WHY DO HARD TIMES COME?

By Lewis Corey

WE have had hard times since 1930, with a slight interruption in 1935-36, after which hard times became worse again. Times have not been as hard this past year as in 1933, but they've been bad enough. It is important to know why hard times came again in order to know what to do about the recovery that is now slowly and painfully getting under way.

The employers think they know all the answers; but the answers are simply alibis gotten up by their expert hirelings for the purpose of justifying the business men and sweating the workers. The answers seem very convincing when dressed up in "scientific" jargon and charts; but, if you want to see how crude and stupid and unconvincing they are, talk to salesmen in a Pullman smoking car, who think they have the answers—didn't the sales manager tell them, and didn't he get the answers straight from the company's president, who sort of represents God on earth?

I talked to one of these salesmen recently. "Look, buddy," he said, staring straight at me with his hard eyes and poking a gun-like finger in my chest, "look, it's easy. A business man can't make money if the government sticks its nose into his affairs and takes his money to spend on relief. That destroys confidence. And how the hell can you have good times if business has no confidence in the government, which wants to bust business? It's a crazy thing to take money from people who work to give to people who won't work. What's that? I know they won't work, it's a racket! The goddam unions are to blame, too. Why, look at those C. I. O. fellows didn't they raise wages and shorten hours, and how can a business man make money if unions run their business? Because of the goddam government and the unions we couldn't make any profits; that's why business went to hell."

It is pretty crude stuff. The business man's arguments haven't got a leg to stand on. Here's the proof, very briefly.

If lack of business confidence in government was responsible for the renewal and increase of hard times in 1937, why was there recovery and prosperity in 1934-36 when government was pursuing the same policy? In fact, it was business itself in the spring of 1933 that asked President Roosevelt to "interfere" and save the country from a complete economic collapse. And, if the confidence argument is correct, why did the worst economic disaster in our history break loose in 1929 after eight years of Harding-Coolidge-Hoover government which enjoyed the most complete confidence of business?

It is just as unconvincing to argue that government spending was the cause of economic breakdown, for the simple reason that that spending was the main cause of the recovery of 1934-36. Business was unable to start the movement of revival and recovery; government spending stepped in to do the job. And, in 1937, government-spending was down almost to nothing; something which was coming to an end couldn't be responsible for the breakdown.

Wages And Profits

Nor did higher wages and shorter hours cause the breakdown. Wages rose and hours dropped only in a few industries newly organized by the C.I.O. and not thruout industry generally. And they were chiefly the most prosperous industries, where profits were the highest. In the measure that higher wages increased consumer mass purchasing power, they helped to strengthen recovery and prosperity, not to weaken them.

Business couldn't make any profits because of government, unions and high wages? Nonsense! Profits were rising in 1934-37. As a matter of fact, they rose more than production, employment and the national income. Corporate profits in 1936 were almost as great as in 1929; while in 1937, according to the National City Bank, the profits of 1,720 manufacturing and trading corporations were 8.7% higher than in 1936.

Business Cycle

The alibis of business in trying to explain its collapse are—just alibis. Let us get the facts clear and clearly draw the conclusions.

An economic recession, the renewal and intensification of hard times, was about due to happen in 1937. The history of business shows that, regardless of all other factors and combination of factors, a recession always comes to interrupt the upward movement of prosperity after recovery from a depression—whether the recovery and prosperity are complete or incomplete. The movement of prosperity in 1922-29 was interrupted by two recessions or minor depressions—in 1924 and 1927—before the major depression that set in after 1929. Neither business nor government has been able to control the ups and downs of business activity—which mean unemployment and agony for the workers.

Within that general cause of the economic breakdown were immediate factors and combinations of factors, whose influence was the exact opposite of that pictured in the businessmen's alibis. (The argument of lack of business confidence in the government can be dismissed, because that confidence was increasing as the government moderated its reform policy and prepared to stop spending on relief).

Not Enough Spending

The most important immediate factor in the economic breakdown was the disastrous slowing down of government spending on relief work. That spending was necessary, for the first time in our history, to stimulate the renewal of economic activity after a depression. These are the amounts, according to one authoritative calculation, of the net increasing expenditures of the federal government:

1934	$3,238,000,000
1935	$3,154,000,000
1936	$4,025,000,000

Those are very large amounts of money to pump into the economic system. It was that spending which started recovery and sustained prosperity in 1934-36, because relief work created wages, a demand for materials produced by private industries, and renewed activity thruout the economic system. But now observe how small government spending was in 1937—only $90,000,000.

