

The Social and Economic Consequences of the Crisis

by Jay Lovestone

The present economic crisis is bound to have deep-going social and economic consequences comparable only to the effects of the last imperialist war. Being fully world-wide in character—for the whole capitalist system—it involves even more people than the War did. The bourgeoisie are plainly worried. Their most authoritative economists are puzzled not only how to manage to get out of the crisis but even to explain how the capitalist system got into it. And not even the most rabid follower of the new line of the Comintern today can screw up enough courage to talk of the present economic crisis as a "typical cyclical crisis in the third period."

THE WORST BLOT ON CAPITALISM

Of course, the most painful expression of the economic crisis is found in mass unemployment. Every spokesman of the ruling class has been quick to see the social implications of millions of men and women jobless and hungry for many months. Owen D. Young has called unemployment "the worst blot on the capitalistic system." Daniel Willard, President of the Baltimore and Ohio Railroad, has gone so far as to say that men should steal rather than starve. Only recently William Green warned the capitalists that there was dynamite for their whole system in the continuation of the unemployment crisis.

Obviously, in dealing with the unemployment problem we are dealing with the very heart of the acute world-wide economic crisis. But here we must reject the eclectic, the empirical, the piece-by-piece method, based on temporary and superficial phenomena, so universally resorted to by the bourgeois vulgar economists. These "theorists" have been doing lots of talking about various causes for unemployment. Nowadays, no university professor, or A. P. of the bureaucrat, will open his mouth on the unemployment question without repeating in stereotyped, mechanical fashion all the stuff about "cyclical, seasonal, and technological unemployment." These gentlemen confuse the types of unemployment with the causes of unemployment. Only by viewing the problem organically, from the point of view of the capitalist system as a whole, historically, can such confusion be avoided and an understanding of the unemployment crisis and its social and economic consequences obtained.

Capitalist society is so organized that the machinery which turns out fabulous mass wealth also turns out staggering mass poverty. Somebody gets the wealth. And somebody gets the poverty. Marx analyzed this problem with striking accuracy when he said:

"... Within the capitalist system all the methods for increasing the social productivity of labor are carried out at the cost of the individual worker: that all the means for developing production are transformed into means of domination over and exploitation of the producer; that they mutilate the worker into a fragment of a human being, degrade him to become a mere appendage of the machine, make his work such a torment that its essential meaning is destroyed; estrange from him the intellectual potentialities of the labor process in very proportion to its power; that they distort the conditions under which he works, subjecting him, during the labor process, to a despotism which is all the more hateful because of its pretense; that they transform his whole life into working time, and drag his wife and children beneath the juggernaut wheels of capital's car. But all the methods for the production of surplus value are at the same time methods of accumulation; and, conversely every extension of accumulation becomes a means for the development of the methods of production. The result is that, in proportion as capital accumulates, the condition of the worker, be his wages high or low, necessarily grows worse. . . . Thanks to the working of this law poverty grows as the accumulation of capital grows. The accumulation of wealth at one pole of society involves a simultaneous accumulation of poverty, labor torment, slavery, ignorance, brutalization, and moral degradation, at the opposite pole—where dwells the class that produces its own product in the form of capital."

Unemployment is a most vicious contradiction of the capitalist system. Except for war, it brings the worst plight to the workers. In unemployment workers are starved to death instead of being shot to death.

ORGANIC, CHRONIC UNEMPLOYMENT

The average worker in the U. S. is today producing more than half as much again as he did in 1919. A tremendous intensification of exploitation is now going on—speed-up, stretch-out, etc. Coupled with this process, there is proceeding a change in the organic composition of capital. There is an increasing proportion of constant capital (machinery) as against variable capital (labor-power) in the process of production. It is under these conditions that nearly half the world's work is done in the United States and that the average American worker produces from 2 to 7 times as much as the average European worker.

The very mass production, efficiency, rationalization, are producing a new, organic, chronic unemployment. This is a sort of "prosperity"-unemployment—an unemployment of the workers created by the very forces bringing augmented prosperity to the capitalists. The intensification of the exploitation of the workers, as well as the introduction of new machinery, reduces the number of employed workers. The tempo of the development of new machinery, of improved technique, of growth in the productive capacities of capitalist economy, proceeds

much more rapidly than does the development of new markets or the extension of old ones.

Capitalism, even in its "good" days, even in its pre-imperialist stage, had its huge permanent industrial reserve army of jobless. The new feature of the unemployment situation is that the problem of unemployment is no longer acute only in time of depression but is now acute also in time of prosperity. In certain industries the number of workers employed has fallen absolutely as well as relatively. Not only is unemployment a permanent problem today, but the existence of permanently unemployed is now a permanent problem.

SOME CONCRETE CONSEQUENCES

It is still too early to estimate all the social and economic consequences of the economic crisis, particularly as evidenced in the effects of the acute unemployment situation involving so many millions of workers and their families. But it is already possible to note some definite results which will have tremendous significance, decisive influence on the class relations, on the whole system of capitalist econ-



omy in the United States. The existence of unemployment on a mass scale has brought about the following specific effects:

(1) A sharpening of the basic contradiction of capitalism. The gap between the productive capacities and the marketing possibilities is much widened by the unemployment crisis. Horsepower cannot have any purchasing power. In various countries this phenomenon shows itself in different ways, but it is worst in the U. S., precisely because here we have the most intense exploitation of the workers, the highest development of scientific management, efficiency, technique and rationalization. Engels estimated this contradiction of capitalism with great precision when he said:

"While the productive power increases in a geometric, the extension of markets proceeds at best in an arithmetic ratio."

