

# SUMMARY OF THE SOCIAL QUESTION

## BANK OF EXCHANGE

### PREFACE

In 1846, M. Proudhon concluded his great work, *The System of Economic Contradictions, or Philosophy of Poverty*, with these words.

“If I am not mistaken, the reader must now be convinced of one thing, which is that social truth cannot be found either in utopia or in routine; that political economy is not the science of society, but that it contains the materials of this science, in the same way that chaos, before creation, contained the elements of the universe; that, in order to arrive at the definitive organization that appears to be the destiny of our species on the globe, it only remains to make an equation of all our contradictions.

“But what will be the formula for this equation?

“We are already permitted to glimpse it: it must be a law of *exchange*, a theory of mutuality, a system of guarantee that resolves the old forms of our civil and commercial societies, and satisfies all the conditions of efficiency, progress and justice that criticism has pointed out; a society no longer conventional, but real, which transforms the fragmentary provision into an instrument of science that abolishes the servitude of machines and prevents crises; which makes competition a benefit and monopoly a guarantee of security for all; which, by the power of its principle, instead of seeking credit from capital and protection from the State, subjects both capital and the State to labor; which, through the sincerity of exchange, creates a true solidarity among peoples; which, without prohibiting individual initiative, without forbidding domestic savings, constantly returns to society the wealth that appropriation diverts from it; which, through this movement of *outflow* and *inflow* of capital, ensures the political and industrial equality of citizens, and by a vast system of public education, provides, by constantly raising their level, equality of functions and equivalence of aptitudes; which, through justice, well-being and virtue, renewing human consciousness, ensures the harmony and balance of generations a society which, in short, being at once organization and transition, escapes the provisional, guarantees everything and commits nothing.

“The theory of *mutuality* or of *mutuum*, that is to say of exchange in kind, the simplest form of which is the loan for consumption, is, from the point of view of the collective being, the synthesis of the two ideas of property and of community, a synthesis as old as the elements that constitute it, since it is nothing other than the return of society to its primitive practice through a maze of inventions and systems, the result of a six thousand year meditation on this fundamental proposition: A equals A.

“Everything is being prepared today for a solemn restoration; everything indicates that the reign of fiction is over, and that society is about to return to the sincerity of its nature. The monopoly has swelled to the point of equaling the world: but a monopoly that embraces the world cannot remain exclusive; it must become republican or else it

will collapse. Hypocrisy, venality, prostitution and theft form the core of the public conscience, and unless humanity learns to live off what kills it, we must believe that justice and expiation are approaching...

“Already socialism, sensing the failure of its utopias, is clinging to realities and facts; it laughs at itself in Paris; it debates in Berlin, Cologne, Leipzig and Breslau; it trembles in England; it thunders across the ocean; it is killed in Poland; it tries its hand at government in Bern and Lausanne. Socialism, penetrating the masses, has become something else entirely; the people care little for the honor of schools; they demand work, science, well-being and legality; the system matters little to them, provided that the desired thing is there. Now, when the people want something and the only question for them is how they can obtain it, the discovery is not long in coming: prepare yourselves to see the great masquerade descend.”<sup>1</sup>

In this remarkable passage, M. Proudhon not only summarized and formulated the thought of his book, but he also sketched, in broad strokes, the plan of another work in which the practical solution to the social problem was to be found.

By demonstrating, by means of an irresistible dialectic, the inadequacy of reformist theories and economic critiques; by proving that political economy is justified neither by its maxims nor by its works, and that the entire value of theoretical socialism lies in having recognized this fact, Proudhon had in reality only accomplished half his task. It remained, after constructing an entire system of negations, to take these negations one by one, to extract from them affirmation, practical fact, and to formulate, as a counterpoint to the philosophy of poverty, the philosophy of wealth.

In less scientific terms, the subordination of labor to capital had been shown to be impossible and utopian; the principle of authority had been recognized as the seed of death that has devoured societies throughout history. It remained to be shown how, without serious upheaval, equality could be established between labor and capital; how, without disruption, the action of the principle of authority could be nullified and the reign of absolute freedom brought about among nations and individuals.

This is what M. Proudhon intended to do in this work which he announced at the time and which was to bear the title PROGRAM OF THE PROGRESSIVE ASSOCIATION, *solution to the problem of the proletariat*.

In the passage we have just quoted, M. Proudhon made it quite clear which side he wanted to take on the problem.

Having overthrown the feudal aristocracy, the financial aristocracy took its place; one tyranny replaced another. The first had oppressed bodies; the second, moreover, oppressed consciences, gradually substituting theft for good faith, the falsehood of mercantilism for the truth of social relations.

Gold and silver, having become the weapons of banking feudalism, were no longer merely true values; they were subject to the most furious fluctuations of speculation;

---

<sup>1</sup> T. II, p. 527-529.

they no longer served as instruments of circulation, but had become an impediment and an obstacle to it. As a result, production and consumption periodically suffered the most terrible crises: aborted enterprises, forced liquidations, sales below real price, brokerage and stock market manipulations, venality of consciences, swindles, gambling, bankruptcy and, above all, the increase of misery threatened the political and industrial world with imminent death, if a prompt remedy was not brought to this desperate situation.

That remedy could only be in the rejuvenation of the circulatory system, which had been corrupted by a chronic ailment. Gold and silver, as a result of economic development, were the only established forms of value, the only acceptable forms of payment and, consequently, the necessary medium of exchange. It was necessary to strip gold and silver of their dominance, which made them tyrants of labor. The means to achieve this was to find a combination that would allow for full and regular circulation and to organize the direct exchange of goods for goods.

In this way, with all products rising to the same dignity through the sincerity of exchange, each producer had a money exchange in their home. From then on, the fiction of productive capital ceased to exploit the worker and organized labor gradually absorbed capital. The landowner had once been able, by way of war, to place a ban on the land; the proletarian, in turn, through association, placed a ban on the harvests, and property expired in a void and returned to its ancient role as collector of social savings. *The prince and his proud entourage, his military, his judges, his advisors, his peers and the whole army of tax-eaters, hastened to shout thanks to the plowman and the industrialist, because the organization of labor is synonymous with the subordination of power, that it depends on the worker to abandon the unproductive to his indigence and to make power perish in shame and famine.*

Events disrupted the learned economist's plan and precipitated the debacle he had so astutely foreseen. Humanity had grown weary of *living on rivalry, hypocrisy, prostitution and theft*. The people suddenly felt the truth germinating within them. Sooner than the wise men had expected, though they had predicted it, the throne of political and social fictions crumbled into the abyss; *the great masquerade descended*. God's justice, long before the proletarian even considered it, had resolved to strike down capital, property and the prince. Monopoly had refused to *become republican; it collapsed*.

The February Revolution was inevitable. It is the final, fatal end of a series of political and social events whose root cause lies in the institution of property monopolies and the fiction of the monarchy. On the other hand, it is the first event in another series of events that will result in the abolition of monopolies in all their forms and the true equality of conditions and fortunes. Whether this revolution is economic or social does not depend on the good or ill will of any particular class; it is so by the force of circumstances and by its very origin.

But while its *inevitability* and nature cannot be denied, it is true to say that it could have happened later, or even that it could have been accomplished without any major

disruptions or upheavals. It would have sufficed for this for the electoral reform, which served as its pretext, to have been granted by the prince and for the proletarian to have understood, through labor and wages, that without resorting to violence, he could absorb capital and gradually force the idle, stripped of their income, to live by the labor of their own hands. But life, in humanity, does not always follow this methodical periodicity; it often happens that a single day encompasses the existence of several centuries. Starting from electoral reform, that is to say, an extension to be given to the principle of equality before the law, the People crossed in twenty-four hours all the intermediate terms and arrived in a leap, by striding over the abysses of time, at social reform, that is to say, at equality before fortune.

The February Revolution, since its inception, has taken on different names and formulas; it has been called, in turn, the *organization of labor*, the *emancipation of the proletariat*, the *abolition of the exploitation of man by man* and, finally, the *right to work*. All these denominations mean one and the same thing: that the reign of monopoly and parasitism is over and that in the future no one will be able to live except from the fruits of their own labor.

Nothing could have been simpler than resolving the question reduced to these terms. What had caused the harm? Usury, of which the Bank is both the expression and the means. Where was the remedy? Obviously, in a reform of the Bank and in a reversal of the relationship between capital and labor.

The men to whom the destiny of France was entrusted following the February Revolution did not understand this. Instead of consulting the people, they indulged their private whims. We witnessed ridiculous parodies, grotesque masquerades; we saw not a single revolutionary measure.

From then on, instead of reform, there was a debacle. The banks collapsed, bankruptcy became widespread, gold went into hiding and France began to waste away in torpor and inertia.

No more farm rents were paid, no more house rents, no more interest, no more dividends, no more duties, no more taxes. On all sides, work was suspended, traffic suspended, and yet, while the people starved, the shops overflowed with goods that had no market.

It was then that M. Proudhon, at the risk of compromising his reputation as a writer, decided to share some of his views on economic reform with the public. The February Revolution, by shifting the institutional landscape, had disrupted his plans. Always attentive to popular practice, he disregarded it in order to focus on the needs of the moment and adapt the means to the prevailing circumstances.

The little pamphlet entitled *Organization of Credit and Circulation*, published on March 31, perhaps condensed too many ideas to be fully understood. "To double, triple, increase labor and consequently wealth to infinity; to give credit such a broad base that no demand exhausts it; to create a market that no production can satisfy; to organize a full, regular circulation, undisturbed by any accident; instead of an ever-

increasing and ever-insufficient tax, to abolish all taxes; to make every commodity become current money and abolish the royalty of gold:" this, without mentioning the political, philosophical and moral consequences that could later be deduced from these principles, and to confine ourselves to the circle of material interests, is what M. Proudhon proposed to achieve immediately, which would have cost the provisional government only the expense of a few decrees.

The provisional government, busy making political ideology and thwarting the Revolution in its aim and purpose, was careful not to respond to the call of the famous socialist: M. Proudhon, despairing of bringing it back to the straight path of progress, turned from then on to the public.

It was in the newspaper *Le Représentant du peuple*, later defunct due to the state of siege, that M. Proudhon published this series of remarkable articles which, on their own, stirred up more ideas in France than all the writings of the reformers for eighteen years. As a result of these articles, he was reviled, vilified and slandered by both his friends and the enemies of the Revolution. And yet, what had been his aim? He had wanted, on the one hand, to give the people a clear and unambiguous understanding of this Revolution being carried out by their own hands and, on the other, to reassure the upper classes about the consequences that this Revolution might have for their established positions, to show them how and in what ways it could be accomplished without violence and above all to prove to them that their privileges would not be taken from them without compensation.

First, the People had declared that social reform necessarily entailed a radical reform of the property system. This declaration terrified the bourgeoisie, who already saw themselves cornered in the narrow impasse of communism. It was necessary to prove that this bourgeois fear was a figment of the imagination, that the reform demanded by the people was only half accomplished and that the abolition of property did not necessarily result in the community of goods. For a long time now, property, still enshrined in the law, had disappeared from the realm of economic reality. Under the influence of the division of labor and the interconnectedness of industries, another phenomenon, exchange or circulation, had replaced it and held it in its sway. Therefore, social reform should not be achieved through general or partial dispossession, but rather through a formulation of this right of exchange, which has providentially been substituted for the right of property.

It is through the progress of labor that exchange has become the dominant fact; it would soon be the sole fact, and we would rapidly move toward the reform of all social institutions, if we could manage to rid it of certain obstacles that place an embargo on labor. These obstacles reside in various privileges granted to property, which are, admittedly, diminishing, but which, if eliminated at once, would definitively restore to labor its natural sovereignty and put an end to the Revolution.

Exchange relations being relations of numbers, the question of rights is reduced to a simple matter of accounting or, as the author puts it, bookkeeping. From the balance struck between the worker and the monopolist, it follows that, by virtue of the

privilege of ownership, the former is always disadvantaged in their wages and soon rendered unable to consume; the latter, having exploited the worker, is always forced, sooner or later, to go bankrupt.

The evil lies in the capitalist-proprietor-entrepreneur's appropriation of a portion of the worker's output, under the pretext of interest, rent, lease payments, gains or profits. This appropriation, introducing inequality into the exchange, inevitably leads the worker to poverty and the idler to dishonor.

But how can we make exchange equal – that is, to use an elegant phrase, how can we ensure that workers can buy back their products with their wages? Since general dispossession cannot bring about the desired reform, the remedy must lie in the organization of exchange itself. Upon examining how this system functions, one soon discovers a fatal flaw: for life to be truly fulfilling, exchange would have to be direct, mutual and free. But this is not the case. One particular product, one particular commodity – gold and silver – has, as we have said, usurped the monopoly on circulation and enjoys the privilege of serving as the instrument of exchange. They do not hold this monopoly and this privilege for nothing; they are paid for dearly in the form of discounts, bribes, interest and so on. From then on, instead of operating regularly, circulation only functioned at the whim of this new monarchy. This is why, with gold and silver hidden away, work stagnated, credit died and markets closed.

This, of course, means that we no longer live by property, but by exchange; that exchange does not take place with power and speed, because it is not equal: that what prevents it from being equal is the use of metallic currency and the levy to which this use gives rise; it is a matter of finding a combination that allows us to do without that currency.

This combination is the Bank of Exchange, whose simple mechanism is still so little understood, and which is based on the principle of free exchange and credit; on this pivotal means: the generalization of the bill of exchange known since antiquity.

Such is, in the order of their generation, the series of ideas that M. Proudhon sought to bring out in the articles he published, from April to June, in the newspaper *Le Représentant du Peuple*.

These articles, published in the wake of the terrible events that marked the first months of our Revolution of 1848, were read with more enthusiasm than reflection. Every day, we gain further proof that the central idea the author sought to instill in people's minds – equality in exchange and, consequently, the abolition of parasitism in all its forms – is not yet fully grasped in its entirety and its implications. Therefore, while awaiting M. Proudhon's opportunity, as he is occupied with other matters, to provide us with a comprehensive work on this subject, we have deemed it necessary to gather into a single volume, under the heading *Summary of the Social Question*, the various articles relating to this question that he published in the newspaper *Le Représentant du Peuple*. In this form, we hope that the reader will be more inclined to

dwell on it, and we believe that by considering the time and events that have transpired since, the author's sagacity and foresight will be acknowledged.

We would have liked to take this opportunity to respond to various criticisms leveled at M. Proudhon by his adversaries. We recoiled from the multitude of criticisms and abandoned the attempt. However, we could not pass over the two principal ones in silence: the first concerns the principles and method employed by the author of *The System of Economic Contradictions*; the second, coming from his friends, amounts to this: that M. Proudhon places too much emphasis on a simple banking reform as the solution to the social problem. We will let the author himself answer these two criticisms, for the same reasons.

Here is the first complaint:

“The position we have taken before the public is somewhat strange, and we are not at all surprised by the strong repugnance initially felt for our ideas by those to whom they seem most likely to appeal. Every philosophy begins by positing a dogma, which, serving as the basis and starting point of the system, does not prove itself, cannot, under pain of absurdity, prove itself. Or rather, it is the more or less just and complete consequences drawn from it that serve as its proof. In ancient philosophies, as in old religions, the principle of all existence, as of all ideas, is God; in Descartes, the starting point is thought; in Spinoza, substance; in Kant and Fichte, the self; in Leibniz, the monad; in Epicurus, atoms, etc., etc.

