

# EDITORIAL NOTES

## THE CAPITALIST OFFENSIVE

Wage cutting began with the first manifestations of the crisis and have been proceeding ever since at a continually accelerated pace. For quite a while this practice was masked by denials and all kinds of subterfuges. The notorious conference of employers and labor leaders at the White House, at which the solemn pledge to maintain wage standards was issued was the first big smoke screen behind which the movement began. It was followed by a campaign of reductions all along the line. But the fiction of holding up the levels was maintained, and the wage cutters resorted, primarily, to indirect methods, such as laying off and re-hiring at reduced rates, in order to conceal the actual trend.

But now the process of beating down the living standards of the workers has reached a new stage. The figures on wage cuts are accumulating in such a volume that the facts can no longer be hidden or denied. And there is no point in it, for the exploiters, emboldened by the practical absence of labor resistance have begun a real assault on the wage scales. They are coming out in the open with this policy.

This was indicated several weeks ago in the blunt declarations of the leading bankers that wages must come down still further. In these statements the keynote of capitalist policy was sounded, and the offensive against labor standards began to widen its scope. The figures of the Labor Bureau, Inc. show 135 wage reductions, averaging about 10 percent, and distributed over 175 manufacturing enterprises, for the single month ending March 15. The campaign continues in full swing. The pious sermonizing of the early months of the crisis about keeping up the wage scales is giving place to editorial apology for the lowering standards.

The New York Times, the most influential and authoritative organ of the capitalists, salutes the program of retrenchment at the expense of the workers and recommends it to them. "Economists and practical men" says the Times editorial of June 7, "are not all agreed that it has been wise . . . to insist upon the maintenance of high wages." And not only that. The Times does not think it "wise" to insist on other conditions and standards which interfere with the workers' efficiency as profit-makers for the bosses. "Is it not fair to ask of them that they contribute something to the general effort to tide over the days of hardship?" it asks. They haven't contributed enough yet. So now, according to the Times, they should "yield something in the way of special privileges, and even arbitrary rulings, which have been established in good times, but which might be relinquished or modified." In this sugar-

coated declaration of war there is the essence of the capitalist policy for the ensuing period: an unbridled offensive against the workers.

Will the workers fight back? Will they take up the defensive struggle on a wide front within the year? There are a few signs of such a development, but they are isolated and sporadic as yet. It must be admitted that a serious/defensive struggle, involving masses of workers, has not yet begun. The Department of Labor figures, just published, show fewer strikes in the year 1930 than in any year since 1918. 653 strikes and lockouts last year against 3,630 in 1919 a comparative picture of the state of labor activity. The first three months of 1931 showed 146 strikes and lockouts a slight decline from last year's low average.

These figures, taken by themselves, may well prove to be highly deceptive. The capitalists, proceeding full swing to a further attack on the workers, are quite likely to collide with an explosive factor hidden behind the bare figures of the strike movements for the past fifteen months. The figures alone take no account of the accumulation of grievance and discontent as yet unexpressed and therefore unspent. It is by no means assured that the new encroachments will pass unchallenged. On the contrary, they are more apt to bring matters to the combustion point.

The capitalists, bent on loading the burden of the crisis onto the backs of the workers are preparing thereby the necessary conditions for a labor revolt. In this way they will convince the workers, as propaganda has been unable to convince them, that there is no way out but to fight. Under such conditions the prospect of a series of stormy battles, of which the American workers have many times shown themselves capable, is by no means unreasonable. In that event the Communists would get hearing the like of which has not been granted before.

## THE UNION SQUARE MEETING

When the meeting at Union Square last Saturday was opened by the chairman with the announcement that the official Communist party has not been invited to send a speaker for the occasion—which was ostensibly a united front demonstration in behalf of the Centralia prisoners—the representative of the Communist League, comrade Swabek took his name off the speakers' list and withdrew from the meeting. In this demonstrative action there was the protest of the conscientious revolutionist against the prostitution of the interests of class war prisoners to debased and reactionary factionalism.

