too much hurry and speed is rarely good ... In organisations this is sometimes a difficult challenge.

3.7 Function and Task

The former becomes even more clear when we realise that the impersonal system of income distribution, within organisations, is based on linking the level of income to each specific function of personnel. But what is actually a function? The word function is derived from the Latin verb 'fungor'. Literally, this means: accomplish or fulfil.

The true placing is in the usual meaning of 'function', but what shows up when we replace 'function' with 'functioning' or ‘working'? That is the mechanistic aspect.

The object oriented perception abstracts from the employee as a human being. There is nothing wrong with it, as long as we talk about organisational physiological aspects and issues. But it turns bad if we talk about the human aspects including the job evaluation. That abstraction happens consciously, and is even regarded as positive by the experts.

The object oriented perception of "function" is fundamentally unsuitable to serve as a basis for the distribution of income among employees.

If we move a mechanism for a particular purpose, then the whole of its movements form the purposeful 'function'. Such a mechanism does not work well when all of the movements are not performed properly. What judgment do we speak when we say, you do not work well? With such a judgment you only talk about the physiological contribution of the employee to the whole of the work process in the organisation. However, the personal reality of the employee remains outside the field of view. Such a judgment is considered highly offensive.

On the other hand, the task brings us to the employee. Anyone who accepts an assignment takes on a task: namely the task to accomplish a particular piece of work. Taking on a 'task' has the same value as 'taking a debt', which is a very personal matter.

Each acceptance of an assignment (agreement) requires a meeting and a decision in advance, both for the intermediary (the entrepreneur) and the contractor (the employee). In many cases, for practical reasons and to prevent meaningless repetition, such meetings and decisions are skipped. However, the essence of this concept should be kept in mind. If not, then in their relationship the dominant party will gradually move to the anarchic pole and, the opposite for the other party to the hierarchical pole. Whoever lands at what pole depends on the situation in the 'job market' (now called the 'labour market’).

3.8 Leadership

Leadership has attracted much attention in literature, partly because of the intriguing power that goes with leadership. We are going deep into the area of the unseen (so, factually 'occult') when we will zoom in on 'leadership'. This might be one of the causes as to why so many infertile ways have been written about and practiced in the past.

In language we find something useful to make the necessary grouping:

- hier(o)archy: crystallised in layers within large organisations;
- mon(o)archy: for centuries familiar to the English and Dutch;
- anarchy: the nightmare of the uprising.

Further investigation, however, shows that these are three caricatures of the true nature of these three types of 'archy'. We can better characterize each source of ruling forces as follows:

Hier(o)archy: the priestly power. The initiated, who, through his contact with the god world (prior to the Götterdammerung) was a representative of the god world, and translated the will of the gods to the people. This had the authority of the gods: the command, but also in the sense of the natural law, to which a "no" is not conceivable (or better: not sensible). That was and is true for those who are not yet self-conscious. However, today's human being is self-conscious. He meets the hier(o)archy on two sides of reality: in nature and physical laws, and on the other hand where he is lacking needed insights (e.g. when consulting a physician). The forced obedience to another's commands without shared insight and consultation is therefore rightly offensive.

Mon(o)archy: the unifying power. As a monarch, the King in past ages, who is no longer a priest, must ask the gods to be with him when making decisions. He no longer has direct contact with the god world, but still realises that the god world can help him through his dreams. Today the Kings' position is limited to reading a (throne) prayer. The present Kings realise that they are just humans among the people and also have to consult counsellors: the Chambers discuss and decide, the King ratifies their decision. The role of King is no more a calling but just a profession as any other. Everyone knows: the King is as human as all other citizens. Citizens are not 'nationals' but 'fellow citizens'. Nowadays decisions are being prepared and taken in social processes, which makes people interconnected and unified: the unifying power. Consultation brings people together, there we find real monarchy at work.

Anarchy: without a ruling power, without the guiding power of the god world or of any others. In an anarchy you are fully appointed on your own, and you must lead yourself. That requires insight. In case of insufficient insight you might go wrong and cause accidents, big or small. Insight is crucial: the inner clarity determines whether you can make good decisions on your own, or have to trust in others. You have to be able to find your way in your inner world and the outer world.

Everyone gives and receives leadership. 'The leader' is really only an illusion, as evidenced by the above. Everyone is an-arch in his inner world, is a mono-arch in meetings (including collective judgment and making decisions), and finds his hiero-arch in our surrounding nature and where we depend on someone due to our own lack of insights. This type (or better quality) of 'leadership' varies per second, and is also only fruitful when there is freedom of choice and there is a basis of trust.

Only if you are able to control your own power, can you prevent corrupting this reality. That problem has kept many people busy.

A final remark: management is not the same as leadership. A manager knows how to tackle problems and obstacles to reach his goal. A leader knows the way into the future and how to take his people along with him.

3.9 To buy

The word 'buy' presumably has been derived, via old English 'bycgan' (past tense bohte), from the proto-Germanic word 'bugjaną' (“to buy”), which is of uncertain origin. It means: "get by paying for".

The characteristics are:

- one has first to agree about the countervalue or compensation, thus what should be done in return for the transfer of all rights of ownership over the particular item that shall be bought;
- the transfer of the bought item, this is the actual delivery;
- the transfer of the agreed countervalue, whereby at the same time the ownership is transferred from the seller to the buyer.

We note that in the retail trade these three events usually occur simultaneously: "butter with fish".

In section 3.16 we will refer to the characteristics mentioned above.

3.10 Product and Service

The distinction between product and service is essential, however, this distinction is gradually fading away in language awareness. However, that would mean a great loss, too great to accept!

Products are tangible and therefore can be delivered; services are intangible and thus cannot be delivered, but can only-be granted or provided!

Products refer to the **physical reality** (with brotherhood as leading principle), and services refer to the **social or relational reality** (with equality as the leading principle). Economically this distinction is essential and thus of great importance, as we will see later on.

See also the article "Typology of organisations" by A.H. Bos (published in the book “Organisaties in ontwikkeling’’, prof. dr. B. Lievegoed C.S., Lemniscaat 1972).

So far we have covered some words from the social economic reality. Now we are going to research and listen to some words from the financial-economic reality. It is going to be an educational and sometimes surprising journey of discovery. Particularly with the term 'share' (section 3.16). There we will encounter a demonstrable, faulty conception, with far-reaching consequences.

Per word we will have to find out whether the content of the word refers to a **cultural, social or physical** reality. This is important for the (re)design of the balance sheet and income statement in the next chapter.

3.11 Costs and Expenses

What are 'costs'? What is the difference against 'expenses'? Are they synonyms?

Here we face a serious difficulty. But, let us do a bit of research and see what comes up.

If we trace the development of the word ‘costs’ back in time, the track is as follows: the word 'costs' transforms over time from 'coste', 'costere', to 'constere'. In old Latin it comes from 'constare', meaning 'fixed, unchangeable', which is related in old Greek to 'konia', meaning 'material, physical, solid'.

The word 'costs' therefore originally refers to the **physical reality (quality: buy-money)**, the world of the tangibles, what we call the consumer goods. That meaning must be restored and revitalised in our common and professional language!

So, when an organisation buys and consumes products from another legal person, then only that should be called 'making costs', and therefore those invoices should be booked on 'cost accounts’.

But what about the word ‘expenses’? On the continent, besides the word 'costs', we also find the word 'on-costs' (Dutch) or ‘Un-costs’ (German), which literally means 'not-costs'. 'On-costs' is usually translated with 'expenses'. But that translation is actually not entirely correct. Because 'expenses' means 'outlay', which of course is not restricted to ‘tangibles’ but may include ‘intangibles’ as well. And it is precisely this addition of 'intangibles', that refers to 'on-costs', let us say 'not-costs'.

But this is not the full story. In fact ‘not-costs’ is only excluding 'costs', but not yet mentioning what these 'not-costs' are about. The solution can be found in the distinction between the tangible 'product' and the intangible 'service', see also section 3.10. 'Costs' refer to the expenses concerning (tangible) consumables; 'not-costs' refer to expenses concerning (not-tangible) services.

A characteristic of 'costs' concerns the collateral as security for the seller. The delivery of a product can be reversed after delivery through the retrieval or return of the delivered product: that is a physical security. Instead, a service once granted can never actually be returned. Even if in return a service of the same kind is granted, the returned service is nevertheless a different one from that of the original service granted! In other words, one has to trust that the person to whom the service was provided keeps to his agreement and will be paid. To trust someone on his word is a characteristic par excellence of social reality.

The invoices from services provided by third parties should be booked on 'not-cost' accounts.

But, again, this is still not the full story. There are more kinds of 'expenses' than the tangible 'costs' (consumables) and the intangible 'not-costs' (services). The expenses concerning development still have to be included. That is what we will do later on.

The service refers to the social reality, as indicated in section 3.10. The same counts for 'not-costs'. So, ‘not-costs’ therefore also refers to the **social reality (quality: lend-money)**.

3.12 Interest

The word interest comes from the Latin 'inter esse', literally: exist between. That is related to 'interesting' or something that has our 'interest'. When two people are interested in each other, it is quite normal for them to lend things back and forth to each other. If the loaned item is damaged, the hirer will of course compensate the lessor for the damage. Thus, if an item has been loaned free of charge, it can nevertheless be accompanied by payments. Namely, to pay the damage compensation. In the event that someone lends an amount of money free of charge to another person, then the situation is not different. That is the case if we have agreed that the inflation is reimbursed. Then the compensation of inflation will have to be paid. That is: we reimburse the capital damage, and thus restore the purchasing power of the loan amount. The amount repaid is nominally larger, but intrinsically the loan has kept only the same value, through the inflation compensation. And that is the true meaning of loan 'interest'.

Whether we pay or receive the interest from a natural person or a legal person is irrelevant to the 'interest' itself. The word 'interest' refers to 'damage compensation', and thus to the **physical reality (quality: buy-money).**

3.13 Rent(e)

Here we are facing a serious issue.

In contrast to England, the word 'rente' on the continent has retained its original meaning. On the continent the connection of 'rente' with the borrowing and lending of capital has remained intact. In England, the meaning of 'rente' has shifted from borrowing capital to borrowing physical objects, like renting a home. The original meaning of 'rente' in todays English is incorporated into the meaning of the word 'interest'. So, the English have lost the essential distinction between 'interest' and 'rente', without awareness of the consequences. Economically, this loss is of great importance, as we will see later on!

Below we will describe the original meaning of 'rente'.

'Rente' also comes from Latin, namely from the word 're dare', which means 'giving back'. The word 'rente' has gone through the following word metamorphosis: redare, redere, rendere, renderen (Dutch) resp. renter (French). So at the beginning we see in Latin the word 're-dare' ('giving back'), and at the end we see in the French the word 'renter' ('providing income').

That is the true meaning of 'rente': providing income in return to the loan.

But providing income is something completely different from compensating for damage! Thus: interest and rente are all but synonymous (even though the inflation or interest component is sometimes difficult to isolate from the rente component).

The word ‘rentier’ is the only word in English that still relates ‘rent(e)’ to capital. A rentier (lender of capital) is someone who lives from what his loaned capital yields, as income from capital. However, there is only real income from capital if more than just the capital damage (interest or inflation compensation) is paid by the renter to the lender. **That surplus on top of 'interest' is called the 'rente'**. If this surplus is not sufficient, then the lender will 'eat into his capital'. And gradually his capital as a source of income will dry up.

By paying 'rente', the borrower pays a certain amount for the fact that he has received the loan. As agreed he gives something in return to the lender: rente. The 'rente' places the hirer and the lender in a relationship with rights and obligations, in a situation of taking and giving (in return). This requires a mutual weighing of interests in determining a fair 'rente' rate besides the compensation for inflation ('interest'): this marks an area of social interaction.

Whether we pay or receive the interest from a natural person or a legal entity is irrelevant to the 'rente' and to 'interest'. In contrast to 'interest', 'rente' refers to **social reality (quality: lend-money)**.

3.14 Loan, Credit and Bond

The loan, the credit and the bond are funds that are temporarily loaned by the lender to the borrower and which have to be paid back at some point. Yet they differ in certain respects.

The loan is a temporary financial support provided by near relationships, a sort of business-service to friends (lending resembles a financial form of ‘leaning’ in the sense of ‘lean on me’).

The bank credit is provided when the bank trusts a company and has a belief in the business story of the borrower. The bank trusts that the borrower will keep his word (creed), comply with the agreements and (be able to) fulfil the obligations. It is a professional financial aid.

The bond is a form of standardised loan, that are tradable anonymously on the financial market.

In all three cases the borrower has the right to use the 'hired' money temporarily, and the duty at a certain time to pay it back. These money loans are usually interest and rent(e) bearing.

Regulation allows banks to require far more certainties, than the amount of the provided loan. Sometimes this burden is too heavy and ultimately can destroy complete organisations. Pieter Lakeman gave a number of illustrative examples in his book "Bankrupt on Credit". He points to the problem that in the current banking method the limits for credit supply cannot strictly be indicated. (Since the financial crisis 2008, the rules and standards for banks have been tightened up much more).

3.15 Capital and Equity capital

The word ‘**capital’** comes from the Latin word 'caput', which means 'head'. There are some adjacent words of the same origin, such as: chapter (heading) or captain (chief).

Capital not only refers to what the head stands for: centre of our nerve- and sense system. It also refers to the embryonic organ from which the entire body originates, as a further development.

The word 'capital' is not so much the expression of an arbitrary sum of money, but rather points to the force, the financial capacity, that an entrepreneur or inventor acquires and uses to give concrete form to his inner vision of the future. These financial workings are directly committed to the realisation of e.g. the original inventors idea. From there an appropriate social organism grows: the organisation. In the same way as our physical organism originates from our embryonic head. What emerges as a life force needs growth in the early stage of development, and works at a later stage of development as a force just to stay alive: physical growth has been finalised but life continues[5].

Later on we will see, that we can distinguish – already in this 'embryonic' stage of an organisation - three fundamentally different qualitative financial workings. Three financial workings that mobilise three life forces in society: cultural, social and physical. These three occur simultaneously and are interacting.

The word ‘**equity’** comes via the old French ‘equite’ from Latin ‘aequus’ that means: even, just, equal. Already in old English the meaning transformed a bit to: the quality of being equal or fair, impartiality in dealing with others. Financial professionals have started in the past to make a distinction between liablilities and equity. But the equity of an organisation should be considered as a liability to society as a whole, as we will see in the next section…

[5] See two standard books of prof. B. Lievegoed: 1) Development stages of the child, 2) Developing organisations.

3.16 Share and Participation

This section deals with a key issue, that is essential for restoring the health of the social organism!

In many courses, students are told that the acquisition of a share of a company corresponds to the acquisition of the proportional part of the ownership of that company. The shareholder is partly an owner of the company, but in such a way that he will not be able to designate that piece of property himself. Is that image of 'partly owner' really corresponding with reality? Is that 'sales' conception applicable to the current concept of 'shares'? Does the financial industry rightfully speak about the purchase and sale of shares (see also section 9)?

The financial expert says, referring to the law, that the deposited share capital of an enterprise is part of the equity of that company. But, if that share is part of the assets of a legal entity, can the same amount also form part of the assets of a natural person at the same time?

In other words, can two different persons - a legal person and a natural person - to whom, in both cases, the full legal capacity is attributed, be owner of the same amount? Given the fact these different persons belong to different independent households?

The same question looked at differently: suppose I take a share of €100 in your household. Is it correct to say that your assets have increased by €100, while at the same time my own capital has not decreased? The answer can only be negative. This awareness has far-reaching consequences! Consequences for which many will recoil unfortunately ...

In the event that a legal entity acquires shares of another legal entity, for example in the case of consolidations, then the experts do agree with the negative answer. But as a natural person who acquires shares, they agree with the affirmative answer .... Here is clearly inconsistent behaviour!

Who is right? Is it the financial trade, notice many lecturers give us a misrepresentation of a 'share'? Or is it the financial expert and the legislator that wrongly state that the share capital is part of the company's equity?

To find the right answer is a pretty difficult task, but also a very defining task with important consequences for society. Let's give it a try here. The distance between regular ideas and realities will prove to be surprisingly large.

The question is: when we acquire a share, do we, as a natural person (entity), buy a bit of ownership of a legal entity (company)? Or do we give capital (= financial force to grow) to a company without claiming such property rights? When do we actually speak of buying, and to what extent is it applicable to the 'share'?

In section 3.9 we zoomed in on the essentials of the word 'buying'. We are going to test now, to what extent in the acquisition of a share, those three events indeed occur:

- A countervalue or compensation is indeed agreed: the share is valued at a certain price, and that monetary value must be transferred by the person who takes over the share.
- A transfer of a 'certificate of share' takes place. That means that only 'the possession of a written or digital proof' is transferred. However, transfer of the matter itself, to which the

'proof' refers, does not take place. To what extent this 'evidence' represents the underlying 'matter', we will have to examine separately below. (**This is key!**)

- The payment takes place, whereby all the rights attached to the 'share' pass to the person who takes over the share. In this case, these are: the rights to transfer the share to others if required, the dividend rights attached to the share, and the other rights of the shareholder.

Does the 'proof of share' represent the underlying 'matter' i.e. the proportional 'ownership' of the company? If so, then we can factually speak of a 'buy'. If not, then we cannot speak about the 'buying' of a share. In that case we should avoid referring to a 'buy'...!

- The holding of a share does <u>not</u> imply the right to exchange the share with the company that issued the share at any time.
- The shareholder (as a natural person) does <u>not</u> have the right to separate a proportionate share of the assets from the legal person (the company), and to pretend that part belongs to him (the natural person).
- The shareholder does <u>not</u> have the right to perform management acts in the company of which he has shares.