“Our principle, on the contrary, is the negation of all dogma; our first given, nothingness. To negate, always to negate, that is our method of construction in philosophy. It is as a consequence of this negative method that we have been led to posit atheism as a principle in religion; anarchy in politics; and non-property in political economy.

“These negation-principles, so to speak, imply a multitude of others, such as, in social science, for example, the negation of democracy corresponding to the negation of monarchy; the negation of community, correlative to that of property; the negation of competition, of monopoly, correlative to each other, etc.

“The aim of these successive negations is, first of all, to continually elevate human liberty above its own creations, the institutions it establishes and the forces it imposes upon itself; to free it from all internal and external servitude; and to grant it, through the continuous absorption of its own elements, indefinite expansion.

“On the other hand, since all negative ideas proceed in pairs, and since two negations that cancel each other out are equivalent to an affirmation, as grammar itself teaches, we have sought, through a series of reasoned negations, to arrive at the realism of pure liberty, at that conception of society in which liberty, having successively produced and nullified all its manifestations, becomes absolute like necessity and identical to order.

“This negative progression, so far removed from the habits of common sense, for which our national education has scarcely prepared us, has aroused irreconcilable antipathies and profound mistrust against our economic theories. The author has been variously called a sophist, a doctrinaire, a moderate, a Proteus, a charlatan, a Tartuffe, a

jealous man, an ambitious and venal soul, an unsociable character and an enemy of God and men!...

“A man who denied everything could not fail to appear a monster. Can one conceive of a man who denies everything? And if the arguments of this tireless opponent are so categorical that they compel conviction; if, in his analysis of society, it is society itself that refutes and denies itself on every point and in every one of its actions; — if, in this terrifying analysis, everything that seemed to have life and value turns out, in the end, to be nothing but nothingness, was it possible that this critic would not arouse all consciences against him and, because he pointed to death everywhere, that he would not be taken for the man of death? For the human conscience wants to live; it refuses to die.

“The moment has come to know who was mistaken, the intrepid adventurer, who, running ahead of general thought, on the very extension of the line of progress, dared to say to his contemporaries: You are walking on your head and backwards, you must at the same time straighten up and turn around; or the multitude, for I will not say of the people, who, seeing all objects upside down, call mad the one who sees them upright!”<sup>2</sup>

Now for the second complaint.

“We do not claim to have foreseen everything at once; even less do we believe that banking reform encompasses the reform of society itself and fulfills the program of the February Revolution. But there are two things of which we are deeply and unshakably convinced: first, that the defining characteristic of this revolution is that it is an economic revolution and, consequently, that it is through the economic problem that our generation must address the social problem; second, that the economic problem is none other than the problem of centralizing credit and making it freely available, based on the principle of direct and mutual exchange.

“All of our ideas about religion, metaphysics, morality, law, association, art itself, all our polemics, in short, all our philosophy will stem from this profound principle of the *equality of functions*, a principle whose first corollary is the non-productivity of capital; the first application, free credit, corresponding to the abolition of all parasitism and privilege; the first and greatest result, the formation of the individual in the image of society.

“Now, if ancient religion, the hackneyed systems of philosophy, the old political constitutions, the judicial routine, the old forms of community and association, as well as of literature and art, were only particular formulas of the material state of societies, is it not obvious that when this state comes to change, in other words when the public economy is revolutionized from top to bottom by the change in the relationship between the two great forces of production, labor and capital, everything changes in society, religion, philosophy, politics, literature and the arts?

“It is therefore to economic reform that we must turn our attention as the great revolutionary lever of the 19th century. And since, in matters of revolution, the legislator must always act by the comprehensive method and avoid piecemeal approaches, it is through general circulation, not through the organization of this or

---

<sup>2</sup> *Le Représentant du peuple*, May 16.

that workshop, this or that commune; it is through credit institutions, not through the organization of this or that category of producers, that we must begin our work as socialists and revolutionaries.”<sup>3</sup>

These two passages are two peremptory answers; in the first, one cannot explain in a clearer and more categorical way this negative method that the obscurantists want to pass off as a machine of sophistry and nothing more; in the second, it is impossible for an honest man to perform with better grace.

This will not prevent critics from continuing to repeat in every tone and on every imaginable occasion that M. Proudhon is nothing but a *demolisher*, or that he makes the whole social problem consist of the reform of credit.

While not every truth is good to tell, every lie is good to repeat.

Paris, November 1848.

ALFRED DARIMON

---

<sup>3</sup> LE PEUPLE, *journal de la République démocratique et sociale*, no. 2.

## I

### WHAT IS PROPERTY?

April 25, 1848.

On February 25, the workers went to the Hôtel-de-Ville, and they said to M. de Lamartine: "What should we shout?"

"Shout '*Long live the Republic!*'" replied the illustrious poet. And, he added with charming naivety: "By shouting '*Long live the Republic!*' you shout, my friends: *Long live property!*"

The workers therefore withdrew to cries of: "Long live the Republic! Long live property! Long live Lamartine!" And the bourgeois and proprietors were edified by the words of M. de Lamartine, and the cries of the workmen. Was it not the case to say: "*Ah, le bon billet qu'a La Châtre*"?

During the two months that followed the February Revolution, not a single word came out of the Hôtel-de-Ville that was not an error or a lie.

On April 16, the National Guard and the great majority of the People shouted, but in the negative: *Down with the Communists!*

Apart from the fact that such a cry was hardly fraternal, the People and the National Guard, in our opinion, were right. Doubtless the legislator will have to take into account, in the constitution of the new society, the communist idea; he will have to make allowance for the principle of community. This is why we count M. Cabet among our friends. But community will not be the basis of the new right; it will only be a constituent element: the social system in France will not be communist.

M. de Lamartine, more affirmative than the National Guard and the People, and as exclusive as M. Cabet, has prejudged the social question and caused the Revolution to be demoted, adding on his own: *Long live property!* when property no longer exists.

When will statesmen learn to regulate their discourse on popular reason?

I do not come here, with a stupid and cowardly impertinence, to comment on the formula too well known and too little understood, *Property is theft!* Once said, it does not repeat itself. Let us leave that machine of war, which was good for the insurrection, but which can no longer be used today except to sadden the poor people.

I only want to say one thing: it is that, whether we consider the present or consider the future, property is no longer anything. It is a shadow. Like every creation of eternal thought, property, born of the idea, has returned to the idea. It has exhausted what reality it contained; it has passed from life to death and it will never come back. Property is now the domain of tradition; it is ancient history: one must have, like the poets, the gift of evoking ghosts in order to believe in property. As for the metaphysicians who, in connection with property, ramble on about liberty, personality and individuality, they have not grasped the question: I refer them to the Civil Code and to the *Institutes*.

If you are even slightly aware of the things of this world, and you look at the events that take place every day, is it not obvious to you that we do not live, any of us, by property? We live according to a fact greater than property, by a principle superior to property; we live by circulation. As the circulation of blood is the mother and motor function of the human body, so the circulation of products is the mother and motor function of the social body. As for property, it is submerged, transformed, lost in this circulation.

Speak to me about Roman property. There, the father of the family, consular personage or designated consul, lived, nourished his family from the old patrimonial field; he derived all his consumption from rustic labor; he asked nothing of anyone, sold little, bought even less, despising trade, exchange and banking, and turning his speculations to the enlargement of his land, to the extension of his domain. Then property truly existed, because the proprietor existed by himself: he was not afraid of financial and commercial crises; he was not afraid of the closing of the workshops. The principle and the end of property was the proprietor: the proprietor was production, circulation and outlet to himself: he lived in himself, by himself and for himself.

Speak to me about feudal property, which lasted until 89; which had spread, rooted deeply among the bourgeois and peasants; but which, for sixty years, has undergone, even in the countryside, such profound modifications.

Here again, and how many of us have been able to see it, the principle of the division of industries barely existing, property was everything. The family was like a small closed world without external communications. The same hands sowed the wheat, ground it and cooked it. The men were at the same time winemakers, herdsmen, plowmen, butchers. They knew masonry, carpentry, wheelwrighting. The women were wool carders, hemp combers, spinners, weavers, seamstresses. Whole years were spent almost without money; nothing was taken from the city; each at home, each for himself;<sup>4</sup> no one was needed. Property was a truth; the man, through property, was complete. It was under this regime that the strong race was formed that accomplished the ancient revolution. And see what men! What characters! What vigorous personalities! Compared with these iron natures, we have only soft, flaccid and lymphatic temperaments.

Such was, in 89, the general economy of society: the independence of fortunes ensured the security of the people. So our ancestors could endure ten years of revolutionary regime, support and defeat the efforts of a conspiring Europe: while we, dispossessed race, impoverished race, with six times more wealth however we would not hold out six months, not in the face of foreign war, nor civil war, but the uncertainty alone!...

So what is property today? What has it become?

---

<sup>4</sup> *Chacun chez soi, chacun pour soi.* — TRANSLATOR.

A title, most often nominal, which no longer derives its value, as in the past, from the personal work of the proprietor, but from general circulation; a privilege that is perpetually in need of discount, which, by itself, like the old titles of marquis and baron, would not give the bearer the credit of a dinner.

In 1848, out of disgust, impatience and to some small extent also out of love for antiquity, we made a revolution. We overthrow a government; we expel a dynasty. Immediately traffic stops, and half the proprietors, especially the big ones, find themselves without resources. Everyone, arms tied, powerless to save themselves, is threatened with starvation. The vulgar imagine that there are, at this moment, the rich. Illusion! There are people more or less provided with linen, clothes, crockery, furniture: there are no more rich people... And why? Because, property being absorbed by circulation, when circulation stops, property no longer exists.

The proprietor today is a man who has Treasury bonds, government annuities, money in the savings bank, with the banker or the notary, mortgage claims, industrial shares, merchandise in store, houses he rents, lands he leases. When the circulation is regular and full, the property, as a privilege, is valuable to the proprietor; if circulation is suspended, the privilege loses its effect and the proprietor is instantly as poor as the proletarian.

What is the use of urban or rural property if the tenant, if the farmer, hampered by universal immobility, no longer selling their products, nor exchanging, does not pay?

What is the use of capital, if the producers no longer want it, if the borrowers go bankrupt, if the depositaries default on their commitments; if, through the absence of transactions, capital is forced to consume itself in idleness? Of what use are the inscriptions of rent, the bonds of the Treasury, the banknotes and all the paper of credit, if, the taxpayers being unable to pay the tax, the pledge of public credit vanishing, the State went bankrupt?

What use even is labor, what use is talent, if the entrepreneur, if the consumer no longer demands their services? You only care about property! And it is property that betrays you!

You reject social reform! And the fact that blinds your eyes, the fact that crushes you, proves that you do not live by property, but through your relations with society!

Live then all alone, proprietors, if you still have the secret; — live off property!

Come now: let's suppose that the proletarians are annihilated, that the communists have left for the great Indies; that there remains in France only the bourgeois class, the proprietary class; let's disregard all that is not property; you are rid of pauperism, communism, socialism, of all empty brains and all useless mouths. Try to live now!...

A strange thing! If the proletariat, the crown of thorns of property, went away, circulation, which only survives through it, like production itself, stopping forever, it would be the end of the proprietors. The proprietors would perish through their own inertia, as they are perishing at this moment from the inertia of the proletariat: so

much have economic relations transformed, without our knowledge, over sixty years, the principle, the essence of property!

Thus, the experience is decisive, and the proof flagrant; property, which one would like to make the basis of new institutions, property is nothing in itself. It is no more than a privilege on circulation, like a toll established on a river; a remnant of feudalism, the abolition of which is the necessary complement to our great and glorious revolutionary period.

So what do workers want today? A few words on this issue will shed some light on the future of property.

The workers, whatever their formulas, demand that circulation no longer be left to chance and given over to speculation, but be regulated by reciprocal obligations. They ask that the laws of this commutative justice, which has penetrated property to the point of making it disappear, be studied; that above Roman and feudal law, above property, should be established a right of exchange; finally, that natural solidarity, which the observation of economic facts reveals to us, be defined.

Thus posed, and it cannot be posed otherwise, the question does not directly affect property: it is addressed only to privilege.

This is what workers are asking for; what the proprietors cannot refuse, since they are interested in their turn; what the bourgeoisie has recognized as justice. All the publicists, all the journals of property, are agreed today on these two points, that *work must be guaranteed to the worker*, and that *the condition of the proletariat must be improved*.

But, and this is where I await the philanthropists, how are we to guarantee work, how are we to improve the condition of the proletariat, without completing the denaturation of property? English political economy, so much advocated among us, has exhausted itself on the problem: it has ended only in prisons, in workhouses!

First of all, it is not by handing over a portion of its income that the bourgeoisie will improve the lot of the worker. The bourgeoisie has nothing to give. The total production of the country does not return 75 centimes per day and per head: in this state of things, for the improvement to be felt, it would be necessary for the bourgeoisie to abandon all that it receives in excess of the working class, that it make the entire sacrifice of its income. But then we would only have replaced the inequality of fortunes by the equality of misery; and as, moreover, a part of the bourgeois income constitutes the national savings, and is gradually converted into capital, this improvement in the lot of the workers would result in the ruin of the instruments of labor: which implies a contradiction.

The only possible mode of improvement is therefore to increase production.

But to increase production is to increase labor, either in duration, in quality or in intensity.

That is to say that those who today do not labor, the parasites, as they are called, will have to get to work; that those who labor poorly will labor more; that those who labor a lot, and whose day it is impossible to lengthen, will labor better. To labor better

is to combine forces more usefully, to avoid loss of time and duplication; – it is to reduce, through all the operations, the overheads of society.

But you cannot bring the unproductive to work and reduce the general costs of production without a new determination of the relations of exchange, without a reorganization of credit and circulation, and, consequently, without a complete reform of the national workshop, which always results, directly or indirectly, in modifying, restricting, changing property.

I would like the National Assembly to be composed exclusively of bourgeois; that socialism should not count a voice there; that the representatives of a social revolution were all taken from among the conservatives of the *Presse* and the *Débats*, the Catholics of the *Univers*, the legitimists of the *Gazette*, the dynastics of the *Constitutionnel* and the *Siècle*, the classical republicans of the National and the Reform.

And I would say to them:

You have promised to secure work for the worker and to improve his condition.

You want neither federalism, nor communism, nor national workshops. Your principle is above all property. Act now. Gather up your experience and your insights; take with you your jurists, your economists, your philanthropists; call your businessmen and your statesmen. – It is a matter of agreeing to increase production, and consequently low prices; of organizing credit and circulation; of lowering taxes; abolishing parasitism, pauperism, ignorance and crime: of discovering new sources of wealth; of making the outlet insatiable; of bringing justice and order everywhere. Whatever your system, we accept it, if it succeeds; and we will bless both the conservation that organizes, and the organization that conserves.

The conservatives reject communism and utopia, and not without reason: in my turn, I challenge them to do anything for the increase of work and the improvement of the working class, without abolishing property in fact and in right.

Such is the nature of the problem to be solved, that the solution simultaneously excludes opposites, community and property, whatever the beasts of burden of routine and the square caps of science may think.

## II

### PROPRIETARY ACCOUNTING.<sup>5</sup>

May 9.

