

THE NEW DEAL AND LABOR

The Second of Three Articles on the New Deal

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THE transformation of the New Deal from a vehicle of the big-business drive toward fascism into a program which is increasingly expressing the economic and political interests of the workers, farmers, and urban middle-classes began in 1935 and has continued—not without occasional detours and retreats—until the present. This change is most apparent in the administration's attitude toward the problems of monopoly and capital-labor relations, but it can also be seen in other fields. For example, taxation.

In his campaign speech at Worcester, Mass., on Oct. 21, 1936, President Roosevelt said, "One sure way to determine the social conscience of a government is to examine the way taxes are collected and how they are spent." By that test the Hoover regime stands indicted as perhaps the most ruthless and reactionary in the history of the country. Figures submitted on Aug. 6, 1935, to the Senate Finance Committee by Robert H. Jackson, at that time counsel of the Bureau of Internal Revenue, showed that in the fiscal year 1930, taxes paid by the wealthy (income taxes, estate and gift taxes, capital-stock and excess-profits taxes) constituted 68.2 percent of the government's revenue, while those which were paid for the most part by the masses of the people (miscellaneous revenue taxes and customs taxes) were 31.8 percent of the total. In the years that followed, years of deepening economic crisis, the Hoover-Mellon crowd transferred an increasingly greater portion of the tax burden from the rich to the poor. Thus, in the fiscal year 1933, for which tax rates were set under the Hoover administration, only 41.7 percent of taxes were contributed by the wealthy, and 58.3 percent by those least able to pay. Moreover, during this period a larger proportion of the income taxes was exacted from the low-income groups. Thus in 1930, persons with less than \$5,000 annual taxable income paid 2.1 percent of the total federal income tax, while those with incomes of \$100,000 and over paid 50.3 percent of the total; in 1932 the contribution of the former group rose to 13 percent and that of the latter declined to 33.5 percent.

The New Deal began by continuing the Hoover trend, with the masses paying 66.1 percent of the taxes in the fiscal year 1934 and the rich only 33.9 percent—almost an exact reversal of the relationship in 1930. Only in the year 1935 did this relationship begin to move in the opposite direction. In

that year the proportion of taxes from the poor declined to 61.3 percent and that paid by the wealthy rose to 38.7 percent. This was not due, however, to any revision in the rates, but to increased revenue from income taxes and estate and gift taxes, as a result of the recovery spurt. Not until the summer of 1935, when the dominant Wall Street groups had already turned against Roosevelt, did the administration make the first serious attempt to revise the tax structure along more equitable lines. The Revenue Act of that year increased taxes on individual incomes over \$50,000, on estates and gifts, and on the larger corporations. As a result of this law and of the invalidation of the AAA processing taxes, there occurred a decided shift in the tax trend, 48.6 percent of taxes being paid by the wealthy in 1936 and 51.4 percent by the poor, according to computations of Labor Research Association. And in 1937 the well-to-do classes, for the first time since 1932, provided more than half of the federal revenue, the proportion being 51.1 percent, as against 48.9 percent paid by the consuming masses.

In agriculture the shift in the administration's attitude is more difficult to trace. Since agriculture represents a highly competitive, relatively backward form of capitalist production, the pressure of the monopolies on New Deal policy in this sphere was never so great as in industry. Consequently the change has been less clearly defined. The important positive principle established by the New Deal was the system of cash benefits designed to give farmers a more equitable portion of the national income. In the practical application of this positive principle, however, there appeared certain negative features. The most important of these were: (1) the benefits were made dependent on compliance with a crop-reduction program that was essentially anti-social; (2) they were financed through processing taxes, the greater part of which, as President Roosevelt himself admitted in his supplemental budget message of March 3, 1936, was paid not by the wealthy processing corporations, but was "either passed on to consumers or taken out of the price paid producers"; (3) the bulk of the benefits went to the well-to-do and a section of the middle farmers instead of to those that needed them most; (4) the crop-reduction program served to drive many thousands of tenant farmers and sharecroppers off the land.

