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PROFITS **and** **WAGES**

by
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PROFITS AND WAGES

EMPLOYERS' INCOMES AND WORKERS' EARNINGS

BY ANNA ROCHESTER

A \$5,000,000 private yacht setting a new record for size and luxury. About \$8,000,000 spent during the "season" in New York City for launching 200 society girls. The American minister to Poland buying a carpet and an old tapestry for \$360,000. Ladies' shoes at \$500 a pair. These are only a few stray items from the news of the rich during the crisis years of 1930 and 1931.

For while workers face a drive of wage cutting or starve on breadline slops, large incomes roll into the pockets of the wealthy. Concentration of wealth and power in the hands of the biggest capitalists increases. The crisis has further sharpened the greatest social contrasts the world has ever seen.

Even before the imperialist war of 1914-1918, large-scale industry controlled by a small group of banks and bankers had made the rich immensely richer and the workers relatively poorer than in earlier periods. Post-war "prosperity" multiplied American millionaires. In 1929, nearly 40,000 persons admitted incomes ranging from \$50,000 to over \$1,000,000 a year, including 38 extra-super-millionaires with a yearly average of \$10,000,000.

This same "prosperity" had driven to the bottom a "reserve" of some 4,000,000 jobless workers. Great sections of the farming population had been thrown into a state of desperate poverty. Wages of industrial workers had been pushed way below the 1920 figures. Before the crisis, the workers in the United States who still held a job averaged a bare \$25 a week, and more than half of them received less than that amount.

When "prosperity" crashed, the number of jobless was more than doubled. The destitution of prolonged unemployment, without even a minimum pretense of social insurance, gripped 10,000,000 or more workers and their families. Behind a cloud of poisonous bunk about "maintaining American standards," the capitalist class ruthlessly cut workers' payrolls, not only by mass lay-offs but by short-time employment and slashing of wage rates. By

1931, the income of the working class had fallen to little more than half of what it was in 1929, while corporations kept up generous payments to the capitalist class. Luxury spending and starvation continue side by side.

The Why of Capitalist Industry

Under capitalism the whole purpose of industry is the gathering in of profits, interest, and rent for those who own the mechanism of production, distribution and finance. A certain amount of security and a share in the comforts of life must be assured to those who direct the actual workings of a corporation—shading down from the top executives with salaries in five and six figures to the foremen in the shop who boast of steady pay just high enough to set them apart from the workers. For the industrial general staff, down to the last top sergeant, must function as loyal members of the capitalist class.

But the rank and file of workers are simply a mass to be exploited. Wages are always kept at the lowest figure necessary to purchase the use of such muscle, skill and steadiness as the employer requires; they waver around an amount just large enough to provide food and shelter and the degree of training needed for the job. Wages are pushed below this point to a starvation level whenever masses are unemployed and a large "reserve" of workers is available; wages are pushed above this point only when the workers through organization and struggle compel a higher rate of pay. For the capitalist class is determined to take for itself the largest possible share of the wealth which the workers day by day are creating. Their talk of "high wages" was merely propaganda put out to deceive the workers and tie them to the capitalist class.

The struggle between capitalists and workers over the share taken by the exploiters from value created by the workers has been the permanent basic fact of class relations under capitalism. To conceal their daily robbery of the working class, the exploiters built up a code of capitalist property rights. To protect this property code against revolt by the workers is the primary function

of the capitalist state. Now the crisis with its drive of unemployment and wage-cutting is intensifying the economic conflict which year in and year out has continued since the beginning of capitalist industry. And the new sharpness of police terror against all organized militant resistance is showing up more clearly than ever how the capitalist state serves the capitalist class against the working class.

Capitalist Incomes Before the Crisis

At the peak of post-war "prosperity" nearly 10% of the national income was drawn off in personal incomes of \$50,000 and over by men and women whose families represent less than one-tenth of one per cent of the population. Another 28% was drawn off by a comfortable 4,000,000 representing about 9% of the population and having personal incomes of \$3,000 but less than \$50,000.*

ESTIMATED DISTRIBUTION OF INCOME—U. S. A., 1928

Personal Income Groups	"Gainfully Occupied" Persons Per Cent	Total National Income Per Cent
\$50,000 and over	0.1	9.4
\$5,000, under \$50,000	2.2	16.5
\$3,000, under \$5,000.....	6.8	11.6
All above \$3,000.....	9.1	37.5
All below \$3,000.....	90.9	62.4
	100.0	100.0

Very few of the wage workers and farmers who make up the great mass of this 91% of the population come anywhere near the \$3,000 dividing line. Most of them have less than \$1,500 a year. But the "below \$3,000" group includes tens of thousands of the smallest sweatshop exploiters and struggling little shop-

* These figures include not only cash incomes admitted in federal tax statements but also estimates of concealed cash income and so-called "imputed" income. That means the equivalent of income going to those who own their homes and do not pay rent and those who raise garden truck and other food for their own use.

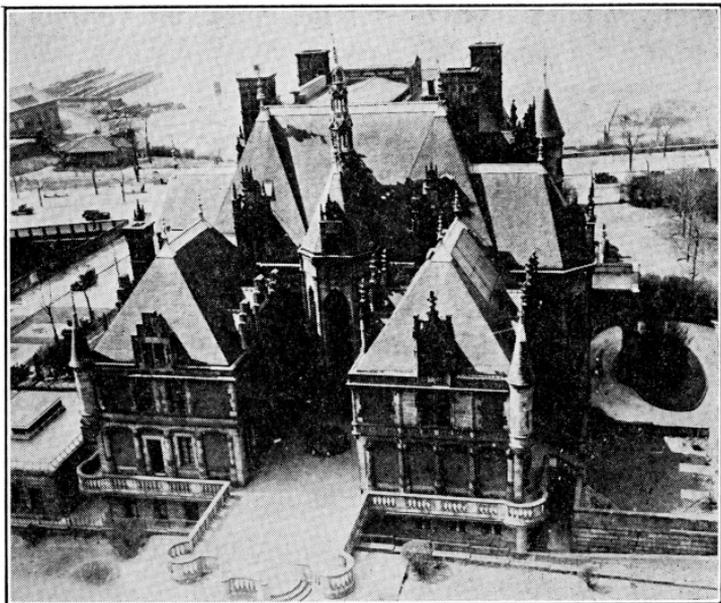
keepers who are themselves petty capitalist victims of the capitalist system. Here are also the rank and file of teachers, social workers and other lower paid groups among the salaried slaves of the capitalist class.

