

*A Short History of American Capitalism*

Copyright © 2002 by Meyer Weinberg. All Rights Reserved

*Chapter 9*

## THE TESTING OF AMERICAN CAPITALISM, 1920-1945

American capitalism underwent three testings during 1920-1945. From 1920 to 1929, corporate firms prospered as never before, the national government presided benevolently in the interest of business, and profitability reached record levels. Economic rewards were very unevenly distributed. Nevertheless, its heritage consisted in the second testing period, 1929-1940, the Great Depression, the most destructive economic catastrophe of American history. American participation in World War II, during 1941-1945, constituted the third testing. Unemployment all but disappeared, large-scale industry prospered, and the political power of the capitalist class was restored. Vast military expenditures were the primary force behind the third testing.

### *The 1920s*

During the decade, manufacturers invested an average of \$5.3 billion annually (in 1958 dollars). Between 1919 and 1929, the amount of physical capital invested per worker rose from \$4,120 to \$5,889, a 43% increase. In that same period, the productivity of labor increased an average of 5.6 percent annually, more than four times the rate during the preceding decade.<sup>1</sup> Rates of profit in 1929 varied from 7.5 percent (on total capital) to 13.9 percent (on fixed capital).<sup>2</sup> The great mass of profit, however, was earned by a tiny group of giant firms: “The largest 1,349 corporations... 0.26% of all corporations, received 60.3% of all corporate net income. ...” Even in 1923, a similar group already received 47.9% of all corporate net income.<sup>3</sup> Over the years 1923-1929, corporate profits as a whole rose by over 62 percent while corporate dividends increased by 65 percent.<sup>4</sup> Nevertheless, much of the expensively expanded productive capacity was not used during the twenties: “In 1928-29... most American industries were capable of producing from 25% to 75% more goods than markets could absorb.”<sup>5</sup>

Union membership dropped sharply after the strike defeats of 1919-1920. In metal and metal-using industries, the number of union

members dropped by three-quarters during 1920-1924.<sup>6</sup> In the entire country, union membership dropped 25 percent between 1920 and 1923.<sup>7</sup> The percentage of unionized soft-coal miners working under union contract fell from 72% in 1919 to 40% in 1925.<sup>8</sup> One reason for the losses was the depression of 1921-1922, but the main explanation was the sweeping anti-union campaign conducted by industrial employers. Union membership continued to decline during the rest of the decade. By 1930, it was recorded at 3,284,000, a loss of 28 percent since 1920 (4,551,100).<sup>9</sup>

Per worker earnings in manufacturing during the comparatively prosperous years 1923-1929 rose by 5.1 percent, less than one percent a year.<sup>10</sup> Declines over the period were by no means unknown. In meat-packing, for example, "in 1929 average wage rates... were actually ten to twenty percent lower than at the start of the decade."<sup>11</sup> In the steel industry "wages fell steadily after 1920. ..." <sup>12</sup> Even these slight changes were not the entire story since price increases further reduced the significance of changes in money wages. Aglietta reports that real hourly wages between 1920 and 1929 in manufacturing rose only a total of two percent.<sup>13</sup> Writing mainly about the principal manufacturing industries in Chicago, Lizbeth Cohen, referring to the years 1923 to 1929, finds that real "wages advanced modestly if at all in big manufacturing sectors such as steel, meatpacking, agricultural implements, and the clothing industry, particularly for the unskilled and semi-skilled workers who predominated in this kind of work."<sup>14</sup> Using a somewhat different period, George Soule reports an increase in real earnings of 26 percent of 1919-1928; this estimate seems somewhat on the high side.<sup>15</sup>

Few cited wage figures represent annual earnings. Instead, most cover hourly or weekly wages. Unfortunately left out of consideration are periods of unemployment during which no wages or wage substitutes were received. Only a tiny proportion of the labor force in factories worked 12 months a year.

How productive were America's industrial workers? From 1919 to 1929, "The productivity of labor in manufactures rose 43%. ..." <sup>16</sup> A more comparative view is the following: "During the '1920s output per worker-hour in manufacturing rose at a rate of 6.3 percent per year compared to annual rates of 0.8 percent, 1.6 percent, and 2.0 percent in the 1890s, 1900s, and 1910s respectively."<sup>17</sup> Productivity gains affected different groups of workers variously: "Between 1923 and 1929 manufacturing output rose about 30 percent, whereas production workers employed increased by only 2 percent and

nonproduction workers employed remained almost constant.”<sup>18</sup> Geography did not make much of a difference. Millhands in South Carolina experienced rising wages during cotton mill expansion during the early 1920s when they earned double their earnings of 1915. By 1926, however, the industry had overexpanded. During the late 1920s, many millowners employed industrial engineers who installed new machines which operated at very high speeds in addition to heightening the practice of stretchout: extending the number of machines and operations to be tended by each operative.<sup>19</sup> Everywhere, the profitability of production increase was high; real or money wage increases ran about half or less of the productivity rise. Another indicator of the same relationship is the downward course of unit labor costs. Between 1923 and 1929, for example, unit labor costs declined by nearly 16 percent in the production of 13 of 19 measured industries.<sup>20</sup>

Sagging internal demand for the burgeoning output of American products became evident in the late 1920s. Productive capacity expanded in earlier years of the decade now began to lie idle: “Over the period 1923-1926, capacity utilization in manufacturing averaged almost 90 percent; over the years 1927-1929, it averaged less than 83 percent.”<sup>21</sup> A dual economy developed, producing both luxury goods and mass consumption products. Between 1923 and 1929, the market for the former expanded while “mass consumption was practically stationary.”<sup>22</sup> Economists and publicists frequently confused the two and imagined that the market for luxury goods and services was far larger than it was in fact .

How widely were wealth and income distributed during the 1920s?

In 1926, the Federal Trade Commission completed a study of American wealth and income that revealed a high degree of concentration, matching Western European levels. (See Chapter 8) Five years earlier, the newly-formed National Bureau of Economic Research had published the findings of its first study in the field — “whether the National Income is adequate to provide a decent living for all persons.”<sup>23</sup> The NBER adopted a dividing line of \$2,000 a year to indicate a minimum income of a married couple to permit “modest comfort”. It found that during 1910-1919 from 59 to 69 percent of income earners received less than \$2,000 a year.<sup>24</sup> Frank Stricker, reviewing the decade as a whole, concluded that “the wages of millions of workers—and perhaps a third of all non-farm *family* incomes - were at or below the poverty line in 1929” and that “the lower sections of

the working class, such as unskilled railroad workers, probably had insufficient incomes for a nourishing diet."<sup>25</sup> Eugene Smolensky also estimated the proportion of the poor at around one-third.<sup>26</sup> A study by the Brookings Institution reported that in 1929 over 70 percent of families earned less than \$2,500, an amount which was barely above that required to finance the widely accepted Heller Budget.<sup>27</sup>

Early in the 1920s, it was reported that stockholding had spread to the working class. H.T. Warshow declared that he detected "a tendency of the ownership of corporations in this country to pass into the hands of the wage-earners — a phenomenon which may have great future possibilities."<sup>28</sup> Six years later, Gardiner Means found that the number of stockholders had indeed grown greatly; at the same time, however, he reported that the trend Warshow uncovered "involved no appreciable shift in the proportion of corporate industry owned by the different income groups."<sup>29</sup> Means explained that heavy income tax laws during 1916-1921 had discouraged stock purchases by the rich but that the legal situation had changed after 1921 and wealthy persons had resumed their accustomed purchases of stock. Accordingly, between 1920 and 1929 "82 percent of all dividends were paid to the top 5 percent of income earners."<sup>30</sup> Alas! America's proletarians were not to become coupon-clippers after all.

Economic inequality developed rapidly during the 1920s as it resulted from changes on the shop floor. Chief among these were heavy investment in machinery, speed-up and stretch-out, lack of unionization, manipulation of race and ethnicity by employers, continued class warfare from above, as well as other stratagems.

