

Proudhon and his “Bank of the People”

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1896

Contents

I.		3
II.		8
III.		11
	PROPERTY.	11
	LABOR AND CAPITAL	13
IV.		15
	CREDIT.	15
	MONEY.	16
V.		18
VI.		22
	THE ORGANIZATION OF INDUSTRY—THE SYNDICATE OF PRODUCTION.	22
	THE ORGANIZATION OF COMMERCE: THE SYNDICATE OF CONSUMPTION.	23
	THE BANK.	24
	HOW THE BANK OF THE PEOPLE WAS TO BE ORGANIZED	25

I.¹

M. Proudhon has of late been one of the most prominent men in Europe, or, as some writers might say, the most notorious. He has enjoyed the distinguished honor of being talked about in the newspapers, and his name has figured in dispatches received by magnetic telegraph.

Since his imprisonment for libel on President Bonaparte, we have not indeed heard often of him in the active world, but his writings remain to instruct, alarm, or amuse, according to the nature of their readers. His system, if system it be, is still there, and is still a regular subject for discussion. Monthlies and quarterlies devote long articles to discussions of his sayings and doings, trembling for the welfare of the continent which contains such a destructive. M. Guizot, in his late book on Democracy in France, confesses that he is the ablest of the Socialists as well as the most terrific, and then launches into a refutation of his doctrines so weak and shallow as to provoke only a smile from those who happen to be too well informed to be imposed on by its gravity and the elegance of its style. The daily journals of Paris and London, with few exceptions, have learned to sing the same song. Any one of them stands ready to affirm that Proudhon is an atheist and a madman, a Communist burning to plunder the wealthy, the living incarnation of immorality, disorder, and folly. These things are, of course, repeated on this side of the water, and silly editors, who never read a book of Proudhon's and know no more of his character than they do of his ideas, take their cue from European brethren and make themselves ridiculous by talking at second or third hand what was little else than a mixture of ignorance and spite at first. We humbly protest against such a mode of deciding upon the merits of a man who, whatever be his faults as a thinker, must be admitted, on a more careful observation, to possess a remarkable degree of originality and vigor of mind as well as of honesty and moral courage. We propose, as briefly as possible,—more briefly, indeed, than is consistent with a just statement of Proudhon's doctrines, to explain the leading points of his philosophical and economical system. First, however, it is proper to note the facts of his personal history.

P. J. Proudhon was born at Besançon, in the department of Doubs,—a region noted for the energy and talent of its natives,—in the year 1809, and is accordingly now forty years old. His father was a cooper, and his childhood was passed among the people. The circumstances of his early life no doubt contributed something to form in him the unyielding hostility to everything that burdens and keeps down the masses which is one of his characteristics. As a boy, he was remarkable for talent, originality, and obstinacy. He had an uncle who was professor of law at the Royal College of Dijon. Attracted by the brightness of his nephew, he procured for him a free scholarship in that college.² As a student, he carried all before him, being as industrious as he was gifted. The most abstruse subject was clear to his penetration; he knew at once lessons over which others long and wearily drudged; his memory lost nothing that it had ever seized; and a weariless activity made his studies as extensive as they were thorough. He graduated with

¹ "The Spirit of the Age", October 6, 1849.

² Sainte-Beuve, in his life of Proudhon, says that he was a cousin of the Dijon professor, but makes not mention of this free scholarship. —*Publisher's Note.*

a reputation as brilliant as it was well earned and no one could have had reason to doubt that fame and fortune awaited him in whatever profession he might choose.

But the young student was not like his companions. The learned professions did not tempt him; he fancied that in none of them could be found that independence which he knew to be the first want of his nature. He must have for himself a position in which his daily bread would never have to be earned by refraining to express what was a conviction, or expressing what was not. Lying, in all shades, was to him the most distasteful of all things. In his love of freedom and hatred of hypocrisy there was something almost savage. Less compact, intense, and consistent in his character than that other distinguished native of Besançon, Charles Fourier, he was equally resolute and more uncompromising. He determined to learn a mechanical trade, and his scholarly habits and tastes naturally led him to become a printer.

It was not long before the quickness of young Proudhon had mastered all the mysteries of typography, and he became an excellent workman. He was soon noticed by the chiefs of the establishment, and made a proof-reader. In this capacity his knowledge of Greek, Latin, and Oriental languages was of great service; he was employed in correcting learned works at a higher salary than ordinary proof-readers. His labor gave him a living, and there was no reason why he should not follow his bent. His thinking was much directed to metaphysical subjects; political economy was also a favorite theme of his reflections, but, on the whole, philosophy had the preference. He dug into the obscurities of the Germans, searched the pantheisms of India and China, and found satisfaction in the vigorous logic of Aristotle and the glorious eloquence and glowing transcendentalism of Plato. Of all these systems that of Hegel has perhaps had the most influence upon his mind; this influence is especially manifested in his largest and ablest work, "The Contradictions of Political Economy,"³ where he sets the doctrines of opposing schools of economists to destroying each other somewhat after the fashion of the Kilkenny cats. But, however this may be, the learning of M. Proudhon in the systems of philosophical writers is immense. We know privately that Mr. Morrell of London, author of the recent history of modern philosophy, regards him as almost unequaled in this respect.

Of course, his sayings and writings during this period were not calculated to insure for him the reputation of a sound and safe person. He was always noted for the boldness of his ideas and the fearlessness with which they were uttered. He cared less about having what he said to-day in perfect harmony with what he said yesterday than that it should be the expression of his present thought. This sort of honesty he preserves still, and, when he changes his mind or gets a new idea, is never afraid to say so. Then, as now, he frightened many who came in contact with him, but always commanded the respect of all by the sturdy vigor and courage of his moral and mental constitution.

While toiling in this double capacity of proofreader and student, the academy of his native city proposed, in its regular list of subjects for prizes, "The Observation of the Sabbath." Proudhon wrote upon it, and his book gained the prize. It has been widely circulated and everywhere praised, especially by the religious. It maintains with much power the divine wisdom of the Mosaic law in general and of that ordinance establishing the Sabbath in particular. Some people

³ "System of Economical Contradictions" is the correct translation of the title of the book here referred to. The statement that this work is Proudhon's largest was true when Mr. Dana was writing this series of articles, but it is not true now. —*Publisher's Note.*

wonder how such a radical and destructive could have written such a book; they do not comprehend him, that is all.

The prize gained was 1,800 francs (\$360) a year, for three years, to be expended at Paris in completing his studies. He went there and wasted no time, laboring for the most part in the same directions as before,—namely, metaphysics and political economy. Afterward he went back to Besançon and set up a printing establishment on his own account, in which he succeeded; other industrial enterprises in which he engaged also bore witness, by turning out well, to the fact that all of his talent does not lie in the use of his pen. He has also been engaged in other enterprises, but never got rich, having always been drawn off by the necessity of writing. When once he was offered a large sum to engage in a business in which there was a certainty of making a fortune, but would have required his undivided attention, he refused, saying that his force was his poverty.