This means that the shareholder has no power of disposal over the assets nor the equity of the company, of which he owns shares. That right is solely given in full to the entrepreneur, although it is not his private property!

Ergo: when taking over shares you cannot talk about 'buying'! A share can never be 'bought', even if we would like to. Shares can be transferred, but not by way of 'buying'.

But if there is no question of 'buying', what should we call it?

In case of a 'share' there is also no question of a 'loan' in any form because the paid-up share capital need never be repaid by the share issuing company. In fact, who follows the complete ‘life’ of paid-up capital, comes to a surprising discovery:

- From the moment when share capital (= equity) is deposited in an organisation, the development of that organisation starts. Once paid-up, share capital can no longer be cashed at the counter of the issuing company. Only the remaining capital, after liquidation(!), becomes refunded to the shareholder. But, by then the organisation is itself defunct. More often, however, the organisation is terminated by bankruptcy. That means: all equity has been completely digested, the liquidation value of the share capital has fallen to (mostly under) zero and the development of that organisation has ended.

- A kind of game of chance takes place outside the organisation. The share is assigned a certain daily value (share quotation), in which the present value of all rights to the share is expressed. It indicates quantitatively, how the economic development of the organisation proceeds over time. That price decreases and rises little predictably, and ultimately ends (sometimes only after very many years) at zero. This is the destiny of each share at the time the legal entity dies, when the organisation goes bankrupt.

- If a PLC (public limited company) 'buys' own shares, then it is a 'buyer' among the 'buyers'. This does not affect the above mentioned argumentation at all. On the contrary. A PLC which 'buys' it’s own shares, corresponds to a slave who gradually frees himself with his own savings. This precisely points to the inferiority of the prevailing view on property rights conferred to 'shares'!

Two facets stand out: For equity capital it is characteristic that a) it allows the development of an organisation, and b) that the value ultimately decreases to zero (unless it is liquidated in the interim).

In summary:

- the acquisition of a share can never be regarded as 'buying' or 'lending';
- deposited 'share capital' finances the development of an organisation;
- finally and unavoidably the value of 'shares' falls to zero.

Then there is only one conclusion: whoever does not **buy** or **lend**, but still transfers money to someone else, is **donating**. Namely, a donation which implies the acquisition of rights attached to shares (for the moment: whatever these rights may be).

With a 'share' we participate in the donated growth capacity (read: equity capital) of an organisation (read: legal entity). There is no real difference between a 'share' and a 'participation'. It only indicates a difference in quantity: a 'share' is a kind of small 'standardized and tradable participation'.

So: by taking a share, we donate development capital to a legal entity. See also Appendix-2.

We are all used to and fully conscious of donating money for development purposes, namely to our own children. In recent years we now also consciously donate development funds to so-called developing countries. Moreover, we are giving development funds to our own spiritual children in the form of equity capital.

The self-centredness of shareholders, who eagerly pursue gain through gambling on the stock exchange, has had a blinding effect. It is damaging our society to the bone. The real entrepreneur is dependent on 'equity capital' for the development of the organisation that is functioning as the 'body' of his own brainchild (= more accurately a spiritual child and better known as ‘team spirit’). Capital is deposited by the shareholder in the organisation. In modern society this 'equity capital' reveals itself as 'strange' equity, which is tragic. Such a strange growth in our body, which remains cold for what we ourselves cherish very much, is called a cancer (classified in the group of so-called cold diseases)! The blooming stock market turns out to keep a massive cancerous disease in the social organism up and running. Through the stock exchange the shareholders structurally work with a massive life force that remains cold for the actual missions of the organisations in which the deposited equity capital operates. The yearly dividend, attached to 'shares', regularly removes life forces from organisations, only for the benefit of shareholders.

However shocking this may be, it is a reality. How to deal with this awareness is a matter of one's own free will - for everyone a free decision in optima forma. Everyone is free to choose, in contrary to the consequences of that choice!!

The word 'culture' comes from the Latin word 'cult', which means 'development'. So, the word 'share' refers to **cultural reality (quality: gift-money)**.

3.17 Dividend

The word 'dividend' comes from the Latin 'divido', which means: divide, allot and hand out. The key question here is: who will allot and hand out to whom?

In other words, the right to dividends attached to 'shares' is the right to allot and hand out the surpluses that are released from an organisation: the right to allot the surpluses.

Like the 'shares' (stock), the dividend that comes from the 'share' also refers to **cultural reality (quality: gift-money)**.

It is striking that the holders of the dividend right collectively allot these surpluses to their own account. Their egoism is (still) too strong. The donation in the form of 'shares' (equity capital) goes along with the right to allot and hand out surpluses. But ultimately that turns out to be a 'donation' just to favour themselves.

This is of course very pleasant for the private and institutional shareholder. But what damage through this behaviour is done to the social organism remains unknown for too many people.

The shareholder can ask himself the question: "If my children become adults, am I going to claim the surpluses that are released (their savings)?" Of course we do not. But then why do we put this claim against our grown-up 'spiritual children', namely towards the organisation in which the share capital was deposited?

The fact that we as a shareholder claim the rights that are attached to the deposit of share capital, is in itself defensible. But the surpluses themselves should be allotted to third parties, to freely be used as development money!?

Who realises that cultural life, which can only be in real freedom, is systematically cut off from its natural income source, namely dividend? Think of priests (churches), teachers (schools), scientists (universities), artists (theatres), etc. Their natural income ought to consist of freely received surpluses (including dividends). Anyone who realises this, sees with sadness, how this cultural life is deprived of development freedom and has become a plaything of the normative and regulatory authorities. Due to the prevailing egoism of shareholders, government is nowadays (gladly) forced to demand and collect direct taxes, which subsequently are paid as (unfree) subsidies to cultural life.

This takes away the freedom of cultural life (development), which is structurally restricted by the norms and rules that go with subsidies. With all the cultural impoverishment that this entails, it leads to the death of culture in the long run. No fine prospect. In the meantime the progressive formalization and standardization, automation and robotisation is already working fast and thoroughly in that direction...!

The Dutch constitution guarantees freedom of education, among other things, with the comment: “One is free to give education, but subject to the supervision of the government …” and ... “the research into the competence and morality of those who are giving education, are to be ruled by the law”. In addition: “The requirements of soundness, that is applicable to education that will be paid entirely or partly from public funds, are regulated by law, with due regard for direction of faith or belief”. Furthermore: “In particular, that regulation will respect the freedom of special education concerning the choice of teaching materials and the appointment of teachers."

In other words: the constitution does not guarantee freedom of study material, teaching methods to be used, curriculum and the like of educational content, as long as that education is partially or entirely funded from the public funds !!!

When shareholders collectively decide, for example, to donate the yearly surpluses of their company to a few primary schools, the following cycle will be created:

- The school educates the children who will later work as employees and entrepreneurs.
- As a thank you for this education, the school receives a free dividend from the companies in which former students, but now those employees and entrepreneurs cooperate fruitfully.

That leads to freedom of educational content! If not, then government will remain forced to levy forms of direct taxes to finance education through normative (thus unfree) subsidy schemes.

All in all our schools cultural centres are of the first order, when they can teach in freedom. Schools are places where our children in the most defenceless period of their lives should be taught for their development everything from daily life. Someone who is taught something retains the inner freedom of choice to refuse or to accept the content. Those who get something 'pumped in' are checked afterwards how much he / she has managed to hold on to the content. Their freedom is ignored.

The first school type explicitly focuses on the development of the individual development impulses and of the experiential life - this mainly appeals to the will and initiative of young people. It tries to awaken the entrepreneur in the young.

The second type of school explicitly focuses on the development of thought, memory and reproduction capability - this mainly appeals to the thinking of the young. It tries to create docile employees.

The first type of school attempts to give a chance to what is unique in/of the individual expressed through the individual’s talents. The second type of school attempts to imprint, and thus conserve the collectively available thoughts and ideas in as many people as possible. Of course ~~is~~ the first type of schooling is much more difficult to test normatively than the second one. Our Western diploma cultures therefore rest on the second type of school and are very reluctant to the first type of school. Bare in mind that we have been able to do it without these diplomas for centuries!

3.18 Profit, Win and Gain

At section 3.10 we saw that in our consciousness the very essential distinction between the words 'product' and 'service' are fading. At section 3.12 and 3.13 we saw that a very substantial distinction between the words' interest' and 'rent(e)' in our consciousness has already faded. And at section 3.11 we saw that the same has occurred in the distinction between' costs' and 'expenses'. We have also seen at section 3.17 that the essence of 'dividend' has almost completely disappeared from our awareness. Unfortunately, the latter also applies to the word 'profit', as we will see here.

But first let us look around a bit and see what further research may bring us. With respect to the factor 'capital' we can now put in an overview:

'interest’ => physical reality section 3.12	‘rent(e)’ => social reality section 3.13	‘dividend’ => cultural reality section 3.17

With respect to the factor external ‘labour’, that is the external assignments that an organisation has given to other organisations. We have already a beginning of a similar order (see section 3.11):

'costs' => physical reality section 3.11	‘not-costs’ => social reality section 3.11	**‘……..’** => cultural reality

Is there a word available in the English language that indicates the expenses related to the assignments of development work that an organisation has provided to third parties?

It is striking that we are used to talking about 'making costs', 'making expenses', and ‘making profits'. But that we are not used to talking about 'making a dividend'. That is quite remarkable.

The two words 'dividend' and 'profit' are often used (more or less) in one breath, as if we are talking almost about the same thing. But what is actually the difference? And furthermore, is 'making a profit' the same as 'creating a surplus of money'? Now that is an intriguing question...

In section 3.17 we have zoomed into the word 'dividend'. We saw that paying a dividend means the same as 'allot and pay out surpluses'. Does 'making a profit' mean the same as distributing 'surpluses'? The answer will be surprising but also hard to accept for many.

Let's take a closer look at our word 'profit'.

<u>‘Profit’</u> comes from Latin:

- 'proficere' (verb), meaning: accomplish, make progress; be useful, do good; have success, make profit
- or 'profectus' (noun), meaning: 'development, progress, increase, success'.

Profit comes from Latin 'proficere' / 'pro-facere' (verb) or 'profectus' (noun), meaning such as 'advance, progress, increase, success'. This does not make clear whether the profit is financial or cultural.

Nowadays profit is described as 'win' or 'gain', and also as 'benefit' or 'advantage'. (Note: one can easily understand that the original Latin meaning is not quite the same as todays description.)

Benefit and advantage are almost synonymous and only stress the positive side of profit. But, win and gain can probably be more informative about the essence of profit. Let us start with ‘gain’.

<u>‘Gain’</u> however, comes from French 'gaaignier', meaning: earn, gain; trade; capture. From this description it will be clear that the word 'gain' in any case does not point in the direction of cultural ambitions. To strive to gain, means to strive to financial surplus only. That unmasks 'gain' as just a fore post for 'dividends'.

But the word **<u>'win'</u>** originally has quite another meaning, such as: struggle for, strive, fight for victory. The origin of 'win' is not clear (Latin 'vinco' or old Germanic 'winnan'). All in all 'winning' is then equal to 'achieving victory'. We can easily recognise the word 'win' in the Dutch word 'winst' and the German word 'Gewinn', both usually (but disputably) translated as 'profit'. To be able to 'win' one has to go into a fight or battle. A fight or battle is a showdown, an attempt to overcome the resistance of our opponent.

Let us make a short trip. We can compete with ourselves or with someone else. This is reminiscent of the word 'con-current', which actually means 'fellow runner' or 'fellow requestor'. It is not the same as 'contra-current' (counter runner or opponent)! In the right mindset one sees in it's competitor a 'fellow warrior', not an 'opponent'! Competition should be a joint struggle, an associated affair par excellence, like a running competition. A jointly fight or battle against the resistances that each person experiences individually, instead of trying to disable the competitor (like the knock out). In the sporting view, a wrestler struggles against the forces that reveal themselves to him through his fellow warrior. For the fellow warrior, that looks exactly the same but in reverse. The struggle or fight is against the resistances, not against the fellow fighters as individuals!

This offers us a good hold on our approach to the word 'win'. Especially when we realise that real progress is based on overcoming counter forces, the hallmark of development. The word 'win' should relate to the development efforts of an organisation. We want to make this plausible on the basis of the following.

If a sportsman wants to develop his physical capabilities, he or she will train with increasing resistances (heavier weights, longer distances, higher jumps, etc.). He will gradually increase the resistance and constantly repeat the exercise. The higher the sportsman climbs up his performance ladder, the more emphasis will be on his concentration, his awareness, his control. That is very similar for organisations. Just like the sportsman, the organisation takes on challenges in the form of assignments. If an organisation wants to develop its contributions to society, it will take on ever heavier assignments (larger sales orders, more difficult forms of services and development work). The higher up on the world rankings the organisation is, the more will be demanded from the level of cooperation of its employees to realise that of their biggest assignment. The fulfilment of assignments is a characteristic of 'to win'.

We will be the winner of that battle if we have successfully overcome all problems during the fulfilment of the assignment. The concentration of highly experienced employees, assisted by experienced employees of other organisations (external parties), in a joint effort is crucial here. The degree of development of people and resources is decisive. Who improves his own performance is making progress! That is the very essence of ‘to win'. This applies not only to sportsmen, but also to organisations: progress is a characteristic of 'win'. Taking care of the development of an organisation goes along with expenses to be paid to third parties e.g. for the provision of education and training, carried out research, made designs, consultancy ... in short: performed development works. That is completely the opposite of 'creating a surplus of money' (the current view of profit). In conclusion: the word 'win' refers to the **cultural reality (quality: gift-money)**.

A subtle yet interesting fact of experience is that the person who carries out cultural assignments, also develops himself personally through the fulfilment of that assignment, and increases his world of experience at the same time. For the sake of clarity, and with apologies to the Dutch language, we can now distinguish between:

- 'wins paid' = the development expenses paid by the commissioning organisation to third parties;
- 'wins received' = the income that the third party receives from the commissioning organisation for the execution of a development assignment

We can now draw an important conclusion: profit is a mix of gain (fore post of dividend, therefore capital oriented) and win (focused on development assignments).

Secondly, we can make the following overview:

Capital related expenses:		
Quality: gift-money	Quality: lend-money	Quality: buy-money
'dividend' => development cultural reality (section 3.17)	'rent(e)' => livelihood social reality (section 3.13)	'interest' => damages physical reality (section 3.12)

And:

Expenses related to external assignment:		
Quality: gift-money	Quality: lend-money	Quality: buy-money
'wins' => development cultural reality (section 3.18)	'not-costs' => services social reality (section 3.11)	'costs' => consumables physical reality (section 3.11)

Anyone who studies this overview, will be able to conclude from this, that it makes a lot of difference for the organisation, whether economically, socially and culturally, whether it carries out assignments by third parties or by its own employees. Outsourcing is a very significant step against this background.

3.19 Personnel (internal assignments)

In the overview above the expenditures to internal assignments, that is to own personnel, is still missing. We find several words in the language for the incomes paid by an organisation to its own employees:

- (daily / weekly) wages;
- (monthly) salary;
- (yearly/incidentally) fee or honorary, and
- (generally) income.

We go over these words one by one.

Wages originate from the old Saxon 'len' (phonetic 'laun'), meaning 'grabbing'. It is the grabbing with the hands: manual or physical labour.

Salary is derived from the Latin 'salarium' or 'sal' which means 'salt'. Traveling Roman government officials and military were given, then precious salt to pay their travel / accommodation expenses on the way. This is reminded by the word 'soldier' (sal-dier). They were Roman servants, public service providers.

Honorarium comes (without surprise) from the Latin 'honorarium', which is literally 'honour money' that was paid annually to impoverished Roman senators as an honourable gift.

The first three meanings remind us of the time in which society was divided into three classes: the workers, the (well-to-do) bourgeoisie, and the notables. Since we have the caste society largely left, we now speak in general of an 'income' for everyone. Despite the persistence of words such as wages act, wages tax, salary scale, salary-roll, etc.

Using 'income' avoids the reference to one of the three social classes: man himself is gradually emancipated from these three layers in society. Everyone is now the self-conscious 'source' or 'creator' of the social organism. Thus, expenditures on (incomes of) personnel is the only item that cannot be divided into three seperate qualities of money! Just as the sunbeam contains all the colours of the rainbow, so the expenditure on the income of an employee contains **all three money qualities**.

At this point we can complete the overview of the former section 3.18:

Expenses related to capital => interest, rent(e), dividend
Expenses related to internal assignments (personnel)
Expenses related to external assignments (third parties) => costs, not-costs, wins

3.20 Subsidy

The word subsidy comes from the Latin word 'sub sedeo' (keep low, settle down), which is in turn borrowed from the military reserve troops crouched down in the rear lines ready for giving support. In this figurative sense we find this again in 'supporting' or 'maintaining' (French: maintenir; Latin: manu tenere; keeping low). Nowadays: reserve, assistance, support by the government.

With a subsidy, the government aims to provide a natural or legal person with a living. The government subsidizes on statutory predetermined requirements. Those who meet the requirements, are entitled to a subsidy. The subsidy provider does not directly benefit from it, and can reclaim the subsidy if it later turns out that a) the requirements were not met, or b) that the funds were not used for the intended purposes. Subsidy funding is structurally lacking the freedom due to its requirements. So, subsidy is fundamentally unfit to fund cultural activities. We return to the basic question: to which primal source does each financial term refer to: cultural, social or physical?

