

# SOLUTION OF THE SOCIAL PROBLEM

## WRITINGS ON FREE CREDIT 1848-1849

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*(Représentant du Peuple, May 23, 1848)*

### VARIETIES.

An idea is generally recognized as true by the double character:

1. When it suddenly strikes the mind like a flash of light and, after being grasped once, it is irrevocably accepted by the listener, who assimilates it, develops it in new ways and discovers consequences unforeseen by the author himself;

2. When this idea has been pursued and simultaneously perceived, albeit more or less clearly, by a large number of minds: a sure sign of society's need to identify the new idea and of its tendency to realize it.

This is what is currently happening with the plan for the Bank of Exchange, which we have reproduced in our columns, and for which we are seeking the support of citizens.

Every day we receive, with the most explicit support, notices of financial projects, whose authors more or less parallel that of the Bank of Exchange, and which, by their very flaws, admirably serve to demonstrate the idea.

Among these is the project we are publishing, and whose study we recommend, in comparison to our own.

The author's fundamental thought, as in the Bank of Exchange, is to substitute for cash a credit note, secured against goods. But this system differs from ours in that the author takes as collateral for his notes, not *delivered* and consequently *redeemable* products, but products *to be sold*, whose repayment, therefore, is uncertain. It follows from this difference that the issuance of the credit notes can represent only one-quarter or one-fifth of the value of the goods; that the value of these notes is fixed, the export of the cash prohibited, etc. Whereas, in the Bank of Exchange, credit paper based on bills of exchange represents the full value of the goods invoiced; the exchange rate of this paper is voluntary, and consequently not subject to depreciation; the currency is not subject to any oversight, given that, as a medium of exchange, it is entirely replaced by credit paper, and that, as a commodity, it continually loses its market value through demonetization.

*Note on a rational method for addressing the needs of industry  
and the rolling circulation of its capital.*

The scourge of a social inequality which, in the current historical development of industrial exchange, has reached its highest degree, is the comparative disproportion or the difference in the condition of currency, which has hitherto been considered, in all states, as the sole absolute sign of value, relative to public credit.

Currency in gold and silver, having an intrinsic material value apart from its representation as a sign and becoming a commodity, this prevents credit from becoming generally accessible and fosters the usurious and exorbitant accumulation of capital for the benefit of certain classes, and especially to the detriment of the industrial producer.

The following measure appears, in the principles of right and the nature of social exchange, to be suitable for nations and presents itself, in the general classifications formed by large states, as a remedy to address this imminent evil.

I. The existing money in the state would remain the general representative sign of value; but a state credit value would be added to it, in the form of paper money, recognized as legal tender, enforceable and without any difference from cash, for all public or private payments. — This state credit value would be put into circulation in the following manner:

a) Any manufactured or produced item of a recognized quality, with the exception of purely local consumer goods, must, at the producer's request, be accepted by the government on a standard basis.

b) This discharge will be carried out through an industrial bank. The bank will operate under the guarantee and supervision of the National Assembly, as an institution of the nation, and will have branches in the various locations designated for this purpose by the National Assembly, according to public demand. The employees of this bank will be elected by the representatives of the People.

c) Manufactured or produced objects will, in principle, be considered only as collateral, so that the value of their normal tax will be given as a mortgage loan for a limited time, at the usual interest rate, which will be collected in advance with a deposit. Upon the repayment deadline, they will be irrevocably acquired by the bank and sold at public auction if the discharge does not occur.

d) The amount of the normal tax established will generally be 20 percent below the estimated selling price of the manufactured or produced goods at the time of the valuation.

e) The required quality of manufactured or produced goods, and the estimated value and normal tax, will be determined by a public pronouncement from an industrial jury. This committee will be formed in each trading district, according to an organic law, through the participation of all the district's industrialists, and by election from among themselves.

f) The assessed tax amount will be collected by the producer offering their products, in notes issued and based on the value of said products, in different denominations, but of no less than five thalers (Prussian rate). — The issued papers will have, under the public control and guarantee of the National Institute, legal tender for all public or private payments. — Sums valued below five thalers will be delivered by the bank in cash.

g) If, at maturity, the public auction of the product pledged to the industrial bank yields less than the loan amount, the pledging producer will not remain liable for the surplus.

h) The interest and provisions will be used first to cover expenses, then to cover any loss the bank might incur due to the possible difference between the price paid and the price recovered on the goods, and lastly, for public charity, especially free education.

i) The funds necessary for the organization will be advanced by the State.

j) Loyalty in all dealings with the industrial bank, and especially probity in assessing the quality and value of the industrial goods it produces, will be protected by penal laws, which will specifically affect civic honor.

II. The export abroad of gold and silver coinage, as well as any gold and silver that has not been artistically worked, will be prohibited; but, in return, in the interest of foreign trade, warehouses and exchange facilities will be established in various locations chosen by the national representation to facilitate duty-free international trade without customs barriers.

III. The further extension of this credit association to foreign states, according to the aforementioned principles, is reserved. These proposals may be decried and perhaps labeled revolutionary by what has come to be called the "aristocracy of money," which targets usury, but they are not at all so, and this will easily be demonstrated by examining the question in depth and considering it from all angles. Their only result will be the decline of the privilege of cash, which, in its recent development, burdens the producer, by restoring the balance of wealth in favor of the State, through the broadest possible association of the productive classes, based on credit and the utmost trust, as the true moral and Christian principle.

The results of social policy can be summarized even more explicitly as follows:

1. Since industrial producers are much less forced to rely on the accidental holder of currency, it becomes more difficult for laziness to accumulate capital, and the ascendancy of laziness over labor (contrary to moral principles) is naturally restricted; in other words, the monopoly of currency weakens and loses its oppressive consequences, especially if legislation helps to suppress all uncertain trade in general.

2. Even the greatest depreciation of industrial products does not entail any danger, because it merely makes consumption more widespread both domestically and internationally; it does not diminish production and allows for the subsequent increase of the population without the risk of overpopulation, in proportion to the land available; furthermore, if legislation, through expropriation for reasons of general agricultural interest, ensures the nation the division of land suitable for cultivation, thus preventing monopoly.

3. Mutual credit relations will foster general fraternity within the nation, and with foreign nations adopting the same principles, and help to avoid disastrous conflicts of brute force resulting from the harm of material interests.

**A Frenchman from Saarlouis.**