It is as a journalist and since the Revolution that he has taken the large place he now occupies before the public. He began on the 1st of April, 1848, the publication of a daily penny paper at Paris called the “Representant du Peuple.” Gen. Cavaignac suppressed it in June; it appeared again when the interdict was removed from the journals generally; it was suppressed again August 21, and reappeared October 31, under the title of “Le Peuple.” Its numbers were afterwards seized many times, according to the arbitrary and foolish law of the country, and its publisher and editor subjected to numerous prosecutions, the last of which resulted in the sentence of a heavy fine and imprisonment; the charge in this case was a libel on President Bonaparte, and the sentence was unjustly severe, even supposing the charge true. For a time Proudhon kept out of the way, in order to avoid imprisonment, but at last gave himself up, and was put in jail, where he now remains, and where, we hear, he is about to be married. His paper finally ceased to appear, together with the other democratic journals of Paris, after the affair of June 13, and has not since been recommenced.

Proudhon was chosen from Paris to the national assembly at the election held to fill vacancies June 4, 1848; he had 77,094 votes; the highest number of votes given to any candidate was 126,889 for H. Moreau. In the assembly his course has been in harmony with his previous history. Never for an instant has he wavered from the side of the people, and never flinched before opposition, however overpowering and angry. Next to his devotion to the cause of liberty his chief merit is his perfect frankness. He has no concealments and no compromises, never attempts to pass for anything other than he is, has nothing to do with trick or management. Such as he sees the truth or the fact, so he proclaims it; there are no shades and ambiguities of meaning in his vocabulary; but what he has to say comes bluntly and roughly out. If you agree with it, well; if not, you will feel yourself outraged, perhaps, by the sweeping nature of the statement; to the speaker, personally, it is a matter of little consequence which.

M. Proudhon is about five feet eight inches high, of rather clumsy person. His hair is light, his complexion fresh, his eyes blue and keen, and his nose slightly *retrousseé*. His face expresses quickness, intelligence, and confidence. He is not an orator, though at some of the banquets he has been roused to real eloquence; he gesticulates considerably, and without anything like grace. His voice is harsh and unmusical, and his speech distinct and monotonous. He uses no metaphors, never attempts any flights, but goes at his subject in a business-like fashion. When he speaks in the assembly, he always commands attention, and often raises a tempest. But the members never ail to cease their clamor in order that he may go on; they know that they must hear him, and, besides, they are not unwilling to do so, or he never talks at random, says what

nobody se would think of, and, when he is done, tops. In the tribune, as well as in the press, he is a man of great originality, complete fearlessness, and of force ever new and active. The conservatives hate him, and fear him more than they hate; they call him bad names; they seek to destroy him. The people love him, not because he is a demagogue, but because he is true. He never seeks their favor, nor the favor of anybody, but says what he believes.

This remarkable man lacks, however, in the practical wisdom which steers through difficulties without running ashore. He is no politician, and has not the politician's tact and prudence. He is deficient in the love of approbation, and cares too little for others. This was especially manifested in the closing up of the Bank of the People last spring in Paris. The organization had been commenced by him in conjunction with Victor Chipron, Jules Lechevalier, Raman de la Sagra, and others; but, when he came to be put in prison, he thought it necessary to close it up. Accordingly he himself reimbursed all the subscribers, taking upon his own shoulders the whole expenses and the loss of stopping. But at the same time he published a statement which was not only uncourteous but positively unkind, towards his former associates, whom he, in fact, charged with stupidity and unfairness. This act lost him many friends, and exhibits the weak side of his character.⁴

Great as is the influence Proudhon's books have exercised upon opinion in France, it is as a journalist that he has come most in contact with the people. His paper had a very large circulation; at one time its daily sale was sixty thousand. This was due to him alone, for none of his associates had the talent to gain so wide a circle of readers. The style of his articles could not but arrest the attention of the most indifferent reader, while to the aroused minds of the masses they were like trumpet blasts in the great battle of the Rich and the poor. We remember particularly one of his leaders, under the title of "The Malthusians," which sold fifty thousand extra copies of the paper, it being reprinted the next day to meet the demand. In it he showed how all society was based on the doctrine of the celebrated Englishman, and how statesmen, philosophers, priests, writers, all taught that there were too many human beings on the earth, that the great banquet of nature was not spread for all, and she had no word for the surplus except the command to depart. He showed that there were, in reality, but two parties in the contest of opinion,—the Malthusians and the Socialists. It was such an article as a strong man might write after having let the world's spectacle of misery and wrong sink into his soul. Such indignation, such massive sarcasm, such a stern lighting-up of all the deformities of that vast scheme of plundering the many by the few, we call society! That was a rare article even for Proudhon, but he always wrote with surpassing ability, though often with utter lack of judgment. His attack on Louis Napoleon, which got him in prison, was an instance of this. It did no adequate good, and deprived him of liberty. The thing might have been done less quixotically. There was no question of principle so involved in it as to leave no choice. Had there been, we should call the affair anything but quixotic.

But, after all, M. Proudhon is one of the most noteworthy men of the present French nation, admitting that he has all the faults you please. He is, or is said to be, paradoxical, belligerent, destructive, eccentric, revolutionary, agrarian, infidel, and we know not what else. Such are the accusations leveled against him most zealously indeed, by the privileged classes whose privileges he never spares. We do not now inquire whether these charges are just or unjust. For the present let us judge the man by his usefulness; and in this view it is not too much to say he is a man

⁴ There are two sides to this. It is necessary to read only Proudhon's defence of his course, to be found in his collected miscellaneous writings, to see that in the main he acted properly.—*Publisher's Note.*

whom the age could not do without. No single man has done so much as he to prevent France from lapsing into the stagnation of decay, and with France all Europe. Moreover, it is well to bear in mind two things,—namely, that such a contest as is now up in the whole world cannot be settled by soft words, but by harsh words that cut through old things like the jagged lightning; and also that such a man as he does not receive justice from his own generation.

One thing must not be omitted before closing our article. The personal character of Proudhon is above reproach; his practical morals are a thousand times more worthy of commendation than those of many men whose praise is in the mouth of every “moderate and honest” conservative.

II.¹

Whoever seeks in Proudhon's books for a complete system will be disappointed. Hitherto his writings have been critical more than constructive. They bristle with ideas and suggestions, like a wheat-field with bearded heads; learning, wit, logic, all are there, and occasionally an imagination equally massive and glowing surprises you with its displays. He appeals for the most part to the judgment of his readers, aiming to convince the understanding, not to influence the feelings. No man has more at heart the elevation of the working classes to that position of dignity and honor which belongs to their office in the social mechanism; none has a keener sense of the wrong under which they have suffered from the time that Labor, wearing the fetters and receiving the stripes of a slave, first commenced the dreary process of sowing that others might be fed, building that others might inhabit, spinning and weaving that others might be clothed. But his books contain no arguments addressed to the benevolence of his readers; hardly any aimed at their sense of justice. He deals with principles and demonstrations, things of the pure intellect, and generally more by negative than positive statements. For the moment he divests himself of all faculties but the logical, and lets nothing pass because it is good or beautiful or universally revered, but stands before it implacably demanding: Can this be proved? When he became a journalist, treating current political topics, he of course changed this method. His paper is consequently made more readable than his books.