But broadly speaking, this division of personal incomes into those above \$3,000—where about 9% of the people have about 38% of the national income—and the great masses below \$3,000 who together receive less than two-thirds of the total, corresponds roughly to the broad economic line-up of the population. Above are those who benefit from capitalism; below—and most of them very far below—are those whom capitalism exploits.

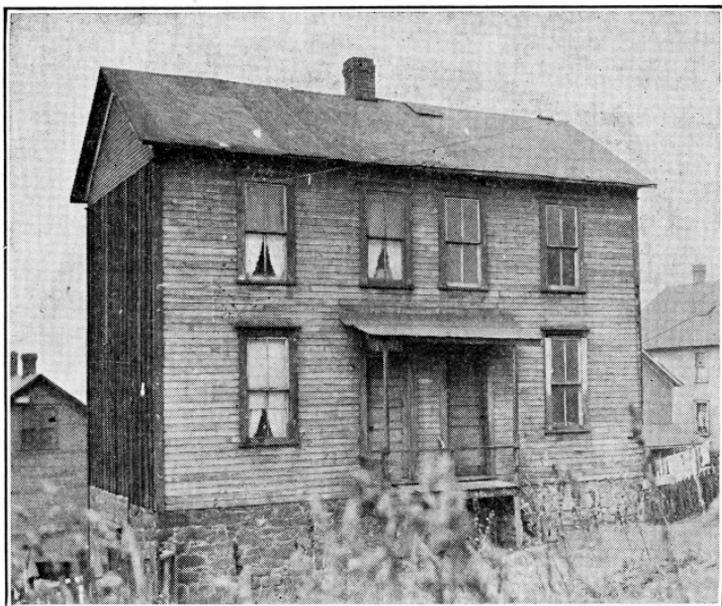
Bankers and investors, stockbrokers, speculators and prosperous business men, and such loyal salaried officers of capitalism as corporation executives, technicians, lawyers, advertising men, high pressure salesmen, top accountants, personnel workers, petty salaried bosses, A. F. of L. officials, and upper ranks of teachers, clergymen, social workers and journalists—not to mention bootleggers, dope peddlers, political racketeers and gangsters—were drawing in larger and larger incomes during “prosperity.”

About one-fourth of the class income above \$3,000 comes from the \$8,000,000,000 of salaries admitted by this group in the federal income tax returns. But most of these salaries represent a form of capitalist income. They are “earned” chiefly for financial manipulation or for services rendered to the owners of industry in their exploitation of the workers. Salaried men in this upper 9% commonly have besides their salaries some share—large or small—in the actual ownership of capital. The higher the salary range the more likely it is that the capitalist salary is supplemented by considerable income from property.

Eugene G. Grace, president of Bethlehem Steel Corporation, and two other Americans admitted incomes (1929) of over \$1,000,000 from “salaries, commissions and bonuses” apart from their other sources of income; the other 510 super-millionaires were in the \$1,000,000 income group chiefly or entirely because of their vast property holdings or their gambling with large stakes on the Stock Exchange.



New York City home of Chas. M. Schwab, chairman of Bethlehem Steel Corp.



This ramshackle unpainted house provides two 3-room "homes" for Bethlehem Steel Corp. workers in Johnstown, Penna.

Of the total \$1,388,000,000 cash income admitted by the whole group of 513 super-millionaires, over 90% came from dividends, interest, rent, stock speculation, or the sale of capital assets. At the lower end of the capitalist class, among the nearly 2,000,000 who admitted cash incomes ranging from \$3,000 to just under \$10,000, about 25% of the total cash income came solely as a return from capital ownership.

Of the whole American income from ownership of capital—apart from wages, salaries and professions—about nine-tenths went to this less than one-tenth of the population with incomes above \$3,000. This class includes all but a tiny minority of the stockholders in American corporations, and it receives at least 95% of the dividends. It is this upper group—and chiefly the topmost layers within it—that make profits from stock speculation. It is these Americans with \$3,000 or more in income who buy most of the industrial and government bonds and invest in mortgages. Most of the rents from workers' dwellings find their way into the pockets of this class.

The richest 1% of the population owns at least 59% of the wealth; the petty capitalists (12%) own at least 31% of the wealth; and the great mass of industrial workers, working farmers, and small working shopkeepers, or 87% of the population, own barely 10%. This estimate includes all kinds of private "wealth,"—not only capital investments giving a cash income, but such wealth as homes and land used by the owners. Capitalists, large and small, are living on profits drawn from the labor of the proletarian masses who have no share in the land and capital wealth.

Prosperity for Whom?

"Prosperity" bunk had its basis of fact in the increased share of total income drawn off by the capitalist class. Figures from federal income tax returns understate personal incomes, but they tell us more than we know from any other one source. They show that the number of persons admitting a cash income of at least \$5,000 jumped about 51% from 1920 to 1929. But during those years, total national income increased about 21% and the total

number of so-called "gainfully occupied persons" perhaps 13%. Clearly a much larger share was going to the comfortable capitalist groups above \$5,000.

This is only part of the story. While this \$5,000 (and over) class had increased in size by 51%, its class income had increased by 87% because a much larger share was concentrated in the wealthiest groups at the top.

	1920	1929
Total cash income reported in incomes of \$5,000 or more..	\$10,375,600,000	\$19,710,200,000
	<i>Percentage Distribution</i>	
\$5,000, under \$50,000.....	81	64
\$50,000, under \$1,000,000....	18	29
\$1,000,000 and over.....	1	7
	<hr/>	<hr/>
Total over \$5,000.....	100	100

Of the \$10,375,600,000 cash income admitted in 1920 by 681,562 Americans who had at least \$5,000 a year, 1% went to 33 super-millionaires at the top; 18% went to 15,709 second-rate magnates who admitted \$50,000 to \$1,000,000 in cash income.

