

Fifty-two Business Weeks

Robert Stark examines the figures behind the present business slump. What Wall Street offers as a way out. The hope of profits to come.

THE thermometer on the cover of *Business Week* is suffering from the cold. Week after week in the latter months of 1939 the hopeful arrows of the *Business Week* index hovered higher. But the rise halted with the first weeks of 1940 and the arrows are beginning to falter. A bellwether for statisticians is steel production, measured by percent of capacity. It's around 77.3 now. It reached 94.4 at the end of November. Querulously the editors of this mouthpiece of the captains of industry comment, "Significant fact about the steel operating rate is that it seldom manages to remain long above 90 percent of capacity. Back in 1937 operations stayed up on the high perch for eight weeks before taking a tumble; this time, ten weeks." And in 1929 it was a twenty-six weeks' roost. Nor is the drop affecting steel only—it is quite general now.

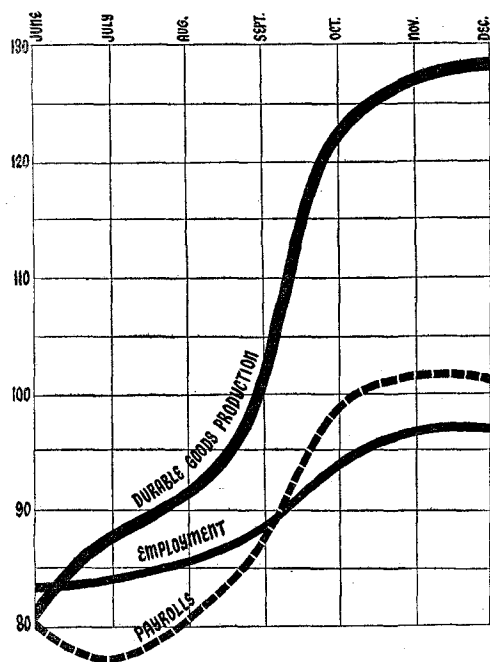
Practically the only explanation not offered for the decline is the ready-to-hand argument that this is a presidential election year. That is probably significant as an admission of big business acceptance of the Roosevelt New Ordeal policies. Business confesses that there is a decline. It hopes it will be a mild and gradual slump that will correct what capitalist economists call the "overextended position" of American industry brought about by the boomlet of September-December 1939. If this decline is arrested too soon now, they say, it will be followed by a sharper drop. But if it goes into the summer perhaps the war orders will restore "prosperity." That is Wall Street's idea of a "healthy readjustment of production into line with consumption."

FACTS OF LIFE

That this new depression will add to unemployment, that it will reduce the wages of millions, that it means hunger and suffering for millions—with such facts of life the business thermometers and the neat statistical tables are not concerned.

By all the signs business should have been humming. The war is still on and promises to be bigger and more profitable. The federal budget slashes relief and provides for battleships. Roosevelt is running with the hounds and William Green urges a "breathing spell" for business. Yet a slump is on. To seek its immediate causes we must examine more closely the achievements of the year just ended.

On the whole, 1939 was a year of decided improvement in business activity in the United States. Toward its end it was reaching almost boom proportions. Industry was buying and building and girding itself to meet the not unpleasant avalanche of war orders and profits. Prices were going up. A little speculation was in order.



Darryl Frederick

RECOVERY GRAPH. *Production exceeds 1929 levels. Payrolls rose a bit. Employment lagged. Millions are still unemployed and the recession has already started. Only the profit figures are missing to tell the story of what's wrong with the American way.*

As against 1938 there was a 23 percent increase in industrial production, from 86 to 106 by the Federal Reserve Board index. In durable goods, machinery, and the like, the increase was sharper still, 47.7 percent. Steel ingot production alone jumped 65 percent and automobiles 40 percent. Airplane production reached the highest point in its history; employment in shipbuilding in December was at its peak of the past twenty years.