His three principal works, whose titles are "The Creation of Order in Humanity," "Property," and "Economical Contradictions," aspire to the rank of science, passionless and impersonal. They abound in evidences of the former philosophical studies of their author, some of them brilliant in their compact lucidity, as, for in France, the analysis of the great German philosophers which goes before the essay on Property in the "Contradictions." It would be difficult to find a more striking statement of the kind; it makes what is obscure in itself both intelligible and interesting.

But what most arrests the attention of the hasty reader is the hand, always bold and often irreverent, laid upon what is usually regarded beyond question. Proudhon seems at times as if possessed by the spirit of denial and contradiction, like a special incarnation of Hegel's "immanent negativity." Hence the accusation of atheism,—a charge which we could easily confirm by the quotation of isolated passages or refute by the quotation of others. But such passages belong together with others, and neither those one side nor the other would, if quoted alone, convey a just idea of their author even as a theologian,—a function which he might have omitted attempting without loss of fame. How he came to attempt it if no concern of ours just at this time. We have now nothing to do with M. Proudhon's transcendental speculations; our business is to try and get at his political economy.

As we said, he has not published any complete system, but his views on important questions may be gleaned without much difficulty here and there.

¹ "The Spirit of the Age," November 3, 1849.

His fundamental principle is the Equality of Functions. All branches of labor are, he maintains, of the same essential value. We quote from the "Creation de l'Ordre dans l'Humanité":

"What is the comparative measure of values? In other terms, what is for every producer the natural price of the thing he desires to sell relatively to that he desires to buy?"

"A. Smith replies: 'The price of each thing is the labor requisite for its production. Accordingly two laborers, by reciprocally estimating their labor, may always find the comparative measure of their products, whatever the value of the articles which they propose to exchange.'

"The error of Smith and those who have followed him is to think that economy becomes more and more remote from its abstract principles as civilization advances; instead of which it is the organic development of Society which renders the application of these principles possible. Yes, the price of everything is the labor necessary to produce it; and, since each laborer is individually paid by his own product, the product of one ought also to be able to pay the labor of another; the only difficulty is to find a comparative measure of values. It will not do to say with Smith: This measure might exist in the savage state, but can be found no longer. Rather let us say: Labor can be equitably valued neither in the barbarous state nor during the ascending period of civilization, nor while there exist those whom pride makes lazy, men incapable through hereditary vice, knaves from intemperance of any sort, traders not controlled by the community; but the time will surely arrive."

This does not mean that every laborer should share equally with all others, which is the doctrine of a school of Communists; no man less liable to the charge of Communism than Proudhon. He proposes no such arbitrary equality. He means that the labor of a shoemaker, for example, is as valuable in itself as that of a goldsmith, clerk, artist, physician, legislator, and that only the accidents of a transitional state of society cause one's work to be valued twice or ten times as high as another's, supposing them equal in talent and industry in their respective employments. It is a sign of great imperfection in the social organization, M. Proudhon would say, when a Congressman gets eight dollars a day and a carpenter, who may be vastly superior in his profession to the Congressman in his, has to put up with ten and sixpence. This principle, it should not be forgotten, does not preclude the action of natural inequalities of capacity and assiduity, but merely gives them a basis of equality, inequality being, as Proudhon holds, the law of nature always based on its opposite.

This equality—a means, not an end, a mode, not a substance—is an ideal toward which Society moves but which it cannot at once attain. But what is the means of reaching it? Association. Here Proudhon agrees with the Socialists generally. But he differs from them in the nature of his association and conditions necessary to its establishment. He differs from them all in retaining the separate household, without which, he says, he cannot conceive of woman as occupying a position worthy of society or of herself; from some he differs in preserving the right of inheritances; from the Communists in regard to their grand doctrine; and from the disciples of Fourier by thinking no great things of Fourier's passional theory, as well as by denying that capital is productive or is entitled to any interest whatever. Interest and rent are the illusions which he claims to have destroyed theoretically. He claims also to know how to destroy them practically without

doing any damage to society, but the contrary. But what we have farther to say of his theory must be postponed to another occasion, when we will speak of money, credit, and property, and say a word concerning his famous adage, *La propriété c'est le vol*.

III.¹

We resume our statement of the economical principles of the great French Radical, and, in order to meet the curiosity of our readers, abandon the logical order of their development, and commence with the last and most startling of all his propositions:

PROPERTY.

“Property, *de facto et de jure*, is contradictory in its nature, and this is the precise ground why it is an actual thing.

“In fact, Property is the right of possession; at the same time it is the right of exclusion.

“Property is the reward of labor; and at the same time the negation of labor.

“Property is the immediate product of society; and the dissolution of society.

“Property is an institution of justice; and PROPERTY IS ROBBERY.

“From all this it follows that property will yet be transformed according to a positive, complete, social, and true idea; whereby, the old institution of property being abolished, it will become equally real and beneficent for all. And the proof of this is, once again, that Property is a Contradiction.”

Here is the heresy in the very words of the author. It has produced an extensive commotion in the world, whether because it is an unpardonable outrage upon some truth whereof the conservatives are special guardians, or because it drags into the daylight and roughly handles some diseased spot in the social body which it is their care to hide, we do not pretend to judge; as to that matter future generations will decide; our business is simply to tell what Proudhon really says and means.

None of the writers who have come up to the defence of Property as it is have stated more ably or clearly than he the necessity for the institution as the basis and condition of society; none have more insisted on the service which it has rendered to the progress of the human race. Whatever good can be said of it he says again and again. His books are a storehouse of arguments on that side of the question.

But it is the characteristic of ideas and institutions to pass through a state of contradiction, of affirmation and negation, of positive and negative, so to say; and this law applies to the facts of political economy as well as to others. Proudhon was not the first to discover this; common sense has always known it; he is simply entitled to the credit of stating it with great force and distinctness, though, had he made use of a less plain and rude style of speech, he might have said all he has done with comparatively little disturbance. He was, however, born a revolutionist, and

¹ “The Spirit of the Age,” November 24, 1849.

things have nourished in him a revolutionary spirit, possibly because the world had need of such a man.

