

# The Economic and Social Problem

by Michael Flürscheim

## CHAPTER IX. CONCLUSION

It is the fight for the truth, not for success, which is certain of final victory.

I have done.

What I give is the outcome of a quarter of a century's study, concurrent with half a century's practical work in the field of industry, trade and banking. I do not flatter myself that the book will prove to be popular. The public interested in sociological work is limited, and often wedded to some favored method of cutting off the hydra head of social misery. Unfortunately, the beast has more than one head, as Hercules found out in the good old time when monsters yet abode upon the earth in their undisguised ugliness, so that heroes knew exactly where to strike. They are much worse in our time, when hired pens so cleverly manage to hide them behind beautiful names, often impenetrable armors for the intellectual lances of the multitude. *Capital, the friend of labor!* Capital meaning the market value of the privilege to fleece labor. *Interest, the reward of abstinence!* The abstinence of those who have to pay it. *The instigator or saving!* As if the bee needed interest to stimulate its honey-collecting work, and as if interest, by reducing the amount of savings, necessary to live without further work and by disabling the interest payers, etc., from saving, did not prevent more work than it stimulated. *Free trade!* Even if it means opening our own armor, while others double their protective shield. *Laisses faire!* Even if the people starve. *Sacredness of property and full play to individual effort!* Even though property means the soil of the country, and though life and work are impossible without land. *Sound money!* Even though soundness means a growing monopoly for the owners of a scarce commodity, which has been made the only legal tender for debts, the only standard of value, the only legally valid means of exchange. *Credit the soul of business!* By exacting interest which kills trade. *Gradual equalization of wealth!* Because the rate of interest goes down, in reality the sign of an unnatural overgrowth of tribute-claims competing for the limited quantity of safe tribute. *Free trade in land!* To have the mortgage-lord take the place of the landlord; the plutocrat that of the aristocrat. *Over-population!* With an over-production of all necessaries of life. *Over-production!* With millions of needy people. *Survival of the fittest!* The fittest often being the useless sprig of a line of idle drones, who overcomes the honorable toiler.

No wonder it is difficult to find the head of the hydra, the new head which has grown in place of the old one: *Plutocracy*, the ugly successor of Despotism! Who will be the modern Hercules to cut off this head? Will it be that great nation which has done so much already? *Noblesse oblige*. Will its great Declaration of Independence from foreign oppression be followed by another much more important one, directed against the New World tyrant? Let us hope so; for nowhere has this despot attained such gigantic power; nowhere is his yoke more strongly felt.

This work would certainly court a greater popularity if it had followed one of the wellknown flags; for example, that of Social Democracy. I have tried to do her justice, but I could not follow her lead, nor do I believe that the people as a whole are prepared to do so; for only the work of the day appeals to them, not that of the future. The flag of the *Single-Tax* is followed by some of my best friends. None of them can have a higher veneration for the great

founder of their school than I. His great *Progress and Poverty* did more than anything else to speed me on the path of social reform work, but they are altogether too one-sided in their aims and are wedded to special methods, which can never be successful. *Currency Reform*, necessary and urgent though it be, has been the banner under which false issues have been put forth, while the practical plan is almost completely ignored. On no other field have cranks and fadists held such orgies. Rarely have partisans been more deaf to other voices. *Tariff Reform*, a rag pulled to one side by protectionists—who in their narrow and usually selfish partisanship lose sight of all other aspects of the great social problem, but foreign competition—and to the other side by the nothing-but-freetraders—almost as blind Don Quixotes, riding their rosinantes to death and doing all in their power to make disobedient facts accommodate themselves to their theory.

These classes are too deeply engrossed with their own specialties to heed the physician who contends that the disease of the social body cannot be cured with one remedy. They consist of estimable men who are far ahead of that ordinary run who go their way through the world without realizing that they, too, are called upon to work for the great change, which, though sure to come, could be reached much sooner if they all helped to the best of their abilities.