Nine years later, 1,032,071 Americans were admitting cash incomes of at least \$5,000 a year. The group total had gone up to \$19,710,200,000, of which 29% went to 38,376 second-rate magnates admitting \$50,000 to \$1,000,000 in cash income, and 7% went to 513 super-millionaires. *These 513 super-millionaires at the top had together an income more than equalling the wages paid to 1,000,000 wage-earners having steady work at the average American wage.*

How the Rich Get Richer

Capital is piled up always at the expense of the working class. This process operates in several ways.

Some fortunes have rolled up directly through exploitation of the workers in an industrial concern of which the capitalist himself is the head. Henry Ford and a few lesser magnates in automobiles, moving pictures, electrical manufacturing and other new industries have built their fortunes in this way during recent

years, but this type of accumulation was far more common in the earlier days of capitalism. In the nineteenth century, for example, John D. Rockefeller, senior, was battling his way to personal control of oil refining and distribution; the elder Guggenheim and Ryan were in copper, Carnegie and Frick were in steel and coke, du Pont in explosives, Armour and Swift in beef. Only by ruthless exploitation of workers, fierce fighting with competitors, and use of the government were such fortunes built. They come along with an expanding industry when profits turned back into the business by one dominant capitalist, or by a very small group, can provide enough capital for growth.

Since 1900 when Morgan organized the U. S. Steel Corporation and capitalism was ripe for billion-dollar companies, the banker has had an increasing chance to do better than the industrial executive in piling up his millions.

But bankers had their chance also in the nineteenth century. Of the older generation of bankers, the late George F. Baker and the elder J. P. Morgan who died in 1912 were classic examples.

George F. Baker piled up his enormous fortune entirely as a banker and investor. He happened to get in on the ground floor of the First National Bank of New York when it was chartered in 1863, and while still a young man became the largest stockholder and the dominating figure in this aristocrat among banks. Unlike his friend and ally J. P. Morgan, Baker was never in the public eye as one who initiated mergers or "made" millions by "saving" swollen corporations that threatened to collapse. He maneuvered quietly, getting inside information on the strongest companies, adding more millions to his gilt edge investments, and becoming one of the banker directors on the boards of over 40 corporations. From his stock in only one of these companies—the U. S. Steel Corp.—George F. Baker, senior, (apart from large holdings of his son) drew in 1929 dividends amounting to \$611,500 or about what 350 workers could earn in 300 days at the Steel Corporation's average wage.

Leading banks and their stockholders have for years made fabulous profits. Baker's First National Bank has since 1925

given its stockholders \$100 a year for each \$100 par value share of stock. Mellon's Union Trust Co. in Pittsburgh has paid \$206 a year for each \$100 par value share of stock. And these dividends have continued through the world crisis of 1930 and 1931, while millions of workers were swelling the ranks of the unemployed and their families were reduced to starvation.

Mellon Splendor

The Mellon fortunes are of special interest to workers today, for Andrew Mellon is not only one of the richest men in the world, but also one of the few outstanding capitalists who personally and openly has taken a hand in government. His great service to his class has been successful pressure toward reduction of income taxes. When Andrew Mellon became Secretary of the Treasury, nearly two-thirds (about 64%) of the million-dollar net incomes was paid in federal income tax. By 1925, these multi-millionaires were paying a mere 16%. The amounts refunded to individuals and corporations from income tax payments under Mellon's administration of the Treasury Department have also been notorious.

Pittsburgh banking laid the foundation of the Mellon fortunes. The original head of the Mellon bank—father of Andrew and Richard B. Mellon—was the personal banker of Henry C. Frick and other men whose interests were absorbed in the U. S. Steel Corporation. The Mellon family still dominate Pittsburgh banks, but they have also branched out into successful industrial ventures, drawing more tens of millions from the labor of their wage slaves. It was boasted in 1929 that the operation of two companies alone had netted the Mellon family \$300,000,000 up to that date. Gulf Oil, U. S. Aluminum, Pittsburgh Coal Co., and the network of coal, utility, and industrial companies linked under the Koppers Company are largely Mellon family affairs. Other scattered investments give them a share in the profits and at least a minority voice on the board of directors of many of the strongest companies in the country.

One of the most brutal contrasts between wealth and poverty—

capitalist and worker—was staged by the Mellon family in the autumn of 1927. Their Pittsburgh Coal Co. had taken the lead in 1924 in aggressive union smashing, wage cutting and reduction in numbers employed. By 1927, coal companies throughout the Pittsburgh area had followed their example, and striking miners were suffering tragedies of police terror, evictions, hunger, and cold. In the midst of the strike period, the daughter of R. B. Mellon (and niece of Andrew) was “Wed in Arabian Splendor” that cost her father a cool two million dollars. While strikers waited out the winter on scant rations of relief and little children stumbled to school in daddy’s shoes and daddy waited barefoot for their return, a splendid pavilion was built especially for the Mellon wedding.

Speculating and Holding On

City real estate has brought fortunes to those who got in early and held on. Vincent Astor is said to receive a larger income from real estate than any other man or woman in the world. He inherited large sections of land on Manhattan Island from the crafty fur trader who pushed the Astor family into the upper ranks of exploiters over a hundred years ago. One 20-acre farm was bought in 1827 by the son of the fur trader for \$20,500. This came down, not to Vincent but to another Astor, who sold a small piece of it in 1929 at \$8,000,000 an acre for the site of the Empire State Building.

Some investments in business have had the same power to multiply through value taken from the workers. For as successful corporations expand and see prospects of larger “earnings” on capital, they increase each stockholder’s claim on the profits by stock dividends which may double or triple or multiply by five his number of shares. Rockefeller and his old associates in Standard Oil gave themselves several stock dividends. Baker’s First National Bank gave its stockholders, in 1901, 19 additional shares for each one share they had held before. The 100% dividends paid yearly since 1925 are therefore 2,000% dividends on the original shares of stockholders who were in before 1901.