To illustrate this universal presence of the law of contradiction, or of opposites: The intention of machinery is an inestimable benefit to the community, including the laboring classes; but, on the other hand, it throws workmen out of employment, renders their existence precarious, makes them wholly dependent upon the owners of the machines, and necessarily results in pauperism. This is clear to the eyes of all who have eyes to open, and the perception of it is the cause of the attempts that laborers make to destroy machines which, they think, will deprive them of work. What does this indicate? That there should be no machinery, or that pauperism is a good of which we cannot have enough? By no means. It indicates that things are in a state of discord or transition; and,—to borrow an illustration from metaphysics,—just as the contradiction between free will and necessity shows that there is a higher philosophical truth and a more universal formula to be arrived at, which will absorb and reconcile the two, so, in the contradiction between the increase of the aggregate well-being by means of machinery and the corresponding increase of misery by the same means, is there both the ground and the assurance of the establishment of some new and comprehensive social principle in which that antagonism will disappear. In other words, society will yet be so arranged that machinery will work for the equal good of parties, and not bring slavery and want to any.

Now, the same contradiction must attach to property, and the adage of Proudhon merely states it in the strongest language. Yet those who speak of it omit half the proposition, and that the first half, "Property is an institution of justice," in order to dwell on the negative, "Property is Robbery." But, taking both clauses together, this is no more than to say: While the right of possession is founded in absolute justice, and without it society could not exist, in the present state of unrelated and hostile individual interests Property becomes an irresistible means, combining the elements of fraud and violence, of taking from the producers, or from those into whose hands the chances of the battle have flung them, the products of labor without giving a fair equivalent, and quite as often without giving any equivalent at all. Or, as Proudhon has it, Property is Robbery.

"But," exclaim in loud chorus the whole respectable world,—bankers, merchants, manufacturers, and gentlemen of fortune,—"O base and dangerous Proudhon! we are not robbers; our consciences are clean; we fulfill the law, gain legal gains, and plunder no man. Wherefore, then, stir up the ignorant and hungry masses, who, understanding not a jot of thy transcendental notions, thy laws of contradiction and what not, will apprehend only that our comfort and luxury are not fairly earned and their hunger and privation not fairly brought upon them, and will rush with blind and bloody fury to despoil us of what is ours, kill us, and turn our children destitute into the street? Be silent with thy cry of ill omen, or we will proclaim thee a lunatic and a criminal, and put thee in prison while we have the power!"

To such adjurations Proudhon has latterly replied with language of defiance and contempt, but in times past, when more gently entreated with, he has answered this: "Friends, I do not accuse you personally; it is only the social fact that I impeach. I doubt not that your consciences are clean, for you do no more than belongs to the institutions under which you were born and brought up. But that does not affect the fact. In Turkey, Carolina, and Louisiana, and some other equally benighted and unfortunate places, men think it no wrong to hold men as property; their consciences are, perhaps, not hurt by it more than a stone by the blow of a feather. But nevertheless the fact of property in men is robbery of a bad sort. So, too, that baron of the middle ages who descended from his castle to levy on the peasant of the plain, or to relieve the

traveler of his surplus funds, suffered nothing in his tough and bold conscience, though now-a-days nobody hesitates to call his act by a hard name. And what shall we say of the acts done by the land speculator or the usurer who employs the power of capital to take advantage of others' if we may venture to necessities and get out of them the last cent? Ah, gentlemen, it is not a good sign when you are disturbed by a word. Truth is truth, facts are facts, justice is justice; let us talk plainly. Besides, do you not see that you have had it your way for some centuries? It is high time for the other side of this great economical contradiction to be brought out, if the world is ever to arrive at a solution of it. Read my political economy with attention, and learn the philosophy of the matter, and make fools of yourselves no longer."

The general idea of Proudhon in respect of property is nothing else shall its regeneration, if we may use that term. Until this is brought about, there must be both justice and injustice in it; on the one side, the necessary and perfectly true right of possession and enjoyment of the product of our own labor and the gifts of friends; and, on the other side, the plunder of producers and possessors by the rent of land,—in which, as well as in other gifts of nature, he holds no man can justly have absolute and exclusive property,—by fraud, gaming, speculation, tricks of trade, usury, interest, etc., etc. We conclude this subject with a paragraph translated from the "Contradictions Economiques":

"Thus property is formed as a matter of convention, which differs as much from justice as eclecticism does from truth, or the real value of a thing does from its market price. In the series of variations which it undergoes between the two extremities of injustice,—namely, rude violence and faithless cunning,—the contending parties continually end by some convention. But justice follows upon their agreement and compels the fulfillment of its conditions; the true law continually evolves itself from the sophistical and arbitrary law, and reform is accomplished through the conflict between intelligence and power. This immense movement, which has its starting-point in the obscurity of savage life and its ending on the day when society rises to the synthetic idea of possession and of value, and this mass of chances and of overturnings brought about by the social instinct and perpetually seeking their scientific and definite revolution, are what I name the religion of property."

Does this "synthetic idea" mean Communism? No, says our author: it means Reciprocity, Association.

LABOR AND CAPITAL

Labor is productive; capital is not.

Labor produces capital and consumes it; capital produces nothing.

The laborer without capital would soon supply his wants by its production, for the earth and its energies are for his use, the sun shines to aid his toil, the air gives vitality to his corn and vines, the rain brings forward the harvest, and nature, which has created the sheep, the cow, and the horse for his service, has a thousand hidden forces to be employed by the inventions of his brain; but capital with no laborers to consume it can only lie useless and rot back into the first elements of matter.

But, you say, the laborer with capital produces more than one without. Therefore capital is productive as the tool and instrument of labor, and I, its owner, am, in strict and absolute justice, entitled to some share of this larger product which the laborer has realized by its aid.

Not so, Friend! Your capital has in itself still produced nothing; it has simply enabled the laborer to derive a greater aid from those powers of nature which are free to all men and are ever ready to help industry; it is thus that the product has been increased, and not because your wheat, or wool, or iron, or steel, or the labor heretofore incorporated with them have created anything. Nature and active labor produce; the remains of past labor, called capital, are only capable of being consumed. If the laborer has used anything of yours, let him give you an equivalent therefore; Justice demands nothing more.

Perhaps you answer that, if the laborer will not give you more than an equivalent, he shall not have your capital to use, and may see how he will do without it.

That is another matter. We were not speaking of your wishes or of his necessities. It may be better for him to give you an enormous share of his product rather than be deprived of using your surplus; but that has nothing to do with strict justice, and by no means proves that your capital or anybody else's is productive, as we will show you when Labor and Credit and Exchanges—or, in other words, Production, Circulation, and Consumption—are once rightly organized.

Well, if this be so, what then?

Why, interest and rent are not founded in any permanent principle, but merely arise from temporary necessities. By and by men will pay and receive no more of them.

IV.¹

We trust no man will do M. Proudhon the injustice to suppose that his labor and capital ideas are all condensed into the brief statement which closed our last article. In that we rather aimed to present the essence of the question than to develop an entire doctrine, or even to hint at any other than the main point of the general argument. By the way, we do not remember to have seen this presented in any chapter or passage of our author's writings, and justice to him requires it to be stated. Did space or time permit us to treat the entire subject thoroughly, we should have taken it up under several distinct heads,—namely: capital is essentially unproductive, and therefore rent and interest are robbery; rent and interest violate the law of fraternity, and cannot do otherwise; the natural increase of wealth tends to their diminution and ultimate disappearance, as is evident from history. They may and well be done away with by the organization of mutual credit, and therefore are intrinsically false.

