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A. Lanteri

THE ECONOMIC ETHICS OF EZRA POUND

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THE ECONOMIC ETHICS OF EZRA POUND

Alessandro Lanteri[1] (*alessandro.lanteri@sp.unipmn.it*)

POLIS - Università del Piemonte Orientale (Alessandria, Italy)
TINT - Helsinki University (Finland)

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ABSTRACT. The poet Ezra Pound (1885 – 1972) was a moralist who regarded economics as key to understanding human society, and thereby to solve most social problems. He became a prolific writer of economic texts, in which he espoused the ideas of two heretic economists: Major Clifford Douglas' social credit and national dividend, and Silvio Gesell's perishable currency. Pound's economic thought has long been neglected, but in times of financial crisis his crusade against bankers and his utopian visions might make a timely come back. It is therefore unfortunate that, of Pound's economic lessons, the morally most compelling are also those less economically sound.

KEYWORDS. Basic Income; Ezra Pound; Major C. Douglas; Silvio Gesell; Social Credit; Stamp Scrip; Usury.

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An epic is a poem including history.

No one can understand history without understanding economics.

Ezra Pound

The poet Ezra Pound believed that an understanding of economics was central to understanding history, as well as human culture at large. Such belief led him to develop a veritable obsession for the subject. Soon he became convinced that most social problems could be solved through economic policies, and specifically by eliminating usury and by having the government regain control over credit. He thus turned into a passionate pamphleteer and published numerous economics writings.

Pound's economics was neither analytically sophisticated, nor uniformed to the mainstream. His economic ideas were very controversial and, though he has not been and to this day he is not alone in espousing them, those who have proposed the same ideas – i.e., the Major Clifford Douglas and Silvio Gesell - are considered minor economists at best, if not altogether 'cranks.' It is therefore not surprising that Pound's economic ideas have remained largely obscure, both within economics and outside. The fact that he converted to fascism and became an anti-Semite certainly did not help ensuring his popularity with the posterity.[2]

In a time of financial crisis, however, Pound's crusade against bankers and financiers and his utopian visions of a perishable currency and of interest-free social credit may once again become topical. His economic thinking stems not from intellectual curiosity, but from a strong moral preoccupation (Lunghini 1994, Desai 2006), as the consequence of a profound philosophical reflection (Ferkiss 1955, Sieburth 1987). In spite of their lacking recognition among economists,

[2] Pound's anti-Semitism is closely related to his economic ideas – namely, his condemnation of usury and financial institutions. Nonetheless, these economic ideas stand independently from anti-Semitism. For one, other authors who never have sided with anti-Semitic views have advanced economic ideas similar to Pound's. Moreover, the books and articles in which Pound lays the groundwork of his economic thought predate his anti-Semism (Desai 2006, 20ff.). In discussing these ideas, therefore, I shall overlook the fact that they were later to be tainted with racist implications. The concession can also be made that Pound admitted that his "worst mistake was the stupid suburban prejudice of anti-Semitism, all along, that spoiled everything" (Ginsberg 1980, 8).

Pound's economic ideas seem therefore bound to be rescued by those intellectuals and activists who share his ethical motives, such as the anti-capitalists who oppose globalization and the Washington Consensus and who side with the World Social Forum (Onken, 2000, Desai 2006, Cook 2007). It is this economic ethics that seems bound to be revived and it is therefore unfortunate that, among Pound's economic lessons, the morally most compelling are also those less economically sound.

1. THE ECONOMICS OF EZRA POUND

Ezra Weston Loomis Pound (1885 – 1972) was an American intellectual. He is considered the central figure in the Modernist movement, to which he contributed both as a poet and as a critic. His intellectual undertakings have been remarkably broad, having translated Provencal and Chinese poetry into English, and having promoted in the West Japanese poetry and theatre, as well as Confucian philosophy. He was also an extraordinary talent scout and a selfless supporter of the literary efforts of his friends and protégés (the likes of Hilda Doolittle, Thomas S. Eliot, Robert Frost, Ernest Hemingway, James Joyce, Marianne Moore, William Carlos Williams, and William Butler Yeats).

Pound achieved literary immortality with the masterpiece – and in fact quasi-lifelong mission – *The Cantos* (Pound 1954), an unfinished epic poem of 120 sections or cantos, in which his experimental poetry touches upon several themes, like history, culture, social issues, current affairs, and economics (!). Indeed, unlike his fellow artists, Pound took an especially keen interest in economics. It is not clear how he first came in contact with the 'cold subject' of economics, but it is likely that this happened at the beginning of the last century, right before the First World War (Desai 2006, 28ff.). Then, in the aftermath of the 1929 crisis, Pound started writing economic texts himself. He committed to the task with a devotion that is demonstrated by the magnitude of his economic production (e.g., Pound 1933, 1935a, 1935b, 1939, 1952a, 1952b, 1958). Meghnad Desai (2006, 14) notes that more than half of the content in the volume of Pound's *Selected Prose* (edited by Cookson 1973) is of economic subject.

