TABLE OF CONTENTS

INTRODUCTION

> *No one can understand history without understanding economics. . . My generation (that born in the 1880's) was dragged up in black ignorance of economics. . .* [Ezra Pound]

Nor has the situation altered. Money controls our lives more than ever, but intellectuals continue to shun the "dismal science". Even those who are concerned with "values" neglect the social effects of value made quantitative.

Professional economists, moreover, are not much given to examining their premises: they assume that the motivations of capitalists are those of the human race. As David T. Bazelon explains,

Economics is concerned with values, real or make-believe, and therefore . . . psychology lies at the basis of both the theory and the practice of the discipline. All the great systems of economic thought, rest . . . on various assumptions as to human motivation.[1]

At the heart of economics lies money; perhaps the economist can at least tell us something definite about what it is and how it functions. But according to R.W. Clower,

. . . *contemporary monetary theory is among the least-settled branches of economic analysis and no serious student of modern economics can afford to be ignorant of this fact.*[2]

Some of the confusion is deliberate. Ezra Pound quotes a letter from Rothschild Bros., written in 1863:

"Very few people will understand this. Those who do will be occupied in making profits. The general public will probably not see it's against their interest." [3]

It seems that, if we are to learn something of how money really functions, we must look elsewhere.

Our discussion will deal first with Brooks Adams and Ezra Pound, two American authors who believe that what is usually described as a "healthy economy" is a contradiction in terms. Adams was the first American historian to see money as the operative influence on social institutions since the Middle Ages. Pound, through contact with A.S. Orage and Major C.H. Douglas, became interested in economics in 1910. He did not discover Adams until 1940[4] but many of their opinions are strikingly similar, particularly concerning money-lenders,

Robert Theobald is the only professional economist of the three. Although his model of a desirable economic system is quite different from Pound's, they share a common concern with equitable distribution and a belief that something other than greed can direct social policy.

Our analysis will be partly historical, partly prescriptive. Running through it like a golden thread will be an attempt to discover what money was, is, and could be.

(Endnotes)

1 Bazelon, *The Paper Economy*, p.118

2 Clover, *Monetary Theory*, p.7

3 Pound, *Canto 46*/79-82

4 Stock, *Life of Ezra Pound* p 382

1. Towards order in the state. . .

It would be helpful if we could begin our examination with a definition of money. But immediately we are faced with several obstacles. Economists seem to agree that the working definitions of money are arbitrary. Furthermore, there are several different kinds, ranging from coins in the pocket to entries in a ledger. Finally, since this examination is partly historical, a modern definition, including forms of credit which came into existence in the 1930s, will not be useful until later. Therefore our definition must evolve along with our discussion.

In the nineteenth century money was commonly regarded as a means of accumulating energy. This was accepted by both capitalist and communist, Mill and Marx. Brooks Adams began with it in *The Law of Civilization and Decay* in 1896:

Whenever a race is so richly endowed with the energetic material that it does not expend all its energy in the daily struggle for life, the surplus may be stored in the shape of wealth; and this stock of stored energy maybe transferred from community to community, either 'by conquest, or by superiority in economic competition.[1]

As Pound so often emphasized, false definitions lead to the corruption of the state. Money as energy is a confusion of symbol and substance. Even as metaphor, money is imprecise. A wound-up spring or a charged battery is a true store of energy; but metal under stress fatigues, a battery goes flat. In Western society the materials chosen as "accumulators" of wealth are those which are atomically the most static, i.e., precious metals and minerals. In nature the only metals which are energetic sources, such as uranium dissipate their energy.[1] (Perhaps, in an entropic society, the latter would be a more appropriate basis for currency, being both unstable and dangerous.)

Gold and silver were the favoured mediums, not only for their stability, but also for their rarity. In a scarce economy, it was appropriate to symbolize "stored energy" by a commodity which was in short supply. Unfortunately, once the symbolism was established, it took precedence over the goods and services which it represented.[2]

Economies of scarcity, of course, were prevalent in the nineteenth century. Their model was a closed, impoverished system, such as the Galapagos Islands, where Darwin gathered much of his evidence. It is arguable that the economic conditions of existence determined the structures of art and science, rather than the other way around.[3]

In the Money Pamphlets Pound commented on this blind spot in Brooks Adams:

. . .not even Adams himself seems to have realized that he fell for the nineteenth-century metaphysic with regard to money he slides into the concept, shared by Hill and Marx, of money as an accumulator of energy.[2]

But if money is not an "accumulator of energy", what is it? Here we can begin our definition, starting with Pound. He calls it "A <u>MEASURED</u> TITLE OR CLAIM".[3] This, we will discover, is intended as a description of the ideal rather than the actual, since speculation depends on the "measure" being subject to manipulation, i.e. a controlled dissociation between symbol and reality. "Hell," says Pound's hypothetical broker, "I don't want a still market, I couldn't make any money."[4]

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1 Pound said much the same thing, taking his analogy from biology rather than physics: "Metal is durable, but it does not reproduce itself." (Pound, *Gold and Work*, p.12)

2 The dictatorship of the metaphor still permeates literature as well as economics, as Alain Robbe-Grillet demonstrated in *Nature, Humanism and Tragedy*.

3 The "invisible environment" is only now becoming understood, indicating that the centres of control may be passing to other spheres of which we are not yet aware.

If we have not distinguished between money and credit, it is because the distinction is more technical than real. Says Bazelon,

. . . cash is paper immediately and universally exchangeable, also called currency: currency is a contract right currently accepted; and all such contract rights are based on credit pf one kind or another . . . Therefore money is credit.[5]

Pound makes the distinction by calling credit "the future tense of money".[6] But since money is the future tense of unspecified goods and services, the distinction blurs. Henceforth, for the purpose of our discussion, money and credit may be assumed to be interchangeable, unless otherwise specified.

To continue where we left off:

. . . money is credit. And credit is based on reputation. So money is a function of reputation. And everybody knows what reputation is. Reputation, as a matter of fact, is what everybody knows about somebody.[7]

But reputation is relative, and so a line of retreat must be established:

The modern Keynesian economists and marginal-utility fellows talk about "liquidity preference". What they refer to is the length of time it will take, and the success that can be expected, in exchanging a particular kind of paper for cash. You venture away from cash in order to earn money on money, but you are ever aware of the line of retreat. . . How far forward you go depends on the state of your "confidence"—so this is one of the biggest words in the vocabulary of business. [8]

In other words, under our Western economic system, productive activity is backed by a sort of guerrilla warfare which is waged from a safe encampment (e.g., gold). Large or small raiding parties are sent out after "scouts" (investment counselors, etc.) have surveyed the terrain and determined in what directions and how far it is safe to manoeuver; but a line of retreat is always maintained, in case the intelligence proves faulty.

But our guerillas are united only in so far as is necessary for mutual self-defense. Within their ranks there is a constant struggle for supremacy among the officers, so they must guard themselves, not only against the enemy (i.e. the public), but against each other as well.

Our genuine economic progress, the improvement in our standard of living, when and where it has occurred, has been largely a by-product of this insane internecine warfare, just as most of our useful technology has derived from advances in weaponry. And most economists have occupied themselves with drawing up battle plans for the participants, instead of exploring ways in which this energy potential could be more usefully employed.

But this band of merchants and bankers is not only an army: it is also a priesthood. Religious and economic systems alike are based on confidence, which rests in turn on unexamined premises. Both God and Gold must be taken on faith. [4]

Not much is known about the precise origins of money/credit. Brooks Adams devotes very little attention to the question; he is much more interested in how, having come into being, it took over the reins of power. As Robert Heilbroner succinctly puts it: "In premarket societies, wealth tended to follow power; not until the

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4 The student of literature should not find this difficult to understand. Art is also based on reputation: stocks go up and down, authors rise and fall. If contemporary literature is difficult to place in the traditional hierarchies, there is always Shakespeare. A dead author is always safer than a live one, since he can do nothing to damage his reputation. A minor book by a major author will usually receive more attention than a major book by a minor author. It is safer to trust the experts than to rely on your own judgement. The parallel was obvious to Pound, who railed against the debasement of the currency wherever it occurred. "A man standing by his word" did not fluctuate with the market.

market society would power tend to follow wealth."[9]

Since money is based on confidence, anything which is generally accepted as money is money, but in the West, as we have noted, it has usually taken the form of metallic coin. This is the first stage in the abstraction of value, since the coin's intrinsic usefulness is less than its conventional worth. Like a magic talisman, such as a saint's relic, it is endowed with a special power.