CREDIT.

What is credit?

It is a sort of corollary to the exchange of products, or a kind of second stage of that process. A has a bushel of wheat which he does not need and which B does, but B has nothing at present to give in exchange for it. A lets him have it, and receives his promise to deliver an equivalent at some future time, when he shall have produced it. Such is the operation of credit, which arose soon after the first commencement of exchanges. Presently it assumed a new feature, which may be illustrated thus: B needs A's bushel of wheat and has an article produced by himself, but cannot divide it so as to render an equivalent, or does not wish to dispose of it at present, and accordingly takes the wheat on credit. Thus credit is the giving of one product in consideration of the future return of another yet to be produced, or which is already produced, but not on the spot or in a condition which will allow it to be delivered. The uses and advantages of this operation are well known, and need no explanation.

All credit presupposes labor, and, if labor were to cease, credit would be impossible.

What, then, is the legitimate source of credit? Who ought to control it? And for whose benefit should it most directly be used?

The laboring classes.

But, instead of credit being governed by the producers in a nation, it is always in the hands of the intermediaries, the exchangers and agents of circulation; and, instead of being used to aid the workers, it is generally used to make money,—*i.e.*, to get the greatest possible amount of the products of labor for the least return, and, if possible, for none at all. And it is manifest that, if the working classes could once gain possession of this great instrument, which rightfully belongs to them, they might escape from the necessity of working for others, or, in other words,

¹ "The Spirit of the Age," December 15, 1849.

of giving the larger part of their products for the use of capital; they might become the owners of the tools they use, become emancipated from the domination exercised over them by their agents and public servants, set up for themselves, and enjoy the fruit of their industry.

But how can they gain possession of this instrument?

By the organization of credit, on the principle of reciprocity or mutualism, if we may use a new word. In such an organization credit is raised to the dignity of a social function, managed by the community; and, as society never speculates upon its members, it will lend its credit, not as our banks do theirs, so as to make seven per cent. or more out of the borrowers, but at the actual cost of the transaction. A practical illustration of the above named principle in a similar matter may be found in the system of mutual insurance.

MONEY.

The precious metals have an intrinsic value, which grows out of their uses in the arts, and another value as the representative of other products. It is only in their latter capacity that they are called money. Their use in that capacity is easy to account for. Their compactness and indestructibility naturally led the world to fix on them for such a purpose.

But, as the aggregate of products and of exchanges enlarged, it was found that gold and silver were inadequate for the transaction of business, and the social genius produced the bill of exchange and the bank-note. This was a great invention, whose benefits are not generally understood, whereby commerce and, consequently, both production and consumption were vastly increased, and with them human well-being.

Still, though a new sort of representative was apparently introduced, in reality there was no change. The bill of exchange was and is only a species of shadow, the representation of a representative, gold and silver remaining as the actual medium of circulation.

The difficulties which belong to the use of called money. Their use in that gold and silver as money are these:

1. They are articles of commerce as well as representatives, whereas a representative of values should have no other character, and be useful for no other purpose.
2. The quantity of gold and silver not being proportioned to the amount of products to be represented and put into circulation, while at the same time the circulation cannot be performed without them, it follows that whoever can get control of the specie of the world can rule the markets with despotic hand, and may work his will upon communities and nations; and also that such a monopoly of the circulating medium can be effected with an ease almost infinitely greater than a monopoly of any other article of general use. And thus specie money, from being a convenient medium of circulation, has become the tyrant of both the production and the consumption of the world.
3. By means of this tyranny labor is kept in subjection; financial speculations, stock jobbing, and usury are perpetrated; and interest is maintained at a ruinous rate in every country. Destroy it, and a monopoly even more unjust and pernicious than the monopoly of the soil—that other great outrage upon natural justice is destroyed, and society is relieved of scores of parasites, who go back to useful occupations, since they are no longer able to live upon the industry of others.

The question then arises whether any other basis than gold or silver can be found for the circulation. M. Proudhon says yes.

Gold and silver feed and clothe and shelter no man; they are good to the mass of people merely because they can be exchanged for food and clothing and shelter. If we, then, can discover anything which shall be equally or more portable, equally certain of being everywhere received in exchange for all products, and at the same time safe from being monopolized, we shall accomplish a great good, and the precious metals may be dispensed with except for their original uses. Is such a circulating medium possible in connection with such a system of credit as that of which we have above given the general features? In other words, can Production, Circulation, and Consumption be organized upon the principle of Mutualism, Reciprocity, Solidarity?

M. Proudhon's answer to this question will be found in our article in which we describe the Bank of the People.

V.¹

We have stated some of the main points of Proudhon's political economy to be:

1. Equality of functions, or of different employments.
2. Non-productivity of capital.
3. Mutualism of credit, or credit at cost.

In his pamphlets and in the earlier numbers of his paper he gives the name of Bank of Exchange to the practical institution by which he proposes to realize the idea of credit at cost, or, as he expresses it, mutual and gratuitous credit.

That idea is original with him, though some of the other schools claim to have the hint of it in their systems; but he is the man who first conceived and developed it positively and clearly, which is what constitutes an original invention. An institution actually carrying it out with success, and loaning money, everywhere current, not at a high rate of interest, but at the actually trifling cost of transacting its business operations and covering contingencies, would afford the most conclusive proof of the non-productivity of capital; that is to say, it would prevent rents from rising above the mere cost of keeping the premises rented in repair, and would totally abolish usury and interest; for, if a man can borrow, without interest, the notes of a bank which are of universal currency and perfectly guaranteed, he will not go to his neighbor and ask credit of him with interest, nor hire his land or his house at any more than it may cost to preserve the same in good condition; and thus, rent and interest being done away, where remains any productivity of capital? People will then not accumulate wealth as they do now in order to lend at interest, that they may enjoy the fruit of others' toil, themselves doing nothing, but the products of labor, no longer hoarded by the few, will be exchanged and enjoyed by the many; and everywhere new wants in the masses will give a new stimulus to productive industry, which will thrive accordingly to an extent of which, in the present state of monopoly, we have no conception, and there will be universal abundance and satisfaction; and then whoever wishes to enjoy must labor there fore in some useful vocation, as music, literature, or blacksmithing, or carpentry, or some other. And there will at last be gained an equilibrium of values, or just relation of different branches of labor to each other; or, in other words, the equality of functions will be established, and the trades of shoemaker, governor, artist, farmer, etc., be equally remunerated, and that not by arbitrary enactment, but by the natural tendency and effect of the laws which rule in political economy as well as elsewhere. Such are the ideas of Proudhon. Their final expression is the institution of mutual credit whose members—and it should include the whole productive part of the community—combine to lend each other the credit of the institution at cost, just as the members of a mutual insurance company combine to afford each other at cost the guaranty of

¹ "The Spirit of the Age," December 8, 1849.

the company against loss of property by fire or otherwise. The principle is precisely the same in both cases.