Just consider! Here was proclaimed a union of all forces for the Centralia martyrs—a most commendable undertaking in which every militant worker worthy of the name would boldly participate. Every radical and pseudo-radical organization that can be thought of was represented by a speaker: yellow socialists and Right Communists, liberals and anarchists, Muscovites and I. W. W.s. Everybody was welcomed—everybody but the Communist party. This, with its ten of thousands of members and supporters, was deliberately and specifically excluded. Do you call that a united front for class war prisoners? It is a contemptible fraud, using the Centralia victims as a shield for a reactionary demonstration.

You will not get our support for such a game. Comrade Swabek's withdrawal from the meeting was a way of saying this. He might have made the protest by taking the stand and denouncing the shameful procedure. That, however, is a secondary question and a debatable one. There is something unspeakably repugnant to an honest militant in using the platform of a labor defense meeting for polemics. The prisoners, and their burning appeal for solidarity, are apt to get lost in the shuffle. This is what actually happened at the Union Square meeting. An anarchist windbag, taking his tip from the chairman's announcement, gives a lecture against the proletarian dictatorship in Russia. Other speakers poisoned to the marrow by the phobia against Communism, aired their prejudices. The result? The meeting degenerated into a demonstration against Communism. Those who hold the Centralia men in prison have no reason to object to that.

The leaders of the I. W. W. are directly responsible for this miserable performance and their guilt is in no way extenuated by the fact that the Stalinists boycotted a similar meeting last year. That action of Foster and Co. was a crime for which the Communist workers will yet call them to account. The Union Square meeting was conducted on the same plane. By their actions its organizers said to the Stalinists: Solidarity in behalf of labor prisoners means just as little to us as it means to you; we will prove that we are just as rotten as you are. That is what they said. That is what they proved. It is by such an attitude—in which the officials of the Communist party on one level—that a real movement of genuine solidarity in the fight for the Centralia victims is thwarted, and sabotaged, and made impossible.

This affair of last Saturday was rich in other instructive lessons. Despite the formidable list of organizations represented, a scant few hundred came to the meeting. Doesn't that show where the present strength of labor militancy lies? Doesn't it show that the Stalinists paid only lip service to the demonstration and that they give no real support to the issue? The I. W. W. has come to a sad pass when, in the crusade against Communism, it falls into the company of this black gang and finds itself at home there. But this is the logic of the fight against Communism. Communism, despite all the worthless bureaucrats who disgrace its banner, is the only revolutionary doctrine the only revolutionary class movement of the proletariat. Whether they wish it or not, those who dedicate

# A New Slander Against D.B. Riazanov

Pravda of March 12 published a note entitled "Marx on K. Kautsky" and signed "the Marx-Engels Institute". This note has subsequently been reproduced without any comment by the world press of the Comintern. Externally, the center of gravity of this note lay in the remarkable passage from the letter of Marx in 1881 which gives a crushing characterization of Kautsky, a characterization which was, in short, fully verified by the future.

The publication of the note solemnly signed by the whole Institute has, however another aim: to befoul the person who created the Marx-Engels Institute and was at its head. Here is what is said at the end of the note: "The original of this letter was turned over to Riazanov by the well-known Menshevik Lydia Zederbaum-Dan already in 1925. Riazanov carefully concealed the letter."

During the trial of the Mensheviks, Riazanov was accused before the whole world by the attorney general of the republic of collaboration in the conspiracy against the dictatorship of the proletariat. A few months after this accusation, the whole of humanity has communicated to it a new crime of Riazanov: he has, it seems, again into the bargain . . . concealed the quotation from Marx's letter of 1881. Nothing but this need of advancing against comrade Riazanov such circumstances to make his case worse, and which are all out of proportion to the first accusation shows that the so-called conscience of Messrs. accusers is not tranquil. By combining, as usual, dishonesty with rudeness, these people only discover things with their aid, and only betray the fragility of the prop.