It is no easy matter to reach the masses; in fact in ordinary times it is impossible; but, fortunately, ours is not an ordinary time. We live in one of those rare periods of which the poet says: "The time is ripe and rotten ripe for change," a period in which a great revolution is preparing, which is beginning a new chapter of human history. We have seen several such periods since that great one which began on Calvary in far off Jerusalem. One of them that which fourteen centuries later was marked by the introduction of letter printing, which made knowledge, once the monopoly of the few, the property of the people. A little later, the discovery of a New World, destined to become the cradle of liberty, was followed by the great Reformation, that began the liberation of the human mind from ecclesiastical serfdom. Another century came which saw the sailing of the Mayflower with its wonderful potentialities; which witnessed the uprising of a nation and the fall of a faithless king, followed by the peaceable revolution which confirmed the great principle of self-government for the Anglo-Saxon, the seed of 1776 and 1789.

The ground had thus gradually been prepared for progress of a different nature in which Invention led the world to the conquest of untold wealth and wonderful possibilities of wellbeing for all. In this miraculous mastery of nature's powers, these almost unbelievable transformations made by the Alladin's lamp of science and technical progress, battle after battle was fought in such quick succession that the armies had not much time to pause and examine their commanders. When at last they did so, their observation revealed to the astonished warriors that, during their march of conquest, the leaders who had urged them on, had gradually usurped such despotic power that a new kind of slavery had arisen, a slavery all the more strange because so little to be expected as a consequence of such wonderful achievements.

The rage brought on by this discovery spreads quickly; but the first storm takes the wrong direction. It attacks persons and classes, instead of looking for causes. In this book I have investigated these causes, after explaining the radical difference between the new problem and the problem of the past. I have shown that it is a question of clearing a free path for the immense productive power we possess; and no longer one of the division of an insufficient stock of wealth. We saw how land monopoly and inelastic money have been the main obstacles, which prevent production from reaching the limits of productivity, and from thus creating wealth for all. It was then easy to indicate how the land can be made accessible to all users, without confiscation, or the imposition of new loads on the workers' shoulders. It proved a little more difficult to explain how an elastic money can be created, presenting an unchangeable standard of value and easily accessible to producers and traders. Interest, the enslaving force through which billions of so-called wealth—in reality only the market value of

tribute-claims—became the property of the few and the shackles of the many, needed no special system of attack; for it sufficed to prove its dependence on the two great monopolies; their downfall entailing its disappearance.

After cutting the roots of those monsters known under the name of Trusts by the two fundamental reforms, their final overthrow, or, at all events, their transformation into harmless and useful factors in the co-operative circle, was shown easy by the help of another important reform, i.e. the nationalization of distribution; an economic factor of such potency that it would render unnecessary the nationalization of production.

But will such great transformations ever be reached by the process of peaceable evolution through the ballot? The political reforms needed to make this possible were discussed; also another path to the same goal, voluntary co-operation, was surveyed. Mutual banking, though not providing new money, at least supplies a credit system, independent of money and land monopoly, and thus may help in the final battle against the main forts by mining their outworks. With its help, co-operation in distribution could obtain part of the power, which the nationalization of distribution would completely secure, and thus might help to render the trusts innocuous.

Not a single specific; but the plan of a complete campaign, making use of the most diverse forces. No such patent medicines as Single-Taxers, Freetraders or Bi-metallists prescribe, and therefore a plan likely to be proscribed by these gentlemen, who like the crank of an engine always come back to the same point in the revolutions of their mental mechanism; yet on that very ground a plan that ought to commend itself to all who are not yet married to an Ism; not only to the poor, downtrodden masses, but to the very men now looked at as their oppressors. What tends to keep these men back from helping in the great fight and makes them limit their efforts to the domain of charity and education is that very appeal to a class fight which is the shibboleth of Marx and his followers.

