

[ORGANIZATION OF CREDIT AND CIRCULATION AND SOLUTION OF THE SOCIAL PROBLEM

Introduction by Charles Fauvety, Représentant du Peuple no. 7 (7 Avril 1848): 1.¹

PARIS, APRIL 6.

We have hitherto spared the provisional government from blame. Knowing its good intentions, we hesitated to attack its actions; but we can no longer remain silent today, as it has become clear to us that, through its weakness, its constant hesitations and its inertia, it is destroying credit, drying up all sources of public wealth and ultimately jeopardizing the future of the Revolution.

Yes, we are heading towards general bankruptcy, bankruptcy of the State, bankruptcy of individuals, ruin and dishonor for all! We are heading towards bankruptcy, and our leaders are doing nothing to spare us this terrible calamity; indeed, the measures they are taking only hasten the catastrophe.

We know that the situation bequeathed to them by the monarchy was difficult and fraught, that France's apparent wealth rested on a fiction, that the State spent beyond its revenues and that it did not deserve the credit granted to it by private individuals, since, to use a well-established commercial expression, *it was in over its head*.

But ultimately, confidence was widespread, private transactions were carried out securely, private bankruptcies were rare and credit paper (industrial shares, bills of exchange, banknotes) circulated freely, giving sufficient impetus to production and commerce. Workers only slowly died of hunger, merchants conducted their business and bankers, while enriching themselves at the expense of the worker, at least sustained labor to make their capital profitable.

The Republic came to put an end to this state of affairs by substituting truth for falsehood, by replacing fiction with reality. Perhaps the best action of the Provisional Government was its courage to frankly disclose the state of the public treasury. The illuminating report of M. Garnier-Pagès drew a clear line between the past and the future of our financial system. Unfortunately, it was not understood that this act of vigorous candor should have been followed by decisive measures that, by bridging the gaping chasm of the past, would reassure the nation about the future.

Instead of that, instead of balancing state revenues and expenditures, the Government abandoned several important sources of income and achieved no savings. The war budget, the public works budget and the total salaries paid to civil servants continued to weigh on the treasury with the same burden. Moreover, in a generous but ill-timed move, it encroached upon industrial freedom, attempting to regulate it at the risk of stifling the very sources of production. Then, as credit withdrew from it, it tried to win it back with flattering words, or sought to soften it up by

¹ Not included in the *Œuvres Complètes*.

displaying its woes. It decreed a loan of 100 million, which went unnoticed and which no capitalist thought to acknowledge in passing. It increased the land tax, and is now forced to reverse this measure, making a large exception for rural communities. It allowed bankers to place the State under interdict, and has not been able to do without the bankers, because, through the regulations of the Bank of France, through the creation of discount houses sponsored by the bank, the barons of finance remain masters of the purse strings, and commerce, industry, even the State itself, are at their mercy. It has been forced to submit to the yoke of speculators, and allows them, every day, on the Stock Exchange, to crush public funds with the weight of their mistrust. And now the finance minister is trying to transfer the operation and ownership of the railways to the state. May he be strong enough to carry out this momentous measure! We do not hope so, and as things stand, we fear it will be yet another imprudent move.

What can be done now to repair so many disasters already accomplished and to prevent even greater disasters that are brewing? We must act quickly, as in a raging fire, to contain the flames and save all that has not yet been engulfed. Fortunately, in our country of France, resources are plentiful; thirty-three million workers are here, always ready to fertilize the land with their sweat or to set the looms of the factory and workshop in motion with their strong arms. They are always ready for labor and sacrifice. It is through them that the country will be saved. It is by stimulating production, by creating numerous and inexpensive products, that wealth can be created and credit restored.

The workers have declared that they have undertaken three months of fasting in service to the Republic. The moment is not far off when the Republic will be forced, *whatever it does*, to ask this enormous sacrifice of them. Let them at least be able to set their own terms, and let them not be forced to sow forever only to reap nothing.

We will begin today to outline the still arduous path that the producer must take to reach the land of equality. In outlining this program of transition and social organization, its author, who has long since opened new avenues for the economy, has never ceased to keep before his eyes the *ideal* he has always proclaimed: equality of conditions. All those who have studied the laws of science will recognize that the measures indicated by our friend should hasten the reign of true order and real equality, while at the same time ensuring a peaceful solution to the social crisis that currently threatens the very existence of the Republic.

CH. FAUVETY.

(See on page 4 the article "Organisation of Credit and Circulation.")

ORGANIZATION OF CREDIT AND CIRCULATION AND SOLUTION OF THE SOCIAL PROBLEM

Without taxes,
Without borrowing,
Without metallic currency,
Without paper-money,
Without *maximum*,
Without requisitions,
Without bankruptcy,
Without agrarian law,

Without poor tax,
Without national workshops
Without association,
Without profit-sharing,
Without intervention of the State,
Without bars to the liberty of
commerce and industry,
Without damage to property.

PROGRAM

Paris, March 31, 1848.

It has been proven that Socialist doctrines are powerless to relieve the people in the present crisis. Utopia needs for its realization citizens prepared, capital accumulated, credit opened, circulation established and a prosperous state. It has need of everything we now lack; and these it is powerless to create.

It has been proven that political economy, both descriptive and *routinière*, is as impotent as Socialism in the present situation. The school which is based wholly upon the principle of *supply* and *demand* would be without means or power on the day when everybody would demand and nobody would want to supply.

It has been proved, finally, that dictatorships, *coups d'État*, and all revolutionary expedients, are powerless against the universal economic paralysis, as moxa is without action on a corpse.

At present the field is open to other ideas. Public opinion calls for them; their sway is assured. I no longer hesitate to propose that which speculative study of social economy shows me is most applicable to the situation in which we find ourselves: it rests with you, citizen reader, to see in my proposition the [spécimen] of our immortal Republic.

Work is at a standstill—it must be resumed.

Credit is dead—it must be resuscitated.

Circulation is stopped—it must be reestablished.

The market is closed—it must be reopened.

Taxes never suffice—they must be abolished.

Money hides itself—we must dispense with it.

Or better still, since we should express ourselves in an absolute manner, for what we are going to do today must serve for all time:

Double, triple, augment labor indefinitely, and in consequence the products of labor;

Give credit so broad a base that no demand will exhaust it;

Create a market that no amount of production can supply;

Organize a full, regular circulation, which no accident can disturb.

Instead of taxes, always increasing and always insufficient, abolish all taxes;

Let all merchandise become current money, and abolish the royalty of gold.

Here, without speaking of the political, philosophical and morale consequences, is what we will have to deduce later from those premises, and to limit myself to the circle of material interests that what I propose to accomplish at this moment, and which will only cost the provisional government the cost of a few decrees.

But I must point out in advance some of the prejudices which, as the result of long habit, prevent us, at this time from seeing the true cause of the evil, and from discerning the remedy. To be on the look-out for error is to be half the way along the road which leads to truth.

The first of these prejudices consists in the desire to reform everything in detail, instead of attacking the whole; in taking up difficulties one after another, and resolving them in turn in the way common sense seems to indicate: whereas economic questions, essentially contradictory in themselves and among themselves, must be solved all at once, through some dominant principle which respects all rights, ameliorates all conditions, and conciliates all interests. The provisional government recognized this implicitly when it said that the problem of organization was complex, but it appears that the experience didn't profit it much, since it persists in its detestable course.

Another prejudice is the one which, attributing the cause of poverty to the imperfect organization of labor, concludes that labor should be regimented; that it is in that part of the social organism—labor—that the remedy should be applied. The provisional government makes itself the propagator and patron of that idea.

People will not understand that human labor and individual liberty are synonymous; that, except for fairness in exchange, the liberty of labor must be absolute; that governments exist only to protect free labor, not to regulate and to restrain it. When you speak in this way of organizing labor, it is as if you propose to put a strait-jacket on liberty.