Pound's economic views reflect his whimsical personality and his troubled personal experiences as an exile and penniless artist, looked down upon by the academic establishment and rejected by the American intelligentsia. These views have been laid down most lucidly in the early texts and later repeated many times over, though with the progressive markings of his descent into fascism, anti-Semitism, and eventually an alleged mental illness.[3] It is unfortunate that even Pound's earlier economic writings are tremendously difficult to understand in full. His style is eccentric and unscholarly to the point of posing a serious challenge to the reader.[4] Yet, unlike other writers, Pound has always been eager to acknowledge his intellectual debts, so that it is easy (as much as it is necessary) to complement his own texts with those that inspired him. Pound's economic ideas have been largely elaborated after those of two economists: the Major Clifford Douglas and Silvio Gesell, to whose ideas I presently turn.

1.1. Social credit

Pound's main intellectual debt, and the principle around which his entire economic ideas were developed, is Major Douglas' (1921, 22ff.) 'A + B Theorem.' In all of its simplicity, the theorem states that every factory either makes payments to (A) individuals, in the form of wages, salaries, and dividends or (B) organizations, in the form of bank charges, raw materials, and other production costs. B payments are made at an early stage of the production process so that, by the

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[3] Charged with treason against America in the aftermath of WWII, Pound was found mentally ill and unfit to stand trial. (For a virtual reconstruction and adjudication of the trial of Ezra Pound see: Rushing 1987.) Spared a sentence in jail, Pound was held in the mental institution of St. Elizabeth for thirteen years. During these years he went on producing both poetry and prose with his usual talent, and composed the last addition to *The Cantos*, usually referred to as *The Pisan Cantos*. In 1946, a committee of the Library of Congress awarded Ezra Pound with the prestigious Bollingen Prize for *The Pisan Cantos*, arousing a heated public debate (Ferkiss 1955, 176). Such literary accomplishments question his mental illness.

[4] Ferkiss (1955, 181) explains that Pound's style, called 'imaginism,' consists in the juxtaposition of historical examples and descriptions. Pound never uses abstract definitions (see below). It is the reader who must see and make sense of the connections, in a fashion similar to Chinese ideograms. The result is "an erratic style, striking but often repellent" whose "purpose is to force the reader to see the point, rather than to explain it to him" (ibid.). See also Pound (1934) and Sieburth (1987, 147ff.).

time the final product reaches the market, these payment will have been spent and the only purchasing power available will be A. In order to cover all of its costs, however, a factory must sell its products at a price higher than A + B. Therefore, at any given time, there will be goods on the market for a value larger than A + B. As said, however, the outstanding purchasing power will be only A and so it will prove insufficient to clear out the all of the production. Douglas (1935) lists "at least five causes" for the deficiency of purchasing power:

> *1) Money profits collected from the public (interest is profit on an intangible); 2) Savings; i.e., mere abstention from buying; 3) Investment of savings in new works, which create a new cost without fresh purchasing power; 4) Difference of circuit velocity between cost liquidation and price creation which results in charges being carried over into prices from a previous cost accountancy cycle. Practically all plant charges are of this nature, and all payments for material brought in from a previous wage cycle are of the same nature; 5) Deflation; i.e., sale of securities by banks and recall of loans.*

According to Douglas, the capitalistic productive process is discontinuous and it creates a shortage of resources to purchase all the goods. To avoid the collapse of the entire economy, some system has to be devised that makes A incomes sufficient to purchase all the commodities. Exports may work, but only as a temporary and local solution. Failing exports, more money need be invested in additional future production so that it can be paid out in the present as salaries and wages. In Douglas' view, capitalism has an endemic deficiency of purchasing power, and so it has an inherent drive to economic growth (Hutchinson and Burkitt 1999). Such growth must be stimulated by bank credit.

Pound was so enamoured with the A + B theorem that he described it in detail in *Canto XXXVIII* (Pound 1954, see *Appendix*) and considered it a revelation of truth equivalent to the mystical vision that Saint Paul experienced on the road to Damascus. He thus concluded his exposition: "the light became so bright and blindin' / in this layer of paradise / that the mind of man was bewildered."

Pound's illumination notwithstanding, the A + B theorem is mistaken.

