

Political Economy

LESSON V.

WAGES AND THE
ACCUMULATION OF CAPITAL
(PART II)



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LESSON V. WAGES AND THE ACCUMULATION OF CAPITAL (PART II)

IV. THE GENERAL LAW OF CAPITALIST ACCUMULATION. THE WORSENING OF THE SITUATION OF THE WORKING CLASS

(a) THE FORMATION OF A RESERVE ARMY

We have shown that the total number of workers employed depends not upon the amount of the entire social capital but upon the variable capital, therefore with the growth of the organic composition of the entire social capital the demand for labour-power relatively decreases and the worker is driven out of production. But the entire capitalist process of production develops unevenly, so that the organic composition of capital changes unevenly both within each industry taken separately and within all the different industries.

"In some spheres a change in the composition of capital occurs without increase of its absolute magnitude, as a consequence of simple centralisation; in others the absolute growth of capital is connected with absolute diminution of its variable constituent, or of the labour-power absorbed by it; in others, again, capital continues growing for a time on its given technical basis, and attracts additional labour-power in proportion to its increase, while at other times it undergoes organic change, and lessens its variable constituent; in all spheres, the increase of the variable part of capital, and therefore of the number of labourers employed by it, is always connected with violent fluctuations and transitory production of surplus population, whether this takes the more striking form of the repulsion of labourers already employed, or less evident but not less real form of the more difficult absorption of the additional labouring population through the usual channels." (Marx, *Capital*, Vol. i, pp. 691-2.)

There is thus a constant reserve army which always exists though it changes its composition. As Marx shows (*Capital*, Vol. i, pp. 692-3), the workers produce not only the accumulation of capital but the means by which they themselves are made relatively superfluous and this to an always increasing extent. This is the capitalist law of population, for, apart from the plants and animals and then only so far as man has not interfered with them, there is no abstract law of population apart from the special historic mode of production. Over-population under capitalism is therefore only relative. It arises, not out of some natural law, but out of the capitalist form of social production. Marx's discovery and proof of this was one of his most fundamental criticisms.

Parson Malthus (1766-1834) produced a law that "poverty, destitution and unemployment are a result of the excessive growth of population, accompanied by a slower growth of the means of subsistence." According to him population is absolute. Is this so? Every worker knows that there are plenty of products and the shortage is due to the fact that they must bring profit to their owners. The same applies also to over-population, the most striking manifestation of which is unemployment. Unemployment, as the case of the U.S.S.R. shows, is not due to the fact that there are not enough means of production but to the capitalist mode of production.

Marx has shown that no absolute, eternal laws of population exist at all. Moreover, he discovered a peculiar fetishism (a distorted form of manifestation) also in the movement of population. Over-population, which is due in reality to the movement and accumulation of capital, appears to be due to the growth of population.

"This accelerated relative diminution of the variable constituent, that goes along with the accelerated increase of the total capital, and moves more rapidly than this increase, takes the inverse form, at the other pole, of an apparently absolute increase of the labouring population, an increase always moving more rapidly than that of the

variable capital or the means of employment." (Marx, *Capital*, Vol. i, p. 691.)

Relative over-population exists in different forms :

1. In so-called floating over-population or unemployment which exists even in times of prosperity and increases in times of depression. Thus in Germany the percentage of unemployed among trade union members in the last ten pre-war years varied between 1 per cent. and 7 per cent. In England in the same period it varied between 2 per cent. and 8 per cent.

2. The so-called latent over-population, that is the overwhelming majority of youths who are employed on unskilled work and who must sooner or later, upon reaching a definite age (generally when they become liable to insurance) make way for others. But this latent population also covers all the adult workers whose labour-power rapidly wears out and who are therefore replaced by fresh men. (Marx, *Capital*, Vol. i, pp. 704-5.)

To the latent over-population belongs also the mass of farm workers since in agriculture the growth of organic composition of capital is not accompanied by an absolute growth of the variable capital as is the case in industry.

"This source of relative surplus-population is thus constantly flowing. But the constant flow towards the town, presupposes, in the country itself, a constant latent surplus-population, the extent of which becomes evident only when its channels of outlet open to exceptional width. The agricultural labourer is therefore reduced to the minimum of wages, and always stands with one foot already in the swamp of pauperism." (Marx, *Capital*, Vol. i, p. 705.)

3. The stagnant over-population. This includes the home workers, the workers of the dying industries, etc., whose earnings are irregular and extremely low. The same category includes the class of paupers, which consists on the one hand of disabled persons (those disabled physically and spiritually in industry, those above the normal age of a worker, etc.), and on the other the able-bodied men who developed into paupers as a result of long unemployment. Here belong also the hereditary paupers. Only rarely, during periods of the

highest business activity, are some sections of the paupers drawn into industry.

"Pauperisation is the hospital of the active labour army and a dead-weight of the industrial reserve army." (Marx.)

Relative over-population cannot therefore be abolished while capitalism exists. It is the result of the capitalist mode of production. Moreover it is one of the conditions of its existence because the constant reserve army which steadily grows with the development of capitalism is necessary for the capitalists to absorb when they have a sudden and rapid expansion of markets (see Marx, *Capital*, Vol. i, pp. 694-9). All talk about the abolition of relative over-population is therefore, under capitalism, an illusion with the idea of pretending that a radical improvement of the situation of labour is possible. Marx's doctrine of over-population is a complete exposure of the hypocrisy of the Social Democrats who do their best to help to increase the capital formation, that is the accumulation of capital on the basis of a growing organic composition of capital, rationalisation. They pretend that this is for the benefit of the working class, but actually, when welcoming rationalisation, they are carrying out the attack for the capitalist class.

At the Mond Conferences we find the following statement on unemployment signed jointly by Lord Melchett and Ben Tillett :

"The problem of the displacement of labour by the rapid adoption of labour-saving devices and methods is a very pressing one. In most cases there is no doubt that an expansion of the market will enable displaced labour to be ultimately re-absorbed, provided measures are taken at the same time to increase the purchasing power of the population but in some cases such an increase in production of the industry will be slower and indeed in some few cases may not occur at all. . . .

"Rationalisation of the coal industry, though unquestionably producing in time a greater measure of prosperity than would otherwise be possible is unlikely to lead rapidly to the re-absorption of all the mine workers now unemployed who total nearly 2,500,000. . . . Considering for

one moment rationalisation alone, the view is taken that normally the changes involved should be introduced as gradually as possible consistent with the ultimate revival of the industries in order to lessen the horrible displacement and that the trade unions should be consulted as to the best method of dealing with the labour supply in the industry. It may be possible to restrict the recruiting of new labour in certain cases, and in any event methods should be evolved whereby the changes are effected with smoothness and with consideration for the workers. The rate of progress, however, which is considered advisable in the interest of the worker and of the whole community in normal times would now be too slow."

This report along with the rest of the ale and moonshine was adopted at the Swansea Conference¹ of the T.U.C. by a card vote of 3,075,000 to 556,000. In the section on rationalisation we find the following :

"The tendency towards a rational organisation of industry and trade, including the grouping of individual units within an industry into larger units, is recognised, and this tendency should be welcomed and encouraged in so far as it leads to improvements in the efficiency of industrial production services and distribution and to the raising of the standard of living of the people. . . . It is recognised that certain measures of rationalisation may tend to displace labour or to modify in indescribable ways the conditions of work, and that safeguards are necessary to ensure the interests of the workers so that they do not suffer by the adoption of such methods. It is therefore agreed that schemes for providing such safeguards should be considered as a part of the general question of the Displacement of Labour."

In the discussion of this report, Mr. Clynes, M.P., showed that he was under no illusion as to the real nature of rationalisation. He said :

"Rationalisation went on before these debates, and it will go on after these debates. It is a natural, inevitable and sometimes cruel feature of the system itself. It is the business of the employers as it is of the trade union leaders in their unions, to make their undertaking more efficient, to waste nothing, to save where they can, *to displace where displacement is necessary.*

" Displacement, as I have hinted, is very often cruel ; it throws men out of a job. . . . They (the General Council) know that the tendency is to greater efficiency in industry, to the closing of inefficient works and shops, to the introduction of new plants, to all these continued processes of sub-dividing in order to increase the output by less effort and less expenditure. They know that men must be displaced by these processes, just as they know that however angrily you may denounce the employers this process will go on.

" This is what the General Council says on the subject of rationalisation, ' Safeguards are, therefore, necessary to ensure that the interest of the workers do not suffer by the adoption of such measures. It is, therefore, agreed that schemes for providing such safeguards shall be considered as a part of the general question of the displacement of labour.' Therein the General Council is doing great service to the interest of the wage-earning classes of this country."

Could the picture be more complete ? In effect they say rationalisation will throw millions of workers on the street, but we advise you that it must be done slowly but not too slowly, and carefully ; we can smooth the way with " safeguards." Here is to be seen the naked hypocrisy of the bettering of the condition of the workers by strengthening capitalism.