FEVER CHART

There is the fever chart of business filling the sudden rush of orders and preparing to handle still more, meeting a rising demand and speculating on bigger profits ahead. It was not anticipated that Great Britain would lean so heavily on its own resources and hold so tenaciously to its farflung markets on which American business was ready to feast. Nor was it observed at once that the glamour of profits for business was not expanding the market at home rapidly enough.

Manufacturers of consumers' goods caught the infection. The index of non-durable goods production went up 13 percent. But even that was more than the market could absorb. For retail sales increased by only 6.1 percent in 1939 over 1938. And that figure should not only be reduced by the increase in the cost

of living, but also be viewed in the light of the fact that the value of non-durable goods in the index is based on wholesale prices.

The retail sales of 1939 represented purchases made, in the main, by the workers and farmers of America. To what extent did the workers profit from the improved business activity? Taking 1929 as 100, the index of wage and salary payments for 1938 was 79.4 and for 1939 was 83.5, an increase of 5.1 percent (Labor Research Association's *Economic Notes*, February 1940).

Notice that while non-durable, consumers' goods rose only 13 percent against a rise of 47.7 percent in durable goods production, even that increase was twice as large as the improvement in retail sales. But wages and salaries (5.1 percent higher) did not match the upswing in sales. Therefore stocks of goods produced for consumption have not fully been absorbed. This tends to slow up the consumption goods industries unless employment increases in the heavy industries. But there, as we have seen, it is not to be expected now that the trend is reversed.

The increase in production in 1939 was not attended by any commensurate improvement in either employment or payrolls. If we take the Federal Reserve Board indices for durable goods manufacture and employment and the Department of Labor index for payrolls in heavy industry, we see not only that the workers did not gain greatly by the increase in production, but also how gallantly business rallied to the opportunities dangled before it—and at a huge rate of profit.

	Durable Goods Production	Employment	Payrolls
1939			
June	82	83.9	80.7
September	103	88.5	87.9
October	123	94.5	99.7
December	128	97.2	101.2

Thus the index of production gained 46 points, employment 13 points, and payrolls 21 points between June and December. Which indicates, also, that many workers employed part-time previously worked more hours during the latter months of the year. Furthermore, so rapid a rate of exploitation of labor was itself digging the New Year's pit, especially when the war orders did not materialize in the dimensions anticipated.

"Overextended" the Wall Street economists call this condition. It is the workers in the heavy industries who provide a most important market for consumer goods. The non-durable goods manufacturers expanded their production to profit from the demand expected from this market. But it did not open into the rich feeding trough they pictured.

For employment did not keep pace with the increase in production; there are still some ten million unemployed and over two million on work relief projects. Industry is manufacturing more goods with fewer workers. The farmers are growing poorer. . . . So the bubble burst.

MORE PEOPLE, LESS WORK

It is characteristic of capitalism in crisis that millions of people are cast off unwanted. In December 1939 the Federal Reserve Board index of production actually reached 128 as against the June 1929 peak of 125! But the population of the United States has grown by more than 8 percent in the interval and we have at least five times as many unemployed.

Meanwhile the banks and the big companies have more money than they know how to spend. In 1939 new capital raised by public stock or bond issues was less than half the volume of 1938, in spite of the sharp increase in industrial production, and it amounted to about a third of the new capital issues floated in 1936 and 1937. Most corporate financing in 1939 was confined to refunding operations which were usually new

securities at lower interest rates to replace older ones.

Obviously the rise in business activity during 1939 was financed mainly with the idle funds in the treasuries of corporations. In addition, the banks with their bloated and inactive deposits have been making long-term loans to corporations, running from three to ten years. By the middle of 1939 it was estimated that nearly one-quarter of all the bank loans in the country were of this type.

Here, incidentally, is proof of the "sit-down strike" which capital so indignantly denied in 1936-38. The money was there all the time. It was possible then to build new equipment and machinery, to finance vast housing projects, to feed and clothe and put the American people back to work. But business saw no prospect of juicy profits in that, so it sat tight. It was ready to shell out when the war started. "Overcapacity" is anathema to business when people want to work and eat and live. But "extension of plant" becomes the order of the day only when a world slaughter is at hand.