So long as the volume of trade and the volume of precious metal are relatively congruent, the system functions relatively well. But as soon as trade expands, there are problems. Either the coinage is debased, which tends to escalate out of control, or confidence must pass to a second level of abstraction. "Gold today" (money) must be supplemented by "gold tomorrow" (credit). Then, as confidence expands, the liability of one man may be accepted as the asset of another, at which point the basic elements are present for the establishment of a banking system.

One logical place for this process to begin was with the medieval goldsmiths. Since they knew how to evaluate its purity and could also be trusted, surplus gold was often left with them for safekeeping. [5]

The power of the money-lenders rose at the expense of the power of the church; much of *The Law of Civilization and Decay* is taken up with explaining how this came about. But in the Middle Ages the lines were not so easily drawn. Security lay in defense:[10] therefore the most secure repositories were the places that were best defended. Among these were the monasteries, and so absent lords frequently left their treasures there for safekeeping. Having assumed part of the function of banks, the abbots found it difficult to avoid the rest, especially in time of famine when loans were often needed to feed the starving serfs. Some loaned from charity, others for profit. Four times during the eighth century church councils forbade the clergy to lend money at interest, apparently to little effect.[11]

Credit took a great leap forward with the growth of trade in the 12th and 13th centuries, as Brooks Adams explains :

Such an expansion of trade would have been impossible without a corresponding expansion of the currency, and as no new mines were discovered, recourse was had to paper. By the year 1200 bills of exchange had been introduced, and in order to give the bill of exchange its greatest circulating power, a system of banking was created which operated as a universal clearing house, and by means of which these bills were balanced against each other. [12]

It is fascinating to observe how much of the mechanism of modern banking had evolved by this time:

. . . a coinage of recognized value had to be provided, and this the banks undertook to supply by their system of deposits. They received coin fresh from the mints, for which they gave credits, and these credits or notes were negotiable, and were always to be bought in the market. The deposits themselves were seldom withdrawn, as they bore a premium over common currency, which they lost when put in circulation, and they were accordingly only transferred on the books of the corporations, to correspond with the sales of the notes which represented them. Thus merchants from all parts of Europe and the Levant could draw on Venice or Genoa, and have their balances settled by transfers of deposits at the banks, without the intervention of coin. A calculation has been made that, by this means, the effective power of the currency was multiplied tenfold. [13]

To summarize: "All you have to do to become a banker is to go into debt!" [14]

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5 Pound knew about this at first-hand, not just from the history books. His father was an assayer for the U.S. Mint at Philadelphia and frequently had to inform "aspirants to fortune" that their gold bricks were adulterated. (Pound, *Pavannes and Divigations,* p.46ff)

So far we have been discussing money more or less from the perspective of orthodox economics, which rests on the supposition that one is dealing with impersonal forces acting and reacting within a universe of Newtonian equilibrium.[15] (As the economy stabilizes, the dog-eat-dog rapaciousness of the nineteenth century goes quietly underground.) But the world of economics is not the Garden of Eden without the snake. Pound, as usual, goes straight to the heart of the matter:

Set up a perfect and just money system and in three days rascals, the bastards with mercantilist and monopolist mentality, will start thinking up some wheeze to cheat the people.[16]

The next chapter will deal with Adams' and Pound's discovery of the ways in which the "rascals" operated.

(Endnotes)

1 Adams, *The Law of Civilization and Decay*, pp.ix-x
2 Pound, *Gold and Work*, p.8
3 _____, *What is money for?*, p.3
4 _____, *An Introduction to the Economic Nature of the United States*, p.8
5 Bazelon, *The Paper Economy*, p.75
6 Pound, *Gold…*, p.11
7 Bazelon, *Op. cit.*, pp.74-5
8 *Ibid.*, p.75
9 Heilbroner, *The Economic Problem*, p.32
10 Adams, *Op. cit.*, p.79
11 Heilbroner, *The Quest for Wealth*, p.74
12 Adams, *Op. cit.*, p.167
13 *Ibid.*, p.168
14 Bazelon, *Op. cit.*, p.84
15 Hofstadter, *Social Darwinism in American Thought*, p.145
16 Pound, *What is Money For?*, p.10

II. The Beast with a Hundred Legs

Unlike most economic determinists of the nineteenth century, Brooks Adams was not an apologist for the processes he described. His first and most important book, *The Law of Civilization and Decay*, reveals, according to Ezra Pound,

> *. . . a consecutive struggle against four great rackets, namely the exploitation of the fear of the unknown (black magic, etc.), the exploitation of violence, the exploitation of the monopolization of cultivable land, and the exploitation of money.*[1]

Adams is drawn to two great nineteenth-century preoccupations: puzzles and immutable laws:

> *Only very slowly did a sequence of cause and effect take shape in my mind. . .whose growth resembled the arrangement of the* ***fragments of an inscription*** *which cannot be read until the stones have been set in a determined order. Finally. . . I perceived that they fell into a series which seemed to correspond, somewhat closely, with the* ***laws which are supposed to regulate the movements of the material universe****.* [2] (bold face mine)

The "laws" which he discovered governed the unity of energy and its inevitable exhaustion. Brooks did not take up Gibbs' Second Law of Thermodynamics, as did his brother Henry, but the implications for human destiny were much the same :

> *The theory proposed is based upon the accepted scientific principle that the law of force and energy is of universal application in nature, and that animal life is one., of the outlets through which solar energy is* ***dissipated****.*[3] (bold face mine)

This law was supplemented in human history by the action of two emotions preeminent in Darwin's Natural Selection: fear and greed. These governed a cyclical contraction and expansion, each in turn producing its own peculiar pattern of social organization;

> *Fear, which by stimulating the imagination, creates a belief in an invisible world, and ultimately develops a priesthood; and Greed, which dissipates energy in war and trade.*[4]

The turning point was reached when surplus energy (stored, as we have noted, in the form of money) accumulated sufficiently to gain control over productive energy. From that moment history tended toward the increasing domination of the "economic type" and toward that centralization of control which the free flow of trade both permitted and demanded. Ultimately the energy of the "economic type" was exhausted and the society stagnated, until the infusion of "barbarian blood" brought imagination and fear to the forefront again.[5]

It's easy to shoot holes in Adams' "law", which, in macrocosm, is the plot of many a Victorian novel. It is all you usually get of Adams in the histories of ideas,[6] perhaps because it is so concisely outlined in the introduction to *The Law of Civilization and Decay*. (Pound's summary is arguably more accurate than Adams' own.)

Unfortunately, this doesn't remotely do Adams justice. The quality of his perceptions when he is dealing in some detail with the effect of usury on the productive sectors of an economy, or the coincidental flow of monetary and cultural exchange, is lost in such a bare *précis*. It says much for Ezra Pound and Charles Olson that they were able to see beyond the faulty premises, which Adams shared with his contemporaries, to his unique insights.

Adams' chosen time-span begins and ends with the same arc of the cycle: the collapse of the Roman Empire and the threatened collapse of Western Civilization. Without subscribing to the inevitability structure inherent in cyclical theories of history, one nevertheless reads Adams' description of societal fragmentation in Rome with a certain feeling of *déjá-vu*: the accelerating centralisation of money[7] and agriculture;[8] the dependence of status on wealth;[9] the impoverishment of the small farmer;[10] and especially the migration of the poor to the big cities.[11] If you substitute the growth of automation for the influx of foreign slaves, the points of similarity with modern America are particularly striking. Both slaves and. machines provide a cheap, depersonalized energy source, whose productivity enriches the entrepreneur rather than the worker who has been displaced.[1]

Adams had no illusions about the relationship between law and justice!