(b) THE RESERVE ARMY AND WAGES

The degradation due to the existence of the reserve army because of relative over-population affects not only the workers directly concerned but also the masses of the workers who are paid wages. Accumulation, which as we have seen, sets the limit for the movement of wages according to its requirements, regulates wages, not directly, but through the machinery of supply and demand for labour-power. This depends, not upon the movement of population but upon the contraction or expansion of capital.

The larger the accumulations, the greater the demand for labour-power, other conditions being equal, the smaller the reserve army and the weaker its pressure upon the employed section of the working class, the

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opportunities for wage increases are greater ; on the contrary, the smaller the accumulation, the more workers are squeezed out of industry, the demand for labour-power is less, the reserve army is greater, and its pressure upon wages is stronger.

"Taking them as a whole, the general movements of wages are exclusively regulated by the expansion and contraction of the industrial reserve army, and these again correspond to the periodic changes of the industrial cycle. They are, therefore, not determined by the variations of the absolute number of the working population, but by the varying proportions in which the working class is divided into active and reserve army, by the increase or diminution in the relative amount of the surplus-population, by the extent to which it is now absorbed, now set free." (Marx, *Capital*, Vol. i, p. 699.)

From the Marxian theory of value we know that the price of a commodity is a form of its value, that the price of a commodity is determined by its value. Value is a factor which regulates the movement of prices. Demand and supply do not determine the price of a commodity but only make it fluctuate around the value of the commodity. If the demand exceeds the supply, the price rises above the value, in the opposite case it sinks below the value.

On the whole this applies also to the commodity, labour-power. The accumulation of capital, however, introduces essential changes in the very fluctuation of the demand and supply of labour-power. These changes usually regulate the movement of wages so that they remain below the value of the labour-power, only in exceptional cases rising above it. The point is that the movement of the supply and demand of labour-power takes place on the basis of permanent relative over-population. The accumulation of capital results in the labour-power always being in excess of the demand though the volume of this excess may fluctuate.

"The industrial reserve army, during the periods of stagnation and average prosperity, weighs down the active labour army ; during the periods of over-production and paroxysm, it holds its pretensions in check. Relative

surplus-population is therefore the pivot upon which the law of demand and supply of labour works. It confines the field of action of this law within the limits absolutely convenient to the activity of exploitation and to the domination of capital." (Marx, *Capital*, Vol. i, p. 701.)

When the growth of accumulation demands more labour-power, the change of the organic composition of capital, the increase of the productivity and intensity of labour, the increased working day, through intensified labour, reduce the demand for an increased number of workers.

"That is to say, the mechanism of capitalistic production so manages matters that the absolute increase of capital is accompanied by no corresponding rise in the general demand for labour." (Marx, *Capital*, Vol. i, p. 702.)

"It therefore follows that the movement of wages depends upon accumulation. Not in the sense that with the growth of accumulation of capital the wages *must* go down. The working class has been made completely dependent upon capital; what capital allots to the working class in the form of wages for its subsistence is determined not by the needs of the working class but only by the requirements of the accumulation of capital. The requirements of the working class are satisfied by capital only in the measure in which this is necessary for the accumulation of capital. The working class has been made absolutely dependent upon capital, it has been turned into a wage slave." (Marx, *Capital*, Vol. i, pp. 842-3.)

This absolute dependence upon capital under which the worker has been placed leads to a constant absolute worsening of the situation of the working class, to its absolute impoverishment.

(c) IMPOVERISHMENT OF THE WORKING CLASS

The worsening of the situation of the working class which inevitably results from the accumulation of capital was formulated by Marx in his general law of capitalist accumulation as follows:

"The greater the social wealth, the functioning capital, the extent and energy of its growth, and, therefore, also the absolute mass of the proletariat and the productiveness

of its labour, the greater is the industrial reserve-army. The same causes which develop the expansive power of capital, develop also the labour-power at its disposal. The relative mass of the industrial reserve-army increases therefore with the potential energy of wealth. But the greater this reserve-army in proportion to the active labour-army, the greater is the mass of a consolidated surplus-population, whose misery is in inverse ratio to its torment of labour. The more extensive, finally, the lazarus-layers of the working class, and the industrial reserve-army, the greater is official pauperism. *This is the absolute general law of capitalist accumulation.*" (Marx, *Capital*, Vol. i, p. 707.)

The worsening of the situation of the working class manifests itself not only in the worsening of the situation of the reserve army, not only in a growth of pauperism, but also in the worsening of the situation of the employed workers.

"The law by which a constantly increasing quantity of means of production, thanks to the advance in the productiveness of social labour, may be set in movement by a progressively diminishing expenditure of human power, this law, in a capitalist society—where the labourer does not employ the means of production, but the means of production employ the labourer—undergoes a complete inversion and is expressed thus: the higher the productiveness of labour, the greater is the pressure of the labourers on the means of employment, the more precarious, therefore, becomes the condition of existence, viz., the sale of their own labour-power for the increasing of another's wealth, or for the self-expansion of capital. The fact that the means of production, and the productiveness of labour, increase more rapidly than the productive population, expresses itself, therefore, capitalistically in the inverse form that the labouring population always increases more rapidly than the conditions under which capital can employ this increase for its own self-expansion." (Marx, *Capital*, Vol. i, p. 708.)

This fundamental law of capitalist accumulation which was discovered and formulated by Marx has been subjected to the bitterest fire of criticism by all the bourgeois economists. Among the ranks of Social Democracy this law was criticised at the end of the

last century by Edward Bernstein who attempted to show that, as a result of the development of capitalism, the working class gains more and more benefits, that its share in the national income, far from declining, is actually increasing. Kautsky, when still a Marxist, showed in his criticism directed against Bernstein and in defence of Marx the entire groundlessness of Bernstein's conception, but he himself committed an important error which signified his practical capitulation to revisionism.

Bernstein denied the fact of the impoverishment of the working class in general. He maintained that the wages grow not only absolutely but also relatively, that is in relation to the income of the bourgeoisie. Kautsky's criticism aimed to show that the share of the wages in the national income was falling, that is that the distance between the proletariat and the bourgeoisie was not decreasing, as Bernstein maintained, but was increasing more and more.

Of course, this is true. The sum of the incomes of the working class, while growing in connection with the growth of the working class itself, decreases in proportion to the entire national income. This is due to the law of accumulation of capital and is confirmed even by the bourgeois statisticians. Thus, in Britain, according to Bowley, "The proportion of the national income received as wages diminished from about $41\frac{1}{2}$ to $35\frac{1}{2}$ per cent" between 1880 and 1913 (*The National Income*).

Though in some years the share of the wages in the national revenue somewhat increased, the basic tendency shows it to be declining.

However, the fundamental question is not this but whether any absolute improvement or absolute degradation is taking place in the situation of the working class. Kautsky, after correctly proving the existence of a relative impoverishment of the working class expressing itself in a fall of the share of the wages in the national revenue, completely evaded the question of absolute impoverishment and thereby silently agreed with Bernstein that the situation of the working class

was absolutely improving despite its relative degradation.

This question is of the greatest theoretical and political importance. For if the situation of the working class under capitalism essentially improves, then why fight for socialism? Even if the share of the working class in the national revenue decreases, once the wages grow absolutely, the working class is gaining and not losing. If this is so then we must think not of preparing the working class for the proletarian revolution, but of helping to accumulate capital. If capitalism signifies not absolute but only relative impoverishment then reformism, and not Marxism, is right in the long run.

It is therefore necessary for us to deal at length with this question and analyse Marx's formulations concerning the worsening of the situation of the working class as given above. This must be done also because there are comrades who believe that absolute impoverishment is possible but not inevitable. The view is rather widespread that before the world war the impoverishment of the working class was only relative and that the absolute impoverishment began only after the war.

It is necessary first of all to point out that the question of the situation of the working class must not be reduced solely to the question of the wage level. Of course, the latter is one of the most important factors determining the situation of the worker, but is far from being the only factor. Marx says that :

"In proportion as capital accumulates, the lot of the labourer, be his payment high or low, must grow worse."
(Marx, *Capital*, vol. i, p. 709.)

This means that the situation of the worker worsens even if their wages go up. This may appear paradoxical but it is true. The fact is that the movement of wages itself must be regarded not as an isolated factor but in connection with the change in the value of the labour-power.

If the wages are taken by themselves, independently

of the change of the value of the labour-power, and if they are to be regarded as the only factor indicating the situation of the working class, it might appear that for considerable periods in the development of capitalism the situation of the working class was almost steadily improving in an absolute sense. In the most important capitalist countries with developed big industries real wages rose almost throughout the entire nineteenth century, this rise giving place to a definite fall only at the end of the nineteenth century.