In all four respects the New Deal program today shows improvement. (1) Crop reduc-

tion still remains the guiding principle—and this must certainly be condemned—but the soil conservation feature of the AAA program, introduced on a large scale in 1936, does serve the useful purpose of building the soil and preventing erosion. Soil conservation, however, can and should be undertaken without crop curtailment. (2) The processing taxes have been completely eliminated and financing is from the general treasury fund. (3) A greater proportion of the benefits is now going to poor and middle farmers. The last session of Congress amended the Soil Conservation Act, increasing payments to all farmers receiving benefits of less than \$200, imposing a \$10,000 limit on individual payments, and making other provisions for protecting the interests of the poor farmers. (4) The Bankhead-Jones Farm Tenancy Act, passed in 1937, makes a beginning—pitifully inadequate as yet—toward a program of farm ownership for tenants and sharecroppers.

In addition to these improvements, the Farm Act of 1938 establishes federal crop insurance for wheat producers.

It is in its approach to monopoly and capital-labor relations that the transformation of the New Deal can be most clearly discerned. These two problems are the touchstone of any government, and the manner of their solution determines whether the main direction of its policy is toward progress or reaction. On both these questions there has been a gradual, though nonetheless momentous, shift in administration policy. Compare the attitude toward monopoly embodied in the National Industrial Recovery Act with that expressed in President Roosevelt's message of April 29, 1938, requesting a thoroughgoing investigation of monopolistic practices. Compare the manner in which the National Recovery Administration, under Gen. Hugh Johnson and Donald Richberg, dealt with the problems of union organization and collective bargaining with the approach of the National Labor Relations Board and the La Follette civil-liberties committee. One represents capitulation to predatory big business and the forces of incipient fascism, the other struggle against them.

The NIRA embodied ideas which Wall Street interests had advocated for years. Practically all of its specific provisions, with the exception of the collective-bargaining section, were put forward by the United States Chamber of Commerce in 1931 and 1932. The chamber had urged modification of the anti-trust laws to permit "self-government by industry" under codes regulating production, prices, and trade practices, and the establishment of a forty-hour week and minimum wage scales. The wages-and-hours provisions were regarded by big business as concessions in return for permission to fix prices, restrict production, and engage in other monopolistic practices banned by the anti-trust laws. Since most workers in the trustified mass-production industries were already averaging less than forty hours a week because of the curtailment of production during the economic

crisis, this involved no great sacrifice for big business. Moreover, the adoption of the NIRA served to forestall a much more tangible concession, the Black-Connery thirty-hour-week bill, which had twice been passed by the Senate and had been favorably reported in the House.

As for wage rates under the NIRA, the American Federation of Labor reported in January 1934:

In wages there have been definite gains under codes for the lowest wage groups; but workers of average or higher wages have been forced to a lower living standard. Hourly wage rates average higher by 5½ cents per hour, but in many cases this is not enough to compensate for shorter hours; and in no case is it enough to compensate for higher prices.

These higher prices, which tended to nullify wage increases, were the direct result of the price-fixing provisions of the codes and the administration's inflationary measures. The AF of L's criticism was officially confirmed in August 1934, in a survey prepared by Donald Richberg, then executive secretary of the Executive Council, a special body established to coordinate various New Deal agencies. Richberg's survey pointed out that while total wages in manufacturing industries increased by 37.5 percent from June 1933 to June 1934, average per capita weekly earnings rose only 8.5 percent. And since living costs in this period had increased 9.6 percent, there was actually a decline of about 1 percent in the purchasing power of the average individual worker.

In a statement issued when he signed the NIRA, President Roosevelt said:

It [the act] represents a supreme effort to stabilize for all time the many factors which make for the prosperity of the nation and the preservation of American standards. Its goal is the assurance of a reasonable profit to industry and living wages for labor with the elimination of the piratical methods and practices which have not only harassed business, but contributed to the ills of labor.