In other words, the government spent in 1937, the year of the business collapse, only a fraction of what it had spent in the previous three years; worse yet, in the last three months of 1937, when the nose-dive of business became terrifyingly swift, the net income-increasing expenditures of the federal government practically stopped. That spending had started recovery and sustained prosperity, its stoppage brought about their collapse. Instead of government spending being the cause of the economic breakdown, the stoppage of spending was the main factor in the breakdown.

The Capital Goods Industries

Business itself made only a small contribution to recovery and prosperity. Business is most prosperous when activity is greatest in the capital-goods industries—the production of means of production, of machinery, buildings and transport equipment. But railroads and other corporations were more interested in piling up profits and resuming or increasing interest and dividend payments than in placing orders for new equipment. There was only small replacement of equipment, while the lack of developing new industries still further depressed the production of capital goods. That situation was made worse by the smallness of revival in building construction, which normally is a decisive factor in prosperity; while larger than in 1933, the worst year of the depression, building construction in 1936-37 was only one-half of the 1929 level.

That the revival was mainly in consumption goods, depending largely on government spending, made the recovery and prosperity of 1934-37 extremely shaky. It was made still shakier by the sharp upward movement of profits and renewal of concentration in the distribution of income.

Bosses Still Profit

Let me repeat: profits in 1934-37 rose more than production, employment and the national income. According to government figures, the net income (after taxes) of American corporations in 1936 was $6,130,536,000; that represented 4.6% of the gross income (or sales), about the same proportion as in the more prosperous years 1928-29. If prices had been somewhat higher the profits would have been greater than in 1929—altho around 9,000,000 workers were unemployed and millions were on relief. Profits rose sharply again in 1937, especially in the first seven months; corporations increased their profits 8.7% for the whole year in spite of the collapse of business during the last five months of the year.

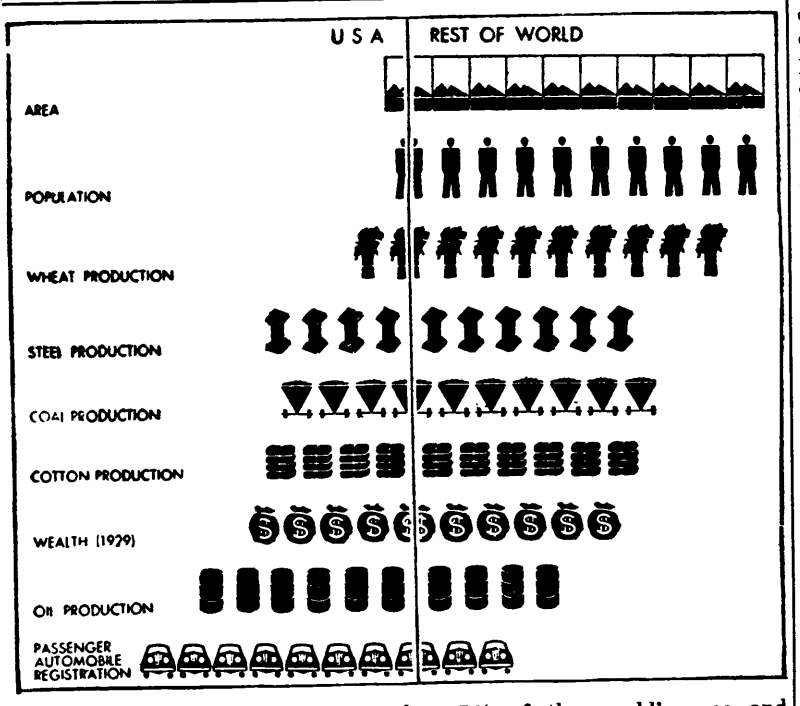
The tremendous profits, combined with the fact that employment and salaries among the higher corporate employes increased more than among the workers and lower salaried employes, resulted in an upward movement in the concentration of income. While the national income in 1936 was only 38% higher than in 1933, the number of people with yearly incomes of $5,000 and up and their combined income increased nearly twice as much. At the same time, the number of American families with yearly incomes below $1,000 (a poverty level) was more than three times as great as in 1929.

Undermining Prosperity

Greater profits, interest and dividends and greater concentration of income meant greater savings for

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To Have . . . and to Need



THE United States, with less than 5% of the world's area and population, has 15% of the world's wheat production, 40% of the world's steel production, 35% of the world's coal production, 40% of the world's cotton production, 45% of the world's wealth, 60% of the world's oil production, 75% of passenger automobile registration.

Why, then, must the average income of a third of the families of this country be less than $12 a week? Why must there be unemployment, starvation, distress? Why must there be poverty in the midst of plenty?

