

**FOR A
COST-
PLUS
WAGE**

By **MAX SHACHTMAN**

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For a Cost-Plus Wage!

Labor's position is growing worse by the month. The cost of living continues to rise for the working man's family. The official figures of the Department of Labor show that living costs have risen 26.9 per cent since January, 1941. That is bad enough. But every worker, every housewife, knows that even this high figure is considerably below the real increase.

The official figures are too low because the government officials are afraid to give too much justification for labor's demands for higher wages.

They are too low because they don't take into account what the housewife is forced to take into account every time she buys something. Namely, the almost universal violation of the "price ceilings." Namely, the fact that black market prices are far higher than the officially-fixed rate. Namely, that many commodities are being produced with such a lowering of quality, without a corresponding lowering of price, that it amounts to a stiff price increase in the end.

Price controls are a failure from one end of the

country to the other. Price roll-backs are a bitter joke. Ninety-nine per cent of the government promises that prices would be rolled back or controlled have remained promises that never left the paper they were written on.

Who Will Benefit from Subsidies?

It is estimated that the \$485,000,000 payment made out of the U.S. Treasury to roll back prices on meat and butter will mean a saving of no more than thirty cents a week for a family of four. To put it another way, it means that to meet the high cost of living, the head of the family will get a "wage increase" of three-fifths of one cent per hour if he works a fifty-hour week.

Who will get the real benefit out of this payment? The big packers will get \$400,000,000 per year as a gift, and the creameries will get another \$85,000,000.

That is a typical example of how the government acts to "protect" the interests of the workers.

The cost of living has risen tremendously, almost 27 per cent according to the official and far too conservative figures of the government. But the government has ruled at the same time that no wages shall be raised more than 15 per cent above the rate paid in January, 1941.

At holding back wages, the government works like a clock, and does not hesitate to use all the power and force at its command.

At holding back prices, the government is bankrupt and helpless, by its own admission.

The bankers, the business men, the corporation heads, the monopolists, the war profiteers—all cry that labor is well off, too well off. Their kept press echoes them. Their tools in the government say the same thing.

But the fact is that half of the 40,000,000 American workers outside of agriculture are worse off, financially, than they were before the World War broke out in Europe four years ago. These 20,000,000 have either received no wage increase during the four years, or their income has lagged behind the galloping cost of living. The other 20,000,000 are able to keep a little closer pace with the skyrocketing prices only by toiling long, wearying, nerve-and-body-wracking hours of overtime.

This statement is made by no less an authority than John W. Edelman, labor liaison officer on the staff of the Office of Price Administration.

There are other reasons why the workers, even those who are getting a somewhat higher figure on their paycheck than they used to get, cannot keep up with the cost of living. Every worker knows what these reasons are.

The Standards for Workers

First, there are the rising taxes, which have increased for millions of workers anywhere from 5 to 35 per cent since the beginning of the war.

Second is the wage cut in the form of War Bond

buying, which is voluntary in theory but which every worker in a plant knows to be close to compulsory in practice.

The situation has grown worse by the month. What is in sight? Relief from the situation? No, only a worse situation.

The Roosevelt Administration has no program, unless unkept promises are to be considered a program. Congress is even worse, for we have in Washington today the most reactionary Congress the country has had in years, an open tool of capital.

What is the program of the official labor leaders, the heads of the CIO and the AFL?

The organized labor union movement in this country is at the peak of its power. All told, it now numbers 13,000,000 organized men and women. This represents a force that can enforce its legitimate demands without the slightest difficulty.

But the labor leaders keep scraping and bowing and begging and whining. They sold labor's most powerful weapon, the right to strike, and didn't even get a mess of pottage for it. They have no *program of action*, no plan, for putting a stop to the raids on labor's living standards. Their only program is to keep on scraping and bowing, begging and whining, before the very ones who are responsible for bringing about labor's present condition.

