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Pound, Social Credit, and the Critics

Criticizing C.H. Douglas's economic analysis and proposals in *AZBC of Ezra Pound,* Christine Brooke-Rose asserts: "However, he was never able to answer the question put to him: what do you do if a man runs short of money and sells his life's dividends to a richer man for an immediate loan? The only possible answer is severe restriction, inconceivable in a free society."[1] The allegation, not documented, is perhaps the most naive "refutation" of Social Credit offered in recent years by Pound critics.[2] If anyone (we are not told who) ever did ask Douglas that question, the answer, implicit in all Douglas's writings, is explicit in his observation that "the essence of the National Dividend proposals of Social Credit technique is to provide *for free negotiation without duress, not contract without penalty."*[3] Even, however, in more comprehensive and disciplined treatments of Social Credit by Pound scholars--notably Earle Davis's *Vision Fugitive: Ezra Pound and Economics*[4] and William M. Chace's *The Political Identities of Ezra Pound and T.S. Eliot*[5] radical misunderstanding of their subject brings the authors to misleading interpretations of it.

Much of the blame for this misunderstanding can be attached to Pound himself, who in his "moral indignation"[6] was wont to lapse into inconsistency--perhaps manifesting the tendency he lauded in Senator Bankhead: "an excessive and excitable Bankhead, shouting about a half-digested idea, is worth more to his country than a whole bench of British ministers, mutton-headed to a man, and incapable of any ideation whatso damn ever."[7] Pound, outraged by (among other things) "the

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[1] London: Faber and Faber, 1971,226.

[2] Examples of earlier misleading criticisms of Social Credit are Horace Gregory's remark in *Poetry* (August, 1935) that Douglas neglected labour as "an integral factor in the determination of money values" (XLVI, 284) and Charles Norman's attempt to avoid the issue by shifting it onto other (psychological) grounds: "Social Credit was to draw to its ranks, on both sides of the Atlantic, men with visions of a better world, and the forlorn of both sexes, the misfits with private frustrations and hatreds, all those who needed the bolstering shoulder of a 'cause' " (*Ezra Pound*, [New York: Macmillan, 1960),226).

[3] *The Social Crediter*, July 24, 1948.

[4] Lawrence: University of Kansas Press, 1968; hereafter cited as Davis.

[5] Stanford University Press, 1973; hereafter cited as Chace.

[6] In his article "In the Wounds," *The Criterion*, XIV (April, 1935), Pound says: "He [A.R.Orage] prized the moral indignation of his contributors. I don't know that it helped the clarity of our writing" (400); hereafter cited as "In the Wounds."

[7] "Stamp Script," *The New English Weekly*, IV: 2 (October 26, 1933), 32.

evil wrought on the arts by pustulence in the system of money,"[8] spent a good deal of his energy in seeking and elaborating 'anti-*usura* economics.' Unfortunately, in spite of the intensity of his concern, many of his formulations on this topic seem to have been "halfdigested."

He was first attracted to Social Credit as a "working economic system" which would not only break the monopoly of the usurocracy but also ensure creative freedom for individuals: "As for proposed remedies, C.H. Douglas is the first economist to include creative art and writing in an economic scheme, and the first to give the painter or sculptor or poet a definite reason for being interested in economics; namely, that a better economic system would release more energy for invention and design."[9] He accepted the kernel of Douglas's financial analysis--the A+ B Theorem--and paraphrased it (with embellishments) at *38/190:197:* what a factory "pays in wages and dividends," Pound says,

> stays fluid, as power to buy, and this power is less,
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> per forza, damn blast your intellex, is less
>
> than the total payments made by the factory
>
> (as wages, dividends 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 ....

There is, the A + B Theorem reveals (and Pound agrees), a discrepancy between the prices created by the industrial system and the incomes distributed by it. This discrepancy, presently financed by debt of various kinds--the technique of the usurer's monopoly, is the result of the augmentation of the communal capital over the ages. This communal capital--epitomized in the terms "unearned increment of association"[10] and "cultural heritage"[11] rightfully belongs to the community as a whole. At the moment, however, it is in the hands of the manipulators of debt, the usurocracy.

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[8] *Guide to Klilchur* (London: Faber and Faber, 1938), 149.