> *. . . as [the usurer] fed on insolvency and controlled legislation, the laws were as ingeniously contrived for creating debt, as for making it profitable when contracted. . . As the capitalists owned the courts and administered justice, they had the means at hand of ruining any plebeian whose property was tempting.* [12]

Nor was Adams' perception of the nature of law confined to ancient Rome. He was able to see, clearer than his contemporaries, that it is no mere coincidence, nor a *lex naturae*, that the modern legal system is concerned mostly with the protection of property rights:

> *Abstract justice is, of course, impossible. Law in merely the expression of the will of the strongest for the time being, and therefore laws have no fixity, but shift from generation to generation. As competition sharpens . . . religious ritual is supplanted by civil codes for the enforcement of contracts and the protection of the creditor class.*
>
> *The more society consolidates the more legislation is controlled by the wealthy, and at length the representatives of the moneyed class acquire that absolute power once wielded by the Roman proconsul, and now exercised by the modern magistrate.* [13]

Thus the modern legal system is infinitely subtle, and its enforcing officers equally efficient, in punishing those forms of theft which are not practiced by the ruling class; but robbery in the market-place is governed by primitive controls which lag far behind the sophisticated mechanisms which company lawyers contrive to circumvent them. One measure of a society is the problems it chooses to solve.

Rome's ruling class was unable to restrain its rapacity, even in its own ultimate interest. Adams saw what liberals are rarely willing to admit—namely, that a system based on corrupt practice cannot be saved merely by tinkering with it.

> *The stronghold of usury lay in the fiscal system, which down to the fall of the Empire was an engine for working bankruptcy. Rome's policy was to farm the taxes; that is to say, after assessment, to sell them to a publican, who collected what he could. The business was profitable in proportion as it was extortionate, and the country was subjected to a levy,* ***unregulated by law****, and conducted to enrich speculators.*[14] (bold face mine)

Thus the laws applied to selected areas chosen by the ruling class, leaving them free to plunder without legal restraint. In the nineteenth century this would be known as *laissez-faire*, the operation of the free market in accordance with the iron law of supply and demand.

Usury, as we observed in the previous chapter, depends not only upon the scarcity of goods, but also the scarcity of that substance which is chosen as a medium of exchange, e.g., gold or silver. The latter scarcity may result from any number of factors, including (1) an expansion of trade, (2) the exhaustion of the mines, (3) a "lack of confidence" which leads speculators to withdraw their capital, or (4) the deliberate

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1 There are differences, of course, between ancient Rome and the modern world. It is now more profitable, in most cases, to seduce a poor country than to rape it.

manipulation of the money market. One of Adams' virtues as a historian is his close attention to these economic factors and their decisive effect on the evolution of Western Civilization. At each critical stage, for instance, he notes the expansion or contraction of the currency as revealed in the changing policies of coinage.[15]

The explosion of trade which the Italian bankers were able to bring about by manipulating the Crusades to their own advantage can hardly be overestimated as a causative factor in ending the supremacy of the church. Adams devotes an entire chapter[16] to the techniques by which Dandolo transformed a predominantly religious war against the heathen into a war for profit which reached its climax in the sacking of Constantinople. This both whetted a European appetite for luxury and immeasurably increased the gold supply whereby the taste could be gratified.

Adams notes two points at which the discovery of new mines brought a sudden rise in prosperity. The first is the discovery of Potosi in 1545, which made a decisive contribution to the prosperity of England under Elizabeth I.[17] The second is the influx of gold in the middle of the nineteenth century from California and Australia.[18]

The first three factors can also be made to interact among themselves to the advantage of those who understand their operation. In two of the *Money Pamphlets* Pound quotes a favourite passage from the Law:[19]

> *Perhaps no financier has ever lived abler than Samuel Loyd. Certainly he understood as few men, even of later generations, have understood, the mighty engine of the single standard. He comprehended that, with expanding trade, an inelastic currency must rise in value; he saw that, with sufficient resources at command, his class might be able to establish such a rise, almost at pleasure; certainly that they could manipulate it when it came, by taking advantage of foreign exchange. He perceived moreover that, once established, a contraction of the currency might be forced to an extreme, and that when money rose beyond price, debtors would have to surrender their property on such terms as creditors might dictate.* [20]

To Pound, "the greed for monopoly is a fundamental evil."[21] Here is one of the ironies of money manipulation. A monetary system is based on confidence, but that very confidence can he used against the people who make it function:

> *The insidiousness of banking has always followed the same road—abundance—any kind of abundance tends to create optimism. This optimism is exaggerated, usually with the help of propaganda. Sales increase; prices of land, or of shares, rise beyond the possibility of material revenue. The banks that favour exaggerated loans, in order to manoeuver the increase, restrict, recall their loans, and presently panic overtakes the people.* [22]

The indispensable means of creating credit evolved side by side with the techniques for manipulating it against the public good. Aristotle outlined in passing the method whereby the philosopher could make himself rich if he concerned himself with such trifles. In anticipation of a rich olive crop, he quietly acquires the rights to all the presses, making it necessary for the growers to pay him whatever price he may demand for their use.[23]

Pound distinguishes among three types of fraud.[24] We have been describing one of them: "the swindle of raising the value of the monetary unit". Another, which we will consider later in some detail, is "forcing a nation to purchase commodities (often useless) for twice as much as they are worth."

The third, which Pound considers to be fundamental and in many ways the most serious, is "enjoying interest on money created out of nothing". A turning point in Western economic history was the foundation of the Bank of England in 1694. When William and Mary came to the throne after the Revolution of 1688 the monarchy was bankrupt. William Patterson and a group of backers proposed a privately owned national bank, from which the crown would borrow the sum of £1,200,000, instead of going to the extortionate money-lenders. The bank was given the right to print that amount of paper money, for the loan of which it would receive eight per cent interest plus £4,000 per year to cover "expenses". The money would be backed by a guarantee of coin, if required, from public taxes. The bank soon exceeded the stated limit of issuable paper money, but the crown was unable to protest, being so heavily in debt that it feared the loan might be recalled.[25]

Patterson was aware that he had engineered a gigantic confidence trick. Pound quotes him in the Cantos: the bank

> *Hath benefit of interest on all*
> *the moneys which it, the bank, creates out of nothing*[26]

Thus, as we observed earlier, one man's liability became another man's asset, the bank, consolidating its position and multiplying its profits by unilaterally raising the national debt!

But the creation of money cannot go beyond the point where the public cease to honour it. In a time of prosperity, if precious metals are the ultimate standard of reference, then the supply must somehow be increased. When no legitimate source is available, and the inflation of paper has reached its upper limit or is out of favour, the alternative is prodigious theft. According to Adams the two greatest periods in English history, the Elizabethan Age and the establishment of the Empire, were founded on this bold expedient.

"Like the Venetians," says Adams, "the British laid the basis of their high fortune by piracy and slaving."[27] Following the Spanish discovery of the Potosi mines, Sir Francis Drake and his followers robbed the Spanish fleet of a vast treasure. John Hawkins added to the flow of wealth by capturing the slave trade from the Spaniards and supplying the labour-hungry colonies in the West Indies. Together they monopolized Spanish silver and brought Elizabethan England to the status of a world power.[28]

An expanding trade with the East gradually depleted this new supply of silver. The foundation of the Bank of England provided a temporary respite through the creation of paper but, by the middle of the eighteenth century, coin was again dangerously low. South American silver had been travelling steadily by way of Europe to India, where it accumulated in the vaults of the ruling princes.

This flow was suddenly reversed when the East India Company, under the military leadership of Robert Clive, turned from trade to plunder. Millions of pounds were taken back to England, where they provided the financial impetus which led to the industrial revolution and the British Empire.[29]

Adams realized that such massive military operations were extensions of the normal means whereby the moneyed classes maintained their power. One hopes that Adams compiled his own index, for it contains one of the book's pithiest comments: War: *see* Police".[30] Here lies another crucial difference which he sees between the Middle Ages and the ascendancy of the "economic type":

> *The basis of the secular society of the early Middle Ages was individual physical force. . . With the spread of the mercantile type, however, a change began—the transmutation of physical force into money.*
>
> *Thus, from the time when the economic type had multiplied sufficiently to hire a police, the strength of the State came to depend on its revenue, and financiers grew to be the controlling element of civilization.* [31]

Through this process the bourgeoisie gained another valuable monopoly—that of physical force. The armed men whose salaries they paid protected their interests under the laws which they created. There were local pockets of resistance under surviving feudal lords, but these were gradually subdued.