The Communist Party, and the unions it controls and paralyzes, have a program. But it is a program for making things still worse! They are

working with might and main to ram down the throats of the working class the system of "incentive pay." The very idea of the system delights the capitalists. What does it mean? Three words sum it up: The speed-up system. The labor movement has fought the speed-up system, no matter in what guise it has appeared, since that movement was first organized. It was right. It is still right. It would kill itself if it allowed this system to be imposed upon it now.

What is to be done?

How is labor to meet this crisis in its life? How is it to deal with the problem of increased living costs?

We are concerned, first, last and always, with labor, with the working man and the working woman, with the working class. The patriots can shout till they are blue in the face about the "defense of the nation." But any "defense of the nation" which is not a defense, a protection, an improvement in the economic and political position of the working class, is not a "defense of the nation" but a defense of the capitalist class, the war profiteers and their interests.

Again, what is to be done?

To answer that question, look at what is being done by and for the capitalist class, enemy and exploiter of labor.

Big Business and Cost-Plus

The capitalists, who own and control the industrial and political life of the country, are hard at

work "for the war." Naturally. It is *their* war and they are coming profits out of the blood and suffering of the war such as they have never come before.

Every child in this country knows that in spite of the "heavy taxes" on the corporations and other employers, their profits are still the highest in history. They are rolling in wealth that they themselves never believed existed.

How do they arrange this wonderful miracle for themselves? Aren't they working for the "common good"? Aren't they working "for the government," on "defense contracts"?

They let industry produce for *their* common good. They are working for *their* government, because *their* government is working for them.

No wheel turns unless capital is guaranteed a contract which is based, in one form or another, on COST-PLUS. The capitalists have a program, and they do not yield an inch or move a step unless and until that program is carried out to the full.

What is cost-plus?

The corporations say: We will produce anything you want, IF you guarantee to pay us what it *costs* to produce the product, *plus* a "reasonable" profit for our enterprise and our noble patriotism. If our costs, and our profits, are not guaranteed, you can look elsewhere. For what good is a war, and what good is a government that does not guarantee us what it "costs" us to produce, plus our profit? That wouldn't be *our* war and it wouldn't be *our* government.

That is what the capitalists say and, from *their* viewpoint, they are one hundred per cent right.

So the government, and all its departments, sign contracts with the big and little corporations, in which the corporations are guaranteed their cost—plus!

If the cost of raw materials which the corporations use goes up, that is covered by the government—plus the profit.

If the cost of transportation of materials, raw or finished, goes up, that is covered by the government—plus the profit.

If, by sheer organized might, labor gets an increase in wages, and the labor cost of the corporations goes up, that is covered by the government—plus the profit.

The capitalists and the corporations *cannot* lose. The government guarantees them against loss. The government protects their interests. The government guarantees that, come what may, they will get their blood-profits.

Costs are taken care of automatically. Whether they rise in reality, or rise only because of the thousand clever bookkeeping swindles and other swindles that the corporations know by heart, the government takes care to cover them.

How are profits judged? How is the "plus" figured out?

Very simply. The small capitalist, the weak corporation, can get only so much and not much more. The big corporations, strong economically and

strong politically, demand more and get more. They use their organized power to obtain the biggest "plus," the biggest profit, that they can get.

The government does even better. It does everything it can to show whose government it really is, whose interests it really protects and looks after.

The government sees to it that the corporations take as little risk as possible, so that their profits of *yesterday* are protected, their profits of *today* are protected, and even their profits of *tomorrow* are protected.

To produce for the staggering requirements of the war, industry had to be expanded, and some new ones created. Land had to be bought. New plants had to be built. New machinery had to be produced. Raw materials had to be found all over the world or manufactured synthetically. Labor had to be assembled and put to work. In a pinch, high-cost, inefficient production had to be started and operated.

Government Aids Big Business

The corporations and the bankers said to the government: That is a tough and risky proposition. You do it. You spend the money and make the efforts. The people will pay—but not we.

So the government bought thousands upon thousands of acres of land—and turned them over to the corporations.

The government built thousands of plants throughout the country out of public funds—and

turned them over to the corporations to operate and profit from.