The fall of wages continued right up to the world war. During the war there was a sharp decline in wages which continued also during the period of inflation when the wages in the countries in which the currency became badly depreciated dropped to an unusually low level. After the inflation period real wages again began to rise. However, this rise only slightly compensated the huge losses which the working class had suffered during the war and inflation. Only in a few countries, particularly the United States, did the real wages of a few categories of workers after the war experience a rise, which has again been replaced by a sharp decline since 1929.

The following table (taken from *The Two Classes in 1931*, published by the Labour Research Department) shows the decline in real wages of the British working class between 1900 and 1931; it is based on official figures throughout, taking into account unemployment as well as wage rates and prices. The figures for each year are percentages, based on the 1900 level being taken as 100.

		1914	1920	1927	1931
Nominal Wages	..	107.3	297	186	183.0
Per Cent Employment	..	97.6	92.2	90.2	78.3
Money Earnings	..	109.0	284	174	148.5
Cost of Living	..	110.0	296	186	168.0
Real Wages	..	99.1	95.9	94.6	88.4

Below are two interesting tables in the movement of wages in the U.S.A. The first represents the summary of reports received by the American Bureau of Labour Statistics from forty-six cities and shows in percentage

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a number of factors characterising the changes of the real wage :

Year.	Money Wages Per Hour.	No. of Hours Work per Wk.	Weekly Rates.	Retail Food Prices.	Real Wages.
1907	100	100	100	100	100
1908	101	100	101	103	98
1909	102	99	102	108	94
1910	105	99	104	113	92
1911	107	98	105	112	94
1912	109	98	109	119	90
1913	111	97	109	122	89
1914	114	97	111	125	89
1915	116	97	112	126	90
1916	119	96	116	130	83

The authors of this table made two comparisons :

1. A comparison between the change in the hourly rates and the number of working hours per week. While the former rose 19 per cent. in ten years the latter decreased 4 per cent. during the same period. Thus the real increase of the weekly wage was not 19 per cent. but 16 per cent.

2. A comparison between the rise in wages and the rise in the retail food prices. Here, too, we obtain an entirely new result. If the weekly wage rose 16 per cent., the retail food prices went up 39 per cent. Thus the real wage, far from rising, actually went down by 17 per cent.¹

The second table shows the decline in the index of real wages since the war :

Index of Real Income of Workers in the United States (1923—100)

Year.	Yearly Average.			
1923	100·0
1924	91·1
1925	91·8
1926	93·5
1927	91·4
1928	91·7
1929	96·2
1930	80·0
1931	(1st quarter)			70·0

It is necessary to remember that the picture of the fluctuation of wages painted by the bourgeois statistics

¹ Mary Smith, *Principles of Statistical Methodology*.

does not fully reflect the real facts since it does not cover all the workers but applies usually only to the better-paid classes of workers. The very methods of calculation of the cost of living are such that the picture of the movement of wages appears as a rule always exaggerated. The bourgeois statistics have been making special efforts in this respect since the war, during the period of the general crisis of capitalism, when the bourgeoisie became directly interested in hiding the terrible destitution prevalent among the working class. The fluctuation of wages is not fully revealed also by the trade union statistics, since the unions embrace only a relatively small part of the working class.

For this reason the figures of the tables showing the growth of wages should be regarded as an exaggeration. Nevertheless, though exaggerated, they still reflect a certain growth of the real wages which took place during certain periods in the development of capitalism. But in order to appreciate the real significance of this growth it is necessary to take into consideration the fact that it took place exactly during those periods when the intensity of labour especially increased. However, as the pressure of the working class forced the legislative adoption of a shorter working day, capitalism passed on to more vigorous production of relative surplus value by an increase of the productivity and intensity of labour. A certain increase of the wages after the inflation was accompanied by an unusual rise of intensity by means of rationalisation. The "high" wages in America have behind them an even greater intensity of labour than in Europe.¹

A closer analysis always shows that the growth of wages merely offsets the increased expenditure of

¹ For the increased output per worker in the United States, see *The Labor Fact Book* (International Publishers), pp. 89-92. In the eight years from the war to 1927-8 the average output per man had risen by one-third; by 1929 it had risen a further 9 per cent. This greatly understates the rise in certain industries, when the famous "high wages" were paid, and also the great increase in the output per hour (in thirty-five plants between 1919 and 1927 this figure increased by 74 per cent.). For Great Britain the output per worker increased by about 13.8 per cent. between 1924 and 1929 (*The Economic Journal*, September 1931).

labour-power. It can be confidently asserted that in those cases where an increase in wages takes place it merely keeps pace with the growth in the value of the labour-power expended, while in the overwhelming majority of cases it lags behind. This results from the general law of accumulation, the absolute dependence in which the working class has been placed by capital. This is a result of the fact that the consumption of the working class is determined solely by the requirements of the accumulation of capital; the consumption of the worker is designed only to reproduce the labour-power for its exploitation by capital.

We have already seen that with the development of capitalism the average life of a worker has decreased. "Besides, capital consumes labour-power so rapidly that the worker at middle age is already more or less worn out." With the development of capitalism "the generation of workers rapidly degenerates" and this "law does not apply to the other classes of the population." (Marx.)

What does this mean? Only one thing, namely that despite the growth of wages the situation of the working class worsens instead of improves. For no one will maintain that a reduction of the average duration of life caused by the growth of the intensity of labour, the rapid wearing out of the labour-power, constitutes an improvement of the situation of the working class. If the reduction of the life of the worker is an undeniable fact accompanying the development of capitalism, then this means that the growth of wages lags behind the growth of the energy expended by the working class, it signifies an absolute worsening of its situation, absolute impoverishment. That is why Marx said that "the lot of the labourer, be his wages high or low, must get worse."

In referring to the situation of the working class it is necessary to bear in mind not individual sections of the working class but the working class as a whole, that is, not the better paid categories but also the underpaid groups. The situation of the aristocratic layer of the working class not only does not reflect, but obviously

distorts, the real situation of the working class. It is further necessary to take not only the employed section of the working class but also the entire industrial reserve army in all of its forms (the floating overpopulation and unemployment).¹ It is finally necessary to take not only the working class of the imperialist countries but the entire world proletariat which is exploited by world capital. We will then see that the fundamental law of the development of capitalism consists of an absolute degradation of the situation, an absolute impoverishment, of the working class.

In England, for example, while the position of a small strata of the highly skilled section of the working class may have improved during the twenty-five years before the war, this betterment was more than compensated by the ferocious exploitation and impoverishment in the English colonies.²

¹ See, e.g., the figures in *The Workers' Share*, Humphreys. Also *The Labor Fact Book*. See also the Colonial Series, published by the Labour Research Department, England. The rapid degeneration of the position of the working class in the crisis outstrips statistical analysis, especially as the capitalists are eager to disguise what is happening to what an elegant Tory M.P. calls "the rabble of outcasts who are unemployed."

² For example, take India. Rutherford, in his book, *Modern India*, gives the following picture of the condition of the Indian peasantry :

"In 1921 the Statistical Branch of the Madras Department of Agriculture calculated the average annual income of the population of the Presidency at 100 rupees, or about £10, but the rise in prices brought this sum down to the equivalent of 42 rupees in 1899 standards, or a little over £4.

"Dr. Harold Mann investigated recently the average income in two Deccan villages. In one it worked out at 44 rupees per head, 25 persons having 77 rupees per head, 137 persons 62 rupees per head, and the remaining 352 only 32 rupees per head, which is insufficient for food and clothing, without payment of interest on debt and other compulsory calls. This means that the majority of the villagers were insolvent and half starved. In the other the average family income amounted to 163/8 rupees, and the cost of living to 219/6 rupees, so that the income only covered two-thirds of the bare cost of living. Eighty-five per cent. of the families were insolvent, their incomes being equal to only 51/5 per cent. of the sum required for decent subsistence on the most modest scale."

"... For the first decade of the twentieth century the Government spent on an average more than a million pounds sterling annually to help the famine-stricken, and in the second decade more than 340 crores of rupees.

"The *Lancet* estimated the death-roll from actual starvation or the diseases arising therefrom for 1890 to 1900 at 19,000,000. Sir Antony Macdonald, President of a Famine Commission, spoke of how the people 'died like flies.' Mr. Digby compared the loss of life by famine in India during the ten years 1891-1900 at 19,000,000 with the loss of life by war in all the world during one hundred and seven years (1793-1900) at 5,000,000."

Again, in describing the result of British exploitation of India, Rutherford says :

"To the question whether Indian famines are more destructive to health and life than in ancient days, Mr. Digby gives an answer in the affirmative, asserting that aforetime famine only arose after two years of drought, whereas now one year's failure of rain at the right time for agricultural operations leads to acute famine. Then grain

"Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole, i.e., on the side of the class that produces its own produce in the form of capital." (Marx, *Capital*, Vol. i, p. 709.)