In the study of history, Adams thus provided a shift of focus from the succession of kings to the economic groups which used the monarchy as a means to centralization. The latter have been largely passed over, for, unlike a monarch, a banker's power was apt to be in inverse ratio to his notoriety. Fame and Glory are not words often heard in the Exchange.

If armed force is a monopoly, it can not only be used to protect vested interests—it can also be made to turn a profit. Since Adams wrote the *Law*, manipulation of international conflict has become a fine art. This demands a thesis in itself, but Pound's references to the practice deserve a brief mention.

Canto 38, in particular, cites the manipulations of Metevsky (Sir Basil Zaharoff[2]), Akers (Vickers), and Herr Krupp. All three were munitions manufacturers who were able to sell huge quantities of armaments to both sides in a conflict by encouraging them to surpass each other in destructive potential—a game which combined the most exciting features of a Dutch Auction and Russian Roulette.

But wars not only boost sales, they can also prevent goods from becoming so abundant that they fall in price:

> *When there is danger of abundance of any, or almost all, commodities, then the usurocracy unleashes a war in order to diminish purchasing power.* [32]

What better way to neutralise abundance than to concentrate production in goods which are ceremonially destroyed, as in a primitive potlatch? Of coarse, now that total war has become an anachronism, the ceremony must take place within a limited area.

Such practices are difficult to document, since all evidence is classified in the interests of "national security". Even the Pentagon Papers tell us more about the relatively public world of government than the private world of finance. But G. William Domhoff, in his important and meticulously documented book, *Who Rules America?*, offers powerful evidence that industry is the dominant partner in America's military-industrial complex.[33] And, according to George Thayer in *The War Business*,

> *The government officials who sell arms today have power that Zaharoff never dreamed of, they are protected to a degree that no private entrepreneur of old ever enjoyed, and they operate with less restraints upon them than even those few imposed on the master arms merchant himself two score years ago.* [34]

Under the rule of the single standard, even the arts are affected. In a letter to Brooks Adams, his brother Henry summed up the *Law* in three sentences:

All Civilization is Centralization.
All Centralization is Economy.
Therefore all Civilization is the survival of the most economical or cheapest. [35]

Brooks apparently agreed. In the last chapter he described the architecture of the Romans with great perception:

> *The Roman, though vulgar and ostentatious, understood business. . . Therefore they first ran up a cheap core of rubble, bricks, and mortar, which could be put together by slave labour under the*

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2 It is not surprising to learn that Zaharoff was "never a man to make friendships easily, or to establish permanent friendships, which he tended to view as an encumbrance and restricting in personal freedom." (McCormick, *Peddler of Death*, p.207)

direction of en engineer and a few overseers; and their squalid interior they afterward veneered with marble, adding, by way of ornament, tier above tier of Greek columns ranged against the walls.[3] *That gaudy exterior had nothing whatever to do with the building itself, and could be stripped off without vital injury.* [36]

Which, of course, is exactly what has happened. In the end. even the architects' legitimate protest against false ornament is made to serve the destruction of value. The facade is torn away, revealing, in the words of Norman Mailer,

. . . blank skyscrapers forty stories high, their walls dead as an empty television screen, their form as interesting as a box of tissue propped on end. They are buildings which reveal nothing so much as ***the deterioration in the real value of the dollar bill****.* [37](bold face mine)

Pound even went so far as to insist that

. . . an expert, looking at a painting . . . should be able to determine the degree of the tolerance of usury in the society in which it was painted. [38]

In Canto 45 he explains why:

with usura. . .
no picture is made to endure nor to live with
but it is made to sell and sell quickly. . .
with usura the line grows thick
with usura is no clear demarcation [39]

Adams anticipates Pound in the last chapter of the *Law*: The substitution of the fresco for the mosaic is one of the most typical devices of modern times." Ultimately even the fresco is discarded in favour of art which, like money, is portable: ". . . the presence of the portrait demonstrates the supremacy of wealth." [40] But it is not only portable; it is also "manufactured to suit a patron's taste. . . . The artist, like all else in society, has become the creature of the commercial market."[41]

Art today, of course, is one of the most popular forms of investment. The well-balanced portfolio is apt to include a few sound painters who will no doubt appreciate in value. Some artists have rebelled against this perversion by creating objects which are self-destructive; it is ironic that, in avoiding the perfect investment, they have created the perfect product.

AND FINALLY, the corruption of the word. Pound reserves a special place in his hell for the "betrayers of language": "the press gang", "Flies carrying news"; the pedants, "obscuring the texts with philology"; "the mouthing of orators, / the arse-belching of preachers. . ."[42]

But all these are sub-species of the fundamental corruptors: "the perverts, who have set money-lust / Before the pleasures of the senses. . ."[43]

We have touched briefly on the concept of Money as Religion. At this point we must come back to it as the *primum mobile* of our social structure. For behind the money for spending and the money for productive investment stands the real money. David Bazelon, who spent years as a corporation lawyer, knew it well:

It will never buy anything except more money or more profitable money. It feeds on itself in a narcissistic ecstasy. . . It exists only because of the spending, but it is not itself spent; it is a charge on all spending by others. . . [It] insists on its return whatever else happens, and it doesn't care where

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3 Pound: "'how the hell can we get any architecture / when we order our columns by the gross?'" (Canto 78/129-30)

the return comes from, just so it comes. . . In our day it is particularly made up of old paper—inflated capitalisation and debt. . . It is, in effect, the clammy hand of history on our shoulder. The history of all our paper excesses. The greatest surviving form of ancestor worship in the world today.[44]

This is approximately where Major C.H. Douglas, a Canadian engineer, arrived after the experience of managing an aircraft factory. As a possible way out of economic bondage, he evolved his theory of Social Credit, which, says Pound , "was the doorway through which I came to economic curiosity."[45] In the next chapter we will consider the prescriptive elements of Pound's thinking, together with Robert Theobald's proposals for a Guaranteed Income.

(Endnotes)
1 Pound, *A Visiting Card*, p.8
2 Adams, *The Law of Civilization and Decay*, p.viii
3 *Ibid.*, pp.viii-ix
4 *Ibid.*, p.ix.
5 *Ibid.*, p.ix
6 *Ibid.*, See, e.g., May, *The End of American Innocence*, p.184; Ziff, *The American 1890s*, p.219; and Hofstadter, *Social Darwinism in American Thought*, pp.186-7
7 Adams, *Op. cit.*, pp.12-3
8 *Ibid.*, p.20
9 *Ibid.*, p.15
10 *Ibid.*, p.21
11 *Ibid.*, p.16
12 *Ibid.*, p.5
13 *Ibid.*, p.165
14 *Ibid.*, p.5
15 See the index entries in Adams, *Op. cit.*, under Coinage, Currency, Gold, Money, Silver
16 *Ibid.*, Chapter V, "The Fall of Constantinople", pp.124-51
17 *Ibid.*, p.207
18 *Ibid.*, p.325
19 Pound, *Gold into Work*, p.6; *A Visiting Card*, p.10
20 Adams, *Op. cit.*, 315
21 Pound, *Gold and Work*, p.8
22 Pound, *An Introduction to the Economic Nature of the United States*, p.15
23 _____, *America, Roosevelt, and the Causes of the Present War*, p.8
24 _____, *A Visiting Card*, p.24
25 Davis, *Vision Fugitive*, pp.85-6
26 Canto 46/27
27 Adams, *Op. cit.*, p.288
28 *Ibid.*, pp.288-92
29 *Ibid.*, pp.305-12
30 *Ibid.*, p.393
31 *Ibid.*, p.164
32 Pound, *America. . .*, p.18
33 Domhoff, *Who Rules America?*, pp.115-126
34 Thayer, *The War Business*, p.306
35 Quoted in Donovan, *Henry Adams and Brooks Adams*, pp.126-7
36 Adams, *Op. cit.*, pp.372-3
37 Mailer, *Cannibals and Christians*, p.234
38 Pound, *A Visiting Card*, p.25
39 Canto 45/9, 11-12, 17-18
40 Adams, *Op. cit.*, p.380
41 *Ibid.*, p.381
42 Canto 14, *passim*
43 Canto 14/28-9
44 Bazelon, *Op. cit.*, pp.71-2
45 Pound, *A Visiting Card*, p.13