We hear a good deal about classes, class consciousness, class fights, etc., but are these not rather loose verbalisms? While some simplify the task by merely distinguishing between the rich and the poor, others, believed to be more scientific, classify on the one side the owners of the means of production and distribution, and on the other those whose labor sets these agencies to work. Practically the fight is between employers and employed, and may be summed up in the endeavor of the employers to get as much work as they can obtain for as little money as the employed can be induced to accept; and the endeavor of the employed to give least work for as much money as they can extort. Unions have been formed on both sides, and the war goes on with varying success. At the outset the employers' unions are at an advantage, as not only prejudiced judges but also Hunger and Cold fight in their ranks, and not only weaken the resisting power of the united workers, but also recruit their worst enemy, the "scab" or non-unionist. In the end, however, the result of the war seems beyond any doubt, for the working masses form the large majority of the nation; their will must finally become law if they put aside the poor weapon of striking and make good use of their political power. It is easy enough to see in which direction this power will be used, unless the fight is shifted to a new field. At present the opinion begins to prevail among them that against the seeming tyranny of the employer the only remedy is his elimination, by making the workers their own employers who shall own their means of production in common. From such a narrow point of view Socialism necessarily is the only outcome. I have tried to show in the preceding chapter that for the toiling masses even this alternative is an immense progress from their present state, but that another course offers which not only promises them greater advantages, but would be more acceptable to the reigning classes, who might be gained over if their antagonists met them half way. This alternative has been presented in these pages. If it should not prove acceptable to the men who represent the cream of our workers: the unionists, it is because they have been too long in the fight against persons to recognize the fact that it is not persons but certain institutions which hold the fort against which their attack ought to be directed.

Unfortunately, many of the victims of these institutions do not fight against them, but try to use them as a ladder for their own personal elevation from the ranks of the downtrodden into those of the oppressors, who would be powerless without the cupidity that recruits the ever-ready army under their command. It is this cupidity which makes the masses listen so readily to their worst enemies, the land owners, to whom are allied the men who make a living by selling or conveyancing land—those eloquent preachers against the wicked ones who want to despoil the poor worker of the little plot for which he has been saving up during so many years. Or the money-lender, who rallies him to the defense of interest, pointing to the benefit accruing to the poor saver from his investments in the savings banks or life insurance companies. Or the banker, vaunting the good old honest gold dollar, and warning the man of the people against worthless paper, which is bound to ruin the industrial classes.

It is the old story of the wolf who preaches to the sheep that the right of devouring other animals is one of the most sacred natural laws, equally beneficial to all creatures, and therefore not to be infringed by anyone without extreme danger! "These agitators want to deprive you of the right you have to gorge yourselves on wolf flesh; just think of it!" Or the story of the slaveholder who tells his human chattels that slavery is a profitable institution to them. "Has not Caesar, a former slave, after buying his liberty, bought several slaves for himself? Why should not all of you have the same chance?"

Let the worker calculate how much his share in the nationalized land would amount to, and how much on the average he can ever hope to own, under present conditions. I have shown in Chapter II. that the nationalized rent would yield enough to ensure him and his wife a higher pension for every single year after his retirement from work than, in ninety-nine cases out of a hundred, the whole value of the little plot of land which he can ever hope to possess free of debt, would figure up to. I could equally prove to him that the amount of interest he pays during his life in the price of everything he buys or of every dollar he borrows, as well as in the loss caused by lower wages or unemployment, due to the interest paid by his employer, exceeds a hundred-fold the interest he obtains for his scanty economies from the savings bank or through the reduction on the premium he pays to the life insurance company. But all this dwindles into the background when he takes a broader view, when he comes to understand the part, which the institutions thus praised to him play in the economic process. When he has once realized the truths which this book tries to inculcate: that the social mystery of the past and the present century—the problem of want through superabundance, which has succeeded the familiar and explicable question of misery through insufficient productive power—that this seemingly incomprehensible problem is due to capitalism; and that capitalism must perish when its roots (rent, and interest) are destroyed, with the soil of private land ownership and hard legal tender money which they luxuriate in—when the worker has thus gained the solution of our present-day problem, he will behold the dawning of a new era. Instead of clamoring for more labor laws, he will join his employer—after all, a worker, too—in the great fight against monopoly, the soul of capitalism, their common enemy.