A third prejudice, resulting from the preceding one, is that which, suppressing individual initiative, would seek to obtain everything through authority. One can say that this prejudice is the leprosy of the French spirit. We ask the State for everything, we want everything from the State; we understand only one thing, that the State is the master and we are the servants. The analogy to this prejudice, in the field of economics, is that which makes gold the universal motivating force. Gold is for us the principle of production, the sinew of commerce, the substance itself of credit, the king of labor. That is why we all

worship gold even as we worship authority. The provisional government, in this following the rest, makes itself the leader in this deadly rut of old prejudices.

It is the business of the State, I repeat, only to pronounce on the justice of economic relationships, not to determine the manifestations of liberty. Also in the matter of justice, the state has only the right to enforce the general will; it takes initiative only by exception. I will soon tell what, in our current grave circumstances, the limits of that initiative can be.

A fourth prejudice, finally, and the most deplorable of all, is that which, under the pretext of harmony and fraternity, tends to destroy in society the divergence of opinion, the opposition of interests, the battle of passions, the antagonism of ideas, the competition of workers. It is nothing less than the motion and life that would be thus cut off from the social body. Therein lies the fatal error of communism, of which the provisional government, through I know not what influence, has become the benevolent agent.

A great effort of reflection is, however, not necessary to understand that justice, union, accord, harmony, fraternity itself, necessarily presupposes two opposites; and that, unless one falls into the absurd notion of absolute identity, that is to say, absolute nothingness, contradiction is the fundamental law, not only of society, but of the universe!

That is also the first law which I proclaim, in agreement with religion and philosophy: that is Contradiction—the universal Antagonism!

But, just as life implies contradiction, contradiction in its turn calls for justice; which leads to the second law of creation and humanity: the mutual interaction of antagonistic elements, or *Reciprocity*.

Reciprocity, in creation, is the principle of existence. In the social order, reciprocity is the principle of social reality, the formula of justice. It has for its basis the eternal antagonism of ideas, of opinions, passions, capacities, temperaments, interests. It is the condition of love itself.

Reciprocity can be expressed in the precept: *Do unto others as you would have them do unto you*: a precept which political economy has translated into this celebrated formula: *Products exchange for products*.

However, the evil which devours us stems from the fact that the law of reciprocity is unrecognized or violated. The remedy is completely in the promulgation of this law. The organization of our mutual and reciprocal relations is the whole of social science.

It is therefore not the *organization of labor* which we need at this moment. The organization of labor is the proper object of individual liberty. He who works hard, gains much. The State has nothing further to say, in this respect, to the workers. What we need, that which I call for in the name of all workers, is reciprocity, equity in exchange, the *organization of credit*.

I propose, then, as a preparatory and transitional measure:

REDUCTION OF ALL SALARIES, WAGES, INCOME, INTEREST, DIVIDENDS, ETC. —
EXTENSION OF ALL DUE DATES, REPAYMENTS, RENTS AND LEASE
PAYMENTS.

1. Revocation of decrees relating to the reduction of working hours, and the abolition of tasks and bargaining...

What connection, one might ask, could there be between these decrees, dictated by the purest sentiments of brotherhood, and CREDIT?

You will soon see. I beg my fellow workers to believe that I will not betray their interests, and that if, in this terrible moment, I ask them, in the name of the Republic, for credit for one hour of work, it is because I am certain I will repay them with interest on the advance they will make me. It is not through reductions and increases of the kind granted to them by the Provisional Government that their lot will improve; on the contrary, it can only worsen.

As for the competition among workers through bargaining, it is necessary for the progress of general wealth and, moreover, poses no danger to the workers. Are they unaware that production in France is lagging behind by sixty billion?

2. Reduction of wages in all workshops, factories, mines, mills, construction sites, trading posts, stores, administrations, public functions, etc., without exception, in the following proportion

On wages of 75 cents and below, per day	zero
— from 75 centimes to 1 franc	1/25
— from 1 franc M 1 fr. 50	1/22
— from 1 fr. 50 to 2 francs	1/20
— from 2 francs to 2 fr. 50	1/19
— from 2 fr. 50 to 3 francs	1/18
— from 3 francs to 3 fr. 50	1/17
— 3 fr. 50 to 4 francs	1/16
— from 4 francs to 5 francs	1/15
— from 5 francs to 7 francs. 50	1/10
— from 7 fr. 50 to 10 francs	1/8
— from 10 to 15 francs	1/6
— from 15 to 20 francs.	1/5
— from 20 to 30 francs	1/4
— from 30 to 60 francs	1/3
— from 60 to 100 and francs	1/2
— of 100 francs and above	2/3

The maximum of any wage and salary is provisionally limited to 20,000 francs.

The arts and crafts bodies, factories, workshops, mines, trading posts, administrations, etc., must immediately publish the schedule of wages of their workers and employees, so as to highlight the difference in the sums paid, per day, per man, per year and per establishment, before and after the promulgation of the decree.

The Government will set an example with this measure by immediately announcing the rates of salaries and wages for State employees; these rates will be provided respectively by each administration.

For professions and conditions that, by their nature, would escape or be difficult to subject to taxation, compensation will be provided through an increase in personal income tax or business license fees. Agriculture is expressly exempt from this general reduction.

3. Reduction of the fees of court clerks, solicitors, bailiffs, notaries, auctioneers, brokers, etc. by 25 percent.

4. Reduction of tariffs for companies of porters, porters, postilion couriers, mariners, etc. in the proportion of the scale detailed above, art. 2.

5. Reduction of the army loan and officers' pay according to the same scale of proportion, art. 2.

6. Reduction of the priests' fees at the expense of the church, increased by an interest of 10%.

7. Reduction of pensions, according to the scale, art. 2.

The maximum pension reduced to 2,400 francs.

8. Abolition of any accumulation of jobs and salaries when the sum of combined salaries exceeds 2,000 francs.

9. Reduction of the interest rate on money, at the Bank of France and its branches, to 3%, commission included.

For independent banks, the legal interest rate will be 4%. The maximum commission will be 1/8.

10. Reduction of interest on any sum loaned on mortgage, regardless of the terms of the contract, to 4%.

11. Reduction of public debt interest, by 1 for the 5th, 5/8 for the 4th, and 3/8 for the 3rd.

12. Reduction of all interest and dividends, for shares of canals, railways, mines, and all limited and joint venture companies together to 5%.

13. Reduction of land rent, or farm lease, 25% of the rent.

14. Reduction of rents for houses, dwellings, construction sites, factory equipment, machines, business assets, clientele, etc., 25 cents.

15. Deduction from all salaries, wages, pay and pensions:

Below 3 francs per day	nothing;
— from 3 to 6 francs	one week;
— from 6 to 12 francs	15 days;
— from 12 to 25 francs	20 days;
— from 25 francs and above	1 month.

If the deduction made all at once was costly for the employee, it can be spread over several weeks and several months.