III. To Build the City. . .

Every man has the right to have his ideas examined one at a time. Ezra Pound

Ezra Pound and Robert Theobald start from the same premise: in the twentieth century we have passed from an economy of scarcity to an economy of abundance, requiring a completely different set of ground rules. Pound realized that even the radical economics of Marx were not enough:

. . . Marxian economics were invented in a time when labour was necessary, when a great deal of labour was still necessary, and his, Marx's, values are based on labour

The new economics bases value on the cultural heritage, that is to say on labour PLUS the complex of inventions which make it possible to get results of labour, with very little labour, and with a quantity of labour that tends steadily to diminish. [1]

Theobald, with the benefit of thirty more years of hindsight, goes even further: "Today, our socioeconomic system neither needs all the available workers nor can it provide work opportunities for them."[2]

Pound, as we have mentioned, came to economics through Major Douglas. This occurred when Douglas converted Richard Orage, editor of The New Age, and other National Guildsmen, to his principles of economic reform.[3] Douglas centered his attention on the supply of money, which he believed should somehow be kept approximately equal to the value of goods available. Under the existing system, this was impossible, since production costs included a certain percentage of interest on debts, old and new, which passed out of active circulation into the hands of the high priests of finance, as we observed in the quotation from Bazelon at the end of the previous chapter.

Douglas proposed that this should be remedied by government subsidy sufficient to make up the difference between, in Marxist terms Money and Value. This subsidy would be in the form of money created by the government on its own credit. It could either be given to the producer, guaranteeing him cost plus reasonable profit, or it could be paid out periodically to the consumer in the form of a National Dividend. Such a system would, of course, depend on a stabilized currency and stringent price controls.[4] This is a very rough-and-ready summary, but we are not so concerned with the details of Douglas's proposals, or their defects, as with how Pound used them.

Another monetary theorist who influenced Pound was Silvio Gesell, a German businessman who became a radical economist. He believed that prosperity depended on keeping money in rapid, circulation. This he proposed to do by issuing currency which required the regular affixing of a tax stamp. Money which sat idle would thus gradually depreciate in value.[5]

This scheme sounds wilder than Douglas's proposals and one can think of all sorts of objections, although it was apparently tried with much success in Wörgl, a town in the Austrian Tyrol, until the government authorities put a stop to it. One must keep in mind that, since credit is based on confidence, any system which has the full confidence of its participants will probably succeed.[1] After all, what is more ludicrous from a social point of view than the present system, which enjoys a confidence so uncritical that the suggestion of *any* alternative induces immediate panic? Nevertheless, Pound was not committed to either Douglas or Gesell, although he felt that their proposals were worth investigating.[6]

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1 John Collier, in a delightful short story called " Witches' Money", tells of an impoverished village where banking practices were unknown. A visitor, after persuading the local innkeeper to take a cheque, which he has never heard of, inadvertently leaves his book behind. Immediately the rest of the cheques are made out in various amounts and put into local circulation, resulting in immediate prosperity. The system collapses when, as in the case of Wörgl, one of the cheques is presented at a bank in another town.

Neither Douglas nor Gesell attacked the banks directly. Both merely offered a supplementary currency whereby the banks could to some degree be circumvented. Pound went beyond such amelioratives, maintaining that the right to create credit belonged to the government in the name of the people, not to private interests:

I take it that in the perfect economic state the cost of the money. . . is borne by the state, i.e. distributed so as to be a burden on no one in particular. . .

The state conceived as a public convenience. Money conceived as a public convenience. Neither as private bonanza. [7]

Much of the reader's resistance to Pound's economic proposals may be overcome if he can see past the air of breezy confidence to the man's essential humility, A strange word to apply to Pound, perhaps; yet again and again, whether speaking of economics, literature, or art, he insists that he is not providing the answers, but rather posing the relevant questions. Behind the jeremiads is a basic optimism: ". . . what man has made he can unmake."[8] This sets him apart in degree, if not in kind., from Brooks Adams who, in spite of his attempts to give advice, as in *The Theory of Social Revolutions* (1913), was ultimately the captive of his own system. Nor was Adams an active reformer: says Pound, "He had no vocation for martyrdom, he confessed with irony."[9]. Which, coming from Pound, is doubly ironic.

SO FAR In this chapter we have been speaking only of theory. But Pound's economic ideas grew equally from his reading of history. His method, as usual, was to bring useful information from wherever he found it, evolving a form which could carry it across to the reader with the least possible dissipation of force. The problem was much the same as with the distribution of goods: "How are you going to get it from where it is, or can be, to where it is not and is needed?"[102] The "repeat in history" was subject to the creative intellect, whereby one could redirect it; it was *not* the inexorable winding down of a mechanism.

Just as Pound looked to certain writers as measures of integrity, so he singled out certain times and places in history as examples of what could be done to ensure just distribution. His instances came principally from ancient Chinese history, for which he had read de Mailla's eighteenth-century translation of the Tong-kien-kan-mou, *Histoire Générale de la Chine, ou annales de cet Empire*, in thirteen volumes; renaissance and modern Italy, including the Sienna Bank, Leopoldo (the eighteenth-century Grand Duke of Tuscany), and, alas, Mussolini; and the United States, with special attention to the Constitution, Thomas Jefferson, John Adams, Andrew Jackson, and Martin Van Beuren.

The American precedents were so important to Pound that he set out four quotations from American sources in what he called an "Introductory Text Book". The first, from John Adams, laments America's monetary ignorance. The other three, from Jefferson, Lincoln, and the Constitution, assert the right of the government to create credit.[11]

IF WE were to make up our own " Introductory Text Book" setting forth Pound's requirements for the ideal economic state, it might read something like this:

1. The state, not private banks, creates and guarantees money and credit.
2. The money created by the state is a certificate of work done (goods produced).
3. The state establishes fair prices and regulates the supply of money so as to keep it approximately equal to the value of goods available for purchase.
4. It also sees to it that the supply of money is fairly distributed so that the goods may also be fairly distributed.
5. If money is to be fairly distributed, so must work.

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2 Cf. Charles Olson on Projective Verse: "A poem is energy transferred from where the poet got it. . . by way of the poem itself to, all the way over to, the reader." (Olson, *Selected Writings*, p.16)

6. If the goods are actually to be purchased, supply must correspond to demand, i.e., the goods produced must be useful to someone. This may or may not require government regulation.

We have already discussed Pound's reasons for preferring public to private creation of credit. Much of his evidence against the banks has already been cited in our analysis of Brooks Adams; we could pile up further instances, but the point has been made. Pound's precedents for statal money go back to the T'ang Dynasty in the seventh through the ninth centuries[12] and include, at a local level, the Wörgl script we have already mentioned. His own family, he learned in 1937, provided another happy instance: his grandfather had financed a section of railway with privately printed money backed by local lumbermen.[13] One of his bitterest disappointments was that, at the national level, America never took advantage of the Constitutional right to back its own paper, except for Lincoln's abortive issue of "greenbacks" during the Civil War.[14]

Money created for private profit, with nothing to back it except the reputation of a bank, was an abomination. It might perform a useful function, but an indefinite portion always came back to its source, where it drew in still more of the nation's wealth. Furthermore, the amount in circulation could be manipulated so as to ruin the nation's debtors.[3] Instead, money should be issued by the state, but only when there was real wealth, i.e., goods, to correspond to it. Inflation was creating more money than goods; it was *not* inflation to increase the amount of money to equal the gross national product. A favourite quotation came from Orage:

Would you call it inflation to issue tickets for every seat in a hall, despite the fact that the hall had never before been filled, or more than a fourth of the seats sold, because of there not being enough tickets available? [15]

But how did you determine what the goods were worth? Those who made them had shown in the past that they were not to be trusted—they either persuaded the public that the goods were worth more than they really were, or they agreed among themselves to overcharge, forcing the consumer to pay up or go without. Therefore the state must intervene to establish just prices, based on cost plus reasonable profit.[16]

Pound's main precedent came from the Middle Ages: "The Catholic economy had proclaimed the doctrine of the just price."[17] Indeed it had proclaimed it so vehemently that some merchants lived in mortal fear of cheating. Nor was the buyer absolved from cheating the merchant: Henri Pirenne cites the no doubt exceptional instance of St. Gerald of Aurillac in the tenth century. Having learned that he had inadvertently obtained an ecclesiastical garment at a bargain price, he hurried back to the seller with more money, lest he fall into the sin of avarice.[18] Saint indeed!
Ordinary twentieth-century sinners, however, needed the supervision of the state.