There is a legal rights and obligation relationship in the subsidy funds, which therefore refers to **social reality (quality: lend-money).**

Subsidy is, as a 'provision of livelihood' for legal persons, similar to the social benefits for natural persons (e.g. unemployment, sickness, incapacity benefits). The subsidy is a social benefit to natural and, above all, legal entities.

3.21 Taxes

‘Tax’ comes from the Latin ‘taxare’, meaning: assess, estimate, valuate.

But these meanings do not help us in determining the underlying reality to which 'tax' refers: cultural, social, physical.

Of course we encounter the distinction between direct and indirect taxes.

The link between 'tax' and 'government' helps us a bit further. After all, the primary task of the government is law enforcement and public service. However, the government itself is obstinately trying to penetrate into other areas of our society, unfortunately. From 'service' we saw already at section 3.10 that it refers to the **social reality (quality: lend-money)**.

Of great importance is the answer to the question whether tax relates to capital or to assignments given to third parties.

The decisive factor is the applicability of the following characteristic series in respect to assignments: assignment => execution => invoice => payment.

It is clear that this series is not applicable. In the event of a tax assessment, we did not give an assignment to the government to provide a certain service. Notwithstanding that the government is indeed a public service provider. What is relevant is that there is no direct link with the pre-giving of assignments by private individuals or companies. The tax assessment relates to a 'pro rata' contribution for the continued existence of government institutions, which we came across earlier in section 3.13. Interest concerns the amounts paid to provide for the livelihood of a private individual or organisation. In this case it concerns the survival of government organisations. Tax is therefore a specific form of 'rent(e)' (not: interest!).

This refers to the **social reality (quality: lend-money).**

From another angle we come to the same conclusion: with a tax assessment the government behaves like a rentier relative to its private source of income and its private financial assets. The direct tax emerges again as a well disguised 'rent(e)'.

Indirect taxes are like a sort of variable club contribution, a contribution to the livelihood of government institutions. Contrary to direct taxes, that are now in proportion to our participation in society. Also in this case is the mentioned series in respect to assignments not applicable : assignment => execution => invoice => payment.

Based on this and previous considerations, we can conclude that the indirect tax is also a form of 'rent(e)', which refers to the **social reality (quality: lend-money)**.

(In the case of legal dues and the like, payment is made for a real service provided at our own request. Therefore this is a specific kind of ‘not-costs'.)

3.22 Income statement

The Income Statement is a financial tool used to determine whether a company created a positive or a negative financial result within a given time frame. In practice we find different namings of financial 'results'. Somehow there is no strict way to use these names. We mean:

- cost / benefit (analysis) – probably originating from production companies;
- profit / loss (account) – probably originating from trading companies;
- revenue / expenses (statement) – probably originating from service providers;
- income / expenditure (statement) – usually used in non-profit organisations;

In these names the history of bookkeeping is still relatively alive. We referred to the book 'History of bookkeeping' from Dr. O. ten Have, in the beginning of chapter-2.

Of about 2255 BC until about 1300 AD the storehouse administration was developed, as a means to support (large) landowners. This type of administration registers all business assets as 'things' e.g. the number of coins instead of the value.

The production organisation is geared to deal with the physical reality, namely the producing of (tangible) products such as consumables. On one hand, the word 'cost' is related to consumables, as we have seen in section 3.11. On the other hand, the production organisation is a product-oriented environment, which has it's focus on the world of 'things'. Therefore the thinking in terms of 'cost / benefit' most probably originates from this environment.

From about 630 BC up to our 20th century, the accounting to support the governance and management of organisations was developed. The now familiar method of double-entry bookkeeping, introduced by Luca Pacioli in 1494 and used by Cosimo de Medici in his Medicibank, made a big step forwards.

In particular through the rising of the so called 'companies' in many western European countries, the legal entity (such as PLC and Inc) was developed, which was a complete new phenomenon e.g. the English East India Company came into existence as an association of London merchants, which on December 31 of 1600 acquired a patent from Queen Elizabeth I, giving them the trade monopoly for fifteen years for the entire area between the Cape of Good Hope and the Strait of Magalhães. The Dutch VOC (1602-1800) was the very first company that issued shares. The development of the world trade fleet is based on these 'companies', and what ultimately has resulted in the modern world-wide trade- and transport services!

It is remarkable that especially these 'companies', with their focus on trade and service providing, gave birth to the 'organisation' as an independent legal entity (with its own 'equity' and 'own name'). Therefore the thinking in terms of 'profit / loss' most probably originates from this type of organisation.

Cultural (thus consuming) organisations are so called 'non profit' institutions, such as churches, schools and the like. Usually this type of organisation periodically publishes a statement of 'income and expenditures'. This name given to the financial statement is possibly a first witness of growing awareness which is needed for the third development phase of accounting (for the first and second phase see the introduction of chapter 2). This third phase will be the time in which organisations, among others, will have the task of helping all their employees to make their way to **fruitful 'anarchy'**. Thereby the development of the natural persons and the development of the legal entity go hand in hand.

That is the reason why in this booklet from now on we prefer to speak about 'statement of income and expenditures' instead of 'income statement'.

3.23 Mortgage on building

The Greek 'hypo theca' literally means 'under pawn' ('pawn' from old Anglo-Latin 'pandum'). In other words: under something that serves as security for a commitment. Anyone who borrows an amount and thereby gives mortgage rights to the lender on account of his real estate. In the case of a mortgage on a building he provides a physical security to the lender. In the event that the borrower does not comply with the agreement, the lender has the right to recover his receivables from the proceeds from the sale of the collateral, this is the building. In other words, the financial security is not derived from the agreement (the word of the borrower), but on the market value of the object, the building. That is why the building (as an object) and the mortgage (as a right) both refer to the **physical reality (quality: buy-money).**

3.24 Mortgage on land

Now we are addressing a very important issue (see Appendix-2). We make a strict distinction between the building and the land on which the building is built, because:

- in terms of 'square meters', the land cannot be viewed as 'work' of people (see section 3.1). Land as the earth's surface is already there without us;
- the building is a result of human labour, thus it can be understood as 'work' of people;
- the land as 'square meter' is not spatial, that is to say, it has no physical existence;
- the building as 'cubic meter' is spatial, and therefore can be physical.

The 'building' can be bought and sold as a 'work(piece)' of people, thus it can be viewed as a 'buy'. See also section 3.9.

The fact that 'soil' (as a surface of land) factually can never be bought or sold, and therefore can never be described as a 'purchase or sale of land', would be better understood as follows:

- disposition right (= ownership) can be established on 'land', because at the moment of the transfer of an agreed countervalue, the disposition right involved indeed can transfer to another party;

- disposition power (= possession) can never be established on 'land', because land surface (as a section of the earth surface) can never be lifted, taken to somewhere else and factually 'delivered', even if we would like to. Anyone who thinks that this is possible has either failed to grasp the essence of 'disposition power' or maintained the illusion that the transfer of possessions can take place without handing over 'work'. In this respect the distinction between legal and factual delivery is very misleading, and also ignores the phenomenological reality. This legal 'trick' has had far-reaching consequences over the course of time. The damage for society is immense and unimaginable. See also the speech of Chief Seattle (held in 1854 in his native Lushotseed-language in response to a speech of governor Isaac Stevens) and Appendix-2.

The destination rights on 'land' concern the rights of use. These rights are established in the transferable user license concerning a specific piece of earth's surface. Such a license is an appointment with the community, represented by the government. This agreement is recorded in the so-called cadastre (= land register), from which the license holder derives his legal certainty. This agreement character about 'land' refers to the **social reality (quality: lend-money).**

3.25 Funds, Reserves, and Insurance

The word fund is derived from the Latin 'fundere', which means 'pour out, melt, cast' (related to ‘fountain’ and ‘font’). This points at the fact, that money can change from aggregation state. Like the liquid character of money, as also indicated by the words: liquidity, liquidation, liquid assets, etc. Money flows! But money can only roll like a wave, never like a ball or a coin!

A large lake arises from a lot of tiny streams coming from the upper delta. In the same way a lot of insured people create by means of paying many small premiums:

- **cultural funds**: funds to provide development capital (by means of donations). Examples are: life insurance, investment funds with regard to shares, Mama Cash, participation funds and the like.
- **social funds**: funds to provide (natural and legal) persons with an income to provide (additionally) for their livelihood. In case there is a shortage or lack of income;
- **physical funds**: funds to compensate for physical damage(s) suffered;

Both the premium paid to the fund, the fund itself, as well as the payments from the fund all belong to the same money flow. That flow ends at the final beneficiary of the benefit. During that whole flow the quality of that money does not change! This characteristic applies to all three phases: premium, fund, benefit.

In the next paragraph we look at the word 'reserve'. We will see, when it comes to funds, that in principle it does not matter whether we are dealing with internal company funds or external funds. The above three types of funds can be found outside the organisation, but also be built up inside an organisation through reserves.

The word 'reserve' is derived from the Latin 'servio', which means 'serve' or 'serving'. So, 're-serve' is then something like 'serve again'. This refers to the emergency supply, which in some cases 'serves again', just like the 'reservists' who have to 'serve again' in emergencies to defend the country.

All in all, an internal financial reserve is a fund that has been built up internally, and invested in the assets of the company involved.

The root word of 'insurance' comes from the Latin 'se cure', which means 'without care, without danger'. 'Danger' is (after a long journey) derived from the old Norse and old-Saxon language area, where it meant 'need, evil'. The word 'certain' refers to the Irish 'derb' and that is helpful. 'Derb' is derived from the indo Germanic 'dru' which means 'oak' (related to 'Druids'). For the Druids, the oak was a sacred tree at a sacred place in the primeval forest. There they could listen to their gods. The connection between certainty and listening to the gods is obvious here. This means that the word 'insurance' does not in itself refer to one of the three realities we are looking for. So, this distinction must be expressed through an addition: physical security, social security, or no security.

3.26 Savings and Cash

The modern technological developments, particularly in the payment system, will show more and more clearly that there is no essential distinction between money in cash, on a savings account or on a current account. The continuing digitalisation of money shows the ethereal nature of money.

To which reality does 'savings' refer: cultural, social or physical?

The word 'saving' comes from the old-Saxon 'sparon', which means 'postpone'. By 'saving' money the spending of that money is postponed. The saver postpones the spending of his money, neither to spend on the cultural nor on the physical reality. The saver actually has kept that choice in the middle, namely in the social reality which is in the middle between the cultural and the physical reality. The saver gives the savings temporarily to someone else with the agreement that he will get that money back at a certain moment, later in time!

In other words, savings and cash refers to social reality (quality: lend-money).
Of course the banks need to be able to keep up that agreement with the savers.
That may lead to banks attaching such great importance to obtaining (too) much collateral from the borrower.

3.27 Investment

The origin of the word 'investment' is in the Greek 'esthes', which means 'robe', and in the Latin 'vestis', which means 'robe, dust, veil'. Thus, 'in-vest' means 'in-dust' or 'in-robe'. 'Investing' means a sort of dressing on of an idea in a specific kind of 'clothing'. The strength required for this dressing is formed by the ability that a company derives to give shape to an entrepreneurial idea.

The description above implies a direct reference to the physical reality (quality: buy-money).

This also implies that, in principle, one can never really invest in the social resp. cultural reality. Statements such as 'investing time in something' or 'investing in an employee' are good examples of false and misleading uses of words. They try to suggest an impossible reality to us, an apparent reality.

3.28 Originals and Copies, Equipment and IT

Strictly speaking these are not words that belong to the financial terminology.

But we have reason to pay specific attention to them, before reaching the end of this chapter. There are some difficulties that are of importance to the financing and the processing in the threefold financial reports as presented in the next chapter.

The word 'original' comes from the Latin 'origo' which means 'origin, origin, creator'. This is connected with 'orior', which means 'to emerge, to be born, to stand up'. It points to everything that shows up for the first time on this earth through the creative activity of humans, and that subsequently seeks to develop. Some time ago this was referred to, even in legislation on the annual financial statements, as 'products of the spirit'. This concerns the so-called cultural goods e.g. 'originals'. Thus, 'originals' refers to the **cultural reality (quality: gift-money).**

Nowadays the 'products of the spirit' are renamed as 'intangible assets', which sadly covers up the real origin: 'work of the mind'!

This is different for the word ‘copy’. The Latin word 'copia' (goddess of abundance) in this context means 'permission to something, receive the opportunity to do something'. We usually call this: 'license' or 'permission' to use the 'original' abundantly by means of multiplication. The license is an agreement between a right-holder and a right-recipient, whereby the right-holder transfers certain rights to the right-recipient under agreed conditions e.g. the transfer of copyrights, which implies: the right to multiply, the right to make public, the right to make print outs. Those rights belong to the author at the start. The author is the 'representative of what has been expressed'. So, he is the right-holder who has to come to an agreement with the right-recipient. The word 'copy' therefore refers to social reality (quality: lend-money). Note: it is essential to recognise that a permit can never be bought or regarded as a purchase, but can only be provided.

The disposition rights are not transferred by the holder of the copyrights when the license for copying is issued - usually temporarily. Therefore a license can only be conferred or provided, but never sold. Moreover: 'giving consent' can only be done by 'giving his word' which in itself also shows clearly the agreement-character.

Concretely: whoever buys a book does not buy the contents! He only is licensed to read the content. So, the 'buy' is related to the book 'as paper', and the 'provision' is related to the issued license to read the book. Therefore the price paid for a book covers two elements: the cost of paper including production costs and the license fee. Whoever thinks that he 'buys' a book, is misled by the material (the paper/medium), on which the essential content is printed. The rights of use concern primarily the content, hardly the medium. With a publisher, a stock of books (i.e. printing) has as much financial value if money was needed for the production. However, that stock has mainly the character of a stock of 'licenses-to-read'. The same applies to the brokering. There the stock value is about equal to the amount paid to the publisher or other traders.

If there is no or insufficient interest in the prints or copies, then no licenses or agreements appear in the social reality. This means that the social certainty is not realised and thus only the physical certainty remains: that is the value of the paper. The market of 'licenses' or 'agreements' is functioning in the social reality, thus, is fundamentally different than the market of 'objects', 'consumables' and 'raw materials'. Both differing types of legal certainties are anchored in fundamentally different realities: the social reality and the physical reality.

If a publisher has acquired the copyrights of a number of originals, then these originals or manuscripts should not be considered as a stock of physical objects, nor as a stock of licenses, but as a stock of 'products of the spirit' (cultural goods). That cultural stock has cultural historical value, which over the years tends to climb higher and higher. This is opposite to the stock of physical objects (raw materials and consumer goods), which tend to decrease in value over the years.

As outlined above, 'originals and copies' applies in full to IT-stuff like hardware, software and data. The hardware and medium only have 'object value'. The copies of software and data have 'license value'. The prototypes (hardware), and the so-called source-software, and the original data have 'cultural value'.

The above summarised in an overview:

Hardcopies / hardware => physical reality	Licenses / software- and data copies => social reality	Originals / prototypes / sources => cultural reality
Quality: buy-money	Quality: lend-money	Quality: gift-money

The prototype is the first print, the original. The very first device, produced according to the new design, has cultural-historical value, which refers to **cultural reality (quality: gift-money).**

After completion a prototype can immediately be transferred to the one who ordered the design, including all rights. The question is, whether that prototype after transfer should be understood as just a physical object or much more as a cultural asset. The following aspects determine the answer:

- If the device is regarded as a valuable prototype, then it should be protected against destruction. Being a valuable prototype the device is the expression of an original idea, and therefore should be regarded as cultural property. That refers to the **cultural reality (quality: gift-money).**

- If the device is hired by a holder of a license, then the lease is regarded as a service. Services refer to the **social reality (quality: lend-money).**

- If the device is meant to be consumed while using, the device gradually makes its way to destruction. In that case, the prototype is only part of the **physical reality (quality: buy-money)** and just treated as an ordinary object.

In this chapter we have explicitly zoomed in into the deeper meaning of a number of words, especially words from common financial language. To conclude this chapter, we would like to quote a few excerpts from what Rudolf Steiner gave in Penmaenmawr on 20-08-1923 in answer to some of his audience's questions: "... in all current colloquial languages, words have become superficial." “Words nowadays are no longer what they once were: they have become 'sinful' beings." "But if we go back to the original meaning, then we are led into very deep regions of the endeavor of man." “I think that one should not actually try to replace words ... by others ... but that one should work on raising the understanding of these words to their sinlessness again.” In other words: remediating diseased views of common words and bringing these words back to their original meaning. That is exactly what we have tried to do in this chapter.

In the next chapter we will build on the insights we have developed in this chapter. For a number of financial terms we have found to what reality they refer to: the cultural, social or physical reality.

4. CLASSIFICATION INTO THREE REALITIES: CULTURAL, SOCIAL, PHYSICAL

In the previous chapters we have laid a foundation to build on. In chapter 3 we have been researching a number of words to determine to which reality they are referring to: cultural, social or physical. This is important in finance to be able to keep the balance between culture and nature, between spirit and matter i.e. to keep the balance between 'gift-money' and 'buy-money'.

If you are well educated in bookkeeping or accounting, then you will now have completed the most challenging part. Much of what follows next concerns a more technical approach to finance and consequently further elabouration of the foregoing. For those who are not well-educated in accounting it is going to get tricky! In the foregoing, you did not have to give up (difficult) renunciation of (often painstakingly conquered) familiar concepts. But now you may lack sufficient accounting insight to be able to follow all the steps to be taken.

Perhaps unnecessary for a number of readers, but for those who lack the knowledge first a few basic words:

The *financial annual statement* consists of a balance sheet and an income statement, together representing the financial reality of an organisation. The *balance sheet* is a snapshot (statically, like a photo). The *income statement* concerns the money movement measured over a certain period (dynamically, like a movie).