We explained at the time in a hypothetical form how the accusation against Riazanov originated. Everything that is written us from Moscow on this subject fully confirms our suppositions. It is not difficult to reveal the mechanism of the supplementary accusation launched today by the same accusers under the pseudonym of the Marx-Engels Institute. "The Menshevik Lydia Zederbaum" turned over the letter of Marx to Riazanov back in 1925. Why did she give it to him? As a token of Riazanov's back in him? As a token of Riazanov's friendship with the Mensheviks, and of their future collaboration in the conspiracy against the dictatorship of the proletariat? The "Institute" is speechless on this subject. The word "the Menshevik" ought to shut the mouth of all who hesitate, all the more so because since 1925, Riazanov "carefully concealed" the letter. Why did he conceal it? Obviously in order to safeguard the interests of Kautsky and of world Menshevism. It is true that between 1925, when Riazanov entered into conspiracy with the Mensheviks to conceal the historic docu-

ment, and 1931, when he was mixed up in the conspiracy against the dictatorship of the proletariat, Riazanov published not a few documents and works which caused Menshevism considerable vexation. But nothing doing. The readers of the press of the Comintern must be guided along the old formula of the devout: "I believe it no matter how absurd it is."

Good, the reader will say, but what did happen with the letter? Is it authentic, did Riazanov really hide it? And if he did, then why? It is enough to look at the quotation in order not to doubt the authenticity of the letter: Marx cannot be falsified, even by Yaroslavsky in collaboration with Yagoda. As to the circumstances under which the letter was "concealed", we can, again only propose a hypothesis whose verisimilitude, however, is guaranteed a hundred percent by all the circumstances of the affair.

Riazanov could receive the letter only from the hands of those who held it. The management of the heritage of Engels has fallen into the hands of Bernstein by force of the same historical logic of the epigones which today permits Yaroslavsky to dispose of the heritage of Lenin. Riazanov manifested an exceptional perseverance an ingenuity in gathering together the heritage of Marx and of Engels. Like the Lenin Institute, the Marx-Engels Institute bought numerous documents from the Mensheviks and through the intermediary of Mensheviks; it is enough to refer, for example to the archives bought by the Lenin Institute from Potressov. It is beyond doubt that the "Menshevik Lydia Zederbaum" did not simply turn over the letter to Riazanov, but she probably sold it as an intermediary for Bernstein or someone else among the old men who had the letter by Marx. It is quite natural that

in selling this letter, which draws a crushing picture of Kautsky, Bernstein or the other proprietor of the document from the same circle, put as a condition for the sale that the letter should not be published while Kautsky was alive or while the one selling it was alive. The rigorous manner in which Bernstein submitted to this sort of censorship the correspondence of Marx and Engels is sufficiently well known. There was no other choice left to comrade Riazanov: in order to get possession of the letter, he was obliged to accept the condition imposed upon him. Anybody else in his place would have acted in the same way. After having accepted this condition, he naturally carried it out. It is only thanks to this extreme prudence and loyalty in all matters of this kind that Riazanov has been able to extract from the hands of adversaries precious elements of the heritage of our classics. We think that it is now clear why Riazanov "concealed" the letter. Whoever knows Riazanov will not doubt for an instant that more than anybody else, Riazanov burned with the desire to publish his valuable find. But he waited for the proper moment to strike. By means of a raid, the letter of Marx was found at Riazanov's and it was not only made public, that is, not only was the engagement made by Riazanov broken, but it was turned around as a proof against Riazanov. What should we call such a manner of acting? Let us call it by its right name: it is a way of acting a la Stalin.

L. TROTSKY.

\* Potressov, former Menshevik collaborator of Lenin and Martov in Iskra. Today an emigre, he publishes in Paris an organ which fights, at the extreme right wing of the Mensheviks, against Soviet Russia.—Ed.

## The Hoover Reparations-Debts Scheme

(Continued from page 1)

still has a gratifying surplus left from the German reparations. Does it complain about that? Mellon and Hoover will soon suggest a "way out of the complication". Balance your budget, M. Laval, by cutting down on armaments expenditures. This ingenious form of blackmail turned the trick for America at the Washington Naval Conference in 1921, where it first achieved "parity" with the British. It worked at the London conference in 1929. In short, the dominance of the American dollar has torpedoed more British vessels than the Germans could hope to sink in the Battle of Jutland. Why should it not succeed in being just as effective against France? MacDonald the faithful outpost in Europe of Wall Street, has already advanced the idea, with an eye at France, in the House of Commons.