But even if prices were fair and there was enough money to pay them, some people might still accumulate too much at the expense of others. Therefore a means was necessary to ensure that money was fairly distributed. There were various alternatives, but Pound favoured the fair distribution of work: "I suspect any other."[19] Since the amount of work required was rapidly being reduced by technology, it might be necessary to cut each man's quota in half; but if there were enough goods for all and they were fairly distributed, no one would suffer from a reduction in work hours.

Even with enough goods available, there might still be acute shortages in certain areas. In that case, " Either the individual must use his intelligence, or some congeries of individuals (state or whatever) must persuade or foresee or advise or control."[20]

Behind all these proposals is Pound's belief in economic justice for every citizen of the state, Here he is totally unequivocal: "When enough food exists and people cannot get it by honest labour, the state is rotten, and no effort of language will say how rotten it is."[21] Quibbling over the method did not absolve it from its responsibility. And if the people were wise they would see to it that the effort was made:

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3 See quotation from Adams concerning Loyd, above.

Wisdom resides less in the means than in the affirmation of ends. If there is the will to attain the end, the means will be found. If the end is perfidious, no means can have in itself any inherent virtue capable of preventing the perversion of justice. [22]

WRITING THIRTY years after Pound had formulated most of his economic ideas, Robert Theobald is able to deal with phenomena which Pound could hardly have foreseen. And being a Cambridge-trained professional economist, of course, does give him certain advantages. Nevertheless, their thinking coincides on a remarkable number of issues. Before comparing them in detail, however, we should, take the time to summarize Theobald's most important book, *Free Men and Free Markets*, written in 1964.

Early in the book, Theobald states his premise in a summary which is worth quoting in its entirety, since it makes clear both his concept of a just economic society, which is compatible with Pound's, and his opinion of a state-controlled market, which is not:

It is the goal of all Western societies to ensure that each individual has the maximum of freedom in his choice of action compatible with the needs of the society. Such a degree of freedom can only be obtained if the individual is provided with sufficient resources to enable him to live with dignity. No attempt should, however, be made to provide the required resources through government control of the market mechanism, for not only will such an attempt fail but it will also prevent the realization of the original goal: it will restrict individual freedom, rather than advance it. [23]

The first part of the book deals with the American economy as it is now structured. It is traditional dogma that business functions for the good of society as a whole, operating in accordance with market forces through the interaction of supply and demand. Both halves of this assumption are incorrect:

(1) Contrary to the official apologists, marketives[4] exist, by definition, in order to show a profit. This often leads to conflicts between public and private interest, e.g., pollution.[24]

(2) Nineteenth-century economists assumed that no marketive would become sufficiently powerful to have a significant effect on supply or demand. But monopoly made it possible to limit output, which prevented supply from increasing fast enough to cause prices to fall. In the twentieth century, marketives not only control supply, but also, increasingly, demand. The latter is accomplished through research and development, advertising, and packaging. With the exception of agriculture and minerals, marketives can thus alter supply and demand to their own advantage. This has had a profound effect on the recent evolution of our socio-economic system.[25]

But price-fixing is now being undermined by competition *between* as well as *within* industries (for instance, plastic competes with glass for bottling). As large-scale competition revives, marketives will turn increasingly to cybernation in order to keep prices down or even reduce them. This will lead to rapidly increasing unemployment, with no prospect of the trend being reversed.[26]

This growing cybernation will accelerate another trend. Holding back production so as to maintain prices has produced an enormous unused potential. By 1962, actual production was running behind potential production by about twelve per cent, double the figure for 1954.[27] Cybernation will make the gap still wider.

In other words, our economic system is irreversibly increasing its unused capacity to produce, while at the sane time creating an ever-larger segment of the population (the old, the sick, the poor, racial minorities, plus a new supply of unemployable unskilled workers) who are unable to consume.

What does a country do with this new abundance? The followers of Keynes believe that you should try

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4 Marketive: "any organization or individual which produces goods and/or services in order to make a profit." (Theobald, *Op. cit.*, p.36)

to keep effective demand running ahead of supply, i.e., you stimulate growth.[28] Since market forces have proved inadequate, the American government, like most European governments, intervenes in the following ways:

(1) It provides minimum subsistence to those unable to work. The ways in which this operates have been strongly influenced by the assumption that (a) unemployment is a temporary phenomenon, and (b) the jobless are somehow to blame for their condition.[29]

(2) It sponsors job retraining programmes. These are largely ineffective because of the contracting market for unskilled or semi-skilled, labour.[30]

(3) It stimulates growth through tax cuts. These, however, go mainly to higher income brackets which are already consuming close to their effective limit, not to the lower brackets which would immediately consume those products which are in greatest over-supply.[31]

(4) It *may* lower the interest rate. This can stimulate growth by making productive investment more profitable and installment buying cheaper. However, it puts the country at the mercy of the international money market, since investors are liable to withdraw their funds and reinvest them in a more "profitable" country. This in turn threatens to force a devaluation of the currency, which most countries, partly for mystical reasons, try to avoid. And so a high rate of interest is maintained, which biases distribution of income in favour of those with capital at the expense of those who live on salaries and wages.[32]

(5) It offers special assistance to marketives which are adversely affected by the general trend, towards lower import tariffs.[5] This has far-reaching implications as to the government's responsibility to help any marketive which is hurt by *any* government policy change.[33]

(6) Finally, it provides the principle stimulus for growth in new direction by subsidizing research and development.[6] This gives the government unprecedented control over the balance of production (who makes what) and life-or-death power over local economies.[34]

. . . Meanwhile, the traditional *private* money regulator, the stock market, has ceased to perform its original function, the allocation of *scarce* capital. Large corporations tend not to float new stock issues when they want money for expansion; instead, the cost is planned far ahead and built into the price of the product. Thus the public *gives* it the funds which it used to have to borrow at interest, New companies, which now have difficulty raising money on the market, obtain risk capital from special institutions, many of them backed by the government.

This leaves the stock exchange occupied with the transfer of *existing* shares from one rich stockholder to another. Falling yields, resulting from falling profits, have recently caused violent fluctuations as investors traded in and out of the market. These could precipitate a crisis only marginally related to the basic health of the economy.[35]

The stock market; we have said, came into being in order to allocate scarce capital. But the shortage of money is now an illusion, supported by the high interest rate maintained by the government to protect the dollar. *Abundance reduces the value of money as well as goods*.[7] Therefore, under the present economic system, abundance is a cancer.[36]

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5 Or, in the present case, it reneges on its agreements and puts the tariff up again in order to force a revaluation, i.e., higher prices, on its competitors.

6 This has produced, so far, a wide range of obsolete weapons, a highly controversial airplane, and a war in South-East Asia.

7 Not necessarily what it can buy, but rather, what it costs to borrow it.

MUCH OF this summary is not directly related to our discussion, but I have tried to preserve the continuity of Theobald's argument. His proposals for an alternative system can be stated more succinctly if we have understood his diagnosis.