During the post-war boom, many corporations made very large profits and pushed up the rate at which cash dividends were paid. In six years from 1923 to 1929, the total paid to the capitalist class in interest on bonds and dividends on stock of corporations in the United States almost doubled. Workers were driven and many of them permanently displaced by "labor-saving" machines and speed-up devices, in order that this larger slice of the increasing value might be dished up to the capitalist class. Increased dividend and interest payments accounted for just over half of the huge property income reported in the federal tax returns for 1929.

More important as a factor in the million-dollar incomes was the stock market boom. Rising profits and "prosperity" blah-blah pushed stock prices up beyond all relation to the profits and dividend rates of the companies. Increasing speculation was pouring money into the coffers of the banks which advanced billions in brokers' loans, and the profits of the speculators and their brokers and bankers meant lavish spending, so the "prosperity" chorus went on unchecked.

Meantime, throughout "prosperity," the masses of workers had a dwindling share in the rising national income. They were kept down at the lowest level of pay that would buy their labor power. More than ever before, they were speeded-up to the point of exhaustion. Mass unemployment increased.

Crisis Widens Gap Between Classes

The long crisis of the capitalist world has sharpened and hastened the further concentration of wealth and power. Increasing failures weed out more and more of the weaker industrial concerns. Thousands of small investors in big corporations, hit by loss of job or reduction of other income, sell their bonds or their stock, and mortgage or sell their real estate to tide over the crisis. Tens of thousands of small capitalists are shaken down into the ranks of the proletariat. Many companies during the crisis have issued new bonds to raise immediate cash,—bonds which increase the amounts that must be wrung from the workers

week by week to cover "capital charges." More bonds, more stock, more real estate are gobbled up by the bigger capitalists whose incomes are always large enough to allow the increase of accumulation, which is their chief end and aim of existence.

This is the basic underlying trend of crisis years, in spite of the fact that there are now fewer million-dollar incomes than there were during the boom. More than half of the total gathered in as million-dollar incomes in 1929 was from stock speculation or the sale of older capital assets. The \$4,636,000,000 of net profits from such dealings admitted in tax returns of all income groups in 1928 had crashed in 1930 to a mere \$110,000,000.

But other great streams of income continue to flow into the pockets of the capitalist class. And later, when full income tax returns are available for 1930 and 1931, they will show that an increasing share of rents, interest, and dividends are going to the wealthiest capitalists at the top.

Corporations have done their duty well for the capitalists, while they have cut payrolls and thrown millions of workers out to starve. A group of the larger companies (representing roughly two-thirds of the total corporation capital) paid interest and dividends that totaled 8.3% larger in 1930 than in 1929. In September, 1931, the *New York Times* reported that of 5,000 companies, 50% had continued dividend payments without reduction; 20% were paying smaller dividends; and only 30% had omitted payments entirely. In November, one of the bank reviews of business conditions pointed out that while dividend payments had declined, the interest payments to bondholders had increased; so for October, 1931, the total payments of dividends plus bond interest by a large group of corporations were only 4% below the high record of October, 1930. "It is apparent," they say, "that the sum total of all dividends and interest is not showing the serious shrinkage which headline news of dividends passed, dividends reduced, and interest defaults would indicate."

The whole machinery of capitalist industry and finance is geared to pour money into the pockets of the capitalist class. When business is good, the capitalist draws high profits from

value created by the workers. When a crisis brings stagnation, the capitalist class continues to exploit the workers who are still employed and takes no responsibility for those who have been thrown out from the process of production. Corporations carry reserves piled up from the profits of active years. From these reserves they supplement the lower profits of crisis years and continue payments to the owners of stocks and bonds long after great masses of workers have been thrown out to starve with no "income" and no job.

So now at the start of 1932, the capitalists who complain of "hard times" and "economy" still have their opera boxes, debutante balls, jewels, yachts, high power cars, large homes with retinues of servants, and expensive winter vacations. For the workers, the crisis means debt, meager and insulting charity, evictions, hunger. Only through mass struggle can they hope to secure relief from starvation and despair.

Class Budgets

Compare the budgets seriously set up for capitalists and workers.

A young banker with wife and one child nine years old has told in detail just how he manages to get along on \$50,000 a year. (*Fortune*, April, 1930.) The first item that strikes the eye is "club dues and club expenses"—interesting because this one item took \$24 a week, only a dollar less than the average "prosperity" wage of American workers. In the rich young man's budget this little item is quite distinct from another of nearly \$70 a week set down for theater and night clubs, books, liquor and tobacco, and also distinct from a \$900 a year item for summer club and summer parties! A Park Avenue apartment and a rented summer house cost \$10,500 a year. Other living expenses, including servants, food, and upkeep of furniture came to \$11,940. His wife spent about \$5,000 a year on clothes, apart from extras like a new fur coat. The man managed to dress himself on \$1,000. The little girl's clothes cost—as yet—*only* \$600. They allowed \$1,500 a year for doctor and dentist, and knew that with serious illness

this amount would be too small. Private school and car upkeep came to nearly \$1,400 a year. Such "incidentals" as Christmas presents, taxes, trips abroad, and charity took nearly \$1,000 a month. (One wonders how much of this was charity!) So the only savings that this "poor" young banker was able to set aside were \$1,000 a year of insurance premiums.

Contrast with this the budget set up for workers' families by the U. S. Bureau of Labor Statistics. This was not offered as a "pauper" budget (for guidance of charitable relief) nor as a minimum of subsistence budget, but was meant to provide what the bureau called a "minimum of health and decency." It allowed the man a new overcoat once in four years, and a new winter suit and a new summer suit once in three years. He would buy two pairs of work shoes every year, but other shoes only once in two years. Once a year he might have a suit cleaned and pressed. Apart from work shirts, he could buy only one new shirt and six new collars. This shows how workers' families are supposed to dress. The incidentals allowed for are even more revealing. They assume that three persons in a family of five will each make one visit to a dentist in the course of the year. One daily newspaper and one magazine are the total allowance for reading matter.

This \$40 a week budget has always been way beyond the reach of the average American worker.