The error can be best shown by means of the example, proposed by William Breit and Kenneth Elzinga (1980, 908-9), of a four stages process of production of aircrafts. First, ore is mined and sold to a refiner; second, the ore is refined into metal and sold to the aircraft factory; third, the aircraft is produced out of the metal and sold to a retailer; and fourth, the retailer sells the aircraft the final customer. Breit and Elzinga show the fallacy in Douglas' (and Pound's) reasoning by means of the table reproduced below (*Table 1*). Douglas' B, or total payments, are listed in column (2) and Douglas' A, or the power to buy, is in column (3). At the end of the production cycle, the total purchasing power available will be $ 210, which is less that the total payments of $ 450. The problem is in the next step. Douglas believed that, in order to recover the A + B costs, the retailer would have to sell the aircraft for $ 460, which would be more than the available purchasing power. But it is easy to see from column (1) that the retailer will instead sell the aircraft for $ 210, or exactly the income generated in the productive process – i.e., total of column (3).

Table 1. The error in the A+B Theorem

Airplane Receipts, Costs and Income Generated			
Stages of Production	**Sales Receipts (1)**	**Costs of Intermediate Materials (2)**	**Income Received (3)**
Mining	$ 100	0	$ 100
Metallurgy	150	$ 100	50
Fabrication	200	150	50
Retailing	210	200	10
TOTAL	**$ 660**	**$ 450**	**$ 210**

Source: Breit and Elzinga 1980, 908

The problem is one of double counting. The cost of raw materials should only be factored in only once and not cumulatively at each subsequent stage of production. After raw materials are sold, the income they generated is distributed. Quite clearly, indeed, B payments "correspond to A payments of an earlier stage of production" (Desai 2006, 82). Breit and Elzinga (1980, 908-9) suggest that the responsibility of this mistake is that Pound "was innocent of the economist's concept of 'value added'" (and so was Douglas). They also observe that it must not have been uncommon for economists to make this kind of mistakes at the time, considered the scant grasp of value added and of national accounting before their formal elaboration by Simon Kuznets in the 1940's.

Nonetheless – provided that his account of the trend in world debt is correct – Douglas ought to have been onto something. During a speech at the Oslo Merchants Club, he recounted how after the founding of the Bank of England (A.D. 1694) world debt had started growing. During the 17th century it increased by 47 percent, during the 18th century it increased by 466 percent, and by the end of the 19th century it had increased by 12,000 percent. According to Douglas (1935), this happened "in spite of the numerous repudiations of debt, the writing down of debts which takes place with every bankruptcy, and other methods used to write off debts and start again". Moreover, this had happened not *in spite of* the economic growth of those centuries, but – quite surprisingly – *because of it*. Douglas' view of the economy has it that the larger the economic output (i.e., the larger the 'A+B' value of goods on the market) the larger the unbalance between goods and purchasing power. Therefore, economic growth immediately translates into a requirement of more credit.

Douglas' accounting mistakes are responsible for much of the criticism he has received, and for diverting the attention from his policy solutions as well as from his moral and political concerns, so that his contribution has been overlooked and forgotten. Yet, Douglas should be credited for having identified the separation between the economic and the financial sides of industrial production, and for having recognized the importance of aggregate demand.[5] John Maynard Keynes acknowledged (1936, 32) that – along with Gesell (see below) and Karl Marx – Douglas had understood "the outstanding problem of our economic system – that of Effective Demand" and that he was thus entitled some merit above orthodox economists (ibid., 371). Yet, Keynes (ibid.)

[5] Arguably, there are other contributions by Douglas that may be worth rescuing (Pullen and Smith 1997, 226ff.).

disagreed about the causes of insufficient aggregate demand and ultimately dismissed the A + B theorem as including "much mere mystification."

Douglas' economics may not have been methodologically flawless, but it was driven by a strong democratic and moral preoccupation that is worth reminding here. He "questioned the necessity for economic growth, while seeking reasons for the failure of industrial technology to deliver a comfortable lifestyle for all, free from long hours of labour and perpetual insecurity" (Hutchinson and Burkitt 1999, 443). So he inspected the foundations of orthodox economics and liberal politics in order to expose their flaws.

For instance, Douglas (1924) recognized that banks do not simply transfer funds from depositors to borrowers but, through the fractional reserve system, they in fact *create* money. He argued that, during an economic expansion, if the money supply is not increased, currency becomes more valuable and therefore the prices of goods drop. If the money supply is increased by an appropriate amount, however, the value of the currency and so the prices of goods remain stable. Douglas recommends such increase in the money supply. So, a decision has to be made about who should get the newly created money. Under the fractional reserve system, privately owned banks create – and so also possess – the newly created money.