A Solution of the Crisis? But the crisis? Will it be solved by the Hoover plan? Fantasy! The stock market may experience a few jerky rises and falls for a while, but the army of

unemployed remains just as large, industrial production just as low, the markets of the world just as contracted and congested. More than Hoover's suspension plan will be required to undo these difficulties.

Then the German crisis, at the very least? Beyond a doubt it will be ameliorated. But only for a brief time. The postponement of the big collapse will only make it more earth-shaking when it does take place. There is an inexorable fatality in Wall Street's plans to save Germany from Bolshevism: The Dawes plan lasted almost five years before it had to be scrapped for the Young plan. The Young plan never outlived its father—two years of life and it is mourned at the grave only by France. The Hoover plan? Will it last even two years? It is doubtful. In the ability of the German Communists to solve the crisis of misery and despair by a successful proletarian revolution, lies the final answer to all the plans of imperialist conquest and slavery.

—MAX SHACHTMAN.

# Economic Crisis -- What Next?

Almost two years have elapsed since the current crisis began, and still the bourgeoisie has made no progress toward understanding it or formulating a solution. At the April meeting of the Academy of Political Science, a group of bankers, business men, and professors of economics gathered for two days, under the chairmanship of a Morgan partner and later of a former chairman of the Federal Reserve Board, to discuss the crisis. Every man for himself, they presented the following "explanations":

1. There is no crisis—world production of commodities keeps increasing with only minor setbacks of which this is one, and will continue to increase to new high records.
2. The war and its after-effects.
3. Continuing political insecurity.
4. Tariff barriers.
5. Overproduction of agricultural products.
6. Business has to go in cycles.
7. Poor management of banking and credit facilities.
8. Lack of equilibrium among industries and communities.
9. Shortage and maldistribution of gold.

The chairman of the board of the Chase National Bank, the largest bank in the United States, adds:

10. Abnormalities in certain commodity markets due to attempts at price fixing.

11. The delay with which wholesale prices of finished goods, retail prices, wages, and rentals, have followed the drop in prices of raw materials.

The significant thing about all these explanations is that nowhere is there the slightest mention of the one thing that bourgeois and proletarian alike agree in regarding as the mainspring of all capitalist economic activity—profits. This omission should not be looked at as a coincidence. The bourgeoisie does not wish at this time to measure forces frankly and openly with the proletariat in economic or other conflict, and his ideological defense is to obscure the issue by leaving out of the discussion the most important factor which is profits.

Comparing the reports of 1900 corporations engaged in 59 lines of business for 1930 with 1929, net profits show a decline from \$5,983,049,000 in 1929 to \$3,516,381,000 or a drop of 41.1 percent. The rate of return on invested capital declined from 10.6 percent to 5.7 percent. Now between 1929 and 1930 the total volume of physical production is estimated to have declined only 18.1-2 percent. Total wages paid by manufacturing industry are not believed by any authority to have declined more than 20 percent.

The effective result of the first full of crisis, therefore was to reduce faster than either production or

pared for by the decline in the relative participation of wages in the products of industry during the "prosperous" time up to 1929, which led to a restriction of markets—we shall also give reasons for thinking that the present depression may be the last of the periodical crises on the upward swing of capitalism and may be the beginning of a new period of declining profits and intensified class struggle.

All the reasons given for the existence of a crisis, so far as they mean anything, mean that goods have been "over-produced" in comparison with the possible market for them. This "over-production", which is such a puzzle to bourgeois thinkers, means simply that there is no longer a profit in selling as many goods to as many people, in 1930 as there was in previous years. The "market" for a given quantity of goods, in capitalist economy, means the possibility of selling so much goods at a profit. The foregoing figures indicate what has happened to profits last year, following the crisis. Let us now consider how capitalism in the United States has steadily destroyed its own profits and "markets" in the years preceding the crisis, by a comparison of certain figures supplied by the U. S. Census Bureau.