Theobald's solution is best stated, to begin with, in his own words:

. . . the establishment of new principles specifically designed to break the link between jobs and income *. . . [to] be carried but by the government as the sole body concerned with every member of society and with the adequate functioning of the total socioeconomic system.*[37]

This would be done by establishing a Guaranteed Income (Basic Economic Security) as a constitutional right.[38]

Such a measure would enable the government to abandon those Keynesian policies which are designed to maintain a *forced* growth in order to keep jobs growing at about the same rate as the labour force. Instead, available jobs could be kept in line with *desired* jobs. It would also do away with the growing complexity of social security, unemployment insurance, Aid to Dependent Children, local poverty relief, etc., etc. The administrative procedures for a Guaranteed Income could hardly be more complex than the existing mare's nest of amelioratives.[39]

The money distributed through a Guaranteed Income would provide a *real* rather than an artificial stimulus to the economy, since it would go directly to those most likely to spend it on goods which are in over-supply, both real and potential. (This would, incidentally, cause a significant rise in government income from sales taxes.)[40]

The cost of a Guaranteed Income, over and above the effective tax increase, could be borne by deficit spending. This presents no danger, since there is no actual shortage of money, nor would there be:

In conditions of abundance, when unused productive capacity is available, the creation of additional claims on resources increases the national income, creates jobs, and generally improves economic conditions in the country. It is only in conditions of scarcity that additional government expenditures impinge on other economic activities.[41]

Furthermore, an increase in credit would be backed by productive capacity, which is the real backing of any insurance or pension scheme, public or private.

Theobald sets forth .the functions of any economic system in a form which neither Pound nor the traditionalists would reject;

. . . first, it must ensure an adequate level of production and an appropriate level of economic growth; second, it must provide for the distribution of the rights to the available production; and third, it must determine the types of [products] to be made and the material to be used in their production.[42]

But if the ends are traditional, the means are not. The classical economists left all three to the mechanism of the free market. This meant that production came first, with distribution as a by-product. But cybernation has increased production so radically that consumption, left to itself, can never catch up. And so, the economy must shift its primary attention to more equitable mechanisms for distribution:

. . . the economic system needs to divorce the productive function from the distributive function and therefore allow each to work-in a way which will be of maximum benefit to society.[43]

Under these conditions the free market could be left to its traditional operation:

The level of production could then be determined by desired levels of consumption, rather than consumption being forced by the existence of unused productive capacity. We would, therefore, have the power to determine economic policy on the basis of our social goals rather than continuing to be forced into social actions because of what are, at present, economic necessities.[44]

(Endnotes)

1 Pound, *Jefferson and/or Mussolini*, p.36
2 Theobald, *Free Men and Free Markets*, pp.156-7
3 Davis, *Vision Fugitive*, p.106
4 *Ibid.*, pp.101-5
5 Pound, *What is Money For?*, p.9; _____, *ABC of Economics*, pp.49-50
6 Pound, *What is Money For*, p.9; _____, *ABC of Economics*, pp.49-50
7 _____, *ABC of Economics*, p.55
8 _____, *Gold and Work*, p.13
9 _____, *America, Roosevelt, and the Causes of the Present War*, p.5
10 _____, *ABC . . .*, p.15
11 Pound, *What is Money For*, p.15
12 _____, *A Visiting Card*, p.18
13 *Ibid.*. p.27
14 _____*Gold and Work*, p.7
15 _____, *ABC . . .*, p.70
16 *Ibid.*, p.51
17 _____, *An Introduction to the Economic Nature of the United States*, p.14
18 Pirenne, *Economic and Social History of Medieval Europe*, p.27
19 Pound, *ABC. . .*, p.34
20 *Ibid.*, p.28
21 _____, *What is Money For?*, p.6
22 _____, *America . . .*, p.14
23 Theobald, *Free Men and Free Markets*, p.15
24 *Ibid.*, pp.34-7
25 *Ibid.*, pp.34-5, 41-2
26 *Ibid.*, pp.52-5
27 *Ibid.*, p.70
28 *Ibid.*, pp.87-8
29 *Ibid.*, pp.90-3
30 *Ibid.*, pp.93-6
31 *Ibid.*, p.97
32 *Ibid.*, pp.97-8
33 *Ibid.*, pp.99-100
34 *Ibid.*, pp.100-101
35 *Ibid.*, pp.132-5
36 *Ibid.*, pp.136-8
37 *Ibid.*, p.144
38 *Ibid.*, p.147
39 *Ibid.*, p.152
40 *Ibid.*, pp.160-1
41 *Ibid.*, p.163
42 *Ibid.*, p.165
43 *Ibid.*, p.166
44 *Ibid.*, p.167

IV. The True Base of Credit

. . . that is

The abundance of nature

Ezra Pound

Pound and Theobald are both fare ahead of the orthodox economists in seeing that the world has passed into a new era of abundance, in which the parsimony of the past has become a wasteful anachronism. Nations behave like eccentric misers, starving in an attic with a hoard of gold under the mattress. Both authors believe that money should be used for distributing, not concentrating, the world's wealth.

They also share a profound respect for the value of leisure. Each would cut the proportion of *involuntary* labour to what he sees as the bare minimum. Says Pound,

I know, not from theory but from practice, that you can live infinitely better with a very little money and a lot of time, than with more money and less time. Time is not money, but it is almost everything else.[1]

But in Pound's society, everybody still works: it is different in degree, but not in kind, from that which is governed by the Protestant Ethic. His economic model, in fact, still has much in common with that of classical economics. (As we have seen, his concept of the Just Price goes back even to the Middle Ages.) To understand this, it is necessary to go back to our slowly accumulating definition of money.

Money, we observed, has traditionally been based on a commodity, metal, which is separate from the commodities for which it can be exchanges, and whose scarcity is a metaphor for the general scarcity of useful goods. In an expanding economy, the fixed quantity of metal was cleverly got around: first, by substituting paper (bills or ledger entries) for metal, and later, when even this proved insufficient, by the manipulation of paper based only on the reputation of its guarantor. This fiscal invention was, of course, abused for private gain, but it introduced a socially useful concept. Think of reputation as productive capacity, i.e. the ability to produce gold when wanted, and put it aside for the moment.

Pound learned from Douglas/Orage that money need not be based on a single standard, but could be a ticket representing, *in toto*, the goods available for purchase. A step forward; but here he stopped. Since money had to stand for *something*—otherwise it was worth no more than the bills from a Monopoly set—he limited the amount of money to the value of goods available for purchase.

But this confronts us with three problems:

(1) How much are the goods really worth? Someone must decide. The producer? He will probably overvalue in order to inflate his profit. The consumer? He will undervalue to grab a bargain. Better leave it to the state, which is liable to be more reliable than either party to the transaction.

(2) Even if you have established the value of the goods and have exactly enough money in circulation, how do you get it spread out? The logistics are so complicated that, in one segment of the market or another, you're liable to be back to a scarcity economy again. It's a bit like running a hotel with two hundred beds and only four hundred sheets.

(3) And most problematical of all, what do you count as money? Pound seemed to be aware that there was a question: ". . . we need a means of exchange and a means of saving, but it does not follow that the means must be the same in each case."[2] But those are not the only alternatives: we have evolved a dizzying spectrum of degrees of liquidity. So, in adding up the total, just what do you include?

This is exactly the problem which faces Milton Friedman and the other quantity theorists of the Chicago School. R. S. Sayers, in speaking of Friedman's proposal of 100 percent reserve banking designed to "eliminate private creation or destruction of money and discretionary control by central-bank authority" (the principle is much the same as Pound's), says that such a proposal is based on "the supposed possibility of identifying once and for all something called "money" . . . I find all such proposals tempting, but they are based on a complete misconception of the origin of money."[3] It is a problem which Pound leaves unresolved.

Next, the problem of distributing purchasing power. Pound's solution, the four-hour day, is certainly equitable. In fact, well into the twentieth century, the trend was in that direction. It assumes, however, a number of very large jobs which are infinitely divisible into smaller ones—unskilled labour, in fact. But these are the jobs which are now disappearing. Furthermore, the recent trend has been back towards longer hours with pay for overtime, which makes for flexibility of the labour force without laying off employees who will be resentful and who may not be around exactly when you want them again.. The workers, of course, go along with this, since it means more security and, usually, more money. Therefore, if a four-hour day is to be introduced, it will have to be done by law. More government intervention.