This is problematic because "bankers can and do create financial credit [...] for purposes largely antisocial, as well as purely selfish" (Douglas 1922, quoted in Pullen and Smith 1997, 229). According to Douglas, this problem becomes truly striking in the case of public debt, most of which is created by the banks, so that taxpayers have to correspond interests and repay the loans to these private entities, while the government could have issued its own credit. Indeed, Douglas (1935) would rather have the government oversee the creation of new money "by exactly the same methods as are now used by the banking system to create new money." However, it remains unclear how can this recommendation be put into practice, since he denied that he private banks should be nationalized and foreshadowed instead that they would act as agents of the state.

The indignation against money creation by the banks resonated deeply with Pound, who repeatedly quotes one William Paterson, a venture capitalist of his days and a co-founder of the Bank of England, as having declared: “The bank [of England] has the benefit of interest on all moneys it has created out of nothing” (Desai 2006, 68).[6]

Douglas was convinced that both the legal power and the moral right to create credit belonged to the community (Pullen and Smith 1997, 229). He believed that the main factor of production in advanced economies was none of the classical triplet – labour, land, and capital. Instead, the increase in productivity responsible for the economic expansion is the outcome of a cumulated ‘cultural inheritance of society’. We no longer need to build a railroad or learn how a wheel works or how to light a fire. Someone else has done all that already, and then passed on to us those investments, inventions, and discoveries. Douglas went on to argue that we still reap the benefits of a veritable cultural heritage that belongs to all members of society, not to banks. Under a social credit system of the kind advocated by Douglas, therefore, the newly created money would be divided up and given to all citizens in equal portions, through the distribution of a ‘national dividend.’ Such dividend would be nothing else than a cash payment from the state to the citizens, which reflects the individual share of the nation’s wealth.[7]

It can be anticipated that such a scheme would result in an inflationary wave, which would largely cancel out the benefits of the dividend. Yet, Douglas also proposed that a portion of the money created through the socialized credit system be employed for a ‘rebate’ program – which amounts to a system of subsidies to the producers of goods and services – in order to keep prices low. “The effect will be a drop in the price level, while at the same time the producer and the business man will not be losing money. They will enjoy the dividends and the increase in trade

[6] Other economists (Irving Fisher, Milton Friedman, and most economists of the Austrian School) have complained against the fractional reserve system that lets private banks create money.

[7] Note that social credit does not depend on the validity of the A + B theorem (Pullen and Smith 1997, 232-3).

which comes from the ability to charge lower prices. They will not lose money as they would if they had to lower prices without the aid of the creation of national credit" (Douglas 1935).

1.2. Perishable currency

In Pound's economic thought, social credit is sided with Gesell's (1958) proposal of instituting stamp scrip. Stamp scrip is a currency whose nominal value must be upheld by purchasing a stamp and attaching it to the bills. The stamps are due on fixed dates and in fixed amounts.[8] This way, the holders of banknotes end up paying a tax on currency. In order to avoid paying the stamps, bills holders must spend (or deposit) their money – and in this way, they promote economic activity.

In his short book on the matter, the economist Irvin Fisher (1933, ch. 1) notes that stamp scrip is like money "because it can be banked or invested or spent." However, it is also "unlike money, because *it can not be hoarded*" (ibid.). In fact, it could be hoarded only at the cost of regularly renewing the stamps. Even Keynes (1936, 353), who is known for his sparing references to the work of other economists, reserves a "disproportionate space" to the "unduly neglected prophet Silvio Gesell." According to Keynes, Gesell's theory remained incomplete because it does not acknowledge the problem of liquidity-preference, and so its author remained an academic underdog. Nevertheless, Gesell's practical recommendation of "stamped money" (as Keynes calls the stamp scrip) "is sound" (ibid.). Indeed, it "may carry with it the essence of what is needed, though it is not feasible in the form in which he proposed it" (ibid.).[9]

[8] Fisher (1933, ch. 5) reports some variants that have been tried in the USA.

[9] Note that Gesell's prescription of stamp scrip had been advanced before and independently from – and so not as a consequence of – his theory of interest which Keynes has shown to be faulty (Dillard 1942, Darity 1985).

Figure 1. A Stamped Scrip. 1 Schilling stamp note from Worgl (Austria), dated 1932.