Data on Manufacturing Industries 1919-1929	
	1919
No. of establishments	214,333
No. of wage earners	9,000,069
Wages paid	\$10,461,736,869
Value added by manufacture (excluding cost of material containers, fuel, and purchased electricity)	24,809,092,926

In other words, the size of the average plant increased, the number of plants in operation decreased, and the proportion of wages to total added values to manufacture, which had been 42.2 percent in 1919, was reduced to 36.2 percent of the added value of 1929.

The fact that the share of wages in the total values added by manufacture has been decreasing is only another way of saying that the proportion of variable capital paid out in wages, has been declining relatively to constant capital, crystallized in buildings, raw materials and machinery. As Marx pointed out, profits are made out of variable capital, not constant capital. The relatively smaller amount of variable capital has therefore meant a progressive shrinkage in the possibilities of the capitalist profitably disposing (remembering always that market implies profit).

It is, in fact, an essential contradiction of capitalism that what is good for

Note: This is the first of a series of articles intended to interpret the daily economic life of the United States in accordance with the real course of its development and from a Marxian point of view. The present article deals with the general features of the crisis that began in 1929, seeks to isolate its causes, and discuss the prospects for the future and their political consequences and effects for the labor movement. Future articles will deal with specific industries—coal, copper, steel, automobiles, textiles, railroads and banking—from the standpoint of the economic background of the class struggle.—Ed.

By B. J. Field

individual capitalist is not good for the group of capitalists as a whole. The individual capitalist derives a competitive advantage, expressed in lower costs and for a time in higher profits through displacing men by machines, that is, variable capital by constant capital. The group of capitalists as a whole, however, by all adopting the same or a similar process, wipe out the competitive advantage of the first capitalist, and in so doing equalize competitive profits among themselves. The net result however, is a lower proportionate employment of variable capital, resulting in a lower average rate of profit, which expresses itself in capitalist terms in a shrinkage of "markets" or places where goods can be sold at a profit.

Value Added by Manufacturing Industries 1919-1929	
	1919
No. of Wage Earners	4,713,000
Wages	\$ 2,008,000,000
Value Added by Manufacturing	\$ 4,831,000,000
Wages	41.4 p. c.

years before 1929 was well recognized in the business world, as to its effects if not its cause. It was a common complaint production. This means, of course of selling and distribution were eating up the economies due to more efficient plant production. This means, of course that it was becoming increasingly difficult to sell to a contracting market, and high-pressure salesmanship, the emphasis on style and color in all kinds of goods, and the increasing use of installment selling together with hectic efforts to increase export sales, all point to the effects of the contradiction of the domestic market in the period of highest activity up to 1929, which contained the seeds of the crisis.

This process of throttling the participation of wages in the national production is not a matter of the last ten years alone—the proportion of wages paid to

value added by manufacture in 1929 is actually smaller than in 1899.

Value Added by Manufacturing Industries 1899-1929	
	1899
No. of Wage Earners	4,713,000
Wages	\$ 2,008,000,000
Value Added by Manufacturing	\$ 4,831,000,000
Wages	41.4 p. c.

From 1899 to 1929, the number of wage earners increased 85.5 percent, and their average wage rose from \$426 a year to \$1,306 or 206 percent, but their share in the produce of their labor declined from 41.4 percent to 36 percent. The fact that value added by manufacture increased 56 percent while the number of wage-earners employed increased only 85.5 percent sums up graphically the extent to which labor efficiency has been increased, largely by mechanization.

As production keeps increasing while the participation of labor keeps decreasing we should expect the recurrent crisis to become more acute as time goes on. Increasing mechanization tends to make the profits of business more dependent on operation as close to capacity as possible. To illustrate this, compare two establishments, one highly mechanized, and the other largely dependent on direct labor, which we will call plant A and B respectively. Of each \$100 of product produced by A, \$40 represents raw material, fuel and power, \$40 represents overhead costs of machinery (maintenance, interest on investment amortization, etc., all costs which go on unchanged from year to year irrespective of the amount of output) \$10 is wages, and \$10 is profit. If sales and production increases 20 percent to \$120, raw material etc. will cost \$48, wages \$12, and overhead costs remaining unchanged at \$40 will leave a profit of \$20 instead of \$10, an increase of 100 percent in profits against an increase of 20 percent in sales. Similarly, a decrease of 20 percent in sales to \$80 will involve a decrease in raw materials to \$32, in wages to \$8 and overhead remaining unchanged at \$40, there will be no profit left.