We are still to consider a large number of questions connecting with the modern situation of the working class. These are the questions of the theory and policy of wages of the bourgeoisie and social democracy, the question of wages and unemployment during the period of the general crisis of capitalism, and the questions of the wages and situation of the working class of the U.S.S.R. This will be done in the next book. In order to understand these questions it is necessary thoroughly to understand Marx's fundamental theory of wages and accumulation of capital as explained in this book.

TEST QUESTIONS

1. What are the causes of over-population in capitalism? Is it true to say that this over-population is "absolute," or is it only "relative"?
2. Do you agree with the Malthusian law of population, or do you consider it to be an attempt to excuse capitalism? Give reasons for your answer.
3. Describe the forms of over-population.
4. What is meant by saying that over-population is not only the consequence, but also the condition for the existence, of capitalism?
5. Do you consider that over-population can be overcome under capitalism? If not, why not?
6. How does the reserve army affect the relations between the supply and demand of labour-power?
7. How does the existence of the reserve army affect wages and the general condition of the working class?
8. What is the general law of capitalist accumulation?
9. "In proportion as capital accumulates, the lot of the labourer, *be his payment high or low*, must grow worse." Explain and discuss this statement.

stores in the villages mitigated the suffering; now, since the development of the railways, the surplus stores are exported, and prices rise with this artificial scarcity, so that millions have not the wherewithal to buy food."

Even a clearer picture of the worsening of the conditions of the Indian masses can be seen from an investigation which showed that the average income for labourers in India was 45s. per year, or 4½d. per day. This is an increase upon the estimate of Lord Curzon in 1901 which gave a figure of 2d. However, this "increase" is not real, for from the year 1873 to 1914 the retail prices of food grains rose 122 per cent.

V. THE GENERAL THEORETICAL VIEWS OF WAGES OF THE SOCIAL FASCISTS

WHY CRITICISM ?

Marx's theory of wages and accumulation of capital is insolubly connected with his theory of value and surplus value. It constitutes a further step in his analysis of the contradictions of the capitalist system of production. Marx shows how the form of wages disguises exploitation and serves at the same time as a means for increasing exploitation. In his theory of wages and accumulation, Marx reveals the unbridgeable gulf dividing the working class from the bourgeoisie, and shows on the one hand that the accumulation of capital means the accumulation of poverty among the working class ; on the other hand, that the situation of the working class worsens with the development of capitalism, and that within the framework of capitalism there is no prospect for any substantial improvement. The only solution is the revolutionary overthrow of capitalism.

Quite naturally all the enemies of socialism attempted to "prove" the falseness of the Marxist doctrine generally and of Marx's doctrine of accumulation of capital particularly. History, however, has most definitely confirmed Marx's analysis. The general crisis of capitalism on the one hand and the victorious socialist construction in the U.S.S.R. on the other, are daily proving by millions of facts the entire correctness of Marx's theory.

It might appear therefore that there was no need for criticising those who will endeavour by all means to "overthrow" Marx, since the real development of events has completely smashed all their theoretical constructions. Nevertheless, such a criticism is necessary and very timely.

The "refutation" of Marx emanates not only from the camp of the open enemies of the proletariat and socialism, but also from the camp of the socialists and reformist trade union leaders who profess to be

supporters of socialism and defenders of the interests of the working class. Reformism directs its criticism mainly on Marx's theory of wages and accumulation of capital, attempting to prove, in contrast to Marx, that even under capitalism a radical improvement of the situation of the working class is possible, that the emancipation of the working class may be achieved by means of the peaceful evolution of capitalism into socialism, and so on. In the present stage of the general crisis of capitalism reformism is daily exposing itself before the working masses as social fascism, which actively assists the bourgeoisie to throw the entire burden of the crisis upon the shoulders of the proletariat and revive the capitalist system, now in the clutches of the greatest of all crises. Nevertheless the real rôle of reformism has not yet been understood by those masses of the proletariat who still follow the reformists. It is not yet clear to all of them that modern reformism is, by its theory and practice, a wing of fascism, that it is social fascism.

This appears particularly plainly in the questions connected with the modern economic battles of the working class, on the questions of both the theory and policy of wages. The plundering attack of the bourgeoisie upon the working class under the conditions of mass unemployment and an unprecedented low standard of living, threatens the very existence of the proletariat. It is therefore particularly necessary and important for every working man to understand the fundamental present-day problems of wages, to understand the rôle played by reformism in the present situation, and to choose the right way out of it.

Perhaps some of the readers may raise the question: "Why devote so much attention to criticism instead of limiting ourselves to a study of the constructive part of the Marxian economic theory?" To this question we should reply by pointing out that Marxism is essentially a critical science. We might remind our readers that Marx's principal work bears the name of *Capital* (*A Critique of Political Economy*). Marx created his economic theory in the process of criticising bourgeois

theories. Marxism developed in an unceasing struggle against the numerous varieties of opponents of the working class. Marxism is not a dead contemplative science but a revolutionary theory serving as the weapon of the revolutionary class struggle of the proletariat. One of the most important conditions of this struggle is the overcoming of the anti-Marxian, anti-proletarian theories, penetrating the ranks of the working class.

Lenin gave a truthful description of the main essence of Marxism: "Marx's system has a polemic character not because it is 'tendencious' but because it gave a precise description in theory of all the contradictions existing in life. It is for this reason, by the way, that all the attempts to assimilate 'the system of Marx' without assimilating its 'polemical character' remain and will remain unsuccessful. 'The polemical character' of the system is only a precise reflection of the 'polemical character of capitalism itself.'" (Lenin, *Collected Works*, vol. ii, pp. 413-14, Russian edition.)

It is impossible to understand Marx's doctrine properly without employing it as a weapon of criticism of the anti-proletarian theories and policies, particularly on such questions as directly and most drastically affect the vital interests of every worker. That is why we shall make a detailed analysis of the social fascist theory and policy of wages as the most widespread anti-Marxian theory among the working class.

To make a general theoretical analysis of the views of these betrayers of the working class is somewhat difficult; their theories are as various as their political shades. J. R. MacDonald rejects all claims to be a Marxian and accuses Marx of using "a doubtful economic formula—surplus value—to explain what Thompson had already written and a doubtful historical formula—economic determinism—to explain social evolution."¹

Norman Thomas of the U.S.A., who at times mouths Marxian phrases, says in his book, *America's Way Out*

¹ *Socialism: Critical and Constructive*, J. R. MacDonald, pp. 49-50. Published in 1921 when MacDonald was the leading theoretician of the I.L.P. and Labour Party.

(page 140) : " The attempt to derive a socialist answer solely from Marxism is not only a waste of energy but also to deepen the gulf between the theology and practice of the socialist parties. . . . "

Brailsford, one of the leaders of the Independent Labour Party of England, which at its summer school in 1931 advised the students to " read Marx's *Capital* now as never before," in 1926 saw in Fordism a " flat contradiction to Marxism."¹

We shall, as far as possible, confine ourselves to a criticism of the " theories " outlined in England by MacDonald in his book, *Socialism, Critical and Constructive*, and the theories of the I.L.P. as presented in the two booklets, *Socialism for To-day*, by Brailsford, and *The Living Wage*. From America we shall take Thomas' book, *America's Way Out*.

In spite of the wide difference in the topics covered in these books, and in spite of the extreme lack of any consistent theoretical line in any one of these " practical socialists," it is possible to find some common points on which they base their despicable rôle of treachery.

We already know that Marx has demonstrated that wages are a converted form of the value of labour-power. Wages are essentially the price of labour-power, appearing as the price of labour. We have seen that in this converted form lies concealed the relations of capitalist exploitation and how this concealing serves to strengthen these relationships.

The social fascists dare not accept such an analysis. It would destroy the very foundations of all their policies of class collaboration and expose their social fascist character. Refute it they cannot, for facts are stubborn things, and so in order to go ahead in their servile manœuvres they are forced to ignore it. In order to substantiate their theories of common interests between capitalists and the working class they propagate the bourgeois theory that wages are a share in the " National Income." They represent the relationship between the capitalist class and the working class as distributive relations.

¹ Ford v. Marx, *New Leader*, Oct. 1st, 1926.

Brailsford in *The Living Wage* says : " The root idea governing any socialist policy of distribution is, we take it, that labour has a claim upon the total pool of the National Income. This pool we regard as the result of the co-operative efforts of all the connected activities of the community." Or again, MacDonald in his book, *Socialism* : " In its struggle for better distribution, labour is aided by its combination and by its legislation both of which curb the absolute economic power of capital to reduce labour's share to a bare subsistence." Or again, Norman Thomas : " Socialism promises to increase production as well as to bring about a fairer distribution of what is produced by abolishing the waste inherent in capitalism."