The government scoured the country and the world to provide the corporations with a guaranteed flow of raw materials, in plants built or financed by the government, and set up on land bought by the government.

The government set up agencies to get labor for the corporations. Then it saw to it that labor's wage demands on the corporations were kept down. Then it froze labor to the jobs of the corporations in the plants built or financed by the government on land bought by the government with the public funds.

The government wrote its contracts with these corporations so that if the war comes to an end, and the contracts for war goods are cancelled, the corporations would be compensated for their "costs and commitments on the uncompleted portion of the contract, plus some allowance for reasonable profit on the work done." That is how the *National City Bank Bulletin* describes the arrangement.

The corporations can't lose! They had a program and the government has fulfilled it to the letter.

Jesse Jones, head of the government's RFC and Secretary of Commerce in the Roosevelt Administration, a bankers' man, a corporation man, told of some of the things that have been done in a speech he delivered in Washington (at the *Evening Star* Radio Forum) on July 21.

In the past three years the government has spent *twenty-five billion dollars* building plants and facilities of one kind or another, including a total of 1,500 plants. These are turned over to big corporations to operate and draw profit from. Title remains in the hands of the government. If these plants are not needed at the end of the war, the government is left with them. The corporations are in the clear!

About one billion dollars went into the steel industry alone from the RFC. In Utah it put up a steel mill for the Geneva Steel Company, a subsidiary of the United States Steel Corporation, at a cost of \$190,000,000. It did not cost Geneva Steel a penny. This branch of the steel trust operates it "for the RFC" and draws its profit from it.

That is what is meant by *FREE* enterprise!

In Homestead, Pa., RFC put up a steel mill for the Carnegie Steel Company at a cost of \$100,000,000. More *FREE* enterprise for Carnegie Steel!

In Chicago, RFC put up a mill for the Republic Steel Company at a cost of \$85,000,000. Republic Steel can't possibly get stuck after the war. Title remains in the hands of the government.

At a total outlay of \$760,000,000 of government funds, the RFC built nine aluminum plants and forty-five fabricating plants. Who runs them? Who draws guaranteed profits from them? Mostly, the aluminum trust of the United States.

Magnesium plants—the same story. The government set up \$430,000,000 worth of magnesium plants, so that only eight per cent of magnesium

production is privately owned. But all the production is run by the big corporations, and the profit is theirs.

The government invested \$625,000,000 in plants and facilities for the manufacture of synthetic rubber. It spent more millions in setting up a machine-tool industry for the capitalists. It built not less than 521 aircraft plants at a cost of \$2,700,000,000—almost three billion dollars, ten times the value of the privately-owned investment in that industry—and the benefit and profits from that construction go to the corporations.

Cost-Plus System at Work

There is more, much more. Only a small part can be recited here.

When the worker's costs rise, he must absorb the increase as well as he can; that, says the government, is not its affair. When a shortage of tankers made it necessary to use tank cars and other railroad equipment, that meant a rise in costs. But when oil costs rose, the government began paying a subsidy of \$300,000,000 a year to the oil companies.

It costs the copper employers more to get the metal from the low-grade ore mines than from the better mines. So the government steps in. It covers the higher costs. It subsidizes the high-cost copper mines now to the tune of \$8,000,000 a year. The high-cost lead producers are subsidized by the government to the extent of \$4,000,000 a year. The

high-cost zinc producers get a subsidy of \$11,000,000 a year from the government.

Shipping and shipping insurance companies get government subsidies to the extent of \$94,000,000 a year.

The government covers their costs, covers them when they go up or when the companies say they go up, and guarantees them their profit on top of that.

In essentially the same way, the economic interests of the big, wealthy farmers, the big market producers, are protected by the government. The Commodity Credit Corporation and other government institutions are vigilantly at work, conscientiously protecting the big agricultural powers.

One simple example will show how it works: The ceiling price for soybeans is \$1.68 a bushel. The CCC says, we will support the price at \$1.80 a bushel. It buys the soybeans from the big producers at \$1.80 and sells them back for \$1.68 "to stabilize the price." Last year the CCC spent \$12,000,000 just on the subsidizing of the soybean producers.