Separate budgets have been worked out for women living alone. One of the most recent of these comes from the State Industrial Commission in Colorado, where \$15 a week is called a "good" wage:

	Weekly Allowance
Breakfast	\$2.10
Lunch	2.10
Dinner	3.50
Room	4.00
Laundry50
Amusements, reading matter, etc.	1.00
Clothing	1.50
Doctor, dentist and savings.....	1.50
Carfare	1.00
	<hr/>
Total budget	17.20

This is about the amount that has usually been allowed by social workers and minimum wage commissions as a necessary wage for one person without any dependents. But the U. S. Women's Bureau has proved from its studies that considerably more than half the women workers in American industry have been paid less than \$17 a week, and many less than \$10 a week. The kind ladies of the Consumers' League felt that they had scored a great victory for the poor working girls in New York City when candy manufacturers promised to raise their minimum pay from \$12 to \$14 a week!

The Masses' Share of "Prosperity"

Wage-earners and farmers in the United States know very well the full bitterness of these social contrasts. For years before the crisis they had been drawing a dwindling share of the total national income. Estimates before the crash of 1929 that the broad average income available for every man, woman, and child in the United States had increased by 8% from 1920 to 1928 meant nothing to these exploited classes. This increase was only a pretty figure for statisticians to play with, because the share drawn off by the capitalist class had risen so sharply that the actual cash average going into the pockets of workers and farmers had decreased.

Cost of living had fallen somewhat, so that a worker earning \$25 a week could buy a little more in 1928 than a \$25 wage could buy in 1920. And capitalist statisticians did a lot of juggling to try to prove that though a worker received less cash in 1928 than in 1920 he was really much better off. But nobody has dared to claim that this possible slight increase in "real wages" had any proportionate relation to the tremendous increase in the workers' average output.

In fact, the speed-up drive by which the capitalists pushed up the workers' average output had definitely cut each worker's long-run earning power. For speed-up demands youth and freshness; it wears out men and women long before they are old in years. Many employers frankly refuse to take on workers over

40. Some set a still lower age limit. For each worker's life as a whole, this has meant a tremendous cut in wages.

Also, while capitalists pushed up the workers' output, they increased the total volume of production and pushed down the numbers employed in manufacturing, transportation and mining. The "reserve" of jobless workers rose from around 1,000,000 in 1923 (a year of full industrial activity after the depression of 1920-22) to about 4,000,000 at the height of "prosperity" before the crash in 1929.

So even Willford I. King, whose book on *The National Income and its Purchasing Power* was an obvious attempt to conceal the increasing concentration of wealth, had to estimate that the share of total income paid in wages to the working class had dropped; he admitted that average cash earnings of individual workers were sharply cut after 1920 and that later increases in certain industries and occupations left the worker with fewer dollars per week than he had had in 1920. He admitted that the average wage for all industries and occupations combined was under \$1,300 a year in 1927.

Meantime the U. S. Bureau of Labor Statistics budget for a worker's family had never cost less than \$2,000 a year; in some centers before the crisis it was priced at \$2,500 a year. Even the employers' National Industrial Conference Board was admitting that a family could hardly get along with less than \$1,700 a year.

"Prosperity" Wages Below a Living Standard

So whether we take the federal government's standard for a working class family at \$40 or more a week, or the employers' private organization standard at \$33 a week, the fact is clear that the workers' actual average of barely \$25 a week *even during prosperity* was far below the minimum standards theoretically set forth by agencies of the capitalist class.

A \$25 average does not mean that most workers were receiving that wage. An average represents the balance between high and low, and American workers have the most widespread differences in wages that have prevailed in any country. A few skilled

workers at the top—but certainly not more than one-tenth—really did have before the crisis a scale of pay that gave them over \$40 a week for full time work. These highest paid occupations included such as garment trades and building in which employment was seasonal or irregular even when times were good.

At the other pole from “aristocrats” of labor there were always masses of unskilled and semi-skilled workers whose “prosperity” wages trailed down to a starvation level.

Women’s wages run from 25% to 40% below the wages of men. Sometimes the difference is even greater. If men and women work side by side on piece work they are usually paid alike, but in occupations where many women are employed the rate of pay is always lower for both sexes than it would be in a man’s occupation. Young workers are also used to replace older workers and usually at a much lower wage.

Negro workers are usually paid less than white workers. They are expected to accept a lower wage rate for the same kind of work, but in most industries they are segregated in the hardest and most poorly paid jobs.

Women workers and Negro workers are only part of the great masses who earned during “prosperity” less than \$25 a week. For a wide contrast between a small top minority of workers and a poorly paid mass of workers has been present within most American industries. It has been fostered and sharpened by the A. F. of L. and other reactionary craft unions whose indifference to the unorganized semi-skilled and unskilled masses has amounted to a betrayal of the working class.

Take the railways as an example. Among the 1,560,000 wage-earners on steam railways in 1929, the train crews and a small minority of the skilled workers in the repair shops averaged considerably more than \$2,000 a year. But these workers were outnumbered by men who had less than \$1,200 a year and nearly one-fourth of all the railway workers averaged less than \$20 a week.

Or again in certain northern hosiery mills, a small group of highly skilled male knitters in the Full-Fashioned Hosiery Work-

ers' Union had secured, before the wage-cutting agreement of 1931, rates that gave them \$50 and more for a full-time week. In the very same mills the other male workers averaged less than \$26 and the women and girls—who outnumbered the men—averaged less than \$22 a week.

Workers who have no special skill to sell to their employers and skilled workers who can find no jobs in their trade and must take the wages paid for untrained hard physical labor, averaged only 45 cents an hour in January, 1929. Most unskilled jobs are irregular at the best of times, so while the luckiest few might earn more than \$20 a week, the great majority of unskilled workers averaged far below that figure.

Wages for all groups of workers vary in different industries and in different sections of the country. But no industry and no section of the country paid an average wage before the crisis that approached \$2,000 a year. Southern states pay the lowest wages, as the wage rates for white workers have been held down by the special exploitation of Negro workers and the extreme poverty of southern tenant farmers. For factory workers as a group the average yearly earnings in 1929 were about \$1,300, but at least one-ninth of them were in industries which showed an average of less than \$900 a year. These included cotton textiles, canning, confectionery and most of the tobacco products; also work clothing, in which wage-earners are up against the competition of convict labor in American prisons.