[9] "Murder by Capital" (1933), quoted in *Impact: Essays on Ignorance and the Decline of Civilization*, ed. Noel Stock (Chicago: Henry Regnery, 1960),90; hereafter cited as *Impact*. Pound made the same point in a letter to *The Criterion* (January, 1935): "Douglas was the first economist to postulate a place for the arts, literature and the amenities in a system of economics" (299).

[10] A group of men acting together can, in some circumstances, achieve more than the sum of the possible attainments of the same hundred men acting each on his own. The difference between these sums, is the 'increment of association'" ("In the Wounds," 395-6).

It is on the question of in what sense the social credit "belongs to the community as a whole" that Pound seems to have diverged, ultimately, from Douglas. The problem--one that has plagued not only Pound and his critics, but most professional 'Social Credit' politicians as well--is suggested by Brooke-Rose's comment: "Similarly [Pound's] taking up of Douglas's Social Credit and Gesell's stamp-scrip (the latter idea causing Douglas to dissociate himself from Pound) may seem cranky to orthodox economists today, but they are only part of his insistence that credit belongs to the people and not to the banks, which seems to me perfectly reasonable socialist theory if not practice" (226). "Socialism" is, of course, a loaded term: it is usually associated with 'nationalization' of the means of production.[12] (Indeed, readers of *The Communist Manifesto* will recall that one of Marx and Engels' ten points for 'revolutionizing' industrial economies is the nationalization of banking). Douglas certainly did not, when he spoke of restoring the social credit (financially) to the community, mean that the control of credit was to be exercised by the state: "Nationalization without decentralized control of policy," he wrote in *Economic Democracy*, "will quite effectively install the trust magnate of the next generation in the chair of the bureaucrat, with the added advantage to him that he will have no shareholder's meeting"[13]; and, in *Credit-Power and Democracy*, "... centralized financial credit-control will break up this civilization, since no man, or body of men, however elected, can represent the detailed desires of any other man, or body of men,"[14] Besides the technical or accounting problem, then, there is a more fundamental political question to be asked: how can credit-power be distributed to those whose heritage it is? How can *policy* be decentralized?

Douglas regarded money as the mechanism of effective demand: money is simply a very flexible means by which persons can express their choices. It is these choices that Douglas refers to when he speaks of the “detailed desires” of individual persons. The political significance of money is directly related to its effectiveness as demand; thus inflation is always an assault on freedom of choice because it devaluates the unit of effective demand. Moreover, if a person’s credit--his practical

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[11] “When men associate not only with other live men. but with the aggregate of all acquired skills and inventions, the increment of *association with* all these skills and inventions adds another dimension to the ‘increment of association’, an increment so enormous that popular imagination is still incapable of understanding it, and many people are still scared, as of a bogey man. This new increment is the ‘cultural heritage’ of Douglas’s economics” (*Ibid*., 396).

[12] See Douglas’s article “The Only Real Socialism”, *Warning Democracy*, third edn. (London: Stanley Nott, 1935), 21-36, where he points out that ‘socialization’ of the means of consumption is necessary to the distribution of power in society.

[13] Fifth edn. (Hawthorne: Omni Publications, 1967), first published in book form in 1920; hereafter cited as *Economic Democracy*. The book was not written by Orage, as Davis claims: “Orage’s most helpful book is *Economic Democracy* ... “ (ix).

[14] Revised edn. (London, 1933).57.

power of choice--is administered by someone else (the mortgage company or the internal revenue service) he is less free than if he were administering it himself. Douglas was unequivocal about this from the outset: "It is suggested that the primary requisite is to obtain in the re-adjustment of the economic and political structure such control of initiative that by its exercise every individual can avail himself of the benefits of science and mechanism; that by their aid he is placed in such a position of advantage, that in common with his fellows he can choose, with increasing freedom and complete independence, whether he will or will not assist in any project which may be placed before him."[15] The national dividend--an unentailed distribution of free credit--and the compensated price are the techniques which Douglas suggested for effecting the policy of the decentralization of power.

Pound, in spite of his propaganda on behalf of 'the Just Price'[16] and the dividend,[17] seems ultimately to have misunderstood the implications of the distribution of credit: he appears to have regarded the transfer of the control of credit from the banks to the state as a politically effective change; Douglas saw it as merely an administrative change, effective power remaining centralized but with different personnel (or with the same personnel under different titles).

