Are We Headed for Prosperity?

By LEWIS COREY

MILLIONS of workers are watching, waiting. Millions of them wholly unemployed, or on relief, or on skimpy short-time work, are asking: Are we moving toward prosperity?

Capitalists and speculators are asking the same question. But for them it simply means adding something extra to their income, increasing their luxuries. For the, workers, however, it means life itself. And for labor unions the question of whether or not we are moving toward prosperity involves grave problems of organization and policy, of strategy and tactics.

The question of whether or not we are moving toward prosperity (assuming that no destructive war intervenes to change the situation) requires two answers, and one answer is as important as the other.

Limited Prosperity

It is now definitely clear that economic activity is moving toward recovery and prosperity—slowly and agonizingly, with many heartbreaks in between.

But it is now just as definitely clear that the new prosperity, when it comes, will be limited and incomplete, with millions upon millions of workers still unable to get the work they want and need.

The substantial recovery that is now under way, it may be noted, was altogether unexpected by the masters of industry and their experts, by the very men who will get most out of the business pick-up. Three months ago, when the movement of recovery began, the masters of industry and their experts were convinced that the depression would become worse, that stock prices would go lower, that steel and automobile output would not increase until the end of the year, that recovery was still far in the future. Then the stock market and business activity moved upward, and the summer months staged the beginning of recovery instead of sagging to lower levels of economic activity.

How little understanding they have, these masters of industry and their experts, who ignorantly and maliciously blame the unions for all our economic troubles! How little creative control they have, these men who control our means of livelihood!

Signs Of Recovery

Signs of the beginnings of recovery are multipyling. Contrary to the usual summer slump, most forms of economic activity are moving upward. Steel output is now almost twice its low point of this year. The textile industry has shown renewed activity. Preparations are being made for a much larger output of automobiles than was anticipated three months ago. The construction industry, which employs millions of workers, is moving encouragingly upward, especially residential construction. Other industries are increasing their activity, if often hesitatingly and slowly. All this is reflected in an increase of railroad freight business during the summer months, with the fall upswing beginning three weeks earlier than usual. And the banks are increasing their commercial loans, a sure sign of improving business.

It is true that economic activity and employment are still below the summer levels of 1937, but it is also true that the beginnings of recovery are definite. What factors brought about that recovery?

One factor, of a general nature, is the character of the economic breakdown which took place in the fall of 1937. Early this year, I said that the breakdown was a recession which would become a minor depression but not a major depression, and predicted that recovery would begin toward the end of the spring. The analysis and prediction are now proven correct. After every recovery and new prosperity arising out of a major depression there are always one or two minor depressions before the coming of the next major depression. Thus, after the recovery from the 1920-21 depression, there were two minor depressions, which did not last very long, in 1924 and 1927, before the great crash in 1929. Hence, recovery this year had to begin earlier than in the major depression of the earlier 1930's.

By spring, the recession, or minor depression, had scraped bottom. Altho one factor in the economic breakdown was over-accumulation of inventory (that is to say, that production increased more than consumption because of insufficient consumer purchasing power), the inventories were not very large and they were steadily reduced. The reduction was largely due to relative maintenance of purchasing power because of the maintenance of wage rates; the unions, by preventing wage-cuts, helped to shorten the recession.

Revival Factors

Then came the new program of government spending to revive economic activity, the most important factor in the stimulation of recovery. Altho this spending will not become a real force until the fall and winter months, it is now already affecting recovery thru the renewal of spending and its influence on business men and speculators. (It was the main factor in the rise of stock prices.)

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Why Wait?

WHY wait until you are in the concentration camp before you begin to study, think and discuss?

Why not begin now, while there is still time to smash the fascist menace?

This is a period of fundamental change, of the shifting of landmarks. Ideas and doctrines that only yesterday were held with unquestioning faith are now called into question on every side. New developments are arising that challenge old dogmas and demand fresh and independent thinking. Our effectiveness today is measured directly by our ability to orient ourselves in the rapidly changing world around us.

That is what the Independent Labor Institute is for. The courses are designed to meet the basic problems of the day, to stimulate critical thinking and independent judgment.

Turn to page 2 for a schedule of courses. There is some course that will meet your need! And register immediately—classes begin during the week of October 17!

Don't Judge by New York

War Talk Is Very Unpopular Thruout Country

By BERTRAM D. WOLFE

NEW York—or certain sections of it—may give one an entirely wrong impression of the attitude toward war on the part of the great majority of the American people today. Here are a number of pro-fascist Italians and Germans cheering and hoping for war. Here, the Communist Party, with its "collective-security" and "union-of-the-great-democracies" in a new war to make the world "safe for democracy," is most vociferous. Here are the Nicholas Murray Butler and Clark Eichelberger "pacifists" (Carnegie Foundation and League of Nations Association), the "liberals" of the Nation, and the editorial advocacy of such big-business organs as the New York Times. There is little indeed to distinguish the Times war editorials these days from those in the Daily Worker.