16. Extension of all commercial deadlines, invoices and waybills

For notes of 25 to 50 francs:	8 days;
— for notes of 50 to 100 francs:	15 days;
— from 100 to 500 francs	1 month;

- for amounts of 500 francs and above 40 days
17. Extension of payment of interest due or to become due within three months following the promulgation of the decree for mortgage debts:
- | | |
|--------------------------------|----------|
| For payments under 100 francs: | 1 month. |
| — from 100 to 500 francs: | 3 —. |
| — from 500 francs and above: | 6 —. |
18. Extension of the repayment period for treasury bonds and savings bank deposits
- | | |
|----------------------------------|-----------|
| For amounts of 50 to 100 francs: | 15 days. |
| — from 100 to 500 francs: | 40 —. |
| — from 500 to 1,000 francs | 90 —. |
| — of 1,000 francs and above. | 6 months. |
19. Extension of payment of State annuitants and creditors of the floating debt, according to the detailed scale, art. 17.
20. Extension of payment for rents and leases, of the terms due within three months of the promulgation of the decree, according to the following distribution.
- The payment of the amounts due will be spread over the months following the due date.
- | | |
|--------------------------------------|---------------|
| For an amount of 50 francs and below | by one half; |
| — from 50 to 100 francs | by one third; |
| — from 100 to 300 francs by | one quarter; |
| — of 300 francs and above, by | one fifth. |
21. Extension of repayment for all mortgage debts and private bonds not subject to protest, due within three months of the promulgation of the decree
- | | |
|--------------------------------------|-----------|
| For amounts of 100 francs and below: | 3 months; |
| — from 100 to 500 francs: | 6 months; |
| — from 500 to 2,000 francs per year; | |
| — of 2,000 francs and above. | 2 years. |
22. Extension of all leases and rents, at the convenience of the farmers and tenants:
- | | |
|-------------------------------------|----------|
| For rents not exceeding 300 francs, | 1 year; |
| above 300 francs, | 2 years. |
- All agreements and stipulations, all obligations, markets and contracts, whatever their conditions and clauses, are amended by law, with regard to the financial party and the conditions of payment, according to the content of the decree.

OBSERVATIONS

The general idea behind all these reductions, extensions and withholdings is easy to grasp. It consists of increasing general wealth by reducing all wages, as if the prevailing tendency in society were this:.

Make everyone work for nothing, so that everyone can enjoy everything for free.

Thus, it is by asking each citizen to give up a portion of their salary or income that we will increase their overall well-being. This system, of unparalleled simplicity, is the overturning of all conventional wisdom.

The worker, deceived by socialist rhetoric and false political doctrines, and led astray by the example of the capitalist and the bourgeois, seeks happiness in idleness under the guise of education. He is unaware of this fundamental truth of social economy: that it is through labor that he must become knowledgeable.

He demands high wages and large profits, like a rentier, a monopolist or a landlord. He doesn't realize that rising wages are the very cause of poverty.

How would he know, anyway?

On the one hand, the socialists of the Luxembourg only discuss profit-sharing, as if, in the overall economy of society, there were any benefits other than those resulting from the reciprocity of labor. On the other hand, the economists admitted to this discussion point out that if wages were to fall in one sector of the national workforce, they would soon fall everywhere, which would only worsen the situation of the proletariat, as if a general decrease in wages were not synonymous with general prosperity.

This is how sophistry blinds the masses, how it makes the People lie and how it thwarts revolutions. Wealth has only one cause: the reciprocity of low prices.

Poverty has two of them: a general increase or a partial decrease.

Of these two causes of poverty, socialism supports the first, economism defends the second; both agree to proscribe the single principle of well-being, the universality of decline.

It follows from this misdirection of minds that the general tendency is,

for labor,	to the strike;
for the value,	to increase;
for wealth,	to scarcity;
for credit,	to mistrust.

People isolate themselves, bury their money, hide their most valuable possessions, cease production for fear of not selling; they wait for one another, observe one another; they do nothing. Poverty, I say, has its root cause in this disastrous tendency, developed and made feverish by so-called social ideals, and ultimately by the complicity of the Provisional Government.

The measure I propose, which is the starting point for the organization of credit, as for the entire social organization, is fair, effective, easy to execute and accompanied by all the necessary guarantees.

1. I say that it is just, and in three ways first, because it does not exclude anyone and is addressed to everyone; secondly, because it gives back to each person at least as much as it borrows from them; finally, because the reduction grows proportionally to income, being greater for the rich than for the poor.

Every measure for public security must affect all classes of citizens without distinction. This is what the courtiers of the proletariat, as well as the advocates of the bourgeoisie, too often forget. One calls for progressive taxation, another for a tax on rents, a third for an income tax. Each wants the state to strike their neighbor while sparing themselves. Acknowledge all these self-serving and jealous demands, generalize them, and you are right. Justice, which is equality among persons, is also equality in things; hence, the second aspect of justice in this project.

Indeed, a reduction in all wages implies a reduction in prices on all products. However, since the ratio of values to each other does not change with the proposed measure, but only the exponent of the value — in other words, since the quantity of labor is increased for everyone — it is obvious

that if, with the same sum of money, one obtains a proportionally greater quantity of goods and services, an individual is as rich after the reduction with an income of 15,000 francs as he was before with 100,000.

Therefore, there is at least equality between the credit requested and the repayment offered, and consequently, justice is still present in the project from this point of view.

But justice would not be satisfied if the condition of the worker were not improved; and it is primarily from this perspective that the proposal is recommended.

The credit provided is expected to be, according to the most probable forecasts, two billion five hundred million, or about a quarter of the entire national product, and consequently the price of services and goods reduced on average by 25 percent. It follows that the worker, who, through the deduction of one-twentieth, will have suffered a deduction of 10 centimes from a wage of 2 francs, will find himself as rich after the operation with 1 franc 90 as he would have been before with 50 francs. The owner, whose capital alone labor, as Say says, loses nothing; the worker, who only owns his labor, gains all the more the less he is paid — such is the law of labor and capital.

You speak of a progressive tax; here it is. Any other way of applying this tax leads to the oppression of capital; it is no longer, beware, a tax on the rich; it is a veto on wealth.

Like the English, you want to tax income. That's your established role. Order both a reduction in rent and a reduction in wages, and you'll be on the fast track to credit and wealth.

Furthermore, I warn that equality among men should not be established through leveling of this kind. Equality has nothing to do with mathematical combinations; equality of income, even if we could achieve it by this means, would be nothing more than the materialism of equality.

2. I add that the proposed measure is certainly effective, on the one hand, for generating wealth; on the other hand, for increasing production.

Under the terror of the Revolution, wealth withdrew from the social body, like blood rushing back to the heart in a man gripped by fear. Credit collapsed, and consequently, labor ceased. It is therefore necessary to force capital to return; it is necessary, so to speak, to immerse labor in a bath of gold. I compare society to a full sponge: place it on a basin, and it remains dry; if you squeeze it, the liquid escapes, and the basin fills. Thus, every producer, capitalist, rentier, etc., is one of the pores of society, into which wealth takes refuge. Squeeze the sponge, and the life-giving liquid floods you from all sides.

Assuming an average reduction in income and wages of 20 centimes per day per person, the total wealth at the end of a year for the entire nation will be approximately two billion five hundred million.

This is as if we were putting two billion five hundred million coins into circulation — or even better. For if, to the existing amount of currency, we were to add two billion five hundred million in cash, gold and silver would undergo considerable depreciation, and labor, instead of increasing due to this artificial wealth, would probably decrease.

By the measure I am indicating, on the contrary, no value is *depreciated*, since, the reduction being general, the proportion does not change; only the figure used to express the unit of value is *lowered*. I need not dwell on this crucial difference. Work, and therefore the dividend, necessarily increases; it increases as much as the wage is lower; I will demonstrate this in a few words.

In this mutualist organization of credit, the profits of the workers are inversely proportional to their wages. However, for them to enjoy these profits, they must labor at least as much as before. If

they labor less, the benefit of the lower prices, resulting from the reduction, decreases for them geometrically; similarly, if they labor more, the profit increases geometrically.

Indeed, the worker who today earns 2 francs a day, or 12 francs a week, if in a week he loses a day, loses 2 francs.

But after the reduction of incomes and wages and the corresponding proportional fall in prices, the worker who gives one-twentieth of his salary to credit finds himself as rich with 1.90 francs as he was before with 2.50 francs.

So if this worker loses a day, it is not a value of 1.90 francs that he loses, it is a value of 2.50 francs; just as, if he gains a day on the week, it is not a value of 13.30 francs in total that he will have gained, it is a value of 17.50 francs.