Source: www.aitup.org.za (accessed: may 2009)

Keynes regarded stamp scrip as a possible solution to the so-called “liquidity traps,” those conditions in which interest rates are too low to attract any investment in interest-bearing assets, so that everybody carries money instead. If money were subject to taxation by means of periodical stamps, even a low nominal interest would become appealing, thereby encouraging saving and lending, which in turn stimulate credit and economic growth (Goodfriend 2000, Buiter and Panigirtzoglou 2003).[10]

The notion of a perishable currency is not entirely fictional. There have been several historical experiences of perishable goods employed as currency (e.g., butter in Norway, cocoa beans in Central America, eggs in Guatemala, cattle, various types of grains, tobacco….), but, in time, virtually all have been replaced with more durable ones. Durability has even been deemed a constitutive property of money by thinkers like Aristotle and Locke. Indeed, the worst flaw of perishable currencies is that they are… perishable. “Sooner or later their quality deteriorated to such an extent that they ceased to be taken as currencies and the last receiver had to sell them as

[10] Keynes (ibid.) further remarks: “The cost of the stamps could, of course, be fixed at any appropriate figure. According to [his] theory it should be roughly equal to the excess of the money-rate of interest (apart from the stamps) over the marginal efficiency of capital corresponding to a rate of new investment compatible with full employment. […] the correct figure, which would have to be changed from time to time, could only be reached by trial and error.”

merchandise at their low market price" (Einzig 1966, 284, cited in Cuadras-Moratò 1997, 104). To avoid remaining stuck with the depreciating currency, one has to pass it on as quickly as possible.

This last passage points to the distinction between different functions of money, which I have so far disregarded. On the one hand, money operates as a means of exchange – ie., I surrender a certain amount of money in order to acquire some other valuable. On the other hand, it operates as a store of value – ie., money will still be performing its means of exchange function at a later date, and I may therefore keep it in storage awaiting for the right occasion for such usage.[11] Unquestionably, value can only be stored in goods that are durable, but a means of exchange has no corresponding requirement.

Base money is at the same time a medium of exchange and the most liquid store of value. Therefore, no rational individual would consider holding any other asset, unless it ensured a return higher than money (Buiter and Panigirtzoglou 2003, 727). If stamp scrip makes the return on money negative, other assets become more attractive. This explains Gesell's (1958, 34) proposition that "we must subject money to the loss to which goods are liable through the necessity of storage. Money is then no longer superior to goods; it makes no difference to anyone whether he possesses, or saves, money or goods." By imposing a regular payment in order to maintain the original value, stamp scrip reproduces deterioration.

A related argument in favour of the perishable currency concerns the velocity of circulation of money. Since the total amount of money available in an economy is lower than the value of the goods and services exchanged in a given period of time, money has to change hands several times. The speed at which this change takes place is the velocity of circulation of money. So, if everyone hangs on to money, velocity of circulation is lower, and this causes a decline in economic activity. During economic slowdowns, velocity drops dramatically, as the proportion of money that is kept in storage tends to increase. This is what happened, for instance, during the Great Depression of the

[11] A third function money also performs, that of unit of account (ie., goods are worth certain amounts of money), is of marginal relevance to the following discussion and will be here disregarded.

1930s. Faster circulation could therefore work as a solution to offset financial crises. A perishable currency would be especially successful. Since money will lose its value at some moment in time, people will want to pass it on before the loss occurs, thereby speeding up the circulation of money. Such "extra speed is of the utmost benefit in a depression when everyone is afraid to spend real money" (Fisher 1933, ch.3).

In fact, the faster the circulation, the lower the burden per capita. Given enough increase in the velocity of circulation, the stamps would no longer amount to a tax on money, but rather a tax on extra economic activity, which would have not occurred if it weren't for the stamp scrip itself. Fisher (1933, ch. 3) employs the following example:

> *Suppose, for instance, that a grocer during a certain week (of six business days) receives and pays out sixty dollars of scrip. Fifty of these dollars may have come and gone on the five business days intervening between [the days on which the stamps are due]. Thus he is taxed, not [the regular stamp of] 2 cents per dollar of sales but perhaps 1/6 of a cents, which amounts, to a sales-tax of one-third of one per cent on the sales put through with the help of the scrip. And most of these sales are extra. The grocer is taxed for new business which only the scrip could bring him.*

Despite the advantages, there is also a major problem with scrip money, which Gesell had overlooked but Keynes was ready to point out: the difference in liquidity is a matter of degree. Money enjoys a liquidity-premium, but so do other 'articles.' Keynes (1936, 358) observes that, "if currency notes were to be deprived of their liquidity-premium by the stamping system, a long series of substitutes would step into their shoes — bank-money, debts at call, foreign money, jewellery and the precious metals generally, and so forth." Such substitution of banknotes with other liquid assets would arguably undermine the viability of a stamp scrip system. Yet, the organization of such substitute currency could not take place overnight, since it requires time, information, and coordination.

