

SOLUTION OF THE SOCIAL PROBLEM

WRITINGS ON FREE CREDIT 1848-1849

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How to Reestablish Credit

The Revolution has dealt a terrible blow to credit. The Provisional Government tried to treat the disease without studying its cause, and, like so many other empirical doctors, it killed the patient.

Today, whatever optimistic pronouncements our statesmen may make, credit no longer exists in France; it must be created anew.

Fortunately, the elements of national wealth are not lacking in our country. It is simply a matter of making use of them. Agricultural and manufactured goods are quite abundant; they simply need to be put back into circulation.

The great driving force of circulation is credit.

Not the kind of credit that relies solely on speculation, on speculation, on stock market games. This kind of credit is only good for duping and provoking commercial and financial crises. We hope that it will never be a question of it again.

We want to talk about true, real credit, that which is based on a genuine commercial or exchange transaction, that which rests on an exact, certain value. determined by the consent of two or more contracting parties.

We will explain.

First of all, how does true credit operate, how is it established?

True credit exists only on the condition that it is backed by collateral equal to the value of the credit.

Indeed, a merchant, or any producer, only delivers their goods, their products, in exchange for a sum of money equal to the *agreed-upon* value of those goods, those products.

If the buyer cannot pay cash for the goods delivered, they give, instead of money, a written promise to pay at a specific place, on a specific date, a sum in cash equal to that which they received in goods. This promise may be their own or that of another, which they hold in their possession, and whose value they corroborate by adding their own signature. Such is the promissory note with one or more signatures; such is also the accepted draft or bill of exchange.

Most transactions are handled in this way. They are made on credit, and the sum of sales made by any manufacturer, merchant, or producer is represented in their hands either by an invoice

accepted by the buyer, or by a promissory note signed or endorsed by them, or by a bill of exchange drawn on them.

Well, it is these different representations of the product that must be made to circulate as money in the hands of producers, merchants, and manufacturers.

Banks already have this mission. But they fulfill it only insufficiently, incompletely, because their final security is always cash, and not the product; thus, in times of crisis, their assistance, as we have seen since February 24, cannot prevent commercial disasters.

This impotence of the banks obviously stems from the fact that, in times of political or commercial crisis, metallic capital withdraws from circulation, abandons the banks, and thus leaves the channel through which products were transported dry. From one place to another, from the factory to the store, from the store to the market. In short, the means of exchanging products no longer exists.

And yet the products still exist; the earth has not ceased to produce raw materials; the arms of the workers, the power of the machines, are still there to transform these materials and adapt them to our needs; indeed, the stores are full and the national wealth is the same as before the crisis.

What would it take, then, to put an end to such a state of affairs?

It would simply require that goods, products, and social wealth be able to exchange with one another, to pass from hand to hand, without the aid of this hidden intermediary, or that its holders cling to at such an exorbitant rate; without the aid of *currency*, in short.

For this, would it not suffice for the product, which is the source of all wealth, to be represented in some way whatsoever, provided that this representation was accurate, widespread, and convenient for circulation?

As we said earlier, the mission of banks is to receive from each person a value which, under the name of promissory note, bill of exchange, etc., represents a product delivered, accepted and to be repaid. In exchange for this *paper*, which represents a particular, special value, if the bank provides a *paper* representing the same value, but under a general, universal title, exchangeable for any kind of product on all the country's markets, will it not have rendered the same service as if it had provided cash or bullion?

Such a bank would offer as much guarantee as the Bank of France itself would if it held in its vaults, in metallic reserves, a value equal to the sum of its banknotes; for in both cases, each circulating banknote would be the actual representation of a value held in the hands, in the coffers, or in the vaults of the Bank.

Such is the mechanism of the Bank of Exchange, which simplifies, as we see, to the highest degree, the operations of exchange, credit, and circulation. Here, products are exchanged directly for products, without having to pay capital, the *agio*, a premium which, by raising its price, sometimes suffices. to completely halt the mechanism of production and distribution of social wealth.

We will soon publish a plan in which this new circulation system will be developed from a practical and immediately implementable point of view.