Therefore, for the worker, with a lower wage, there is a greater advantage than before in laboring, a greater disadvantage in not laboring; and this advantage, like this disadvantage, is all the greater the lower the wage is rated on the reduction scale, such is the effect of the proportionality of credit.

The same applies to the entrepreneur. The more he produces, the more he earns; and what is better for him, the more certain he becomes of never losing, as I will demonstrate below, when discussing the exchange bank. Thirdly, the credit system I propose is easy to implement; it offers lenders, that is, all citizens, every desirable guarantee. Indeed, for this, as with taxes, we do not need a census, statistics, a land register, a tax office, an administration, police, etc., nor, as with banking, cashiers, counters, clerks, directors, etc. Every farmer, tenant or debtor makes the reduction to his creditor himself and adds it to his account; there is no omission to fear. Every entrepreneur will do the same for his workers and shareholders; have no fear of him failing to do so.

As for state employees, the cashiers of the tax authorities will handle it, and the Court of Auditors will verify it. It won't add a single line to the accounts. Now, if all state laws, all administrative regulations, all government measures could be implemented in the same way, without costing the state or the citizens a single cent, what do you say? Would we need a government? Would we need representatives? And wouldn't anarchy be the ideal of order?...

Because, notice one thing.

Everything the Provisional Government conceives, just like the fallen government, everything it decrees for the salvation of the Republic, it wants to do itself; it leaves nothing to our discretion; everything must pass through its hands. If, for example, it deals with public credit, it becomes a banker, it sets up a counter, it has a well-made, well-locked safe made; it fills it with crowns, which it then lends to us at a discount, making us pay interest, commission and a loss on retirement; it surrounds itself with countless agents, clerks and parasites; it does so well through its governmental machinations that, instead of this credit of two billion five hundred million which would cost nothing, we will have to pay the State ten million in fees for the one hundred million that it will miserably funnel into our empty coffers.

Judge, by this example, what a state monopoly truly is. The state deducts money from civil servants' salaries, not for the benefit of the country, but to appropriate it for itself and pay other employees, new tyrants. For the country, there is no saving; there is only displacement. The state levies a tax on income, not to distribute it among those without income; that would be too simple, too un-governmental; it would only be a matter of decreeing, as I propose, a reduction in interest

rates, rents and leases. The state seizes the tax revenue to spend it as it pleases, without profit, without benefit to the people.

And what the Provisional Government is doing for credit, it is preparing to do for labor, for commerce, industry, agriculture, for everything! It will organize us so thoroughly, if we let it, that instead of providing us with credit of two billion five hundred million, without interfering in anything, it will make us pay, for interfering in everything, a budget of two billion; it will help itself to the rent, it will take possession of house rents, farm rents, interest on capital, mortgage loans and shares; it will tax entrepreneurs proportionally to their presumed profits; it will increase the business license of small traders, manufacturers and industrialists, with a differential tax to protect national workshops; it will convert a nation of free workers into a nation of public officials; it will devour the net product and the gross product, the capital and the capital; it will leave us with nothing but eyes to weep with and hearts to curse it, something I promise it for my part, according to the measure of its merit and my esteem.

II

GENERAL REDUCTION OF PRICES. — SETTLING OF VALUE.

Every commercial transaction, every negotiation is balanced by *debts* and *credits*; this is the principle of accounting, well known to all business people.

By the previous measure, we decreed general *credit*; we must, to be consistent, to be fair, decree the general *debit*.

The new series of reductions that I propose is therefore the correlative of the previous one; it is nothing other than the previous one; but presented in another form, and in such a way as to make, for each producer and owner, the debit as official as the credit.

Thus, through the preceding operation, all wages, salaries, incomes, etc., were reduced proportionally, so as to satisfy all interests and leave no room for favoritism. The implementation of this measure was entrusted to individual interest, a million times more powerful, in matters of credit, than the State. We are quite certain that the farmer will not pay his landlord 1,000 francs when the law orders him to pay only 750; that the contractor will not grant his workers 4 francs when he is ordered, in the name of the Republic, to pay only 3 francs 50 centimes.

But, as we have observed, this general reduction in income and wages can only be fair if it is compensated by an equivalent reduction in the price of goods and services; therefore, it is necessary to ensure this reduction.

The way is to *settle the value*. Let me explain. Everyone knows that the value of products, in the current social environment, is necessarily unstable; it oscillates perpetually, sometimes rising, sometimes falling.

This oscillation is not caused solely by the scarcity or abundance of raw materials; if there were no other cause of oscillation, one could say that value, though always mobile, is nevertheless settled. The causes of value oscillation that must be destroyed, and which engender pauperism, are the anarchy of the market, commercial whims, in short, *agio* or speculation.

Speculation, in all its forms, is falsehood, the eternal father of evil. It is against speculation that we declare war.

Now, through the oscillations and upheavals of value, a general law is revealed: that, by the force of progress, value is in imperceptible and continuous decline.

This incessant, irresistible decline, I call the *advance* or progress of value, just as a rise is a retreat or *retrogradation*.

One characteristic of the progress of value is that its oscillations constantly decrease in amplitude, and gradually approach an average, which for me is the true value.

In other words, there is a tendency in economic movement for the advance of value to occur regularly, and for retrogression to be impossible.

Having established these principles, I say that the operation we must perform to complete the measure proposed above is to SETTLE value, that is, to keep it constantly directed toward advancement, so that it no longer regresses.

Such an operation would be impossible under any other condition than that in which we find ourselves under the general reduction. Outside of this condition, any attempt to settle value would only result in an arbitrary, partial and biased maximum, consequently an unjust and absurd maximum, as harmful to the people as it is immoral and false in principle.

But, with the prior reduction of all incomes and wages, the State has the right to demand a proportional reduction on all products and services; by this means, it does not set a maximum, nor does it intend to determine the value precisely; it only renders justice to everyone.

Would anyone complain about a law which, without prior reduction, would fix, for example, the value of all goods at 25 percent above the established current prices? Certainly not; such a precaution would even seem superfluous, since, with the exception of rare monopolies, the vast majority of goods do not fluctuate, by virtue of the surcharge, by 25 percent below and above the average price.

However, this operation, so simple that it becomes childish, is nevertheless the one I am proposing at the moment, and from which I will draw out the most astonishing consequences.

Since French production is expected to become, in general, 25 percent cheaper than today, due to the reduction of incomes and wages, I propose to fix the trade price for all products and services at the cost price of the day preceding the promulgation of the decree, that is, 25 percent, in general, above the cost price of the day following the promulgation; the 25 percent difference between the two cost prices being left as latitude for competition and benefit to entrepreneurs.

So this is roughly what the Government would have to decree.

The state, like any other business, saves money by reducing its employees' wages and lowering the price of the goods and services it buys. It owes us compensation, and it is up to the state to set an example.

Thus,

1. Reduction of 45 cents on the property tax.
2. Reduction of taxes on salt, beverages, meat, and postal services.
3. Reduction of customs tariffs.

Regarding this article, the Government will have to revise with particular care the entry duties on cereals, livestock and other subsistence, agriculture being exempt from the general reduction of prices and wages, a guarantee must be given to consumers against the ill will and coalition of farmers.

4. Reduction of all inland navigation tariffs, at the uniform rate of 3 centimes, inclusive of tenths, per ton and myriameter, for first class goods, and 1 centime for second class goods.

For goods in transit, abolition of all types of duties.

To my personal knowledge, transit alone, once freed from navigation and sealing fees, would provide the country with a profit of 10 million.

5. Reduction of grant fees...

There is no need for me to continue this list; the idea is sufficient.

The State, which is responsible for setting an example in this great revolution of the social economy, will have to reduce taxes, according to whether they appear to be more or less burdensome to production and the working classes, and in proportion to the savings it must obtain through the general reduction of incomes and wages as well as through the organization of the *Bank of Exchange*, which I will talk about later.