When the worker, suddenly interrupting the scandalous political debates of his masters, demanded that they attend to his needs above all else, the bourgeoisie replied:

My son, we will do for your happiness all that can be expected from a benevolent heart, a charitable spirit, a Christian soul. For we love you with all our heart, with all our will, with all our strength. Are you not our blood, bone of our bones, flesh of our flesh? We desire only your good, as we desire that of our children. We suffer from your ills, we grieve for your pains. We hunger for your hunger, thirst for your thirst; we are heartbroken by your affliction. God, who reads consciences, God is our witness that we seek only the truth. Show us the anchor of salvation, and we will cling to it with joy. Tell us where is the revealer capable of indicating both the evil and the remedy, and we will greet him with gratitude, we will embrace him with love. And we too ask only for justice; and we too have adopted the holy motto: — *Liberty, Equality, Fraternity*. For you, O son, O brother, we are ready for all sacrifices. But respect for family! Respect for property!...

Let us begin, if you please, by clearing the family of any wrongdoing. It is not for you, bourgeois who buy your wives and sell your daughters, after having exploited other women without restraint or remorse, to speak to us about the family. The family, as we have told you many times, has become, through property ownership, a den of prostitution where the father is the pimp and the mother the procuress. Men of flesh and blood, before you utter that sacred word *family*, let us pass the burning coal across your lips.

Do you know what you want when, as compensation for your *sacrifices*, you reserve respect for property? It's like saying to the worker:

We will give you everything: political rights, education, freedom of association; we will lavish encouragement on your youth, relief on your old age and assistance in all your misfortunes, provided that we retain our rents, our leases, our privileges, our usury, our profits, our bribes, our sinecures, our multiple positions, our monopolies: for all of this is property; — provided that we keep our luxury, our insolence, our pleasures, our mistresses; for all of this is private life, and private life is also property!

You do not understand, you say, the relation between all these things and property! And you protest against such an assimilation...

I am going to speak to you, bourgeois, in your own style; for, judging by the legislators you elect to the country, it seems to me that you generally only recognize

---

<sup>5</sup> Published in *Le Représentant du Peuple* as “Qu'est-ce que la propriété? (Deuxième article).”

ability in your own kind. Certainly, you will not doubt that I am a great genius, once I have proven to you that I am as intelligent as you!

In my previous article, I told you that, since the abolition of the feudal system, and especially since the economic progress achieved by the separation and integration of industries, property was reduced to a simple privilege established over circulation; that this privilege, the last vestige of feudal property, necessarily tended to disappear; that this was for us the revolutionary question, the question of the century.

And the proof, I added, that property has ceased to be the capital fact and the foundation of society, is that it is denatured, absorbed, annihilated by a superior fact, circulation, outside of which all property, all capital, all labor, all talent, is absolutely as if it did not exist.

I want you to understand now that property is the last obstacle to this circulation, of which the economist can say what Scripture says of God himself, *in qua vivimus, movemur, et sumus*, that is to say, which constitutes our entire life, our liberty, our existence. And if I fail to make you grasp the truth of my paradox, if, after reading me, you have a reply, I would be grateful if you would let me know, for we cannot undertake to cure the evil until we have recognized the evil itself. In the current period of civilization, the individuals who make up society are divided into two main categories: one that includes all the owners, capitalists and entrepreneurs; the other that includes all the workers properly speaking, that is to say, the factory workers, mill workers, mine workers, construction site workers, journeymen, day laborers, employees, clerks, boys, servants, etc.

The proprietor is the person who has absolute, exclusive possession of the means of production generally referred to as *immovable*, such as land, houses, mines, machinery, etc. By virtue of the right of ownership, the owner lends, in exchange for a fee called *farm* or *house rent*, these objects to individuals who need them, and who, by this agreement, take possession of them in place of the owner. The difference is therefore easy to grasp, and no one can be mistaken, between the owner who lends and the farmer or tenant who leases. The former does not exploit the land, but simply receives the harvest; the latter cultivates it and pays for it.

The capitalist is the person who controls the means of circulation called money, currency or cash, in the same way that the proprietor controls the means of production.

By virtue of the right of capital, the capitalist, like the proprietor, lends his funds, secured by a guarantee or mortgage, and in exchange for a fee called *interest*, to those who need them. This provision takes two forms: as a loan or *limited partnership*, when it is an advance intended to establish, expand, or improve a business; and as a *discount*, when it concerns only the sale and purchase of goods — in short, the exchange of products. Moreover, the difference between the capitalist and the borrower is exactly the same as that between the owner and the tenant. The capitalist does not involve

himself in the business, yet he receives the income; the borrower alone manages the capital, and he pays the income.

The entrepreneur, finally, is the person who, by seizing the means of production from the proprietor and the means of circulation from the capitalist under the conditions we have just described, thereby acquires the privilege of labor, in the same way that the other two have the privilege of land and capital. The entrepreneur, by virtue of the means at his disposal through this privilege, provides labor to those who have neither property, nor capital, nor enterprise, and who need to work to live. In return for this labor, the worker relinquishes to the entrepreneur the profit he could have expected from his product had he dealt directly with the consumer. The difference between the entrepreneur and the worker is thus still the same as that between the proprietor and the tenant farmer, between the principal and the limited partner. It consists in the fact that the entrepreneur commands the product and retains the profit; the worker executes the product and relinquishes the profit.

I am not examining whether all this is just or unjust, or whether another system might be better. I leave you free to believe whatever you wish on this matter. I am simply stating the facts and noting the differences.

It is through the interaction of these two classes of citizens — proprietors, capitalists and entrepreneurs on the one hand, and wage earners on the other — that the production, circulation, and consumption of wealth take place. Together, they constitute a closed system that acts within itself, upon itself and by itself.

We all know that the life of this organism is still far from perfect; — that, on the contrary, there is continually disturbance, congestion, suffering, atrophy at one point, plethora at another; and that disorder generally comes from a lack of balance.

But where does this imbalance itself come from?

This is where we must follow the product step by step along its path and study its circulatory function, from the moment of production to that of consumption. To do this, we will establish a social accounting system and, something entirely new and inconceivable for legal experts, reduce the question of right to a question of bookkeeping.

Since society is naturally divided into two classes, that of proprietors, capitalists and entrepreneurs, and that of wage laborers, all in relation to one another for the sale and purchase of the goods which they have produced in common, it follows that all the operations of agriculture, commerce, industry, which can be carried out in a country; all the accounts of each manufacture, factory, bank, etc., can be summarized and represented by a single account, the parts of which we will now give.

I designate by A the entire class of owners, capitalists and entrepreneurs, whom I consider as forming a single person; and by B, C, D, E, F, G, H, I, K, L, the class of wage laborers.

## ACCOUNTS

*Between A, proprietor-capitalist-entrepreneur, and B, C, D, E, F, G, H, I, K, L, salaried workers.*

### CHAPTER ONE

*Account and summary of personal transactions belonging to A, proprietor-capitalist-entrepreneur.*

Upon opening his account, A begins his operations with a capital of 10,000 francs. This sum constitutes his initial investment; it is with this capital that he will work and begin his business operations. This act of establishing A is expressed as follows:

1. Funds owed to A, January 1st, capital account 10,000 fr.

Having realized his capital, what will A do? He will hire workers, whose products and services he will pay for with his 10,000 francs, that is to say, he will convert these 10,000 francs into goods, which the accountant expresses as follows:

#### *2. General Merchandise to Funds.*

Cash purchase, or advance purchase of current year's products, by the workers hereinafter referred to as:

B,	x (days of work or products),	together	1,000 fr.
C,	-	-	1,000
D,	-	-	1,000
E,	-	-	1,000
F,	-	-	1,000
G,	-	-	1,000
H,	-	-	1,000
I,	-	-	1,000
K,	-	-	1,000
L,	-	-	1,000
		Total.	10,000 fr.

Having converted money into goods, the proprietor-capitalist-entrepreneur A must now perform the reverse operation and convert his goods back into money. This conversion implies a profit, since, as we have seen, land and houses are not given away for nothing, nor is capital given for nothing, nor the entrepreneur's effort given for nothing. Let us assume, according to the ordinary rules of commerce, that the profit is 10 percent.

To whom will the products of A be sold? Necessarily to B, C, D, etc., the workers; since the entire society consists of A, the proprietor-capitalist-entrepreneur, and B, C, D, etc., the employees, outside of whom there is no one. This is how the account is established.

3. *The following to General Merchandise:*

B,	my sales made to this one during the year.	1,100 fr.
C,	-	1,100
D,	-	1,100
E,	-	1,100
F,	-	1,100
G,	-	1,100
H,	-	1,100
I,	-	1,100
K,	-	1,100
L,	-	1,100
	Total.	11,000 fr.

With the sale completed, the remaining task is to collect the sums owed by the buyers. This is another transaction that the accountant records in his general ledger in the following manner:

4. *Owes Cash to the following:*

to B,	his cash payment to settle his account on December 31st.	1,000 francs.
to C,	-	1,100
to D,	--	1,100
to E,	--	1,100
to F,	--	1,100
to G,	--	1,100
to H,	--	1,100
to I,	--	1,100
to K,	-	1,100
to L,	--	1,100
	Equal sum.	11,000 francs.

Thus, the capital advanced by A, after conversion of this capital into products, then sale of these products to the worker-consumers B, C, D, etc.; and finally payment for the sale, increases his return by one-tenth, which is expressed in the inventory by the balance below.

5. *Summary of operations of A, owner-capitalist-entrepreneur, for his inventory as of December 31.*

Debit.	GENERAL GOODS	Credit.
10,000 fr. Debit of this account to December 31		Credit of this account to December 31 11,000 fr.
1,000 profit on this account to carry to the credit		
----- of the capital account of A.		-----
11,000 fr.	Balance	11,000 fr.

In every house of commerce, every factory, every bank, the accounts invariably boil down to this. Whoever understands one person understands all; whoever tried to combine them all into a single account would still only create one particular account like all the others. This is why we were able to summarize in a single account the entire

system of complex operations of all the property owners, capitalists, and entrepreneurs of France. To obtain the balance sheet for the whole country, it would suffice to replace the initial A with proper names, and the figurative figures 10,000, 1,000, 1,100, and 11,000 with the actual figures.

Let's move on to the counterpart to this account, the workers' account.

## CHAPTER TWO.

*Account of the operations of B, worker, with A, owner-capitalist-entrepreneur.*

B, a worker without property, capital, or work, is hired by A, who provides him with employment and acquires his produce. This first transaction is recorded in B's account as follows:

1. Due from Fund, January 1, to B, Capital Account

Cash or advance sale of all the product of 1,000 of the year to A, proprietor-capitalist-entrepreneur, i.e.	1,000 fr.
---	-----------

In exchange for his product, the worker therefore receives 1,000 francs, an amount equal to that which we saw mentioned in the previous chapter, article 2, *general merchandise account*.

But B lives on his salary, meaning that with the money given to him by A, the proprietor-capitalist-entrepreneur, he buys from A all the items necessary for his consumption, B, items which are invoiced to him, as we saw above (chapter 1, article *Miscellaneous*), at a 10% profit margin in addition to the cost price. The operation therefore has the following result for B:

2. Debit B, capital account, to A, owner-capitalist-entrepreneur:

Amount of supplies of all kinds from the latter during the year	1,100 fr,
---	-----------

3. *Summary of B's operations for his inventory.*

Debit.	CAPITAL ACCOUNT	Credit.
1,100 fr., debit to this account on December 31.		
	Credit to this account as of December 31st:	1,000 francs.
	Loss on this account that B can only pay by means of a loan.	100
-----		-----
1,100 fr.		1,100 francs.

Since all other workers are in the same situation as B, their accounts individually show the same result. Therefore, to illustrate the point we wanted to highlight – namely, the imbalance in the overall circulation – it is unnecessary to reproduce each of these accounts.

The picture we have just read, far more instructive and demonstrative than Quesnay's, is an exact image, presented in summary, of the current economy of society. It is there that one can be convinced that the proletariat and misery are the effect, not

only of accidental causes, such as floods, war, epidemics; but that they also result from an organic cause, inherent in the constitution of society.

Thus, it is obvious that, due to the productivity of capital and all the prerogatives assumed by the monopolist, one of two things always and necessarily happens:

Either it is the monopolist who takes away part of the worker's social capital. B, C, D, E, F, G, H, I, K, L, produced in the year as 10, and they have only consumed as 9. In other words, the capitalist has eaten a worker.

Furthermore, due to the capitalization of interest, the workers' position worsens each year; so much so that, by pushing the argument to its conclusion, one arrives, around the seventh year, at finding that all of the workers' initial contribution has passed, in the form of interest and profits, into the hands of the proprietor-capitalist-entrepreneur, which means that wage laborers, if they wished to pay their debts, would have to work for nothing every seventh year.

Or it is the worker who, being unable to give of his product more than the price he himself received for it, pushes the monopolist downwards, and consequently leaves him short of the entire amount of interest, rents and profits of which property made him a right and a necessity.

We are thus led to recognize that credit, in the current system, inevitably results in the misery of the worker, and as a corrective, the bankruptcy of the entrepreneur and the ruin of the capitalist-proprietor. The privilege of property acts here like a double-edged sword: wherever it strikes, it kills.

The worker, it will be said, can cover the deficit by producing more.

It's creating a vicious circle.

Indeed, the producer is the consumer, the worker. So how can the worker, if he cannot even buy back his product when he uses it in proportion to his consumption, will he be able to buy it back when he pushes it beyond that limit?

To make up the shortfall, he would have had to take something from outside of society, but outside of society there is nothing. He would simply have created a void; or rather, he would have anticipated the following year's production, thereby discounting his future. And the premium on this discount would consist not only, as before, of the interest on the capital invested in the product and the entrepreneur's ordinary profit, but also of the price debasement that overproduction always entails. In such a scenario, the worker's march toward poverty, and the monopolist's march toward bankruptcy, is all the more certain.

Do you now understand how I could say that property is theft, and yet proprietors are not thieves? For there is no thief except one who steals knowingly.

Property is reciprocal theft, bilateral theft, just as credit, as I proclaim, is reciprocal and bilateral.

As long as property existed as the sole principle and support of society and the family – that is, prior to the division of labor and the separation of industries, before

the establishment of this vast circulation that links the privileged and the working class – property was merely a form of possession, subject to increase or decrease, but without action or influence on the condition of individuals. There was inequality among fortunes, but no injustice in relationships.

But when, through the separation of industries and the specialization of functions, individual properties became nothing more than the links in the circulatory network; when every proprietor, capitalist and entrepreneur found himself transformed, by virtue of general solidarity, into a kind of toll collector, guarding the gate of a sluice and demanding, like the feudal lord of old, a transit fee from every product in circulation; when finally the owner was forced to exercise this levy on the worker, under penalty of seeing his privilege remain null and void and perish then property was found to be theft, theft exercised by each against each, and which always, striking the employee or turning against the monopolist, made a victim.

This analysis sheds light on so many questions!...

The debate centers on equal pay. Is equal pay fair? Is it unfair? Should it be seen as a right or as an absurdity?

The answer is simple: wages are like feudal property. Whether equal or unequal, provided they are a just expression of the product, they can never harm anyone. It is not inequality of productive power that causes the misery of workers, any more than inequality of fiefs was a cause of beggary for nobles. Undoubtedly, the social tendency is to constantly level the physical and intellectual capacities of workers, and consequently, to equalize their conditions. This is a law of progress that does not affect the question we are currently addressing. What generates the deficit, which ruins both employers and employees, is the inequality between the product delivered and the wage received. Now, I have just demonstrated that property, through the progress of the general economy, has become one of the major causes of this inequality.

There are people who revolt and say: “What, should man not have free disposal of the fruits of his labor and industry?” This is the favorite argument of the defenders of property.

Who, you indolent bourgeois, has ever spoken to you of the fruits of *labor*? It's a question of the profits of *capital*! No community of labor; no universal society of goods or gains; but also no bonuses, no restrictions on circulation – that's our motto, that's the theory! That's the problem.