Business has no "confidence" when a better life for the masses of people is possible of achievement. Business is thrilling with new

hope when destruction is the goal. Here is the final function of capitalism—to demolish and dismember what it once helped to create. Here in this short history of 1939 is the anatomy of that inner necessity for American capitalism to drag us into the imperialist war—an inner necessity subject to human counteraction.

ROBERT STARK.

Cat out of the Bag

"REPEATED postponements in the issuance of the promised White Paper designed to show that efforts to bring Russia into the 'peace front' broke down because the British refused to barter the freedom of small nations is leading to speculation whether the paper will ever be issued at all. . . .

"The explanation lies . . . in the belated realization that the document, as originally prepared, failed to make out as good a case against the Soviet government as the compilers planned and that it might be more embarrassing to Britain's allies than to any one else, especially after Soviet casuists and apologists had finished talking about it."—Raymond Daniell, *New York "Times," Feb. 8, 1940, from London.*



Ad Reinhardt

"Idle Hands . . . Idle Hands . . . Now let's see . . ."

La Follette in California

Ella Winter reports the hearings of the La Follette Senate Civil Liberties Committee in the Associated Farmers country. Democracy in the orchards.

AT THE first lettuce strike trial that I attended in California, a prospective juror was asked whether he approved of labor organizing. "Yes," he answered dubiously, "but not the way they do it."

That phrase might have been the theme song of the La Follette Civil Liberties Committee hearings in California which closed recently. Stuart Strathman, field organizer for "Associated Farmers," declared in a long prepared statement that the trouble had started in 1929 when the "communists" came. All trouble after that, he said, could be divided into three stages: (1) communist (agitator) organizing; (2) "infiltration period"—agitators go into the AFL; (3) "with the advent of Harry Bridges," agricultural unions turn CIO. Mr. Strathman begged La Follette not for a " cursory examination " of this or that strike, but a "fair and open-minded examination of the basic history and causes of the whole general picture."

That is just what the hearings have provided. In the small, jam-packed courtrooms of the Federal Post Office Buildings of San Francisco and Los Angeles, chapters of California history have been unfolded. The committee had investigated, sifted, examined for a year before any hearings were held. Then, from farmers, migrant workers, police officials, sheriffs, tear-gas salesmen, deputized vigilantes, and the industrialists who dominate San Francisco and Los Angeles economic life, the "whole general picture" was drawn. The economic facts were presented in scholarly papers read by expert economists, federal and state officials, university professors. These facts disclosed that a major revolution has occurred in California agriculture and is taking place in the rest of the country. Farms are becoming increasingly mechanized, industrial corporations. The tie between the farmer and his "hand" is scarcely to be found. In most cases the economic conditions under which the agricultural worker functions hardly differ from those governing the factory worker. The committee's hearings substantiated, with subpoenaed documents, letters, and records, many facts set forth in John Steinbeck's *The Grapes of Wrath* and Carey McWilliams' *Factories in the Field*.

ASSOCIATED FARMERS

The Industrial Association of San Francisco, which tried to break the waterfront unions, gave \$15,000 to help a newly formed "front" committee called Associated Farmers—which had exactly forty-five real farmers in its membership. At first its funds came from industrialists: oil companies, railroads, banks, utilities, can and sugar companies, employer organizations. Of the first \$28,000 given this

great blue-jean group, exactly \$417 came from a rural county—Riverside, the home of State Sen. John Phillips, who visited Germany and learned to admire Hitler; who consistently attacks agricultural workers for organizing or making any demands.