The ambiguity of Pound's attitude in this matter is evident at an early date. In 1920, apparently aware of the central political issue, he observed in "Hapsburgiania" *(New Age,* April 22) that "a vast amount of power, uncontrolled and subject to no popular influence, resides in banking rings," but that "with the control of credit distributed, their power to produce 'representatives of the people' would diminish" (400). And, in an article entitled "Kublai Khan and His Currency" *(New Age,* May 20, 1920), he wrote: "The real tyranny resided, of course, in the Khan's control of credit" (37)--an observation apparently contradicted by some of his later comments on Mussolini. In "Paris Letter, December 1921" *(The Dial,* January, 1922), Pound showed himself to be primarily concerned with the political implications of economics:

"Economics are up for discussion not in their technical, Fabian, phases, but in the wider and more human phases, where they come into contact

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[15] *Economic Democracy*, 17. See also Douglas's later comment: "What we appearto have forgotten is that the money system exercised the most perfect control by the individual over institutions which has ever been devised" (*The Social Crediter*, February 17, 1945).

[16] Douglas preferred the term "compensated price" since this obviates the suggestion implicit in the phrase "just price" that price can be established on the grounds of abstract 'moral' considerations.

[17] In Canto 46, Pound claims to have suggested the idea of dividends to Douglas; later, however, he did express reservations regarding this technique of injecting credit into the economy: in *ABC of Economics*. he says that he "dislikes" "the idea of national dividends" (2nd edn. [Tunbridge Wells: The Pound Press, 1953], 59).

with personal liberty, life, the arts themselves, and the conditions aiding or limiting their expression. Back of it all is the Confucian saying 'when the Prince shall have called about him all the artists and savants, his resources will be put to full use' " (74-5), Here, however, is an inkling of Pound's tendency to acquiesce in centralization of power under a benevolent or humane dictator--an inkling which might have been glimpsed earlier in Pound's article "Masaryk" *(New Age,* April 1, 1920): "What we hope for we must hope for because of the intelligence of a few executive persons" (350). Douglas would, for example, have admitted neither that artists and savants are "resources" of the State nor that "reform" can be effected by 'executive' or administrative action: "Systems," he wrote in *Economic Democracy,* "were made fon men, and not men for systems, and the interest of man which is self-development, is above all systems, whether theological, political or economic" (18).[18]

This crucial distinction seems to have become blurred for Pound, and we find him later making assertions such as "To say that the state cannot take action or create something because it 'lacks the money' is as ridiculous as saying that it 'can't build roads because it's got no kilometres' "[19] and "The state can lend."[20] In a letter to *The New English Weekly* (September 29, 1932), he wrote: "It is not to be supposed that the honest use of public credit for the benefit of the public will be initiated in either country; but (from the side lines) it might seem that Germany will precede England in understanding that public credit COULD BE SO USED" (579). The question is, of course, who is to decide how the public credit is to be used? "Mussolini and Hitler," Pound wrote in *What is Money For?* (1939), "wasted very little time PROPOSING. They started and DO distribute BOTH tickets and actual goods ...."[21] But, on what conditions? The community which trusts a dictator with its social credit so that the marshes can be drained may find that the credit is soon being arrogated to the prosecution of imperialist ambitions of "heroes," or, to use Pound's term, "super-workers."[22] Pound might have attended more carefully to Douglas's caution in *Economic Democracy;* his policy, he wrote, "does *not* mean anarchy, nor does it mean exactly what is commonly called individualism, which generally resolves itself into a claim to force the individuality of others to

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[18] This is precisely opposite to "the essentials of Fascist doctrine," which, Davis points out, are based upon the idea that the individual exists for society, not society for the individual" (162).

[19] *Impact, 49.*

[20] *Ibid., 52.*

[21] (London: Peter Russell, 1951), 7.

[22] See "The Revolt of Intelligence" (IX), *New Age,* XXVI: 19 (March 11, 1920): "As the usurer's propagandists confuse, for the sake of argument, the superworker with the Capitalist, so they confuse, for purposes of propaganda, civilisation with exploitation" (301).

subordinate itself to the will-to-power of the self-styled individualist" (16-17).

