

The "Remedy" of Public Works

by Jay Lovestone

(Continued from the last issue)

Deferring "Prosperity" and Hastening Crises

The public works theory of deferring construction in so-called prosperity days for depression days flies in the face of the facts of capitalist economy. The ups and downs of the development of capitalism, even in its organic stage, even in its stage of upward development, let alone today in the present stage of capitalism—the period of decay—doesn't come at arithmetically regular periods or with uniform intensity. The basic feature of the crises of capitalism today, in the period of decay,—as distinct from the cyclical crises of the organic period, the period of the growth of capitalism—is that each crisis is succeeded by a much more intense crisis. The element of uniformity of intensity is not only entirely lacking in the crises today but each crisis only serves to prepare the ground for worse crises, the cumulative effect of which brings on the crisis of final collapse. No plan providing for "the deferral of public construction work for a fixed number of years and then for its execution at the time of the anticipated recrudescence of depression" can even approximately estimate the time of beginning, the duration, or the intensity of the crisis. That contracts awarded for public works and public utilities are not sensitive to the trends in business is fully borne out by the investigations made by Wesley C. Mitchell and Simon Kuznets of the National Bureau of Economic Research for the period 1919-1924.

These capitalist planners, in advocating very little public works construction during periods of rising economic activity, portray their ignorance of the workings of capitalism when they artificially and arbitrarily separate the construction industry from general economy. None of the public work advocates ever answer the question of what jobs are to be given in "prosperity" days to those building trades workers who become jobless because of deferred construction.

What is more, the deferred public works construction must be substantial to play any role at all in a crisis. This would mean, let us say, at a minimum rate of a billion dollars a year. The National Bureau of Economic Research is correct in pointing out that such a withdrawal "may well have the effect of precipitating or hastening a decline in business." That deferred public construction is no stabilizer is further shown by the fact that all industries privately owned will continue to run amuck—as they have always done—in their production schedules during so-called prosperity times. Furthermore, during a crisis it is very difficult for capitalists to secure credits for their private industries. If during this time, the government is to go into vast expenditures for public works construction, naturally, it will have to draw on the country's credit supply and thus make it still harder for the capitalists to operate their private industries. The thus narrowed credit facilities will force them further to curtail operations. This means that the added jobs on public works would in every likelihood cause a reduction of employed workers in other industries. It might be said that during a crisis it is hard for private capitalists to get credit anyway and that therefore the state capitalist enterprises would actually not limit their credit chances. This is true only to a limited extent. The opportunity of investing in the government tax-exempt securities appears, especially during a crisis, as a much safer investment, as a much more secure and stable source of profit and interest, than does the chance to invest in any private capitalist industry going down hill and subject to all the elements of the crisis.

A Remedy Which Does Not Even Alleviate

But it is ridiculous to speak of deferred public works construction as something new, as a "remedy" of any sort. The problem for the capitalist governments has been not one of deferring construction but rather one of catching up with public works construction. The National Bureau of Economic Research tells us that:

"The testimony is overwhelming that nearly all local and state governments in this country are always far behind in their programs of permanent improvement . . . The facilities for all these purposes are in general (already, J. L.) so far below the physical requirements of the prevailing situation, that it would be hard, if not impossible, to persuade public authorities to build back one or more projects to meet a future eventuality of general employment."

Usually, about two years of negotiations and preparations are required before any construction work begins. Hearings, wire-pulling, issuing instructions, manipulations, making blue-prints and such other hokum devour the months as the jobless workers starve, waiting for jobs on public construction projects. We find that at most 30% of the Federal, state and municipal work planned last Fall is today out of the blue-print stage. In the last four fiscal years, from 1929-1932 inclusive, Congress allocated \$407,897,940 for public buildings, extensions, constructions, etc. in Washington. Of the nearly 800 construction projects thus contemplated only 57, valued at \$25,000,000, have so far been realized. Obviously, particularly under capitalism and its whole governmental system it takes a very long time to initiate mass construction. Therefore, this "plan" fails even to operate during a crisis, let alone meet the crisis when the crisis is felt most acutely. But this remedy not only doesn't help the workers today; it even provides additional hardships and suffering for them tomorrow. This new mass construction is done on credit. Soon this will have to be paid for by the working class

as a whole either out of its savings or its purchasing power. Consequently, this latest Hoover "remedy", once it does begin to work, really begins to serve as a force for bringing on a new crisis after the preceding one has slackened or momentarily gone.

