

# SOLUTION OF THE SOCIAL PROBLEM

## WRITINGS ON FREE CREDIT 1848-1849

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### CATECHISM

OF

# THE BANK OF THE PEOPLE

BY J. M. RICHARD

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*Q. What is the Bank of the People?*

A. It is an establishment destined to furnish the workers with the means to labor for one another, and to emancipate themselves from the exploitation of the capitalists.

*Q. What is this means?*

A. It is a new currency that will only represent the products of labor, and which will never be overburdened with any artificial and useless value.

*Q. Does gold or silver currency not fulfill these conditions?*

A. It is very true that gold or silver currency represents the labor of the miner, of the refiner and of all the industries that contribute to the production of specie; but the product of this labor has no direct utility in itself, and especially not as a means of representing other products. It is a duplication of effort. Now, this duplication is advantageous only to those who, through the privilege of accumulating, in a small volume, the means to monopolize the product and the labor of a very large number of workers.

*Q. What is the new currency employed by the Bank of the People?*

A. It is the Circulation Voucher or delivery order provided by the Bank of the People to all its members and to all producers who accept its paper.

*Q. What is the Circulation Voucher?*

A. It is an authentic certificate by which the Bank of the People declares that it has received, in real value from an exchange of goods or promises of goods, a

provision or counter-value that serves as security. By means of this value, it guarantees the holder of the *Circulation Voucher* a credit of the same amount payable in goods or services.

*Q. Who will supply goods or services against the Bank of the People's Circulation Vouchers?*

A. First, all members of the Bank of the People; failing them, the consumer union credited by the said Bank, and even all non-member producers and consumers, once it is known that the *Circulation Voucher* is worth more than coins. In short, the *Circulation Voucher* is intended to perform exactly the same functions as gold and silver, without the need to pay exorbitant prices for materials that have no consumer value.

*Q. How does the Bank of the People, by this means, emancipate the worker from the exploitation of capital?*

A. 1. By facilitating the placement of their products and labor through direct exchange with the products and labor of other workers, without the intermediary of those who, by means of gold and silver, levy a series of tithes and taxes first on the worker, and then on all consumer goods: food, clothing, housing, etc.;

2. By providing them, through credit, with the tools and raw materials they need to carry out his work themselves;

3. By having the consumer syndicate make advances to them on the products he deposits, which will be returned on their behalf;

4. By considerably lowering the price of consumer goods and eliminating all fraud concerning quality and quantity.

*Q. Do you therefore think that the Bank of the People will succeed in making consumer goods cheaper than they are now, while delivering them at better quality?*

A. Yes: first, by reducing costs and even eliminating the need to pay interest on capital altogether; second, by putting the producer directly in contact with the consumer. Consequently, the profits now collected by intermediaries will, thanks to this new circulation mechanism, be shared between production and consumption. The latter will therefore pay less; the former will be able to deliver higher quality goods. Producers and consumers will both benefit.

*Q. Does the Bank of the People also free the worker from all forms of exploitation?*

A. Undoubtedly, since it allows other workers to open sufficient credit for them, free of charge, so that they have time to produce an item of their trade. Furthermore, this credit remains available until the product is sold. In this latter case, the sum given to the worker is called an advance on deposit.

It therefore remains obvious that the worker is liberated, since, without recourse to anyone, they will find at all times, near the Bank of the People, the advances they need to live while working. The Bank thus fulfills the formula: *Right to work*.

*Q. Do you believe that the Bank of the People can accelerate the resumption of work?*

A. Yes, certainly, because the new medium of circulation will be set in motion with great ease, and the consumption of the workers, which is by far the largest, will naturally fuel production.

If the existing unemployment has persisted, it is as a result of the withdrawal of capital — money or banknotes — from the capitalists' bank, which is today the sole medium of circulation and is owned by a small number. But it would have been otherwise if, as capital has disappeared, the currency of labor had come to replace, free of charge, the costly service of the capitalists' currency.

*Q. What do you mean by the currency of labor that you contrast with that of the capitalists?*

A. We say that the *Circulation Voucher* is the currency of labor because it represents only transactions between workers, because it is guaranteed by their mutual solidarity, and because it will never be a false cover for risky speculation.

*Q. But after all, will this currency of labor, or paper of the Bank of the People, then be nothing more than paper money?*

A. No. The *Circulation Voucher* of the Bank of the People is no more paper money than the note of the Bank of France. The note of the Bank of France is a certificate backed by the currency of capital, that is to say, gold and silver, and even the products and goods concentrated in the hands of capitalists. The note of the Bank of the People, on the contrary, is backed by the currency of labor, that is to say, the products and goods that come directly from the hands of the worker into those of the consumer, without any profiteering, speculation or profiteering. The paper of the Bank of the People is a *commodity-paper*, a universal and general commodity, exchangeable for the products and services of all professions.