This was the dream of the liberal class-collaborationist, and undoubtedly Roosevelt sincerely believed it possible to reconcile the conflicting interests of capital and labor and unite them in a great national effort that would pull the country out of the ditch of the economic crisis. The New Deal liberals proposed, but unfortunately they permitted the Wall Street monopolies to dispose. The confusion in the President's own mind is evident from the fact that, in a speech made during the 1932 election campaign before the Commonwealth Club of San Francisco, he pointed out that "we are steering a steady course toward economic oligarchy, if we are not there already," and then proceeded to outline a program—the nucleus of the NIRA—whose effect could only be to strengthen that very monopolistic concentration of economic power against which he had warned.

In the notes he has written for the five-volume *Public Papers and Addresses of Franklin D. Roosevelt*, the President attempts to

defend the NIRA against the charge that it furthered monopoly, and cites the fact that the act "required that the codes should not promote monopolies or eliminate or oppress small enterprise." Whatever lip service the corporations gave to this provision, it did not alter the fact that the codes did promote monopolies and oppress small enterprise. And in truth, it could not have been otherwise. For the NIRA did not establish codes of fair competition; it handed over that power to the trade associations dominated by Wall Street finance-capital. It did not set minimum wages and maximum hours; it handed over that power to the trade associations. (This is a basic difference between the NIRA and the wages-and-hours bill, passed by the last Congress, which for the first time establishes the principle of *federal-government* regulation of wages and hours.) It did not protect small-business men against the encroachments of monopoly; it handed over that power to the trade associations—the monopolies themselves. In the words of the Darrow-Thompson supplementary report to the report of the National Recovery Review Board, "monopolistic combinations are expected to enforce against themselves a law to prevent monopoly."

The completeness with which big business dominated the making and enforcement of the codes is evident from President Roosevelt's own admission in his notes that out of 557 basic codes and 189 supplementary codes approved by NRA, there was labor representation on only thirty-seven code authorities and consumer representation on three. The editors of the *London Economist*, in their little book, *The New Deal: An Analysis and Appraisal*, published shortly after the 1936 elections, write:

In the process of code-making, the employers predominated. Where there were strong labor organizations already in existence in the industry, labor exercised a considerable influence, but not elsewhere. The interest of the consumer or the public interest in general received very little attention. The mass of supplementary law which was thus created in a few months was, accordingly, in the main, written by the industrialists themselves.

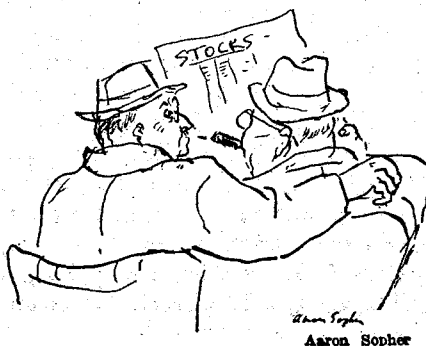
This judgment is confirmed in the most comprehensive study of the NRA, made by the Brookings Institution: *The National Recovery Administration: An Analysis and Appraisal*. This book also points out that the decisive factor in forcing the incorporation of

favorable labor provisions in the dress-manufacturing and coal codes were the strikes conducted by the International Ladies Garment Workers Union and the organization campaign launched by the United Mine Workers of America. In other words, labor received from the NRA only what it was able, through its independent activity, to compel the employers to give.

As a result of a rising tide of protests from small-business men and consumers, President Roosevelt appointed, in March 1934, the National Recovery Review Board, under the chairmanship of Clarence Darrow. After investigating thirty-four codes, the board issued three reports which were a sweeping indictment of the NIRA as an agency promoting the monopolistic oppression of little business. Yet so great was the influence of big business on New Deal policy that the administration, far from acting on the findings of the Darrow board, did everything to discredit them. This caused W. O. Thompson, a member of the board, to resign and to send a caustic letter to Roosevelt, in which he epitomized the character of the NRA as follows:

The trend of the National Recovery Administration has been and continues to be toward the encouragement and development of monopoly capitalism in the United States. . . . Its development, day by day, reveals more clearly a marked trend toward fascism in the United States.