Relatively few workers benefitted from what some historians have called "welfare capitalism," i.e., employer-controlled non-wage measures designed to engender worker loyalties to their employers. By 1930, for example, only seven percent of all workers had private pensions. Miron and Weil point out that "the pensions typically had long minimum service requirements, and employees lost all accrued pension eligibility if they quit or went on strike. ... To a large extent, these pension plans seem to have been worker discipline devices."<sup>31</sup> At U.S. Steel, according to Jonathan Rees, "welfare capitalism had little impact on the lives of most steelworkers. ..."<sup>32</sup> Lizbeth Cohen underscores the evanescence of corporation-dominated "welfare": "Both U.S. Steel and International Harvester changed their pension provisions over the course of the 1920s when too many workers began qualifying."<sup>33</sup> It was not the magnetism of corporate welfare as much as the growing unemployment in the mid-1920s that convinced

industrial workers to hold on to their jobs: "Unemployment in manufacturing was higher between 1923 and 1927 than for any other five-year period since 1900, excluding depression years."<sup>34</sup>

Racial discrimination was a firm policy of industrial America. In Chicago, "International Harvester, the packinghouses, and steel mills all carefully monitored quotas on the number of blacks that could be hired."<sup>35</sup> With respect to anti-black prejudices of European immigrants, "employers... took pleasure in fueling the flames of this discord, doing whatever they could to incite the prejudices and fears of native workers."<sup>36</sup>

Beginning in 1924, the management of U.S. Steel established quotas for black employees. The new policy was part of a broad racial program for the Gary community: "In the 1920s... Gary saw the growth of 'jim crow' housing, public accommodations, recreation, and education [begun] by United States Steel corporation executives running both City Hall and the decisive community organizations to an extent unknown prior to ...[World War I]"<sup>37</sup>

When, in 1925, black Pullman porters organized the Brotherhood of Sleeping Car Porters, the Pullman Company responded by employing Filipinos to fill positions as attendants on club cars. This tactic was

designed to frighten black porters from support of the Brotherhood during its long struggle for recognition; Pullman threatened an end to the monopoly over service jobs enjoyed by blacks for over half a century. ... Pullman favored its Filipino employees over its more numerous black workers.<sup>38</sup>

Pullman created differences in wages, work assignments, and other respects to structure the discrimination. Meanwhile, during the 1920s, members of the standard railroad brotherhoods succeeded in barring black workers from their membership, sometimes employing murderous methods to effect their aims.<sup>39</sup>

Industrial employers resorted to economic pressure and organized violence in their struggle against unionization. They did not neglect to use the law, especially court injunctions. Indeed, the 1920s witnessed a high point in such usage. As David Montgomery explained: "Of the 1,845 injunctions Edwin Witte catalogued that had been issued against union activities between 1880 and 1930, 28 were issued in the 1880s, 122 in the 1890s, 328 in the first decade of the twentieth century, 446 in the second, and 921 in the 1920s."<sup>40</sup> In 50 years, fully half the injunctions were obtained by employers in the 1920s.

Large corporations' publicity bureaus released reams of announcements about facilities for worker relaxation and better working conditions. Sometimes, the very same firms remained silent about their use of violence against their workers. Armour and Company, the second largest meatpacking firm and a booster of "welfare capitalism," had its Chicago office for the company's private police "visibly stocked with tear gas, rifles, and sawn off shotguns."<sup>41</sup>

In Bogalusa, Louisiana, the agent of the Great Southern Lumber Company, William Henry Sullivan "crushed an incipient effort to unionize the Bogalusa mills by playing off one race against the other, and, when that appeared on the verge of failure, by brute force that left four white union organizers dead on the streets of the town he had made."<sup>42</sup> As part of what was called "the first genuinely serious labor revolt [by white textile workers] the South had ever known", four strikes broke out in Spring 1929. To head off the revolt in Gastonia, N.C., "a mob of masked men, led as is now common knowledge in the territory, by business and political figures of the town and neighboring towns" attacked strikers.<sup>43</sup> Throughout the South, "when blacks took initiative to break the [peonage] system, their efforts were usually crushed by violence."<sup>44</sup> Though the NAACP frequently complained to the U.S. Department of Justice about such incidents, "the complaints remained ... uninvestigated and forgotten."<sup>45</sup> During a strike of Anaconda Copper Company miners in Montana, May, 1920, company guards attacked pickets:

"One miner was killed and sixteen wounded. All were shot in the back. ... No one was arrested for the crime."<sup>46</sup>

In a strike during 1929 in Marion, N.C., "an attack on fleeing strikers by local police resulted in six dead and twenty-five severely wounded. All the dead had been shot in the back."<sup>47</sup>

During World War I, tear gas was the first form of chemical warfare used by American armed forces. In 1919, Secretary of War Newton D. Baker banned the use of tear gas against American civilians. Two years later, the Army rescinded the ban. President Harding proclaimed martial law and sent federal troops into two West Virginia coal counties to put down striking coal miners. The First Gas Regiment, Edgewood Arsenal, arrived in Charleston, W.Va.

On September 3, a train arrived carrying the detachment [of 28 officers and men] and a large supply of tear gas munitions, including 1,000 chloroacetophenone grenades, 350 mortar shells filled with

chloroacetophenone, 190 lachrymatory candles, smoke candles, and grenades, as well as standard rifle and pistol ammunition. In addition, 191 aerial-drop bombs were filled with chloroacetophenone at Edgewood Arsenal and shipped separately to the 88th Aerial Squadron on duty at Charleston.<sup>48</sup>

Miners surrendered their weapons when faced with the heavily-armed troops. The gas did not need to be used.

Between 1921 and 1923, tear gas became virtually standard equipment in American urban police departments. "By the end of 1923, over 600 cities had been equipped with tear gas, and several reports of its use had already appeared."<sup>49</sup> Private firms entered the tear-gas business at the behest of the Chemical Warfare Service which provided technical assistance to their firms. During the remainder of the decade, former officers of the CWS continued to organize tear-gas manufacturing businesses.

Frank Donner has written "that in the course of the past hundred years urban police have served as the protective arm of the economic and political interests of the capitalist system."<sup>50</sup> Among the tactics employed by them in such work were "dragnets and pretext arrests, use of force or the threat of force to disperse gatherings, indiscriminate clubbings, physical dispersal and banishment of targets, and mounted charges, along with vigilante offenses conducted with police support."<sup>51</sup> During the 1920s, top-ranking police in Philadelphia, Los Angeles, New York City, and other cities served as public representatives of employer interests. In Michigan auto manufacturing cities such as Flint, Pontiac, and Dearborn "mass arrests, raids, and [police] collaboration with plant espionage personnel were routine."<sup>52</sup>

Historical information on the health and living conditions of American workers during the 1920s is scarce. A study by the Brookings Institution reported:

Of the non-farm families as a whole, 16 million, or 74 percent did not have sufficient income in 1929 to provide an adequate diet at moderate cost. Nineteen million families, or 90 percent, were not in a position to enjoy a liberal diet. ...<sup>53</sup>

Since non-farm families constituted more than workers, it may be concluded that working people were even worse off. In special situations the same deprivation was evident. On cotton farms in central Texas during the 1920s, "tenants who dared to grow their own

market garden products to reduce their dependence on merchants for basic foodstuffs were quickly warned they were jeopardizing their credit [with the merchants].”<sup>54</sup>

In 1929, over 21,000 families were evicted from their rented housing quarters in Chicago.<sup>55</sup> It can be assumed that nearly all were working people. In the South, “the southern slum has often been built to be a slum.”<sup>56</sup> It did not need to devolve.

The United States was still an undeveloped country in matters of health. As Florence Kelley wrote:

As late as 1918 our Republic was laggard in the care of mothers and young children. We were number ten among the nations when measured by our infant death rate.<sup>57</sup>

Between 1921 and 1929, the Federal Act for the Promotion of the Welfare and Hygiene of Maternity and Infancy was in operation. The Sheppard-Towner Act, as it was known, provided information but no medical services or benefits.

Between 1921 and 1929, the American Medical Association waged a highly effective campaign to defeat Sheppard-Towner. The AMA’s increasingly substantial political power... was used to lobby against the Act, redefining maternal and infant health as an exclusively medical problem, and labeling Sheppard-Towner as “an imported socialist scheme” of state medicine. The AMA succeeded both in excluding women (lay and professional) from the leadership role they had previously assumed in the field of maternal and infant health and in removing the national government from the business of health care.<sup>58</sup>

The U.S. Public Health Service supported the campaign against Sheppard-Towner in part as to establish its own priority over the U.S. Children’s Bureau in obtaining federal health funds.<sup>59</sup>

With respect to workplace illnesses, little progress could be observed. Businesses large and small tended to deny the existence of such illnesses. They fought successfully against legal recognition of employer responsibility for disease. “By the early twentieth century,” writes Alan Derickson, “the problem of disease dwarfed that of trauma [i.e., work accident].”<sup>60</sup> Unions advocated workmen’s compensation for occupational illness but largely failed. The federal Bureau of Mines more or less ignored work illnesses as being less significant than work accidents.<sup>61</sup> While miners continued to suffer from coal mine dust:

Class polarization turned many middle-class doctors, engineers, and journalists into loyal partners of the mine operators. ... In particular, physicians aligned with coal management aggressively proclaimed the innocence of underground conditions.<sup>62</sup>

During the 1920s,

The U.S. Public Health Service and the U.S. Bureau of Mines made extensive epidemiological studies. ... However, because the facts uncovered in the field contradicted the prevailing interpretation, they were disregarded or made to conform to it.<sup>63</sup>

When federal health authorities studied miners in the field, “no one told any miner his diagnosis, and no one advised miners as a group of the discovery of a pattern of work-related disease.”<sup>64</sup>

A few federal engineers and physicians violated the rule of silence. Daniel Harrington, a long-time engineer in the B of M, declared in a paper of February 1924 that “it is entirely probable that a much greater number of men who have worked in our coal mines die annually of bronchitis, pneumonia, miners’ asthma or other diseases caused directly or indirectly from coal dust, than die from mine explosions.”<sup>65</sup> Derickson writes of “the [Bureau of Mines] general policy of subservience to employers’ interests, narrowly defined as the pursuit of productivity, with minimal interference for nonproductive activities like spraying and ventilating mines.”<sup>66</sup> Despite this supervisory lethargy, however, by 1923 eight states provided some degree of workmen’s compensation for occupational diseases.<sup>67</sup>

During the 1920s, the field of industrial hygiene took shape in various universities, principally Harvard. Contracts were concluded between these research centers and industrial corporations which provided that the corporation had prior rights to learn the findings and exercise some degree of control over their publication.<sup>68</sup> Excluded from or marginalized in conferences on industrial hygiene were representatives from workers’ groups.