Unexpected War Talk

But the most ardent war talk bobs up unexpectedly today among a certain sector of the Jewish population. It includes gentle folk who would not hurt a fly, but who have been so maddened by the daily budget of atrocious deeds in Naziland that they have been fervently praying that Hitler would attempt to invade Czechoslovakia by force instead of getting the Sudeten land thru the "peaceful" complicity of England and France, believing that thus a general European war might be the sooner precipitated, and "maybe Hitler will get his" as a result. Among these wishers for war are some who put their faith in the British ruling class as defender of the Jew until it sacrificed the Balfour Declaration to the exigencies of its general imperialist policy in the Mohammedan Near East; who put their faith in Mussolini ("He stopped strikes and labor troubles!") until he adopted racism; and who are now ready to put fresh faith in Chamberlain and the British ruling class on the basis of each day's bluff of a threat to Hitler, at the very moment that England itself is guaranteeing the delivery of Czechoslovakia, bound hand and foot and gagged and hamstrung, to the tender mercies of Germany, Poland and Hungary.

Some people never learn, it seems. But what is much more alarming is that a section of the Jewish working class in New York is infected by these views. They can and must be made to realize that from a war between capitalist powers, as such, there is no hope for an end to Hitler. Rather would such a war result in immediate military dictatorships in the so-called "democratic" capitalist lands, the ruthless suppression of the revolutionary and independent labor movements, the outlawing of the labor press, the invasion of workers halls, the jailing, torturing or executing of all the revolutionary opponents of imperialist war and of the system which breeds war. The British and French ruling classes, as has been abundantly made clear, are actually in fear lest the fall of Hitler or Mussolini be followed by working-

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Building construction did not fall as much as general business activity and thereby limited the scope of recession; it is now moving beyond the 1937 levels and stimulating activity in various other industries. There are reasons for this development. The great housing shortage piled up in 1930-33 was not overcome to any extent in 1934-38, while middle-class incomes, which rent or buy practically all new homes, did not suffer very much in this minor depression. Hence the demand for new residential construction.

The maintenance of middle-class incomes is also a factor in the rise of automobile output, which for the fourth quarter of this year is expected to be 750,000 to 850,000 trucks and cars, still below 1937 but 15% to 30% above the first two quarters of this year, which normally are the peak production period. While middle-class incomes held back buying new cars because of the depression, they will now buy as the economic situation improves.

All those factors, and others, indicate recovery. But there are serious weaknesses which may limit recovery and prosperity. What are those weaknesses?

While employment is increasing, it is not increasing as much as economic activity because of the prevalence of part-time work. Thus in the steel industry, in July, wages were down by one-half while employment was down only 30% in comparison with July 1937, because working time averaged only 24 hours as against 37 hours. Hence there can be a substantial increase in steel output without much increase in employment, by merely lengthening hours. And that is true of other industries besides steel.

Rising prices and speculation may limit or destroy the recovery movement, altho as yet there are no signs of that.

Government spending itself is a weakness, because of the theory in Washington that it must be used only as "a shot in the arm." One of the weaknesses of the recovery and prosperity of 1934-38 was the fact that is was largely based upon government spending, and, when that spending dribbled to almost nothing, the forces of economic breakdown began to develop. There must be a policy of permanent, planned government spending to insure a higher level of prosperity.

Wage-Cut Danger

And, if there are wage-cuts, which are especially being urged in steel and on the railroads, the recovery movement may bog down fatally. By preventing wage-cuts, the labor unions promote recovery and prosperity, for consumer purchasing power must be increased as production moves upward.

Another danger from the angle of consumer purchasing power is the fall in farmers incomes because of declining prices, altho A.A.A. payments may offset that in some measure.

One of the great weaknesses is the lag in the recovery of capital-goods industries, whose expansion is absolutely necessary for any great upward movement of prosperity. This is particularly true of the railroads, whose managements are more interested in meeting interest payments than they are in making needed investments in new equipment. If interest payments were suspended or reduced, the money saved could be spent on new equipment, which would enormously stimulate recovery and prosperity.

The lag in the recovery of capital-goods industries is almost as great in building construction, which is now largely based on public works and residential construction; there is scarcely any pick-up in construction of factories and office buildings, which normally are the major factor in building construction. Moreover, altho housing this year may rise to over three billions, slightly larger than last year's output, it is doubtful whether it can go much beyond that next year For the great majority of American families are unable, because of their low incomes and unemployment, to buy or rent new homes: private enterprise builds new homes only for the more prosperous upper third of the people. While the Federal Housing Administration helps by making building loans, it is not much help; and the Wagner-Steagall Act appropriation of $500,000,000 to stimulate low-cost housing is pitiably small. Increasing building construction is necessary to sustain recovery and prosperity; and substantial government aid is necessary to sustain building construction. If the government spent one billion to two billion dollars yearly for the next ten years on subsidized low-cost homes to rehouse the American people, it would push prosperity to new and higher levels.

The final conclusion on the prospects of prosperity is this:

By next year, prosperity may be at the levels of 1936-37. That undoubtedly would be a considerable improvement, meaning reemployment of from six to eight million workers. But this must be remembered: In the prosperity of 1936-37 there were from eight to ten million workers unemployed, men and women who wanted work, needed work, but who could not get work. And it is highly doubtful, p r o b a b l y impossible under existing conditions, that the new prosperity can go beyond the 1936-37 levels.

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(*This article also appeared in the September* 17 *issue of the* United Automobile Worker, *the official paper of the U.A.W.*—Editor.).

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