*Q. When will the Bank of the People be operational?*

A. When it has obtained a large number of members, and also a subscription figure reaching 50,000 francs.

*Q. Why does the Bank of the People need a large number of members?*

A. It is to reduce the obstacles that the issuance of the circulation bond might encounter. It is understood, first of all, that if all the French people simultaneously subscribed to the statutes of the Bank of the People, the services

provided by coined money would become superfluous; and, since this is the goal that the Bank of the People intends to achieve, it has an interest in gathering, under its banner, the greatest possible number of members.

*Q. Why does the Bank of the People need 50,000 francs?*

A. 1. To pay its establishment costs

2. To take all necessary measures to ensure free credit and the free circulation of products;

3. To have an initial reserve for the optional redemption of its notes.

*Q. But these 50,000 francs can only guarantee the redemption of the Circulation Vouchers for a very small amount?*

A. The Bank, guaranteeing the delivery of goods against its Circulation Notes, will very rarely have recourse to cash; but, in any event, it counts on other cash inflows to make its redemptions. And, indeed, all consumers will come to exchange their cash for Circulation Notes when they know that for 5 francs of these notes, they will obtain from members a quantity of goods that would cost 5 francs, 50 centimes, or 6 francs if they had to pay in cash.

*Q. What does it mean to become a member?*

S. It means promising to take, in payment of one's salary or goods, the voucher, which, moreover, can be used to make purchases in establishments affiliated with the Bank of the People.

*Q. What does it mean to subscribe?*

A. It means contributing a portion to the formation of the capital of the Bank of the People, starting with the 50,000 francs deemed necessary to begin operations. This portion is fixed at 5 francs, which can be paid in monthly installments of 50 centimes. Once these payments are made, the Bank issues a registered share.

*Q. Do the shares pay interest?*

A. No.

*Q. Why?*

A. Because the Bank of the People itself lends without interest, and its members sell at lower prices than other merchants. The real benefit for shareholders, therefore, consists of obtaining credit and goods at a lower price. Thus, a shareholder of the Bank of the People, subscribing for 5 francs, earns 8 francs in the first year of operation, provided that, during each quarter, he discounts only 200 francs. And, in fact, he obtains at a rate of 2% per year, that is to say, for 4 francs, the credit that, in a usurious bank, he would pay 6%, that is to say, at a rate of 12 francs per year. The same is true if he buys 100 francs worth

of goods with a 5% discount. — If his consumption is 1,000 francs per year and the discount is 5% on average, he will save 50 francs by making a reserved investment of 5 francs to help with the initial establishment of the Bank of the People.

*Q. The benefit you mention, which should accrue to the shareholder, doesn't it also benefit the non-subscribing member?*

A. Yes, undoubtedly.

*Q. Is it necessary to subscribe to become a member?*

A. Not at all. The Bank of the People prioritizes membership, which it considers more beneficial to its business than cash deposits. That's why it encourages workers to sign the agreement to its statutes, without worrying about the financial aspect.

*Q. What will a member bearing a Circulation voucher do when they need to pay people whose position doesn't allow them to accept it, such as tax collectors, mail carriers, etc., or when making small purchases that are less than the voucher's value?*

A. The Bank of the People will resolve these difficulties by providing cash to voucher holders in such situations. These funds will come either from its capital or from payments made against the issuance of its vouchers by consumers wishing to obtain goods or services at reduced prices and of good quality.

*Q. Will the member's name be published?*

A. Yes, in order to inform consumers of the addresses of members they can contact to obtain products or services. However, since this publication is primarily in the interest of each member, those who do not wish to benefit from the publicity remain free to opt out.

*Q. Why did the Bank of the People, which claims to be a democratic and social institution, establish itself as a limited partnership with a single managing director?*

A. Because, under current legislation, it is absolutely impossible to adopt any other form for a business association than a limited partnership or a public limited company. However, the authorization of a bank established in Paris as a public limited company will never take place as long as the privilege of the Bank of France remains in effect.

Moreover, the Bank of the People is established, according to the very terms of its statutes, Article 63, to become a public limited company as soon as the government of the Republic understands its duty, which is to protect the interests of the worker.

Until then, it is a great blessing that the Managing Director of the Bank of the People has had the courage to assume responsibility for a practical undertaking,

where socialism will finally find the opportunity to be appreciated through actions and deeds.

Q. Is there not cause for concern regarding some disorder or malfeasance in the affairs of the Bank of the People?

A. The Bank of the People is not a profit-driven or speculative enterprise. The founder's aim is to serve the democratic and social order and to establish the principle of free and reciprocal credit among workers.

There are guarantees of morality that no purely financial operation can offer.

The measures adopted for monitoring management are designed to meet the most stringent requirements. (See the statutes, articles 70, 71, and 72.)

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### **NOTICE.**

The offices of the BANK OF THE PEOPLE are located at rue du Faubourg Saint-Denis, 25.

One will find there:

A complete collection of the Statutes of the Bank, and information regarding subscriptions and membership. Price: 10 centimes.

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