Mechanization, which is traditionally portrayed as an unalloyed human blessing, actually cost numerous workers their health or even their lives. Between 1910 and 1930, the proportion of coal cut by machine increased from just over half to more than four-fifths. As Derickson observes: “More rapid movement of coal and equipment contributed to keeping microscopic particles suspended in air,”<sup>69</sup> thus increasing the difficulty of breathing. The 1920s saw speed-ups with heightened mechanization; the cost of worker injuries also rose.

Aldrich reports that as of 1916, “fatalities which had previously cost a few hundred dollars now [under workmen’s compensation] set employers back \$2,000 to \$3,000, while lost eyes, hands and feet cost \$1,500 to \$2,000 each.”<sup>70</sup>

### *The Great Depression*

Prosperity departed abruptly at the end of the decade. Even before the stock market crash of October 1929, economic indexes of construction started slumping. Other indicators did likewise. By the end of 1929 whistling in the dark grew more shrill. Unemployment rose sharply as a percent of total work force:<sup>71</sup>

1931	15.9
1932	23.6
1933	24.9

By late 1932 and early 1933, only 15 percent of the steel industry’s productive capacity was in operation.<sup>72</sup> Very few steelworkers worked full-time. Nevertheless, “in 1932, very large U.S. corporations still were making profits.”<sup>73</sup> Armour and Co. cut wages during 1930-1933 but showed a profit of \$51 million dollars while distributing \$23 million in stock dividends in those same years.<sup>74</sup> Meanwhile, in these early years of the Depression, exceedingly little relief was available for the unemployed and their families. For example, in the year 1932 the total private and local governmental relief in all of New York City was equal to less than one month’s wage loss by the 800,000 unemployed in the city.<sup>75</sup> In 1932, black unemployment nationally stood at 50 percent, “even before the Great Depression, unemployment rates in northern cities were 50 to 100 percent higher for blacks than for whites”; between 1930-1 and 1936-7, the situation worsened.<sup>76</sup>

When Franklin D. Roosevelt first took office in March 1933 he announced among other things that “the greatest thing we have to fear is fear itself.” (This was an unacknowledged rephrasing of a sentence from the eighteenth-century essayist, Michel de Montaigne: “The thing I fear most is fear.”<sup>77</sup>) Unfortunately, unemployment was a far more serious and enduring problem than abstract fear. But unemployment also had its positive side, for employers. As Robert Margo has written, in the 1930s “the time was ripe for more careful screening of job applicants, picking and retaining the most productive workers and weeding out the rest.”<sup>78</sup> For all practical purposes, employers were free to choose. There were no union seniority rules

during the years of greatest unemployment. The sight of long lines of job applicants reminded employed workers of the tentativeness of their own jobs. Worker resistance to demands for speed-up and stretch-out ebbed.

Productivity rose by sizable steps. Between 1929 and 1937, steelworkers produced one-third more steel per hour.<sup>79</sup> In the industrial economy as a whole, output per manhour rose by 22 percent during 1929-1936.<sup>80</sup> Unit labor costs fell by one-eighth between 1929 and 1939 in from 13 to 17 industries.<sup>81</sup> Even in industries with substantial wage increases in 1935-1939, unit labor costs did not rise because productivity outpaced the wage increases. While “the Depression retarded overall growth in industrial research employment,” nevertheless expenditures on industrial research laboratories increased 46 percent between 1931 and 1938.<sup>82</sup> Employment in such laboratories, however, was highly concentrated in relatively few giant firms. In general, investment in the economy as a whole lagged; in 1939 capital investment was only at 60 percent of the 1929 level while the percent unemployment was still considerable:<sup>83</sup>

1934	21.7	1938	19.0
1935	20.1	1939	17.2
1936	16.9	1940	14.6
1937	14.3		

Comparisons with the early and mid-1920s were striking; during the year between September 1938 and August 1939, “in manufacturing industries production... was almost a fifth greater than the average of the years 1923 to 1925, and output per man-hour was more than 50 percent greater.”<sup>84</sup> It was during the 1920s and 1930s that technological unemployment emerged in many industries.

Scattered mass demonstrations by the unemployed had been a feature of previous depressions but now a series of coordinated actions took place on a nationwide basis, especially in industrial centers of the North and West. Radical political groups took the lead; the Communist Party, the Socialist Party, and other, smaller groups were most active. Unemployed councils, organized by the Communists, began operation early in 1930. In March, “Chicago Communists distributed 200,000 leaflets, 50,000 stickers, and 50,000 shop papers.”<sup>85</sup> Earlier that month in New York City, a demonstration of unemployed occurred in Union Square. A *New York Times* story reported: “Hundreds of policemen and detectives, swinging

nightsticks, blackjacks and bare fists, rushed into the crowd, hitting... all with whom they came in contact. ... A score of men with bloody heads and faces sprawled over the square with police pummeling them."<sup>86</sup> Outside Detroit, near Ford plants in Highland Park and Dearborn, the Communists led a march by some 3,000 unemployed. Police used tear gas and machine guns against the marchers who were unarmed and answered with stones lying nearby. The executive committee of the Detroit American Civil Liberties League pointed out that "most of the injuries received by the paraders consisted of gunshot wounds in their sides and backs."<sup>87</sup> Four marchers were killed and more wounded.

Many of the demands made by demonstrators wherever they marched consisted of calls for jobs, relief, and numerous demands related to living conditions. Particularly in Chicago, housing conditions were acute. As workers lost their jobs, they were evicted from their housing. The number of court orders issued to effect evictions rose during the years 1929-1935:<sup>88</sup>

1929	21,589	1933	56,158
1930	28,462	1934	38,603
1931	39,184	1935	41,372
1932	56,246		

In many cases, evictees called upon the nearest Unemployed Council to send activists to move the furniture from the sidewalk back to the apartment. In one instance, during August 1931, some 2,000 persons gathered at an eviction site in the mainly black South Side of Chicago where a family had just been evicted. "The household goods were moved back into the flat. ..."<sup>89</sup> Fighting broke out; three activists were killed, one was wounded, and three policemen injured. Private relief agencies were so swamped by requests for aid that during an 18-month period in 1932-1933 no further rent-money was distributed. Tenants remained where they were; in an effort by landlords to compel tenants to leave, gas, electric, and water were cut off; many remained under those conditions. "Some landlords finally adopted the drastic method of trying to freeze the tenants out by removing the window frames."<sup>90</sup> (Below-zero temperatures during winter months are not unusual in Chicago.) The decline of landlord services led to further deterioration of housing; rats became a greater menace than ever. "Families living in basements hung their food on strings as the least expensive way to protect it from the rats."<sup>91</sup> The head of a federal

inquiry into living conditions in the South in 1938 wrote with reference to African-Americans that “this very large number of southern cities are living under subhuman conditions.”<sup>92</sup>

Unionization grew rapidly during the Depression, from 3.1 million members in 1930 to 7.0 million members a decade later. Strikes spread as follows:<sup>93</sup>

1932	840	1937	4,740
1933	1,700	1938	2,500
1934	1,856	1941	4,288
1936	2,200		

Through work of the Committee on Industrial Organization (CIO) in ‘1936, the mass production industries became thoroughly unionized for the first time in American history. Employers large and small, however, fought unionization in their accustomed fashion. Their first resort was to violence against strikers. The geographical spread of anti-union violence was broader than ever; the casualties of the violence were as lethal as before.

Although employers and managers continued to speak of law and order, the offensive character of their armament was clear: “tear and sickening gas, shells and guns to discharge them, and, to a lesser extent, machine guns.”<sup>94</sup> The novelist Theodore Dreiser reported on the situation in 1931: “In the present miners’ strike in the central eastern section of the country, machine guns are playing a prominent part.”<sup>95</sup> In a South Carolina textile strike, National Guardsmen “built an ominous-looking machine gun nest above the mill and aimed the weapons at the picket line.”<sup>96</sup> Machine guns were also used by the National Steel Company in 1934; according to an account in a Pittsburgh newspaper: “The company has machine guns, sawed-off shotguns, tear and sickening gas and other paraphernalia.”<sup>97</sup>

Eye-witness accounts frequently noted that strikers and supporters were shot in the back as they were attempting to escape. In Aliquippa, Pennsylvania in 1933, “[w]hen the shooting started, most of the men began to run. Approximately one hundred were injured, most of them shot in the back.”<sup>98</sup> At Honea Path, South Carolina, during the General Textile Strike of 1934, a striking weaver, Thomas Rance Yarbrough, “was down there standing up with both hands up, they shot him in the back with buckshot.” Another striker, R.A. Watkin Atkin, commented: “It was just like shooting a hog in a pen.”<sup>99</sup> An

historian described the contents of a documentary film made in 1937 near Chicago where steel workers were on strike: "It recorded a maniacal police riot that left ten men dead, seven of them shot in the back."<sup>100</sup> During a teamsters' strike in Minneapolis in 1934: "Two workers were killed and sixty-seven were wounded. Many of the casualties were shot in the back."<sup>101</sup>