When the agricultural committee of the State Chamber of Commerce was setting up Associated Farmers, it didn't want anyone to know it. "Joe, we'd rather stay out of those things," said Bank of America's A. P. Giannini (now being investigated by the Securities and Exchange Commission) to Joseph DiGiorgio, a simple Italian rancher who heads the \$10,500,000 DiGiorgio Corp. and its subsidiary, the \$5,500,000 Earl Fruit Co., as well as a million dollar winery and some fruit exchanges and box companies. Henry Bauer of S. Calif. Edison wrote to DiGiorgio in 1939, "We are interested in the work of Associated Farmers. But any contributions we make have to be published in Railroad Commission reports on utilities. *This would militate against AF activities.* We have contributed to Southern Californians, Inc., which of course is contributing to AF." (It certainly was. The Los Angeles hearings revealed that S. Calif., Inc., gave \$3,300 to the AF in 1937-39. Of the \$17,527 collected in those three years, exactly \$248 was subscribed by actual farmers. In 1939, the year of biggest donations, only \$2 came from an individual farmer.) A letter from the Producers' Cotton Oil Co. to Associated Farmers of Kern County said: "Our feeling is that it might be advisable not to let the name of our company enter into the letter in any way so that the AF may retain its proper designation as a 'farmers' organization." (The quotes around "farmers" are in the original.) In 1934 preparations were made for a firm of accountants to check the AF books. Subpoenaed minutes reveal that it was arranged that "there would not be disclosed to the accounting firm any of our sources of revenue."

"RURAL EDUCATION"

Leonard Wood, president of the California Packing Corp. (CalPak), wrote to a Standard Oil official: "The program of AF is to be one of education of farmers by farmers. . . . Lots of groundwork has to be done. . . . It is an impossible task collecting money from farmers at this stage." L. A. Warren of Safeway Stores informed DiGiorgio on March 6, 1939: "We have been in touch for a long time with the Associated Farmers and we have been helping them for several years." At the Pacific Coast Economic Conference of February 1936, called by the National Association of Manufacturers, S. Parker Frisselle,

past president of the State Chamber of Commerce and persistent Washington lobbyist for cheap foreign labor in the fields, said: "The State of California owes a debt of gratitude to Leonard Wood (CalPak), Forbes and Senator Boynton [both Industrial Association], *as without these men and these organizations we [Associated Farmers] would have folded up years ago.*"

In the five years since AF's inception, 1934-39, \$178,542 has been collected to "educate the farmers." This phrase, as interpreted in documents and letters, includes "a program for the orderly harvesting of crops," "picking and canning in spite of strike difficulty," and offsetting "the danger and trouble caused by subversive groups." Mr. Frisselle thus naively explained the first funds from industrialists: "We recognized the necessity of speed in getting protection from the Reds. Hence our haste to go to the industrialists. These gentlemen appreciated the necessity for stopping grave danger like the killings in Pixley." (Two workers were shot down in front of their own headquarters while the chief of the State Highway Patrol watched from behind a tree. Eleven bullets were fired into one of the workers. This was during the great cotton strike of 1933, which raised wages in cotton picking 30 cents a day. So Associated Farmers was formed, according to Mr. Frisselle, "to protect agricultural interests by cooperation with the FBI, the California Criminal Identification Bureau, the Army and Navy, and assistance to local peace officers.") "I feel," added this white-haired, stern-faced protector of civil liberties, "that we have made a splendid contribution to American patriotism."

TERRORISM

The ranchers' violence and hooliganism during strikes were brought out in detailed testimony concerning four major disturbances. Senator La Follette's strategy was to call all parties to the stand and get the whole story. Thus strike leaders and union organizers, small farmers and pickets and just plain bystanders told of attacks on their picketlines, jailings, beatings, and intimidation; state highway patrolmen, ranchers, sheriffs, ginners, and district attorneys tried to defend their actions. And every sensational tale was prefaced by an expert's paper on the economic facts and background. Stockton, Madera, Imperial Valley, Winters, Salinas—famous battle-names in our Californian civil war: cotton, dairy, turkeys, beets, apricots, lettuce, walnuts, citrus. In every crop the same story: deputy sheriffs, deputized vigilantes, even tear-gas salesmen stopping people on roads during strikes, ordering them out of town, into