Deign, then, to address the issue for once, if you want progress on the matter, and do not stir up blind anger against the only doctrine that can save the nation and satisfy all interests.

Every statement, in science, philosophy and social economy, is necessarily preceded by a negation.

It is according to this principle of eternal logic that I first denied property, not randomly, but methodically. That is why I then applied myself to constructing a whole system of economic negations, certain as I was that a negative system was the reverse

of a positive one, and asking everywhere — philosophers, socialists, economists — whether, abstracting from their favorite ideas, my negation was rational, whether my system of contradictions was logically established?

And because you can neither familiarize yourself with this method nor guess the result, you respond with insults!

You are exposing me to the wrath of the people!

You point your clever bayonets at my door! For nearly ten years I have been saying to property, "You are the god, not only of homicide, but of suicide!" And half-ruined landlords, and their lawyers and sophists, cry, "*Down with them!*"

*Down with them!* In times of revolution, it is *death!*

Come then, you first, my new colleagues, property journalists;

Come, you theologians with your biblical jargon, philosophers, moralists, jurists, publicists, ideologues, with your gibberish!

Come, bilingual economists

And if you don't kill me at the first shot, I'll tell you as I die: "Before we talk about property, all of you go to 15 rue de Rambuteau, to M. Hippolyte Vannier's, to take a course in bookkeeping."

So far, you have been nothing but liars and cowards!

**III**  
**IDENTITY OF THE POLITICAL AND ECONOMIC QUESTION.**  
**METHOD OF SOLUTION.**

May 8.

One of the most remarkable men of this century, the philosopher Jouffroy, once told me – and I will never forget this conversation, which was a revelation to me – that a revolution is no longer possible through popular instinct, through the whims of a visionary, or through a return to tradition. A revolution is possible only through philosophy. All that the enthusiasm for liberty, religious and patriotic sentiment, and republican memories could offer is exhausted. A complex problem, whose knots have been formed by the intertwining of institutions, requires a rational solution, a higher principle, which common sense and the quick instinct of the masses can no longer posit, which can only be grasped through reflection, in the profound sources of philosophy.

This man, a fearless conservative, devoted to the ministry, whose name appeared on the list of secret funds, was more revolutionary than all our republican celebrities!...

It is through philosophy that we have undertaken the solution of the social problem; it is through philosophy that we will try to reveal to the February revolution what it carries within itself, what it wants, what it is, and to give the men of the movement an awareness of their mission.

I have frequently been reproached for having only ever known how to destroy, without ever being able to build anything. To this I have already replied that in philosophy, the true method of construction is negation. Every negation, in fact, corresponds in the mind to an affirmation, from which it follows that a system composed solely of negations, if these negations were rational and linked to one another by a necessary relationship, would be the correlate of a system of adequate affirmations, just as the reverse of a tapestry is adequate to the front. So that, if a negation is logically established, it is only necessary, in order to obtain the positive and true idea, to reverse it by a dialectical process well known to logicians.

Thus, negation necessarily implies affirmation, and if one admits that the system of economic contradictions is the methodical, piece-by-piece demolition of the entire society, one thereby acknowledges that it is also its methodical, piece-by-piece construction. To reveal the social system in its positive truth, one need only reverse the negative series, an operation which, I repeat, presents no difficulty for anyone even slightly versed in the processes of logic.

The entire social question boils down for us to property. Everything subjective in philosophy, religion, law, politics, morality, art and literature is bound up with the principle of individualism, to such an extent that reforming property means reforming the entire society, remaking the whole of humanity. This is what the various socialist

schools have perfectly understood — all of which, without exception but with varying degrees of awareness and boldness, strive toward this single goal: the reform of property.

Now, once the negation of property and its economic corollaries — monopoly, competition, etc. — was accepted, a first conclusion presented itself: to address the opposing principle, to oppose property with community, private interest with collective interest, and the authority of the citizen with the authority of the State. In this case, the reformer, placing himself at the summit of society, seizing control of centralization, abolishing public force and taxation, and ultimately proceeding through authority and government, would attempt to substitute a kind of collective property for individual ownership, the initiative of the citizen with the initiative of the power, and the monopoly of the State for free competition.

In this system, reform directly impacts labor and production; it only affects circulation indirectly and as a consequence. Therefore, this system has been rightly designated by the phrase *organization of labor*. This is the idea of M. Louis Blanc and most socialist republicans: it is a form of communism.

If we now subject the community system to analysis, we encounter the same contradictions, the same impossibilities, but in the opposite direction, that we had first observed in the other system; consequently, after having denied property, we find ourselves irresistibly led by the theory to also deny community. As for the practice of communism, we have been given a glimpse of it; this glimpse confirms the theory in every respect. Hardly begun, the organization of labor by the State saw a chain of inescapable impossibilities arise before it, which forced the innovators to stop, duped by a perfectly deduced conclusion, but one which, being itself only the transition to a higher idea, had to be discarded like the first.

What happens to the organization of labor is what ordinarily happens in the sciences when the mind is searching for a solution. Almost never is the first hypothesis accepted! The idea presented, and what common sense indicates, is not true. M. Louis Blanc had the misfortune and the advantage of embodying an idea that was then on everyone's mind, and which still retains a multitude of supporters. This idea had its designated place in economic science; as an opposition to the individualist principle: as a final conclusion, it was certainly false, but as a relative and preparatory conclusion, it was true. Now, it is always honorable to have been the representative of an idea. How many philosophers have their names engraved in history who deserve the honors of immortality even less than M. Louis Blanc!...

Since both the communist and propertarian principles have been denied, what remains for the economist to do? It is to seek a third term, which is the opposite of both, just as they are opposites of each other; it is, in short, to discover their relationship.

Without going into further details, the analysis of property provides it to us.

Our previous considerations on property have proven two things

The first is that modern society is constituted on the general and predominant fact of a circulation that makes all industries and all fortunes interdependent; unlike ancient societies, which were constituted on individual property, and where, due to the limited importance of circulation, the independence of fortunes was complete. — From this first fact, we immediately deduced the following consequence: that the problem posed by the February Revolution is above all a problem of commutative justice, a problem of circulation, credit and exchange, not a problem of the organization of the workshop. The second point we have proven is that, as a result of economic progress, which has changed the constitution of society through the separation and interconnectedness of productive functions, property, on which ancient society depended, has become a hindrance to circulation, an obstacle to social life.

This obstacle, this impediment, must be removed. It is understood, and I shouldn't need to state it, that this reform, which is entirely fiscal, must take place without violence, without plunder, without dispossession, and with prior compensation. It involves the liquidation of the naked ownership and the annuity, similar to the redemption of the canal rights.

This, then, is the system we propose. Instead of taking society by the head, as M. Louis Blanc did, or by the base, as property does, it must be attacked in its middle; act directly, not on the workshop, on labor, which is always acting on liberty, the thing in the world that suffers the least to be touched; but on circulation and exchange relations, so as to reach indirectly, and by way of influence, labor and the workshop.

In short, instead of expanding the sphere of government action and restricting liberty, we must change the environment in which they move, which will change the law of their relationships and movements.

This system, therefore, is based not on individuality or authority, but on the reciprocity of action. Instead of appealing sometimes to egoism, sometimes to devotion — which is another kind of egoism — our theory rests on commutative justice and the equality of relations. Its tendency is to develop liberty, equality, and fraternity to infinity through the increase of wealth, the leveling of conditions, and the (real, not personal) solidarity of producers. This is what we have called, in contrast to the organization of labor, the *organization of credit and circulation*. For, just as in living beings circulation is the primary function, and the circulatory system the first to be formed, so too must the economic revolution begin with circulation and exchange, and abandon labor and the workshop to restored individual liberty. Finally, let us add that just as there is spontaneity in the organization of labor by the State, there is just as much spontaneity in the organization of credit through the participation of all citizens; it is enough to inform them of what they have to do for the reform to take place freely, through their efforts.

It is therefore through the simultaneous negation of the proprietary system and the communist system that we arrive at the conception of the mixed system of equal exchange. The negation, a double negation, has suddenly been transformed into an

affirmation, and this affirmation, it is evident, was implied by the two negations. Indeed, to speak of cause and phenomenon presupposes the relationship between cause and phenomenon; to speak of finite and infinite presupposes the relationship between the finite and the infinite. Similarly, to speak of property and community, individualism and authority, presupposes the relationship between the individual and society, between the citizen and the State, and consequently presupposes a reciprocity that is translated into the material fact of circulation.

We know on what part of the collective body the reform must bear; it remains to be determined how this reform should be applied.

Here again, philosophy alone could guide us. Let us return to our fundamental negation, the negation of property.

What is property?

Property, to confine us within the economic sphere, is the *veto* placed on circulation by the holders of capital and the means of production. To have this *veto* lifted and gain access, the consumer-producer pays property a fee, which, depending on the circumstance and the object, takes on various names such as rent, lease, interest, profit, premium, discount, commission, privilege, monopoly, bonus, accumulation, sinecure, bribe, etc., etc.

This immense organization of tolls on circulating products has as its corollary and support the police, war, the courts, even worship, in a word the State, represented by the budget; — as a consequence, parasitism, luxury, mercantile anarchy, fraud, inequality of conditions, begging, vagrancy, prostitution, theft, murder and suicide — as a corrective, public benevolence, Christian charity, philanthropy.

We therefore deny, along with property, the cause of all social upheavals: 1. the seigniorial rights of property, whatever name they may adorn themselves with, whatever pretext they may use; 2. the satellites of property, despite the purple and gold, despite the sacred character with which they are clothed; 3. the palliatives of property, however pure and honorable the sentiments that inspire them. The question now is how all these negations, the mere mention of which arouses so much anger and spreads so much fear, will be converted into so many positive, reassuring and fruitful affirmations for all, as acceptable to the bourgeoisie as to the proletariat. Therein lies the greatest difficulty of the problem.

As always, two opposing sides presented themselves: the first, indicated by common sense, accepted by everyone, but radically null; the second, accessible only to philosophical reflection, but of a certain power and effectiveness.

The first approach consists of attacking, in detail and separately, the various forms and abuses of property; of rebuilding, reconstituting, and reshaping the State — what is called political reform; of multiplying charitable institutions, largesse, alms, and so on. All of these means have formed the reformers' handbook for the past six thousand years. Now, property is unassailable in its strongholds; the State is inherently unreformable, despite the oscillations of politics, from monarchy to democracy, from

democracy to aristocracy, from aristocracy to autocracy, and so forth; and finally, charity is powerless against pauperism, like a poultice against leprosy. A few lines will suffice to dispel any doubt about each of these points.

Thus, one cannot abolish land rent by attacking it directly. Even if you had a million bayonets and all the gold of Potosí at your disposal, you would still not succeed. Neither spoliation nor redemption can do anything against rent; for either the State would appropriate the rent for itself, in which case the rentiers would merely have been replaced by another caste of unproductive people; the rent would be displaced, it would not be abolished, and if it suited the rentiers to enter the government, they would thus regain possession of their seigniorial rights, so that expropriation would have had no other effect than to double their wealth. Either the State will relinquish the rent to the farmer, which will constitute, for the benefit of the farmer, a privilege equivalent to the rent, or finally, the State, substituting itself for both the proprietor and the farmer, will have the farm operated jointly, a system which experience and theory have demonstrated to be impractical.

Property, in the case of rent, is therefore invincible.

What we say of rent, we must also say of interest on capital. The abolition of this interest is impossible. If you eliminate interest, what will become of credit? Or rather, what will become of circulation, since every sale made on credit implies the reservation of interest? Will you order that all transactions be settled in cash? That is impossible.

The profit from trade, what in political economy is called *net product*, is as unassailable as land rent and the interest on capital.

In this era of socialist fervor, everyone, including the bourgeoisie, proposes associating the worker with the profits of the entrepreneur. The idea itself is sound; it is even necessary, but I do not hesitate to say that it is incompatible with the current system. For the worker to share in the profits, he would also have to share in the losses — the first impossibility. Secondly, this participation would have to be made mandatory for the entrepreneur, otherwise nothing can be expected from him. Now, forced association is communism, it is slavery — the second impossibility. I say, moreover, that this participation, even if possible, would be anti-economic, just like progressive taxation: it would kill the spirit of enterprise and ruin industry, without improving the lot of the worker. The reason for this is quite simple. Since, in society, the *gross product* and the *net product* are identical, and since total production gives each person, on average, only 10 centimes per day, the worker's participation in the establishment's profit would therefore generally amount to ensuring him, as well as his wife and children, 10 centimes per day per person, as long as the enterprise operated. Now, it would soon cease to operate if it stopped accumulating capital. And how could it accumulate capital without profits?

Reducing wages and salaries, establishing maximums, putting everyone on a meager ration while simultaneously putting them to work, is both envy and

arbitrariness; moreover, it is a contradiction, since the value of products and services should be based not on the opinion or esteem of the legislator, but on the general balance of production, which does not depend on the good pleasure of the government.

As for the State, the economist considers it primarily from the perspective of taxation. However, taxation, as long as the principle of property is respected, and regardless of the form of government and the system of constitution, is unreformable and, above all, irreducible.

Irreformable, in the sense that it will always affect the poor more than the rich? Indeed, what is a tax? A levy on general production, intended to pay the expenses of the state. Taxes must therefore be borne by the product, in proportion to the product; it is absurd to levy them on the producer. Now, progressive taxation, currently in favor because of the principle of envy that characterizes it, is, fundamentally, nothing but an injustice, and an absurd one at that, which consists of burdening certain products, certain portions of the collective product, more than others. The result is that progressive taxation, wherever it is imposed, stifles production, suppresses wealth, halts capital formation, and prevents the consumption of luxury goods. And since luxury, in political economy, is any production intended to satisfy the higher needs of intelligence and taste, it follows that progressive taxation kills labor by constantly pushing it back from art to industry and from industry to barbarism. A priest, invoking evangelical charity, can decree with a stroke of the pen that taxation must be progressive; a group of onlookers, usurping the title of revolutionaries, can applaud this *coup d'état* that panders to their base sentiments. Progressive taxation is nonetheless a monument to profound ignorance, brutality and economic reaction.

I maintain that taxation is irreducible; indeed, far from decreasing under a proprietarian regime, it is inevitable that it will continually increase. In short, this will become clear. On the one hand, the state remained organized according to the model of domestic and feudal administration; on the other hand, the population, as well as the volume of business, constantly increased, and taxes, through their annual fluctuations, must necessarily increase even more, for the reason of political economy that in any expanding establishment, overhead costs always grow faster than profits. In this respect, it will be agreed that experience is perfectly in accord with theory.

From what we have just said about taxation, one can understand the impotence of political reforms against poverty. All these reforms, in fact, invariably boil down to one or the other of two things: reducing taxes, or making them either progressive or proportional, depending on whether the government leads more or less towards democracy or property. All these conversions from monarchy to republic and from republic to monarchy, the delight of the incompetent and the idle, have no other object or cause. Now, since taxes cannot, under any circumstances, be reduced or shifted from the working class to the wealthy without harming labor, it follows that any purely political revolution is a mystification, a sleight of hand.

I say the same of the works of public charity, and of all the vain palliative efforts of philanthropy with which the general conscience tries to repair the wrongs of general reason.

Economic reform, the negation of property, its corollaries, its supporters, its abuses, its consequences, is impossible if one attempts to attack it piecemeal. Whatever is done, and whatever compromises are made, the privilege of property is invincible by this means. Another solution must be found; in short, the reform must be generalized.