As debtor and creditor we are talking about the financial relationship between the organisation itself and third parties or other organisations, where it usually concerns invoices still to pay or prepaid invoices.

The word 'debtor' comes from the Latin 'debitor', meaning 'someone who owes you money'. The word 'creditor' in English and Latin is identical.

In this booklet we distinguish three categories of debtors and of creditors, namely related to: products, services and development works. These are to be inserted in accordance with the new layout of the balance sheet. This applies of course for debtors and creditors. The words debtor and creditor do not in themselves refer to one of the three distinct realities. Therefore, the distinction must be indicated in another way e.g. ‘cost creditors’. But this example refers to a name that is already existing in accounting language. In the context of this booklet, however, with a slightly different word content, see our explanations in section 3.11.

4.1 Classification

In this 4th chapter, we will summarise and process the findings we have uncovered in chapter 3. To start with, the overview below makes the connections between our findings so that it becomes more visible. The words dealt with in chapter 3 will be classified in that overview with reference to the relevant section number:

1. **balance** related words (both assets and liabilities) concerning respectively:
    - the cultural reality
    - the social reality
    - the physical reality

2. words related to the income statement (expenditures and income) concerning respectively:
    - *capital* related words concerning the:
        - cultural reality
        - social reality
        - physical reality
    - *personnel (internal assignments);*
    - *third parties (external assignments) concerning the:*
        - cultural reality
        - social reality
        - physical reality

This results in the following non-exhaustive overview:

BALANCE	**Assets (*debit*)**	**Liabilities (*credit*)**

Cultural reality (quality: gift-money):

Section number		
3.15	Cutural funds outstanding	Cultural funds included
3.15	Sharecapital / participations outstanding	Shareholders' equity
3.25		Internal cultural reserve funds
3.28	Intellectual properties (originals, prototypes)	
3.17	Debtors on dividend receivable	Creditors on dividend payable
3.18	Debtors on 'wins' receivable	Creditors on 'wins' payable

Social reality (quality: lend-money):

3.15	Social funds lent	Social funds borrowed
3.14	Loans receivable	Loans payable
3.14	Credit granted	Credit withdrawn
3.14	Bonds receivable	Bonds payable
3.24	Land-mortgage receivable	Land-mortgage payable
3.24	Debtors on rights of pledge on land	Creditors on rights of pledge on land
3.25		Internal social reserve funds
3.26	Cash, savings/deposits, current accounts (+)	Current accounts (-)
3.28	Debtors on licences (receivable)	Creditors on licenses (payable)
3.28	Hire, lease, tenants, rental (debtors)	Hire, lease, tenants, rental (creditors)
3.28	Book stock, stock software licenses	
3.13	Debtors on (capital) rent(e)	Creditors on (capital) rent(e)
3.11/18	Debtors on services granted (receivable)	Creditors on 'not-costs' (services provided) (payable)

Physical reality (quality: buy-money):

3.15	Capital invested in physical objects (receivable)	Capital invested in physical objects (payable)
3.27/3.23	Investments on real estate (only buildings)	
3.23	Houses, buildings, livestock housing, stores etc	
3.23	Building mortgages receivable	Building mortgages payable
3.25		Internal loss-reserve funds (only physical losses)
3.28	Data media (stick, disks)	
3.28	Stock of: raw materials, finished products, consumables, stationary, stock-in-trade, etc.	
3.28	Inventory, equipment, hardware	
3.12	Debtors on (capital) interest	Creditors on (capital) interest
3.11/18	Debtors on goods sold	Creditors on goods bought (including 'costs')

STATEMENT OF	Expenditures (*debit*)	Income (*credit)*

On account to Capital:

Section number			
3.11	Physical	Interest paid	Interest received
3.12	Idem	Damage compensation paid	Damage compensation received
3.25	Idem	Additions to internal physical res.funds	Withdrawals from internal physical reserve funds
3.13	Social	Rent(e) on capital paid	Rent(e) on capital received
3.20	Idem	Subsidy paid or returned	Subsidy received
3.25/3.13	Idem	Social insurance premium paid	Social insurance premium received
3.25	Idem	Additions to internal social reserve funds	Withdrawals from internal social reserve funds
3.21	Idem	Taxes paid or returned	Taxes received
3.17/3.16	Cultural	Dividend paid	Dividend received
3.25/3.17	Idem	Premiums capital insurances paid	Premiums capital insurances received
3.25	Idem	Additions to internal cultural res.funds	Withdrawals from internal cultural reserve funds

On account to Internal assignments:

3.19	Cultural /Social /Physical	Income paid to personnel	N.a.

On account to External assignments:

3.11/3.09/3.10	Physical	Costs (consumables)	Income on goods/products sold
3.11/3.10	Social	'Not-costs' (services provided)	Income on services granted
3.28/3.10/3.11	Idem	Hire, lease, tenants, rental paid	Hire, lease, tenants, rental received
3.18/3.10	Cultural	Development works of thirdparties (paid)	Income on development works

In the above summaries we have made a first draft arrangement in our findings from chapter 3, with reference to the paragraph numbers. We have sorted the various items by main category: 1) debit or credit, 2) balance sheet or income statement, and 3a) within the balance sheet on cultural / social / physical items, and 4a) within the income statement items on capital / internal assignments / or external assignments.

Now we have to further refine this arrangement within each main category, namely 3b) within the balance sheet to the subcategories capital or external assignments, and 4b) within the profit and loss account to the subcategories cultural / social / physical.

Note: these three subbalances deal exclusively with the financial aspect of cultural, social and physical reality!

Before starting, first a remark on the naming of the three subbalances. Instead of Cultural Subbalance we could also speak about Subbalance Gift-money. Instead of Social Subbalance we could also speak about Subbalance Lend-money. And instead of Physical Subbalance we could speak about Subbalance Buy-money, but that aside.

To speak about Social Subbalance may be confusing because of the many other connotations of the word 'social'. The Latin 'socius' means e.g. 'connected', which expresses in a beautiful way the core of 'social': connecting people or relational networking. It also emphasises another main task of the social reality: to connect the physical reality with the cultural reality through the activities of man living both in the physical and in cultural world, as a social actor between nature and culture. Therefore we prefer to use the term 'Social Subbalance'.

4.2 Cultural Subbalance ('Gift-money')

First of all the further refinement of the Cultural Subbalance:

Assets (debit):	Liabillities (credit):
1) Cultural funds outstanding ⇒ Sharecapital / participations ⇒ Financed development of third parties (legal entities)	* Cultural funds included ⇒ Shareholders' equity ⇒ Internal cultural reserve fund = free part of capital equity
2) Debitors on Dividend ⇒ Dividend receivable (incl. bonuses, discounts, donations, etc.)	* Creditors on Dividend ⇒ Dividend payable (incl. bonuses, discounts, donations, etc.)
3) Debitors on Development works: ⇒ 'Wins' (see section 3.18)	* Creditors on Development works ⇒ Wins (see section 3.18)
4) Intellectual properties / Creations of the mind or spirit: ⇒ Research & Development ⇒ Originals, manuscripts, prototypes ⇒ Goodwill	* Depreciation of Intellectual properties: ⇒ Research & Development ⇒ Originals, manuscripts, prototypes ⇒ Goodwill

4.3 Social Subbalance ('Lend-money')

We continue with the further refinement of the Social Subbalance:

Assets (debit):	Liabilities (credit):
1) Social funds lent ⇒ Loans, credits, bonds receivable ⇒ Land-mortgage receivable ⇒ Cash, savings, deposits, current accounts (+)	* Social funds borrowed ⇒ Loans, credits, bonds payable ⇒ Land-mortgage payable ⇒ Current accounts (-) ⇒ Internal social reserve funds = needed part of capital equity (for rebalancing)
2) Debtors on Rent(e) ⇒ Debtors on rent(e) ⇒ Debtors on social insurances ⇒ Debtors on rights of pledge on land	* Creditors on Rent(e) ⇒ Creditors on rent(e) ⇒ Creditors on social insurances ⇒ Creditors on rights of pledge on land
3) Debtors on services, permits, licenses: ⇒ Debtors on services granted ⇒ Debtors on: hire, lease, tenants, rental	* Creditors on services, permits, licenses ⇒ Creditors on 'not-costs' (services) ⇒ Creditors on: hire, lease, tenants, rental
4) Permits and licenses: ⇒ Land permits ⇒ Stock licenses: -Books -Software	* Depreciation of permits and licenses: ⇒ Land permits ⇒ Licenses

4.4 Physical Subbalance ('Buy-money')

To finalise the balance sheet, now the further refinement of the Physical Subbalance:

Assets (debit):	Liabilities (credit):
1) Physical funds outstanding ⇒ Building mortgages receivable	* Physical funds included ⇒ Building mortgages payable ⇒ Damage reserve ⇒ Internal physical reserve funds = needed part of capital equity (for rebalancing)
2) Debtors on damage compensation: ⇒ Debtors on interest	* Creditors on damage compensation: ⇒ Creditors on interest
3) Debtors on goods and physical objects: ⇒ Debtors on goods sold	* Creditors on goods and physical objects: ⇒ Creditors on goods bought ⇒ Creditors on 'costs'
4) Goods / physical objects: ⇒ Inventory ⇒ Houses, buildings, stores etc. ⇒ IT-hardware ⇒ Stock raw materials ⇒ Equipment	* Depreciation on goods / physical objects: ⇒ Inventory ⇒ Houses, buildings, stores etc. ⇒ IT-hardware ⇒ Stock raw materials ⇒ Equipment

With this further refined arrangement we have arrived at a basic format, which applies to each subbalance. We will come back to this in the Closing Word.

The distinguished main categories are 4 debit categories and 4 credit categories per subbalance and therefore 24 for the entire balance sheet. Each main category at the debit side now has a substantive relationship to the counter category at the credit side. Contrary to the usual balance sheet, what qualitatively belongs together is now placed together. What substantively is of the same kind may be added together, without any improper mixing. So to speak: the birds are among the birds, the cats among the cats and the cows among the cows - no longer improperly mixed up!

The balance has thus become an instrument with which (qualitative) equivalents can be weighed against each other. In this way the balance gives us an insight into the most desirable form of financing; desirable in respect to the social organism as a whole. Consecutively:

- **Cultural assets exclusively to be financed with cultural liabilities including capital equity.**
- **Social assets exclusively to be financed with social liabilities or own capital.**
- **Physical assets exclusively to be financed with physical liabilities or own capital.**

The foregoing concerns the balance sheet.

4.5 Statement of income and expenditures

The 'statement of income and expenditures' is not a weighing instrument like the balance sheet. It is not geared to weigh at a certain moment a sort of 'stockpiles' against each other (assets against liabilities), as is done in the balance sheet. The statement of income and expenditures is a weighing instrument, but of another kind. It concerns the weighing of flows of money against each other, measured over a certain time.

In this statement it is not meaningful, moreover it is impossible to bring together all the money flows concerning the cultural reality, separate from the social reality and finally separate from the physical reality. As we have seen in section 3.19 this distinction is no longer meaningful in the personnel costs. Since the end of the class society is obsolete and counterproductive to make such a distinction, living in the era where the selfish 'ego' must be transformed into the unselfish 'Self'. The self-conscious human has awakened in his individuality (literally in his spiritual 'indivisibility') and thus has emancipated himself from the tradition-borne class society. He / she now receives an income, no longer wages, salaries, or honorary! As we all know, such obsolete terminology is stubborn and tenacious...

The employees manage the capacities and capabilities (including capital) of their own organisation. They have the task of making these capabilities fruitful by actively participating in society through fulfilment of assignments:

- they fulfil assignments given internally to them;
- they fulfil a part of the assignments from other (natural or legal) persons outside their own organisation - the external clients;
- while doing so they also give assignments to other (natural or legal) persons outside their own organisation.

These employees are facing the task to keep up maintaining the balance between the flows of money from the 'power of capital' and on the other hand the flows of money from the 'power of other organisations', so:

- on the one hand, in- and outgoing flows of money related to *capital*, and
- on the other hand in- and outgoing flows of money related to *external assignments*.

That is why the statement of income and expenditures is structured in such a way that it gives us an overview of the balance between these different flows of money. The heading 'personnel costs' functions in the income statement as a kind of 'pivot point' between the categories 'capital' and 'external assignments'.

At this point we have removed all improper mixtures of the three qualities of money (gift-money, lend-money, buy-money) and we have established a concrete redesign of the financial balance sheet and statement of income and expenditures. On the one hand this is derived from the wisdom (still alive) in our language and on the other hand it is based on the three fundamental realities in which we live: our 'social' reality between 'culture' and 'nature'.

4.6 Classification of financial transactions (bookings)

In the next step we have to confront the classification in the section above with all sorts of bookings in the usual financial administrations. In the financial administrations we encounter a multitude of invoices, receipts, deeds and the like.

For practical application we must position these various transactions within the above-developed classification. Per type of transaction we have to ask ourselves to which reality the booking in question refers to: cultural, social or physical. That is what we are going to do in this section. For example, we encountered the following bookings in practice:

Physical	**Social**	**Cultural**
Buildings	Land	Goodwill
Fuels	Postage	Premium / discount
Livestock and cattle feed	Repair maintenance	Discounts
Pledge contract on	Deposits	Patent rights
buildings	Magazine subscription	Course advantages /
Packaging materials	Delivery expenses	disadvantages
Folder material	Nursing note	Physicians note
Pharmacy note	Bookkeepers note	Specialists note
Office materials	Telephone / transport	Accountancy advice
Material consumption	Employment agency note	Architects note
Deposit money	Operational lease	Lottery participation
Financial lease	Sickness benefits	Gifts / donations
Damage benefit	Interest note	Incentive premiums / bonus
Interest note	Tax	Dividend note
Additions/Withdrawals:		
Damage reserves	Social reserves	Development reserves
Provision for equipment	Holiday fund	Capital equity
Depreciation of:		
Equipment / machinery	Non-performing loans	Issuing costs of shares
Harvest investments	Permits / licenses	Costs of research / development

This list is obviously not complete and that is of course not necessary. It is just meant as an example. Nevertheless, it provides a basis for the concrete financial administration. Sometimes it is quite a puzzle to detect the deeper reality (cultural, social, or physical) of a certain financial transaction or booking. The foregoing in this chapter is intended to assist solving this puzzle and to act as a guide for detection. At this stage we are now sufficiently advanced to start the development of a practical example. That is what we are going to do in the next chapter.

5. PRACTICAL EXAMPLE

In this fifth chapter we will develop an example to illustrate the practical application of the new approach as we have described in the chapters above. We develop the example by taking the following steps:

a) At first we compile a balance sheet, but now in accordance with the overview in chapter 4. That overview is the first harvest of our research in chapters 1 up to 3.
b) Thereafter we compile a statement of income and expenditures, again in accordance with the overview in chapter 4.
c) Finally we provide a brief explanation of this new presentation of the balance sheet and the statement of income and expenditures to clarify the example;

The example in chapter 5 is based on a conventional chart of accounts, which is derived from EU directives on the annual accounts. This conventional chart of accounts, that we have used for the development of our example, follows in conclusion in Appendix-1. This appendix is meant to help those who want to independently transform a conventional presentation into the new presentation of the annual figures. In the composition of the conventional chart of accounts, we are grateful to have used at the time the extensive Information Bulletin Number 61 of July 1983 "At your Service" of Van Dien & Co. Accountants in Amsterdam.

The practical example cannot be found in any company in unchanged form. The example is a compilation of some organisations, that do not work together. For the sake of our example we have brought together a number of illustrative elements. We have changed quantities and amounts to guarantee anonymity and privacy for the companies involved. All peculiar namings, combinations, and ratios can be attributed to this. After all, it is just an example!

A transformation tool (in Excel) can be requested free of charge from the author: *hgels@xs4all.nl*

5.1 Three subbalances in one total balance sheet

Per subbalance the balance is determined. A debit or a credit balance appears on each subbalance. As you can see in our example there is a:

- debit balance on the cultural subbalance.
- debit balance on the social subbalance;
- credit balance on the physical subbalance.

Just as in the conventional balance sheet, the threefold balance sheet must also be in balance: total debit = total credit. This is clearly visible in the first summary of our example.

On the next page you will find the summarised balance sheet of our example. How this summary is built up will be discussed in the course of this chapter.

The balance, for example, of the physical subbalance shows that in our example 688,500 of physical assets have been financed with other funds, then physical funds. So, not in the right way! These other funds seek their certainty in agreements (social certainty) or in personal development (cultural certainty), see also section 2.3.

ANNUAL ACCOUNT (1)			
Debit	**BALANCE**		***Credit***
12 Cultural funds provided	35.000	32 Cultural funds received	445.500
11 Debtors on donations / dividend	0	31 Creditors on donations/ dividends	13.500
10 Debtors on development	210.000	30 Creditors on development	65.000
09 Intellectual property / Creations from the mind/spirit	116.000	29 Depreciation of creations from the mind/spirit	82.000
Debit saldo	*245.000*	*Credit saldo*	*0*
Total cultural subbalance	**606.000**	**Total cultural subbalance**	**606.000**
08 Social funds provided	249.500	28 Social funds received	600.500
07 Debtors on provision of livelihood/‘rent(e)’	0	27 Creditors on provision of livelihood/‘rent(e)’	75.000
06 Debtors on services	119.500	26 Creditors on services	210.500
05 Land, concessions, licenses provided	100.500	25 Depreciation of land, concessions, licenses	27.000
Debit saldo	*443.500*	*Credit saldo*	*0*
Total social subbalance	**913.000**	**Total social subbalance**	**913.000**
04 Physical funds provided	0	24 Physical funds received	61.000
03 Debtors on interest/damage compensation	0	23 Creditors on interest/damage compensation	6.500
02 Debtors on goods/products	362.000	22 Creditors on goods/products	409.500
01 Goods/products	1.009.000	21 Depreciation of	205.500
Debit saldo	*0*	***Credit saldo***	*688.500*
Total physical subbalance	**1.371.000**	**Total physical subbalance**	**1.371.000**
TOTAL BALANCE	**2.890.000**	**TOTAL BALANCE**	**2.890.000**

Ratio-1: Degree of imbalance

From each subbalance we can determine the extent in which each is out of balance. This provides us with a new ratio as a measure of the imbalance per subbalance:

- the cultural subbalance is 40.40% out of balance (= +245000 / 606000);
- the social subbalance is 48.60% out of balance (= +443500 / 913000);
- the physical subbalance is -50.20% out of balance (= -688500 / 1371000);
- of course the total balance is 0.00% out of balance.