We have only to compare this situation under NIRA with the most recent trends in New Deal policy to note the vast difference. Instead of giving Wall Street monopoly a free hand in the hope that it will abide by the golden rule, the New Deal has launched an active campaign to curb the monopolies. Instead of relaxing the anti-trust laws, President Roosevelt in his message of April 29 called for a far-reaching investigation designed to provide new safeguards against the encroachments and abuses of the trusts. Instead of encouraging monopolistic price-fixing, the President has on a number of occasions in recent months urged the lowering of prices without reductions in wages—a policy which has borne fruit in the slashing of steel prices. And instead of attempting to create national unity with the monopolies (which in practice means subjecting the entire nation to their unrestrained rule), the New Deal has today become the nucleus of a national democratic front against the Wall Street monopolies. This changed attitude is evident in the speeches made last December by Secretary of the Interior Ickes and Solicitor General Robert H. Jackson, and in the President's Jackson Day address, in which he attacked one of the favorite and most typically American monopolistic devices, utility holding companies ("a ninety-six-inch dog being wagged by a four-inch tail"), and declared his determination to wipe out "price rigging, unfair competition directed against the little man, and monopolistic practices of many kinds"; as well as in the monopoly message in which he warned that the danger to democracy "comes from that concentrated private economic

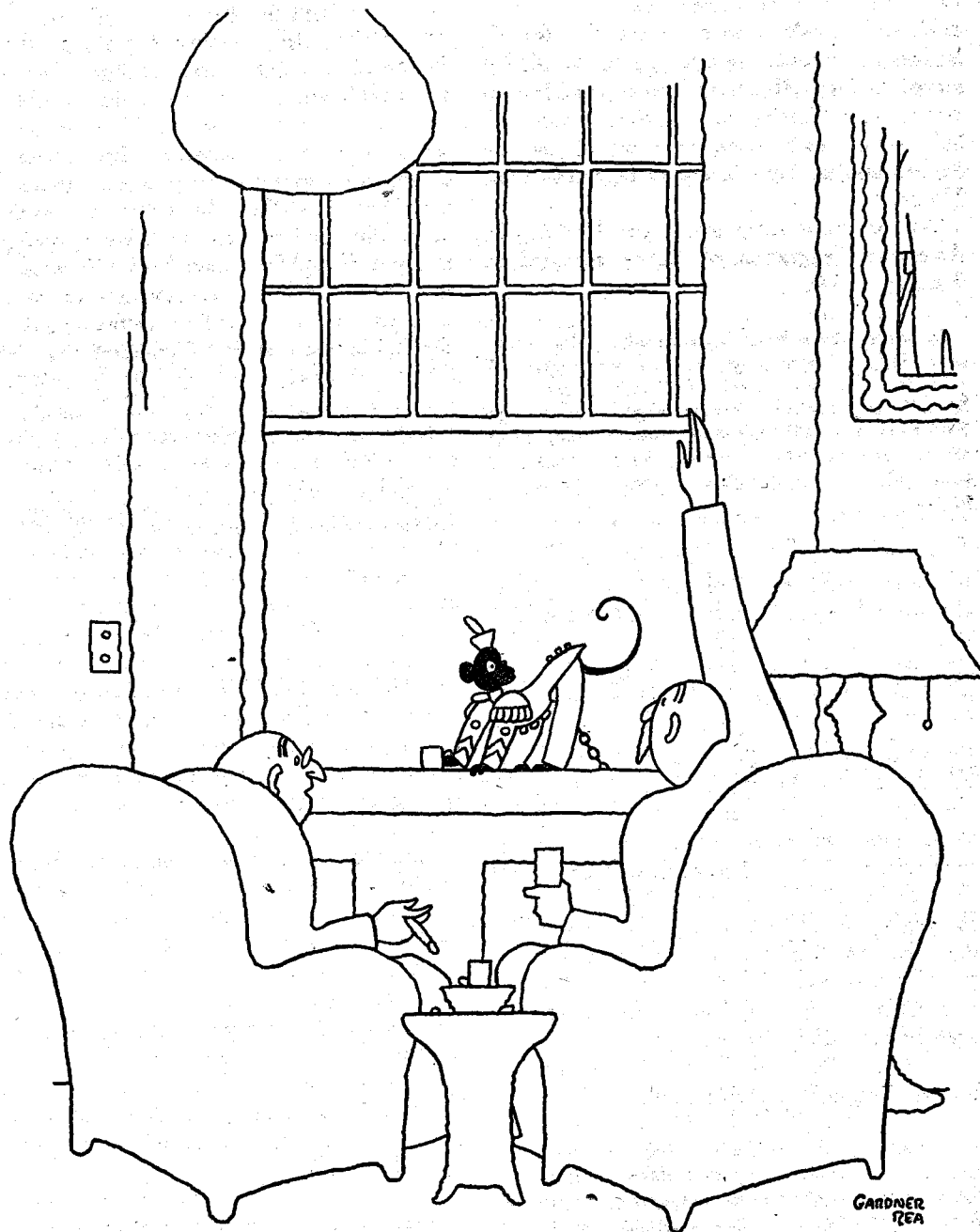


power which is struggling so hard to master our democratic government." Moreover, the gap between word and deed, which was so marked in the first phase of the New Deal, has narrowed considerably, though it is still far from being entirely closed. This is indicated by the recent trial and conviction of the oil companies for violating the anti-trust laws, by the proceedings that have been started on similar charges against the Aluminum Company of America and against General Motors, Chrysler, and the Ford Motor Co., and by the launching of a recovery program which, unlike the NIRA, is primarily concerned not with restoring profits, but with increasing purchasing power.