As Fisher (1933, ch. 1) concedes in the very first line of his booklet, "stamp scrip is not a panacea." It is meant to serve as a complementary currency, or as a substitute for a portion of the regular currency, and only in the short run. Indeed, Fisher (ibid.) recommends the stamp script for its role in "'priming the pump' which shall enable [the credit currency of the land] at last to gush forth - after which Stamp Scrip, having fully performed its temporary and incidental office, can automatically retire."

The stamp scrip envisioned by Gesell was instead permanent. A generalised system of stamped and perishable money would have effectively erases the payment of interests and eliminated both the accumulation of capital and its corresponding rents. For Gesell, an enthusiastic follower of Proudhon and (in a more critical way) of Marx, stamp scrip would have eliminated the exploitation of the working class perpetrated by the bourgeoisie.

As for Pound, he did not advocate stamp scrip as a concrete policy. He regarded it mainly as a vehicle of understanding and truth, because "once you understand *why* [Gesell] wanted it you will not be fleeced by bank sharks and 'monetary authorities' *without knowing how* you are being fleeced" (Pound 1939). Pound admits to being "particularly keen on Gesell, because once people have used stamp scrip they have a clear idea about money" (ibid.). If stamped money could circulate without ever commanding an interest, this would reveal the real nature of money. If bank loans with interests were no longer necessary, the "banking fraud would stand exposed" (Breit and Elzinga 1980, 910).

2. THE ETHICS OF POUND'S ECONOMICS

Pound was not an economist. He arguably did not even fully grasp the subtleties, the implications, or the flaws of the theories he embraced (Breit and Elzinga 1980, Lunghini 1994, Desai 2006). Although most commentators overlook this inconsistency, Pound is quite possibly the only thinker who combined social credit and stamp scrip into one economic vision, whereas the two are distinct, if not outright competing proposals. The supporters of social credit have generally been against stamp scrip because the acceleration of the circulation of money could never cover the gap between cost and selling price (Davis 1968, 110; Knox 1978, 53), but could in fact worsen the lack of purchasing power in the economy, by speeding economic growth. In his account of the introduction of stamp scrip in Alberta, Coe (1938, 60, emphasis added) observes that it was a “paradox that the Social Credit government’s first monetary innovation was not the installation of Social Credit, but the adoption of a *rival* monetary reform, the dated stamp money of Gesell.”[12]

Pound was not an economist but a humanist, preoccupied with economic affairs only because of their cultural, moral, and political import. He was never an advocate of economic solutions to economic issues. Instead, he sought economic solutions to social problems. So, social credit and stamp scrip could coexist in Pound’s vision because they were two solutions to what Pound regarded as the greatest economic evil: usury. It could even be said that the corpus of Pound’s economics, which ought to include several *Cantos*, amounts to a theory of usury.

2.1. Usura, sin against nature

Pound’s approach to social policy reflects the fact that, as a modernist, he was never interested in abstract theorizing. It is especially important to recognize that “for Pound both economics and poetry should alike be subject to one basic principle – the avoidance of abstraction” (Ferkiss 1955, 176). Ultimate essences are of no interest whatsoever to him. What matters is only what can be experienced.

Ferkiss (ibid.) also stresses the importance of Pound’s fascination with the Chinese ideogram, “the ideal form of representative symbol because it is the picture of a thing; it is not an abstraction.” Ferkiss’ reflection is penetrating: it explains that usury is evil because it twists natural economic reality – labour and tools, wheat and iron – into abstractions such as capital, credit, and interest. *The Cantos* contain a long list of historical examples of societies that began their decline after being tainted by money lending and usury. In *Canto XLV* Pound (1954) is very explicit: “Usura is a murrain, usura / blunteth the needle in the the maid's hand / and stoppeth the spinner's cunning […] Usura rusteth the chisel / It rusteth the craft and the craftsman.”

[12] Note, however, that in practice the stamp scrip issued in Alberta was distributed within a national dividend scheme (Coe 1938, 63; Whalen 1952, 53), *de facto* uniting the two ‘rival’ monetary plans.

In the canonist sense that Pound embraces, usury is the taking of interest for lending money and it is a "sin against nature" (ibid.). According to this classical view, interests imply that money be fecund. Pound (1952b, 14) objects that: "Gold is durable, but does not reproduce itself – not even if you put two bits of it together, one shaped like a cock, the other like a hen. It is absurd to speak of it as bearing fruit or yielding interest. Gold does not germinate like grain." Since the Greek word *tokos* means both interest and biological offspring, usury has often been regarded as a perverse imitation of natural generation, and so the creation of money by means of money has been considered unnatural at least since Aristotle (Sieburth 1987, 170). Following in this tradition, Pound regards usury as the equivalent of a perversion of the natural inclination to procreate.[13]