Officers of the law at times led the violence. The Texas Rangers were accused of "incident upon incident of intimidation, unwarranted searches and seizures, killings, beatings, manslaughter, venality, blatant partisanship. ..." <sup>102</sup> In Memphis, Tennessee, during 1939, "the police... tried to murder black longshore leader Thomas Watkins for leading a strike of black and white river workers," <sup>103</sup> A member of an official inquiry reported to the governor of California in 1933 that "our investigations... established the disconcerting fact that in the great majority of clashes between the peace officers and the strikers, the former were responsible for inciting to violence."<sup>104</sup> During the mid-1930s, the Black Legion, an offshoot of the Ku Klux Klan, undertook a program of armed terror against Blacks, Catholics, Communists, and unionists in Detroit. Both the city's police commissioner and the Wayne County prosecutor were members of the group. In the Detroit area, "between 1933 and 1935 the Black Legion bombed or burned... left-wing retreats, meetings halls, and bookstores, and shot two Communist labor organizers, all without police interference."<sup>105</sup>

Relief from the acute deprivation of the Depression depended on private and public sources. Between 1932 and 1934, the U.S. Steel Corporation spent "approximately ten cents per week [in relief payments] for every worker and family member dependent on a U.S. Steel paycheck. ... When economic conditions started to improve in 1935, U.S. Steel began to deduct from the paychecks of its workers in order to compensate for its earlier 'charity'."<sup>106</sup> (In the mid-1930s, a quart of milk cost ten cents in Chicago where adult fare on the street car was seven cents.) Not until the institution of federal relief programs did more ample funds become available. However, discrimination in disbursement of federal relief was widespread. In Los Angeles during 1934, for example, Mexican Americans constituted only one percent of welfare recipients while they were one-tenth of the total population.<sup>107</sup> Thousands of Mexicans in northern and western cities were forced to return to Mexico. "Relief payments to blacks in Atlanta averaged \$19.29 per month, while white relief clients... received \$32.66, nearly 70 percent more."<sup>108</sup> Payments under new programs such as Old Age Insurance and Aid to Dependent

Children were discriminatory against blacks. "By the late 1930s every southern state that had an ADC program awarded benefits at a rate lower than their proportion in the population. Moreover, southern states, with the exception of Tennessee, awarded smaller benefits to black children."<sup>109</sup> In the cotton areas of Texas, "various [federal] work-relief programs, administered by all-white county committees, often excluded Mexicans and blacks, maintaining that 'this work is for whites only'."<sup>110</sup> During the Thirties in South Carolina, "relief programs were... closed or reduced during the southern harvesting season," in order to eliminate any alternative source of income for workers". "Relief was usually not given without prior consultation with planters and millowners."<sup>111</sup>

By no means did the Depression affect the distribution of wealth and income. During 1935-1936, a period of economic recovery, a federal inquiry found that "over two-thirds of American families received less than \$1,500 per year and... most of them could barely buy necessities."<sup>112</sup> According to a study of wealth by Robert Lampman, "the share of the richest 0.5 percent... rose somewhat—from 25.2 percent in 1933 to 28.0 percent in 1939."<sup>113</sup> This finding contradicted Schumpeter's rather exaggerated declaration: "To an extent which is not generally appreciated, the New Deal was able to expropriate the upper income brackets even before the war."<sup>114</sup> By 1940, after nearly a decade of federal relief measures, only 1.2 percent of the gross national product was being spent on direct relief, including the Aid to Dependent Children program.<sup>115</sup>

For the third time in American history, economic depression turned the United States into an emigrant nation, i.e., the number of emigrants outnumbered that of immigrants.<sup>116</sup> While this fact undoubtedly reduced the potential number of unemployed, at the same time the stream of rural migrants seeking work in the cities increased by a corresponding amount.<sup>117</sup> The low level of immigration largely resulted from the refusal of federal authorities to accept refugees from Nazi horrors in Europe. As Gemery points out, under the then-existing quota system, 153,879 persons were eligible to enter the United States; only 5.3 percent of this number were actually admitted.<sup>118</sup> European economies during the 1930s became increasingly militarized. As of 1938, a year before the outbreak of war, 23 percent of Nazi Germany's gross national product was attributable to rearmament; the corresponding figure for Great Britain was under seven percent.<sup>119</sup> Koistinen observes that "after 1938-1939... America began to rearm."<sup>120</sup> President Roosevelt, eager to build up

America's military capacity, used legislation designed for economic recovery to pay the bills. Thus, he authorized shifts of funds from the Public Works Administration to the Navy in order to finance the building of carriers, cruisers, destroyers, submarines, and airplanes.<sup>121</sup> According to Koistinen, "the rapid expansion [of army aircraft] for war began in 1939."<sup>122</sup>

The cost of the Great Depression went far beyond production and jobs, at least for the working class. As Rosner and Markowitz explain: "The exploitation of labor is measured not only in long hours of work and lost dollars but also in shortened lives, high disease rates, and painful injuries."<sup>123</sup>

In Pennsylvania mining communities, at times "coal companies 'dumped' dead or injured miners on the front porches of their homes."<sup>124</sup> Steelworkers who were employed at coke ovens served "virtual death sentences" with a high rate of lung cancers; at one location "they had to constantly chew tobacco on the job to clean their mouths of coke fumes and residues."<sup>125</sup> Blacks were disproportionately assigned to the coke oven. At a Ford plant in Michigan, "the foundry was regarded as the most stressful, hot, dirty, and dangerous department at the plant. ..." <sup>126</sup> Once again African-Americans were especially assigned there. Crowded housing and adverse working conditions in Detroit exacted a high toll of black workers: "By the early 1930s Detroit health statistics indicated that over six times as many blacks as whites in the city contracted tuberculosis."<sup>127</sup> In the same era, corporations hastened to separate ill workers from their premises. The Caterpillar Tractor Company "took chest x-rays of 1,400 workers in one of its foundries; six days later it dismissed 179 workers whose lungs showed signs of pneumoconiosis."<sup>128</sup> Workers digging tunnels through a mountainous area in West Virginia, in a project operated by the Union Carbide and Carbon Corporation, experienced unbelievable health risks. The project took two years; within five years the names of 764 victims were entered on a death list.<sup>129</sup> Curiously, it took a novelist whose brother was a chemist to point out in 1931 the deadly effects of asbestos on workers: "Breathing asbestos dust causes disease—pulmonary fibrosis, recognized by yellow foreign bodies in the sputum and lungs."<sup>130</sup> (British and European medical researchers had already identified these effects but American asbestos manufacturers denied them.) In Chicago's stockyards, "pulmonary and dermatological diseases were rampant in the yards and resulted from working conditions."<sup>131</sup>

All in all, health care was an expensive commodity as reported by

a national Committee on Costs of Medical Care, which, in 1932 “documented... that poorer communities traditionally received less medical care and sustained a higher illness burden than more affluent communities.”<sup>132</sup> The most noteworthy attempt to modify this situation occurred during 1937-1945 when the Farm Security Administration, part of the U.S. Department of Agriculture, organized “group prepayment medical cooperatives” for “America’s poorest farmers, sharecroppers, and migrant workers.”<sup>133</sup> Toward the end of the more prosperous wartime years, however, many cooperating physicians ceased to participate in the program. Another step forward, which lasted longer, was a provision in the Social Security Act of 1935 which made federal grants available to states to develop public health measures, including industrial hygiene.<sup>134</sup> Before 1936, when the Supreme Court approved the Act’s constitutionality, only five state departments of health had industrial hygiene units; by 1938, the number had risen to 24, that is, half of all states. Another indicator of progress on one health front was the finding that life expectancy grew between 1929 and 1939, a fact attributed by Robert Fogel to payoffs from social investments during 1870-1930; these included the provision of sewerage and other public facilities.<sup>135</sup>

It must not be thought, however, that deleterious effects on health ceased during the Depression. A Pennsylvania steelworker recalled that “hamburger was six pounds for a quarter, but nobody had the quarter to buy the meat.”<sup>136</sup> Hunger still drove many to acquire food for their families however they could manage. Roy Rosenzweig notes that “in the early ‘30s individual and group looting of super-markets was not an isolated phenomenon.”<sup>137</sup> In a short story by Albert Maltz, “The Way Things Are,” an unemployed worker and his 10-year-old son learn to steal bottles of milk. Jialu Wu studied the severity of the Great Depression in the Pittsburgh region and found that “compared with 1929, food consumption declined an average of 5.9 percent by value between 1930 and 1939, but consumption of meat held its own and the consumption of dairy products, including butter, declined by only 2 percent.”<sup>138</sup> While national per capita disposable income fell by 14.3 percent during 1930-1939, the annual decline in grocery sales was not far from that level.<sup>139</sup>

1930	- 1.9%	1932	- 7.8%
1931	- 1.7%	1933	- 9.7%

A somewhat helpful factor was the decline in food prices between October 1929 and February 1933:<sup>140</sup>

October 1929	100	December 1932	65
December 1930	90	February 1933	57
December 1931	72		

Government relief and help by relatives and friends helped bridge the gap. A much bleaker picture was reported by the federal inquiry conducted in the South in 1938: “Even in southern cities from 60 to 88 percent of the families of low incomes are spending for food less than enough to purchase an adequate diet.”<sup>141</sup>

Mexican-American workers in Los Angeles experienced the worst living conditions. “As in other American cities, in Los Angeles the jobless soon became homeless and the homeless soon went hungry.” As late as 1944, nearly twice as many “Latin Americans” as whites died of tuberculosis while by the same year infant-mortality rates of both groups were nearly equal. It may well be that the improvement in both regards resulted from selective migration to Mexico forced upon Mexican Americans by U.S. government and other authorities. The poorest tended to have the worst health conditions.<sup>142</sup> (Many of those “repatriated” to Mexico were children born in the United States.)