Clearly for them the historic mission of the proletariat is not the overthrow of the wage system but merely a struggle for the fairer distribution of the " national pool." It is clear that only what is jointly owned and produced can be jointly distributed. But the propertyless proletariat has no " share in the social wealth," and the property-owning capitalist takes no part in production. The appropriation of the whole product of labour and the allowing of a portion of it to variable capital, i.e., to wages, is in no sense sharing the national income. Why do the social fascists go to such pains to hide the real nature of wages? Because, once the nature of wages and the laws governing the movements of wages is made clear, there follows the complete shattering of the power of their repeated phrases about the possibility of continual improving conditions under capitalism, and the illusion of a peaceful gradual transition from capitalism to socialism.

In order to be able to gull the workers they have their own approach to the question of the factors which determine the level of wages.

(a) " NEW " THEORIES AND LAWS OF ACCUMULATION

Marx, as we have shown in Lesson 4, points out that the level of wages is primarily determined on the one hand by the value of labour-power, which is itself deter-

mined to some extent by historical and social conditions and by the physical minimum necessary to maintain a supply of labour-power. On the other hand, with the development of the productive forces under capitalism, the value of labour-power tends to increase and this is accompanied by an increase in relative surplus value. The development of technique, rationalisation, piece-work, etc., under capitalism leads to a further intensifying of labour. This results in failure of wages to compensate for the increased expenditure of energy. This lagging behind of wages is increased because, as we have seen, the laws of supply and demand affect labour-power differently from other commodities, because of the existence of the permanent reserve army.

"Relative surplus population is therefore the pivot upon which the law of demand and supply of labour works. It confines the field of action of this law within the limits absolutely convenient to the activity of exploitation and to the domination of capital." (Marx, *Capital*, Vol. i, p. 701.)

Thus, with every further accumulation of capital and the consequent growth of the reserve army, wages tend to remain below the value of labour-power and the condition of the working class tends continually to worsen.

But this basic Marxian principle does not fit in with the theories of the social fascists about wages as a share in the national pool—not that they are troubled very much by that, but what is worse for them, it exposes the true nature of their lying talk about rationalisation. So of necessity they ignore this revolutionary law of Marxism and substitute their own.

Thus Green in the *American Federation of Labour Journal* for January 1929 writes that the "displacement of workers by machines is one of the Federation's (A. F. of L.) most serious problems. . . . Just what part displacement machinery had in the rising tide of unemployment there are no figures to show. . . . Labour believes there is enough intelligence in industry so that a technical change need not be marred by a human scrap-heap." Again in England we find the

Melchett-Tillett Report (Mond Report) on unemployment viewing accumulation in the following terms:

"The problem of the displacement of Labour by the rapid adoption of labour-saving devices and methods is a very pressing one. In most cases there is no doubt that expansion of markets will enable the displaced labour to be ultimately re-absorbed. . . ."

Having corrected the Marxian theory of accumulation in this manner they try to convince the workers they have nothing to fear and even something to gain—wages increase, etc.—by capitalistic rationalisation, and they then stab the workers in the back and prepare for further treachery by their own theory of the laws of wages.

(b) SOCIAL FASCIST THEORY OF THE WAGE LEVEL

In spite of the attempts of the socialist left wing of English social fascism to proclaim its separation from the right wing, the I.L.P. pretending to be in opposition to the Labour Party, their common purpose and common policy have the same theoretical base.

The purpose of the social fascists is to carry out the bourgeois attack under the cover of revolutionary phrases. Their theories must, therefore, be of such a character as to allow of the widest use of left phrases and at the same time serve the purpose of throttling or side-tracking the rising revolutionary temper of the working class.

Nothing is so useful for them in this connection as their theory of the level of wages. This theory is borrowed partly from the English bourgeois economist Hobson, and partly from the Russian bourgeois economist Tugan-Baranovsky. Before giving some rather long quotations in which they state their own theory, let us remember that their general concept of wages is a "share in national income." It follows from this that if wages are to be increased and the position of the working class improved, either the "share" of the workers must increase at the expense of the "share" of the capitalists, or else the whole "national income" must be increased. This last is

put quite plainly by the I.L.P. leaders in the book *The Living Wage* (p. 9). "We are far from disputing the reasoning of the thinkers who insist that higher production is necessary in order that the national income may be increased." So they are in favour of a "greater share" of a "greater national income" resulting from a "higher production"; that is, from a more intensive exploitation of the working class.

The means by which the working class is to achieve this greater share is the "power" of the working class. This means, of course, the promotion of the social fascists to high and lucrative positions in the bourgeois State; it means, further, the preservation of the "super class" "democratic State" in which the workers are going to use this "power." But the fighting Kirkwood, the eloquent Maxton, the deep-thinking Brailsford and the idealistic parsonic MacDonald and Norman Thomas must try to hide their fascist souls in a maze of words.

First from the pen of Brailsford :

"There is no hope for the wage earner in any defensive tactic, however stubborn, nor will he fare better if he takes the offensive and attempts to force a general rise in the level of money wages. . . . Let us rather begin by demanding the fairer division of wealth, let us insist first of all on the elementary human claim to a living wage and then enforce wide economic changes by which alone it can be realised and secured. The fixing, whether by combined trade union action or by a Royal Commission of any adequate figure, would drive us at once into big political changes."¹

Or again more clearly stated as follows :

"In fixing the standard of a living wage, both of these lines of enquiry must be taken into account—the estimate of the needs of a civilised life and the estimate of what the national income will yield.

"We have to measure both what is attainable in a political sense or in plain words what our present level of power will enable us to secure and also what the capacity of industry to produce authorises us to claim."²

¹ *Socialism for To-day*, p. 118.

² Requested from *Socialism and the Living Wage*, by R. P. Dutt.

Finally, one more quotation :

" In its struggle for a better distribution labour is aided by its combination and by legislation, both of which curb the absolute economic power of capital to reduce labour's share to a bare cost of subsistence. THE MERE FACT THAT BOTH SIDES WILL FIGHT WITH MIGHTIER FORCES DOES NOT MEAN THAT DISTRIBUTION WILL BE MORE CAREFULLY MADE OR THAT LABOUR WILL SECURE A LARGER ABSOLUTE SHARE. . . . A workshop conflict between capital and labour—the kind of conflict between capital and labour—the kind of conflict typified by a strike, can as I have shown, offer no prospects for a better system of distribution. But if the idea was to prevail that the industrial organisation can be used to supplant or force political action, the huge combinations of labour would soon be destroyed. . . .

" That [capitalist controlled distribution] does not mean that distribution cannot be improved and that the condition of the workers must remain stationary. It would be so if the capitalist control were absolute, but it is not so strong as that. Labour has some power to take. Legislation is its chief policeman. . . . Consequently, if labour has improved its position relatively to rent and interest it has not done so because it has won a larger share in its products as wages, but because by political action it has been able to get an adjusted share through social legislation.

" If we have more to enjoy we must either distribute better the values we have produced or produce more of them. Herein lies the weakness of a purely Trade Union policy—Trade Unions are essential for defence ; they are weak for progress. Industrial action can keep what has been gotten, but can secure few gains. When labour deals with distribution it must work on a policy which will secure control of the whole distributive machine and results in a more healthy production. Thus, trade unionism must ultimately concern itself with economic reconstruction and find an ally in socialism."¹

Here is a typical piece of social fascism. They attack the Marxian law of capitalist accumulation and at the same time mislead the struggle of the working class into the safe channels of legislation and Royal Commissions and reduce the mighty working class

¹ MacDonald, *Socialism, Critical and Constructive*. pp. 208, 210, 212.

weapon of the trade unions into agencies for the "economic reconstruction" of capitalism.

Contrast this deliberate and conscious treachery of the social fascist "theory" of "production and power" as the determining factors in wage levels with the clarion call to struggle of the Marxian analysis. Marx proves that the factors determining wage levels are the value of labour-power and the general law of capitalist accumulation.

In regard to the former, Marx says: "The value of labour¹ is not a constant but a changing quantity, even if it be assumed that the value of all other commodities remain unchanged." Further, Marx states: "The determination of the real size of this degree (the degree of exploitation) is the result of a constant struggle between capital and labour. The capitalist always strives to reduce wages to their physical minimum and to lengthen the working-day to its physical maximum, while the worker exerts pressure in the opposite direction."

Here is the call for the every-day struggle against the exploiters. At the same time Marx shows by the general law of capitalist accumulation that impoverishment is the fate of the proletariat under capitalism, and calls upon the Trade Unions to inscribe upon their banners the revolutionary slogan of the overthrow of the capitalist system.

But with the social fascist theory neither "offensive" nor "defensive" tactics bring results, but, it is implied, Royal Commissions will. But we only get the share our "political" power and our "productivity" permit, and strikes will only destroy our trade unions, and therefore, "legislation is our chief policeman" and "more hearty production" our goal. Their theory attempts to prove the futility of the class struggle and implies the need of a super-class democratic state (with the glorious labour politicians at its head of course) so that the interests of everyone are defended. Such a

¹ Elsewhere in this pamphlet, *Value, Price and Profit*, Marx explains that he uses the term value of labour as a popular expression for value of labour-power.

state must at all costs be defended from the attacks of the working class. Thus, their "refutation of Marx" has in it the germs of their fascist evolution.