The 1930 Census data now available indicate that over the last ten year period there was an increase of 48.5% in productivity, with a maximum rise of only 24.3% in wages. In the 1927-29 there was a rise of 9.1% in the value of manufactures while the wage increase in this period was only 3.1%.

As the unemployment crisis deepens, the domestic market narrows. As the domestic market narrows, the capitalists tend more and more to establish branch factories abroad. Already there are over 200 such American branch factories abroad. This reduces exports and thus widens still more the gap between the productive capacities and the marketing possibilities. At the same time, the unemployment crisis reduces not only the purchasing power at home of domestic manufactures and other commodities but also of foreign commodities. Consequently, the widening of the gap between productive capacities and marketing possibilities in any big industrial country quickly tends to a similar result on a world scale. The basic contradiction of capitalism is thus made much more acute by mass unemployment.

(2) The living standard is permanently lowered. It is conservatively estimated that the unemployment crisis has already brought to the workers a loss of ten billion dollars in wages. But the lowering of the standard of living of the working masses and great sections of the middle class is not temporary. For the working masses it is permanent because the value of labor-power as a commodity has declined so seriously. L. C. Harbison, president of the Household Finance Corporation, recognized this when he recently said:

"Even the 1929 was a peak year, ninety-two out of every hundred American families were unable to earn enough to require filing a personal income tax report. They average only \$14 a week (per family) while the remaining eight families reached an average of \$290 a week. Only eight out of every hundred families could be considered really prosperous. . . . For the vast majority of families who must get along on an average of \$40 a week, it is almost impossible to build up a reserve large enough to tide over emergencies . . . such as sickness or unemployment."

One can imagine the plight of the masses in the present acute crisis, if at the peak of prosperity only eight out of every hundred families were prosperous. Of course, the average is only a statistical myth which really does not exist. In reality, the \$40 average per family is much lower for the workers and lower strata of the middle class because this figure is reached on the basis of a fairly large number of wealthy, comfortably fixed and millionaire families whose weekly income is many times that of the workingman's family.

Since the peak of prosperity, the worker's wages have been tobaggoned. The Bureau of Statistics of the Department of Labor reports for the month ending January 15, in fifty industries, 335 wage-cuts averaging 10% and affecting 80% of the workers. For March 1931 the Labor Bureau reports 340 wage-cuts. But the wage-cutting drive has lashed the entire working class. The American Bankers Association, at the head of the wage-slashing campaign, frankly advocates wage-slashing as a "cure for the depression." The fruits of the bankers' efforts are to be seen in the report just issued (April 24, 1931) by the New York State Industrial Commission. Frieda Miller, head of the Division of Women in Industry, reported:

"Before the stock market crash wages of clerks ranged from \$10 to \$22 a week, with an average between \$15 and \$18. In February 1931 clerks were offered \$8 to \$18 a week and much higher educational standards were required."

"Wages for typists dropped from \$15 to \$22 a week to \$12 to \$21, with \$12 often being the more usual. Stenographers' wages dropped from \$15 for a beginner and \$35 for an expert to \$9 and \$20 respectively. . . . Bookkeepers formerly offered \$23 to \$25 a week are now offered \$15. Waitresses in a large chain of lunchrooms who formerly received \$10 a week now receive \$6."

Wages for domestic workers went down even more. The unskilled, unorganized workers in the heavy industries have perhaps been hit hardest. Professor Wallace R. Donham, Dean of the Harvard School of Business, has seen fit to characterize this situation as follows:

"Even now we are in the process of lowering rapidly the standards of living of the American people by our stagger system of layoffs. . . . Not only is the present unemployment emergency more serious than any previous emergency but . . . permanent unemployment follows on a large scale. The reduced purchasing power resulting from such unemployment and from constricted markets will bring about the total continuous unemployment of a substantial part of our labor or reduced standards for all. . . ."

The cumulative effect of this inherent feature of capitalism spells disaster for the workers. It is estimated that there are at least four million aged who are penniless and facing starvation. In the world's wealthiest city, called by Mayor Walker "The Imperial City," New York, there are 70,000 persons chronically ill, according to Dr. Linsly R. Williams, director of the American Academy of Medicine.

And capitalism is absolutely helpless about the whole situation. Its reformers and "social engineers" may try to find makeshift solutions but even its most conservative economists who have been doing some thinking on the whole crisis in which world capitalism now finds itself are showing signs of despair. Thus Professor Donham in his recent book *Business Adrift* says:

"The social problem will become insoluble and the clarity charge incalculable. . . . If something is not done which changes the situation, we may well be facing an immediate major breakdown of capitalism. . . ."

"If business today attempted to give security to American labor it would bankrupt business on a very widespread scale and the end result would be a long time reduction in the standards of living of the American people."

Indeed, this is new talk from the Harvard School of Business, the oracle of American high finance, the home of Professor Irving Fisher who did more to boost all the "New Era" nonsense and unbounded faith in the stock market than any other person! (continued in the next issue) . . .

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Editor of Revolutionary Age

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