As for industry and commerce, the reduction will consist, as I have said, in fixing the market price of every kind of product, merchandise or commodity, at most at the cost price on the day of promulgation of the decree, the savings obtained on this cost price being left as a benefit to entrepreneurs, and as latitude to competition.

To better illustrate the point, let's take an example.

The cost of transport on the Rhône, from Marseille, Arles, Beaucaire, Avignon, to Lyon, "does not exceed, after compensation for upstream and downstream travel, 4 centimes per ton and kilometer; on the Saône, from Lyon to Gray, 2 centimes; on the canals of the Centre, Burgundy, and Rhône-Rhine, 2 centimes, including all costs of loading, boat rental, towing, hauling, insurance, damage, etc., up to delivery at the port. On the Seine, the Loire, the Marne, and other canals, the prices are similar."

Let the State therefore fix the value, on this service order, at 2, 3, 4 cents per tonne and kilometer leaving it to the competition of entrepreneurs to push the reduction further.

The same process applies to the mines.

In Saint-Étienne, the cost price of a hectoliter of coal, delivered to the mine site, including all expenses, even accounting, royalties to landowners and share interest, varies, if my memory serves me correctly, from 44 to 90 centimes. The trading price is from 0.75 to 2 francs.

Let the government fix the value at the figures of 70, 75, 90 centimes and 1 franc; the reduction on the wage of mine workers, the royalties of the landowners, etc, etc, being left for profit, as for margin to the competition.

The same applies to railways, courier companies, haulage, postal services, etc. The Government will have to request the shipping books and ledgers of the companies and contractors, determine the cost price per metric quintal and for any distance, and then establish the value.

All trades, crafts, industries, businesses, etc., will be subject to similar procedures. A general inquiry will be launched, statistics compiled, all documents published, and all price lists inserted in the *Moniteur*. Every merchant must display in their shop a price list, stamped by the chamber of commerce and bearing the municipal seal, listing the prices of all items they sell or exchange. Furthermore, each item must be marked, numbered and priced so that the buyer can immediately see the maximum amount they may have to pay.

Agriculture alone should be exempt from this general measure, as from the previous one. The Government will limit itself, as I have said, to reducing customs tariffs by 10 percent, in order to leave the agricultural sector a greater benefit than that granted to commerce and industry.

The reasons for this privilege are 1. to improve the condition of the peasant and to reduce the burden on agriculture, the foundation of public prosperity; 2. to stop the incessant emigration of workers from the countryside to the cities, an emigration that is dreadful for morality, security and public wealth.

Agricultural reform cannot be carried out like trade and industry reform; it is a delicate, laborious and lengthy undertaking, which must be conducted with prudence and care.

I now readily admit that all this does not yet create equality, the supreme goal of the revolution. I even confess that I can be accused of a kind of contradiction in that, while admitting in principle no other benefit than that which results from the reciprocity of the reduction, I nevertheless reserve a margin of 25 percent, in general, for entrepreneurs.

I acknowledge, to some extent, the validity of these two objections.

But I observe that the goal we immediately set out to achieve is the organization of credit, the revival of work, the return of security, the reduction of budgetary burdens, and the affordability of everything. I ask myself, have I succeeded?

As for equality, which in itself precludes any profit, I repeat that it will not be established through financial maneuvers; the question must be approached from a higher perspective, and problems more difficult than those of credit and circulation must be solved. And besides, isn't it already plain for all to see that we are on the main road to equality? Make it cheap, make it cheap, I tell you; and by this circuitous route, you will almost reach material equality, a shadow of social equality.

III

BANK OF EXCHANGE.

With public credit established, labor revived and value settled, it remains to organize circulation, without which production is absolutely as if it did not exist.

This point is the summit of the revolution.

We have driven out the last of our kings; we have cried: *Down with the monarchy! Long live the Republic!* But, believe me, if this doubt has not already crossed your mind, that there is in France, there is in all of Europe, but a few fewer princes: royalty still stands. Royalty will endure as long as we have not abolished it in its most material and most abstract expression: the royalty of gold.

Gold is the talisman that freezes life in society, that shackles circulation, that kills labor and credit; that binds all people to mutual slavery.

Therefore, this reign of gold must be destroyed; cash must be republicanized, making every product of labor a legal tender.

Let no one be alarmed in advance. I am not here to reproduce, in a rejuvenated form, the old ideas of paper money, assignats, banknotes, etc., etc., all those well-known, tried-and-tested, and long-decried palliatives. These representations on paper, by which one believes one can compensate for the absence of the god, are all but a tribute paid to metal, an adoration of metal, ever-present in thought, always taken as the common measure of value. Between the credit paper I

am proposing and bank paper or any other analogous form, there is as much difference as between the idea of credit, according to the theory of the general reduction of incomes and wages, and the idea of credit according to the routine of the usurers.

Let's go back to the basics.

Under the tyranny of gold, credit is, to use a code expression, *unilateral*: that is to say, only the holder of gold can give credit; he himself does not receive it.

According to the law of reciprocity, on the contrary, credit is *bilateral*, everyone mutually crediting each other with a part of their work, hence the double reduction we have made in prices and wages.

To credit, under the monarchical reign of gold, is to LEND.

To credit, under the republican regime of cheapness, is to EXCHANGE.

Let us now turn to the problem of the constitution of a bank, considered no longer as a trading house, but as an organ of credit, that is to say, in the new thinking, an organ of exchange, a circulatory organ.

Everyone knows what a bill of exchange is: an invitation from the creditor to the debtor to pay, to him or his order, at such and such a residence, at such and such a place, on such and such a date, such and such a sum.

A promissory note is the opposite of a bill of exchange; it is a promise made by the debtor to the creditor to pay, etc.

"The bill of exchange," the Code states, "is drawn from one place to another. It is dated. It states the sum to be paid, the name of the payer, the date and place where payment is to be made, and the value provided in cash, goods, account, or any other form. It is payable to a third party, or to the drawer himself. If it is in denominations of 1, 2, 3, 4, etc., it states this."

A bill of exchange thus presupposes *obligation*, *provision* and *acceptance*; that is, value created and delivered by the drawer, the existence of funds in the drawee's possession to settle it, and a promise of payment. When the bill of exchange fulfills all these formalities; when it bears the national stamp; when it represents a real and rendered service, a delivered good; when the drawer and the drawee are known and solvent; when it is, in short, endowed with all the conditions that can guarantee the fulfillment of the obligation, the bill of exchange is considered a *valid instrument*; it circulates in commerce as bank paper, as currency. No one objects to its acceptance, on the pretext that a bill of exchange is merely a piece of paper. However, since ultimately the bill of exchange must, at the end of its circulation, be exchanged for currency before being destroyed, it pays a kind of seigniorial duty to the currency, which is called *discounting*.

What generally makes the bill of exchange chancy is precisely this promise of final conversion into cash, so that the idea of money, like a corrupting royalty, comes to infect the bill of exchange again, and takes away its certainty.

Now, the whole problem of circulation consists in generalizing the bill of exchange, that is to say, making it an anonymous instrument, exchangeable in perpetuity and redeemable on sight, but only against goods and services.

Or, to speak in a language perhaps better understood by finance, the problem of circulation consists in *securing* the bank paper, no longer by crowns, nor by ingots, nor by real estate, which can only ever produce an unfortunate oscillation between usury and bankruptcy, between the five-franc coin and the assignat: but in securing it by *products*.

This is the future of the Revolution, the consummation of the Republic

Here is how I envision this generalization of the bill of exchange.

100,000 manufacturers, producers, extractors, traders, commission agents, transport contractors, farmers, etc., throughout France, are meeting at the call of the Government, and by simple authentic declaration, inserted in the *Moniteur*.