(c) THE THEORY OF HIGH WAGES (FORDISM)

Having reached the stage where they based themselves upon the assumption that the level of wages is determined by productivity and power, they come to the point where struggle for division of the "national pool" is unnecessary and where high wages and rationalisation almost do away with the need for socialism.

Thus in the *Daily Herald* (Sept. 9th, 1926) we find Fordism characterised as follows :

"Mr. Ford reminds us . . . of a thoughtful Labour leader. . . . Business is here a god, a beneficent international god. . . .

"Fordite workers and artists in the midst of our capitalist world remind us of those antique poets and sages who could not fare to paradise, but were still set untroubled and apart by Dante—the surrounding inferno hurt them not. Suppose employers in general were to find the Fordite faith and set themselves to create such means throughout the industrial inferno, Labour's goal would be the same as it is to-day, but immediate issues would be very different."¹

Or again, Brailsford under the slogan of Ford *v.* Marx, in the *New Leader*, October 1st, 1926 :

"If this (Fordism) is capitalism it is a variety which has discarded the fundamental principle upon which Marx based his predictions. The case against it is no longer that it makes poverty by its very success."¹

The basic principles of this new Utopia are to raise the national wealth by means of rationalisation and from this increased wealth to give a higher wage to the workers and so provide a market for the increased production.

Life itself has proved to be the most deadly opponent of this theory. To-day the home of high wages and of Fordism is shaken to its very foundation by the new deepening of the crisis.

¹ Quoted from *Socialism and the Living Wage*, by R. P. Dutt.

But this is not sufficient, for we find that in practice the social fascists change the order of the principles and argue that the workers must accept rationalisation because it will bring high wages.

What are the facts? Capitalist rationalisation has not and cannot result in high wages. We saw on page 16 above that the real income of the workers has fallen in Great Britain and in the U.S.A., while unemployment increased.

Capitalist rationalisation cannot bring high wages, because by its very nature it is the growth of productivity and especially the intensification of labour so as to create a greater mass of surplus value. If the capitalists cannot appropriate an increased surplus value as a result of the rationalisation measures, then it loses all interest for them. This increased appropriation is achieved by intensification, which as we saw in Book IV, pages 22 *et seq.* is equivalent to lengthening the working-day, making the worker reproduce the value of his labour-power in a shorter time, and increasing the surplus labour time and therefore the surplus value. Even where, by means of bonus systems of various kinds (see Book IV, pages 22 *et seq.*) a slight increase in earnings accompanies this increased intensity, the higher earnings are insufficient to make good the extra wear and tear of the worker, i.e., labour-power is paid less than its value, while the slight increase in earnings does not alter the fact that the necessary labour time is reduced and the surplus labour time is increased even when the length of the working-day remains unchanged. Moreover, as the capitalist crisis deepens, the drive for increased intensity is accompanied both by *wage reductions* and by *lengthening the working-day*. Thus in the Lancashire cotton industry the drive for more looms and more speeding up (greater intensity) is accompanied by attempts to make the workers accept rates which would give *lower earnings*, combined with *lengthening the working-week* from forty-eight to fifty-two or fifty-four hours. Similar moves are being made in the woollen industry, while the history of the coal mining industry in Britain since 1921 shows all features

combined: greater intensity, lower actual earnings, and longer hours.

The picture of rationalisation given by the social fascists which supposes that capitalist rationalisation can take place by reducing the expenditure on constant capital without reducing the expenditure in variable capital is totally incorrect, for competition forces the individual capitalist always to strive for a reduction of both constant and variable capital, and at the same time to strive for the appropriation of the greatest possible amount of surplus value.

Even if we grant the social fascists that capitalist rationalisation may not result in a worsening of the conditions of the working class, which we repeat is impossible, their scheme of high wages and rationalisation still retains its anti-working class character, because, in so far as the whole purpose of capitalist rationalisation is to increase the profits of the capitalist class, this scheme must not only leave untouched the capitalist relations of exploitation but also strengthen them.

This social fascist trickery about increasing the common pool and thereby increasing wages is only promising the workers a few extra crumbs from their masters' loaf if the workers will accept capitalist rationalisation, but in fact, not only are the promised crumbs withheld, but some of the bread already in the hands of the workers is taken back, under the pressure of increased intensity of labour and increasing unemployment.

We can see from this the hollowness of the argument put forward by some social fascists that the present crisis does not disprove the theory of high wages, but only shows that the wages were not high enough, for no matter how high wages rise, when accompanied by increasing intensity and output of labour (rationalisation) it follows that the degree of exploitation will increase in greater proportion. This is even more true under the conditions of the present crisis which forces the capitalists to ever sharper competition.

Now it is easy to see that the theory of high wages was brought forward with the sole purpose of convinc-

ing the workers to accept capitalist rationalisation. It helped to maintain the illusion of a common interest between working class and employing class, while the employing class was instituting a wholesale drive for further exploitation. That this theory was taken up by the social fascists to disarm the workers is seen now, when, in the face of widespread wage cuts in England and U.S.A., an increase in wages would be a great benefit to the workers, the social fascists have gone over to the theory of low wages.

(d) THE THEORY OF THE HOME MARKET

Closely connected with their theory of high wages is their theory of the home market. This is nothing but our old friend the theory of under-consumption in a new dress. This theory appears in Chapter II of the *Living Wage* as follows:

"Low wages mean a limitation of the home market. The benefits of mass production cannot be realised to the full, because the power of the masses to consume fails to keep pace with the power of machines to produce. . . .

"Too much proportionately of the product of industry has been accumulated and applied to the creation of fresh instruments of production, too little proportionately has gone in wages to make a market for new machines. The recent experience of America confirms this diagnosis. Great national resources and high technical efficiency are only part of the explanation of the present prosperity of the United States. Much is explained by the fact that the restriction of immigration and the consequent scarcity of labour compelled the employers to resort to the policy of high wages. That gave them a vast home market and enabled them to develop to the full possibilities of mass production."

How woeful sounds this chatter of "prosperity" now, with twelve million unemployed and starvation among the farmers in U.S.A. This does not prevent the social fascists from continuing their babble about "home markets," however. The basis of capitalist prosperity is expansion of capitalist industry. This expansion takes place, as we have seen, as a result of

the conversion of a portion of the surplus value into means of production and labour power, i.e., the conversion of surplus value into capital. Every new accumulation of capital, as we have seen, results in a further worsening of the condition of the working class. All the market schemes of the social fascists can only result in the further impoverishment of the working class. If the capitalists were to grant a wage increase so as to "restore" the home market it would amount to paying over to workers a portion of value already accumulated, and this is contrary to the very basis of capitalist production which produces, not for consumption, but for surplus value and the transformation of surplus into capital.

The social fascist essence of this "new" slogan is obviously assisting the employers to increase the exploitation of the working class and to hold the worker back from struggle by fairy tales of abolition of unemployment and crises under capitalism. Why did the English social fascists find this theory particularly useful? The old propaganda of gradual improvement of the conditions of the working class under capitalism was becoming discredited under steadily worsening conditions as a result of the continued crises. The defeats and betrayals of the working class at the hands of social fascists were beginning to shake the effectiveness of the social fascists' theory of "power."

VI. HIGH WAGES IN THEORY AND LOW WAGES IN FACT

Having glanced at the theories of the social fascist agents of capitalism, let us look at the facts of the conditions of the working class during the period of which they write and see the actions of the social fascists.

On page 16 we gave facts and figures to show that the conditions of the working class under capitalism were worsening as a result of the working out of essential characteristics of capitalism.

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The social fascists claimed that this worsening was not essential to capitalism, but arose because capitalism was in need of certain reforms which they proposed. Their two chief proposals were the increase of production by rationalisation and a fairer division of the national wealth so as to increase the share of the workers, and secondly that labour should be able to win or consolidate this reform through increasing its power. Let us examine the situation of the workers where these conditions have been applied. America was held up as an example of the effects of the better division of national income (high wages).

Let us glance at America first.

UNEMPLOYMENT: If we take 1923 as a basis as 100, we find that in the U.S.A. employment has been decreasing and, consequently, unemployment increasing. In the three years 1924-26 there was 9.8 per cent., 11 per cent. and 8.2 per cent. unemployment respectively, while in 1927 to 1930 it was 11.6 per cent., 13.3 per cent. and 10.7 per cent. and 24.2 per cent. respectively, while according to the infamous bourgeois figures of the International Labour Office the "normal unemployment in non-agricultural industries since the war has ranged from at least 1½ to 2 millions." The closer we go to the place of high wages the worse the picture becomes.