Plant B, on the other hand, being only slightly mechanized, pays under normal conditions \$40 out of each \$100 of sales

for raw material etc., \$10 for overhead, and \$40 for wages leaving likewise \$10 for profit. An increase of 20 percent in sales will involve an increase in raw materials costs to \$48, wages to \$48, which together with the unchanged overhead costs of \$10 will total \$88, leaving a profit of \$12, or 20 percent more than "normal", while similarly a decline in sales of 20 percent will result in a reduction of the profit from \$10 to \$6, instead of wiping it out completely. The less mechanized plant therefore profits

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less by booms and is less harmed by depression than the highly mechanized plant.

The increasing mechanization of American industry can be summed up on the basis of the foregoing figures by stating that value added by manufacturing amounted to \$1,025 per worker in 1899 and to \$3,024 per worker in 1929. But this can only mean, in terms of the above discussion, that American business has become more sensitive to shrinkages of sales and markets, and crises should therefore show increasing severity.

This conclusion is borne out by an analysis of industrial activity in the United States since 1854 recently made by a Western bank. "Normal" figures of industrial production were calculated, making allowance for a broad upward tendency, and activity for each month since January, 1854 was stated in percentages above or below this steadily rising "normal" line. During this period there have been fourteen important depressions. We list below the month during which each of these reached its lowest point, and the percentage figure for that month.

Year	Lowest Point	Percentage	
Jan. 1858	13.0	Percent.	
June 1861	9.8	May 1908	18.
Sept. and Nov. 1865	14.0	July 1911	7.
Feb. 1878	12.7	Dec. 1914	13.1
May 1885	13.1	April 1921	27.
June 1894	19.9	July 1924	12.7
Sept. 1896	17.9	Jan. 1931	28.3

We see that at no time before the war was there any decline of more than 20 percent below the "normal" line; the 1921 depressions went as low as 27 percent and the present depression 28.3 percent below "normal".

Not only is the present depression relatively more severe, in terms of decline below "normal", than any of its predecessors, but there are indications that in some respects it is even absolutely more severe. In other words, the rate of increase of "normal" production may itself be slowing down. Railroad freight traffic measured in carloadings with

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allowance for the lighter average load per car, is actually less than in 1921, a year of the most serious percentage depression up to that time, although 1921 car loadings were in turn higher than those of 1911, a year of relatively minor depression. Export trade is now at the lowest levels since the war, lower than in the depression year 1921. Immigration this year will be less than 100,000 for the first time since 1869.

Turning for a moment from the general manifestations of the crisis, let us assume the axiom that the total industrial activity of a country is the sum of the activity of its individual industries, plus the relations existing among them. For the individual industries, there is a "law of uneven development" analogous to that which Trotsky has worked out as between nations. The general scheme of the historical development of an industry follows a roughly uniform curve. It begins as a new, speculative industry, with numerous small individual concerns, many of whom quickly disappear it may have difficulty at the beginning in finding markets, but soon obtains general acceptance of its product, the profits of successful concerns are large, and sales are apt to increase even during a period of business depression.

In the second stage, a broad demand has been created, profits remain large and even increase, numerous smaller producers consolidate into a relatively fewer number of large firms, and the problem of management is how to produce enough rather than how to sell its output. Productive facilities are rapidly increased during this stage. This leads to the third stage, wherein productive facilities are enough or more than enough to meet the actual demand, and the principal problem of management becomes how to sell, rather than how to produce. Markets become saturated, competition sets in on a severe basis, prices and profit margins are lowered, mergers increase until only a few large producers are left in the industry. Eventually the problem of markets (at a profit) becomes very difficult, all kinds of costly and artificial methods must be used to stimulate demand, the profit margin is likely to remain under the average even in good times and to result in losses in bad times, showing a great susceptibility to business depression

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