They mutually and respectively undertake to adhere to the statutes of the Bank of Exchange, which will be none other than the Bank of France itself, whose constitution and powers will have to be modified on the following basis:

1. The Bank of France, now the Bank of Exchange, is an institution of public interest. — It is placed under the supervision of the State, and managed by delegates from all industries.

2. Each subscriber shall have an account opened at the bank of exchange, for the discounting of his commercial securities, up to a sum equal to that which would have been granted to him under the conditions of cash discounting; that is to say, to the known extent of his means, of the business that he deals in, of the positive guarantees that he presents, of the real credit that he could reasonably have enjoyed under the old system.

3. The discounting of ordinary commercial paper, such as drafts, money orders, bills of exchange, or promissory notes, will be done in credit paper, in denominations of 25, 50, 100, 500, and 1,000 francs. Only the exact amount due will be paid in cash.

4. The discount rate is fixed at 1%, commission included, regardless of the maturity date. All transactions with the Bank of Exchange are settled in cash.

5. Each subscriber agrees to accept, in all payments, from any person whatsoever, and at par, the Exchange Bank's paper.

6. Provisionally, and as a transition, gold and silver coins will be received in exchange for Bank paper, at their face value.

Is this paper money?

I answer without hesitation: No, it is neither paper money, nor currency, nor a government bond, nor even a banknote; it's nothing like what has been invented so far to compensate for the scarcity of cash. It's the generalized bill of exchange.

What makes the essence of a bill of exchange is: 1. that it is drawn from one place to another; 2. that it represents a real value equal to the sum it expresses; 3. the promise or obligation, on the part of the drawee, to pay at maturity.

In three words, what constitutes a bill of exchange is the *exchange*, the *provision* and the *acceptance*.

As for the date of issue or expiry, the designation of the places, the persons, the object, these are particular circumstances which do not affect the essence of the title, but which only give it a specific, personal and local actuality.

So, what exactly is the bank paper that I propose to create?

It is the bill of exchange, stripped of the circumstantial qualities of place, date, person, due date and object, and reduced to its essential qualities, which are the *exchange*, the *acceptance* and the *provision*.

To explain it even more clearly, it is the bill of exchange payable at sight and in perpetuity drawn from every place in France, formed by 100,000 drawers, guaranteed by 100,000 endorsers,

accepted by 100,000 subscribers, having provision in the offices, factories, manufactures, etc., of 100,000 traders, manufacturers, producers, entrepreneurs, etc., etc.

I therefore say that such a security meets all the conditions of solidity and security, that it is not susceptible to any depreciation.

It is eminently sound, since, on the one hand, it represents ordinary paper currency: local, personal, current, defined in its purpose, and representing a real value, a service rendered, a commodity delivered, or whose delivery is guaranteed and certain; and on the other hand, it is guaranteed by a bilateral contract of 100,000 exchangers, who, by their sheer number, the independence and at the same time the solidarity of their operations, offer trillions of probabilities of payment against one of non-payment. Gold itself presents a thousand times less security.

Indeed, if under ordinary commercial conditions one can say that a bill of exchange drawn by a known merchant offers only two chances of repayment for every one of non-repayment, the same bill of exchange, if endorsed by another known merchant, will offer four chances of payment for every one. If it is endorsed by three, four or a greater number of equally known merchants, there will be eight, sixteen, thirty-two, etc., odds to one that three, four, five, etc., known merchants will not go bankrupt simultaneously, will not file for bankruptcy on the same day, the favorable odds increasing geometrically with the number of endorsers. What, then, can be the certainty of a bill of exchange guaranteed by 100,000 prominent subscribers, all of whom have the greatest interest in circulating the bill of exchange they have jointly drawn up?

I would add that the new security is not subject to any depreciation. The reason for this lies primarily in the absolute solidity of a bond issued by 100,000 signatories. But there is another, more direct, and, if possible, more reassuring reason: the issuance of the new paper can never be excessive, unlike that of ordinary banknotes, Treasury bills, paper money, assignats, etc.; given that this issuance only takes place against *good commercial values*, and as discount requests are received.

The uncertainty of paper money, whatever name we give it, is that it always lacks one of these three essential qualities: limitation or security, acceptance and realization.

Thus, with banknotes, one can never be certain that the amount issued will not exceed the amount in circulation. This is what is happening now that the government has forced the circulation of banknotes. It is no longer the bank that extends credit; it receives it. Its banknotes are merely simple acknowledgments; they have neither acceptance nor collateral.

As for the paper money that is proposed to be pledged against the land, its least significant flaw is that it is unrealizable, and therefore pledged against nothing. Let us suppose, in fact, that the State, with or without the consent of the landowners, issues two or three billion notes of paper money, using the national territory as collateral, and that a holder of these notes wishes to realize, that is to say, cash in, their note, in order to have, instead of the title, its face value. How will such a repayment be made? How can one proceed, within 40 million hectares, to expropriate a single acre?... The State, it is said, pays the interest instead of the property. Well, if taxes were not constantly increasing, if the State could always cover this interest; if the extremity to which the nation is reduced were not a sign of its impending downfall; If it weren't obvious, except to speculators and bankers, that at the slightest shock, taxpayers would default on the State, and consequently the State would default on the holders of banknotes!...

They talk about mobilization of the soil. In truth, if it is not audacity, it is certainly imbecility.

The paper from the guarantee counters, made usable by means of the endorsement, falls into the same category. It is a form of recognition from the pawnshop, excellent for speculation and usury; it is not what is called in commerce a *realized*, accepted and therefore fully reimbursable value.

In the combination I propose, the paper, a sign of credit and an instrument of circulation, is secured against the best commercial paper, which itself represents delivered products, and not unsold goods; this paper, I say, can never be in excess of issue, since it is only issued against values; never be refused payment, since it is subscribed in advance by the mass of producers.

This paper, finally, offers all the more security and convenience because it can be tested with as few people as one wants, without the slightest violence, without the slightest danger.

Let us suppose, for this purpose, that the exchange bank initially operates with 1,000 subscribers instead of 100,000. The quantity of paper it issues will be proportional to the business of these 1,000 subscribers and negotiable only among them. Then, as new subscribers join, the proportion of notes will be something like 5,000, 10,000, 50,000, and so on, and their circulation will grow with the number of subscribers, like a currency of their own. When, finally, all of France has adhered to the statutes of the new bank, the issuance of paper will be equal, at any given moment, to the total amount of circulating currency.

A familiar comparison will further illustrate the intelligence of this mechanism.

Twenty people gather in a house to gamble. Instead of placing money on the table, they use tokens issued by the house manager, either in exchange for cash or against a signature, if the player is deemed creditworthy. At the end of the game, the tokens are returned to their holders by the banker, so the players have no need to settle accounts with each other. In this small circle, the tokens, guaranteed by the banker, who is himself guaranteed by the sums he receives or by reliable signatures, are a true form of currency.

The bank of exchange fulfills the same function as the house manager I mentioned.

Through this intermediary, the 100,000 merchants are among themselves like the twenty players I imagine. – Instead of tokens or cash, the bank issues them banknotes. – These banknotes represent good commercial values, that is to say, goods, which are therefore redeemable in goods. They have been issued to each merchant only in proportion to the amount of regular business he can demonstrably conduct, that is to say, in terms of goods *delivered*, or at least *accepted*, which excludes the idea of abnormal, disproportionate or untimely production.

I do not believe there is any need to insist further; men in the trade will easily grasp my thought, and will themselves fill in the details of execution.

To the layperson, who judges only by their physical appearance, nothing resembles an assignat more than a banknote. To the economist, who delves deeper into the concept, nothing could be more different. These are two instruments which, despite being made of the same material, in the same form, with the same name and serving the same purpose, are diametrically opposed. One, in fact, is the expression of unilateral credit; the other is the expression of reciprocal credit.

The first is backed by gold, silver, land, the promise of the State; the second is based on the PRODUCT.