That is the COST-PLUS system.

The capitalists and their corporations cannot lose. Their rising "living costs" are taken care of by the government—PLUS their profits.

How is the standard of living of the workers taken care of? What is done to meet the rising cost of living that is gnawing away steadily at the standards of American labor?

The capitalists have a carefully-worked-out SYSTEM that takes care of their rising costs, no matter how high they go. That is, as we said before, the COST-PLUS system. They don't have to worry, during peacetime or wartime, about how high the cost of land goes, how high the cost of raw materials goes, how high the cost of machinery and maintenance goes. These costs are covered in their contracts with the government right now. They produce on a COST-PLUS basis—they get whatever it costs them, PLUS a profit.

That is why, as we have pointed out, the capitalists, especially the big, monopolistic corporations, cannot lose.

What They Say to Labor

To the workers, however, the corporations say: "If *your* costs (that is, the cost of living) go up, that's just too bad. These are hard times. We are all in the same boat. Tighten your belt. Sacrifice for your country. After the war, we will have our huge profits and our carefully-accumulated reserve funds. You will have to be content with a dole, if you can get it. That's the system of free enterprise."

To the workers, the government says: "If *your* costs go up, that's too bad. There isn't much we can do for you. These are hard times. Tighten your belt. Sacrifice for your country. We are too busy covering the rising costs of the corporations and guaranteeing their profits on the wonderful

system of COST-PLUS. What we can do is to *promise* to roll back prices. Our promises thus far haven't been worth the paper they were written on. But have faith in God and Roosevelt and the system of free enterprise."

To the workers, the labor leaders say: "If *your* costs go up, that's too bad. There isn't much we can do for you except to run around from one flunkey in Washington to another, begging for a few little scraps for labor. Next month, maybe, we will see the President, or the Vice-President, or a congressman, or his second assistant secretary, and we will try to put in a good word for you. Meanwhile, have patience and, above all, don't try to get back your most powerful weapon of self-defense, the right to strike. Your best bet is to lay on your back like a dead dog, get up to vote for Roosevelt again next year, and pray that somehow all will turn out well in the end."

To the workers, the Communist Party leaders say: "If *your* costs go up, we have a magnificent solution to your problem. Work harder! Work longer hours! Speed up till you fall off your feet, and your arms and brains are numb with fatigue! If your present wages do not meet the rising cost of living, you can increase your income by 'incentive pay,' that is, by the good old sweat-shop system, the speed-up system, by doing two jobs where you used to do one. Tighten your belt. Sacrifice for your country. All-out for war and victory. And, above everything else, all-out to assure the power

and the victory of the Russian Stalinist bureaucracy, which is our real master."

These are the answers the capitalists, their government, the official labor leaders and the Stalinist bureaucrats give to the burning problem of the rising cost of living.

All of them boil down to one thing: The workers must carry an ever-heavier burden so that the capitalists may carry off ever-heavier profits. They give an anti-labor answer. What is a labor answer?

Labor must work out its own bold plan for a "COST-PLUS WAGE" and fight with all its organized power and determination to get it.

What is a COST-PLUS WAGE?

It is the simplest thing imaginable.

We have seen what the COST-PLUS SYSTEM is for the capitalists. If *their* costs go up, they are covered in the contract, PLUS their profit. How big a profit? As big as their organized strength enables them to get. If they are small and weak capitalists, they must be content for the time being with a "small" profit. If they are big and powerful capitalists, they are content only with the biggest possible profit. But always AFTER their COSTS have been covered.

The Cost-Plus Wage

A COST-PLUS WAGE is simply the application of this system to the workers!

How? *By contracts which provide that wherever and whenever the cost of living goes up, wages are*

automatically increased to cover the increase, PLUS an additional sum which allows for minimum comforts above a mere subsistence level. We will see later just how high the PLUS can and should be for labor.

What measuring stick can be used to determine the cost of living and its rise? "Everybody" gives different figures on the cost of living and the extent to which it has risen. Which figures would be taken? That sounds like an insurmountable difficulty, an unanswerable objection. But it is nothing of the kind.