The *Daily Herald* of March 2nd, 1927, prints a letter from a worker in Ford's factory in Detroit which gives the following picture:

"Conditions are very bad just now here in Detroit. There are 60,000 idle men in the city and the various city charities are being appealed to to help the starving people. We have been working short time in Ford's for a few months—two, three and four days a week sometimes."¹

WAGES: We are, of course, aware that the so-called high wages which the social fascists relied upon were in reality earned by a small minority only of the American working class. In 1927 the same reactionary I.L.O. reported that wages in textile industries, particularly in the south, are much lower than the wages of

¹ Requested from R. P. Dutt, *Socialism and the Living Wage*.

the factory workers in the north. In the south the three, four or five dollars per day of the social fascist propaganda becomes eight to fifteen dollars a week of fifty-four hours.

As for more recent times a better picture cannot be given than the following extracts from an article in the *Review of Reviews*, July 1931. The title is significant. It is called: "But Wages have Come Down (Facts Murder a Beautiful Theory)." Discussing the wages of industrial workers, it says:

"A report on wages made public by the National Industrial Conference on May 30th, shows that the average hourly earnings in twenty manufacturing industries remained at 58 cents during 1930, the same as in 1929, and 1 cent higher than in 1928. But the decline in weekly earnings amounted to \$5.22 (or nearly 12 per cent.) for the final quarter of 1930. Have wages in those twenty-four industries been cut?

"Among establishments rendering regular reports to the Bureau of Labour Statistics there were 195 (in thirty-eight different industries) which made wage cuts during the month ending April 15th. There had been 175 in the previous month. These decreases average slightly more than 10 per cent. . . . Forty-five thousand employees were affected. . . . One cannot escape it—wages are coming down in the factories as well as elsewhere."

Dealing with office workers, the article states:

"News dispatches telling of 10 per cent. salary reductions in well-known offices are of everyday occurrence, and in some firms the reductions have amounted to 20 or even 25 per cent. . . . The employer of expert women stenographers, to cite one example, finds that the maximum, currently asked in New York, is 35 dollars per week, whereas in 1929 the salary demanded would range from 50 dollars upwards."

Commenting upon agricultural workers, the article says:

"The Department of Agriculture's index of wages which uses the 1900-14 level as its base of 100 shows that the index number was as high as 162 in April of last year and had fallen to 127 on April 1st of this year. This is a reduction of nearly 22 per cent."

But this is not the only side of the high wage question. We must look at the question of intensification.

Side by side with American high wages has gone American speed-up. The wearing out of workers has resulted in the saying "Too old at forty." The effect of this can be seen in high labour turnover and in the increase of accidents. The following letter gives an idea of the intensification at Ford's shops :

"In the soldering department the driving of the workers is terrific. A year ago production was thirty-five per man per hour. Now production has been boosted to 80 per man per hour. Such a pace is impossible to keep up. If a worker cannot maintain this he is laid off. No one knows when his turn will come." (*The Ford Worker*, quoted in *Worker's Life*, April 22nd, 1927).¹

The following table of accident frequency and severity rates for thirty industries, not including mines and transport, composed by the U.S.A. Department of Labour, is indicative of the terrific driving of workers :

NUMBER OF ACCIDENTS

1926	..	..	..	58,049
1927	..	..	..	58,521
1928	..	..	..	76,540
1929	..	..	..	98,150

It must be remembered that this table does not include the two branches of industry where accidents are most frequent—namely mining and railway transports. For mining we have the following rate for fatal accidents per thousand workers :

1923	..	..	..	4.39
1924	..	..	..	4.8
1925	..	..	..	4.68
1926	..	..	..	4.50
1927	..	..	..	4.43
1928	..	..	..	4.64
1929	..	..	..	4.54

¹ Requoted from R. P. Dutt, *Socialism and the Living Wage*, p. 179.

Such is the picture of the model country of high wages, and this is the character in reality of the "theory" of these blood-smeared betrayers of the working class. Their model millennium is fashioned with the hunger, sweat and blood of the American working class.

Now let us turn to England where the existence of two Labour Governments and a whole period of Labour Opposition, i.e., Labour as the second most powerful party in Parliament, has carried into practice the "power theory." It is just here where instead of helping the workers to improve their conditions that the social fascists go over to methods of fascism. Their theory of power leads them to support the bourgeois State and its use against the working class.

To prove this we will go no further into history than the period of the Labour Government elected in 1929 which came to such an inglorious end in 1931.

Within five months from its election in May 1929, this Labour Government made no uncertain demonstration of its policy towards the workers' struggle. In October 1929 the miners in Garw Valley went on strike, and the employers were only able to get three scabs, but the LABOUR GOVERNMENT SENT 300 POLICE TO THE SCENE OF THE STRIKE TO PROTECT THE SCABS AND TO PROVE TO THE EMPLOYING CLASS THAT THE STATE WOULD CONTINUE TO FUNCTION AS A WEAPON TO SMASH DOWN THE WORKERS' RESISTANCE TO WORSENING CONDITIONS. Again in April at Bradford the Labour Government sent mounted police to baton the strikers who were mass-picketing one of the mills. During this struggle fifteen workers were imprisoned. During the unemployed demonstrations on March 6th, 1930, mounted police attacked the unemployed who were protesting against the Labour Government's policy towards the unemployed.

Thus, even before there was any suggestion of an economy programme it was clear that this power, of which the social fascists had written so much in connection with raising the wages of the working class, was to be used against the workers.

UNEMPLOYMENT

According to the theories of the social fascists, labour would by means of its power reorganise capitalism, either by "guiding the flow of investments," or by "increasing the consuming capacity of the home market," by "increasing wages," or by "improving the organisation of industry" (rationalisation), so as to abolish or at least greatly reduce unemployment. But what are the facts? When the Labour Government was elected in May 1929, the number of registered unemployed was 1,222,713. By August 1930 this has increased to 2,050,000, while by the time of the end of the Labour Government in September 1931, the number of unemployed had reached to 2,897,000.

According to MacDonald in his book, *Socialism*, the only way for the workers to raise wages was by increases in social legislation. However, when faced with facts we find that the Labour Government during the first six months of its term of office increased the number of unemployed and disallowed payments under the unemployment insurance scheme from 555,380 to 630,522. Thus, in the first six months it reduced unemployment payments £4,000,000, while the preceding Tory Government had only robbed the unemployed of £3,000,000 during a similar period a year earlier. Thus, once more the facts of life have stripped the festering body of social fascism, bared it of its cloak of lying phrases.

WAGES

Now let us see what has happened to the "increased share of the national pool," to the "fairer distribution of the national income," to the "Higher Wages" which power was to bring to the working class. On July 29th, 1929, the cotton employers posted lock-out notices demanding 12.82 per cent. reduction in wages of all cotton operatives.

Prior to the actual lockout, Miss Bondfield, Minister of Labour, sent Sir Horace Wilson, Permanent Secre-

tary to the Ministry, to open negotiations. These broke down. The lockout commenced in August.

Eleven days afterwards, MacDonald intervened and met the trade union representatives at Edinburgh. Two days later the employers met and issued a statement in which they said they "did not exclude the principle of arbitration." An Arbitration Board was therefore set up by the Government, consisting of Sir Rigby Swift, chairman, a notorious Tory High Court Judge, who was responsible for the conviction of twelve of the leading members of the Communist Party in 1925; Sir Arthur Balfour (a director of one of the five big banks and a Tory steel boss); Sir Archibald Ross, another Tory boss, managing director of the engineering and shipbuilding concern of R. S. Hawthorn, Leslie & Co. Ltd. As president of the Engineering National Employers Federation, concerned at this time in resisting attempts to get an increase of wages, he was obviously a suitable arbitrator for the cotton workers. Besides these there were A. G. Walkden and C. T. Cramp, both of whom had already agreed to the $2\frac{1}{2}$ per cent. wage cut for the railwaymen.

Although it was at first announced that the proceedings would be public, it was promptly transformed into a secret court, and within two days the decision was announced. The chairman announced that the employers' case "had been made out." The award was unanimous—cotton workers' wages were reduced by 6.41 per cent. (about 1s. 3d. in the pound).

Only the Communist Party and the Minority Movement stood with the workers for the rejection of these awards, and for the development of the strike to defeat the Government and the employers.

Immediately after this "medicine" had been administered to the cotton workers, Mr. Graham, President of the Board of Trade, established the Graham Commission, which has come forward with a rationalisation programme for the cotton industry, including closing down of uneconomic mills and speeding-up of production; in short, a scheme to ensure fewer cotton workers in the industry, each working harder for less money.