At the lowest end of the scale are the farm workers. In July, 1929, the daily pay for those who did not receive free board as part of their wages ranged from an average of \$3.85 reported for Rhode Island, Connecticut and New York state, to an average of \$1.20 for South Carolina. From North Carolina south and west to Louisiana, the 1929 average was under \$2 a day. These daily rates apply chiefly to irregular work. Wage rates were even lower for those employed by the month. When free board was not included the highest *monthly* average reported was \$86.75 in Rhode Island and the lowest was \$26.75 in South Carolina.

Workers will find additional material exposing the fairy tales

about high wage levels before the crisis in the books on separate industries prepared by the Labor Research Association and published by International Publishers.

Workers Have No Income Except Their Wages

Another fairy tale spread widely by the capitalist boosters of "prosperity" was the claim that large numbers of American workers had become stockholders, with "a stake in the profits of industry" which gave them an income besides their wages. To prove this fairy story, the boosters add up all the numbers of stockholders reported by all the leading corporations and arrive at some ridiculous total in the tens of millions. They do not mention the obvious fact that every prudent capitalist has stock in several companies, so that the same stockholder is counted over again anywhere from five to a hundred times. (See *The Americanization of Labor*, by Robert W. Dunn. International Publishers.)

Careful estimates of the real number of American stockholders range from around 3,000,000 toward a possible 5,000,000, when the broadest possible allowance is made for every worker who has subscribed for a single share of employee stock and draws \$6 to \$7 a year as dividend. Rank and file workers know very well that most of these employee stockholders are from the upper ranks of office workers and the petty bosses in the shops.

Even when they are permitted to work, the working masses in the United States have nothing but their wages. And during "prosperity" nine-tenths of the workers were getting wages too small to support a family even according to the limited standard set for workers by the agencies of the capitalist class.

So rich America has its army of child workers who must take up their share in the burden when exploiters' children are just beginning pleasant years in high school and college. Mothers are sacrificed in childbirth through overwork and lack of proper care. Workers' babies are slaughtered by capitalism. Studies by the U. S. Children's Bureau revealed an infant mortality rate

three times as high in the lowest earnings groups as in families with a comfortable income.

In the best of times, the working masses have no possibility of storing up reserves for old age or any prolonged unemployment. The only pretense of social insurance in the United States is utterly inadequate. Compensation provided (in all but four states) for industrial accidents is paid at a scale deliberately set too low to take the place of wages. Old age pension laws give a tiny minority of the workers in a few states just enough to hold off starvation; they are hedged about with restrictions and leave a gap of ten to thirty years after workers are thrown on the scrap heap before any one is eligible for a pension. For unemployment and illness there is not even the pretense of social insurance. So millions of workers attempt to protect their families with small industrial insurance policies, but even the five to 25 cents a week premium is more than many can afford regularly, and many more policies are forfeited than are ever paid back to the workers. This is another racket that gives the dimes of the masses as dividends to wealthy policyholders.

The sufferings of poverty have always been a reality for American workers and their families. The International Chamber of Commerce has sponsored the statement that before the crisis 1,000,000 persons in the United States were public charges, another 1,000,000 had been broken in body and spirit by irregular work and totally insufficient wages, and at least 7,000,000 (including workers and their families) were living at a poverty level so low that the slightest emergency meant a choice between charity and literal starvation. Another 12,000,000 had only a "bare subsistence"; they might weather short spells of unemployment and minor emergencies, but could build up no substantial savings. In other words, even the bitterest enemies of the workers admit that the beginning of the capitalist crisis in 1929 found more than one-sixth of the population chronically on the edge of destitution or already hopelessly submerged.

Mass Unemployment Cuts Income of Working Class

A few industries (including agriculture) had reached the stage of openly admitted crisis before the crash of 1929. Coal and textiles had long been labeled as "sick" and the drive to cure them for the capitalist class at the expense of the working class had brought mass unemployment and wage-cuts. Other industries also were "sick" from the capitalist viewpoint, with inflated capitalization, surplus capacity, and other ailments inherent in the capitalist system, but this was admitted by the capitalists only after the collapse of the stock market (autumn of 1929) had sounded a general alarm and opened the long period of crisis throughout the entire capitalist world.

The large profits of "prosperity" had been based largely on an increased speed-up and intensified exploitation of the working class. When these profits were threatened in the world-wide crisis, the capitalists in every industry opened a sharper attack on the workers' income. Payrolls were reduced by mass lay-offs, short time, and wage cuts.

The numbers of workers wholly unemployed in the United States mounted steadily upwards from the 4,000,000 of the later "prosperity" years to a total estimated at about 11,000,000 by the end of 1931. For the railroads, exact figures are available; over one-fourth of the 1,560,000 hourly workers employed in September, 1929, had been thrown off before September, 1931. For other industries, we have reports from selected employers to the U. S. Bureau of Labor Statistics. These indicate that during the same two years over 30% of the 8,700,000 factory workers had been thrown out of work; from 20% to 40% of the 1,100,000 mine, quarry, and oil well workers; and at least 14% of the over 4,500,000 wage-earners and clerks in wholesale and retail trade. From the index of building activity—based on building permits issued in the principal cities—we see that the 2,500,000 building trades workers had less than half as much work in the fall of 1931 as in the fall of 1929,—and in 1929 building activity had already fallen below the peak of 1928. The ranks of the jobless

have also been swollen with workers thrown out by telegraph and telephone companies, steamship lines and docks, electric railways and city transit systems. Domestic workers have been dismissed both by hotels and private families. Farm laborers were desperate for jobs throughout the 1931 season.

In building trades, mines, many manufacturing industries, and other occupations also, the masses totally unemployed shade off into other uncounted masses who have had only short-time work every week. When the crisis began, the 5-day week suddenly became popular with employers, for unless the full weekly earnings are maintained, the 5-day week cuts the payroll and the workers' wages while it sounds progressive and generous. Others advertised the "stagger plan" (with workers taking turns on the job) as their contribution to "unemployment relief." This means that no worker has more than a part-time job. Capitalism simply distributes the miseries of unemployment and semi-starvation more broadly among its victims. Thus, in July, 1931, before U. S. Steel Corporation had begun its open cutting of wage rates, a loss of at least 50% in total steel workers' earnings was admitted. On the railroads, in August, 1931, before the general attack on wage rates, the average monthly earnings of the workers still employed had been reduced more than 8% by short-time employment, while the total payroll of hourly workers had fallen by one-third below the figures for August, 1929.