During the 1930s, silicosis became a national issue, in part because of heightened concern by the new industrial unions composing the CIO. Growing industrialization brought with it multiplication of foundries—a major source of silicosis in industry. When, in 1931, the National Safety Council commissioned medical study of foundries, the resulting report highlighted the grave danger to workers’ health caused by sandblasting, a common practice in foundries: The operation, “when taken into the lungs, causes silicosis and predisposes towards tuberculosis.”<sup>143</sup> Industrialists who financed the work of the Council attacked the study with the result that the original study was never published. Instead, the name of the senior investigator was dropped and a revised study was published which did not mention the threat of silicosis and tuberculosis. Authors of the original study published their own report; however, it saw the light of day only in a medical journal published in Germany.<sup>144</sup>

The suppression of scientific findings contributed to a general impression by many physicians that silicosis was, at most, a very minor affliction. A similar censorship role was played by the U.S. Public

Health Service, which ignored its own findings in the 1920s of the deadliness of silicosis in industry. As Alan Derickson observes: “The federal public health officials... not only failed to make available all extant information relevant to the subject but also selectively recalled work that could be manipulated to buttress the conventional interpretation.”<sup>145</sup> The U.S. Bureau of Mines involved itself in these matters in the role of management consultant to individual companies; it reported its findings only in the form of communications with the firm’s heads. No public record was made of its findings.<sup>146</sup> On the other hand, the U.S. Department of Labor declared straightforwardly—and publicly—“all coal dust is hazardous, and workers should be protected against breathing excessive amounts.”<sup>147</sup> Unfortunately, however, the Labor Department had no standing as a “medical” authority. Thus, “even in the heyday of the liberal New Deal... [the United Mine Workers union] certainly could not rely on governmental health expertise to protect its members’ wellbeing.”<sup>148</sup>

Because African-American workers tended to be placed on jobs that were more dangerous or illness-producing than average, discriminatory placement practices ensured greater illness and loss of life by blacks in industry.

In September 1941 a U.S. Government survey found that of almost 300,000 job openings, over half were restricted to whites. In Indiana, Ohio, and Illinois, 80% of the openings were thus restricted.<sup>149</sup>

By no means were “white” jobs necessarily “safe” or “healthy” ones.

### *World War II*

The long-sought recovery from the Great Depression finally materialized during 1941-1945, as the United States entered World War II. Its first order of business was to organize a military machine out of the quiescent American economy. Henry Stimson, the Secretary of War, cautioned in his diary: “If you are going to try to go to war, prepare for war in a capitalist country, you have got to let business make money out of the process, or business won’t work.”<sup>150</sup> Further, the managers of American large-scale industry insisted that economic direction of the American war-effort be lodged largely in their hands. This was done. Specific legislation and administrative regulations embodied the obligations of government while leaving those of business somewhat indistinct. As the war progressed, the military and business leadership drew closer together and cooperated increasingly in isolating labor unions from critical areas of government policy. At

nearly every juncture, labor was forced to take a subordinate role.

Even before Pearl Harbor, defense spending increased from \$2.2 billion dollars in 1940 to \$13.7 billion the next year.<sup>151</sup> At the same time, these expenditures stimulated the growth of non-defense spending as well. As production rose, unemployment declined—finally. By the winter of 1942, full employment was reached.<sup>152</sup> During the longer period 1940-1943, the number of unemployed fell to one million from over eight million.<sup>153</sup> In 1944, unemployed men aged 20 to 64 numbered only 250,000.<sup>154</sup> In recently industrialized areas, unemployment tended to persist: “The number of lines in the ‘Help Wanted’ section of the *Seattle Times* jumped from 28,631 during the first nine months of 1940 to 225,515 during the same period in 1943.”<sup>155</sup>

The American West profited greatly from wartime financing by the federal government. During the four war years, military bases and productive plant and equipment costing some \$70 billion in federal funds was expended in the West.<sup>156</sup> During the same years, the Federal government provided “about 90 percent of the investment capital available in the West. ...”<sup>157</sup> Western factories producing aluminum, magnesium, aircraft, and steel were first built by federal financing during the war years.<sup>158</sup> Richard White observes that “at its wartime peak in 1944, Boeing’s sales were over \$600 million — nearly ten times all of Seattle’s manufacturing in 1939.”<sup>159</sup> When, however, federal expenditures slumped at war’s end, its sales fell from \$600 million in 1944 to \$14 million in 1946.<sup>160</sup>

During the late 1930s, industrialists were meticulous in approaching the issue of rearmament. They remembered all too well idle factories and unsold inventories, and wanted to avoid adding to them, especially at their own expense. They wanted also to stay clear of low-profit contracts for government orders. Special war taxes were also a concern. All these, as well as other matters, had to be resolved before industrialists could be expected to cooperate. This, after all, was in line with the Stimson Doctrine, above.

Over the years, the federal government had used competitive bidding for military contracts. Also, however, it also resorted to negotiated contracts when it had a longer-term interest than immediate acquisition of combat materiel. During the early 1930s, for example, contracts with aircraft companies were not competitively awarded to lowest bidders because the government was also encouraging the development of an aircraft industry that would survive and be available to the military for a long time.<sup>161</sup> During the

World War II crisis, negotiated contracts became the norm. In addition, company remuneration often came in the form of cost-plus features, which guaranteed company profit from the contract. Large corporations were the principal beneficiaries of negotiated contracts.

The scale of federal wartime expenditures was immense, far exceeding total spending on all New Deal programs of the 1930s. Between 1939 and mid-1945, writes Robert Higgs, “the size of the armed forces, as measured by active-duty personnel, grew more than 36-fold... and the annual rate of military spending grew almost 60-fold!”<sup>162</sup> The U.S. Treasury became the dominant source of capital investment during the war; between 1940 and 1943, it supplied two-thirds of industrial investment in contrast to five percent in 1940.<sup>163</sup> From 70 to 100 percent of financing for combat vehicles, aircraft and ships, and explosives came from this source.<sup>164</sup> All this did not diminish the economic power of private industry, which in 1945 controlled 66.5 percent of all industrial assets as compared to 65.4 percent in 1939.<sup>165</sup> Much of the financing for this expansion derived from exceedingly large wartime profits and depreciation reserves.

The Second Revenue Act of 1940 contained an additional bonanza for industry: accelerated depreciation. Before the change brought about by this act, a firm that had invested in plant or equipment could deduct annually, from its tax liability, 5 to 10 percent of the total cost. Obviously, the larger the deduction, the lower the taxes. The 1940 law doubled the rate of depreciation, which is to say, doubled the size of the deduction to 20 percent per year. This act of generosity was an undisguised bonus in corporate profits.<sup>166</sup> At war’s end, many of the privately-built plants and equipment had been fully depreciated and were sold; this provided an extra profit at public expense.

Taxes on corporations grew to levels higher than ever during World War II. The same could be said of after-tax corporate profits also, (in billions of dollars):<sup>167</sup>

	<i>Before Taxes</i>	<i>After Taxes</i>
1941	16.6	9.5
1942	23.3	11.1
1943	28.0	12.2
1944	26.5	11.7
1945	21.2	10.5

At the same time, however, wealthy corporate owners and managers were subject to high personal income taxes. As Richard White observed of World War II: “The graduated income tax, which

had existed more in principle than in practice, now for the first time in American history levied substantial payments from the rich.”<sup>168</sup> The result was “a moderate shift in income distribution in the direction of greater equality.”<sup>169</sup> This trend, however, was of small proportions and was not without countervailing tendencies. For example, during the war years, many workers became income tax payers for the first time; in 1943, their tax payment was made subject to withholding. Between 1941 and 1945, the number of tax returns rose from 17.5 million to 42.7 million.<sup>170</sup> During a slightly different period, 1940-1944, “the ratio of total revenues from the individual income tax to the total from the corporate income tax jumped from 85 percent... to 134 percent. ...”<sup>171</sup> The American tax system was well on its way to becoming “firmly grounded in... heavily emphasizing the taxation of wage and salary incomes.”<sup>172</sup>

Money wages rose fitfully during the war but much of its benefit was lost to a rising cost of living. The latter increased as follows:<sup>173</sup>

1941	157	1944	178
1942	168	1945	173
1943	175		

The main material benefit for workers during the war derived from low unemployment. By agreeing not to strike, however, unionists removed their strongest weapon. Nevertheless, many strikes did, in fact, occur. James Atleson reports that during the war’s duration, “over fourteen thousand strikes occurred involving over six and a half million workers.”<sup>174</sup> National officers of many unions opposed such strikes but unyielding grassroots pressures continued to produce them.