Earle Davis genuinely grapples with the question of what evidence of Social Credit Pound saw in the Italian Corporate State; ironically, the points he chooses are precisely antithetical to Social Credit: "The nation, perforce, assumed more and more direct power over all parts of the economy, establishing controls and dictation of production and consumption" (163-4); "Deficit financing is also easier; you just order the National Bank to print the needed money or supply the credit and put the debt on the books. You also control wages and prices if inflation rears its traditional head" (165); "If you consider that the book figures were meaningless and ignore the mounting problems of interest, Mussolini's fiscal policies meet some of the Social Credit program." The criterion for this evaluation has been supplied by Douglas, who applies a "simple test" to any "legislation": "Does it centralize power, or does it free the individual?"[23] Each of the above-cited measures can only consolidate the power of the "state."

Nevertheless, Pound did regard the corporate state, Douglasism, and Gesellism as the *"three living* varieties of economic thought,"[24] and, as Chace points out, during the 1930's the poet tried to link Douglas and Mussolini "without explaining how an attachment to Douglas is to be reconciled with an attachment to Mussolini" (57). Indeed, the two are irreconcilable; however, Pound did try to reconcile them. By 1933, he felt constrained to defend himself against Orage in *The New English Weekly:* "Whatever our editor's opinion, I believe myself to be an orthodox Douglasite as far as economics are concerned. Politics might mean: capacity for getting action on Douglas's ideas" (October 5, 1933, 398). He accepts, he says,the Douglas economic analysis, that is, the revelations of the A + B Theorem. But, in his haste to fill the purchasing-power gap, he is willing to acquiesce in "power politics."[25] This is one explanation. Pound offers another in his article "In the Wounds." Orage, he remarks, "did not care particularly who issued the

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[23] *The Social Crediter,* March 13, 1948 .

[24] "In the Wounds," 392. See also his letterto *The Criterion* (January, 1935), in which he castigates those who cannot see "the convergence of the live systems," namely, "the Corporate State, Douglas, Gesell" (299). Pound sometimes added a fourth to this unlikely trinity: "The Four active domains, or the four expanses of thought that the truly curious reader shd. look into are Gesell, Douglas, the Canonist doctrine of economics, wherein interest is treated under the general head of just price, AND the actual practice and achievement in the corporate states of our time" *(Guide to Kulchur, 173).*

[25] See Davis: "Pound thinks that prosperity and fair dealing are most likely to occur when a strong but benevolent leader either takes charge and dictates social betterment or serves as a director for the needs of economic fortune affecting the whole society" (32). Douglas, on the other hand, distrusted "leaders": "We think it was Sir Patrick Hastings," he wrote, "who said that every great leader had been a curse to the human race" *(The Social Crediter,* May 28, 1949).

tickets, though Social Credit, as formulated, favours, their control by the 'representatives of the people' (400); Douglas, as we have already seen, regarded any representatives as incompetent to control the public credit. That credit must be distributed unconditionally; the individual must be free to exercise his own initiative in applying it. Pound regarded Mussolini's assembly as *"more representative* than the old model Parliament" (394)[26]--a more efficient political organization to administer the public credit. Whether he regarded dictatorial action as precedent to the reforms he wanted, or whether he genuinely believed the Corporate State to be more "democratic," Pound missed the point of the Social Credit critique: "There is no more effective claim to totalitarian power than the claim to the sole right to issue and withdraw (tax) money and no mere manipulation of monetary technique which does not resolve and decide this question can do anything but complicate the problem":[27] whether that power is in the hands of a dictator, a bank director, or a distant assembly, the effect is the same for the individual who wants to make his own choices.

Pound's critics, apparently following him, have generally failed to make this distinction:[28] thus, for example, Michael Reck has written: "In Douglas' view, both war and scarcity of money were caused by financier's manipulations—usury--and his panacea was nationalized credit";[29] and Eric Homberger has summarized the Social Credit position by saying: "Remove this power [to create credit] from the usurers Douglas argued, and put it under some form of state control not necessarily state ownership, and the pernicious problem of usury will have been dealt with".[30] These, of course, are summary statements, and may be ambiguous only because they are condensed. However, the more sustained discussions of Davis and Chace reinforce the inference that the critics, like Pound, incline to the view that Social Credit implies state control of credit.

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[26] See also page 401: "Only within the past few months has a new kind of 'representation of the people' been offered in competition to the very seedy and out at heels Mother of Parliaments or the assembled employees of the Standard Oil and other great American companies gathered in Washington." Pound comments: "This mechanism is a matter of politics." As we have seen, Douglas's conception of the political issue was radically different.