The Wage Cutting Drive

"No wage cuts" was the slogan of a conference called by Hoover in the fall of 1929. (See *Labor Fact Book*, p. 130.) But behind a screen of propaganda, quiet indirect cutting of wage rates was put over locally in many plants along with mass lay-offs and short-time schedules. Direct and open wage-cutting was increasing steadily long before the open wage-cut drive of big corporations in September and October, 1931. Reports from a selected group of manufacturers to the U. S. Bureau of Labor Statistics show direct wage cuts affecting nearly four times as many workers in the year ending September 15, 1931, as in the

previous twelve months. Scattered reports from A. F. of L. unions to the same bureau showed four times as many locals agreeing to wage cuts in the first five months of 1931 as in the entire year 1930. (These are quite distinct from the long list of A. F. of L. local unions that accepted a 5-day week without increase in hourly wage.) The figures do not show how many union workers had their pay directly slashed but they do show the sell-out policy of A. F. of L. officials.

Cuts reported range from 3% to 50%. Most of them were from 10% to 20%. The American Federation of Full-Fashioned Hosiery Workers accepted the largest cut on record in union agreements,—from 30% to 55% for different groups of workers. Another angle on the failure of A. F. of L. officials to resist wage cuts appears in a survey made some months ago by the *Engineering News Record*, which showed that average *actual wages* received by building trades workers had fallen from 14% to 27% below the nominal *union scales*. Characteristically, the greatest cut (27%) had been allowed for those classed as “laborers.”

Local cuts reported in the labor press also showed that by the spring of 1931 many workers in different industries had suffered a sharp decline in earnings not only through total or partial unemployment but also through reduction in the wage rates. Early in June, for example, reports from the Pacific coast told of widespread wage-cutting in the lumber mills of Washington and California, with at least one Washington mill paying its unskilled workers only \$1 a day.

In September, 1931, came the open announcement of the U. S. Steel Corporation that all wage rates must come down. This profitable giant had slashed its payrolls with part-time employment while paying to the capitalist class over \$90,000,000 in 1930 and about \$78,000,000 (estimated total) in 1931. From October 1, 1931, wage rates for its 200,000 workers were cut by 10%. Other steel companies immediately followed suit, although several of them had already put over direct wage cuts earlier in the crisis period. At a Wheeling steel mill, for example, workers who had earned 67½ cents an hour with an 8-hour day had been cut

twice in hourly rates, so that before October first they were getting only 54 cents an hour.

Outside of the steel industry, American Smelting and Refining Co., Utah Copper Co., Ford Motor Co., Firestone Tire and Rubber Co., Amoskeag Manufacturing Co. (with the largest textile mill in the United States), American Woolen Co. (dominating Lawrence, Mass.), Berkshire Fine Spinning Associates (largest fine cotton goods manufacturers) and other big companies joined the wage-cutting drive of October first. Westinghouse Electric and Manufacturing Co. was one of the first to announce wage cuts for January 1, 1932. Wage-cutting is now the openly accepted policy of the capitalist class.

The railroads have been the last great industry to adopt the open policy of wage-cutting, but they have made long and careful preparation with a skillful campaign of hard-luck stories, in which they never mention the record high point touched by railroad dividends in 1930. They have hoped to persuade the workers to accept a "voluntary" cut which would be quicker than slow arbitration proceedings under the railroad labor law. They have brought the brotherhood officials into line, and bargaining points have been set forth to confuse the issue and fool the workers into thinking that even with a 10% cut they are gaining more than they lose. Meantime most of the roads have handed out cuts to unorganized workers. Union officials on one of the smaller southern roads (Gulf, Mobile & Northern) persuaded the workers to accept a "voluntary" cut in October. And according to Daniel Willard, president of the Baltimore and Ohio R. R., it was at the suggestion of national union presidents that the big systems threatened arbitration proceedings for a 15% cut if the workers did not grant the "voluntary" cut of 10%. The \$200,000,000 to be "saved" on wages taken from the workers is openly demanded to meet interests and dividends expected by the railway magnates and other owners of railroad securities.

Crisis Wage Rates

Some of the most poorly paid groups have faced the greatest reductions. The U. S. Bureau of Labor Statistics admits that some unskilled workers in the southern states were earning only from 10 cents to 15 cents an hour in July, 1931.

Farm wages had dropped to less than \$1.50 a day (without board) throughout the South. South Carolina, Georgia, Alabama, and Mississippi admitted averages ranging from 80 cents to 95 cents a day, in July, 1931. Unofficial reports tell of farm wages as low as \$1 a day even in the northern states. In 1930, children on truck farms near Buffalo were getting 10 cents an hour; in 1931, only 7 cents an hour.

Women earning as low as \$3 and \$4 a week for full-time work were reported by the U. S. Women's Bureau from Massachusetts textile centers, while earnings of \$5, \$6, and \$7 for full-time work were common. In New York City, according to the New York State Bureau of Women in Industry, women workers in offices, restaurants, and laundries were getting from 20% to 40% less in February, 1931, than in the fall of 1929. Domestic workers living in the home of the employer had the sharpest drop of all. The lowest rate paid to such women workers had dropped from \$40 a month in 1929 to \$15 a month in 1931.

Every force in capitalism is pressing down the workers' standards. And the capitalist class defiantly announces that when industry revives, no return to a higher wage scale will be permitted. They hope to build a new era of American "prosperity" on the basis of the lowest possible wages and the greatest possible speeding-up of the workers.

The Workers Fight Back

But the working class has been stiffening its resistance. From New England to California, workers have walked out in local strikes against wage cuts and new speed-up measures. Great hunger marches have shown a new determined militancy among unemployed workers.