The building industry has been one of the main props of "prosperity." In times of crisis it is precisely this prop that falls and falls badly, as is evident today and as was shown in the role of the building trades as a force for revival after the 1921 crisis. Actually, therefore, even if public works were increased during a crisis it would serve to fill only part of the whole big gap in economy occasioned by the sharp decline gripping the building industry as a whole. We find that for the first seven months of 1931 the rate of contract awards per average calendar day was only \$2,200,000 as against \$13,200,000 for 1930, \$16,100,000 in 1929 and \$18,200,000 in 1928. This year the public utility corporations, which have been hit relatively little in the crisis, reduced their construction by 25% from 1930.

The whole public works scheme takes it for granted that workers of any industry can be transferred about at the snap of a finger and fitted just automatically into the construction industry. There is no reason to assume that a jobless textile worker or shoemaker can immediately fit in as a hod-carrier, painter, or structural iron worker. Public works even on the grandest scale require only certain kinds of laborers and only a limited number of them. Unemployment today embraces all kinds of workers and runs into many millions. What is even worse, the whole "plan" of deferred public works forgets the new and decisive fact in unemployment today—the fact that not only is unemployment as such a permanent phenomenon but that there has developed an army of permanently unemployed, millions of workers permanently thrown out of economy and pauperized by the capitalist ownership and control of the

machinery of production. Under capitalism labor-saving machinery is labor-displacing machinery.

All the boasts made about public works as a remedy are worthless. Without any stimulus for so-called "relief" reasons, there has been expanded annually on public works about \$3,500,000,000 a year. Thus, even in "normal" times these expenditures have been taking up about one-third of the total expenses for all private construction. Even as an immediate relief measure, public works have failed. In 1927 Germany abandoned this "plan". In 1922 Victoria and Vancouver dropped this scheme as useless "for the alleviation of unemployment and depression." The National Bureau of Economic Research, in its report on the question "Planning and Control of Public Works", correctly estimates this plan as a "remedy" for unemployment and as a "stabilizer" of economy by saying:

"Historically, increased appropriations for public works were generally invoked during periods of depression and unemployment, as the obvious and direct means of creating work for unemployed. While there has been long and continuous experience with this device, there is no evidence that a substantial proportion of the unemployed were ever absorbed in the process. However considerable public expenditures for this purpose were, they were always too small to produce an appreciable effect on the prevailing levels of unemployment. These measures, also, in the form in which they have been universally practiced, have given rise to new and unanticipated evils that have done much to discredit this particular solution of the unemployment problem. . . .

"The increase in the value of public works as a direct solution of the unemployment problem has historically proved a failure. This method has failed to absorb a substantial proportion of the unemployed. It has led to the undertaking of works not really required by the government and to great waste in the administration of the job. The method of the 'prosperity reserve' involving as it does the retardation of public works has produced further difficulties."

The American Dole System—For Whom?

CHARITY RELIEF AND TAX REFUNDS

by R. Macklin

Our magnanimous government has at last noted the miserable plight of the growing army of unemployed. It points with pride to the program for public works involving the expenditure of hundreds of millions of dollars. What does it matter if the bulk of this does not go to the unemployed at all but rather to favorites of the boss class in the form of juicy contracts? Oh, yes! Mr. Hoover has also arranged for direct relief by creating a Federal Unemployment Relief Committee which is to coordinate the work of similar local city and state committees all over the land. Of course, no appropriations are set aside for the purpose. That would be a "dole"—a terrible thing. Mr. Silas H. Strawn categorically stated it would develop a feeling in the working class that it was entitled to and was to expect aid at all times, and that is "preposterous." The workers are never entitled to anything unless their labor is the basis for exploitation for profit.