The labor policy of the two phases of the New Deal shows similar striking contrasts. It is significant that none of the big-business proposals which later blossomed into the National Industrial Recovery Act mentioned collective bargaining. In an article, "Whose Child Is the NRA?" in the September 1934 issue of *Harper's*, John T. Flynn charged that the original drafts of the NIRA bill, several of which were written by General Johnson, also contained not a word about collective bargaining. (According to Flynn, one version that Johnson wrote provided for a 10 percent sales tax!) Only at the insistence of officials of the labor movement and of the Department of Labor was the famous Section 7-A included, guaranteeing the right to organize and bargain collectively, free from employer interference.

President Roosevelt apparently believed that the employers would accept Section 7-A in good faith and thereby remove a basic cause of labor strife. But the bloody strike-breaking history of American capitalism since the seventies of the last century shows how naive was the belief that the monarchs of monopoly would voluntarily abandon this citadel of their power. For them Section 7-A was another tongue-in-the-cheek concession to labor which could easily be circumvented. In the Johnson-Richberg group at the head of the NRA apparatus, big business found ready accomplices. And under pressure of these reactionary forces, President Roosevelt, too, lent himself to the emasculation of Section 7-A, hoping that in this way capital would be appeased and labor satisfied with something less than half a loaf. Events proved that he miscalculated badly in regard to both. And the NIRA, which was conceived as a gigantic scheme of class collaboration, ushering in a new era of harmony between capital and labor, actually helped sharpen class tensions and accelerated the whole process of the realignment of class forces in the United States.

What upset the NIRA apple-cart was that the workers took Section 7-A at face value. To them this was the new deal that Roosevelt had promised, the opportunity to achieve some measure of freedom from the totalitarian oppressions of the factory. For the AF of L top leadership, whose capitulatory policies had greatly weakened the trade unions during the crisis years, Section 7-A was like manna from



"Don't be so hasty, Throckmorton—General Goering's still in Germany."