The working class will not be silenced by the meager relief funds, collected in large part from workers who are still employed with reduced wages. More and more workers are coming to understand that relief "given" by the capitalists represents only a tiny percentage of the billions of capital and capitalist income which the capitalists "own" simply because they have taken it day by day from the working class. More and more workers are demanding that now, under capitalism, a broad system of unemployment insurance must be immediately set up from capitalist sources (private and public) as a primary charge to support at full wages all jobless workers without discrimination.

Outstanding struggles against wage cuts during 1931 included strikes in Lawrence, Mass., Paterson, N. J., Harlan, Kentucky, and the coal fields of western Pennsylvania and eastern Ohio. Workers have successfully resisted wage cuts in some smaller local strikes: among textile workers, highway workers, street car workers, building workers, and coal miners.

The Pennsylvania-Ohio mine strike showed how the struggle will develop. Wages had been repeatedly cut, even before the general crisis began, so that by the spring of 1931 average earnings per day were less than half of what they had been in 1924. The total number employed has been steadily reduced, and since the crisis most miners still employed have had work less than four days a week. They are close to a starvation level. A local wage cut in western Pennsylvania the end of May, 1931, brought spontaneous revolt. Under the leadership of the National Miners' Union, local walk-outs in western Pennsylvania spread into a mass strike of 40,000 in the Pittsburgh field, eastern Ohio, and the Panhandle of West Virginia. Unemployed miners joined the strikers, and Negro and white workers stuck together in a strong, militant solidarity. As the struggle progressed, the miners realized that success demanded a still broader base,—greater masses of workers within the industry and workers in related industries. Temporarily they returned to work, to carry on the struggle for

better conditions at each mine and to strengthen their forces for new struggles and fresh resistance in the industry as a whole.

The Political Line Up

More immediately and more brutally than ever the capitalist state is at the service of the employers against workers. Police terror, since the world crisis, has gone beyond the records of previous strikes, with clubs, tear gas, rifles, machine guns, and mass arrests. Federal agents haunt strike areas. Without any pretense of legality, they round up foreign-born workers and demand proof that they are lawfully in the United States. Any militant activity gives cause for deporting a foreign-born worker.

Capitalists have other allies in their drive against the working class. A. F. of L. officials try to delude the workers by writing and speaking against wage cuts, but when workers resist a cut the officials come in to break the strike. Green and his A. F. of L. lieutenants oppose even the mildest kind of unemployment insurance. The A. F. of L. unions are having their reward from capitalists who recognize them as useful buffers against the rising militancy of the masses.

Socialists talk about the widening gap between capitalists and starving workers; they have in the past said much against the A. F. of L. But now that they see the workers turning to Communist leadership and the militant unions affiliated with the Trade Union Unity League, they join with the capitalists, the A. F. of L. and the government forces in the attack upon the workers. They prefer the miseries of capitalism to any really fighting organization of the workers. This fact has been exposed with increasing clearness in the struggles of the present crisis.

All these capitalist forces are hostile to the first workers' republic, the Soviet Union. Only in the Soviet Union have the workers as yet overthrown the capitalist system. There—and only there—are all the “profits” of industry divided between the upbuilding of a planned Socialist economy, controlled by the workers, and great social funds with a constantly improving standard of living of the workers. There no landlords and capitalists are drawing

income from the value created by the working class. Only there is the problem of farm poverty being solved. Only in the Soviet Union does an increase in national income bring a corresponding rise in the standards of living for all workers. Since the defeat of the counter-revolutionary forces in the Civil War which followed the Revolution, wages have been pushed steadily upward. In the spring of 1931, when unemployment and wage-cutting were bringing the great mass of American workers close to actual starvation, average wages in the Soviet Union had risen by 36% above the 1929 figure. Unemployment had disappeared and thousands of unemployed workers from capitalist Europe and America found employment there. These achievements are possible because the capitalist class has been dispossessed and industry and agriculture are socialized and controlled by the workers' state in the interest of the workers in the industries and on the land. (See *The Five-Year Plan of the Soviet Union*, by G. T. Grinko, International Publishers.)

We have seen in this story of capitalist class incomes and workers' earnings that the sole end and aim of capitalists is to increase the capital and income they draw from exploitation of the workers. We have seen that they always buy the labor power of the workers at the lowest possible price. During the present crisis, the deepest crisis of capitalist history, the burden has been thrown on the working class through drastic wage cuts and mass unemployment, without the provision of unemployment insurance. In their efforts to restore "prosperity," capitalists are demanding a further reduction in workers' standards of living. They have cast aside the hypocrisy of "high wage" theories and openly boast that the next period will be based on low wages in the United States.

Capitalists have on their side the Republican, Democratic and Socialist parties and the corrupt officialdom of the American Federation of Labor,—all denying the class struggle and helping the capitalist class to hold its power. Workers have on their side the millions of workers in the Soviet Union who are building socialism and giving the workers in capitalist countries fresh

enthusiasm and confidence in the struggle against capitalism. The growing army of workers, employed and unemployed, who are actively fighting in the militant unions in the United States know also that there are increasing masses of militant class-conscious workers in Germany, France, Great Britain, China, India, and throughout the capitalist world.

For the struggle in the United States the workers' central immediate task, besides the resistance to wage cuts, is the securing of unemployment insurance at full wages, from funds supplied by employers and government and administered by bodies elected by the workers themselves. Adequate relief, meanwhile, must be supplied from federal, state and municipal funds, granted as a right to all, without charity and without discrimination. Workers will continue to resist evictions of jobless workers and their families. They will demand full union rates of pay for emergency work projects. They will demand full wages for part-time and "stagger plan" workers.

The Trade Union Unity League calls the American working class to struggle and organize, meeting the attacks of the employers with strong, persistent, militant counter-demands for higher wages, shorter hours, and reduction in the fearful speed-up.

The Communist Party is the vanguard of the working class in its fight, organizing and leading the struggles for immediate political and economic demands of the workers. It shows the workers on the basis of their own experience that the exploitation and misery of the workers are inherent in the capitalist system of production for profit. It calls them to organize their forces for the overthrow of capitalism, the establishment of a workers' and farmers' government, and the building of socialism in the United States.

THE END

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