More new ratio's will be presented in section 5.2.

The three different realities (physical objects, social agreements and cultural development) are fundamentally different. It is therefore not indifferent what kind of certainty applies to what reality. As said in section 1.1 even when people care little about the health of the social organism, this distinction is of utmost importance. As well as to the entrepreneur and also to the financier. After all, whoever does not take this distinction into consideration, confuses the different types of certainties and introduces feigned certainties. Also the financier can become a victim of this confusion!

Back to our example. What can we conclude from the figures in our example?

The credit balance 688,500 of the Physical Subbalance has been financed with 443,500 from the Social Subbalance and 245,000 from the Cultural Subbalance (see the items 08 and 12 in the overview above).

Financial 'sanitising' measures

What can our example company do to reduce or eliminate imbalanced funding, and thus to contribute to a sound social organism (from a socio-economic perspective)? The imbalances in the Physical and Social Subbalance can for example be eliminated as follows:

- the debit balance of 245,000 on the Cultural Subbalance can be allocated as Internal Loss Reserve on the Physical Subbalance. The entry is at the expense of the accounts a) "Result this financial year" for 230,000 and b) "General reserve" for 15,000;
- the arranging of a stock financing for 443,500, to be entered as 'Physical funds received' on the Physical Subbalance;
- the available funds coming from the new stock financing can subsequently be used to pay off a number of debts on the Social Subbalance. For example:

103.500 Creditors on services ('not costs')
35.000 Social charges paid
85.000 Private loan
10.000 Deposit received
210.000 Bank acconnts

These financing measures (if taken on the balance sheet) establish a rebalanced Physical and Social subbalance. In this way our example company contributes independently to the financial sanitising of the social organism. Likewise, the financier does the same when he actively cooperates. As shown, we can also refer our example entrepreneur to external damage funds and/or external social funds, if needed.

Non-life insurance companies are pre-eminently suitable funders for providing all kinds of 'physical' financing, to rebalance the physical balances of organisations. The banking world has wrongly penetrated very far into this area with its lending (backed by the legislator). In the past the Dutch author Pieter Lakeman, for example, has clearly demonstrated this in his publications. However, he also states that it is hard to indicate the limit of bank lending. But now, as shown, we have found (retrieved) in the language itself and by means of the threefold approach a financial balance format in which this boundary is clearly drawn. Namely: restrict bank lending to the boundaries of the Social Subbalance.

5.2 Statement of expenditures and income

After the new balance sheet, the practical example of the statement of expenditures and income will follow below, also in the new format.

Note: the numbering of the debit headings 01 to 19 (= debit side of the balance sheet and statement of expenditures and income) are followed by the numbering of the credit headings 21 to 39 (= credit side of the balance sheet and statement of expenditures and income). Category number 20, between categories 19 and 21, is skipped for convenience. As a result, the debit heading 01 corresponds with the credit heading number 21, and the debit heading 02 with credit heading 22, etc. up until debit heading 19 with credit heading 39.

A N N U A L A C C O U N T (2)

Debit / Expenditures		**STATEMENT**	*Income / Credit*
19 Expenditures on development work by third parties	145.000	39 Income from development work for third parties	900.000
18 Expenditures on services by third parties (= 'not costs')	417.500	38 Income from services for third parties	500.000
17 Expenditures on goods/products (= 'costs')	743.500	37 Income from goods/products	1.700.000
Debit saldo	1.794.000	*Credit saldo*	*0*
Subtotal external assignments	**1.306.000**	**Subtotal external assignments**	**3.100.000**
16 ***Expenditures on staff**	**1.150.000**	36 *Income from staff	n.a.
15 Donations/dividends paid	265.500	35 Donations/dividends received	18.000
14 'Rent(e)'/provisions for livelihood paid	270.000	34 'Rent(e)'/provisions for livelihood received	7.000
13 'Interest'/damage compensations paid	133.500	33 'Interest'/damage compensations received	0
Debit saldo	*0*	***Credit saldo***	*644.000*
Subtotal expenditures on capital	**669.000**	**Subtotal income from capital**	**25.000**
TOTAL EXPENDITURES	**3.125.000**	**TOTAL INCOME**	**3.125.000**

New ratio's

We are now able to design and calculate some new, yet easily understandable ratios. These ratios are significant for the way in which the incoming and outgoing money-flows are composed. In section 5.1 we have already introduced the 1st new ratio.

Ratio-2: concerns the share of personnel expenditure in total expenditure. In our example, that is 36.8% of total expenditure:

(1.150.000 : 3.125.000) x 100 % = 36,8 % ***personnel expenditure***.

From the outcome of 50% onwards, the influence from expenditures at personnel is greater than the influence from expenditures at capital and external assignments.

Ratio-3: in our example company is a very busy one, because 78.7% of all expenditures concern assignments to third parties within the social organism. We calculate this as follows:

(1.150.000 + 1.306.000): 3.125.000 x 100 % = 78,68 % ***expenditures at assignments to third parties***.

Ratio-4: concerns the influence from expenditures at capital on the total expenditure. In our example company that is 21.4% of the total of the expenditure:

(669.000 : 3.125.000) x 100 % = 21,4 % ***expenditures at capital***.

From the outcome of 50% onwards, the influence from expenditures at capital is greater than the influence from expenditures at (internal and external) assignments.

Ratio-5: concerns the influence from capital revenues on the income stream. In our example that is 0.8% of the total revenue:

(25.000 : 3.125.000) x 100 % = 0,8 % ***capital revenue as part of income***.

Ratio-6: concerns the ratio between the total of the debtors on the balance sheet and the total income derived from external assignments. In our example, that is:

(362.000 + 119.500 + 210.000) : 3.100.000 x 0,01 = 22%

This means that 22% of the turnover volume acquired from external assignments is still in the books as debtor: ***debtor ratio*** of 22%.

Ratio-7: concerns the ratio between the total of the assignment creditors on the balance sheet and the total expenses spent on external assignments. The ***creditor ratio*** in our example company is:
(409.500 + 210.500 + 65.000) : 1.306.000 x 0,01 = 52%

Ratio-8: concerns the ratio between the total of the capital items on the balance sheet and the capital items on the profit and loss account. In our example company this ratio is:

Balance debit: 0 + 0 + 0 + 249.500 + 0 + 35.000 = 284.500
Balance credit: 6.500 + 61.000 + 75.000 + 600.500 + 13.500 + 444.500
Expenditures: 669.000
Income: 25.000

In formule: (284.500 - 444.500) : (25.000 - 669.000) = 0,248 ***'capital pressure'***

Ratio-9: concerns the ratio between the total of the items on the balance sheet in connection with assignments provided to third parties and/or received from third parties, against items associated with such assignments on the statement of income and expenditures. In our example company, that is:

Balance debit: 1.009.000 + 362.000 + 100.500 + 119.500 + 116.000 + 210.000 = 1.917.000
Balance credit: 205.500 + 409.500 + 27.000 + 210.500 + 82.000 + 65.000 = 999.500
Expenditures: 1.150.000 + 1.306.000 = 2.456.000
Income: 3.100.000

In formule: (1.917.000 - 999.500) : (3.100.000 - 2.456.000) = 1,424 ***'assignments pressure'***

The two last two ratios are comparable to blood pressure. With such a comparison, it is fairly easy to form a true idea of the concerning reality: the ratio 'capital pressure' as 'under pressure' and the ratio 'assignments pressure' as 'over pressure'.

The above overview of ratios is of course not limited. It is just a start. It goes without saying that these ratios have to be 'calibrated' using a series of real life cases. This requires further study on the basis of historical figures from existing or bankrupt organisations. In the course of time the practical value of these ratios will have to be proved.

5.3 Specification per heading on each subbalance and the statement of income and expenditures

In the following pages, the three subbalances and the statement of income and expenditures are specified in more detail. In Appendix-1 you will find the presentation of the conventional chart of accounts that we used to compile our example. In this chart of accounts, based on the obsolete EU directives on the annual accounts, the corresponding heading/account numbers are presented, which makes it easier to find each item in the new overviews. On the basis of this, the bookkeeping reader can independently start with concrete financial administrations to make them suitable for the new threefold presentation (in addition to the usual presentation).

We do not deal here with the conventional presentation of the annual account, instead we refer the reader to the multitude of literature available in the bookshops.

CULTURAL SUBBALANCE

	Debit		Credit
12 CULTURAL FUNDS PROVIDED		32. CULTURAL FUNDS RECEIVED	
Acquired (own) shares	10.000	Fully paid shares	120.000
Share capital outstanding	25.000	Priority shares	25.000
		Share premium reserve	26.000
		Reserves prescribed by articles	14.500
		General reserve	30.000
		Undivided profit	0
		Profit for the period	230.000
subtotal 12	35.000	subtotal 32	445.500
11. DEBTORS ON DONATIONS / DIVIDENDS		31. CREDITORS ON DONATIONS / DIVIDENDS	
		Dividend payable	12.000
		Tantiemes payable	1.500
subtotal 11	0	subtotal 31	13.500
10. DEBTORS ON DEVELOPMENT WORK		30 CREDITORS ON DEVELOPMENT WORK	
Debtors on consultancy	15.000	Creditors on development work	65.000
Debtors on own software	195.000		
subtotal 10	210.000	subtotal 30	65.000
09. CREATIONS FROM THE MIND / SPIRIT		29. DEPRECIATION OF CREATIONS FROM THE MIND / SPIRIT	
Starting costs	20.000	Depreciation starting costs	18.000
Prototypes	19.000	Depreciation prototypes	7.000
Originals / own software	23.000	Depreciation originals / own software	14.000
Copyrights	0	Depreciation copyrights	0
Goodwill	30.000	Depreciation goodwill	27.000
Own software (self developed)	24.000	Depreciation own software	16.000
subtotal 09	116.000	subtotal 29	82.000
Subtotal categories 09 to 12	361.000	Subtotal categories 29 to 32	606.000
Saldo cultural balance debit	245.000	Saldo cultural balance credit	0
TOTAL CULTURAL SUBBALANCE	606.000	TOTAL CULTURAL SUBBALANCE	606.000

The Cultural Subbalance **(quality = gift-money)** is with 245.000 = 40,4% out of balance.

SOCIAL SUBBALANCE

08. SOCIAL CAPITAL PROVIDED	**Debit**	28. SOCIAL CAPITAL RECEIVED	**Credit**
Security deposit provided	18.000	Guarantee reserve	0
Social premium paid in advance	2.000	Equalisation-reserve investment premium	24.000
Personnel paid in advance	1.500	Reserve deferred taxes	11.500
Current accounts with companies	16.000	Pension obligations	0
Declaration advance	3.000	Holiday pay-reserve	35.000
Bonds provided	18.000	Private loan	85.000
Cash	3.500	Bank business credit	100.000
Bank current account	150.000	Land mortgage received	10.000
Bank currency accounts	30.000	Security deposit received	10.000
Cross postings	6.000	Bank current account	210.000
Search postings	1.500	Bank currency accounts	105.000
		Current accounts with companies	7.500
		Interrim account personnel	2.500
subtotal 08	249.500	subtotal 28	600.500
07. DEBTORS ON PROVISIONS FOR LIVELIHOOD		27. CREDITORS ON PROVISIONS FOR LIVELIHOOD	
Withholding tax VAT-high rate	18.000	Creditors 'Rent(e)'	5.000
Withholding tax VAT-low rate	3.500	VAT-high rate	24.000
		VAT-low rate	1.500
		Social premium Business Assoc.	6.000
		Premium old age provision	9.000
		Payroll tax	10.000
		Premium child benefits law	4.000
		Social premium	10.500
		Corporation tax	1.000
		Debts on pensions	5.000
subtotal 07	21.500	subtotal 27	75.000
06. DEBTORS ON SERVICES		26. CREDITORS ON SERVICES	
Debtors external software	90.000	Creditors services ('not-costs')	110.000
Debtors maintanance	8.000	Creditors licensed software	100.500
subtotal 06	98.000	subtotal 26	210.500
05. LAND, CONCESSIONS, LICENSES PROVIDED		25. DEPRECIATION OF LAND, CONCESSIONS, LICENSES	
Acquired licenses / permits	18.000	Depreciation of licenses / permits	12.000
Land including mining costs	34.000	Depreciation of Land	11.000
Licensed software in own use	5.000	Depreciation of licensed software	4.000
Library	3.000		
Stock software (sale)	40.000		
Postage (stamps)	500		
subtotal 05	100.500	subtotal 25	27.000
Subtotal category 05 to 08	469.500	Subtotal category 25 to28	913.000
Saldo Social debit	443.500	Saldo Social credit	0
TOTAL SOCIAL SUBBALANCE	913.000	TOTAL SOCIAL SUBBALANCE	913.000

The Social Subbalance (**quality = lend-money**) is with 443.500 = 48,6% out of balance.

In the case of bonds, private loans and credits it should not be allowed that these require collateral of a physical or cultural nature. It is essential here that the certainty is sought in the mutual agreement between the hirer and the lender, so of a relational nature. This certainty has to be a 'social' certainty. Certainties on loans, credits and bonds may only be sought in the social reality, because they refer to social reality. The new balance format developed here enables us to make the desired and necessary distinction.

In the balance sheet of our example company the consequences of our research can be drawn: the boundaries and natural limits of the bank credit facility become visible in the Social Subbalance sheet. (For reassurance: in addition to the credit form, there are also other forms of financing, each with its own scope of application, such as for the financing of the Physical Subbalance!).

PHYSICAL SUBBALANCE

	Debit		Credit
04. PHYSICAL FUNDS PROVIDED		24. PHYSICAL FUNDS RECEIVED	
		(incl. internal damage reserve)	
		Provision for obsolete stock	35.000
		Provision bad debts on goods/products	10.000
		Financial lease debts	8.000
		Mortgage on buildings	8.000
subtotal 04	0	subtotal 24	61.000
03. DEBTORS ON INTEREST / DAMAGE COMPENSATION		23. CREDITORS ON INTEREST / DAMAGE COMPENSATION	
(incl. interest to be received)		(incl. interest payable)	
		Payable law special medical expenses	3.000
		Creditors premium damage insurance	3.500
subtotal 03	0	subtotal 23	6.500
02. DEBTORS ON GOODS / PRODUCTS		22. CREDITORS ON GOODS / PROD.	
Income on goods / products to be received	3.000	Received in advance on orders	3.500
Costs paid in advance	4.000	Creditors on equipment	350.000
Debtors on equipment	350.000	Creditors on costs	7.500
Doubtful debts on goods/products	5.000	Costs payable	24.000
		Terms of production in progress	12.500
		Creditors on parts / components	12.000
subtotal 02	362.000	subtotal 22	409.500
01. GOODS AND PRODUCTS		21. DEPRECIATION OF GOODS AND PRODUCTS	
Buildings	45.000	Depreciation of buildings	17.000
Equipment	150.000	Depreciation of equipment	100.000
Small equipment	18.000	Depreciation of small equipment	10.000
Tools	3.000	Depreciation of tools	2.500
Inventory	18.000	Depreciation of inventory	2.000
Showroom	25.000	Depreciation of showroom	5.000
Office inventory	72.000	Depreciation of office inventory	50.000
Warehouse inventory	7.000	Depreciation of warehouse inventory	2.000
Financial lease cars	23.000	Depreciation of lease cars	12.000
Equipment out of use	8.000	Depreciation of equipment out of use	5.000
Stock raw materials	16.000		
Canteen stock	1.000		
Stock parts / components	250.000		
Stock semi-finished products	90.000		
Stock small material	50.000		
Stock of finished product	210.000		
Goods on the way	4.000		
Production in progress	19.000		
subtotal 0l	1.009.000	subtotal 21	205.500
Subtotal category 01 to 04	1.371.000	Subtotal category 21 to 24	682.500
Deficit Physical debitside	0	Deficit Physical creditside	688.500
TOTAL PHYSICAL SUBBALANCE	1.371.000	TOTAL PHYSICAL SUBBALANCE	1.371.000

The physical subbalance (**quality 'buy-money')** is 688.500 = 50,2% out of balance.