The capitalists find no serious difficulty in establishing what THEIR costs are, and the extent to which they have risen, whether the rise is real or only faked up in their swindle-books. They argue it out with their "employer," the government, or with its "adjusters," and they finally come to terms which are more or less satisfactory. They must be more or less satisfactory, because their PLUS, that is, their profits, are the highest in history.

Why can't the workers and their unions do the same thing in their own case? The rank and file worker has his own "statistics" on the cost of living, which he feels directly every single day from what happens to his wages when food and clothing have to be bought and the rent paid. The CIO and the AFL have their statistics on the cost of living and its steady rise. The Department of Labor has its statistics on the same subject. So have the National Association of Manufacturers and the Chamber of Commerce.

How to Measure It

Which set of figures would be used as the basis for a COST-PLUS WAGE contract? The one that the workers know to be closest to the truth!

Would the employers readily accept the figures, the basis, proposed by labor? Of course not! They would hem and haw, dodge and twist. They would try to propose the figures most favorable to them, that is, the figures that are furthest from the truth.

Then which would be adopted? *The best, that is, the truest, figures that labor's organized strength could impose at any given time, in any given wage or contract negotiations.*

There is really nothing very new or exceptionally difficult about this. It is what the workers have to do every time they sit down with employers to negotiate a new wage contract. What is new is simply the establishment of a new *basic principle* for such contracts, the COST-PLUS WAGE to protect labor's standard of living.

Would a COST-PLUS WAGE mean that every worker, in every industry, and in every part of the country, would get exactly the same wage?

No, not quite.

In the first place, the cost of living differs from place to place.

In the second place, labor's present living standards differ from place to place and industry to industry.

In the third place, labor's skill differs from trade

to trade; or craft to craft. And all these facts have to be taken into practical consideration.

Labor's *ideal* should be based upon the principle that everyone contributes what he *can*, in physical or mental labor, and gets what he *needs*. But that is an ideal. It can be realized only in a fully socialist society, where real equality and freedom exist. It cannot be realized in our present-day corrupt capitalist society.

But what we *can* fight for *now* is a COST-PLUS wage. The "COST" will be based upon the EXISTING standard of living of any GIVEN group of workers (from highly skilled railroad workers or tool and die makers, down to unskilled workers and day laborers). It will be based upon the standards prevailing in any GIVEN locality, which is automatically adjustable to the rise in the cost of living. It will provide for a "PLUS" for the more highly-skilled, or for the more poorly-paid based upon what they are STRONG ENOUGH to enforce in the contract.

But in EVERY case, it would be based upon the principle of a MINIMUM that corresponds to an acceptable figure of the cost of living, automatically adjustable with every rise in that cost, PLUS an extra margin of income, corresponding to what the capitalist demands as his profit.

Improving the Lot of the Worker

Why should there be a "PLUS"? Isn't a cost-of-living wage good enough?

No. A mere cost-of-living wage means to tie labor down to its present unsatisfactory economic conditions, no matter what happens. It means that labor would accept the principle of never REALLY improving its position. It means that labor would be forever tied to its present status, just like cattle.

Labor must constantly seek to raise itself to a higher position in society, until it reaches the highest, where it properly belongs. If labor in the past had been content to continue working at the prevailing standard of living, it would now be in the state of undernourished and overworked slaves of centuries ago.

How "high" should this "PLUS" be?

As high as the ORGANIZED STRENGTH of labor makes possible in each given case!

Where the union is weak, where the odds against it are heavy, its bargaining power will be less and its "PLUS" smaller.

Where the union is strong, where the workers are determined, where the situation is favorable, the workers can force the employers to grant a higher "PLUS."

Everything depends upon the independent, organized, fighting strength of labor.

"Where is the money to come from for a COST-PLUS WAGE? How can 'we' afford it? How is it

to be obtained, especially when the country is at war?"

What Big Business Will Say

These questions will be asked by all reactionaries. They are easy to answer.