Then and then only will victory crown their joint efforts, a victory without any vanquished, for the fertility of unfettered productive power is so wonderful that the compensation of the capitalists will be easily accomplished. With the disappearance of private rent and interest as a continuous doubling force of their wealth, our rich will gradually consume it. It would simply mean that a certain number of people have deferred consumption, while others consent for a while to use the wealth thus saved in the shape of tools of production, to hand it back in the form of articles of consumption of all kinds at the time when the lenders want it. For the advantage reaped from the use of the tools, the borrowers would render the service of preserving their creditors' wealth intact. The longer the period during which wealth is thus freely lent, the better for the borrowers. If the lender is so rich that, as in the case of the Rockefeller family, the mere consumption of the accumulated wealth, without interest, would give a yearly income of a million dollars during a thousand years, this would simply mean that

generations after generations of workers need not at all think of reimbursement, that they may almost look at the capital as belonging to themselves. Practically, the liquidation would probably terminate somewhat more expeditiously, for it is not to be supposed that, in a world in which the wealth-producing power of labor benefits principally the workers, and thus conquers for them the highest rungs of the social ladder, any body should want to continue living as a drone. Where only the self-made man is honored, inherited wealth will finally be flung away as something derogatory.

An interesting precedent is supplied by history. Professor Roscher tells us in his *System der Volkswirtschaft* (Volume III. p. 21), that in the year 1293 the citizens of Florence made a law, according to which "the Grandi (noblemen, patricians), who had become members of a guild to enjoy the privilege of sitting in the Council, had to actually work in their trade, if they did not want to risk the loss of their franchise. ... People could be ennobled as a punishment. ... After the expulsion of the Duke of Athens, the most popular noble houses obtained permission to relinquish their nobility. In Pistoja all the disturbers of the public peace were entered into the register of nobility (1285). In Guelphic Parma all the Ghibellines were ennobled (as a punishment) in 1248."

This reads like satire, and certainly appears as strange as my prediction of the future; and yet it is historical fact, recorded by a careful German university scholar. But results more wonderful would follow our land and currency reforms. We have become so accustomed to the present state of things that it is hard for us to realize how difficult it would be to make anyone, unacquainted with our history, understand our present plight. It would be almost impossible to make him comprehend how, with such a wonderful productivity of labor, the workers could not soon free themselves from all their obligations—in fact, how they have not long since gained the ownership of all wealth. Even if he understood how our ancestors committed the folly of selling their terrestrial birthright, or how they were deprived of it by fraud or force and thus recognized the fundamental basis of all our land titles, how explain to him that the workers, with their untold potential wealth, have not long since bought back the land? We should further have to tell him how it came about that we made a pretty yellow metal our fetish and our sole legal tender, that debts in this world are not payable in labor's products, but in coins made out of the scarce metal of which not enough exists to pay one-twentieth of the obligations contracted in its coins, and only then would he comprehend the rest. If possessed of any logic at all, he could not fail to realize that, under such circumstances, the creditor class is bound to become richer, the debtor class is sure to grow poorer all the time. The former play the bull game once worked with remarkable success at the New York Stock Exchange on the bears in Northern Pacific railroad stock. The bears had sold more of the stock than existed in the market, and, as a natural consequence, had to accept any terms the victorious bulls chose to inflict on them. If, instead of claiming a comparatively moderate fine to free the others from their engagement to deliver something which was not obtainable, the victors had so forced up the prices of the stock that all the wealth of the world would not have sufficed to compensate them, there might have been no legal impediment, except that unwritten law according to which, as the German proverb says: "Wo nichts ist hat der Kaiser sein Recht verloren" ("Where there is nothing, the Emperor has lost his rights"). The bankruptcy of the debtors, after they had given up all their possessions, was the only practical limit, and the spoilers had reasons for stopping short of this extreme result of their power. The world's creditor class is in exactly the same position towards the world's debtor class; the difference is only that the deficit between the money stock and the engagements to deliver it is by far greater than it was in the case of Northern Pacific stock. The debtors have promised to pay from twenty to thirty times more gold than the world possesses, and the creditors give them prolongations of the engagements against the payment of a fine, called interest, a fine which is payable in the same unobtainable gold, so that in this twentieth century the interest dues of one single year by themselves alone by far exceed the whole gold stock in existence. In spite of this fact, fines

upon fines are added, interest and compound interest further increase the debt, until bankruptcy liquidates the account. And even this is not all.

By rendering the legal tender coins—the basis of our currency—less and less accessible to the producers and dealers (who imperatively require a means of exchange), the creditor class has succeeded in monopolizing, to a great extent, natural resources, on the score of their gold claims. The rent tribute grew with the interest claims, and heavier and still heavier manacles were imposed on the purchasing power of the masses and consequently on production, so that this purchasing power and production had to halt more and more behind the growing productivity of labor, which enables less and less men to do the work formerly done by all. Manifestly, then, growing numbers are thrown out of productive employment, or employed at wages lessened by the competition of the unemployed.