The Roosevelt administration attacked strikes and strikers but workers were unrelenting: “Three times as many strikes were waged in 1943 than in 1942. ...”<sup>175</sup> The military was deeply anti-union, especially by 1943 and after.<sup>176</sup> Atleson cites a number of specific instances of such actions.<sup>177</sup> In September 1944, the Navy suspended union contracts in San Francisco area machine shops in retaliation for shop actions. Organizers of wartime strikes were drafted. The War Labor Board punished local unions for striking. Striking coal-miners were subjected to criminal indictments. In 1943, Roosevelt vetoed the severely anti-union Smith-Connally bill, but his veto was subsequently overridden by Congress.

Both the War Labor Board and the Supreme Court invoked “a zone of managerial exclusivity,” a clutch of ill-defined rights in which

unions were denied any voice.<sup>178</sup> Under existing labor law (or employer law), management need not bargain collectively on matters over which it had undivided authority. Union efforts to deny or moderate the doctrine were rejected by courts and administrative bodies during the war and afterwards.

Economic aspects of the war lay under control of the armed forces high command and presidentially appointed administrative boards. The latter were directed almost wholly by top executives of the country's largest corporations who cooperated closely with military leaders. Labor representatives were rarely consulted on important matters. As a result, business had pretty much its own way. In addition, big business and government continued as was customary to repress radicals in the labor movement. Legislation against dissenters swept the states. As Robert Goldstein wrote: "By virtually any measure, World War II was pretty much of a disaster for civil liberties."<sup>179</sup>

More important to business than heightened profit and ideological uniformity was the governmental power that now resided in the hand of corporate leaders. During the last third of the 19th century, manufacturers of isolated machines of war developed close cooperation occasionally with armed services representatives. By the first world war, the outlines of an industrial-military complex could be discerned. Now, however, a well-developed cooperative structure had emerged. Based on mutual advantage, a conception of national interest arose that was increasingly consistent with the basic needs of both the military and business.

Two further features characterized the new relationships. One was a world scale of state policy; the other the centrality of state expenditure.

## SUMMARY

(a) *The 1920s*: Severe declines were recorded for union membership, unit labor costs, per worker earnings in steel and meatpacking, and capacity utilization (in later years). Sharp increases occurred in capital invested per worker, productivity, profitability, and rate of profits (especially for large firms). At most, modest or no sizable increases occurred in real wages and family incomes. Worker benefits were marginal, including pensions. Employer-managed racism thrived. Tear gas joined anti-labor weaponry. Numerous

striking workers and sympathizers were shot in the back. Workplace illnesses festered but employers succeeded in blocking legislative remedies in workmen's compensation for non-accidents. Federal health agencies were subservient to employer-interests.

(b) *The Great Depression*: By 1933, nearly  $\frac{1}{4}$  of the workforce was unemployed while  $\frac{1}{2}$  of black workers had lost their jobs. Productivity rose, goaded by fear of unemployment; unit labor costs fell. By 1937, idled workers fell to one-seventh but within a year the figure was on the rise again. Unemployed workers organized to demand work and welfare but were met with police violence. Jobless workers were evicted from rental housing. In Chicago, the number of evictees rose from over 39,000 in 1931 to more than 56,000 the following year. Workers resumed joining and forming unions and resorted frequently to strikes—where they were attacked by police and hired anti-labor forces. The share of top wealth-holders increased between 1933 and 1939. Blacks and Mexican Americans were denied equal welfare, even when federally financed.

(c) *World War II*: Management of the economic side of the war was left in the hands of large-scale industry. Labor was allowed only a subordinate role. Unemployment dropped from eight million in 1940 to one million in 1943. Federal investment funds financed new plant and equipment, especially in the West. Competitive bidding for war contracts was replaced by directly negotiated contracts, to the delight of industry. Various financial measures were enacted to sweeten the pot for large-scale enterprises (accelerated depreciation). National labor policy increasingly penalized unions for striking, thus weakening collective bargaining. Presidentially-appointed boards and the armed forces high command controlled economic aspects of the war. The boards were directed almost wholly by top executives of the country's largest corporations who cooperated closely with military leaders. A conception of national interest arose that was increasingly consistent with the basic needs of both the military and corporate business.

In each of the three subperiods of 1920-1945, American capitalists confronted a different test. During the 1920s, corporate business pretty well had its own way in economic and political affairs. Governmental policies were largely responsive to corporate interest, tax legislation favored the rich, in just about every major industry unionization was slight. Federal and state courts were deeply anti-labor. Yet, corporate America proved unable to maintain these

conditions in the face of the economic decline of the Great Depression. During the slumping economy, the capitalist class lost some of its luster, but little of its wealth. It also yielded somewhat of its political power while retaining a good deal of its voice in moderating New Deal policies. Altogether, a mixed bag. It was, however, during wartime that American capitalism passed a most consequential test: It more than recovered its leadership role of the 1920s. In addition, it became a major factor in military and foreign policy as well as a paramount element in the making of domestic economic policy. A half-century later, capitalist considerations were still dominant.

## NOTES

1. William Lazonick, *Competitive Advantage on the Shop Floor* (Harvard University Press, 1990), pp. 241-242.
2. Lewis Corey, *The Decline of American Capitalism* (Covici Friede, 1934), p. 184.
3. *Ibid.*, p. 73.
4. George Soule, *Prosperity Decade. From War to Depression, 1917-1929* (Rinehart and Co., 1947), pp. 326-327. Cf., however, Joseph A. Schumpeter, "The American Economy in the Interwar Period. The Decade of the Twenties," *American Economic Review*, 36 (1946), p. 7, who does not describe the large profits of giant corporations but dwells solely on the smaller corporations which earned no profit.
5. Corey, *Decline of American Capitalism*, p. 163.
6. William Lazonick, "Technological Change and the Control of Work: The Development of Capital-Labour Relations in U.S. Mass Production Industries," p. 129 in Howard F. Gossel and Craig R. Littler, eds., *Managerial Strategies and Industrial Relations: An Historical and Comparative Study* (Heinemann Educational Books, 1983).
7. David Montgomery, *The Fall of the House of Labor. The Workplace, The State, and American Labor Activism, 1865-1925* (Cambridge University Press, 1987), p. 406.
8. *Ibid.*, p. 408.
9. Richard B. Freeman, "Spurts in Union Growth: Defining Moments and Social Processes," pp. 291-292 in Michael D. Bordo and others, eds., *The Defining Moment. The Great Depression and the American*

*Economy in the Twentieth Century* (University of Chicago Press, 1999).

10. Ethelbert Stewart, "Productivity of Labor. Ratio of Value of Production to Wages and Their Purchasing Power in Manufacturing Establishments, 1849 to 1929," *Monthly Labor Review*, 31 (1930), p. 1332.

11. Rick Halpern, "The Iron Fist and the Velvet Glove: Welfare Capitalism in Chicago's Packinghouses, 1921-1933," *Journal of American Studies*, 26 (1992), p. 161.

12. Colin Gordon, *New Deals. Business, Labor, and Politics in America, 1920-1935* (Cambridge University Press, 1994), p. 52.

13. Michel Aglietta, *A Theory of Capitalist Regulation. The U.S. Experience*, translated by David Fernbach (New Left Books, 1979), p. 94.

14. Lizbeth Cohen, *Making a New Deal. Industrial Workers in Chicago, 1919-1939* (Cambridge University Press, 1990), p. 102.

15. Soule, *Prosperity Decade*, p. 222.

16. Corey, *The Decline of American Capitalism*, p. 82.

17. Lazonick, "Technological Change and the Control of Work" p.129.

18. Lazonick, *Competitive Advantage on the Shop Floor*, p. 253.

19. Bryant Simon, *A Fabric of Defeat. The Politics of South Carolina Millhands, 1910-1948* (University of North Carolina Press, 1998), p. 49.

20. Victor Perlo and Witt Bowden, "Unit Labor Cost in 20 Manufacturing Industries, 1919 to 1939," *Monthly Labor Review*, 51 (1940), p. 36.

21. Lazonick, *Competitive Advantage on the Shop Floor*, p. 253.

22. Corey, *The Decline of American Capitalism*, p. 170.

23. Wesley C. Mitchell and others, *Income in the United States, Its Amount and Distribution 1909-1919* (Harcourt, Brace, 1921).

24. *Ibid.*, p. 112.

25. Frank Stricker, "Affluence for Whom? - Another Look at Prosperity and the Working Classes in the 1920s," *Labor History*, 24 (Winter, 1983), p. 8.