CUT DEEPER AND DEEPER SLICES OUT OF THE BLOOD-PROFITS OF THE CORPORATIONS!!

The capitalist press seeks to exploit the sufferings and sacrifices of our soldiers—that is, of the workers and farmers in uniform—in order to batter down labor and the labor movement. The press cries: There is no time-and-a-half in the foxholes! There are no strikes in the foxholes!

Maybe. But there are no billion-dollar profits for the men in the foxholes, either!

The big corporations, the monopolists, the bankers, are coining unheard-of profits, running into the tens and hundreds of millions of dollars, in the war, and as a result of the war. *These are blood profits!* Why should it be taken for granted that these barons of industry and finance should be guaranteed such fabulous profits out of the blood and suffering of the people? What can possibly be wrong with cutting these blood profits to the bone?

When the soldier "works" for the government, he gets fifty dollars a month. When the corporations "work" for the government, they demand, first of all, a guarantee of COST-PLUS billions in profits!

What possible objection can be raised to the adoption of the principle of COST-PLUS WAGES?

Will the capitalist say that it is wrong, immoral, unpatriotic for workers to demand a COST-PLUS WAGE as a condition for their working in the country's industries? How can he say that with a straight face? Will HE lift a finger to keep industry going without being *guaranteed* his COST-PLUS?

Will the government say that workers should not have a COST-PLUS WAGE, that the country cannot afford it, and so on and so forth?

How is it that the "country" can afford to provide the capitalists with a COST-PLUS SYSTEM, and not the workers? How is it that the government guarantees the capitalists their COST-PLUS, and not the workers?

Is it because it is fundamentally a *capitalist government*, which takes care of capitalists first, last and always? If that is so (and it certainly is!) then labor must organize to get a workers' government, a government of its own, which will take care of labor's interests first, last and always!

Will the capitalist press dare to say that COST-PLUS for the capitalists is good, necessary, just and equitable, whereas COST-PLUS for the workers is bad, unnecessary, selfish and criminal? Let it say that, and reveal itself for the capitalist mouthpiece and tool that it is!

Will the labor leaders, including the Communist Party bureaucrats, say that a COST-PLUS WAGE

for the workers is improper, or untimely, or outrageous? Where would they get the brass to make such an argument? Do they challenge for a moment the "right" of the capitalists, the corporations, to operate on a COST-PLUS basis? Why shouldn't labor, which produces everything, work on at least as favorable a principle as the capitalists, who produce nothing but coupon-clipping, unemployment, exploitation and war?

Labor needs and must have a COST-PLUS WAGE!

What Labor Must Do

Labor must establish and enforce the principle, for the present, that its employer, be he a corporation or the government, automatically provides an increase in wages in accordance with the increase in the cost of living—PLUS an extra margin of income to take care of the modest comforts that labor needs and wants and should have, at least for a beginning.

A COST-PLUS WAGE does not exclude regular or periodic wage increases. On the contrary, it provides for them. It is the way to make it possible to meet the rising cost of living AND to increase the standard of living.

To get the COST-PLUS WAGE adopted, labor needs only one thing: its organized power and freedom of action.

There are thirteen million organized labor unionists in this country. That is the biggest organ-

ized power in the country. Properly organized and properly directed, there is no other power in the country that can withstand it. Properly organized and properly directed, it can achieve any one of its legitimate demands. A COST-PLUS WAGE is such a legitimate demand.

Labor needs freedom of action. Right now, this giant has been shackled by the government and the corporations, assisted by groveling labor leaders, who imposed upon the trade unions the shameful "no-strike" pledge.

Capital has given no such pledge and does not need to give one. It is satisfied with labor's pledge. The harder labor works, the higher go the profits of capital—and the lower goes the standard of living of labor.

Labor must regain its *right to strike*. That is an indispensable pre-condition to organizing the fight for a COST-PLUS WAGE.

That is a concrete answer to the cost-of-living problem. It is a practical answer. It is a *working class* answer.

Let labor gird its mighty loins in the fight to win—A COST-PLUS WAGE!

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