

The Social and Economic Consequences of the Crisis

by Jay Lovestone

(Continued from last issue)

Crisis Intensifies Rationalization

3. *Capitalism is hopelessly involved in unsolvable contradictions.* The rationalization process under deepgoing economic crises. During these very economic crises, contrary to general opinion, the rationalization process goes on apace. That is what is happening in the present crisis.

While the country is in the throes of its worst economic crisis, while the workers are paying in hunger and misery for capitalist efficiency, the capitalist owners of the biggest corporations are busily laying plans for extending still more the technical development, scientific management, mass production, and efficiency—rationalization. Nearly half the machinery in the American factories today is over ten years old. The capitalists are taking advantage of the much-lowered prices for raw materials—especially to rebuild their machinery.

The steel magnates are enlarging their plants. In 1930, a year of acute economic crisis, the facilities for steel production increased by 3,829,550 tons and for pig iron by 1,003,195 tons, according to the American Iron and Steel Institute. This was the greatest annual increase since the war boom of 1915. Even during the war years of 1916-18 the expansion of steel plants was not so big as it was during the crisis year of 1930. The reason for this is obvious. It is more economical to carry out plant expansion and modernization in crisis times than in prosperity.

In the automobile industry rationalization is making very big headway precisely at this moment when operations are falling. This trend is evident not only in steel and automobiles but in all industries. The convention of the American Chemical Society reported, on April 3, 1931, that at present only one-half of one percent of its 18,500 members are out of work. Compare this rate of unemployment with that prevailing amongst the great mass of workers. No more striking evidence could be produced to show how the financiers and industrialists are now increasing their research and scientific staffs for the extension of rationalization, precisely when in many industries at least half the workers are jobless. While the number of semi-skilled and unskilled workers and in numerous instances even skilled workers is declining, the number employed in technical and scientific research, in the process of extending rationalization, is constantly increasing.

4. *Tendency to wipe out skill lines.* The economic crisis stimulating the extension of rationalization only serves as an additional force for wiping out skill lines. The extension of mass production, the increasing use of large scale machinery, tends to make skill more and more superfluous. This means an increasing number of women and children in industry. This means a further wiping out of the skill lines.

5. *Causes a shifting in jobs:* Unemployment causes a wide-spread shifting in jobs. It makes the labor force much less stable. This brings about considerable waste in industry. The efficiency of the labor power supply is undermined. For the worker it means more hardships. It has been shown that even in periods of so-called economic "normalcy" it takes, on the average, at least five months to get a new job and to adjust oneself to it. Besides, the transition from one type of work to another type of employment usually means a serious loss of income.

Wiping Out The Middle Class

6. *Tendency to wipe out middle class.* The unemployment crisis is a powerful force not only for undermining the employment and living conditions of great masses of workers but also for wiping out the economic position of a large section of the middle class. Mass production means mass competition. The competition today is no longer between or among small shopkeepers but rather between and among industrial giants, between trusts and trusts and sometimes between industries and industries (steel versus lumber, coal versus water-power).

As the crisis proceeds to intensify rationalization, it weeds out the poorer and less efficient capitalists, the weaker corporations. The capitalists suffering most from intense competition are precisely those most directly dependent on the workers' daily consumption, such as: store-keepers, small shopkeepers, petty merchants. For instance, in the coal fields where unemployment has brought incalculable ravages on the workers' standards, the small dealers dependent for their existence primarily on sales to the miners, have been wiped out in many instances. The same can be said for the petty bourgeoisie who operate in working class centers in the big cities.