[27] *The Brief for the Prosecution* (London: K.R.P. Publications Ltd., 1945), 65.

[28] Hugh Kenner, in his chapter "Douglas" in *The Pound Era* (Berkeley: University of California Press, 1971), seems unique among Pound's critics in seizing the spirit of Social Credit. His suggestion, however, that Mussolini might have "understood these notions" is highly unlikely.

[29] *Ezra Pound: A Close-Up* (New York: McGraw-Hill, 1967), 34.

[30] "Introduction," *Ezra Pound: The Critical Heritage* (London: Routledge & Kegan Paul, 1972), 9. On the same page, he says: "Douglas ... was a latter-day Henry George"--scarcely an accurate identification.

Davis, for example, apparently includes Douglas among "the radical economists who urge state management of prices, wages, and profits" (23), or those who propose "social control of the economic credit of the state for the presumed good of all the people" (31). Again, the implication seems to be that Douglas proposed state direction of the economy through its direct access to the social credit; in fact, Douglas always insisted that the only legitimate access that the 'state' has to public credit is through the voluntary subscription of the individual members of society.[31] Davis makes the mistake of permitting the government to bypass the real owners of the communal credit--for example, again, in his identification of Social Credit with nationalized banking: "Therefore, says Douglas, as well as Pound, Jefferson, Jackson, and Lincoln, there is no real reason why the government should not do likewise and borrow from itself (through the ownership, management or control of the banking system--or by another appropriate means)" (105). Whatever Pound, Jefferson, Jackson, and Lincoln might have said, Douglas did not say what Davis attributes to him. He did say: "... we consider that the demand under various names for the centralization of money-creation is the most dangerous activity extant,"[32] and, "Witness the deadly nonsense regarding the 'sole right of the State to issue Money.'[33] How this position is to be reconciled with Pound's view (according to Davis) that "Nothing but banks or banking privileges should be taken over" by the government (79) is, to say the least, problematical.

"Hitler," Chace observes, "revived Germany by creating credit and established his powerful military machine in a country not far from bankruptcy through control of the currency and the value of money in the marketplace. So did Mussolini" (80). This seems to be sufficient indication of the dangers inherent in allowing "the government to own or direct credit in order to stimulate business" (102) and justifies Douglas's condemnation of it. Yet Davis seems to favor precisely the same arrangement--so long as it is used by "the modern enlightened state" for social welfare and education (106).[34] The point is that, whether it is used for making tanks or building schools, if the public

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[31] See, for example, *The Social Crediter,* July 28, 1945: "The one fact which becomes clearer daily is that the value of the Parliamentary system depended almost entirely on the fact that in the days of metal-coinage money systems, the central Government, whether it was King or Prime Minister, had to get its finances from individuals."

[32] *Loc. cit.*

[33] *The Social Crediter.* December 31, 1949.

[34] Davis also sees similarities between Roosevelt's "New Deal" and the type of social reform Pound favored: "The T.V.A., the bill which curbed the formation of holding companies, social security acts of various kinds, all follow a pattern which Pound liked in the Italian system" (191). Compare Douglas, who says of Roosevelt's 1933 Inaugural Address that anyone who heard it "must be pardoned for believing, as so many Social Crediters did believe, that here was Social Credit enthroned in the seats of the mighty. No

credit is centralized in the hands of the government and administered by them, the decentralized control of policy essential to Douglas's "program" will be obviated. Douglas put the matter quite unequivocally: "Consumer control of production is the only possible basis of freedom; and no method of obtaining consumer control has ever been tried with success which did not ban state control of money and credit and include decentralized individual credit power."[35]

The extent of Davis's misunderstanding of Social Credit is further indicated in his implicit identification of Douglasism with Keynesian economic techniques. If the government controls the economy, he suggests, and creates credit for "public works," then "More business, more jobs, more money to purchase what is produced" ("all these units of policy fit theoretically into the Social Credit recommendations of Douglas and Pound") will follow (157); "Full employment and fair rewards follow, and freedom is supposed to come with a greater degree of economic satisfaction" (112). Anyone vaguely familiar with Social Credit knows that Douglas regarded "full employment" as a technique of coercion (and of perpetuating the deficiency in the price-system), not of emancipation--as Hugh Kenner has so accurately remarked: "And as for riches, far from paid employment bringing riches to a man, employment takes riches away: for your riches are reckoned by your store of time and energy and are diminished by any encroachment upon these."[36] Chace, on the other hand, follows Davis: "Douglas, who thought capitalism the best of all systems, proposed (as did J.M. Keynes) governmental control of credit in order that the gap between selling and purchasing power be closed" (33).