Since money is not fecund, charging an interest "is a vice, a crime, condemned by all religions and every ancient moralist" (Pound 1951, 12). Specifically, it is a theft against the individuals from whom the interest is taken, and it is a theft against God. Indeed interests can be regarded as a form of profit through the sale of time, which belongs to God, and not to usurers (Le Goff 1977, Lewison 1999, Mews and Abraham 2007). Moreover, bankers charge interests both on their own money and on the money that they had created out of nothing, which is even more vicious, even more unnatural.[14]

Luckily, as Pound is eager to proclaim: "Gesell *invented* counter-usury" (Cookson 1973, 276). Stamp scrip makes it impossible to generate money out of money, it makes it impossible to hoard cash and see it grow, it makes it impossible to have gold 'germinate like grain.' If usury is a sin, counter-usury could be atonement. It is therefore surprising that, as mentioned, Pound did not wish for perishable money to be introduced and 'counter-usury' enforced, but merely regarded it as a vehicle of knowledge. Pound does not make a similar claim himself, but he would probably have underwritten the observation about perishable money made by Pedro Martir Anghiera (1457-1526),

[13] Pound thus equates usury and sodomy, like Dante does in his *Inferno*.

[14] In some cases, Pound makes a distinction between productive interest – i.e., that paid for industrial borrowing that increases production – and corrosive interest – i.e., that which does not increase material production.

one of the earliest writers on the New World: "Oh, blessed money which yieldeth sweete and profitable drinke for mankinde, and preserveth the possessors thereof free from the hellish pestilence of avarice because it cannot be long kept or hid underground" (cited in Cuadras-Moratò 1997, 104).

2.2. Poverty amidst plenty

Pound could not tolerate the hoarding of money while the masses were hard-pressed to provide for basic needs. Much of Pound's economic writing seems motivated by his loathing for poverty, which as an artist he had experienced first hand. And he was especially vehement in his condemnation of poverty amidst plenty. Pound (1935b) quotes approvingly from the Italian dictator Benito Mussolini that "science has multiplied the means of producing plenty, and science prodded on by the will of the State should solve the other problem, that of distributing the abundance, and putting an end to the brutal paradox of grinding poverty amid plenty."

Pound became a supporter of social credit, not with the belief that it would empower a more efficient or effective monetary policy, but with the conviction that it would defeat the problem of poverty. One of the political pillars of the social credit movement was indeed the belief that "the state had a moral obligation to provide its citizens with the basic necessities of food, clothing, and shelter" (Whalen 1952, 503). Pound himself argued that, when proposing an economic system, the first question asked ought to be about its purpose. And Pound's (1939) own "answer is: to make sure that the whole people shall be able to eat (in a healthy manner), to be housed (decently) and be clothed (in a way adequate to the climate)."

Also the solution to the problem of distribution was at hand: Douglas' national dividend. The national dividend could ensure a form of *basic income* for each citizen, a measure that has been advocated by many thinkers, like Thomas Moore, Thomas Paine, John Stuart Mill, Bertrand Russell, Andrè Gorz.[15] Basic income is a stipend granted unconditionally to every individual,

[15] See: www.basicincome.org (accessed: may 2009).

regardless of any income from other sources and without requiring any work.[16] Either in the form of direct disbursements or in a variant based on a negative income tax, basic income has been advocated by many mainstream economists, including the Nobel winners Herbert Simon (2000), Friedrich Hayek (1944, 124), James Meade (1995), Robert Solow (1987), Milton Friedman (1962), and James Tobin (Tobin et al. 1967). These endorsements show that the proposal is not entirely cranky. Alas, they do not offer a practical solution to the difficulties of implementing a broad basic income system.

Such system would indeed not be free of difficulties. Douglas himself only superficially addressed the two central questions of how to calculate the dividend and how to avoid that a large dividend create an incentive to idleness. As mentioned above, Douglas proposed the rebate as a solution to the third major problem of the dividend – namely, that it creates inflation – although it is all but obvious that the rebate could actually prevent the dividend from driving prices upwards and effectively neutralize the effects of the dividend on money.

3. CONCLUDING REMARKS

For Ezra Pound, some curiosity about money was probably unavoidable. His family legacy pointed strongly in that direction. His very name is the same as the British currency (many of his economic texts have been reprinted by the publisher Peter Russell in the series *Money Pamphlets by £*). His father Homer worked as an assayer in the Philadelphia Mint and his grandfather Thaddeus was a frontier entrepreneur, who had printed his own scrip money. Yet, that of Pound for money was not simply curiosity: it became a veritable obsession. In part, as mentioned, this obsession was caused by the poverty of the artists with whom he spent his life.