In his study of primary accumulation Marx made a penetrating analysis of this process when he pointed out that:

"This expropriation is brought about by the operation of the inherent laws of capitalist production, by the centralization of capital. One capitalist lays a number of his fellow capitalists low. And in hand with such centralization, concomitantly with expropriation of many capitalists by a few, the cooperative form of the labor

process develops to an ever-increasing degree; therewith we find a growing tendency towards the purposive application of science to the improvement of technique; the land is more methodically cultivated; the instruments of labor tend to assume forms which are only utilizable by combined efforts; the means of production are economized then being turned to account only by joint, by social labor. . . . While there is thus a progressive diminution in the number of the capitalist magnates who usurp and monopolize all the advantages of this transformative process, there occurs a corresponding increase in the mass of poverty, oppression, enslavement, degeneration and exploitation; but at the same time there is a steady intensification of the wrath of the working class—a class which grows ever more numerous, and is disciplined, unified, and organized by the very mechanism of the capitalist method of production. Capitalist monopoly becomes a fetter upon the method of production which has flourished with it and under it. The centralization of the means of production and the socialization of labor reach a point where they prove incompatible with their capitalist husk. This bursts asunder. The knell of capitalist private property sounds. The expropriators are expropriated."

Because of the heavy fall of commodity prices, particularly raw materials, because of the declining internal market due to aggravated unemployment, the agricultural crisis takes on still more serious proportions and hundreds of thousands of farmers, a very important section of the middle class, lose their land and their property, are expropriated and driven into the industrial reserve army of capitalism, into the army of unemployed, propertyless and hungry.

7. *Increasing concentration of wealth.* The convention of the United States Chamber of Commerce, just concluded at Atlantic City, decided to launch a campaign for the abolition of the remnants of the anti-trust laws. This drive will, in reality, not concern itself so much with the threadbare statutory limitations of trusts but will really center itself on an aggressive policy to advance monopoly domination in the country. Undoubtedly trustification will be offered as the remedy for getting the return of prosperity, for ending the economic crisis. We have seen that it is the most powerful corporations which stand the adversity of the economic crisis best. Thus, according to Moody's 1931 Bank & Financial Manual, one hundred of the largest banks in the United States paid higher dividends in 1930, although their earnings were less than in 1929. These financial giants used 72.1% of their profits for paying dividends. In 1929 they paid only 56.9% of their profits for dividends. Because of their huge reserves the powerful banks and industrial corporations weather the storm, while the small ones fall by the wayside. In this fashion concentration is considerably advanced in industrial and finance capital. Professor Donham estimates this trend in the following fashion:

"No self centered monopoly was ever more ruthless in putting its competitors out of existence than is a serious crisis in weakening and destroying the margins of safety of labor. The all suffer, the gap between the secure and the insecure widens dangerously."

Hastens State Capitalist Development

8. *Rapid extension of state capitalism.* The economic crisis, the rising unemployment, compel the ruling class to resort to certain measures aiming to lessen the intensity of the weakness to the impact of the breakdown in industry and exchange. The construction of public works is one of the most frequently resorted to methods whereby the bourgeoisie hope to check the mounting of the army of no-occupation. The government resorts to heavy expenditures in order to employ some workers on public

works. This is merely an extension of the state capitalist enterprises, a further development of state capitalism. In this fashion the government itself becomes the direct employer of additional scores of thousands of workers. Colonel Arthur Woods, Chairman of the Emergency Employment Committee, has announced on April 27th, that contracts for public works since last December totalled \$1,284,845,045. This huge extension of state capitalist enterprises does not at all solve the unemployment crisis but tends to deepen the inherent contradictions of capitalism. For instance, it tends to lay a broader, a more general, a more political basis for the class struggle thru bringing many thousands of workers into direct contact with the government as a capitalist employer.

9. *Hastens development of rentier class:* The sundry so-called capitalist relief measures speed-up the development of a huge rentier class—a class which fulfills no other role in capitalist economy except the role of mere coupon-clippers. However, this trend assumes far bigger dimensions as the government increases its public works projects. The extension of public works means a further flotation of tax-exempt bonds by the various government bodies.

Within the last 15 years there has been a constant increase in the volume of tax-exempt bonds issued by the Federal, State, Municipal and County governments. From June 30, 1913 to June 30, 1928 the total volume of net outstanding issues of tax-exempt securities rose from \$4,597,000,000 to \$16,804,000,000. The tax-exempt securities are now increasing at the rate of one billion a year, according to the last report of the U. S. Treasury Department.