The Bank of Exchange is composed of men engaged in productive labor, who, feeling the abuses attached to the fiction which makes gold and silver the basis of the circulation, associate themselves together to restore the real basis,—namely, consumable products; and, feeling the evils which result from the monopoly of credit in the hands of the non-producing class, they determine to abolish the same.

The institution of mutual credit has two phases: the one is during the time of its formation, before the whole body of producers is completed. In the former gold and silver are required for partial use; in the latter they are dispensed with.²

Let us suppose a community in which are men pursuing all branches of useful industry—and by the word useful we mean to include the fine arts with the trades producing articles of luxury and elegance—whatever beautifies as well as what supports life—farmers, mechanics, manufacturers, housekeepers, schoolmasters, artists. They form an institution of mutual credit, or Bank of Exchange; it issues its notes, loaning them to A, B, and C as they are wanted and as security is given. Every man in the community belongs to the bank, and is bound to receive the notes in exchange for whatever he has to dispose of. They are, in fact, payable at the farm or the workshop of every one of the members, not in gold and silver, but in consumable products; and indeed they are not bank-notes, but bills of exchange, drawn, so to say, on every member of the bank, and bearing the signatures of every other. They are true representatives, since they stand directly for articles of use. And, as the bank is formed by the whole community, not for the especial advantage of any individual or class, but for the mutual benefit of all, of course no interest is exacted on loans, except enough to cover risks and expenses. Thus, while every man is left free to follow his own productive business in his own way, and the principle of individual liberty suffers no diminution, there is a complete reciprocity established throughout.

The point where a true reform of society must commence is the function of exchanges, for that is the point where economical relations converge. By introducing mutualism into exchanges and credit we introduce it everywhere, and labor will assume a new aspect and become truly democratic. Thus the problem of the present times will be solved, and the republic of wealth appear, completing the circle of the Revolution.

“The republic of wealth,” asks, perhaps, some anxious conservative, “what is that? the equal division of the goods of the world among all its inhabitants? the robbing of the few for the many?” Not so, replies our author, O man of much respectability but of little brains, talking of robbing, when thy hoards are filled with riches gotten at the corn mart and the stock exchange! But, as the Revolution has destroyed the tyranny of the Church and the tyranny of the State (though just now some of our French adde-pates are seeking to resuscitate them, especially the latter), so it must destroy the tyranny of capital,—that is, of property. We have established, more or less thoroughly, equality before the divine law, which is the republic in matters of religion; equality before human law, which is the republic in matters political; now let us have equality before fortune, which is the republic in matters of industry and enjoyment; equal opportunities

² It must not be inferred from this that Proudhon expected to dispense with a standard of value. He did contemplate, however, the gradual disappearance of gold and silver as actual circulating media, and his fundamental financial principle is the use of all products of stable value (including gold and silver) on an equal footing as security for currency. —*Publisher's Note.*

of producing, equal protection in enjoying, and no more luxury to which useful labor has not established a right. "That is a hard saying," says the questioner, and goes his way.

The Bank of Exchange implies, then, the combination of the whole producing community for the purpose of mutual credit and the establishment of a sound medium of exchange, or, as we said, of circulation. We trust our explanation of this conception of mutualism of credit, hasty as it has been, has been sufficient to make our readers understand it. To our thinking it is a grand and fruitful idea, indeed, the great idea of modern economical science. Some may cavil, and that with just ground, at the details of the organization which we have hinted at rather than described, but we shall reckon him but a bold sophist who, with any comprehension of the principle, will presume to assail it.

But how shall this bank be established in our present world as it is in Paris, for instance? There are two ways, says Proudhon. The better way is for the government to do it; let it take the Bank of France, repaying its stockholder, and convert it into the Bank of Exchange, the notes being a legal tender as they now are.³ Let the rate of interest be reduced, but yet kept sufficiently, high to meet the expenses of the government, thereby dispensing with the whole business of tax-assessing and tax-gathering; two or three percent would be enough to do that at the beginning, and thereafter still farther reductions might be made; the revenue would then be collected more surely and without its being felt by the payers; all branches of industry now languishing because the gold and silver that formed the basis of the circulation had been withdrawn and hidden through fear of the revolution by those who controlled them would be revived by suitable loans; neither honest labor, nor the State, need then ever again to fall into the clutches of the usurers; and, instead of passing through a period of depression, want of employment and of bread among the working classes, with ruinous experiments of national workshops and insurrections and bloodshed, followed by a powerful reaction against the new institutions of the country, the republic could at once have entered upon a career of active industry, prosperity, peace, and progress.

To all this and much more like it but one reply could be made,—namely, assignats, irredeemable paper money, speculation, expansive bankruptcy; as though France were not already in the premonitory pangs of bankruptcy and requiring some heroic operation to prevent dissolution.

Well, continues our economist, if you will not allow the State, which, after all, is nothing but the community taken collectively, to undertake this reform, we must begin at the other end. We must appeal to individuals, and, if possible, bring together a sufficient body to undertake the work.

In the summer of 1848 Proudhon was constantly occupied with the discussions of the assembly, and, though his paper constantly put forward his economical theories, in one form or another, nothing was done toward making a practical experiment of mutual credit. Through the spring he had daily published an appeal to those who desired to engage in establishing the Bank of Exchange, but it was not productive of any actual result.

Early in the autumn Jules Lechevalier, who is already somewhat known to American Socialists, came to these conclusions:

³ Proudhon never favored mutual banking through the State save as a measure of transition and expediency. And even in that aspect he came later to disapprove it, relying on private initiative and free competition for the realization of his views. As a believer in the abolition of the State, government banking was necessarily objectionable to him.—*Publisher's Note.*

1. The principle of mutual credit is true;
2. But it is impossible to introduce mutualism into the function of circulation without organizing both production and consumption on the same basis. Labor and commerce must be reformed by means of association as well as banking;
3. Because, if labor be not organized, the laborers will be made to toil for others to receive the fruit thereof as heretofore; and, if commerce be not organized, the consumers will be imposed on and defrauded by the agents of exchange as heretofore; and, moreover, the circulating medium, no matter what its basis, will be liable to be monopolized and to become an instrument of oppression as heretofore, causing great wrongs and calamities;
4. Therefore let us found an institution having three divisions,—namely, the Association for Mutual Credit, the Syndicate of Production, and the Syndicate of Consumption; and to the whole we will give the name of the Bank of the People.