To generalize, in this case, is to employ the revolutionary method, the method of the people. *Percutiam pastorem, et dispergentur oves*, says the psalmist. Strike the tyrant, and the system of tyranny will fall.

In the order of anatomical facts, all more or less imbued with appropriation, which one exercises dictatorship over others? Which one is the despot of circulation, the tyrant of commerce, the head of mercantile feudalism, the pivot of privilege, the material symbol of Impropriety?

Is it cash; is it money?

Among commodities, silver and gold occupy the foremost place; they hold sway, they reign supreme. Money [*argent*] gives other products their value, just as the monarch distributes jobs and assigns salaries; it serves as an intermediary in exchange, just as the prince intervenes in transactions through justice, ministerial offices, registration and stamp duty; it represents wealth, just as the prince represents society and order. Money is the sign, not only, as is often said, of value, but of all the abuses of property, of all the servitudes it imposes on production, circulation and consumption, of all the miseries and crimes engendered by its system of extortion.

It is therefore money that we will destroy; it is in the negation of money that we will attack the system of economic negotiations. The goal is to abolish the rule of money, just as we abolished the rule of man; to create equality among products, just as we did among citizens; to give each commodity representative power, just as we gave everyone the right to vote; to organize the interchangeability of values, without the intermediary of money, just as we will have to organize the government of society by all citizens, without the intermediary of royalty, presidency, or directory. In short, it is a matter of doing for the economic order what we want for the political order; without this, the revolution would be truncated and flawed.

These two reforms, economic reform and political reform, are therefore intimately linked; one cannot be achieved without the other. To separate the political organization from the economic organization is to regress toward absolutism, to always take opinion as law instead of reality, and to stifle progress.

To be truly revolutionary, the new constitution must be — if you'll pardon the academic jargon — both subjective and objective; it must be an organization of equality between things as well as between people. The balance of goods is the same as justice among citizens; justice thus becomes, for us, both a concrete and an ideal. And since

the revolution of 1848 was, above all, an economic revolution, it is to economic science that we must turn for the new republican principle.

Organizing credit and circulation, creating a bank – in short, this is the starting point of both political and economic constitutions. The same equation serves to resolve the social question and the question of the state; the same formula expresses this twofold solution.

We will now outline the plan for this reform.

## IV

### BANK OF EXCHANGE.

May 10.

There are two kinds of counter-revolutionaries, depending on whether we judge the counter-revolution from a political point of view or from an economic point of view.

The first category comprises all those who have designated themselves as republican-*democrats*, in a semblance of opposition to the republican-*monarchists*, their competitors and cronies.

Between the two, there is as much difference as between yellow and saffron. These are the democrats who work to concentrate and personalize power, when power should be disseminated and depersonalized; who call upon money to aid the Republic, when republicans should be taught to do without it; who want labor to be commissioned (exploited) by capital, while labor should create capital from nothing and be self-sustaining through the reciprocity of exchange.

The second type of counter-revolutionaries consists of all the money lenders and instrument makers, representatives of mercantile, agricultural, industrial, financial feudalism, henchmen of the royalty *in utroque jure*, political and economic; authors of all restorations, instigators of all tyrannies, who recognize the Jews as their leaders.

As for us, we are purely and simply republicans, without any augmentative or diminutive. — We are neither royalists, nor democrats, nor Jews; we deny power and money; we maintain that credit, in order to be exercised, needs the guarantee of hundred-sou coins no more than liberty, in order to travel, needs the pass of a citizen-monarch or a citizen-president.

So we can truthfully say that we are of the Revolution, and that we are continuing the work of the Revolution. We protest against the return of the Jews and the restoration of the monarchy; we are permanently in insurrection against capital and against power.

We said previously that all economic negations are interconnected, and are particularly encapsulated in the negation of money, considered as a representative sign of values and an instrument of exchange. Few economists today, upon reflection, would disagree with the possibility of such a reform; but it remains no less true that, according to the ideas of the old political economy — that much-vaunted English political economy which efforts are being made to implant among us, just as constitutional monarchy has already been implanted — the very thought of abolishing currency is supremely absurd, as absurd as the thought of abolishing property.

For finally, it is objected, all bank paper is necessarily secured, either by cash or specie, or by securities or real estate, redeemable for cash. Anything else would be collusion and fraud. Indeed, we already see bank paper diminishing in value, losing confidence and incurring a premium in transactions, as it is secured by real estate that

is more difficult to realize or subject to greater potential depreciation. Therefore, it is always money that gives banknotes their value; consequently, the axiom *no money, no credit; no credit, no circulation; no circulation, no labor* is absolutely true.

We have elsewhere<sup>6</sup> presented the theory of an institution of credit and circulation, which we have called the *Bank of Exchange*, and which we consider the most revolutionary act to have emerged from reformist thought, the most decisive application we can make of our principles. We will reproduce the fundamental principles of this theory shortly. We will then offer only a few reflections on how the problem was solved, and on the circumstances that alone could bring about the solution.

*Products can only be exchanged for other products:* this aphorism of political economy no longer encounters any opposition today. Socialists and economists agree on the facts and the law; this is the common ground where theories must be reconciled and opinions must unite in a single doctrine.

The exchange is direct or indirect.

An armchair maker living in Paris needs a cask of wine, while a wine merchant living in Bordeaux needs armchairs. The two producers can exchange their respective products by sending them to each other. This is direct exchange.

But suppose, as is most often the case, that one of the two parties to the exchange does not need the product of the other; that, for example, the wine merchant from Bordeaux, instead of armchairs, asks for calico: the exchange is no longer possible. The Parisian will pay for his wine in cash and, with this cash, the Bordelais will have the necessary fabric brought from Mulhouse. This is indirect exchange.

Now, this exchange, which the lack of a common line of credit necessarily renders indirect, would take place directly, and without intermediaries, if it were possible for all the parties to the exchange in the same country, for all those who need to buy and sell, to know each other. Suppose, for example, that a Parisian, a Mulhouse resident, and a Bordeaux resident know at the same moment that they each need – the first a cask of wine, the second armchairs, and the third a certain quantity of calico – it is clear that the exchange can take place between them without any intervention of money. The manufacturer in Paris will send his armchairs to the manufacturer in Mulhouse, who, in turn, will send his calico to the manufacturer in Bordeaux, who, in turn, will ship his wine to Paris. Instead of three exchangers, imagine one hundred thousand, and it will be the same; the exchange will still be direct.

What, then, is necessary to make direct exchange possible, not only between three, four, six, ten or one hundred exchangers, but between one hundred thousand, indeed between all the producers and consumers in the universe?

---

<sup>6</sup> *Organization of credit and circulation, and Solution of the social problem.* Paris, Garnier frères, Palais-National.

A very simple thing: to centralize all commercial operations by means of a bank in which all bills of exchange, mandates and promissory notes, representing the invoices of the traders, will be received, then to generalize or convert these obligations into a paper which would be the equivalent, which, consequently, would itself have as collateral the products or real values that these obligations represent.

Bank paper, thus formed, would have all the qualities of the strongest paper.

It would not be subject to depreciation, since it would only be issued against good securities and acceptable bills of exchange, and would thus be based not on manufactured goods, but on goods sold and delivered, for which, consequently, repayment would be due. It would have nothing to fear from over-issuance, since it would only be issued against first-rate commercial paper, that is to say, against a certain and authentic promise of repayment.

It would not be refused by anyone, since, by the centralization of exchanges, by the membership of all citizens in the bank, it would represent for each one a value equal to that which he would soon have to pay himself in bank paper.

The most remarkable fact to note in this constitution of the bank is not so much the idea itself – an idea as simple, perhaps simpler, than that which gave birth to money – but rather the coincidence of the use of coinage with the reign of feudal property and the monarchical organization of societies. We have already observed this several times, and we cannot reiterate it too strongly: as long as the family had to live, through its own activity and as a small, self-contained world, on property, property was the principle and cornerstone of the social order. The scarcity of exchanges and the poverty of transactions then necessitated the exclusive use of coinage. The circulating agent had to carry its guarantee and answer for its acceptance. This was the golden age, just as it was the age of monarchies.

But when, through the multiplicity of labor, the separation of industries, and the frequency of exchanges, circulation became the central feature of national economies, private property became, as we have said, an obstacle to collective life, and the use of currency in circulation was nothing more than a sign of privilege and despotism, just as royal prerogative was a sign of corruption and arbitrariness. Thus, society, in developing, destroys or transforms its earlier creations; it is when we have fully grasped this law that revolutions can be achieved peacefully.

Royalty, property, money – this is the monarchical trinity we must demolish; this is the threefold negation in which, for us, the entire revolutionary work begun in February is summed up. For, as we shall have occasion to demonstrate later, every negation – that is to say, every reform in religion, philosophy, law, literature and art – comes down to the negation of the purely subjective idea, to the negation of property itself. And with property abolished, we shall see, to use common language, what we intend to put in place of property, in place of authority, in place of God.

Having said all that, and for the sake of understanding what follows, we present to our readers the draft constitution, as we had originally conceived it, of a Bank of Exchange.

## PLAN

FOR THE

### **Establishment of the Bank of Exchange.**

#### NATIONAL SOCIETY OF THE BANK OF EXCHANGE

##### FUNDAMENTAL STATUTES

Between the undersigned, merchants, artisans, entrepreneurs, industrialists, landowners, economists, legal experts, professors, writers, artists, workers, producers of every kind, of every state and profession, the following has been agreed and decided:

##### TITLE ONE

##### GENERAL PROVISIONS

Article 1. The undersigned, and all those who adhere to these statutes, constitute themselves as a commercial company, under the name of NATIONAL SOCIETY OF THE BANK OF EXCHANGE.

Art. 2. The purpose of the Company is:

1. Specifically and immediately, through the institution of the Bank of Exchange, to procure for each member of the Society, without the aid of cash, all products, foodstuffs, goods, services or works;

2. Subsequently, to bring about the reorganization of agricultural and industrial work, by changing the condition of the producer.

Art. 3. The Society is universal.

All citizens, without exception, are invited to join. To become a member, no initial investment is required; it is sufficient to adhere to these statutes and to commit to accepting, for all payments, the credit note of the Bank of Exchange.

Art. 4. The Company has no capital.

Art. 5. Its duration is perpetual.

Art. 6. Its headquarters are in Paris.

Art. 7. The Bank of Exchange is an essentially republican institution; it is the epitome of government of the People, by the People. It is a living protest against any re-establishment of the hierarchical and feudal principle; it is the *de facto* abolition of all civil and political inequality. With the privilege of gold abolished, all privilege disappears. Equality in exchange, the necessary result of mutual exchange, in turn becomes the basis of equality in labor, of genuine solidarity, of personal responsibility,

and of absolute liberty. The Bank of Exchange, finally, is the principle, the instrument, and the guarantee of an unlimited wealth, of a *general and perpetual peace*.

*Constitutive principles of the Bank of Exchange.*

Art. 8. The National Bank of Exchange Company establishes as its principal

To labor is to produce from nothing;

To credit is to exchange;

To exchange is to capitalize.

Its formula is reciprocity.

Art. 9. The Bank of Exchange is therefore a credit institution intended to operate the exchange of all products without the aid of cash, and consequently the indefinite multiplication of products without the sponsorship of cash.

Art. 10. Instead of cash, the Bank of Exchange uses social paper.

Art. 11. This paper does not represent currency, like ordinary banknotes; it represents the various specific obligations of the members of the Society and the various products that have given rise to them.

Art. 12. The paper of the Bank of Exchange, previously accepted by all members, circulates from hand to hand, serves to obtain the products of the various members, in short, replaces money as a means of exchange. There is a contradiction between the status of member and the refusal of the exchange paper.

Art. 13. The issue can never be excessive, since it is made as and when the products are DELIVERED and in exchange for accepted invoices or obligations which result from the delivery.

Art. 14. Depreciation, finally, is impossible, since the paper is always pledged by the product which caused its issue, by the liability of the producer and endorsers.

Art. 15. The Bank of Exchange does not make a profit.

*The Exchange Vouchers.*

Art. 16. The Bank's paper is called an *exchange voucher*.

The various denominations of the exchange vouchers are 20, 100, 500 and 1000 francs.

Art. 17. The exchange vouchers are perpetually exchangeable on demand at the Bank and with all members against goods or services of any kind. Conversely, goods or services of any kind are perpetually exchangeable at the Bank against the exchange vouchers.

Art. 18. Exchange vouchers are not redeemable for cash.

Only the additional fees will be paid in cash.

*Operations of the Bank of Exchange.*

Art. 19. The main operations of the Bank of Exchange are:

1. The issuance of social paper, called exchange vouchers;
2. Discounting of commercial paper with two signatures and of any maturity;
3. Discounting of accepted orders and invoices;
4. Sales and purchases of consignments;
5. Overdraft loans secured by a guarantee;
6. Mortgage loans to homeowners and farmers
7. Free payments and collections;
8. Limited partnership.

Art. 20. Only members of the Bank of Exchange are eligible for these various benefits.

*Discount.*

Art. 21. Discounting consists of exchanging the particular paper of the members, which has only an individual character, against the paper of the Society, which has a general character.

Art. 22. In ordinary banks, where discounting is done in cash or banknotes representing cash, a toll is levied on circulation, a seigneurial right in the name of this overlord called the cash.

In the Bank of Exchange, where circulation is accomplished without intermediaries; where the only money is a representative sign, no longer of the numéraire, but of products invoiced, delivered, accepted, and whose payment is guaranteed by the producer, the consumer and all the endorsers or finally by the mutuality of acceptance, each exchanger plays with regard to the Bank the role of shareholder and capitalist, no discount is taken, but only a commission for the administration costs of the Bank.

Art. 23. This commission is provisionally set at ONE PERCENT per annum.

Art. 24. The Bank only discounts bills or bonds representing products accepted or sold, delivered or soon to be delivered.

Art. 25. It is discounted upon two signatures and at any due date.

Art. 26. Discount credit is unlimited for real business, that is to say for those where there is prior acceptance of the products by a serious buyer.

Art. 27. Effects or obligations requiring two signatures must always specify the nature or quantity of goods that gave rise to them.

Art. 28. Any fraud and concealment committed in this regard will be prosecuted as forgery.

Art. 29. The Bank receives accepted orders and invoices at discount, precisely for this reason.

*Sales and purchases of consignment goods.*

Art. 30. The operation of consignment sales and purchases is a means of alleviating the overcrowding of stores and of coming to the aid of commerce and industry, which are overflowing with products lacking markets.

Art. 31. The Bank purchases goods from its members at 1/2, 2/3, 3/4, or 4/5 of the cost price, depending on the circumstances and the nature of the goods, and consigns them to them by a privileged deposit agreement. (Article 1932 of the Civil Code.)

Art. 32. Until the term stipulated in the letter of consignment, the consignee has the right to sell at the best possible conditions and is only required to reimburse the sum advanced by the Bank.

Art. 33. After the term, the Bank shall put the deposit up for public auction to all citizens, whether members or not, who wish to take advantage of the low price.

Art. 34. The excess price obtained by the sale over the price fixed by the consignment shall belong to the owner of the goods, less a commission payable to the Bank of 5 percent on said excess.

Art. 35. Once the sale has been completed, the holder of the consignment shall take delivery of the consigned goods.

Art. 36. The State for its bonds, manufacturers for their products, merchants for their goods, workers for their labor, artists for their works, owners for their rentals of apartments, houses, land, machines; holders of annuities, all citizens, in short, can take advantage of this combination to obtain advances; and reciprocally all can take advantage of it to obtain a strong reduction on the price of raw materials, as well as on the rental of machines and services, which they need to produce economically.