ANNUAL ACCOUNT (1)

Debit	BALANCE		*Credit*
12 Cultural funds provided	35.000	32 Cultural funds received	445.500
11 Debtors on donations/dividend	0	31 Creditors on donations/ dividends	13.500
10 Debtors on development work	210.000	30 Creditors on development work	65.000
09 Creations from the mind/spirit	116.000	29 Depreciation of creations from the mind/spirit	82.000
Debit saldo	*245.000*	*Credit saldo*	*0*
Total cultural subbalance	**606.000**	**Total cultural subbalance**	**606.000**
08 Social funds provided	249.500	28 Social funds received	600.500
07 Debtors on provision of livelihood/'rent(e)'	0	27 Creditors on provision of livelihood/'rent(e)'	75.000
06 Debtors on services	119.500	26 Creditors on services	210.500
05 Land, concessions, licenses provided	100.500	25 Depreciation of land, concessions, licenses	27.000
Debit saldo	*443.500*	*Credit saldo*	*0*
Total social subbalance	**913.000**	**Total social subbalance**	**913.000**
04 Physical funds provided	0	24 Physical funds received	61.000
03 Debtors on interest/damage compensation	0	23 Creditors on interest/damage compensation	6.500
02 Debtors on goods/products	362.000	22 Creditors on goods/products	409.500
01 Goods/products	1.009.000	21 Depreciation of goods/products	205.500
Debit saldo	*0*	***Credit saldo***	*688.500*
Total physical subbalance	**1.371.000**	**Total physical subbalance**	**1.371.000**
TOTAL BALANCE	**2.890.000**	**TOTAL BALANCE**	**2.890.000**

RECAP OF THE THREE SUBBALANCES

	Total	***Balance***	***in %***
1. Cultural subbalance (gift-money)	606.000	245.000	40,4
2. Social subbalance (lend-money)	913.000	443.500	48,6
3. Pysical subbalance (buy-money)	1.371.000	688.500-	-50,2
TOTAL OF THE THREE SUBBALANCES	2.890.000	0	0

STATEMENT ON EXTERNAL ASSIGNMENTS

	Expenditures		Income
19. DEVELOPMENT WORK BY THIRD PARTIES		39. DEVELOPMENT WORK FOR THIRD PARTIES	
Hired system development specialists	100.000	Turnover self developed software - domestic	750.000
Training expenses	10.000	Turnover self developed software – abroad	150.000
Spending on various designs	5.000		
Auditor fee	20.000		
Various general charges (consultancy advice)	10.000		
subtotal 19 (expenditures on wins)	145.000	subtotal 39 (income on wins)	900.000
18. SERVICES BY THID PARTIES		38. SERVICES FOR THIRD PARTIES	
Freight / import duties	30.000		
Outgoing loads	5.000		
Sales fair expenses	10.000		
Cost price software sales – domestic	100.000	Turnover licensed software - domestic	400.000
Cost price software sales – abroad	50.000	Turnover licensed software - abroad	100.000
Hired administrative staff	50.000		
Travel costs	15.000		
Recruitment costs personnel	5.000		
Paid rental shed	7.500		
Maintenance inventory	2.500		
Cleaning expenses	5.000		
Paid rental equipment	2.500		
Maintenance equipment	1.500		
Subscriptions	1.000		
Stamps and postage	7.500		
Phone expenses	25.000		
Telex expenses	5.000		
Various third party services	5.000		
Professional literature	1.500		
Operational lease (cars)	25.000		
Other car expenses	22.000		
Various transport costs	1.000		
Advertisements / advertising	10.000		
Debt collection expenses	1.000		
Accommodation costs	25.000		
Financing expenses	500		
Banking expenses	3.500		
Other various services	500		
subtotal 18 (expenditures on services = ‘not-costs’)	417.500	subtotal 38 (income on services)	500.000
17. GOODS / PRODUCTS CONSUMED (COSTS)	**Debit**	37. GOODS AND PRODUCTS SOLD	**Credit**
Cost price sold equipment – domestic	550.000	Turnover on Equipment in domestic	1.400.000
Cost price sold equipment – abroad	100.000	Turnover on Equipment to abroad	300.000
Sales fair costs	5.000		
Staff costs	10.000		
Costs raw materials	8.000		
Costs canteen consumption	4.000		
Car costs	1.500		
Various allowances to staff	1.000		
Gas / electricity / water	5.000		
Heating costs	9.000		
Various expenses on housing	5.000		
Stationery	15.000		
Printing expenses	5.000		
Gasoline / gas / gas oil	15.000		
Leaflets	5.000		
Representation expenses	5.000		
subtotal 17 (costs)	743.500	subtotal 37 (income)	1.700.000
TOTAL EXPENDITURES ON ASSIGNMENTS	1.306.000	TOTAL INCOME FROM ASSIGNMENTS	3.100.000
(saldo 1.794.000)		(saldo 0)	

With regard to external assignments, income and expenses differ in total: 1.794.000 = 57,4%-.

S T A T E M E N T O N I N T E R N A L A S S I G N M E N T S

16. EXPENDITURES ON PERSONNEL		36. INCOME FROM PERSONNEL	
Income paid to personnel	750.000		n.a.
Income paid to directors / top management	250.000		
Paid to timley contracted staff	150.000		
TOTAL EXPENDITURES ON PERSONNEL	1.150.000	TOTAL INCOME FORM PERSONNEL	0
		(saldo 1.150.000)	

STATEMENT ON EXP. & INCOME RELATED TO CAPITAL

	Expendituress		Income
15. DONATIONS / DIVIDENDS PAID		35. DONATIONS / DIVIDENDS RECEIVED	
Discretionary bonus	2.500	Dividend received	3.000
Tantièmes	3.500	Exchange profits	15.000
Special rewards	4.500		
Depreciation Prototypes	4.000		
Depreciation Start-up costs	500		
Depreciation Own software	2.500		
Depreciation Software / originals	5.000		
Depreciation Goodwill	2.000		
Sell price loss	1.000		
Payment discount	1.500		
Payment differences	500		
Addition of premium reserve	6.000		
Addition General reserve	2.000		
Result this financial year	230.000		
subotal 15	265.500	subtotal 35	18.000
14. RENT(E) / PROVISIONS FOR LIVELIHOOD PAID		34. RENT(E) / PROVISIONS FOR LIVELIHOOD RECEIVED	
Holiday allowance paid out	100.000	Sick pay received	5.000
Sickness benefit management	2.500	Other special income	2.000
Sickness benefit other employees	10.000		
Paid various social premiums	35.000		
Paid premium child benefits law	24.000		
Premium pension insurance	10.000		
Depreciation terrain	1.000		
Depreciation licenses	3.000		
Depreciation purchased software	1.000		
Contributions	7.500		
Other interest Long Term credit	15.000		
Bank interest	25.000		
Other interest Short Term credit	1.000		
Other special charges	10.000		
Various indirect taxes / VAT	12.000		
Various direct taxes	13.000		
subtotal 14	270.000	subtotal 34	7.000
13. INTEREST / DAMAGE COMPENSATION PAID		33. INTEREST / DAMAGE COMPENSATION RECEIVED	
Premium special medical expenses	26.000		
Depreciation equipment	50.000		
Depreciation small equipment	5.000		
Depreciation tools	1.500		
Depreciation inventory	7.500		
Depreciation showroom	5.000		
Depreciation office inventory	20.000		
Depreciation warehouse inventory	1.000		
Depreciation lease cars	2.000		
Depreciation buildings	6.000		
Depreciation equipment out of use	500		
Depreciation bad debts equipment	2.500		
Insurance of housing	1.500		
Insurance of equipment	1.000		
Addition to provision obsolete stock	4.000		
subtotal 13	133.500	subtotal 33	0
TOTAL EXPENDITURES ON CAPITAL	669.000	TOTAL INCOME FROM CAPITAL	25.000
(debit saldo 'on Capital' 0)		**(credit saldo 'from Capital' 644.000)**	
GRAND TOTAL OF EXPENDITURES	3.125.000	GRAND TOTAL OF INCOME	3.125.000

The expenditures at capital costs differ by 644,000 = 96.3% compared to the revenues from capital.

In the sphere of 'capital' there are three aspects for each of the two main categories. Per main category, they each form each other's counterparts: debit versus credit. Each time with a different money quality:

- two main categories 'dividend' (='surpluses') with gift-money quality,
- two main categories 'rent(e)' (= 'livelihood') with lend-money quality, and
- two main categories 'interest' (= 'damage compensation') with buy-money quality.

A N N U A L A C C O U N T (2)			
Debit / Expenditures	**STATEMENT**	***Income / Credit***	
19 Expenditures on development work by third	145.000	39 Income from development work for third parties	900.000
18 Expenditures on services by third parties (= 'not costs')	417.500	38 Income from services for third parties	500.000
17 Expenditures on goods / products (= 'costs')	743.500	37 Income from goods / products	1.700.000
Debit saldo	1.794.000	*Credit saldo*	*0*
Subtotal external	**1.306.000**	**Subtotal external assignments**	**3.100.000**
16 ***Expenditures on staff**	**1.150.000**	36 *Income from staff	n.a.
15 Donations / dividends paid	265.500	35 Donations / dividends received	18.000
14 'Rent(e)' / provisions for livelihood paid	270.000	34 'Rent(e)' / provisions for livelihood received	7.000
13 'Interest' / damage compensations paid	133.500	33 'Interest' / damage compensations received	0
Debit saldo	*0*	***Credit saldo***	*644.000*
Subtotal expenditures on	**669.000**	**Subtotal income from capital**	**25.000**
TOTAL EXPENDITURES	**3.125.000**	**TOTAL INCOME**	**3.125.000**

RECAP OF THE STATEMENT OF EXPENDITURES AND INCOME

	Expenditures	***Income***	***Difference %***
6. Total External Assignments	1.306.000	3.100.000	57,4
5. Total Internal Assignments (personnel)	1.150.000	0	100,0
4. Total related to Capital	669.000	25.000	96,3
TOTAL OF THE EXPENDITURES AND INCOME	3.125.000	3.125.000	0

Note: The serial numbers 4 to 6 above are in line with the serial numbers 1 to 3 as mentioned in the recap of the three subbalances (shown 5 pages earlier).

6. REGARDING THE APPLICATION

We would like to address some points that may be relevant for applying the above developed threefold approach.

6.1 Universal rights of the legal entity

In paragraph 3.15 we have determined that the share capital exclusively belongs to the organisation of the legal entity. In the same way our own children cannot be viewed as private property. The same counts for organisations! A natural person belongs to itself. The same counts for the legal entity, the legal person. It is time for global 'universal rights of the legal person'. The trade in legal entities is a kind of slave trade that must be stopped as soon as possible! In that case organisations will be released out of the grip of (overly) demanding investors, and a sound financial space and also stress relief will come into society. Shares will no longer be tradable, contrary to today's practice. This ends gambling on movements of share prices and the trading of shares on the stock markets. It will also put an end to much extreme enrichment and the growing number of billionaires. Now is the time that the 'steps[6] of the social temple (the social organism) are swept clean.' See also Appendix-2.

6.2 Entrepreneur-owner

As pointed out before: the legal entity belongs to itself, has its own capital, and its own name. Employees who are allowed to use all of their available resources must work within the body of the legal entity, that is the organisation. But nothing of it is their personal property. This is suspiciously similar to the Franciscan principle of voluntary poverty. As a member of the order, one becomes a 'co-brother', and one can use all available means, but personal belongings are diminished to the minimum or reduced to zero. Working together in an organisation factually amounts to an internal (but unconscious) exercise in the brotherhood! The big challenge is to make that exercise more conscious and to extend it also to an external exercise, to the cooperation in brotherhood between organisations.

The concept of a entrepreneur who is also an owner, is false in this context. It is better to speak here about an entrepreneur who is also the author of the organisation. He can be viewed as the representative of the legal entity that has been expressed in the organisation. Therefore the law on copyrights can form a better starting point for arranging a healthy relationship between the entrepreneur and the company. For the employees, the entrepreneur is the author or founder of the organisation, in which he is usually working just as hard.

In the same way as employees, the entrepreneur-owner also receives an income from the organisation. Practically speaking, there is no difference between employees and working entrepreneurs. However, from the moment that the legislator allows the equity of an organisation to be counted as part of the private capital of an entrepreneur-owner, the financial confusion in society strikes but is hardly noticed.

Especially in the context of income taxes and social insurance, this is a disaster under certain circumstances. The entrepreneur-owner who, after too much hard work, goes bankrupt, and is barely

[6] See the New Testament, Matthew 21:12 – “And Jesus entered the temple and drove out all who sold and bought in the temple, and he overturned the tables of the money-changers and the seats of those who sold pigeons.”

entitled to social insurance, while his employees enjoy this insurance to a fair extent. Besides, the employees also have the protection of labour legislation.

Social insurances will have increasing problems to cope with this inconsistency and to be able to determine who is and who is not covered by social insurance. Real separation between the equity capital of companies and the management of companies will gradually become a bitter necessity.

And this is fairly easy to solve, for example, by incorporating the company in a foundation that hires the current entrepreneur (also the alleged owner) as director of the company. As a construction this is not unusual. A major stumbling block here can be the high social premium, which (wrongly but lawfully) at present in the Dutch situation the entrepreneur does not have to pay, but then as an employee of the foundation the director must be paid like all other employees. Unfortunately, small companies usually cannot afford this increase of social premium. Such foundations for the management of companies can remove much silent misery for entrepreneurs of small companies. The entrepreneur, who is really connected with the essence of his enterprise, who feels like a 'housefather' for his 'spiritual child', will have fewer problems with that. It will also guarantee continuity, which is very valuable to him.

6.3 From one-man business to multinational organisation

There is essentially no difference between the one-man business and the multinational organisation. In the multinational all has grown enormously, which in the one-man business still slumbers or is little developed. After all, a huge multinational can develop from a one-man business e.g. Ford, Philips, etc).

While a company is growing, almost everything is being replaced within the company: employees, directors, board members, suppliers, capital providers and customers come and go over the course of years. But the organisation itself remains. It is not tied to an individual, but to the mutual cooperation of the people involved. Although there is still no question of internal cooperation, this principle also applies to the smallest business.

6.4 Separation of interest and rent(e)

The price periodically paid resp. received on loans and the like is a combination of interest and rent(e). That price is nowadays falsely called 'interest'. As we have seen, the real interest refers to the physical reality and the implicitly incorporated rent(e) refers to the social reality. This must be split up of course to be able to compile the new annual account.

The split is done as follows. We start with the price index that is 'measured' by the National Office for Statistics on a regular basis. This price index is indicative for the losses by inflation incurred in the corresponding period. By means of that price index we can calculate the portion of 'interest': the price index times the remaining principal amount of the loan. The rest of the periodical amount can be regarded as 'rent(e)', that is paid or received for the livelihood of the lender (the concerned person or legal person).

Note: Only the pure rent(e) paid for the livelihood can reasonably qualify for taxation. The 'interest' as compensation for capital damage cannot!

6.5 Volunteers

Work done by volunteers may cause so-called distortions of competition. If one wants to prevent such distortions, one can appreciate voluntary work against the usual income standards of personnel. Subsequently, the relevant volunteer can be granted the right to allot (in proportion of his contribution) the dividend. He then has the same right to allot as the shareholders, the right to determine the destination of the surpluses of the company. If the volunteer decides to earmark that money for the organisation within which he himself is voluntarily active, then it can be determined by law that these funds may only be used by that organisation for internal cultural purposes. Think here, for example, of additions to Internal Cultural Reserves c.q. Facilities, or to make payments for development assignments provided to third parties.

6.6 The extra work

The threefold reporting from the financial administration results in extra work, if the reports are compiled manually. But nowadays almost everyone uses a computer. Whoever uses a standard administration package will only have little extra work. These software packages are usually provided with the possibility to define your own reports themselves. So, technically there is no obstacle. This means that the new threefold annual accounts can be perfectly compiled automatically, in addition to the current annual accounts. Provided some minor measures are taken at the level of accounts e.g. the split between 'cost accounts' and 'not-cost' accounts and accounts for expenditures related to 'development'.

6.7 The type of organisation is not relevant

The method developed here applies to any organisation i.e. everywhere where the legislator demands a financial bookkeeping. In respect to the money management in the social organism there is no single reason why any organisation could be regarded as an exception and could be placed outside the influence of (primal) laws of the money economy. In this context, no organisation can appeal to uniqueness and the like, not even the government. The participation in social economic traffic as such is decisive, not the nature of that participation.

6.8 Separation of surplus and personnel income

At the end of the financial year, we are faced with the question of what must be regarded as a surplus and therefore could be a candidate for paid dividend. The answer can be provided through budgeting. Budgeting at the beginning of the year is a handy and familiar tool. After all, budgeted items have been realized and paid, the surplus appears on the balance sheet. If the income for personnel (including top management) is not budgeted at the beginning of the year, then at the end of the year the question will arise how much top management (including the 'owner' of the company) claim as their own income and what will remain to add to the equity capital of the company. Structurally one tends to take care of themselves first (see also section 6.2).

As a target it is advisable to budget the surpluses that one wants to donate to a (e.g. adopted) cultural organisation, and to calculate that surplus openly in the prices.

6.9 Fixed, Floating, Liquid

The practical example does not (yet) differentiate between Fixed, Floating and Liquid financial resources. This expansion can easily be made within each subbalance if desired, and accordingly per main category. See also the attached chart of accounts in Appendix-1. Incidentally, this aggregation is not consistently used in the usual financial reports:

- a raw material, which can be resold instantly (e.g. oil), can practically be allocated to the Liquid assets. It is commonly classified within the Floating assets;
- a building, which is highly sought after, actually belongs to the Liquid assets. A building that can normally be sold within a few months actually belongs to the Floating assets. And a building that is obsolete is actually part of the Fixed assets.

In fact every heading should be (sub)divided to: Fixed-Floating-Liquide. In the new threefold balance, these are 12 debit and 12 credit headings, each of which also qualifies for the subdivision in Fixed-Floating-Liquide. But such subdivision is ofcourse not relevant for the purpose of our booklet.