Proudhon is a man weakly jealous in respect of what he considers his intellectual offspring, and will not readily accept any other doctrine in connection with his own. He was invited to the meeting of the Workmen's Association called to consider this new plan, and came. M. Lechevalier opened the discussion with a statement of his views as lucid as it was modest and appropriate, attributing to Proudhon all that was original in the design and nominating him as chairman. From that time the enterprise, with Proudhon at its head, was steadily carried forward, many other men of talent, such as Ramon de la Sagra and Victor Chipron, a workman possessing one of the clearest and most intelligent heads in Paris, participating in it, till the condemnation of Proudhon for a libel on President Bonaparte caused him to end his connection with the project and repay the subscription which had been made toward its realization.

In his letter announcing this determination, published in the "Peuple" of April 12, 1840, he betrays a weak and ungenerous distrust of his associates, together with a jealousy of what they had added to his theory.⁴ It has been said that he also defrauded the subscribers to the Bank of the People. That is a falsehood. He insisted on paying them all,—himself, from his private resources, bearing all expenses, in which was included a year's rent of the office of the Bank, with fixtures, books, etc., complete for carrying on its business.

The plan was afterwards resumed by Lechevalier, Chipron, and others under a form somewhat modified, and with the support of the Democratic party and the workmen of Paris and other large cities of France, but nothing was ever accomplished, and finally the affair of June 13, 1849, dispersed the leaders and ended the undertaking. In our next article we will give a thorough account of the organization and arrangements of the proposed institution. It is worthy of study, not only as an illustration of some of the profoundest principles of social economy, but as a chapter in the history of the times.

⁴ See footnote 4. Proudhon consented to embody the Syndicates of Production and Consumption in the project of the Bank of the People simply to humor those of his associates who placed stress on these features. He did not consider them of any value, — in fact, he looked upon them as surplusage,—but he knew that they could do no harm while he was at the head of the firm of P.J. Proudhon & Co., the legal name of the Bank of the People. When, because of his imprisonment, he was unable longer to exercise an active control, he preferred to wind up the concern rather than see it come to grief in the hands of his associates, who, whoever worthy personally, were not, as he was, practically and thoroughly versed in business and finance. In this decision he showed sound judgment.—*Publisher's Note.*

VI.¹

The purpose of the Bank of the People is, as we have seen, the emancipation of labor and the consequent establishment of the republic of wealth. To accomplish this it organizes industry, banking, and commerce, or, as the economists would say, Production, Circulation, and Consumption, on the threefold principle of Liberty, Equality, and Reciprocity. We will take up these three functions separately, treating, for the sake of convenience, the first and third before the second.

THE ORGANIZATION OF INDUSTRY—THE SYNDICATE OF PRODUCTION.

There are in Paris some 150,000 workmen, a third or half of whom are already organized in associations for the prosecution of their various trades. Their progress has been most encouraging, proving in a very conclusive way that the workmen of Paris not only possess much skill in practical affairs, but that labor, which, with the help of nature, has produced all the wealth there is in the world, is abundantly sufficient to its own emancipation, provided there be unity of purpose and wisdom of direction among the laborers.

Now, important as are these associations, it is manifest that the work is but half done when they are formed and successfully in operation. They do, indeed, to a great extent abolish the exploitation of the employed worker by the employing capitalist, and make the worker his own employer; but, in order to completely gain that end, the associations must be associated, united in one body for mutual aid, protection, and guidance, and for the increase of the common force. It is the business of the Syndicate of Production to establish such a union, and draw forth all its advantages.

The Syndicate of Production is a sort of central committee, or board of directors, chosen by the various bodies of workers to represent and take care of the interests of the producing class. Its duty to complete the organization in one body, which shall be governed according to universal suffrage, of all that class, whether now members of associations, carrying on business as employers, or laboring each for himself; to favor and assist the formation of industrial associations; to negotiate and guarantee what loans such associations may need of the Bank; to serve as a central point and agency of relations and intercourse between different branches of work; to supervise the quality of the articles produced; to organize and direct among the various trades and associations a system of mutual insurance against all kinds of losses whose value can be estimated; to encourage inventions and improvements; to procure on the best terms the right of using inventions; to guard against suffering on the part of those whose occupations are superseded by the introduction of new machines and processes; to organize apprenticeship, so that the youth may be enabled, as far as possible, to learn a trade suited to his or her natural aptitudes, and so that

¹ "The Spirit of the Age," December 1, 1849.

each corporation in need of apprentices may have them; to organize a central fund for pensions to superannuated workmen; to seek for a mode of so combining different occupations as to avoid evils arising from the necessary suspension of certain trades during parts of the year; to obviate the bad effects which the extreme division of labor has upon the workmen, etc.

In a word, the producers being organized in one body, the Syndicate of Production is the provident head and executive hand thereof.

THE ORGANIZATION OF COMMERCE: THE SYNDICATE OF CONSUMPTION.

It is a notorious fact that working people and poor people pay dearer for the necessaries of life than any class beside. Other persons can take advantage of favorable states of the markets, buy in large quantities and of the best dealers; but laborers, having nothing before hand, receiving small wages, and of necessity living from hand to mouth, can do none of these things. They buy the poorest and most adulterated articles of the most unconscionable retailers, at times when prices are high, as well as when they are low, and always at rates whose enormity is proportioned to the smallness of the quantity which they purchase at once. They pay in proportion far more for rents, fuel, lights, clothing, and food than those who lie in perfumed chambers, whose meats are fat, whose drink is red and sparkling, and whose vesture is sumptuous and soft. On the poor the abuses of the prevailing system of commerce, everywhere bad enough, work their utmost mischief. This must be remedied.

We have already seen the producers combined for the function of production or in labor; the matter now in hand is to combine them for the supply of their wants. The Syndicate of Consumption is designed to perform that office.

It will procure the erection of great combined houses where there will be excellent and healthy accommodations for families and for single persons at low rents; it will establish bakeries, meat markets, fruit shops, groceries, and will open in Paris and elsewhere magazines, and will buy at wholesale in the best markets and on the best terms all articles of necessity, and will also receive the same on consignment, taking care that they shall be unadulterated and good, and will furnish them at cost, adding enough to cover expenses and risks, *to those who come to buy them with the notes of the Bank*, but not to those who come with specie money. And all other articles, not of common necessity, it will procure and deliver to order on the same terms.

It will establish depots for the deposit of all kinds of materials for all trades, receiving them on consignment and selling them on commission; and will make arrangements by which it will be able to supply whatever of that sort may from time to time be wanted; and such articles it will also, in all cases, furnish on better terms on payment in the notes of the Bank than otherwise.

It will open accounts with the different associations and with the Syndicate of Production for such materials furnished for manufacture, and will also make advances of materials to the Syndicate of Production on consignments of manufactured articles, and in union with that board will exercise a supervision over the quality and the price of products.