U.S. Investments Heavy In Europe

IN a study of American foreign investments, made by Paul Dickens of the Buro of Finance and Domestic Commerce, it is revealed that United States capitalists have heavy holdings in such countries as Japan and Germany, as well as in Mexico, Cuba, Canada, Chile, China and the British Empire.

The amounts indicated below include only extensions of American business enterprises to foreign fields and do not contain figures of minority holdings of investors in foreign bonds. Thus, the calculation excludes $4,204,000,000 of such "non-controlling" holdings, leaving a total American direct investment abroad of $6,691,000,000, at the end of 1936.

Capital investments in Mexico totalled $479,000,000, of which $69,000,000 was directly invested in the petroleum industry and $213,373,000, in smelting and mining properties.

Of a capitalization of $46,694,000 in Japan, $25,561,000 is invested directly in manufacturing, automobile factories being the main form of such investment.

Other direct investments abroad at the end of 1936 were, in the order of their importance: Canada, $1,936,000,000; Cuba, $660,000,000; Chile, $484,000,000; United Kingdom, $47,000,000; Germany, $227,817,000; China, $91,000,000.

Corey To Teach On U.S. Problems

"Is America Different?" is the title of a very significant series of lectures which Lewis Corey is giving this term at the Independent Labor Institute. The purpose of this course is to examine critically specific forces and tendencies that have molded the social and economic life of this country and have so largely determined the problems and tasks of the labor movement today. It is emphatically not a "history" course in the usual sense of the term. It is something new, something vitally important, especially at the present moment, when labor is at a turning-point in its development.

Lewis Corey is too well known to need an introduction to the readers of this paper. America's outstanding labor economist, he is the author of a number of major works, among which are "The Decline of American Capitalism" and "The Crisis of the Middle Class." He is at present educational director of Dressmakers Union Local 22, I.L.G.W.U.

The Corey lectures will begin on Wednesday, October 19, 8:45 p. m., and will continue for eight weeks thereafter, at the headquarters of the school, 131 West 33rd Street. Registration for this course should take place without delay.

INDEPENDENT LABOR INSTITUTE

131 W. 33rd St., 7th Floor
LAckawanna 4-5282

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Fall Term—1938

(Beginning the week of October 17)

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DEMOCRACY - FASCISM - SOVIETISM: A critical examination of contemporary state forms from the point of view of their historical origins, structure, function and social significance.
Instructor: WILL HERBERG **MONDAYS, at 7 p. m.**
8 sessions — $1.50

●

IS AMERICA DIFFERENT: Special features of American historical development.
Instructor: LEWIS COREY **TUESDAYS, at 8:45 p. m.**
8 sessions — $1.50

●

THE WORLD IN BOOKS: Discussion-reviews of outstanding books of social significance.
Lecturer: BERTRAM D. WOLFE **WEDNESDAY, at 7 p. m.**
6 sessions — $1.00
(First session on Oct. 26)

●

TOWARDS A NEW LABOR MOVEMENT: Historical background, fundamental problems and trends of development of the American labor movement today.
Instructor: JAY LOVESTONE **THURSDAY, at 6:15 p.m.**
6 sessions — $1.00
(First session on Oct. 27).

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investment. If investment savings are absorbed in the production of new capital goods, it means more economic activity and work. But in 1934-37, the amount of investment capital exceeded the demand: where new corporate capital in the two years, 1928-29, amounted to $13,350,000,000, in the four years, 1934-37, new corporate capital amounted to only $2,970,000,000—less than one-quarter as much. Investment savings that are not invested become surplus capital and represent a deduction from consumption and production, which undermines prosperity.

With investment capital increasing more than investment, with profits, interest and dividends increasing more than consumer purchasing power, the shaky edifice of prosperity, incomplete and already undermined by other forces, was brought tumbling to the ground. There should have been more consumer income than investment income—higher wages and lower profits—to strengthen recovery and prosperity.

The facts and the analysis are clear and unanswerable. Why, then, the alibis of the business men? They want to justify themselves, of course; they want to maintain the myth of their all-knowingness and superiority.

But there is more than that to the alibis. The business men want to control in their own interests, against labor, the character of the new recovery and prosperity. They want to be let alone by government and unions to do as they please. They want to scuttle legislation on behalf of the workers. They want to stop spending on relief work for the unemployed, throwing them on the mercy of an insufficient and monstrous charity. They want to stop raising wages and lowering hours—aye, they want to lower wages and raise hours to make bigger profits regardless of the harm to society in general and the workers in particular.

Labor will not let them get away with it. Labor will not let the reactionary business men destroy unionism, reform, higher wages and progress, which are necessary not only for the workers but for any sound and enduring prosperity beneficial to all the toiling people of our country.