And what about wages? The employer will presumably want to cut back the wages to fit the hours, in accordance with the old scale. Pound says nothing directly about this, but, in speaking of the fascist policies, he seems to favour wage controls.[4] Still more government intervention.

Finally, how do you decide what and how much gets produced? Even if this is left to the free market, you still must keep track of it pretty closely in order to regulate the supply of money. And suppose that production declines for any reason: do you call in money/credit to correspond, thus destroying confidence, lowering production still further, and accelerating a vicious downward spiral? In that case the line goes fuzzy between the ideal state and usurocracy. The alternative is deserting the quantity theory altogether. At any rate, the method calls for still more bureaucracy.

It all adds up to a terrifying accretion of government decisions, to say nothing of the red tape. One wonders why Pound, with sit deep-rooted faith in the rugged individual, was not more concerned about it.

One answer, I suspect, lies in his underlying faith in some sort of wise aristocracy, to whom the people delegate the authority to act on their behalf. The function of an aristocracy is selection . . ."[5], whether of art or of economic policies. The bias showed, *inter alia*, in his partiality to Mussolini, "the name who gets things done". In the last analysis, Pound's economic system, though beneficial, is paternalistic.

BUT WE have not yet returned to Pound's crucial proposal—state money backed by state credit. On this subject Theobald has nothing to say. One wonders if, under his system, the cream of prosperity would continue to be siphoned off to go sour in the banks.

But are the banks still as powerful as all that? We have seen that large corporations derive more and more of their capital from profits. Furthermore, even the giant corporations are ostensibly diversified in ownership. Does this mean that the economy is simply running itself?

A popular theory is that of Berle and Means, set forth in *The Modern Corporation and Private Property* (1932). According to this highly influential book, power has passed from creditors to the new class of managers. Both Theobald and Bazelon seem to accept this without question.[6] G. William Domhoff[1], however, has assembled a powerful case for believing that the ruling class of money-holders has become, not less powerful, but less visible.[7] So we are back to the banks again.

It would appear, then, that Pound has perceived the veto power of the money-lenders and that Theobald has not. But before we answer this criticism, we must return for the last time to our analysis of money. We have come as far as Pound's definition, "a certificate of work done". Pound also realized that, as Douglas had said, there was an accumulated wealth of knowledge—"a legacy of mechanical efficiency and scientific advance".[8]

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1 See also his comments on the military-industrial complex, Chapter II, note 34, of this paper. In fact, see his entire book.

But what of reasonable expectation for the future? Might not one's assets include, not only one's inheritance and what one has added to it, but also the uses to which it could be put? This is exactly what giant corporations have been able to do, and the discovery has made them financial as well as industrial centres of power. In the process, according to Bazelon, "productive capacity, or captured technology, has replaced gold as the backing for all the paper."[9] This is one step beyond Pound—but, as usual, exploited to private advantage.

The principle has, however, filtered down to the wage-earner. He too can capitalize his productive capacity, i.e. his expectation of future employment. All the way from the stock exchange to the credit card, the economy is now permeated with the capitalization of "reputation". This is believed to be perfectly right and proper—except in the public sector. The national debt is still the national disgrace, and is added to only with the greatest reluctance, except for the stockpiling of obsolescent weapons.

This where we return, at last to Robert Theobald. His proposal to finance the Guaranteed Income by deficit spending based on productive capacity only carries across into the public sector the fiscal structure of the rest of the economy. Viewed from another angle, it is the marriage of Ezra Pound to the Bank of England (i.e. national credit based on the "reputation" of the producing sector).

But we haven't yet answered Pound's attack on the banks—nor apparently, has Theobald. The national debt, after all, carries interest, only a tiny proportion of which is paid to the small bond-holder. Most of it swells the coffers of the international money-lenders.

The answer, I suspect, is that Theobald intends to let them wither away. This is not so far-fetched as it may seem. In an economy of plenty, we have noted, money falls in price along with goods, but interest rates have remained high because they are artificially supported. A Guaranteed Income, however, might go far towards undermining the mystique of money, its threat of impending disaster.

What Brooks Adams didn't realize was that *both* the Imaginative and the Economic Type govern by fear of the unknown. "Money as Religion" is not merely a figure of speech. But if one could be certain of enough security for dignified survival—for life—the Demon of Insolvency would be exorcised, and Adams' Law finally repealed.

BUT THEOBALD offers yet another weapon (his language, of course, is more conciliatory). Not only does he propose to divorce production from distribution, but also from profit. This would be done through "consentives": groups of people coming together to make or do something because they want to.[10]

Such a development would strike at the very heart of those assumptions about the avidity of human nature which classical economists are so fond of. (It might even send some future Darwin to a lush tropical rain forest instead of the austere Galapagos Islands.) "Only the artist, for centuries," says Pound, "has succeeded in detaching the idea of work from the idea of profit."[11] But elsewhere he admits that, even in conditions of scarcity, other men that artists were capable of this fundamental dissociation:

. . . my grandfather . . . built a railroad probably less from a desire to make money or an illusion that he could make more than way than some other, than from inherent activity. Artist's desire to MAKE something, the fun of constructing and the play of outwitting and overcoming obstruction.[12]

If aggression were depersonalized, what would become of the competitive "instinct"?

There remains the question of where to look for the necessary expertise in working out the details of such a fundamental revolution. Theobald, I suspect, places too much hope in the present managerial class: he even proposes a subsidiary category of Basic Economic Security, called Committed Spending,[13] to support unemployed managers at a higher level of income so that they may devote their energies to social instead of economic problem-solving. One questions whether those who have led us deeper into the jungle are those best qualified to lead us out. Still, there would doubtless be a need for experienced administrators.

THE WAY, the, lies open to Utopia. What holds us back, other than as inheritance of misinformation, prejudice and preconception?

A clue, perhaps, lies buried in our observation that interest rates all over the world are maintained at an artificially high level in order not to lose the capital of the international investors. Gold may have lost most of its magic in the national economy, but in the world at large it is still very much in evidence.

What happens, then, to that nation which is so enlightened as to discover that, if you have too much, you give it away? If it moves very far in that direction, the international money market assumes that the people have gone mad and promptly withdraws its assets. The national economy being then based solely on its real wealth, in which the money-lenders have no “confidence”, that nation’s credit is forthwith cancelled.

But the crisis does not end there. Corporations as well as banks are international: if business is unprofitable in one country, they move to another. A single nation has no more control over the greater part of its industry than did a single American state before the establishment of the Interstate Commerce Commission (or after, for that matter). One false step, and its productive capacity goes out the window along with its credit.

So in the last analysis, Brooks Adams’ Law of Centralization has much to recommend it. In effective consolidation, the world’s financial and productive institutions are still one giant step ahead of its political institutions, nor does the prospect of a commercial moon launching offer much hope of a change of balance in the very near future. By the time that world government is a reality, the rape of the galaxy will have begun.

Still, reason may prevail. Let us end, optimistically, with a thought from Old Ezra:

It seems that only a few persons occupied about the temples, at least in Rome, were enough to keep alive the old gods. The preservation of verities, the process of history, the rise and fall of a dogma, whether or not affected by contingent events, is a great deal more interesting than is commonly supposed.[14]

(Endnotes)

1 Pound, *ABC of Economics*, p.29
2 _____, *Gold and Work*, p.14
3 Quoted in M. L. Burstein, “The Quantity Theory of Money: a Critique”, in Clower, *Monetary Theory*, p.117
4 Pound, *What is Money For?*, p.7
5 Pound, *Impact*, p.218
6 Theobald, *Op. cit.*, p.34; Bazelon, *Op. cit.*, pp.60-1
7 Domhoff, *Who Rules America?*, pp.38-62
8 Pound, *What is Money For?*, p.7
9 Bazelon, *Op. cit.*, p.202
10 Theobald, *Op. cit.*, pp.181-3
11 Pound, *An Introduction . . .*, p.16
12 _____, *ABC . . .*
13 Theobald, *Op. cit.*, p.48
14 Pound, *A Visiting Card*, p.34

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