This assertion is doubly false: Douglas proposed no such thing, and Keynes's "pump-priming" does not ameliorate the discrepancy between price and purchasing-power. Here, it is important to note that Keynes admits the central contention of the A + B Theorem, namely, that such a discrepancy exists.[37] In his *General Theory of Employment, Interest, and Money* (1936), he wrote:

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attack ever made in this country was half so violent as that upon *bankers* (neither the system nor the money power) by the late Franklin Delano Roosevelt. The closest attention was directed to this speech by qualified Social Crediters, and the conclusion was reached that it was a centralizing speech--a conclusion soon confirmed by everything connected with the New Deal, including its *personnel*" *(The Social Crediter,* October 17, 1948). For a discussion of the T.V.A. from a Social Credit point of view, see C.G. Dobbs, *On Planning the Earth* (London: K.R.P., 1951).

[35] *The Social Crediter,* November 16, 1946.

[36] *The Pound Era,* 304. See also, for example, "In the Wounds," where Pound quotes Orage: "You cannot *cure* unemployment. Unemployment is *not* a disease" (401).

[37] See Douglas: ". . . the Keynesian Proposals for Deficit Spending, by which the under-distribution of purchasing-power disclosed by the A plus B Theorem, and rather cleverly admitted by Keynes, was paralleled by money issued to finance Public Works which were not for sale . . . were a brilliantly devised trick to put the population permanently to work for Lord Keynes's employers" *(The Social Crediter,* March4, 1950).

> Consumption is satisfied partly by objects produced currently and partly by objects produced previously, i.e. by disinvestment. To the extent that consumption is satisfied by the latter there is a contraction of current demand, since to that extent a part of current expenditure fails to find its way back as a part of net income. Contrariwise, whenever an object is produced within the period with a view to satisfying consumption subsequently, an expansion of current demand is set up. Now all capital investment is destined to result, sooner or later, in capital disinvestment. The problem of providing that new capital-investment shall always outrun capital disinvestment sufficiently to fill the gap between net income and consumption, presents a problem which is increasingly difficult as capital increases.[38]

Increasing capitalization means that the number of "objects produced previously" is increasing and allocation of incomes to meet their costs must correspondingly increase. Therefore, there is a deficiency of demand (purchasing power) available to liquidate current costs. In order to make up this deficiency, new credit is introduced into the economy to allow further capital expansion: incomes distributed in respect of that expansion are used to meet current prices; however, the capital investment results in the creation of new costs which will appear in future prices, for which no new purchasing power is available. Even further capital investment will be required to make up this new deficiency, but this will in turn worsen the situation, as Keynes elaborated: "New capital-investment can only take place in excess of current capital disinvestment [that is, expenditure on consumption] if *future* expenditure on consumption is expected to increase. Each time we secure today's equilibrium by increased investment we are aggravating the difficulty of securing equilibrium tomorrow."

Yet Keynes's proposals for deficit spending are merely a perpetuation of this disequilibrium. He admits the central contention of Douglas's analysis--namely, that the price system is not self-liquidating--and then proposes to aggravate the situation. Since "pump-priming" depends upon ever-expanding future consumption, the tendency of the economy is to become directed towards waste production--the ephemeral, the pollutant, the destructive. War, which consumes men and materials appallingly, is the logical outcome of Keynesian economics: it stimulates full employment; it distributes incomes; it co-opts human time-energy to the production of what will never be "wealth." At the same time, its alleged financial benefits are a lie and a deception: it leads to debt, expanded costs, and inflation. Hitler and Mussolini "stimulated" their respective economies by 'controlling .credit', by encouraging 'public works' and 'capital investment'; they were merely applying Keynesian economics.