6.10 Income tax deductions

Apart from the question of whether direct taxes as a phenomenon can legitimately be mentioned, there is a structural injustice in the taxation method. Because, donations made to institutions and organisations, which are dependent on government subsidies, are not made deductible from the tax due itself, but from the income on which the tax is levied. Because such donations result in a direct drop in the need for government subsidies, such donations must be deducted from the tax due itself! After all, out of those collected taxes, the subsidy is paid. As an example we mention here the donations made to schools. This is more common than many people suspect. Especially in the special-needs schools many parents and grandparents regularly give extra money, in addition to the usual school fees.

Such a change encourages individuals to donate to cultural institutions such as schools. This releases these schools from the normative government influence (see also section 3.17). Then cultural freedom becomes reality again and the constitution is respected again.

CLOSING WORD

As already said in the Introduction, we want to end here with a few promising perspectives that can be derived from the foregoing.

In section 1.2 we made it clear that each of the three subbalance shows the same quadruple format. Rudolf Steiner presents - as a spiritual scientist - something similar in his lecture, dated April 11th 1921[7]. In this lecture he describes for physicians how a quadruple can be recognised in the head, in the chest and in the limbs! A similarly striking similarity shows our new classification of the statement of income and expenditures with a lecture by Steiner dated October 10th 1921 about the seven life processes in the human body[8].

This points at two important 'keys' for further research on how the social organism can be understood as a metamorphosis of the human organism. A first result of this research is described in Appendix-4 of 'Redesign of Capitalism'.

Steiner grounded a complete new relationship of humans to the cosmos. His insights offer a perspective that appeals strongly to the imagination, both for society and for science. On the basis of his indications, a systematic search can be made of verifiable connections between the intra-human organism (body), the inter-human organism (organisation and society) and the extra-human organism (the cosmos). Such coherence between the micro, meso and macro level liberates the different branches of science (faculties) out of their isolation and restores the content in respect to the scientific unification (university). This, for example, puts the wave movements in the economy, as indicated by Nikolai Kondratieff (1925) in a completely new light. Such a multiple and verifiable coherence provides economists with a solid foundation for their reflexive science.

If we break through the dogma that religion and science must stay strictly separate, then we can start consciously with the following train of thought. The indication in the New Testament that we are 'all members of one Body' suddenly acquires an unexpected concrete meaning: we all participate in the global social organism, in the global network of organisations.

Incidentally, this unexpected concrete meaning should not really be a surprise when we realise that we have chosen the language itself (the Word-spirit) as the basis for the organisation of financial phenomena in the social organism. But still ... without moralising: the condition that one should not serve the money itself, but instead the social organism as a whole, now speaks for itself. In biblical terms: 'You cannot serve God and the Mammon'. The current statutory set-up of the balance sheet and the statement of income and expenditures supports egoism; but the set-up developed here supports the social organism as a whole. What would you choose?

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[7] See the first lecture in GA-number 313 “Geisteswissenschaftliche Gesichtspunkte zur Therapie” = “Anthroposophical Spiritual Science and Medical Therapy”.

[8] In other lectures, Steiner describes the role that the surrounding cosmos plays in the human body, including verifiable methods of research in this area. An area that is so difficult to access for many people.

The resistance to the insights as expressed in this booklet will be great. Both international legislation and the established financial order are the guarantee for that resistance (think of accountants, bankers, tax, investors, lawyers, economists, politicians etc.). It is almost certain that these experts and politicians will not receive such a development with open arms. This last perspective is one that is task-setting for everyone, especially for entrepreneurs. It is certainly worthwhile and in the interests of all of us .....

Do not consider this booklet as 'ready'. It is nothing more than a start and an invitation for further research! I like to dedicate it to the archangel Michael, who is according to Johan Trithemius[9] the 'reigning spirit' in the current period...

[9] According to Johan Trithemius, the archangel Michael from 1870 to 2224 is the reigning time spirit. Trithemius was Benedictine abbot in Sponheim in 1483 and in Wirtszburch in 1508.

APPENDIX-1: CONVENTIONAL CHART OF ACCOUNTS

In the chart of accounts below we have included the same example as described in chapter 5. But in this appendix the figures are presented in conformity with a conventional layout!

Upfront we would like to apologise for any errors or mistakes.

- The chart of accounts below is in conformity with the 4e and 7e EU-guideline[10] (1983). Thus, this chart is not aligned with the recent International Financial Reporting Standards (IFRS 2005). There is no need to do so, because it is only meant as a kind of illustration.
- T = Total or subtotal account

Balance accounts

Ledger account number	BALANCE / Description	Saldo	Dt / Cr	Category of the new Layout
1	Costs to share issue	0	D	24
1	Idem	0	C	24
T *0049*	*Costs to share issue*			
51	Start-up costs	20.000	D	9
52	Depreciation start-up costs	-18.000	C	29
53	Development prototypes	19.000	D	9
54	Depreciation prototypes	-7.000	C	29
55	Development originals / software	23.000	D	9
56	Depreciation originals / software	-14.000	C	29
T *0099*	*Investments in Research & Development*			
101	Acquired licenses	18.000	D	5
102	Depreciation licenses	-12.000	C	25
T *0149*	*Concessions and permits*			
151	Copyrights	0	D	9
152	Depreciation copyrights	0	C	29
T *0199*	*Rights from creations of the mind/spirit*			
201	Goodwill	30.000	D	9
202	Depreciation goodwill	-27.000	C	29
T *0249*	*Goodwill*			
251	Payments in advance immaterial fixed assets / on assignments	0	D	div
251	Payments in advance immaterial fixed assets / on capital	0	D	div
T 0299				
T 0300	**IMMATERIAL FIXED ASSETS**	32000	**DEBIT**	
301	Buildings	45.000	D	1
302	Depreciation buildings	-17.000	C	21
303	Land including mining	34.000	D	5
304	Depreciation land	-11.000	C	25
T *0349*	*Commercial buildings and –land*			
351	Equipment	150.000	D	1
352	Depreciation equipment	-100.000	C	21
353	Small equipment	18.000	D	1
354	Depreciation small equipment	-10.000	C	21

[10] *The models for the (ordinary) annual accounts can be found in: Administrative order of 23 December 1983, establishing models as formats for the preparation of annual accounts. This decision contains 19 different models: Model A to Model S.*

355	Software of own development / self built	24.000	D	9
356	Depreciation software of own development	-16.000	C	29
357	Licensed software in own use	5.000	D	5
358	Depreciation licensed software	-4.000	C	25
***T** 0399*	*Machines & Installations*			
401	Tools	3.000	D	1
402	Depreciation tools	-2.500	C	21
403	Inventory	18.000	D	1
404	Depreciation inventory	-2.000	C	21
405	Showroom	25.000	D	1
406	Depreciation showroom	-5.000	C	21
407	Office inventory	72.000	D	1
408	Depreciation office inventory	-50.000	C	21
409	Warehouse inventory	7.000	D	1
410	Depreciation warehouse inventory	-2.000	C	21
411	Cars own property	23.000	D	1
412	Depreciation leased cars own property	-12.000	C	21
413	Library	3.000	D	5
413	Depreciation library		C	29
***T** 0449*	*Other fixed operating assets*			
451	In progress / paid in advance on products / goods	0	D	2
451	In progress / paid in advance on services		D	6
***T** 0499*	*In progress / paid in advance*			
501	Equipment out of use	8.000	D	1
502	Depreciation equipment out of use	-5.000	C	21
***T** 0549*	*PFA not in production process*			
T 0600	**PHYSICAL FIXED ASSETS (PFA)**	198.500	**DEBIT**	
601	Shares / certificates of group companies	0	D	12
601	Idem	0	D	12
***T** 0649*	*Shares / certificates group companies*			
651	Receivable from group companies / on assignments	0	D	div
651	Receivable from group companies / on capital	0	D	div
***T** 0699*	*Receivable from group companies*			
701	Other participations / on assignments	0	D	div
701	Other participations / on capital		D	div
***T** 0749*	Other participations	0	D	div
751	Receivable from other participations / on assignments	0	D	div
751	Receivable from other participations / on capital			div
***T** 0799*	*Receivable from other participations*			
801	Acquired own shares	10.000	D	12
801	Idem	0	D	12
***T** 0849*	*Other securities*			
851	Security deposit provided	18.000	D	8
852	Social premium paid in advance	2.000	D	7
***T** 0899*	*Other receivables (long term)*			
T 0900	**FINANCIAL FIXED ASSETS (FFA)**	30000	**DEBIT**	
901	Stock raw materials	16.000	D	1
902	Canteen supply	1.000	D	1
***T** 0949*	*Raw materials and auxiliary materials*			
951	Stock parts	250.000	D	1
952	Stock semi-finished products	90.000	D	1
953	Stock small materials	50.000	D	1
***T** 0999*	*Semi-finished products / parts*			
1001	Stock finished products	210.000	D	1
1002	Goods on the way	4.000	D	1
1003	Stock software (trade)	40.000	D	5
***T** 1049*	*Finished products / trade goods*			
1051	Income receivable	3.000	D	div
1052	Work in progress / production (physical)	19.000	D	div

***T** 1099*	*Work in progress*			
1101	Paid in advance costs / products	4.000	D	2
1101	Paid in advance 'not-costs' / services	0		6
***T** 1149*	*Paid in advance on stocks*			
T 1200	**STOCKS**	687.000	**DEBIT**	
1201	Debtors from equipment	350.000	D	2
1202	Debtors from external software	90.000	D	6
1203	Debtors from consultancy	15.000	D	10
1204	Debtors from maintanance	8.000	D	6
1205	Doubtful debts equipment	5.000	D	2
1207	Debtors software self developed / built	195.000	D	10
***T** 1249*	*Trade debtors*			
1251	Receivable from group companies / on assignments	0	D	div
1251	Receivable from group companies / on capital	0	D	div
***T** 1299*	*Receivable from group companies*			
1301	Receivable from participations / on assignments	0	D	div
1301	Receivable from participations / on capital	0	D	div
***T** 1349*	*Receivable from participations*			
1351	Called up and contributed capital	0	D	12
1351	Idem	0	D	12
***T** 1399*	*Called up and contributed capital*			
1401	Advanced payments to personnel	1.500	D	8
1402	Current account with entrepreneurs	16.000	D	8
1403	Advanced payments on declarations	3.000	D	8
***T** 1449*	*Other receivables*			
1451	Accrued assets / on assignments	0	D	div
1451	Accrued assets / on capital	0	D	div
***T** 1499*	*Accrued assets*			
T 1500	**SHORT TERM RECEIVABLES**	683.500	**DEBIT**	
1501	Shares/certificates in group companies	0	D	12
1501	Idem	0	D	12
***T** 1599*	*Shares/certificates in group companies*			
1601	Other shares receivable	25.000	D	12
1602	Other bonds receivable	18.000	D	8
***T** 1699*	*Other securities*			
T 1800	**SECURITIES**	43000	**DEBIT**	
1801	Cash	3.500	D	8
1802	Bank balances home currency	150.000	D	8
1803	Bank balances foreign currencies	30.000	D	8
1804	Postage (stamps)	500	D	div
1812	Interim account / on assignments (debit)		D	div
1812	Interim account / on assignments (credit)		C	div
1812	Interim account / on capital (debit)	6.000	D	div
1812	Interim account / on capital (credit)		C	div
1813	Items to find out / on assignments (debit)	1.500	D	div
1813	Items to find out / on assignments (credit)		C	div
1813	Items to find out / on capital (debit)		D	div
1813	Items to find out / on capital (credit)		C	div
***T** 1895*	*Liquid assets*			
T 1900	**LIQUID ASSETS**	191.500	**DEBIT**	
1901	Fully paid shares	-120.000	C	32
1902	Priority shares	-25.000	C	32
***T** 1949*	*Fully paid shares*			
1951	Premium reserve	-26.000	C	32
1951	Idem	0	C	32
***T** 1999*	*Premium reserve*			
2001	Revaluation reserve	0	C	32
2001	Idem	0	C	32

***T** 2049*	*Revaluation reserve*			
2051	Statutory reserve	0	C	32
2051	Idem	0	C	32
***T** 2099*	*Statutory reserve*			
2101	Statutary reserve 10%	-14.500	C	32
2101	Idem	0	C	32
***T** 2149*	*Statutory reserve*			
2151	General reserve	-30.000	C	32
2152	Guarantee reserve	0	C	32
***T** 2199*	*Other reserves*			
2201	Undivided result	0	C	32
2201	Idem	0	C	32
***T** 2249*	*Undivided result*			
2251	Positive result this financial year	-230.000	C	32b
2251	Negative result this financial year	0	D	12b
***T** 2299*	*Result this financial year*			
T 2300	**EQUITY**	-445.500	**CREDIT**	
2301	Shares of third parties	0	C	32
2301	Idem	0	C	32
***T** 2399*	*Shares of third parties*			
T 2400	**SHARES OF THIRD PARTIES**	0	**CREDIT**	
2401	Equalisation reserve (investment premium)	-24.000	C	28
2401	Idem	0	C	28
***T** 2499*	*Equalisation accounts*			
T 2500	**EQUALISATION ACCOUNTS**	-24.000	**CREDIT**	
2501	Reserve deferred tax	-11.500	C	28
2501	Idem	0	C	28
***T** 2549*	*Deferred tax*			
2551	Pension obligations	0	C	28
2551	Idem	0	C	28
***T** 2599*	*Pension obligations*			
2601	Provision for obsolete stock	-35.000	C	24
2602	Provision for bad debts / products	-10.000	C	24
2603	Holiday pay reserve	-35.000	C	28
***T** 2649*	*Other provisions*			
T 2700	**PROVISIONS**	-91.500	**CREDIT**	
2701	Private loan	-85.000	C	28
2701	Idem	0	C	28
***T** 2749*	*Bonds/mortgage bonds/loans*			
2751	Bank business credit	-100.000	C	28
2752	Financial lease debts	-8.000	C	24
2753	Mortgage on land payable	-10.000	C	28
2754	Mortgage on buildings payable	-8.000	C	24
***T** 2799*	*Debts to credit institutions*			
2801	Received payments in advance on ordered goods/products	0	C	22
2801	Received payments in advance on ordered services		C	22
***T** 2849*	*Received payments in advance*			
2851	Debts suppliers/trade creditors / products	0	C	22
2851	Debts suppliers/trade creditors / services	0	C	26
2851	Debts suppliers/trade creditors / development work	0	C	30
***T** 2899*	*Debts suppliers/trade creditors*			
2101	Bills / checks payable on products/goods	0	C	22
2101	Bills / checks payable on services/licenses	0	C	26
***T** 2949*	*Bills / checks payable*			
2951	Debts to group companies / on assignments	0	C	div
2951	Debts to group companies / on capital	0	C	div
***T** 2999*	*Debts to group companies*			

3001	Debts to other participations / on assignments	0	C	div
3001	Debts to other participations / on capital	0	C	div
***T** 3049*	*Debts to other participations*			
3051	Debts related to tax and compulsory social premiums	0	C	27
3051		0	C	27
***T** 3099*	*Debts related to tax and compulsory social premiums*			
3101	Debts related to pensions	0	C	27
3101	Idem	0	C	27
***T** 3149*	*Debts related to pensions*			
3151	Security deposit received	-10.000	C	28
3151	Idem	0	C	28
***T** 3299*	*Other debts*			
T 3300	**LONG TERM DEBTS**	-221.000	**CREDIT**	
3301	Bonds/mortgage bonds/loans	0	C	28
3301	Idem	0	C	28
***T** 3349*	*Bonds/mortage bonds/loans*			
3351	Bank balances home currency	-210.000	C	28
3352	Bank balances foreign currency	-105.000	C	28
***T** 3399*	*Debts to credit institutions*			
3401	Received payments in advance on ordered goods / products	-3.500	C	22
3401	Received payments in advance on ordered services	0	C	26
***T** 3449*	*Received payments in advance orders*			
3451	Creditors equipment	-350.000	C	22
3452	Creditors parts	-12.000	C	22
3453	Creditors rent(e)	-5.000	C	27
3454	Creditors costs (consumables)	-7.500	C	22
3455	Creditors ‘not-costs’ (services)	-110.000	C	26
3456	Creditors development work	-65.000	C	30
3457	Creditors trade software	-75.000	C	26
***T** 3499*	*Debts suppliers/trade creditors*			
3501	Bills / checks payable on products/goods	0	C	22
3501	Bills / checks payable on services/licenses	0	C	26
***T** 3549*	*Bills / checks payable*			
3551	Debts to group companies on assignments	0	C	div
3551	Debts to group companies on capital	0	C	div
***T** 3599*	*Debts to group companies*			
3601	Dividend payable	-12.000	C	31
3601	Idem	0	C	31
***T** 3649*	*Debts to other participations*			
3651	VAT-high rate payable	-24.000	C	27
3652	VAT-low rate payable	-1.500	C	27
3656	Withholding VAT-high rate	18.000	D	7
3657	Withholding VAT-low rate	3.500	D	7
3662	Social premium payable	-6.000	C	27
3663	Premium old age provision	-9.000	C	27
3664	Pay-roll tax	-10.000	C	27
3665	Premium child benefits law	-4.000	C	27
3666	Social premium business association	-35.000	C	27
3667	Corporation tax	-1.000	C	27
3668	Premium law special medical expenses	-3.000	C	23
***T** 3699*	*Debts to tax and compulsory social insurances*			
3701	Debts related to pensions	-5.000	C	27
3701	Idem	0	C	27
***T** 3749*	*Debts related to pensions*			
3751	Current account with entrepreneurs	-7.500	C	28
3752	Costs payable	-24.000	C	22
3753	Terms of production in progress	-12.500	C	22
3754	Tantiemes payable	-1.500	C	31
3755	Interim account personnel	-2.500	C	28
3756	Creditors premium damage insurance	-3.500	C	23