Function of the Relief Committees

But what is the function of these relief committees? They are to make heart-rending appeals to the "generous heart" of the American public, and thus collect a few paltry dollars, and perhaps place some of the unemployed into jobs here and there. The American worker must indeed be grateful for the deep concern the master class shows for his distressed condition! But when he compares the composition of these "relief" committees to that of the directorates of the corporations that have initiated the present wage slashing campaign that is spreading like wildfire thruout the whole of American industry, when he recalls that the government has been handing out billions to capitalist interests in the form of subsidies and billions more directly in tax refunds, when he compares all this to the paltry drops of charity the bourgeoisie is about to give him so benevolently, then the American worker can only find room in his heart for fierce resentment and rage and resolution for desperate struggle.

Wage Cuts and Charity

On September 22, wage-cuts were announced affecting over a million workers and many more announcements have been coming forth every day since. Mr. Hoover declared himself "mortified" and "keenly disappointed" at such action. A few days later the man he had appointed as chairman of the Federal Unemployment Relief Committee, Walter S. Gifford, came out against wage-cuts, "despite the fact", as he stated, "that the cost of living had gone down because of lower prices." Of course, it behooves these gentlemen to speak in such manner in view of the role they are affecting. But for brazen hypocrisy it can't be beat, for this very Mr. Gifford, besides being the president of the American Telephone and Telegraph Co., is also a member of the directorate of the U. S. Steel, the first to announce the wage-slash. The New York Times tells us that "it is understood that the decision to cut wages made by the directorate of the U.S. Steel Corporation was reached unanimously."

On the Federal Relief Committee with Mr. Gifford, are Pierre S. Dupont, Fred

Fisher and Owen D. Young, three powerful figures in the General Motors Corporation. Messrs. Gifford and Young (author of the Young Plan for the further enslavement of the German working class) are also members of the New York City Emergency Relief Committee, which in its composition comes very close to being a board of directors of American capitalism. On it are two members of the firm of J. P. Morgan and Company, namely, Thomas W. Lamont and Thomas Cochran. The U. S. Steel Corporation is represented by four of its eleven directors, including Myron C. Taylor and Geo. F. Baker; General Motors, by six of its directors, including its president Alfred P. Sloan, Jr.; and Wm. C. Potter represents the Bethlehem Steel Corporation. Many other giant corporations are well represented, including utilities, railroads, shipping interests, mining, etc. I have just confined myself to mentioning those mighty capitalist units of exploitation that have taken the lead in the most monstrous wage-cutting campaign of all times and their connection with Mr. Hoover's "relief" committees. These committees are really collectives of the most vicious enemies of the working class, and are really consciously created instruments to effectively block any legislation for federal and state unemployment insurance. There is no doubt that the inauguration of this so-called unemployment relief campaign is nothing but a sham and a cloak so that the government role in the smashing down of the workers living standards may not be too apparent.

The master-class takes heart at the wide-spread announcement of wage-cuts, amounting to 10% and upward. It is calculated that the U. S. Steel Corporation, alone will save some forty million dollars per year. Immediately the capitalist press translates this into \$4.50 per share of stock. Hundreds of millions of dollars are to be transferred from the already impoverished masses directly into the pockets of the con-men-clippers. They declare with much gusto that it all means a turn to the better and the beginning of the end of the depression. Very plainly the viewpoint of the ruling class is that the end of the depression for them can only be accomplished thru the further depression of the living conditions of the great mass of the American workers.

The reaction of the leaders, of the American Federation of Labor, the Greens, Wolls, Ryans, and Fagans, is characteristic. Instead of taking steps for immediate mobilization for militant resistance to wage-cuts, we find these labor leaders just politely shocked and fearful lest the workers will become more radical. The smashing of the already low living standards to new lows does not concern these gentlemen, for, min' you, the most striking argument they can muster against wage-slashing is that it is inopportune, poor business tactics, and will delay prosperity. The doubled-up fist of a united working class will prove a much better argument.

Income Tax Refunds

The very evident collusion of the government with financial and industrial magnates in the further enslavement of the worker, is bitter enough. But the sham relief measures undertaken and the