The former represents anarchic and monopolistic trade, the latter equal exchange, solidarity-based trade.

It is this idea that Law, Ricardo, and all the economists who sought to solve the problem of circulation and credit pursued with such obstinacy; but, always taking metal as the standard of value, seeking their guarantee sometimes in coinage, sometimes in operating capital, relying alternately on the land and on the State, they have only succeeded in reproducing, in more or less disguised forms, the idea of paper money, in a word the assignat, and in organizing bankruptcy.

IV

CONSEQUENCES AND ESTABLISHMENT OF THE EXCHANGE BANK

1. Depreciation and elimination of gold and silver coins.
2. Limitless opportunities.
3. Abolition of taxes.
4. Abolition of customs duties.
5. Repayment of public debt and mortgage claims.
6. Transformation of ownership.
7. Annihilation of the government, etc., etc., etc.

By a first decree, I propose to bring the hidden wealth into the open and to instantly create in the country a mutual credit of two billion five hundred million, by reducing all incomes and salaries.

By another decree, I propose to immediately repay the requested credit, to strike the *agio* at its source, and to produce everywhere low prices, which is wealth itself, by settling the value, and limiting to the cost-price of the day preceding the promulgation of the decree the market price of all products and services.

By a third decree, finally, I propose to immediately organize a circulation without precedent in the splendors of commerce, to double the volume of business and to make the return of financial crises forever impossible, by organizing an exchange bank, according to the constitutive principles of the bill of exchange.

The sum of these three projects would simultaneously constitute the official recognition, as law of the State, of the great principle of reciprocity that governs the universe, and the first free and reasoned application of this principle.

The consequences of this application, like all scientific developments, are infinite. They even seem, to our impaired eyes, to which perpetual darkness and the constant sight of misery have rendered the brightness of day and the vision of order unbearable, to have something monstrous about them. Therefore, I ask the reader to consider what has been said and what remains for me to say with reason alone, and to discard any image that might cloud their judgment. For, to the imagination, the things of which I can only reveal a small part in this program are terrifying.

1. The first consequence of the organization of mutual credit and the establishment of the Bank of Exchange is the *abrogation of specie currency*; gold and silver, having become simple commodities again, sent back to the kitchen, serve only as supplementary funds for sums below 25 francs.

Thus, the banking industry is effectively and legally abolished; the reign of finance is over. The withdrawal of cash by capitalists will have been the final act of this other constitutional fiction, which only lasted because of the preoccupation of the public mind.

Two billion in currency were reformed, and the gold and silver returned to the industries that processed them. The value of the two metals decreased in proportion to the quantity used in currency relative to that used in industry, that is, by 20, 25 or 30 percent, depending on whether the metal used as currency was 1/5, 1/4 or 1/3 of the amount used in jewelry, tableware, etc. Assuming this reduction in value of 1/5 for silver and 1/10 for gold, the difference, or the profit obtained by the country after two years of reform due to the decrease in the value of precious metals, would be, for 2 billion, 380,000,000.

Another saving will be the interest paid to bankers, moneylenders and money sellers for discounting. Assuming the country's annual circulation of 4 billion francs (the Bank of France alone made 1.8 million francs in discounts), the average discount rate, including all fees, of 6%, the total savings will be, per year, 240,000,000.

I say economy, although the Bank of Exchange takes a discount on the trade securities, because the product of the Bank of Exchange remaining the property of the subscribers, and no longer passing into the hands of a caste of parasitic capitalists, living without work off the blood and fat of the country, there is really, for the general production and consumption, an economy of all the interest and commissions previously paid for the discount.

Finally, with the Bank of Exchange, there were no more notice of protest, no more returned accounts, and no more bankruptcies — out of 250,000 void or disputed transactions, 4,000 bankruptcies were settled at an average of 20,000 francs. 80,000,000

In total, for this first chef, savings of 700,000,000

I will not dwell on the unproductive nature of the bankers, usurers, bailiffs, commercial arbitrators, and other parasites who live, like an army of courtiers, around this golden kingdom. I will only consider the positive savings.

2. *Expansion of market outlets.*

The abolition of cash creates a bottomless outlet for labor. For, remarkably and entirely unnoticed, gold, which is imagined to be the key to commerce, is merely its lock. Gold is to exchange what Napoleon was to liberty. When liberty was bestowed upon citizens by that imperial hand, liberty ceased to exist. Gold plays precisely the same role with regard to circulation. It is a sentinel placed at the entrance to the market, whose order is: *None shall pass!*

If, as I believe I have demonstrated, credit is exchange, it follows first that any entrepreneur needing credit, instead of turning to a moneylender, will turn directly to consumption and production. They will approach consumers to obtain orders; then, relying on the credit of these orders, they will go to the producer of the materials, tools, or services they need, receive their supplies, and cover them with bills of exchange, which will be converted by the Bank, under the usual precautions, into banknotes. Thus, the true patron is the consumer: between themselves and the new entrepreneur, the intervention of a moneylender is no longer necessary. Products, some already realized and others to be realized in the more or less distant future, are exchanged immediately, without intermediaries, without usury, simply by the act of exchange itself — something impossible today under the prohibitive dominance of cash. The entrepreneur no longer has to worry about money; his only concern is to establish his own productivity, in other words, the acceptability of his products.

This provides entrepreneurs with immense advantages, whether for setting up and developing their businesses, recovering from failures or rebuilding after setbacks. Now, to make businesses easier, less expensive and less risky already opens up a vast outlet for production, since ultimately, from the perspective of the collective, production and consumption are synonymous.

Another factor makes the outlet even wider, extending it infinitely.

Just as, in the new system, credit is exchange, so too is exchange wealth. Indeed, the day when the circulation of goods becomes increasingly regular, active and full, the producer, having no concern for the future, will no longer hoard; the worker, knowing he holds a source of wealth in the palm of his hand, will spend instead of saving. For him, buying will be saving. Capital, in the system of reciprocal credit, is no longer formed through saving, but through exchange. Accumulating credit notes will seem as great a deception as having bread and not eating; wine and not drinking; clothes and going about naked; a magnificent house and sleeping in the stable. The savings bank, this pious foundation of old philanthropy, will then appear for what it really is, the scourge of commerce, the monument of misery, the abomination of the desolation of this social body.

As demand grows indefinitely with the means of production, with the ease of circulation, the need for well-being and luxury, the supply of labor will always be below demand; production, previously always excessive (since, despite the general misery, commerce could not find placement), will instead always be insufficient.

You want to increase production, organize the work, and make the work attractive.

Open up the outlet; create a vacuum in the circulatory vessel and as the water rushes under the piston, production will flow in response to demand.

Thus, with the supply and demand ratio reversed, unemployment will become impossible. Based on an average of 50 days of unemployment per year for 6 million workers at an average daily wage of 2 francs, the annual profit from this second measure will be 600,000,000.

3. Abolition of taxation.

We saw earlier how, as a result of reduced incomes and wages, the State, having to reduce the price of its services to the same extent, was already seeing a decrease in the budget. But since this tax relief was due to the general decrease in the price of labor, the proportion remained unchanged. The budget burden appeared lighter: in reality, it was not reduced. The challenge, therefore, was to make the tax reduction not proportional, but progressive; that is, to make it operate in direct proportion to public wealth, with maximum wealth corresponding to zero contributions.

The abolition of taxation will take place through two causes: 1. through the conversion, by means of the exchange bank, of all forms of tax into a discount on commercial paper; 2. Through political and administrative simplification.

I will briefly explain the idea behind this dual operation.