Again, to correct this 'disequilibrium' revealed by the A + B Theorem and tacitly admitted by Keynes, Douglas proposed the infu-

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[38] Quoted by R.L. Northridge, "The A + B Theorem," *The Fig Tree, No.* 1 (June, 1936), 45.

sion of new credit--non-debt-bearing credit--into the economy. To be free of debt (an obligation to pay at some future time) it cannot be regarded as a "loan"; nor can it be applied to capital expansion (public works or whatever) for the reason explained by Keynes that this merely creates new costs and defers payment for them to the indeterminate future.

Davis asserts that "The [A + B] proposition has nothing to do with Douglas's proposals for remedy, but merely insists that profits and bank changes *[sic.]* on loans for production cost more than the money actually put into circulation in wages and dividends ... " (24). There is more than one inaccuracy in this statement, but the major one is the contention that Douglas's analysis has nothing to do with his solutions: it has everything to do with them. In fact, Douglas attributes the purchasing power deficiency to the fact that the community is not credited with the appreciation of the communal capital; at the same time, it is the appreciation of that capital which has minimized labour as a factor in production and, therefore, wages and salaries (even dividends on investment) as forms of income. The appreciation of the communal capital is largely the result of the cultural heritage and the increment of association--"costless" factors in production, to a share in which each member of the community has an unconditional right. This is crucial: if the discrepancy between purchasing power and prices has some other cause (for example, "profits," as the Marxists suggest) the remedy must be radically different.

Davis and Chace, then, not only misconstrue the political implications of the Social Credit analysis; they misunderstand the technical analysis. Davis, for example, quotes from Douglas's *The New and the Old Economics* five possible sources of the discrepancy between price and consumer purchasing power (74); however, he bases his discussion upon only one of these, namely, "profits" and their concomitant, interest ("profit on an intangible"). He totally ignores the two which are at the heart of Douglas's analysis: reinvestment of savings and premature cancellation of credit. Thus, he is able to equate Douglas somehow with Marx: Douglas, he says, "made his own diagnosis from the Marxian beginning, and in the process somewhat complicated it" (73); he speaks of "the original Marxian-Douglas diagnosis, the idea that profits must either be used to purchase commodities, or eliminated, or else extra money must be supplied ... to make up for the subtraction of profit from the purchasing potential" (l0I).[39] Profit, in fact, is disposable income; shareholders' dividends are 'profit' and are included on the income side

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[39] Charles Norman also erroneously identifies Douglas's analysis with Marx's: " ... all the ideas, and fragments of ideas, all the formulae, found in Douglas and Gesell—hence, in Pound--and even their particular manner of phrasing them, come from Marx's *Capital*" (*Ezra Pound*. 347).

of the A + B Theorem; their elimination (or redistribution) as the Marxists suggest will not change the situation which Douglas describes. Similarly, "interest" is a relatively minor aspect of the question: while it is indisputable that the charging of interest on money created "out of nothing" by the banking system is a questionable practice, Douglas himself wrote that all, that "the usury hunters" had achieved was the deprivation of "John Citizen" of the interest paid on his deposits.[40]

Chace is similarly confused about the Social Credit technical analysis. He says, for example, that "'Real Credit' ... should replace 'Financial Credit'" (24): what Douglas maintained was that financial credit ought to *reflect* real credit. Elsewhere, Chace writes: "The price of a commodity would logically, then, be the sum of these two parts or A + B. But, Douglas argued, it never is. Somewhere along the line, money is taken out of circulation and the entire system, off balance, is thrust toward collapse. Purchasing power slowly dies" (26). This--in spite of its interesting use of metaphor ("The entire system, off balance, is thrust toward collapse"; "Purchasing power slowly dies")--is both vague and inaccurate. Douglas, in fact, observed that price *is* generated as the sum of A + B, but that incomes available to liquidate price in any period of production are only A. He proposed that price should not be A + B, but *less* than this sum in accordance with the formula:

price = financial cost X consumption / production

Like Davis, Chace compares Douglas's analysis with that of Marx , alluding to two "interesting and essential" similarities. First, he points to their agreement on "the degree to which economic developments condition all the rest of life" (32), which is only ambiguously true. Douglas certainly held that finance/economics constituted media of political control; nevertheless, he was not an economic determinist and maintained that policy (the expression of will) and not 'trends' or the "environment" is the determining influence in the direction of affairs. "A second point of agreement," Chace writes, "is rooted in the belief that one part of society fattens itself on the labor of another" (32). This is

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[40] *The Social Crediter,* January 12, *1946*. Davis's quotation of Ricardo in this regard is revealing: "It is evident, therefore, that if the Government itself were to be the sole issuer of paper money, instead of borrowing it of the Bank, the only difference would be with respect to the interest--the Bank would no longer receive interest, and the Government would no longer pay it; but all other classes in the community would be exactly in the same position in which they now stand" (105). Precisely.