*Overdraft loans secured by a guarantee.*

Art. 37. The Bank opens overdraft facilities.

Art. 38. The only guarantee required consists of the presentation of two or more sureties, as the Bank deems prudent and useful.

Art. 39. The guarantors are jointly and severally liable, and each of them is responsible for the whole.

Art. 40. The Bank only accepts members of the Society as guarantors.

Art. 41. In the event of non-payment by the credited member, the Bank will deal amicably with the guarantors for reimbursement.

*Credit on mortgages.*

Art. 42. The Bank makes advances to landowners and farmers, based on long-term promises and annuities.

Art. 43. These long-term promises and annuities are secured by a mortgage, an obligation analogous to those of sales and purchases on consignment of goods.

Art. 44. The Bank buys the property at 3/4 of its value on credit, and deposits it with the owner, who becomes its manager and responsible administrator, although he keeps all the fruits for himself.

Art. 45. If, at the agreed time, the owner has not repaid the advances made to him, the Bank will take delivery of the property and provide for its operation.

Art. 46. The forfeiting owner shall have the privilege of inhabiting and operating his property, for himself and his family, as a farmer or manager, under the conditions established by the bank.

*Current account credit, and free payments and collections.*

Art. 47. The Bank makes payments and collections free of charge for all members in Paris and the provinces.

Art. 48. For this purpose, it opens a current account for each of them. A simple transfer from one account to the other is sufficient to settle most payments.

*Limited Partnership.*

Art. 49. The Bank of Exchange provokes, stimulates, advises, encourages, sponsors and supports, by its influence, the authority of its knowledge, its advances, any agricultural, industrial, commercial, scientific, etc. enterprise; any attempt at worker association and organization of workers, which, in the data of the most ordinary practice, will present sufficient guarantees of success.

Art. 50. The Bank of Exchange, representing the most general interests of the country, and consequently being the expression of collective reason, is free from all systemic concerns. It has neither sympathy nor antipathy for any idea, for any school of thought; it does not judge any doctrine.

Art. 51. Moreover, the Bank of Exchange, a special organ of circulation and credit, the point of convergence of all productive forces, does not itself engage in any enterprise; it does not interfere, either directly or indirectly, in any trade, in any business, of any kind whatsoever.

It only accepts and assumes responsibility for its own operations.

Art. 52. It limits itself to judging the projects submitted to it on the elementary principles of the production, distribution and consumption of wealth, presenting itself as a type of organization where freedom, equality, reciprocity, and impersonality are united to the highest degree.

## TITLE TWO

### BANK ORGANIZATION AND ADMINISTRATION

Art. 53. The Bank of Exchange has its principal establishment in Paris.

It has a counter in each district, and a correspondent in each tax collector's office.

Art. 54. The Bank of Exchange is an institution of public interest; as such, it is under the supervision of the State, but independent of the State.

Art. 55. The State is a member of the society in the same way as all citizens. It does not perform any acts of management; it does not intervene in the administration either directly or indirectly.

Art. 56. It undertakes to receive and ensure the receipt of the Bank's paper in all public treasuries.

Art. 57. By way of compensation, the Bank makes to the State, WITHOUT INTEREST, subject only to repayment in twentieths, the advances it will need.

Art. 58. The amount of these advances is, however, provisionally limited to 500 million.

Art. 59. The administration of the Bank is entrusted to a board of directors, controlled by a supervisory board.

#### *The Board of Directors.*

Art. 60. The board of directors will initially consist of the four principal founders of the Bank of Exchange.

The State is considered an honorary founder; it cannot be part of the board of directors.

Art. 61. The board of directors directs all the operations of the Bank. It may buy, sell, exchange, rent and lease, receive and pay, give good and valid receipts, consent to all subrogations and agreements, waive all privileges, release all registrations, seizures and transactions; make all affirmations of claims, sue, compromise and settle in the name of the Company, and generally perform all acts and take all measures that the administration of the Bank shall make necessary.

A special regulation will define and limit the powers of the administrators.

Art. 62. The board of directors establishes the regulations for the district branches and directs the operations of each branch through its instructions and circulars.

Art. 63. It appoints and dismisses the Bank's employees and agents, and determines their salaries, bonuses, and gratuities.

Art. 64. The members of the board of directors freely distribute the administrative functions, divided as follows:

1. General Management;
2. Signature and correspondence;
3. Discount;
4. Accounting and litigation.

Art. 65. The members of the board of directors are appointed for five years in general assembly, and are eligible for re-election.

Art. 66. Provisionally, they will not receive a salary. They will only receive a bonus, as remuneration, from the net proceeds of the commission. This bonus will be determined by the final constitution committee, which will also decide on the bonuses to be allocated to all employees and agents of the Bank, in addition to their salaries, and on the allocation of any surplus funds.

Art. 67. Any member of the board of directors may be suspended from his duties by the supervisory board, and dismissed by the general meeting voting by a two-thirds majority.

#### *The Oversight Committee.*

Art. 68. The supervisory board is appointed annually by the general assembly.

Art. 69. It is composed, like the general assembly itself, of delegates chosen from all branches of production and public services. The number of these delegates may not, however, exceed 30.

Art. 70. The State, represented by the Minister of Justice, is its natural and *de jure* president.

Art. 71. The supervisory board has the absolute right of control.

Art. 72. This right may be exercised individually by each of the members of the council, who may thus check at will all the cash registers, the registers, the correspondence, the treaties and the portfolios, in Paris and in the departments.

Art. 73. The supervisory board will give the greatest possible publicity to the situation of the Bank.

Art. 74. The supervisory board, limited to the right of control, does not intervene in the administration, nor does it participate in any act of management.

It has the right to convene an extraordinary general meeting to request the removal of all or part of the board of directors.

#### The General Assembly

Art. 75. The general assembly consists of all the members.

Since all have an equal right to participate, all are summoned. They may delegate their powers and be represented by agents.

Art. 76. When, by the membership of all producers in the Bank of Exchange, the general assembly is equal and identical to the totality of citizens, it will consist only of the delegates of production, appointed by each industry, in proportion to its importance.

The general assembly, thus composed, representing the general interests and no longer the selfish interests, will be the true representation of society.

Art. 77. The general meeting shall be convened automatically on May 1st of each year. Its purpose shall be

1. To hear the presentation of the board of directors;
2. To hear the report of the supervisory board;

3. To adopt, reject or modify the conclusions of this report;
4. To proceed, if necessary, with the appointment of the members of the board of directors;
5. To appoint new delegates to be part of the supervisory board;
6. To ratify the requests for limited partnership and loan addressed to the Company, either by individuals and agricultural and industrial companies, or by the State;
8. To set the discount rate for the new year.

Art. 78. The convening and holding of the general meeting shall be in accordance with the ordinary rules of commercial meetings.

Decisions will be taken by a two-thirds majority.

Art. 79. In addition to the annual general meeting, there may be extraordinary general meetings convened either by the board of directors or by the supervisory board.

*Amendment to the statutes.*

Art. 80. On the proposal of the board of directors, as well as on the request of the supervisory board, all changes may be made to these statutes by the general meeting, so that the Society may have within itself, and that all agricultural, industrial, commercial, etc. companies, corporations and associations, placed under the patronage and the sponsorship of the Society, draw from it their principle of duration, progress and incessant regeneration.

## V

### **BALANCE SHEET OF THE BANK OF EXCHANGE.**

May 20.

We will take stock of the levies and losses that metallic capital unfairly imposes on the workers.

In our previous articles, we established that every method of philosophical and, we might add, mathematical investigation, going from the known to the unknown, necessarily proceeds by elimination or negation; that such is the revolutionary method, by which society reforms, incessantly abolishes its own institutions and procures the indefinite liberation of liberty.

According to this conception of progress, the final stage of civilization would be that in which, society existing without government, without police, without laws, collective activity would be exercised by a kind of immanent reflection, the exploitation of the globe would be carried out in a unified manner and with perfect harmony, and the individual, always doing only his own will, would rise to the height of wealth, science and virtue.

Some socialists, and I must note first and foremost those of the phalansterian school, conceive nothing of this progress of well-being and liberty through negation. The sublimity of the Fourierist theories has rendered the elements of common sense unintelligible to them. They, who for ten years have lived only on subsidies, as the Republic did under the provisional government; they, who have devoured millions displaying their impotence, and who solicit more from a desperate government; they, who remain silent when the nation asks its children for counsel and assistance, have the audacity to denigrate as impotent, as worthless, as having only negative value, the economic means indicated by universal need, by the spirit of the age and by the progress of the times! We will show the Fourierists shortly what is positive in a negation, what reality nothingness contains.

Let's begin with the balance sheet of the Bank of Exchange.

Everyone agrees that if three or more exchangers, living in different places, were aware at the same moment of each other's need for the other's product, they could coordinate to exchange their goods and services directly and without the use of money.

This is self-evident, undeniable in theory, since an exchange between three or more is the same as an exchange between two; undeniable in practice, since it happens every day through account transfers. On this point, therefore, there is not the slightest difficulty.

According to this principle, the mere statement of which implies the elimination of cash, one can get an idea of the Bank of Exchange.

The Bank of Exchange presents itself to the traders as knowing individually all the producers and consumers in the country, the state of their businesses, their capacity,

their solvency, the importance of their production and, what matters most here, their needs at every moment.

It is with the help of this knowledge of production and market that the Bank of Exchange offers to all producers and consumers the opportunity to put them in contact with each other at every minute, so as to operate, free of charge and without any political upheaval ever being able to interrupt their relations, the exchange of their products.

Such, by its very organization, is the Bank of Exchange. Present everywhere, and above all, well-informed, it says to every exchanger: Give me your invoices, your bills of exchange, your promissory notes; consign your goods to me and, through my countless connections, I will take care of all your transactions, without the aid of money, without discount, WITHOUT INTEREST!...

Here, then, is the Money Bank converted into an Exchange Bank, indirect exchange replaced by direct exchange, the role of metal eliminated and replaced by a kind of transfer, negation converted into affirmation. Well then, what profit can we derive from this reform? What does it do for the worker? What can the State, the People, society, liberty, morality, gain from the absence of capitalists?

Let our adversaries at *La Démocratie pacifique* follow our calculations closely.

1. *Circulation.* — According to the least exaggerated and most authentic documents, the total circulation of France, that is to say the mass of commercial bills presented for discount, either at the Bank of France and the departmental banks, or at private banks, is 20 billion.

For this circulation, which means for the exchange of their products, the producers pay the capitalists, in the form of interest, commissions, protest costs, retirement losses, etc., etc., an average interest of 8 percent or, in total, 400 million.

If the exchange were therefore carried out in a direct manner, without the intermediary of money, by means of a bank paper that would be the equivalent of the bills of exchange and promissory notes of all the exchangers, it would result in a saving of 400 million for them.

A levy of 400 million for the benefit of capitalists, that's the negative side of the idea.

A saving of 400 million for the benefit of consumers, that's the positive side.

In all of this, there is only one figure, the figure of 400 million, to be transferred from the Society's debit to its credit. And this is what I tell honest people who ask me what I will put in place of the capitalists. What I will put in place of the capitalists, who take 400 million from you, is yourselves, citizens, for whom I will preserve 400 million.

2. *Mortgage Loans.* — The amount of debt contracted by agricultural, industrial, and other producers, secured by mortgages, is estimated by some at 12 billion and by others at 14 billion. Rural debt constitutes the largest part of this enormous sum. The debtors are generally farmers. The average annual interest and fees for these types of loans are 10 percent. Here is the breakdown.

1. Transaction fees:	3%
2. Broker's commission:	1/4%
3. Annual interest:	5%
4. Potential transfer fees, etc., etc.: 1/4 to 6%, averaging	2%
	-----
	10 1/4%

The debtor borrows for three or four years at most, but the stipulation of the term is illusory, because the contract always states that the benefit of the term is forfeited, subject to a 30-day notice period for unpaid interest. However, the peasant never pays on time.

With the average interest and fees for mortgage debt thus estimated at 10%, and the total debt at 12 billion, this represents a new tribute of 1200 million that the country pays to monetary parasitism.

But why this tax?

Because the peasant needs, for his industry, a multitude of goods and services that he cannot obtain in exchange for his existing or future products, which he is forced to acquire with money. The peasant builds, increases his equipment, buys horses and livestock, litigates, pays taxes, buys cloth, linen, etc., especially since the division of labor and the separation of industries has spread from the city to the countryside. For all this, money is necessary. Products alone are useless, since they only have value with the permission of money.

With the Bank of Exchange, on the other hand, the peasant borrows at the same rate as the discount merchant, which is to say, for free. With an annual payment of half the interest and fees he pays to the capitalist, the notary, etc., the peasant will obtain the same credit from the Bank of Exchange, and in the twenty-first year, he will owe nothing more; he will be free of debt.

Thus, mortgage lending, organized according to the principles of the Bank of Exchange, would generate a second saving of 1200 million for the country. This is yet another negative turned positive: 1200 million that stays in our pockets, instead of going into those of the capitalists. What do the accountants of *La Démocratie pacifique* think of this?

3. *Pawnshops*. — Here is yet another abolition capable of making the hearts of all philanthropists bleed. The proceeds from loans made on pawnshops in 1847 amounted to 42 million francs for all of France. I hereby abolish the pawnshops and return 42 million francs to the workers who paid them.

But, as the worker well-versed in the phalansterian argument will tell me, when I'm on strike and have no money left, I pawn my watch; the pawnshop gives me 10 francs with a receipt. If, at the end of the term, I don't have enough money, I go and renew my receipt, and they grant me an extension; you must admit that's convenient. What do you put in place of the pawnshop?

Citizen, I'm not putting anything there at all. Far from it, I intend to eliminate something else from your habits: unemployment. And since two negations are equivalent to an affirmation, the result for you, from the abolition of the pawnshop and the abolition of unemployment, will be that you will always work and that you will no longer incur debts. Does that suit you?

4. *Public Debt.* — When the State wants to wage war, build canals, railways, etc., it frequently happens that taxes are no longer sufficient. Then, it finds itself in the same situation as the peasant who needs to build, to increase his equipment, to repair the disasters of the previous year; it needs an advance; it then borrows, and what does it borrow? Money.

The State borrows money to pay its contractors, suppliers, engineers, workers, soldiers, to buy horses, carriages, harnesses, lead, iron, copper, wood, hemp, canvas, cloth, fodder, etc., etc., all things that the citizens supply to it.

Why then does the State, instead of dealing directly with citizens, deal with financiers?

Because there are no other means of transaction with producers. With the Bank of Exchange, on the other hand, the State obtains directly from each citizen, who becomes a creditor of the State, in the form of annuities, and without interest, all the advances it requests. Through this mechanism, the State not only avoids incurring new debts, but it also pays off existing ones. According to the last budget presented by the government of Louis-Philippe, the interest on the public debt is 330 million. Therefore, citizens will have to pay 330 million less. It is true that with these 330 million in public debt, as with the 1200 million paid for mortgage debts, the general ledger, the deposit office, the mortgage administration, a good portion of the bankers, notaries, brokers and stockbrokers, etc., will disappear. What will become of us when there is no more general ledger, no more mortgage offices, no more speculation?