In a word, it will labor to produce the most direct relations possible between the producer and the consumer, and to free both from the imposition of a vast horde of irresponsible intermediaries, whose constant aim is to buy for what costs 10 to produce, and sell it again for 20—with nothing but the insufficient check of competition to save both producer and consumer from be-

ing exorbitantly fleeced by every transaction. The Syndicate of Consumption will interpose a new check, though of course they will not attempt to overrule the law of supply and demand, and competition will still have a good change to do what good it can. But what is obvious is that, under such an arrangement as that we have described, the associations of workmen are secured the home market. They get the custom of the whole body of their brethren, which is no small thing; others will also buy of them, because they will sell good articles cheap.

Let these things once get fairly at work, and what becomes of the world? It is transformed. And for misery there is abundance, and for want satisfaction, and for ignorance intelligence, and for fraud uprightness, and for war peace.

THE BANK.

The Bank undertakes all the operations belonging to the function of Circulation, and undertakes more than an ordinary bank. It discounts the obligations of commerce, collects and transmits funds, makes advances on annuities, on mortgages, on consignments, on industrial enterprises (of course in all such cases paying out its own notes), receives deposits, whether of the savings of individual workmen, or of associations, or the money of other parties, etc. Though serving specially as the agent of the workmen, the Bank is entirely independent of them, does not participate in their enterprises, and is in no wise responsible for any of their losses. Even the Syndicates of Production and Consumption, though in the most intimate relations with the Bank, are individually distinct from it, each having for the purposes of its first organization its own particular capital.

There is no exclusion in the formation of the Bank; all classes and all individuals may participate in its advantages. All persons may become what are called "adherents," or members,—that is, may agree to receive its notes in exchange for such articles as they may have to dispose of, also agreeing to purchase of other members what they have to buy. It is plain that, if adherents, using the notes, can buy cheaper than without them, everybody will desire to enjoy that benefit, and their general circulation will be insured; and that even individual dealers will sell cheaper to fellow members is plain from the fact that they will be controlled by the Syndicate of Consumption, with its great magazines and depots.

What is the guaranty of these notes?

At the very start, in the mere infancy of the institution, they are guaranteed by these fifty to a hundred thousand workmen,—not as so many individuals, but as members of a compact and most efficient industrial organization, whereby they not only are justly paid, but produce more than under the old system. Moreover, this guaranty is constantly strengthened by the organization of similar bodies in all parts of the country, and by the steady growth of the operations of the Bank, which, from the necessity of things, if conducted with only tolerable skill and judgment, must soon include the whole productive industry of the nation in its sphere of action and as the elements of its power of usefulness.

What the Bank issues in its notes is the credit of the people organized and employed for the benefit of the people, and impregably fortified on each side by the organization of labor and of commerce. And let it be borne in mind that *productive industry is the only real basis of credit*. You may set up any number of fictions in regard to the matter, but this is always the truth at the bottom. The difference between the bank of the People and the old financial system is that in

the former the credit of the community is controlled and used by the community solely for the furtherance of industry and the increase of its return to the industrious, while in the latter the same credit is ingeniously monopolized by a few, and used as an irresistible machine for levying upon industry the most exorbitant tribute for the benefit of the monopolizers. This is the fact in a nutshell. Of all monopolies that of credit and the circulating medium is the worst.

Let us sum up these statements:

By means of associations combined through the Syndicate of Production, industry is so organized that the product goes to the producer.

By means of the Syndicate of Consumption, the producers and consumers are brought into direct relations; the poor buy on as good terms as the rich; the workman is enabled to procure materials as well as the capitalist; frauds and adulterations are prevented; the number of agents of exchange is reduced to what is necessary; and, in a word, commerce becomes a strictly social function, regulated, like the management of schools, by the wishes and for the benefit of the community.

By means of the Bank, a circulating medium is afforded, having the best possible guaranty, at the same time that it possesses the capacity of varying in quantity according to the necessities of the public, which silver and gold cannot,—wherein lies one ground of the evil connected with their use; the rate of interest is reduced to the cost of managing the business and meeting the contingencies of the Bank,—and that, let it be remembered, not nominally by an ineffectual usury law, but in fact; and, interest being thus reduced to cost, which, in an institution covering a whole country, like France, and transacting all its business, as the Bank of the People in time surely would, would be the merest trifle,—say, one-half of one percent,—rents would at once fall to their just and natural level, and nobody would be able to make money by owning and letting houses or lands; and at the same time the great function of credit and circulation would be in the hands of the producing class, who must also be the consuming class, and all speculating and living upon them would be at an end.

Such are the fundamental institutions of the republic of wealth. Let the reader ponder them. They are worthy of reflection.

HOW THE BANK OF THE PEOPLE WAS TO BE ORGANIZED

Though the Bank of the People, as an institution of mutual credit and exchange, will need no gold and silver as the instrument of its transactions when it is fully in motion, and when the whole nation are brought into it, it must at the outset be able to pay specie for its notes wherever specie is demanded. The Syndicates of Production and Consumption must also have a money capital, in order to the efficient commencement of their operations, and until the notes of the Bank shall have attained a general currency.

The capital necessary for these purposes it was proposed to raise by shares bearing no interest and receiving no dividend. Of course only those interested in the realization of the scheme would subscribe. The capital of the Bank was fixed at 5,000,000 francs, of 5 francs each, operations to commence when 50,000 francs was subscribed and paid in; that of the Syndicate of Production at 1,000,000 francs, to commence when 25,000 were paid in; and that of the Syndicate of Consumption at 3,000,000 francs, of which the payment of 50,000 was requisite to begin business. Moreover, as soon as operations were commenced, a considerable amount of specie would con-

stantly flow into the chest of the Bank from the wages of workmen, from other money brought to be exchanged for its notes, from deposits of savings, etc.

The subscription had begun, and, though not large, a sum would probably have been raised sufficient to start with, had not Proudhon's sentence for libel put an end to the execution of the scheme. It is now abandoned, or, rather, a better time is waited for; permanently laid aside it cannot be; the movement at Paris is too strong to allow ideas so broad and fruitful to fail of a result. In one form or another they will ere long be tried.

In this exposition our purpose has been more to set forth general principles than to explain particulars, though of the latter we have endeavored to omit nothing essential. Indeed, the details are not in all cases yet worked out, and, where they are so, are perhaps often imperfect. The grand scheme of labor, finance, and commerce, organized by association, is what we have endeavored to make plain, together with the beneficial consequences to be expected therefrom. We ask the attention of our readers to the whole, but particularly to the reform of circulation and credit. In our judgment that is a subject which demands most careful consideration, especially in this country, for the circulation is the life-blood of the whole economical and industrial system, and interest of money constantly devours the fruit of industry. It is a stern and undeniable fact that a country which pays even five per cent. interest, to say nothing of the rates of Wall street, must from time to time commit bankruptcy, in order to rid itself of a burden of debts which it cannot discharge, its entire property having already passed into the hands of the creditors. The fact has hitherto not received the attention it merits, only because the creditors are in most cases within the country itself.

THE END.

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Charles A. Dana
Proudhon and his "Bank of the People"
1896

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