In part, it was philosophical. This aspect is typically overlooked in the economic literature about Ezra Pound. Yet, it is crucial. As a poet, Pound was fascinated by the similarities between language and money: both are social conventions that people employ for communication and

[16] Douglas' national dividend would require the citizens to work when their contribution was needed.

exchange (Desai 2006, 29, 46).[17] And Pound's life and literary production are troubled by the doubt that poetry might be self-engendering, just like usury. "For if poetry can be made out of nothing more than 'a mouthful of air' (as he liked to quote Yeats), what then distinguishes it from the money that banks create ex nihilo?" (Sieburth 1987, 171). This would have been intolerable, because it would have meant that his poetry, and indeed his economics, were abstract and usurious.

In his anti-usury campaign, Pound became a visceral anti-capitalist. The reasons for such aversion are precisely that capitalism is built on abstractions: it is dependent on bank credit (following Douglas) and so it promotes usury. Thus Pound regarded capitalism and usury as one, and both as the ultimate evil. The roots of such sentiments run very deep. They are neither only the anti-capitalist arguments of John Ruskin on the impoverished quality of life and handicrafts, nor only those of George Bernard Shaw against the commoditization of the arts (Desai 2006, 19). Though he embraced both, Pound's anti-capitalism was *cultural*: he felt that the bankers were spoiling Western civilization. The capitalist obsession with monetary calculus and systematic commoditisation undermined the very foundations of Western culture. Pound hated usury "because it destroys all civilization, all culture, and the artist himself" (Ferkiss 1955, 176).

With their methodological weaknesses, it is not surprising that Pound's economic ideas have largely sunk into oblivion. Nonetheless, time and again they are revived – usually, in the more scholarly formulations of the original authors Douglas and Gesell – during times of financial crises (Onken 2000, Goodfriend 2000, Buiter and Panigirtzoglou 2003).

Yet, Pound's ideas also embrace a moral vision that has all but disappeared. The critics of capitalism to this day repeat the warning that markets transactions are replacing social ties and thereby threatening the fabric of community (Marglin 2008). The proposal of a basic income as a human right to ensure global economic justice is gaining momentum (Gorz 1989, Sen 1999, Standing 2008, van der Veen and Van Parijs 1986, White 2008). An ever-growing attention is being

[17] That money is just a conventional token was a great intuition at a time when most currencies were pegged to, or had just abandoned, the gold standard.

paid to Islamic finance and to financial arrangements alternative to interest rates (Lewison 1999, Mews and Abraham 2007, Wilson 1997). Finally, the recent financial crisis has once again stirred hostility against banks and their greed, against the separation between Main Street and Wall Street, against the separation between 'financial' and 'real' economy. As seen above, the criticism against abstraction was an essential part of Pound's own modernist philosophical foundations. These foundations are usually ignored by Pound's commentators, who are either more eager to blame his anti-usury on his anti-Semitism or even blame his anti-Semitism on his economic heterodoxy (Breit and Elzinga 1980).

It is this economic ethics that seems bound to be revived, as the social unrest against global capitalism mounts (Onken 2000, Desai 2006, Cook 2007). It is therefore unfortunate that, among Pound's economic lessons, the morally most compelling are those appropriated from Douglas, which are less likely to prove sound and seem less easily implemented, and not those from Gesell, which instead are arguably capable of contributing to contrasting economic crises, at least in the short run.

APPENDIX

Selections from The Cantos

Canto XXXVIII

A factory
has also another aspect, which we call the financial aspect
It gives people the power to buy (wages, dividends
which are power to buy) but it is also the cause of prices
or values, financial, I mean financial values
It pays workers, and pays for material.
What it pays in wages and dividends
stays fluid, as power to buy, and this power is less,
per forze, damn blast your intellex, is less
than the total payments made by the factory
(as wages, dividend AND payments for raw material
bank charges, etcetera)
and all, that is the whole that is the total
of these is added into the total of prices
caused by that factory, any damn factory
and there is and must be therefore a clog
and the power to purchase can never
(under the present system) catch up with
prices at large

Canto XLV

With usura hath no man a house of good stone
each block cut smooth and well fitting
that delight might cover their face,

with usura

hath no man a painted paradise on his church wall
harpes et luthes
or where virgin receiveth message
and halo projects from incision,

[…] with usura, sin against nature,

is thy bread ever more of stale rags
is thy bread dry as paper,
with no mountain wheat, no strong flour

[…] Usura slayeth the child in the womb
It stayeth the young man's courting
It hath brought palsey to bed, lyeth
between the young bride and her bridegroom

CONTRA NATURAM

They have brought whores for Eleusis
Corpses are set to banquet

at behest of usura.

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