5. *Customs.* — In this destructive, anti-monarchical, and anti-financial project, which we published under the title *Organization of Credit and Circulation*, and whose preliminary articles appeared under the name *Statutes of the Bank of Exchange*, we stated that the principle: *Products are exchanged for products*, becoming, through the use of the exchange voucher, a truth for both nations and individuals, would always maintain a balance between imports and exports; that the true way to protect national industry consisted of demonetizing gold and silver, and that thus customs would become, in fact as well as in law, unnecessary; we would add that the savings obtained on all production through the establishment of the Bank of Exchange, resulting in a considerable reduction in the cost price of all products, would immediately enable us to withstand foreign competition without endangering our capital and with an immense advantage for our trade. The reason for all this is easy to grasp. From the moment when gold and silver are worth nothing more than commodities, than products deriving their entire price from the costs of extraction and the labor incorporated into them, from the moment when consequently the crowns would lose their value every day compared to the notes of exchange, it is evident, on the one hand,

that we would no longer have anything to fear from the outflow of precious metals, on the other hand, that foreigners would have every advantage in paying for our products with our own notes, instead of paying us in silver.

Now, since the vouchers represent only goods, foreign trade, like domestic trade, is freed from the control of currency; exchange takes place directly between our products and foreign products, between our labor and the labor of other nations.

The customs budget is approximately 30 million.

The difference between our imports and our exports, measured in francs, is 70 million per year in favor of foreign countries.

So, in total, we will save 100 million from this single source through the establishment of the Bank of Exchange. It is true that we will have lost yet another of our most valuable institutions; we will have lost the customs service.

6. *Conversion of the tax.* — It has been proven elsewhere that nothing is easier than, by raising the rate of the commission on discounts, sales and purchases of consignment, overdraft credits on mortgages, etc., to pay the State, without any collection costs, the greater part, if not the whole of the tax.

This conversion, like the abolition of customs duties, public debt, and mortgages, and later the federative and cooperative organization of all branches of production, would result in a significant reduction in government functions. Among the ministries, the Ministry of Finance would become redundant; the Ministry of Foreign Affairs, redundant; the Ministry of Commerce and Agriculture, redundant; and the Ministry of War and the Navy, redundant. The Ministry of the Interior would be simplified, and the Ministry of Justice would be continually reduced in size.

Thus, the destitution of money leads to the destitution of the State. It is strange that the National Assembly, with its extensive knowledge of the situation, chooses just such a moment to concern itself with the CONSTITUTION! Constitution, oh citizens! That is to say, restoration of the monarchy, consecration of property, confirmation of money, resurgence of administrative tyranny. That is all that your public meditations have discovered for the happiness of the people. Wait for me then, please.

I begin by removing from your constitution the Ministry of Finance, the Court of Auditors, the general ledger, the consignment fund, depreciation, mortgages, the public administration, and local taxes: 200 million all together.

More,

7. *Administrative Simplification.* — I am abolishing the Ministry of Foreign Affairs from your constitution, advantageously replacing it with the Bank of Exchange and its correspondents. I am also abolishing the Ministry of Agriculture and Commerce, which is entirely unnecessary for commerce and agriculture, as these are managed and centralized by the Bank. I am abolishing all your prefectural and ministerial staffs. I am making your employees work ten hours a day, instead of the four they currently work. I am reducing the duties of your civil servants by a host of superfluous tasks, saving 200 million.

What do you think will remain of your constitution in fifty years under this regime? What will remain, I will tell you, is a shadow of a substitute, assisted by a shadow of a policeman.

8. *Reduction of the size of the army.* — The exchange voucher makes peace eternal and war impossible, since by creating equality everywhere, inside and outside, it leaves only misery for despotism and aristocracies.

According to the budget proposed by former minister Dumon for 1848, and considerably increased by his successors, expenditures for the army and navy exceeded 450 million.

With exchange organized, the reduction of this item could be immediately, without endangering our security, 100 million. But how could a warlike and chivalrous nation do without soldiers? What will happen when our belligerent displays cease to worry the world? What compensation can there be for these military promenades, for the pleasure of standing guard and sleeping, right in the capital, a stone's throw from home, in the bivouac?

To that, I have no other answer than that of King Henry, the Devil with Four Arms, and the Green Gallant: 400 million francs, divided among 1 million French families, would give each of them 40 francs. With 40 francs, each family could have a chicken in the pot every Sunday; that's all I can offer the brave National Guardsmen in exchange for their rifles and muskets.

9. *Conversion of the unproductive into producers.* — Summary. Under the monetary monarchy, circulation costs us, i.e.,

	400,000,000
Mortgage claims:	1,200,000,000
Pawnshops:	42,000,000
Public debt:	330,000,000
Customs and the unfavorable balance of payments:	100,000,000
Tax collection:	200,000,000
Administrative complexity:	200,000,000
Army and navy:	400,000,000

Total:	----- 2,872,000,000
--------	------------------------

I am referring to *two billion eight hundred and seventy-two million* in unproductive services that the worker endures, that he produces by the sweat of his brow, that he takes from his daily bread. Now, if this devouring parasitism were eliminated, if the Bank of Exchange were to cut off its sustenance, the idle would, on the one hand, be forced to get to work; and those who render only an unproductive service would become producers.

And the output of these new industrialists being equal to their consumption, i.e.

	2,872,000,000
The country's income would increase by a similar amount:	2,872,000,000

Add one more thing:

10. *No more strikes, no more unemployment.* — The loss resulting from this cause, calculated at thirty days of unemployment per year, for 10 million workers at an average wage of 2 francs per day, is 900,000,000

11. *Decrease in the price of gold and silver due to demonetization.* — It cannot fall below 20 percent on a value of 2 billion, i.e., 400,000,000

	-----
Grand total	7,044,000,000

I am not referring to the added value given to labor by agricultural and industrial reorganization, and the necessarily resulting increase in output. We have not yet said anything about this organization, of which the Bank of Exchange is only the preliminary stage; consequently, we do not have to assess its merits, and we cannot take its outcome into account.

7 billion 44 million, that is at first glance, counting at the very lowest, the positive result of the abolition of cash, that is the special benefit which the Bank of Exchange assures to the people immediately after its general and definitive establishment.

7 billion 44 million distributed among 35 million 500,000 people, would give, per person, 198 francs and per family of four people on average, 792 francs.

For the vast majority of people, it's more than a doubling of income.

Well, you'll still ask me what you'll do with those 7 billion 44 million? What you'll do when you no longer have parasites, armies, generals, admirals, speculators, capitalists, prostitutes, customs officers, gendarmes, or tax collectors? What you'll do when you're rich and free?

Citizens, I urge you to examine the various items in my report. You will find, I assure you, that far from exaggerating the figures, I have remained well below the truth everywhere. When you have pondered this account, I will prove to you, by establishing the balance, that the sum of your current misery is precisely equal to the sum of well-being that capital takes from you, and that you are faced with an insurmountable necessity either to renounce wealth out of devotion to the capitalist who is swindling you, or to reclaim your property by making those who seize it disgorge their ill-gotten gains.

## VI

### LAWS OF EXCHANGE. MUTUALIST ACCOUNTING – MORTGAGE BANK.

May 23.

*La Démocratie pacifique* has sworn to make the workers eat hay.

The honest people who subsidize and read this newspaper imagine that it was created for the propagation and realization of Fourier's ideas – that is to say, for the betterment of the most numerous and poorest class, for the emancipation of the proletariat.

Nothing could be further from the truth; *La Démocratie pacifique* exists and lives solely for the defense, development, and consecration of Civilized ideas – for the improvement of the lot of capitalists and proprietors.

If *La Démocratie pacifique* concerned itself merely with marshaling its *bonnins* and *bonnines*, its patriarchs and *bayadères*, we would leave *La Démocratie pacifique* in peace. We would say, as it does: All fantasies are free; all tastes are found in nature. Let the Fourierists reason and make love *in baroco* and *barbara*. What is that to us? And what is that to the Republic? But *La Démocratie pacifique* peddling, under the cloak of Fourier, the most detestable nostrums of political economy; riveting the chains of the proletariat while feigning to liberate it; conspiring with capital and property to ensure the eternal exploitation of the worker – this is something that can no longer be tolerated, and which must surely make the bones of the good Fourier rattle beneath his tombstone. Poor old man! You would never have believed that, at the hands of your faithful disciples, your innocent reveries would one day serve as a passport for the most potent instruments that garrulous politics, hypochondriacal philanthropy and boastful, juggling, thieving economism ever invented for the oppression of human beings and the disharmony of societies!

We read in the newspapers (National Assembly session of May 22, 1848):

M. TURCK: You all know, Citizen Representatives, what a crisis weighs upon business affairs and how perilous the situation is. Everywhere, work has been suspended and transactions have ground to a halt. I do not exaggerate when I say that the public wealth has been diminished by half. In such grave circumstances, what is to be done? A few of my colleagues and I have concluded that the proper course of action is to establish a mortgage bank. *The Phalansterian school, to which we owe the study and resolution of a great number of social questions, has developed this project.*

M. CONSIDÉRANT ascends the rostrum, as if to confirm the revelation made by M. Turck regarding the Phalansterian concept, and to claim – in the name of the school of which he is the leader – the benefit of this publicity.

A mortgage bank is almost as banal in political economy as a pawnshop. Every economist who, over the last fifty years, has concerned himself with the subject of credit has, in turn, mounted this hobbyhorse. By M. Turck's own admission, most newspapers and numerous treatises have addressed this subject in recent times;

indeed, if Citizen Duclerc, the Minister of Finance, is to be believed, there are currently more than two hundred proposals regarding a mortgage bank on file at the Ministry.

Such is the novel idea that *La Démocratie pacifique* – for the salvation of the people and the reformation of the world – came to deliver yesterday at four o'clock in the afternoon, right there from the public rostrum.

The Bank of Exchange will not pass; that would mean the death of the capitalist.

But the mortgage bank will pass; that means the death of the worker.

Do you understand, Citizen Reader, why *La Démocratie pacifique* advocates for the mortgage bank while rejecting the Bank of Exchange?

We shall compare the Bank of Exchange with the mortgage bank, focusing specifically on the subject of agricultural credit. In doing so, we will kill three birds with one stone: we will address the issue of the day, expound upon our own theory and refute our adversaries.

Let us begin by recalling the laws of credit – the laws of exchange.

The Bank of Exchange posits, as axioms of social economy, these revolutionary propositions – propositions that no human voice, whether within the Phalanstery or outside of it, had ever articulated before.

1. *To labor is to produce from nothing.* (Art. 8 of the Statutes.)

By virtue of this proposition, man is elevated to a stature equal to that of God. Like God, he draws all things out of nothingness. Cast naked upon the earth, amidst brambles and thorns, in the company of tigers and serpents, finding barely enough to sustain himself within the bounds of any given square league of land and possessing neither tools, nor models, nor provisions, nor acquired experience, he has cleared, ordered, purged and cultivated his domain. He has embellished nature itself; he has surrounded himself with wonders unknown even to the ancient author of all things, and has brought forth luxury where the Creator had provided only profusion. At the dawn of human societies, there existed only matter; there was no capital. It is labor that created capital; it is the laborer who is the true capitalist. For to labor is to produce from nothing; and to consume without laboring is not to utilize capital, but to squander it.

Such, then, is the first principle of the new economy – a principle brimming with hope and solace for the laborer dispossessed of his capital; yet a principle fraught with terror for the parasite and for the minions of parasitism, who see their celebrated formula – *Capital, Labor, Talent!* – reduced to utter nothingness.

The production of nothingness constitutes the first term of a marvelous equation, one that we shall now observe unfolding through its fundamental propositions, yielding as its ultimate result and conclusion: wealth.

2. *To extend credit is to engage in exchange.* [Art. 8.] This axiom is, like the first, the complete inversion of all economic and Phalansterian ideas.

In the system of usurious property, where capital, through a purely grammatical fiction, passes from the hands of the worker into those of a parasite called, for this very reason, a capitalist, credit is *unilateral*; it flows from the parasite, who possesses without producing, to the worker, who produces without possessing. Established in this manner, credit is conditional upon a fee paid by the debtor in exchange for the permission granted to him by the parasite to make use of the capital.

In the system of the Bank of Exchange, conversely, credit is *bilateral*; it flows from each worker and extends to all the others, in such a way that, instead of capital being lent in exchange for a fee, the workers mutually guarantee one another's respective products, subject to the sole condition of equality in exchange.

Thus, in this system of credit, every creditor or lender becomes a debtor in turn; something is exchanged for something else. In the other system, that of *La Démocratie pacifique*, there is but one creditor and but one debtor, and something is given in exchange for nothing. Of the two contracting parties, the one who gives without receiving is the worker; the one who receives without giving is the capitalist. To give and not receive; to receive and not give – what could be more unreasonable or more unjust? Yet this practice comes to us from a source far older than the Civil Code; it dates back further than Justinian, than Numa, or even than Moses: it is the ancient iniquity of Cain – the first proprietor and the first murderer. It is for this very reason, too, that *La Démocratie pacifique* – which, in accordance with Fourier's precept, was supposed to advance the cause of reform by taking *great strides*, has instead aligned itself with capitalist law, with the tradition of Cain. The mutualization of credit? Fie upon it! That is mere selfishness. But the non-reciprocity of credit – now that is something! That is fraternity.

### 3. *To exchange is to capitalize.*

In the old political economy, in the political economy of J.-B. Say, which is today that of M. Considérant, this makes no common sense. In the mutualist system, nothing could be more rational.

Indeed, if, as we have just established, extending credit is the same thing as engaging in exchange; if nothing is to be given for nothing; if a product can only be delivered in return for an equivalent product, and not merely in exchange for an authorization to produce; then, the moment direct exchange encounters no further obstacles, it becomes evident that the means for any specialized worker to enrich themselves is to acquire the greatest possible quantity of diverse products in exchange for a single product of their own – one that remains invariably the same.

The opposite occurs when exchange can only take place through the intermediary of money and specifically, at a discount to the holder of the cash, just as it yields a windfall profit to the holder of the instruments of production. In such a scenario, it is clear that labor and exchange become scarce and costly because they are burdened by these encumbrances; the product becomes difficult to convert into other goods, market outlets remain perpetually restricted, demand remains perpetually timid and

capitalization occurs solely in the form of cash holdings. Consequently, rather than being driven by the motive of consumption, capitalization is governed solely by the principle of saving; and, much like saving itself, it remains impoverished and destitute.

Depending on which of these two viewpoints one adopts, the savings bank appears either as a philanthropic institution or as an economic absurdity.

4. *Consumption is capital backing.* (Art. 22).

This axiom is a corollary of the third axiom — *Exchange is capitalization* — just as the latter is a corollary of the second: *Credit is exchange*. Indeed, in a system where, through the direct exchange of products, every participant in the exchange is deemed a creditor, the consumer effectively becomes the financial backer (*commanditaire*) for anyone who, having nothing of their own to offer in exchange, seeks to obtain either labor or the instruments of labor. — What can you offer us? is the question put to this producer who lacks work. Felt hats, shawls, jewelry, and so forth, comes the reply. — Very well, take down our orders. Take them to the Bank, and, backed by the guarantee of our signatures, you will find an advance; you will find the means to work, to live, to cover your credit, and, ultimately, to enrich yourselves.

Such is the true nature of the *commandite* (limited partnership). The ancients themselves understood this, which is why they gave it this very name, as if to say: To command and to act as a *commanditaire* are the same thing!

*La Démocratie pacifique* finds this system *simplist*; it prefers the composite. Between the producer and the consumer, it places the capitalist; between one product and another, it inserts metallic currency; between the worker and the entrepreneur — that is to say, between labor and talent — it interposes capital, or property. What a splendid trinity! How profound is this triad! And how vastly this three-tiered synthesis surpasses the dualism of reciprocity!