heaven, most of them regarding it as relieving them of the necessity of doing any real organizing work on their own. Hundreds of thousands of working men and women, under the impetus of the illusions created by Section 7-A, streamed into the unions. But only those established unions that, instead of relying on the NRA, undertook serious organizing campaigns, notably the needle-trades unions and the United Mine Workers, made substantial permanent gains. As for the employers, Section 7-A was for them the signal for launching the greatest company-union drive in the history of the country. The Twentieth Century Fund estimated in 1935 that about 2,500,000 workers were in company unions, of whom approximately half had been herded in since enactment of the NIRA. At the same time the corporations continued with impunity to reject genuine collective bargaining and to discriminate against workers for union activ-

ity. These anti-union practices were engaged in with the toleration and even connivance of high New Deal officials. As a result, a wave of strikes broke out in the latter half of 1933, reaching its height in the San Francisco general strike in July 1934 and the textile general strike in September 1934. It is significant that while in the first phase of this strike wave the workers relied on the machinery of the NRA to protect their rights, later they increasingly struck in defiance of the various NRA labor boards and of the upper officialdom of the AF of L who attempted to keep them tethered to the program of the monopolies. In a situation where the employers were given all the breaks and the Department of Justice made only the most perfunctory gestures at prosecuting violators of Section 7-A, the activities of the labor boards, however well-intentioned, only served to dissipate union strength and to give the employers time

to perfect their strikebreaking machinery.

Consider the results of the New Deal's intervention in labor disputes in three of the most important mass-production industries, steel, textile, and auto. In June 1934, following the steel companies' refusal of the workers' demands, a special convention of the Amalgamated Association of Iron and Steel Workers met to make preparations for strike action. President Roosevelt intervened and promised through President William Green of the AF of L to set up a special Steel Labor Relations Board that would look after the grievances of the workers. The board was set up, but it did precisely nothing for the workers, and before many months the growing union movement in the steel industry had been smashed by the companies. Two years later, when the Committee for Industrial Organization initiated its campaign to organize the steel industry, it had to start from scratch.

In the textile industry the general strike actually took place, the largest in a single industry this country has ever known. After three weeks, with victory for the 500,000 workers in sight, the strike was called off, again on a New Deal promise to protect the workers' interests. Once more a special labor-relations board was established, and once more the workers achieved nothing.

In the automobile industry a more elaborate technique was employed. At the request of President Roosevelt, a strike which threatened in March 1934 was called off at the last minute, and he personally took over the negotiations. After conferences with the employers and the AF of L leaders, he announced the famous settlement of March 25, 1934, to which both parties agreed. This settlement, which the President glowingly described as charting "a new course in social engineering in the United States," established, in accordance with the employers' demands, the principle of proportional representation in determining collective-bargaining agencies, in place of majority rule. It provided for the setting up of "works councils," in which the company unions were placed on an equal legal footing with the legitimate unions. And it created an Automobile Labor Board, headed by Dr. Leo Wolman, now bitterly anti-New Deal; its other two members were Nicholas Kelley, counsel of the Chrysler Corp., and Richard L. Byrd, a minor AF of L official, who more than two years later was exposed as a member of the Black Legion. After dilly-dallying for months until large numbers of workers had dropped out of the AF of L union in disgust, the board suddenly announced elections to the "works councils." It then proceeded to hold them first in those plants where union organization was weakest, thus assuring the victory of the company unions. Though the AF of L subsequently repudiated the automobile settlement and demanded the abolition of the Wolman board, Roosevelt continued to support it, and in January 1935, over strenuous AF of L protests, renewed the auto code with its notorious "merit" clause. In an article, "Labor's

Quarrel with the President," published in the April 1935 issue of *Nation's Business*, organ of the U. S. Chamber of Commerce, Louis Stark wrote:

For industry the automobile agreement was a major victory. It opened the way for employers to deal with majorities, minorities, or even individuals. This was industry's interpretation of Section 7-A, and General Johnson and Mr. Richberg supported it.

The effect of the 1934 automobile agreement on organized labor cannot be exaggerated. It placed the AF of L on the defensive and had a devastating effect on its status. It shattered the morale of the National Labor Board, reducing its precedents to so much paper. After this agreement organized labor began holding itself aloof from labor boards and a rise in strikes was noted. At the same time those employers who favored the automobile agreement form of settlement pushed organization of company unions and refused to settle strikes and disputes on terms other than those provided for in that settlement.