26. Cited in Robert Plotnick and others, "Inequality, Poverty, and the Fisc in Twentieth-Century America," *Journal of Post Keynesian Economics*, 21 (Fall 1998), p. 62.
27. Labor Research Association, *Trends in American Capitalism. Profits and Living Standards* (International Publishers, 1948), p. 94.
28. H. T. Warshow, "The Distribution of Corporate Ownership in the United States," *Quarterly Journal of Economics*, (November 1924), p. 20.
29. Gardiner C. Means, "The Diffusion of Stock Ownership in the United States," *Quarterly Journal of Economics*, 44 (1930), p. 591.
30. Thomas E. Hall and J. David Ferguson, *The Great Depression. An International Disaster of Perverse Economic Policies* (University of Michigan Press, 1998), p. 21.
31. Jeffrey A. Miron and David N. Weil, "The Genesis and Evolution of Social Security," p. 309 in Michael D. Bordo and others, eds., *The Defining Moment. The Great Depression and the American Economy in the Twentieth Century* (University of Chicago Press, 1999).
32. Jonathan Rees, *Managing the Mills: Labor Policy in the American Steel Industry, 1892-1937* (doctoral dissertation, University of Wisconsin, 1997), p. 154.
33. Cohen, *Making a New Deal*, pp. 195-196.
34. *Ibid.*, p. 184.
35. *Ibid.*, p. 205.
36. *Ibid.*, p. 41.
37. Edward Greer, "Racism and U.S. Steel, 1906-1974," *Radical America*, 10 (September-October, 1976), p. 50.
38. Barbara M. Posadas, "The Hierarchy of Color and Psychological Adjustment in an Industrial Environment: Filipinos, the Pullman Company, and the Brotherhood of Sleeping Car Porters," *Labor History*, 23 (Summer 1982), p. 350.
39. See Eric Arnesen, "Charting an Independent Course: African-American Railroad Workers in the World War I Era," pp. 284-308 in Arnesen and others, eds., *Labor Histories, Class, Politics, and the Working-Class Experience* (University of Illinois Press, 1998).
40. Montgomery, *The Fall of the House of Labor*, p. 271.
41. Halpern, "Iron Fist and Velvet Glove," p. 164.

42. Horace Mann Bond and Julia W. Bond, *The Star Creek Papers*, edited by Adam Fairclough (University of Georgia Press, 1997), p. 13.
43. W.J. Cash, *The Mind of the South* (Knopf, 1941), p. 354.
44. Pete Daniel, *The Shadow of Slavery. Peonage in the South* (University of Illinois Press, 1990), p. 145.
45. *Ibid.*, p. 139.
46. Fredric L. Quivik, *Smoke and Tailings, An Environmental History of Copper Smelting Technologies in Montana 1880-1930* (doctoral dissertation, University of Pennsylvania, 1998), p. 449.
47. Phillip J. Wood, *Southern Capitalism. The Political Economy of North Carolina, 1880-1980* (Duke University Press, 1986), p. 88.
48. Daniel P. Jones. "From Military to Civilian Technology: The Introduction of Tear Gas for Civil Riot Control," *Technology and Culture*, 19 (April 1978), p. 162.
49. *Ibid.*, p. 165.
50. Frank Donner, *Protectors of Privilege. Red Squads and Police Repression in Urban America* (University of California Press, 1990), p. 1.
51. *Ibid.*, p. 2.
52. *Ibid.*, p. 53.
53. Maurice Leven and others, *America's Capacity to Consume* (Brookings Institution, 1934), p. 123.
54. Neil Foley, *The White Scourge. Mexicans, Blacks, and Poor Whites in Texas Cotton Culture* (University of California Press, 1997), p. 85.
55. Edith Abbott with Sophonisba P. Breckinridge and others, *The Tenements of Chicago 1908-1935* (University of Chicago Press, 1936), p. 433.
56. Report on Economic Conditions of the South, p. 62 in David L. Carlton and Peter A. Coclanis, eds., *Confronting Southern Poverty in the Great Depression* (Bedford Books, 1995 [orig. 1938]).
57. *The Autobiography of Florence Kelley. Notes of Sixty Years*, edited by Kathryn Kish Sklar (Charles Kerr, 1986, orig. 1926-27), p. 31.
58. Constance A. Nathanson, "Disease Prevention as Social Change:

Toward a Theory of Public Health," *Population and Development Review*, 22 (December 1996), p. 620.

59. *Ibid.*, p. 621.

60. Alan Derickson, *Workers' Health Workers Democracy. The Western Miners' Struggle, 1891-1925* (Cornell University Press, 1988), p. 56.

61. *Ibid.*, p. 195.

62. Alan Derickson, *Black Lung. Anatomy of a Public Health Disaster* (Cornell University Press, 1998), p. 43.

63. *Ibid.*, p. 60.

64. *Ibid.*, p. 76.

65. *Ibid.*, p. 77.

66. *Ibid.*, p. 81.

67. Christopher C. Sellers, *Hazards of the Job. From Industrial Disease to Environmental Health Science* (University of North Carolina Press, 1997), p. 146.

68. *Ibid.*, p. 179. For material on a short-lived effort to link up unions with health efforts during 1921-1928, see Angela Nugent, "Organizing Trade Unions to Combat Disease: The Workers' Health Bureau, 1921-1928," *Labor History*, 26 (Summer 1985), pp. 423-446 and David Rosner and Gerald Markowitz, "Safety and Health as a Class Issue: The Workers' Health Bureau of America During the 1920s," pp. 53-64 in Rosner and Markowitz, eds., *Dying for Work: Workers' Safety and Health in Twentieth Century America* (Indiana University Press, 1987).

69. Derickson, *Black Lung*, p. 55.

70. Mark Aldrich, "The Perils of Mining Anthracite: Regulation, Technology and Safety, 1870-1945," *Pennsylvania History*, 64 (Summer 1997), p. 371.

71. Robert Margo, "Interwar Unemployment in the United States: Evidence from the 1940 Census Sample," p. 326 in B. Eichengreen and T.J. Hatton, eds., *Interwar Unemployment in International Perspective* (Kluwer Academic Publishers, 1988).

72. Rees, *Managing the Mills*, p. 241.

73. Carol E. Heim, "Uneven Impacts of the Great Depression," p. 33 in Mark Wheeler, ed., *The Economics of the Great Depression*,

(Upjohn Institute for Employment Research, 1998).

74. Cohen, *Making a New Deal*, p. 316.

75. David M. Kennedy, *Freedom From Fear. The American People in Depression and War, 1929-1945* (Oxford University Press, 1999), p. 88.

76. Robert S. McElvaine, *The Great Depression. America, 1929-1941* (Times Books, 1984), p. 187 and Warren Whatley and Gavin Wright, "Race, Human Capital, and Labour Markets in American History," p. 282 in G. Grantham and M. McKinnon, *Labour Market Evolution: The Economic History of Market Integration, Wage Flexibility, and the Employment Relation* (Routledge, 1994).

77. Michel de Montaigne, *Essays*, 25, p. 100.

78. Robert A. Margo, "The Microeconomics of Depression Unemployment," *Journal of Economic History*, 51 (June 1991), p. 341.

79. Cohen, *Making a New Deal*, p. 317.

80. Ester Fano, "The Direction of Technological Innovation in the Nineteen-Thirties in the United States," p. 152 in Lanthier Watelet, ed., *Private Enterprise During Economic Crisis* (Legas, 1997).

81. Victor Perlo and Witt Bowden, "Unit Labor Costs in 20 Manufacturing Industries, 1919 to 1939," *Monthly Labor Review*, 51 (1940), p. 36.

82. See David C. Mowery, "Industrial Research and Firm Size, Survival, and Growth in American Manufacturing, 1921-1946: An Assessment," *Journal of Economic History*, 43 (December 1983), p. 978 and Ester Fano, "Direction of Technological Innovation," p. 157.

83. Margo, "Interwar Unemployment," p. 326.

84. "Labor Productivity and Labor Cost, 1939-41," *Monthly Labor Review*, 53 (1941), p. 1388.

85. Roy Rosenzweig, "Organizing the Unemployed: The Early Years of the Great Depression, 1929-1933," *Radical America*, 10 (1976), p. 41.

86. *Ibid.*

87. Alex Baskin, "The Ford Hunger March," *Labor History*, 13 (Summer 1972), pp. 345-346.

88. Edith Abbott with Sophonisba P. Breckinridge and others, *The*

*Tenements of Chicago 1908-1935* (University of Chicago Press, 1936), p. 436.

89. *Ibid.*, p. 447.

90. *Ibid.*, p. 449.

91. *Ibid.*, p. 465.

92. Lowell Mellett, executive director of the National Emergency Council, to Fitzgerald Hall, p. 145 in David L. Carlton and Peter A. Coclanis, eds., *Confronting Southern Poverty in the Great Depression* (Bedford Books, 1995).

93. James Green, "Working-Class Militancy in the Depression," *Radical America*, 6 (1972), p. 2.

94. Irving Bernstein, *A History of the American Worker 1920-1933. The Lean Years* (Houghton Mifflin, 1960), p. 153. See also Howell J. Harris, *The Right to Manage. Industrial Relations Policies of American Business in the 1940s* (University of Wisconsin Press, 1982), p. 24.

95. Theodore Dreiser, *Tragic America* (Horace Liveright, 1931), p. 203.

96. Bryant Simon, *A Fabric of Defeat*, p. 118.

97. Quoted in Rees, *Managing the Mills*, p. 272.

98. Kenneth Casebeer, "Aliquippa: The Company Town and Contested Power in the Construction of Law," *Buffalo Law Review*, 43 (Winter 1995), p. 640.