[41] See, for example, Douglas's address "The Application of Engineering Methods to Finance" delivered to the World Engineering Congress (Tokyo, 1929): "In other words, the true cost of a programme of production is in general not the money cost, but considerably less than the money cost, and a given programme of production can be distributed to the buying public only if sold at its true cost."

entirely misleading: Douglas was concerned not with the monopoly of labor, but with the monopoly of credit--the control of the social credit by a few persons through financial techniques. The employment system, certainly, is one aspect of this control insofar as it represents (as Kenner has observed) constraint of human energy.

This point deserves elaboration. Marx's analysis is based on the so-called "labour theory of value"--the notion that labour produces all wealth. Douglas repudiated this notion, as Kenner points out: "Not only does the 'cultural inheritance' confer value, it abridges effort, allowing Douglas to designate 'the fallacy that labour produces all wealth, whereas the simple fact is'--he spoke as an engineer--'that production is 95 per cent a matter of tools and processes, which tools and processes form the cultural inheritance of the community.' Of the community, moreover, 'not as workers but as a community'" (311). In view of Douglas's insistence upon the necessity of a recognition of a new criterion of value, it is curious that Chace should regard Marxism as "a more radical economics" than Social Credit (34). The purveyors of the labour theory of values--be they libertarians declaiming that only 'producers' have the right to live or Maoists advocating the removal of mountains by peasants with tablespoons or liberal politicians proclaiming "full employment"--are in fact propagandists for a system of organized servility.

Both Davis and Chace demonstrate in other ways that they have failed to grasp the meaning of Social Credit: Davis, for example, while acknowledging no 'debt' to any competent Social Crediter, nevertheless asserts: "Some Social Credit economists have suggested that the nation should have its own bank, have a monopoly on *all* money created beyond capital ... (103). These "Social Credit" economists are, however, unnamed. Elsewhere, regarding the dividend, he says, "The control of inflation looks difficult ... " (104). Social Credit, with its advocacy of the compensated price as the accurate reflection of true cost, is in fact the only effective antidote to inflation (short of the elimination of money altogether and its replacement by cruder and more "direct" forms of demand--for example, the machine gun). Pound himself answered the question "*Why* isn't it (Douglas economics) just persistent never-ending inflation?" with a quotation of A.R.Orage: "Would you call it inflation to issue tickets for every seat in a theatre, regardless of the fact that the theatre has until now been always two-thirds empty *simply* because no such number of tickets was printed?"[42] Chace alleges that Douglas was "solely concerned ... with monetary rather than larger economic issues" (32). As we have seen, from his first book onwards Douglas's primary concern was with the question of "economic democracy": he was interested primarily in policy; finance

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[42] "In the Wounds," 403.

(monetary "reform") is merely a technique. Chace also claims that "it has been said of Douglas in retrospect that he gives the impression of being more of a skillful politician than a humanitarian or an earnest truth-seeker or a man truly concerned with righting the injustices of society" (36). Again, no documentation. By whom has this been said? To whom does Douglas give this impression?

One could go into more intensive detail in pointing to the erroneous conceptions of Social Credit that have been purveyed by the Pound critics. However, these misconceptions resolve themselves into two areas: a failure to understand the A + B Theorem--the question of technical accuracy, and a distortion of the political criteria of Social Credit proposals. Pound grasped the first of these more firmly than his explicators have done--perhaps he *was* an 'orthodox Douglasite with respect to economics'--up to a point; but politically, he was not "essentially a Douglasite," although Chace suggests that he was. Chase, apparently, is not competent to make that judgement; nor is Davis to suggest that Social Credit (which he does not understand) is "suspect" (69).

It may be argued that Social Credit is interesting only insofar as it was an influence (for better or for worse) in Pound's thought and art, and that therefore the Pound scholar should concern himself only with Pound's interpretation of the "theory." To do so, however, is not only to conceal the poet's own faulty understanding of a doctrine he ostensibly espoused, but also to perpetuate the misrepresentation of it occasioned by that misunderstanding.