By September 1930 this volume reached the total of \$19,873,000,000. Today, the total amount of wholly tax-exempt securities owned by the capitalists is well over 20 billion dollars. Here we have a huge amount of money controlled by the bosses who do not even have the minimum burden of paying taxes. They are a hundred percent parasites. The growth of this rentier class is one of the most significant manifestations of stagnation and decay, of parasitism, in the capitalist system. Marx thus emphasized the importance of this trend in his analysis:

"The public debt becomes one of the most powerful stimuli of primary accumulation. With the wave of an enchantment wand, 'the funds' endow barren money with the power of reproduction, thus transforming it into capital, and this without the risk and the trouble inseparable from its investment in industrial undertakings, and even from putting it out upon usury. The creditors of the State, in actual fact, surrender nothing, for the money that they lend is transformed into public bonds, easily negotiable, bonds which for practical purposes can serve as so much hard cash. Furthermore, the system of national debt has not merely produced, by these means, a class of idle bond holders; has not merely brought into being the improvised wealth of financiers who play the part of middlemen between the government and the nation; has not merely originated the tax farmers, the merchants, and the private manufacturers, to whom a goodly share of every national loan accrues as capital fallen from heaven. In addition, it has given rise to joint-stock companies, to dealing in negotiable securities of all kinds, to stock-jobbing—in a word to gambling on the stock exchange and to the modern bureaucracy."

All capitalism is in a maze of hopeless contradictions. One begets another and another many more. And every "solution" only aggravates the very illness which it is supposed to cure and spreads the infection of decay in the entire body of capitalist economy.

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How Much Do Workers Save?

One of the favorite arguments given by economists like Professor Carver to prove that the American workers are slowly but surely becoming capitalists is the supposed "gigantic savings" of the wage-earners of this country. Bourgeois statisticians are never tired of pointing to the huge increases in the sums of savings deposits. But never a word is said of

with deposits over \$2,000—possess 60% of the total deposits. A little less than 16% of the depositors—those with deposits over \$1,000—possess nearly 80% of the total deposits. The masses of the workers together with the small city bourgeoisie and small farmers (those with less than \$1,000 deposit each), making up 84% of the total depositors, possess less

DEPOSITS IN SAVINGS BANKS AND SAVINGS DEPARTMENTS OF STATE BANKS AND TRUST COMPANIES OF CONNECTICUT, YEAR ENDED SEPT. 30, 1929.							
Deposits	No. Depositors	% Depositors	Amount	Deposits	% Depositors	Aver. Deposits	
Less than \$1000	1,152,311	84.27	\$167,575,329	21.44	145		
\$1,000—\$1,999	105,852	7.73	144,313,779	18.47	1,363		
\$2,000—\$9,999	103,756	7.59	389,896,637	49.90	3,758		
Over \$10,000	5,555	.41	79,521,636	10.19	14,315		
TOTAL	1,367,474	100.00	\$781,307,381	100.00	571		

how these savings are distributed among the various social classes. And hitherto it has been difficult to form any conclusion in this direction because of the absolute lack of such information. As a matter of fact, only one state publishes statistics as to the distribution of savings accounts—the state of Connecticut. But fortunately Connecticut is a very significant state, being representative of the highly industrial states in the United States. And what do the figures for Connecticut show us?

What do we see? Less than one-half of one percent of the total depositors—the very richest—possess more than 10% of the total savings. Just 8% of the total depositors—those at the other!

than one-quarter of the deposits! And these 84%, making up the overwhelming bulk of the depositors, can boast of an average savings account of \$145 each. They have still a long way to go to become capitalists . . .

So it turns out that the argument confidently paraded by the bourgeois economists to prove the "fallacies" of Marxism does nothing so well as to confirm the historical tendencies of capitalist accumulation as laid bare by Marx. As capitalist accumulation develops, a profound process of polarization takes place in society: concentrated wealth and luxury at one end—concentrated poverty and misery at the other!