WAGE CUTS FOR THE WOOLLEN WORKERS

For more than a year the woollen employers had been manœuvring for the right moment in which to inflict a heavy wage cut upon the woollen workers. No moment is apparently so favourable as when there is a Labour Government. On January 27th, 1930, Miss Bondfield, on behalf of the Government, went one better in developing arbitration as an art for wage cutting. This time the Government did not appoint a collective body as the court, but appointed one man as the Court of Inquiry: Mr. H. P. Macmillan, K.C., hastily promoted to be Lord Macmillan. He also was a Tory. On March 6th he issued his report which stated: "In view of the information put before me as to the prevailing conditions in the wool textile industry in the West Riding, I am unable to avoid a conclusion that a reduction of wages is imperative." He awarded $9\frac{1}{4}$ per cent. reduction on time-workers' wages, and a reduction of 8.76 per cent. for piece-workers. This meant the following reductions: Male time-workers from £2 14s. 10d. to £2 9s. 9d.; female time-workers, from £1 12s. 9d. to £1 9s. 3d.; piece-workers from £2 1s. 8d. to £1 18s. It introduced a number of rationalisation features, which were finally imposed after a nine weeks' magnificent struggle of the workers in the teeth of the combined treachery of the union leaders, intimidation of the employers, and Cossack measures of the police under the orders of the Labour Government.

In this tremendous struggle the Communist Party and Minority Movement played a great part, standing firmly against the reduction. They took a leading part in the establishment of an independent leadership of the workers in an effort by the Central Strike Committee to wrest the leadership of the strike from the hands of the trade union leaders.

WAGE CUTS FOR THE JUTE WORKERS

In March 1930 the Jute Trade Board decided to recommend to the Minister of Labour, Miss Bondfield, a

4 per cent. reduction in the wages of the jute workers. Miss Bondfield interviewed the employers and certain members of the Board. She confirmed the decision "after a careful review of the whole matter."

Full-time wages of the jute workers as a result of the cut are: Male workers over 21, £1 19s. 11d.; 18 to 21, £1 15s. 2d.; 16 to 18, £1 10s. 10d.; under 16, 15s. 3d. Female workers, 18 and over, £1 6s.; 16 to 18, £1 0s. 10d.; under 16, 15s. 3d. per week of forty-eight hours.

In no case has the Government intervened to raise wages. Changes in wage rates during 1929 were as follows, according to the Ministry of Labour Gazette:

		Number affected	Amount per week £
Increases	.. .. .	237,500	12,150
Decreases	.. .. .	915,500	91,650
Changes in wage rates 1930 (Jan.-Aug.):			
Increases	.. .. .	756,000	57,700
Decreases	.. .. .	1,651,000	111,400

In no dispute has the Labour Government appeared on the side of the workers. It must also be remembered that reduction of wage rates does not reveal the *earnings* of the workers which are affected by the increase of short-time and unemployment, for the army of unemployed workers is not a static army, but sweeps into its ranks the great mass of workers.

The logic of events could only have one conclusion. What began as the theory of high wages and power was inevitably doomed to become the infamous economy proposals of the Labour Government. Social fascism, basing itself upon the principles of reorganisation of industry, and increase of national income, can do nothing else in times of sharpening crisis but bring forward a policy of wage reductions.

The Labour Government in England set up a sub-committee for working out proposals for "economy" which brought in proposals for reductions on unemployed insurance, education and social services and the

wages of civil servants which amounted to 60½ million pounds sterling. These proposals were agreed by the whole of the Labour Cabinet and in reality formed the basis of the subsequent economy programme of the National Government. Thus, they have advanced to a new stage. From the talk of a struggle against capitalism, which hid the facts of the essential nature of capitalism, they went over to a theory of collaboration with the capitalist class. These betrayals are still cloaked by phrases of socialism and improvement of the conditions of the working class.

Now they come into the open with demands of "sacrifice" by the working class, an open policy of wage cuts.

Their theory of power has led them inevitably to the collaboration with the bourgeois State and now to the position of the creation of a "super-class" National Government. Under these conditions the old theories of high wages and "fairer divisions of national income" can no longer serve their purpose. These theories no longer serve to gull the working class, and to cover the true character of the social fascists; because of this the social fascists, especially the "left wing" elements, the Brailsfords, etc., forsake the theory of high wages for its opposite—the theory of low wages.

VII. FROM THE THEORY OF HIGH WAGES TO THE THEORY OF LOW WAGES

Although low wages are now the official policy of the social fascists, they cannot come out openly in favour of this as a policy. To do this would be to undermine their influence upon the working class, and help destroy their chief usefulness to their masters, the bourgeoisie.

At the same time the "theory" of high wages is no longer suitable to cover the nakedness of their wage cuts. Thus we find that to-day when the working class is waging an increasingly bitter struggle against wage reductions and the employers, in order to throw the effects of the crisis upon the working class, are making

increasingly vicious attacks upon wages and conditions, the social fascists turn their backs upon all consideration of wages and evolve new theories. They turn to theories of prices and money.

Thus, in the *New Leader*, Brailsford writes on August 28th, 1931 :

" Our task is to raise this controversy over wages and doles to something more fundamental."

Or again, on September 13th, 1931 :

" We must hope that in this new situation the leaders of the industrial and political movements will realise the need to scrap their old conceptions of policy."

What are these new " conceptions of policy?" Here is what the *Daily Herald* says on September 25th, 1931 :

" It is perfectly possible for the State so to MANAGE A CURRENCY which is not tied to Gold as to KEEP THE AVERAGE PRICES OF THE CHIEF COMMODITIES STEADY."

Then comes Brailsford with a parrot-like echo of the statement made some six months before by his fellow social-fascist Lang of New South Wales, Australia :

" Let us define the pound as a unit of value which will always buy in London a given quantity of typical goods. . . . Having fixed this, let us undertake to keep it stable."

Finally, the election programme of the Labour Party states that one of its aims is " a monetary policy which will stabilise prices." What is the real policy which lies behind this? Let Norman Thomas in the *New Leader* (American) answer. He says in his article, " Wage Cuts and the Way Out " :

" *The New Republic* is right ; at present we must choose between further deflation or conscious and modest inflation. It is the latter which we must try."

Or, again, Brailsford repeats the song in different words in the English *New Leader* of September 25th, 1931. He says :

" A moderate inflation policy is not the disaster which Mr. MacDonald and Mr. Snowden painted for us. . . . It

ought even to be possible to expand our exports. . . . How far, the reader will ask, will these advantages be balanced by a higher cost of living? That depends mainly upon the sagacious control of prices."

This new theory of inflation is the rottenest hypocrisy. So thin is this mask of "theory" that at times the bony face of grim reality shows through it. In an article in the *Labour Woman*, October 1931, there is a collection of unsigned articles, headed "Labour Party Prepares for Action." One is decorated with the photo of Arthur Henderson, M.P. It begins:

"We are off the Gold Standard. That means good and bad things both."

It continues:

"One effect of the change is that our export industries will gain because the fall in the value of gold enables us to sell abroad at less cost."

The article ends:

"Our prices must go up now that we are off the Gold Standard. . . . Women must stand for these two things: the Consumers' Council Bill to stop profiteering, no tariffs to raise prices and stop trade revival."

The Labour Party has prepared for action, the character of which you can judge from its preparations. It has advocated the "good things" for a section of the bourgeoisie, i.e., revival in export trades, and the "bad things" for the workers, e.g., wage reductions by means of increased prices through inflation. It has forsaken the workers' struggle, if ever it stood for it, and attempts to side-track it into "consumers' councils" and free trade.

It is not a case of the Labour Party, or some of its leaders, having forsaken the workers' struggle, but of its persistent function of helping capitalism by attempting to *prevent* the workers from struggling either on immediate issues or for the overthrow of capitalism. The form of these attempts to divert the workers from struggle changes with the development of the crisis; at one moment it is the "higher wages" theory, at another it is "consumers' councils" and free trade.

Their lying hypocrisy could not be more disgusting, nor their treachery more dangerous. Mouthing phrases of revolution and socialism, defiling Marxism with their putrid distortions, they stab the workers in the back while the class enemy attacks in the front.

Here we have before us the theoretical manoeuvres of the English social fascists. We have quoted many articles and pamphlets in order that we could see the real essence of their theories. We have compared these theories with facts and in the face of the changing conditions seen the development of these theories. One can look in vain for any consistent theory.

They who began with the most revolutionary slogans of "Socialism To-day" have ended in the mire of inflation and those who agreed that Marx's theories were "doubtful" have ended by composing the "economy budget." One thing alone has been consistent. Whenever the bourgeoisie have begun an attack, they have hurried forward and provided the ideological weapon against the working class.

The vanguard of the working class needs no revision of Marx. With basic theoretical weapons provided by Marx and Engels and developed for use under the condition of decaying capitalism by Lenin, the Communist Party leads the working class in struggles for higher wages. It does not flinch from the revolutionary struggle to which these struggles lead. The experience of the U.S.S.R. has shown us that only such a revolutionary struggle can destroy capitalism and prepare the foundation upon which socialism can be built. It is for this final victory that the Communist Party consciously and scientifically prepares.