We tax, or we talk about taxing:

1. Land (sometimes according to the product, sometimes according to the surface area);
2. Houses (according to the area and the number of openings);
3. Lodging;
4. Furniture;

5. Domestic service;
6. Persons;
7. Capital;
8. Products of capital;
9. Consumption,
10. Circulation;
11. Manufacturing;
12. Advertising;
13. Selling and buying;
14. Exporting;
15. Importing;
16. Successions;
17. Mutations;
18. Contracts and obligations:
19. Loans;
20. Annuities;
21. Exchange;
22. Labor;
23. Luxury;
24. Insurance;
25. Association

I am probably forgetting some; but it is not possible to remember everything.

Now there is, in society, only one thing that is taxable, and it is the only one that the tax authorities have consistently forgotten to express: it is the PRODUCT.

It is a constant that taxation is, and can only be, a levy on the product of collective labor; thus, all forms of taxation ultimately boil down in the end to product. But admire the power of these terms, because the State has never been able to generalize the form of taxation, nor its concept, nor its base, nor its foundation. Taxation has been, under all regimes — feudalism, monarchy, the bourgeoisie — the constant expression of inequality. A revolution was necessary to free ourselves from this other tyranny.

I stated, in explaining the principle of the Bank of Exchange, that the discounting of commercial paper would be done in credit paper, after deductions of 2, 3, 4, 5, etc. percent.

This product of the discounts of the new Bank, which replace the interest and commissions formerly paid to bankers and holders of currency, is the natural price of the circulatory function, a function which, according to true republican principles, belongs to no individual, to no company. It is the *social function* par excellence; it is fulfilled by representatives of all industries, under the protection and supervision of the State, but independently of the State.

The price that each trader and entrepreneur pays for the circulation of their products, that is the product of discounts, that is the revenue of the State, that is the budget.

The discount rate therefore varies according to the needs of the public service; moreover, since every product — industrial, commercial, agricultural, scientific, etc. — will one day, when the Republic is definitively established, enter, in one way or another, into the circulating flow, the tax will be distributed in the most equitable, just, least vexatious and most economical manner, and

collection will cost nothing! Finally, with the Bank having current accounts with the various administrations, with the municipalities, as well as with simple manufacturers, the Ministry of Finance becomes superfluous; local taxes are abolished, and floating debt and Treasury bonds are eliminated.

I therefore assume, initially, that the discount rate at the Bank, set at 5% of the State's revenue, on a set of transactions that can be estimated without exaggeration at 6 billion, will be 300 million. This represents a tax relief of 300 million that the State will have to grant on business licenses, permits, taxes on salt, beverages, stamp duties, etc., to the great satisfaction of producers and consumers, who will undoubtedly prefer to pay a substantial discount and be freed from all the hassles and vexations of taxation, as well as from the control of bankers and capitalists.

But this 300 million reduction in the budget does not express, if necessary, all the benefit obtained by this allocation of the Bank's products to the State's expenses.

The Ministry of Finance, we said, has been entirely eliminated: economy 18,000,000

Stamp duties, registration fees, property taxes, and local taxes are abolished, resulting in savings of personnel and equipment, etc., 50,000,000

Half of the budget is ultimately eliminated through similar reductions and simplifications, the details of which cannot be included in this brochure. I will limit myself to indicating the following:

4. *The abolition of customs*, and consequently the abolition of the Ministry of Foreign Affairs, is another consequence of the establishment of the Exchange Bank.

The problem of foreign trade, as is well known, lies in balancing exchange between nations so that, through the inequality of trade and the resulting monetary balance, no nation can be deprived of its capital or have its industry harmed, while still allowing free trade. The establishment of customs, originally purely fiscal, aims to maintain, with varying degrees of success, this balance of trade. But with customs, liberty is hampered in a vexatious manner, and domestic industry, which is meant to be protected, is burdened with enormous costs. In France, the customs budget amounts to no less than 26 million francs, which, assuming the average differential duty imposed on foreign products for domestic labor production at 25% of the average value of said labor, represents 104,000 workers who would be just as well protected if customs did not exist.

Now, with the new credit paper, all barriers become unnecessary. For, since this paper, the sole national currency, is backed only by the product; and since it is redeemable, as I will demonstrate more fully elsewhere, only in products, it is clear that the foreigner who accepts this paper is simply exchanging their products for ours; consequently, the balance between imports and exports is always and necessarily equal. It is no longer up to the importer to protect themselves against the low prices of foreign products, but rather up to the exporter to consider their own needs. The relationship is reversed, and all interests are protected.

I do not hesitate to say that this is the whole policy of the future. Once credit is organized on this basis among the various nations, international trade will always have a balanced budget; the industry of each nation will be inviolable; questions of territory, colonies, commercial privileges, etc., etc., will disappear; the causes of war will be eradicated at their source; peace everywhere, peace forever, will be a forced situation. Diplomacy will be almost nothing more than a matter of exchange, settled without messengers or ambassadors. The Minister of Foreign Affairs will be an

assistant to the Chief Accountant of the Bank; with the customs budget, three-quarters of the foreign budget will disappear. The Republic of Nations will be constituted without congresses, without plenipotentiaries, without a council of Amphictyons. Therefore, a saving of 40 million will be made on the budget of this dual head.

5. An equally serious consequence is the repayment of the *public debt*.

The representative system, as incapable of living without incurring debt as it was of paying it off, had ended up mistaking illness for health; it claimed that it was useful for a government, necessary for the proper order of a society, to have a public debt. The public debt in France is nearly six billion francs, which, including the sinking fund, represents an annual interest payment of 291,287,951 francs.

Nothing could be simpler, easier, or less costly for the country than repaying this debt. The operation would consist, for example, of paying the rentiers an annual installment of one billion in credit paper for six years, which amounts to this proposal that every economist must find satisfactory on the last point: *To increase the demand for labor by one billion annually for six consecutive years through the repayment of the rentiers.*

By slightly raising the discount rate, the return of the notes would be swift; the repayment, like the tax, would be distributed with mathematical equality and proportionally to wealth, without any collection or census costs. Thus, no bankruptcy; no conversion, it's still bankruptcy; no progressive tax on the annuity, it's always bankruptcy. Repayment at par, and with interest, because of the annuities.

Such combinations need no justification.

It is by means of similar methods that we would repay all mortgage debts, the sum of which exceeds the debt of the State.

It is through this same principle of reciprocity that we would achieve, without communism, without agrarian law, without terror, with the full consent of all citizens, the satisfaction of both the bourgeoisie and the proletariat, and by constantly increasing public wealth and the well-being of families, the *transformation of property, positive anarchy*, in short, the realization of the republican motto: *Liberty, Equality, Fraternity*. Here, the savings, the increase in wealth, amount to hundreds of millions.

Then we would have time to consider model farms, experiments in communities and phalansteries, workers' associations, the organization of labor, and our political constitution. We would discuss at leisure, without overshadowing justice and conscience, without injuring liberty, without compromising the future and without failing in our traditions, penal reform, religious reform, university reform, army reform and all possible reforms.

We would resolve all economic contradictions; we would emancipate labor and subdue capital; and both the worker and the capitalist would be satisfied, and content with each other.

But I cannot say everything: I cannot even foresee everything. Besides, after having shown the principle and indicated the most immediate applications, I am not displeased to leave the field open to the minds of my readers. Science is infinite, the career cannot be completed by a single person and the future belongs to everyone.

Eight years ago, I cast this now-famous phrase into the world: *Property is theft!*

It was a scandal for the constitutional monarchy; now it is a source of terror for the Republic.

I believe this is the salvation of the Republic. Property is non-reciprocity, and non-reciprocity is theft. To support my thesis, I have the exploitation of man by man; I have the experience of misery spanning six thousand years.

But community is also non-reciprocity, since it is the negotiation of opposing terms: it is still theft.

Between property and community, I will build a world.

Citizens, we have nine hundred legislators to choose, whose prudence will decide the life or death of civilization. Any candidate who refuses to subscribe to the principles set forth in this program should be considered either incompetent or suspect.