99. Jim Du Plessis, "Massacre at Honea Path," *Southern Exposure*, 17 (Fall 1989), p. 62.

100. David M. Kennedy, *Freedom from Fear*, p. 318.

101. Robert S. McElvaine, *The Great Depression*, p. 226.

102. Juan Gomez-Quiñones, *Roots of Chicano Politics, 1600-1940* (University of New Mexico Press, 1994), p. 341.

103. Michael Honey, "Black Workers Remember: Industrial Unionism in the Era of Jim Crow," p. 126 in Gary M. Fink and Merl E. Reed, eds., *Race, Class, and Community in Southern Labor History* (University of Alabama Press, 1994).

104. Cletus E. Daniel, *Bitter Harvest. A History of California Farmworkers, 1870-1941* (Cornell University Press, 1981), p. 181.

105. Peter H. Amann, "Vigilante Fascism: The Black Legion as an American Hybrid," *Comparative Studies in Society and Culture*, 25 (July 1983), p. 519.
106. Rees, *Managing the Mills*, p. 244.
107. Juan Gomez-Quiñones, *Mexican-American Labor, 1790-1990* (University of New Mexico Press, 1994), p. 102.
108. Robert S. McElvaine, *The Great Depression*, p. 190.
109. Robert C. Lieberman, "Race, Institutions, and the Administration of Social Policy," *Social Science History*, 19 (Winter 1995), p. 521.
110. Neil Foley, *The White Scourge*, p. 178.
111. Wood, *Southern Capitalism*, p. 136.
112. Ester Fano, "A 'Wastage of Men': Technological Progress and Unemployment in the United States," *Technology and Culture*, 32 (April 1991), Part 1, p. 284.
113. James D. Smith and Stephen D. Franklin, "The Concentration of Personal Wealth, 1922-1969" *American Economic Review*, 64 (1974), p. 163.
114. Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy*, 2<sup>nd</sup> edition (Harper, 1947), p. 381.
115. Plotnick and others, "Inequality, Poverty, and the Fisc," p. 70.
116. Timothy J. Hatton and Jeffrey G. Williamson, "International Migration 1850-1939: An Economic Survey," p. 194 in Hatton and Williamson, eds., *Migration and the International Labor Market, 1850-1939* (Routledge, 1994).
117. Henry A. Gemery, "Immigrants and Emigrants. International Migration and the U.S. Labor Market in the Great Depression," p. 192 in *ibid.*
118. *Ibid.*, p. 180.
119. Mark Thomas, "Rearmament and Economic Recovery in the Late 1930s," *Economic History Review*, 36 (1983), p. 554.
120. Paul A.C. Kostinen, *Planning War, Pursuing Peace. The Political Economy of American Warfare, 1920-1939* (University Press of Kansas, 1998), p. 34.
121. Irving Bernstein, *A Caring Society. The New Deal, the Worker,*

*and the Great Depression* (Houghton Mifflin, 1985), p. 80.

122. Koistinen, *Planning War, Pursuing Peace*, p. 184.

123. Rosner and Markowitz, "Introduction: Workers' Health and Safety - Some Historical Notes," p. ix in Rosner and Markowitz, *Dying for Work*.

124. John Bodnar, *Workers' World, Kinship, Community, and Protest in an Industrial Society, 1900-1940* (Johns Hopkins University Press, 1982), p. 180.

125. Greer, "Racism and U.S. Steel, 1906-1974," p. 60 and Casebeer, "Aliquippa," p. 642.

126. Whatley and Wright, "Race, Human Capital, and Labour Markets in American History," p. 287.

127. Joyce Shaw Peterson, "Black Automobile Workers in Detroit, 1910-1930," *Journal of Negro History*, 64 (Summer 1979), p. 183.

128. Martin Cherniack, *The Hawks' Nest Incident. America's Worst Industrial Disaster* (Yale University Press, 1986), p. 70.

129. *Ibid.*, p. 104.

130. Dreiser, *Tragic America*, p. 196.

131. Halpern, "The Iron Fist and the Velvet Glove," p. 181.

132. Quoted in Michael R. Grey, "Poverty, Politics, and Health: The Farm Security Administration Medical Care Program, 1935-1945," *Journal of the History of Medicine and Allied Sciences*, 44 (1989), p. 322.

133. *Ibid.*, p. 321.

134. Rosner and Markowitz, *Dying for Work*, p. 89.

135. Robert W. Fogel, "Economic Growth, Population Theory, and Physiology: The Bearing of Long-Term Processes on the Making of Economic Policy," *American Economic Review*, 84 (1994), p. 388.

136. Bodnar, *Workers' World*, p. 153.

137. Rosenzweig, "Organizing the Unemployed," p. 45.

138. Jialu Wu, "How Severe Was the Great Depression? Evidence from the Pittsburgh Region," p. 146 in John Komlos, ed., *Stature, Living Standards and Economic Development* (University of Chicago Press, 1994).

139. *Ibid.*, pp. 146-147.

140. *Ibid.*, p. 147.

141. Carlton and Coclanis, *Confronting Southern Poverty*, p. 61.

142. Edward J. Escobar, *Race, Police, and the Making of a Political Identity. Mexican Americans and the Los Angeles Police Department, 1900-1945* (University of California Press, 1999), pp. 30, 79, and 169.

143. David Rosner and Gerald Markowitz, *Deadly Dust. Silicosis and the Politics of Occupational Disease in Twentieth-Century America* (Princeton University Press, 1991), p. 69.

144. *Ibid.*

145. Alan Derickson, *Black Lung*, p. 107.

146. *Ibid.*, p. 110.

147. *Ibid.*, p. 98.

148. *Ibid.*, p. 108.

149. Harold M. Baron, "The Demand for Black Labor: Historical Notes on the Political Economy of Racism," *Radical America*, 5 (March-April 1971), p. 28.

150. Quoted in James B. Atleson, *Labor and the Wartime State. Labor Relations and Law During World War II* (University of Illinois Press, 1998), p. 25.

151. Thomas E. Hall and J. David Ferguson, *The Great Depression. An International Disaster of Perverse Economic Policies* (University of Michigan Press, 1998), p. 155.

152. Hugh Rockoff, "The United States: From Ploughshares to Swords," p. 95 in Mark Harrison, ed., *The Experience of World War II: Six Great Powers in International Comparison* (Cambridge University Press, 1998).

153. Harold G. Vatter, *The U.S. Economy in World War II* (Columbia University Press, 1985), p. 17.

154. *Ibid.*, p. 19.

155. Carlos A. Schwantes, "Wage Earners and Wealth Makers," p. 453 in A. Milner II and others, eds., *The Oxford History of the American West* (Oxford University Press, 1994).

156. Richard White, "It's Your Misfortune and None of My Own." *A History of the American West* (University of Oklahoma Press, 1991), p.; 496.

157. *Ibid.*, p.

158. *Ibid.*, p. 497.

159. *Ibid.*, p. 499.

160. *Ibid.*, p.

161. Christopher K. Tucker, *The Role of Government in Supporting Technological Advance*, doctoral dissertation, Columbia University, 1999, p. 251.

162. Robert Higgs, "Private Profit, Public Risk: Institutional Antecedents of the Modern Military Procurement System in the Rearmament Program of 1940-1941," p. 188 in Geoffrey T. Mills, ed., *The Sinews of War* (Iowa State University Press, 1993).

163. Gregory Hooks, *Forging the Military-Industrial Complex. World War II's Battle of the Potomac* (University of Illinois Press, 1991), p. 127.

164. *Ibid.*, p. 129.

165. *Ibid.*, p. 141.

166. See Bill Luchansky and Gregory Hooks, "Corporate Beneficiaries of the Mid-Century Wars: Respecifying Models of Corporate Growth, 1939-1959," *Social Science Quarterly*, 77 (June 1996), p. 309, and Robert Higgs, "Private Profit, Public Risk," p. 179.

167. Vatter, *The U.S. Economy in World War II*, p. 56.

168. White, "*It's Your Misfortune and None of My Own*," p. 496.

169. John F. Walker and Harold G. Vatter, *The Rise of Big Government in the United States* (Sharpe, 1997), p. 65.

170. *Ibid.*

171. *Ibid.*

172. Vatter, *The U.S. Economy in World War II*, p. 112.

173. Labor Research Association, *Trends in American Capitalism. Profits and Living Standards* (International Publishers, 1948), pp. 80 and 98.

174. James B. Atleson, *Labor and the Wartime State. Labor Relations and Law During World War II* (University of Illinois Press, 1998), p. 136.

175. Gregory Hooks, *Forging the Military-Industrial Complex*, p. 186.

176. Paul A.C. Koistinen, "Mobilizing the World War II Economy: Labor and the Industrial-Military Alliance," *Pacific Historical Review*, 62 (November 1973), pp. 463 and 467.

177. Atleson, *Labor and the Wartime State*, p. 204. See also pp. 35-36, 135, 189-191, and 195.

178. Karl E. Klare, "The Quest for Industrial Democracy and the Struggle for Industrial Democracy and the Struggle Against Racism: Perspectives from Labor Law and Civil Rights Law," *Oregon Law Review*, 61 (December 1982), p. 169. See also Howell John Harris, *The Right to Manage. Industrial Relations Policies of American Business in the 1940s* (University of Wisconsin Press, 1982).

179. Robert J. Goldstein, *Political Repression in Modern America From 1870 to the Present* (Schenkman Publishing Company, 1978), p. 284. See, also, p. 5.