In this way progress necessarily produces poverty instead of bringing untold wealth to all, as it will when a small minority is no more able to use it as the cement of the strongholds in which their monopolies are entrenched: the control of natural opportunities and the means of payment. This final summing up intends again and again to impress on our workers the fact that a thorough reform may be introduced by simple laws which do away with certain well defined abuses without overthrowing our whole economic system.

Observe, that I do not oppose full socialism as the great lodestar of the future, but as a practical proposal for adoption by our generation. Living men, women and children have to be fed, clothed and housed. For living human beings practical methods have to be found at once. This is the purpose of the present book. It appeals to those who, convinced of the impossibility of continuing in the old groove, look for simple and practical reforms; not for a revolution of the world they are familiar with; and these men and women form the majority of the nation.

Maybe full socialism, under present conditions, is the remedy of despair and ignorance, or rather despair through ignorance, for those who cling to it do so because the real source of the evil, as well as the way out, shown in these pages, lies too deep for the superficial observer. Agreed that it is far easier to declaim against 'the competitive system,' to draw castles in the air of a new co-operative world, at once ready for inauguration as soon as we have smashed the present one to pieces, than to diminish the waste of competition on practical working lines. Be it so; but mark it well, ye favored sons of fortune, that despair is growing fast, and ignorance is fostered by your millions spent to keep out of university chairs, pulpits and popular newspapers any truthful man who possesses the courage to show things in their real colors. Go on breeding the monsters and they will tear you sooner than you apprehend! Help, in the lines of fundamental reform, and you will save yourselves by saving the people!

As I do not wish to leave my readers with the impression that the man who can issue such an appeal is an impractical idealist, I will at once say that I am far from entertaining a hope of its success. The appeal is inspired mainly by a feeling of duty. Practically, I entirely agree with the words of Professor F. W. Newman in his letter to Alfred Russell Wallace: "Our duty is to do what we can in detail; but the longer I live the less hope I have of justice, without changes so great in the persons who hold power that it will be called a revolution. I mean justice, not as to land-tenure only, but as to many other things equally sacred, perhaps more vital. Until popular indignation rises, I expect no result; and when it rises, it may seem easier to make a clean sweep than carry a quarter measure."

This is in accordance with the answer I once obtained from a socialist after one of my addresses on land nationalization in Germany. He asked me whether I really believed that the proposal I made, to nationalize the land, could be carried with the parties in power in the country, and as I could not assert I did, he continued: "Well, if we have to make a revolution by force, don't you think that we had better take all at once?" It was the only question of all put to me at my meetings to which I did not care to reply.

However, I want to close my book in a more hopeful vein, and I do so by quoting from *The Social Unrest*, by John Graham Brooks, a book which, though it misses a true conception of

the social problem, is nevertheless full of interesting information. In Chapter X, after an enumeration of the symptoms that indicate a conversion of German socialists from intransigent radicalism to parliamentary co-operation in practical reform work, he concludes:

"When party tactics are chiefly directed to agitation of this kind, the Klassenkampf in its former sense, if not quite dead, is no longer alive. To have struck at its roots, this vicious growth of the class fight, is the chief moral triumph in the changes here noted. As these sectional hatreds are overcome, the ground is first reached on which the longed-for social reorganization can begin. The conditions that shall make such reorganization possible can spring neither from hate nor suspicion. They can come only from a completer sense of a common and not divided social destiny." But even if this passage into the serener seas of a peaceable political and social reform should not be possible without previously weathering the hurricane of civil war, this book will not have been written in vain. Flood tide is followed by ebb tide, action by reaction, and, as history has often proved, any political and social advance that outruns the people's preparedness is sure to recede sooner or later to this fatal boundary line of all solid progress. I do not think this line will in elude full socialism within the life of the present generation. If the revolutionary pendulum should swing to that line it is certain to swing back again, until further reaction is barred by the educational limit. If this book helps towards the advance of the latter, if it contributes towards an improvement of prevailing conceptions regarding our land, our currency and our trade system, its author has not worked in vain.

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