Such a statement, read today, comes almost like a shock. What a far cry from the activities of the NLRB which is doing such an important public service in actually protecting the rights of labor, rights whose destruction would jeopardize the liberties of the entire people. The difference lies not so much in the fact that the Wagner Labor Relations Act is a stronger law than Section 7-A—though this too is important—but rather in the fact that the New Deal's interpretation of the law and its whole attitude toward the struggle between capital and labor, reaction and progress, have changed. Administration of the Wagner act has been placed not in the hands of the Johnsons and Richbergs, but of men sincerely devoted to carrying out its provisions. And instead of conniving in frustrating the intent of the law, as was the case in 1933-35, the New Deal has fought the anti-union employers in the courts and has opposed all attempts in Congress to castrate the Wagner act.

Thus, in many phases of its activity, but most notably in its attitude toward monopoly and labor, the New Deal has undergone a profound metamorphosis. It is this that has caused the Communist Party to change from a position sharply critical of the New Deal to one of support for most of its policies, while at the same time pointing out their shortcomings and inadequacies. The process of transformation is by no means uniform or complete, but it has already advanced sufficiently to have made of the New Deal the framework on which is being built the demo-

cratic front against reaction and fascism. This is the result not of the whim or "change of heart" of any individual or group of individuals, though it is true that a Hoover would hardly have been responsive to the influences that have moved Roosevelt away from conciliation with reaction toward the path of progress and democracy. Primarily, however, the change in the New Deal reflects, as was pointed out in the first article, a changed relation of forces in this country and internationally: the awakening of the American labor movement, the desertion of the New Deal by the economic royalists who were originally at the helm, and the sharpening of the conflict between the fascist and anti-fascist camps on a world scale.

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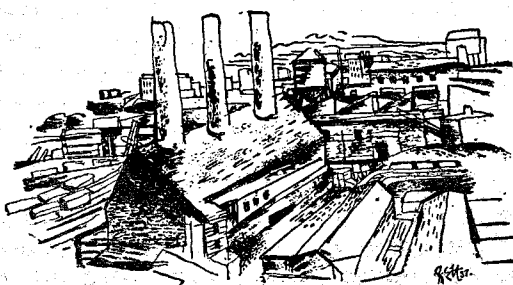
A MAN OF PRINCIPLES

MR. WILLIAM GREEN, president of the American Federation of Labor, is a man of high principles. Sometimes, however, he cannot quite make up his mind what those principles are. One recalls the cartoon by A. Redfield picturing a prize-fight arena, with the opponents labeled "Capital" and "Labor" in their corners and little Mr. Green in a striped shirt, a pail of water and a towel in his hands, standing bewildered in the middle of the ring. The caption read, "Whose Second Are You?"

But on certain principles William Green has decided, and once he has accepted a premise, he is inflexible. He fears the CIO and he fears John L. Lewis. In consequence, William Green has formulated the principle, "What the CIO favors, the AF of L must oppose; what John L. Lewis advocates, I must fight." With frenzied consistency, William Green proceeds to apply the formula.

According to Drew Pearson and Robert S. Allen, who write the syndicated column, "Washington Merry-Go-Round," the liberals in the House of Representatives were confronted with Green's stubbornness recently. Maury Maverick of Texas visited Green in Washington to ask why the AF of L president had not answered letters from members of the liberal bloc in Congress requesting endorsements in the coming elections on the basis of their consistently pro-labor records. To Maverick's astonishment, Green answered that there were other things than a voting record to be considered. One of them was the attitude toward other labor organizations—in this case, the CIO. The columnists quote Green: "Mr. Maverick, we will support no one who gives aid and comfort to the CIO. We will give no help to any man who is friendly to them, even if he has a perfect labor voting-record. We will not support any congressman or senator, no matter how liberal he may be, if he is friendly to our enemies."

The full flavor, however, of Green's reasoning is tasted in his answer to Mr. Maverick's further protest. "Frankly, Mr. Green,"



John Heilker