If we now turn from the principles of mutualist society to its organizational forms, we find everything to be of a piece — that is to say, everything runs directly counter to the notions of both traditional jurisprudence and traditional political economy.

According to the code and all its commentators, any civil or commercial association formed for any productive enterprise whatsoever presupposes:

1. The contribution of capital;
2. The joint production of a specific object;
3. A limitation on the number of associates;
4. A limitation on the duration of the association;
5. The solidarity of the associates;
6. The sharing of profits.

It has never occurred to anyone that an association could dispense with capital; that its objective might not be the realization of profits; that the associates might be mutually exempt from joint liability; that their association might lack any specific productive specialization; or that it might be indefinite in its duration as well as in the

number of its members. All treatises written on the contract of association have no other purpose than to anticipate the circumstances and the mishaps to which each of these conditions may give rise.

The mutualist society, of which the statutes of the Bank of Exchange provide the model, overturns all of this.

It possesses no capital.

Its object is no longer production, but exchange.

It is universal – not in terms of goods and profits, but in the number of its members.

It is perpetual.

It entails no mutual liability among its members.

It generates no profits.

The mutualist society possesses no capital, for to labor, in its view, is to produce out of nothing, and every consumer, by virtue of their order, acts as a financial partner.

Instead of aiming for communal production, the objective of this society is the mutualization of services. Indeed, since all production results from the combination of distinct functions, it requires nothing more from the co-producers than the mutualization of their labor.

It is universal in its scope, for all industries may be regarded as branches or extensions of one another; thus, the same mutualism that prevails among the co-producers of a specific object extends to all industrial functions collectively.

It is perpetual, enduring as long as humanity itself, of which it serves as both the image and the instrument.

It imposes no collective liability upon its members. Against accidents arising from *force majeure*, it is safeguarded by a system of general insurance analogous to that of the Bank of Exchange; against individual errors, it is protected by the strict delineation of responsibilities and by the very principle of mutualism itself.

It generates no profits. And why? For the very same reason that it possesses no capital, because *labor produces everything out of nothing*.

The mutualist society is akin to Nature, which is rich, beautiful, and lush, for it derives its wealth and beauty from the creative force inherent within it; in short, because it produces everything out of the void, out of nothingness. In the act of producing, Nature accrues no profit.

Upon whom, or upon what, could Nature possibly profit? Upon itself? If so, for Nature, to profit would be synonymous with *resting*, with *ceasing to produce*; profit would be indistinguishable from impoverishment.

Likewise, within society, profit is synonymous with destitution; for to profit, in the societal sense, can signify nothing other than taking from one's own labor, just as for the merchant, to profit is synonymous with taking from the labor of others. Profit,

therefore, is here synonymous with theft; and what holds true for society as a whole subsequently holds true for every individual, who becomes ever less wealthy and less happy as his fellow human beings grow increasingly impoverished.

Thus, production without capital and exchange without profit: these are the two terms between which the social economy operates, whose positive result is WEALTH. These two negations balance one another out: the first represents the worker's *debit* with regard to himself; the second, his *credit*.

Herein lies the principle of mutualist accounting.

The Bank of Exchange, for instance – under which account does it open its books? It is certainly not under a *capital* account, since it possesses no capital; nor under a *materials* account, since it owns nothing as yet, not even its own banknotes; nor under a *cash* account, since it holds no cash reserves; nor under a *general merchandise* or *profit and loss* account, since it has produced nothing, and, prior to undertaking any operations, can neither incur a loss nor generate a profit.

It opens its accounts under the category of *drafts and remittances* – meaning that, the moment it commences operations, the moment it is engaged by the universal partnership to perform the specialized labor of circulation, receiving from some and supplying to others, and retaining the fee for its own labor with every transaction, it generates for itself a wage, capital and profit – three terms that have, from that moment on, become synonymous. The greater the volume of its operations, the greater the emoluments it realizes, or, to employ the common parlance, the greater its profits. And since laboring extensively is, moreover, synonymous with laboring at the lowest possible cost, the more the Bank of Exchange reduces its discount rates, the more it along with its fellow associates, each of whom, within their own respective specialties, follows this same trend of cost reduction, enriches itself...

Thus, by the mere act of inaugurating the mutualist principle and abolishing metallic currency, the relationship between labor and capital is inverted; the very principles of commerce are overturned. The forms of association, whether civil or commercial, have been inverted; the rights and duties of partners have been altered; property has been revolutionized; accounting has been reformed; and the law, hitherto defective, has been reconstituted upon a regular foundation.

With these principles established, and we have no fear that their falsity can be demonstrated, let us turn to the proposed mortgage bank, upon which the National Assembly is soon to deliberate.

Agricultural production pays its financiers 10 percent interest. It is rightly considered that this is too expensive, and there is a desire to reduce this interest by at least half. To this end, no better solution has been devised than to create an agricultural bank, or mortgage bank, and to appoint the State as the head and manager of this institution.

But, to begin with, how exactly is such a bank supposed to function?

It is not with metallic currency. The total volume of outstanding mortgage claims currently stands at 14 billion – meaning that, at a 10 percent rate, capitalists extract 1.4 billion from agricultural production. Now, agriculture does not merely complain that money is too expensive; it also complains that it cannot find enough of it. Thus, if the State were able to lend at 5 percent, all costs included, instead of 10 percent, it is indisputable that the total sum of loans would soon rise to 20, and perhaps even 30 billion; for debts invariably grow in proportion to the ease with which they can be contracted. Yet, such a bank is an impossibility. There certainly does not exist, anywhere in Europe, a total of 20 billion in metallic currency; and even if one were somehow to succeed in amassing such a sum, those 20 billion would soon represent a value equivalent to no more than 3 or 4 billion, since money, like any other commodity, loses its value in direct proportion to its quantity.

From this simple observation alone, it becomes evident that mortgage credit, when conceived within the customary parameters of credit operations, is trapped in a vicious circle; it is a concept that, by its very definition, contains an inherent contradiction.

Since metallic currency, therefore, can neither be found in sufficient quantities to finance an industry as colossal as agriculture, nor, even were the requisite quantity to exist, retain its exchange value, what alternative solution has been devised?

It consists of transforming property itself into a form of currency, of making it liquid and as freely tradable as money.

Stripped of technical jargon, here is how this operation works:

The borrower presents himself at the bank, his property deeds in hand.

These deeds are transcribed into a stub register; from this register, at the borrower's request, one or more coupons are detached, the total value of which equals either two-thirds or three-quarters of the property's worth.

And this coupon, this acknowledgment of debt, this mortgage note or whatever one chooses to call it, functions just like a banknote: it is currency. By virtue of the law, the property owner, and subsequently every holder of that coupon, possesses the right to tender it anywhere, for the face value inscribed upon it, in payment for any kind of goods, services, account settlements, and so forth.

The loan, and, consequently, the negotiability of the note, is granted for a specific number of years; at the end of this term, the borrower is required to repay the bank the sum specified in the note. Should he fail to do so, the final holder of the note is entitled to demand the sale of the property.

In exchange for this privilege of minting currency out of real estate, the property owner pays the State, throughout the entire duration of the loan and notwithstanding the final repayment that brings it to a close, an interest rate of 3, 4, or 5 percent. 100. In other systems, the interest, rather than being paid to the State, belongs to the bondholders, who receive payment at the maturities fixed by the Bank.

Be that as it may, and regardless of where the interest ultimately flows, whether it finds its way into the State's coffers or accumulates in the hands of note hoarders, it matters little; mortgage credit, established upon this foundation of the mobilization of property, constitutes a heavy burden for the worker, a disappointment for the property owner, and a calamity for all.

Let us first note one thing.

If one is to believe the proponents of mortgage banks, it is the State that extends credit to borrowers, in accordance with that much-vaunted, yet abominably false, maxim of Law: that it is the State's role to extend credit, not to receive it. Yet it is evident that, in this instance, the State extends no credit whatsoever; for to mandate the circulation of a promissory note is not to extend credit. In any operation involving credit, partnership, or lending, the creditor, the party extending the credit, is the individual who delivers a real, tangible value in exchange for a promise of repayment, secured by a mortgage. Now, what is the value, the tangible reality, that the State delivers in this case? There is none; the State delivers nothing. It merely confines itself to making the acceptance of the promissory note *obligatory*, while collecting — acting as a true creditor — the annual interest on a loan it never actually granted.

Who, then, is the creditor in this scenario, given that it is evidently not the State?

The creditor, the individual extending the credit, is you; it is I; it is every working person whom the State, without prior notice, compels to advance the value of their daily labor, their products, and their services to a property owner who will never repay them either the principal or the interest. The State owns nothing; it possesses nothing but debts and bayonets. To discharge its debts, it assumes the role of a banker, yet a banker utterly devoid of capital. Its credit notes are, in reality, drafts drawn at sight upon each and every one of us, as if the State were declaring: "I, the State, have pledged to pay Jacques Fornachon, a property owner residing in Palante, the sum of one thousand francs; a value which you are hereby required to pay him on demand, in whatever goods, services, or labor he may request — and should you fail to do so, I shall know how to compel your compliance." Such is the true nature of State credit.

Let this, then, be clearly understood. When the State turns banker, when it takes it upon itself to extend credit, it does nothing other than seize, by the force of bayonets, the labor of workers, the goods of merchants, the produce of farmers and the manufactures of industrialists, and hand them over to its borrowers, who provide it first with the interest, and subsequently with the repayment of the principal. How do you find this method of banking, citizen reader? Lending out the property of others, and then appropriating the interest and the repayment for oneself: that is a lucrative trade, is it not? Yet we love the power so dearly in France, we are such humble servants of the State, so devoted to authority, that we forgive it everything. Indeed, we even adore it, even when it robs us...

And what compensation do you hope for from the State for these fine operations? That it might reduce its expenditures? On the contrary, it will only increase them, if

only to cover the salaries of the clerks, administrators, directors and inspectors of its bank. As for anything else, there is not the slightest connection between a mortgage bank and a reduction in State expenditures. Nay, what am I saying? The State needed the proceeds from the mortgage bank to cover the deficit created in the Treasury by the reduction of taxes on salt, beverages, meat and the like. The forced contribution that the State exacts from you is, therefore, entirely without compensation.

Do you, perhaps, hope to gain something from the development of agriculture?

The total value of outstanding mortgage claims, as we have previously noted, currently stands at 12 billion – representing, at an interest rate of 10 percent, an annual tribute of 1.2 billion to be paid out to the capitalists.

There is reason to believe that debtors will hasten to discharge their obligations and rush to the State bank; yet, given the ease of borrowing afforded by the new system and the immense needs of the agricultural sector, it is no exaggeration to assert that, since loans are now available at half the cost and with double the repayment period, borrowing will, in fact, double. Consequently, the burden of mortgage debt will not diminish; indeed, as the same underlying forces continue to exert their influence in the same direction, that burden will inevitably increase. It will increase for yet another reason: thus far, our reasoning has rested on the assumption that these banknotes would be universally accepted at par. However, this cannot be the case; metallic currency will, regardless of any measures taken, always command a distinct preference. There will, therefore, be a premium on metallic currency and a consequent depreciation of the paper notes; the interest rate, which is currently projected to stand at, say, 5 percent, will effectively rise to 6, 7 or even 8 percent. This spells disappointment for the landowner who, believing he is borrowing at 5 percent, will in reality be borrowing at 6 percent or higher.

Thus, a tug-of-war, a mutual repulsion, will emerge between the proprietors, interested in ensuring their credit paper is accepted, and the producers, interested in refusing it, or in accepting it only at a discount. The result will be anarchy, agiotage, the disintegration of small and medium-sized landholdings, and a progressive escalation of production costs. Ultimately, the outcome will be universal bankruptcy.

The Bank of Exchange proceeds in a completely different manner.

First, the Bank of Exchange does not operate by virtue of the State, which owns nothing, which can extend credit for nothing, which exists solely to devour and which it is the aim of the Revolution is to abolish. The Bank of Exchange represents the totality of producers; it exists through them and works for them.

The Bank of Exchange grants credit secured by a mortgage, WITHOUT INTEREST and repayable in annual installments. – This means that, through the Bank of Exchange, the entire body of producers voluntarily advances to the rural producer, secured by a mortgage on his property, the very products and services he requires to improve his own farming operations.

In exchange for this credit, the borrower repays the Bank — meaning, in effect, the entire body of sponsoring producers — the agreed-upon annual installment; thus, the repayment received by the creditor is just as tangible as the original claim itself. Here, there is no parasitic intermediary, no one to usurp the worker's rights, as the State does, nor to absorb a share of his produce, as the capitalist does.

Since both the State and metallic currency are excluded from this system, credit is reduced to a simple exchange: one party delivers its product in a single lump sum, while the other delivers its own in several installments — all without interest and with no costs other than those of bookkeeping.

Under this system, operations may multiply to any extent desired; yet, far from indicating an increased burden upon the producer, as is the case with traditional mortgage banking, this multiplication of transactions serves as a sign of increasing wealth, for here, credit is nothing other than exchange and products naturally call forth other products.

The effect of the Bank of Exchange, where capital give place to no profit or deduction, will be diametrically opposed to that of traditional mortgage banking, wherein the State, acting as a capitalist, exacts usurious interest from its borrowers. Through the Bank of Exchange, credit radiates activity and wealth throughout its sphere of influence; through traditional mortgage banking, it hollows out an abyss into which both the producers and the State are inevitably swallowed up.

To render this distinction more palpable, I shall conclude with a parable, offered as a personal argument, addressed to *La Démocratie pacifique*.

A philanthropic capitalist, friendly to progress and eager to contribute to the solution of the social problem, learns that the Phalansterian school is engaged in organizing a model commune, but that, for lack of funds, it is unable to succeed in establishing itself. Said capitalist offers to subscribe one million, but, wishing to provide the Harmonians with proof of his goodwill while simultaneously safeguarding the interests of his descendants, he stipulates the following conditions:

1. That interest on the sum lent shall be paid to him, or to his legal successors, at the modest rate of 5 percent;
2. That, as is customary among civilized bankers, the interest on the sum lent shall be calculated and compounded every three months;
3. That, for the greater convenience of the Phalanstery, repayment of both principal and interest shall not be effected until 280 years after the date of the contract.

However, before concluding a definitive agreement, this honest capitalist wishes to know, firstly, what sum the Phalanstery will be required to pay his heirs upon the expiration of the term; and secondly, with what means and in what manner the Phalanstery intends to discharge this debt.

Would *La Démocratie pacifique* accept such an undertaking?

All we can tell it in this regard is that the lent capital grows in geometric progression every fourteenth year; consequently, the accumulation of the products set aside by the Phalanstery for the settlement of the debt would have to keep pace – that is to say, the products or écus saved would have to amount, by the 281st year, to a value one million times greater than that of the original capital (1,050,712,766,720 francs). And yet, throughout this entire period, the Harmonians would have lived, and lived well, in accordance with the Master's promise.

Such, precisely, is our current social condition.

No sooner has a coin been torn from the palm of the worker's hand than it is placed at compound interest upon the people. Upon this interest live and swarm all manner of parasites that suck the very sap of humanity. From time to time, the exhausted tree turns yellow, withers and ceases to bear fruit; then the parasites perish by the myriad, and soon the giant of nature reappears, more vigorous and magnificent than ever. The people are never more fruitful, never stronger, than on the morrow of a bankruptcy.

[Translation in progress...]

A working translation by Shawn P. Wilbur,  
last revised May 5, 2026.