***T** 3899*	*Other debts (short term)*			
3901	Accrued liabilities / on assignments	0	C	div
3901	Accrued liabilities / on capital	0	C	div
***T** 3949*	*Accrued liabilities*			
T 3999	**SHORT TERM DEBTS**	-1083500	**CREDIT**	

Accounts of income and expenditures

Ledger Account number	STATEMENT OF INCOME & EXPENDITURES / Description	Saldo 0	Dt / Cr	Category of the new layout
4001	Cost equipment domestic trade	550.000	D	17
4002	Cost software domestic trade	100.000	D	18
4003	Freight and import duties	30.000	D	18
4004	Outgoing load	5.000	D	18
4005	Sales fair expenses / services ('not-costs')	10.000	D	18
4006	Sales fair expenses / consumables (costs)	5.000	D	17
4008	Cost equipment / trade abroad	100.000	D	17
4009	Cost software / trade abroad	50.000	D	18
***T** 4895*	*Costs of the turnover*			
4901	Changes of stock and work in progress / positive	0	C	div
4901	Changes of stock and work in progress / negative	0	D	div
***T** 4995*	*Changes of stock and work in progress*			
T 5000	**COST OF SALES**	850.000	**DEBIT**	
5001	Turnover equipment / domestic	-1.400.000	C	37
5002	Turnover own developed software / domestic	-750.000	C	39
5003	Turnover equipment / abroad	-300.000	C	37
5004	Turnover own developed software / abroad	-150.000	C	39
5005	Turnover licenses software / domestic	-400.000	C	38
5006	Turnover licenses software / abroad	-100.000	C	38
***T** 5895*	*Turnover from assignments*			
T 5900	**TURNOVER FROM SALES**	-3.100.000	**CREDIT**	
5901	Own production added to assets	0	C	div
5901	Idem	0	C	div
***T** 5995*	Own production added to assets			
T 6000	**OWN PRODUCTION**	0	**CREDIT**	
6001	Other operating income	0	C	div
6001	Idem	0	C	div
***T** 6195*	*Other operating income*			
T 6200	**OTHER OPERATING INCOME**	0	**CREDIT**	
6201	Income paid to personnel	750.000	D	16
6202	Income paid to the board of directors	250.000	D	16
6203	Holiday allowance paid	100.000	D	14
6204	Discretionary bonus	2.500	D	15
6205	Tantièmes	3.500	D	15
6206	Special rewards	4.500	D	15
6207	Hired administrative staff	50.000	D	18
6208	Hired system development specialists	100.000	D	19
6209	Personnel costs	10.000	D	17
6210	Paid to timely contracted staff	150.000	D	16
***T** 6295*	*Paid income to personnel*			
6301	Sick pay received	**-5.000**	**C**	34
6302	Sickness benefit management	2.500	D	14
6303	Sickness benefit other personnel	10.000	D	14
6304	Paid various social premiums	35.000	D	14
6305	Paid premium child benefits law	24.000	D	14
6306	Paid premium law special medical expenses	26.000	D	13
***T** 6395*	*Social expenditures*			
6401	Premium pension insurance	10.000	D	14
6401	Idem	0	D	14
***T** 6495*	*Pension expenses*			

6501	Costs raw materials	8.000	D	17
6502	Costs canteen consumption	4.000	D	17
T *7695*	*Costs raw materials / auxiliary materials*			
7701	Depreciation equipment	50.000	D	13
7702	Depreciation small equipment	5.000	D	13
7703	Depreciation tools	1.500	D	13
7704	Depreciation inventory	7.500	D	13
7705	Depreciation showroom	5.000	D	13
7706	Depreciation office inventory	20.000	D	13
7707	Depreciation warehouse inventory	1.000	D	13
7708	Depreciation lease cars	2.000	D	13
7709	Depreciation prototypes	4.000	D	15
7713	Depreciation buildings	6.000	D	13
7714	Depreciation land	1.000	D	14
7716	Depreciation equipment out of use	500	D	13
T *7995*	*Depreciation physical fixed assets*			
8001	Depreciation starting costs	500	D	15
8002	Depreciation own software	2500	D	15
8003	Depreciation software/originals	5.000	D	15
8004	Depreciation licenses	3.000	D	14
8005	Depreciation goodwill	2.000	D	15
8006	Depreciation licensed software	1.000	D	14
T *8295*	*Depreciation immaterial fixed assets*			
8301	Depreciation bad debts equipment	2.500	D	13
8301	Idem	0	D	13
T *8395*	*Extra depreciation floating assets*			
8401	Travel costs	15.000	D	18
8402	Car costs	1.500	D	17
8403	Various allowances to staff	1.000	D	17
8404	Recruitment costs personnel	5.000	D	18
8405	Training expenses	10.000	D	19
8406	Paid rental sheds	7.500	D	18
8407	Premium insurance of housing	1.500	D	13
8408	Maintenance inventory	2.500	D	18
8409	Gas/electricity/water	5.000	D	17
8410	Heating costs	9.000	D	17
8411	Cleaning expenses (‘not-costs’)	5.000	D	18
8412	Various expenses housing	5.000	D	17
8413	Paid rental equipment	2.500	D	18
8415	Maintenance equipment	1.500	D	18
8416	Premium insurance equipment	1.000	D	13
8417	Spending on various designs	5.000	D	19
8419	Stationary	15.000	D	17
8420	Subscriptions	1.000	D	18
8421	Contributions	7.500	D	14
8422	Stamps and postage	7.500	D	18
8423	Phone expenses (’not-costs’)	25.000	D	18
8424	Telex expenses (’not-costs’)	5.000	D	18
8425	Various third party services	5.000	D	18
8426	Printing expenses	5.000	D	17
8427	Professional literature	1.500	D	18
8428	Gasoline/gas/gas oil	15.000	D	17
8429	Operational lease (cars)	25.000	D	18
8430	Other car expenses	22.000	D	18
8431	Various transport expenses (’not-costs’)	1.000	D	18
8432	Advertisements/advertising	10.000	D	18
8433	Leaflets	5.000	D	17
8434	Debt collection expenses (‘not-costs’)	1.000	D	18
8435	Representation expenses (costs)	5.000	D	17
8439	Accommodation expenses (‘not-costs’)	25.000	D	18
8440	Auditor fee	20.000	D	19
8441	Various general charges (consultancy)	10.000	D	19

***T** 8695*	*Other operating expenses*			
T 8700	**OPERATING EXPENSES**	1.944.500	**DEBIT**	
8701	Result from group companies / positive	0	C	35
8701	Result from group companies / negative	0	D	15
***T** 8745*	Result from group companies			
8751	Result from participations / positive	0	C	35
8751	Result from participations / negative	0	D	15
***T** 8795*	*Result from participations*			
8801	Other income from financial assets group companies / positive	0	C	Div
8801	Other income from financial assets group companies / negative	0	D	Div
***T** 8845*	*Other income from financial assets group companies*			
8851	Dividend received	-3.000	C	35
8851	Idem	0	C	35
***T** 8895*	*Other income from financial assets*			
8901	Other rent(e) etc. from group companies	0	C	Div
8901	Idem	0	C	Div
***T** 8945*	*Other rent(e) etc. from group companies*			
8951	Exchange differences / positive	-15.000	C	35
9156	Idem / positive		C	35
8952	Other exceptional income	-2.000	C	34
***T** 8995*	*Other rent(e)income*			
9001	Other value changes FFA/securities / positive	0	C	Div
9001	Other value changes FFA/securities / negative	0	D	Div
***T** 9095*	*Other value changes of Financial Fixed Asstes / securities*			
T 9100	**FINANCIAL INCOME**	-20.000	**CREDIT**	
9101	Rent(e) paid to group companies	0	D	Div
9101	Idem	0	D	Div
***T** 9145*	*Rent(e) paid to group companies*			
9151	Financing expenses ('not-costs')	500	D	18
9152	Other rent(e) paid on Long Term credit	15.000	D	14
9153	Bank interest (= rent(e))	25.000	D	14
9154	Banking expenses ('not-costs')	3.500	D	18
9155	Other rent(e) Short Term credit	1.000	D	14
9156	Exchange difference / negative	1.000	D	15
9157	Payment discount	1.500	D	15
9158	Payment differences / negative	500	D	15
9159	Other exceptional charges	10.000	D	14
9160	Other various services	500	D	18
***T** 9195*	*Other rent(e) paid*			
T 9300	**FINANCIAL EXPENSES**	58.500	**DEBIT**	
9301	Other direct tax	13.000	D	14
9302	Other indirect tax	12.000	D	14
***T** 9395*	*Tax*			
T 9400	**TAX**	25.000	**DEBIT**	
9401	Exceptional income after tax	0	D	Div
9401	Idem	0	D	Div
***T** 9495*	*Exceptional income after tax*			
T 9500	**EXCEPTIONAL INCOME AFTER TAX**	0	**CREDIT**	
9501	Exceptional expenses after tax	0	D	Div
9501	Idem	0	D	Div
***T** 9695*	*Exceptional expenses after tax*			
T 9700	**EXCEPTIONAL EXPENSES AFTER TAX**	0	**DEBIT**	
9701	Other tax	0	D	14
9701	Idem	0	D	14
***T** 9795*	*Other tax*			
T 9800	**OTHER TAX**	0	**DEBIT**	

9801	*Part* of third party group result	0	C	35
9801	Idem	0	C	35
T *9895*	*Part of third party group result*			
T 9900	**PART THIRD PARTY GROUP RESULT**	0	**CREDIT**	
9901	Addition to premium reserve	6.000	D	15
9902	Addition to general reserve	2.000	D	15
9903	Addition to provision obsolete stock	4.000	D	13
T *9945*	*Addition to reserve/provisions*			
9951	Result this financial year / positive	230.000	D	15
9951	Result this financial year / negative	0	C	35
T *9995*	*Net result*			
T 9999	**NET RESULT**	242.000	**DEBIT**	

APPENDIX-2: LETTER TO THE DUTCH STANDING FINANCE COMMITTEE

In the letter below it is refered to the book 'Capitalism 3.0', which is a provisional title of the later published book 'Redesign of capitalism'. The content of both books has been made identical. The essence of both books corresponds to the booklet 'Balanced Economy' now presented.

Lower House of the Dutch Parliament
To the attention of the Standing Finance Committee
Postbox 20018
2500 EA DEN HAAG / NETHERLANDS

Amstelveen, October 6th 2015.

Three proposals for consideration.

Dear Commission,

On your website, you rightfully write: "The financial crisis has led to the understanding that reforms are needed of the financial system and of the sector." In this context, I would like to contribute by presenting three proposals. You will find further explanation or substantiation in the book Capitalism 3.0, which was published in May of this year (for everyone who is interested it is free to download via: the PDF of Capitalism 3.0).

First proposal: Deductibility of donations

Donations made to institutions, organisations and persons dependent on government subsidies for their continued existence are now - subject to conditions - deductible from the income on which the tax is levied. However, such donations result in a direct drop in the need for government subsidies. The current form of deductibility means - at least in part - double taxation. This can and must be better!

Now the proposal: allow deductibility for a certain type of donations and make these deductible in their entirety from the income tax owed. This deductibility should apply (exclusively) to all donations to institutions, organisations and individuals active in the field of art, education, science, religion and the like.

With gradual introduction there are hardly any disadvantages. The advantages are obvious:

- Effectively more money and freedom for cultural and / or development life in our society. Less money leaks away through unnecessary interference by civil service.
- Citizens are encouraged to donate without political interference and thereby self actively support and engage in cultural life. This creates a liberated cultural agenda from the bottom up.
- Fairer taxation. So more 'decency and dignity of law' (a typification from Hans Gribnau).
- Reduction of party political control on cash flowing to cultural purposes. Government is becoming culturally a more neutral or value-free party. Justice will be done again to our constitutional right to freedom of education.

(See also: Capitalism 3.0 sections 3.6 and 7.1.2)

Second proposal: Financing of land

Purchase of real estate nowadays includes mostly two basic elements: on the one hand the building and on the other hand the surface on which the building is / will be built. Such a purchase is almost always capital intensive, and is therefore accompanied by a large investment or high long-term financing. This high financing is usually a mortgage, whereby the property right is pledged to the lender as collateral. So far nothing new.

A brief problem sketch. The private property right on land is based on a juridical 'trick', which completely ignores the phenomenological reality. A 'trick' that creates an unconscious lie in socio-economic life, with unimaginably sick-making consequences for our society. Lawyers incorrectly suggest by using their 'trick' that land can be owned, bought or sold, and - when sold - really could be delivered to the buyer. Unfortunately, that lie has been widely accepted and practiced for many many years. As a result, land parcels are systematically taxed for a very long time with mortgages, i.e. large debts and high interest amounts. The agricultural sector is increasingly burdened by these consequences, witness the huge and problematic EU agricultural subsidies. That juridical trick casts a financial shadow over the private household of many homeowners, businesses and above all the farms. (Apart from the consequences for the environment and food quality).

Now the proposal. It is a long-term matter! By law, make a structural distinction in mortgages on buildings and land mortgages. Dismantle the juridical 'trick' on which the principal of private land ownership is based. Give mortgagees the legal obligation to give priority to the repayment of land mortgages above repayment of mortgages on buildings. Create ample tax deductibility to interest on land mortgages, and make entering into new land mortgages very unattractive or rather impossible. Give a.s.a.p. the assignment to municipalities to switch over (at appropriate pace) to the Amsterdam land rent model, and forbid central and local authorities continuing the 'selling' of land to private parties. Stimulate as much as possible the debt-free making of land. Point to organisations, also in the Netherlands, who have already set good examples.

(See also: Capitalism 3.0 in the sections 3.7.3 / 5.3.3 / 5.3.14 / 5.3.15 / 7.2.14 and 7.5)

Third proposal: Distribution of wealth

There is something strange about the current conception about the 'share'. The paid-up share capital is considered to part of the equity of a company. But the same share capital is (against rate value) also considered to be part of the shareholder's private capital. And that is something that everyone finds quite normal nowadays. The tax authorities support unhindered, this devastating reasoning and financial practice. Still no question marks are placed yet at this conception. While the socio-economic consequences of this remarkable 'double' counting increasingly escalate: stock market crises, stock bubbles, price manipulation, super-enrichment, insider trading, flit trafficking, hostile takeovers, stock market speculations, problematic distribution of wealth (Pikkety) etc.

Now the proposal. Do thorough research into the origin, justice, reason and consequences of this 'double' conception about 'share capital'. Introduce the following fundamental frame-breaking principle: the equity of a legal entity exclusively belongs to that legal person. If a natural person takes a share in an enterprise, he / she transfers the private capital involved to the benefitting legal entity. And it is striking that the basis for such an introduction is already present in the law! Thorough research will provide the proof. The alternative is as simple as known, namely: the provision of a (long-term and / or subordinated) loan or bond to that legal entity. The remediation effect on society will be surprisingly fast, large and wide.

(See also: Capitalism 3.0 in the sections 3.8.1 / 5.3.5 to 5.3.7 / 7.1.1 / 7.2.7 and 7.5)

I want to leave it here. The proposals mentioned above flow logically from the consistently elabourated reorientation, as described in the book Capitalism 3.0. With these proposals and the book Capitalism 3.0 I hope to offer you directions of thought and measures that will give our society financially much 'healthier air and room'. They are important building blocks for necessary reforms to the financial system and the sector. Of course there is much more to say about this. If so desired, I am prepared to give you some more explanation of the above.

Sincerely,

Herman Gels,

About the author

Herman Gels has been conducting organisation consultancy for the last 40 years at all levels in many organisations, both locally and internationally. He regularly accounted for the interim-, project- and program-management and was also active as a controller.

Until 1995 he was mainly active in financial institutions. From 1995 till 2002 he was intensively involved in the introduction and implementation of the Euro. Starting with an investigation on behalf of the Dutch Central Bank into the consequences of the Euro for the Dutch intra and inter bank systems (especially the complex network of payment systems) and the applicable migration scenarios. This lead subsequently to his involvement at toplevel in Euro-programs of several organisations including Fortis Nederland, Reed Elsevier, Albert Heijn, Ministry of Internal Affairs, Cap Gemini Sogheti, Heineken and finally the City of Amsterdam.

From 1988 till 2002 he was a senior consultant for Cap Gemini Netherlands. In 2002 he was invited by the Secretary of the City of Amsterdam to join the City as a topadvisor / programmanager. There he was involved in a number of change programs such as the set up of shared service centers (IT and Finance), an initial tender to the purchase and deployment of a city-wide financial system, and the change over from a highly decentralised City-organisation to a 'clustered' organisational and control model.

Since 2014 Herman is focussing on issues around the understanding and application of the 'threefolding' principles within organisations and society. A most fascinating subject with a growing urgency...

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It has been 100 years since Rudolf Steiner introduced the breaking idea 'threefolding' of human life. The fundamentals are autonomy of cultural life (based on freedom), social life (based on equality), and economic life (based on brotherhood). He repeatedly emphasized that the threefolding of the social organism is absolutely necessary for the future of our society. Otherwise we inevitably face cultural death and social chaos. During his life Steiner did his utmost to realise this, but he experienced (too) much confusion from people. However, this does not detract from its valuable meaning. An important part of the social threefolding is the basic distinction between three qualities of money: gift-money, lend-money and buy-money. This booklet elaborates on this distinction in more detail and, with a concrete example, shows how this can be applied in practice e.g. in the structure and use of the balance sheet and the statement of income and expenditures. This elaboration yields some remarkable insights. The application has, among other things, major consequences for share trading, the current capital and income distribution and bank lending. A topical and important subject for all!

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