

# Demagogy and Unemployment Insurance in the United States

By SAM DARCY

**I**N Marx's preface to the first edition of *Capital*, he says:

"The English Established Church will more readily pardon an attack on 38 of its 39 articles than on 1-39 of its income."

Marx might just as well have spoken of any oppressor class—of ours, for example, and of the savagery with which it met our demands for social insurance during the past 18 months. The theoreticians of the bourgeoisie (not without a degree of support from the economics of Lovestone and Scott Nearing) had sung the lullaby of permanent prosperity to the too-willing ears of the middle class, the captains of industry, and the rentiers. The first aggressive demands for social insurance by the workers which reached the bourgeoisie in this "prosperity" mood brought a shrieking "No" from the masters who believed (or, better, wanted to believe) that the crisis was, in the words of the Great Engineer himself, only a temporary "maladjustment." The thick-skulled parrots who repeated the phrases of Lovestone's theses have not learnt anything. But the writers of *Recent Economic Changes* have been somewhat affected by events since the dramatic stock market crash. Amongst other things the bourgeoisie is re-examining its tactics against our fight for social insurance, with a view to leading the masses away from this militant struggle. Precisely with the view of protecting its income it is formulating a more clever, more deceiving program, which may even call for the establishment of an alleged social insurance law in order to defeat the movement for real social insurance generated by our Party.

It is important that we examine the discussion on this question going on in the camp of our enemy, so that we may understand their next moves and know how to fight them more effectively.

## PREPARING THE CAMPAIGN OF DEMAGOGY

At this moment dozens of capitalist agencies are investigating the question of social insurance, chiefly in regards to unemploy-

ment, and preparing reports for the next Congress. Just to mention a few of the outstanding investigators:

The A. F. of L. Executive Council is preparing a report to be discussed at the Council meeting in Washington, May 5.

Hoover's Emergency Committee headed by Policeman Woods is investigating all plans and will soon publish its proposals.

Senators Wagner, Glenn, and Herbert are a committee to hold hearings in New York and Chicago and report not later than December 7.

The Chamber of Commerce of the United States has a sub-committee formulating a program.

Several states (New York, Connecticut, and others), have special committees working out proposals.

Hearings have already been held on proposed bills (California, for example), and the legislatures are now marking time waiting for a "steer" from the federal government.

The recent conference of self-styled progressives chose a committee headed by a Mr. Lubin to work out proposals which will presumably be presented to the next Congress.

But these capitalist agencies are not merely discussing. Already one group is campaigning against another to gain support for its particular plan of defeating the workers' struggle for social insurance. Thus President Hoover has appointed J. R. Alpine, once president of the A. F. of L. plumbers' union, and runner-up candidate to Doak in the Department of Labor, to "reconcile organized labor to the administration's substitute employment service plan, instead of the Wagner plan it urgently supported," in the words of the Scripps-Howard news service.

The change in their method of fighting our social insurance demands is most clearly expressed in the *Wall Street Journal*. One year ago this leading voice of finance capital shouted "No" with the rest. It denounced social insurance proposals as visionary schemes conceived by Moscow to increase taxes on the poor starving stockholders; this year (March 13, 1931, issue, Pacific Coast Edition) it makes what superficially at least seems like a complete about-face. Under the heading "Job Insurance to Face Nation," a front page article all but declares for social insurance, at least in name. It says:

*"There appears insufficient realization in quarters which should be most interested, of the progress which proposals for unemployment insurance have made in the last few months. It is not impossible that the next Congress will enact legislation on the subject. If that does not happen, it is almost certain that both party platforms in 1932 will promise some action."*

## "GIVING FREE ICE AT THE NORTH POLE"

From all this to-do the innocent and naive might believe that the misery of the masses has moved the ruling class to action. Such altruism is unknown to our bourgeoisie. In the very same article of the *Wall Street Journal* the following comment is the first warning as to what this sheet means by unemployment insurance:

"It may be regarded as fortunate that the (Congressional) inquiry is in the hands of such a man as Senator Wagner. He is unlikely to undertake wildly impractical schemes and he is quite well aware of what might be involved in a scheme unwisely constructed or administered."

A more direct refusal of the demands of the workers *for* (1) *adequate insurance*, (2) *at the expense of profits*, and (3) *to be administered by the workers*, could hardly be formulated.

In fact, if we examine the proposals of the various capitalist agencies who profess to be for social insurance from the point of view of which proposal will most help raise the standard of living of the working class, we can find little difference amongst them. There is, for example, a syndicated bill sent out by the American Association for Labor Legislation which with slight local adaptations is being championed by some state federations of the A. F. of L. As presented by the Marysville convention of the California State Federation of Labor this bill is (1) a powerful weapon in the hands of the bosses against the workers, (2) it is aimed to give more relief to the bosses than to the workers, and (3) the workers carry the burden of supporting the fund.

## HYPOCRISY OF A. F. OF L. BUROCRATS

These are not rhetorical statements but based on a careful examination of the provisions. We cite below some sections of the bill to prove this:

Section 5: An employee shall not be entitled to benefits:

- 1—If he has lost his employment thru misconduct; or
- 2—If he has left his employment voluntarily without reasonable cause; or
- 3—If he has left or lost his employment due to a trade dispute in the establishment in which he was employed, so long as such trade dispute continues.

Who that knows factory life will not realize how these provisions would further enslave the workers? The terror, fear, and uncer-

tainty which already fill the life of the factory worker today are not sufficient for the A. F. of L. bureaucrats. They must strengthen the hand of the boss still more; but with characteristic hypocrisy they do this under the guise of fighting for social insurance.

But maybe we could barter our alleged liberty for those things which the bill lists as "benefits." Again we must cite the provisions of the bill as to what benefits it proposes to give and thereby prove also our contentions, 2 and 3:

Section 4, Point 3—Benefits shall be paid to an employee only;

- a) If he has been employed by one or more employers in the state for not less than 26 weeks during the two preceding calendar years;
- b) If he has paid his contribution towards the unemployment reserve fund for at least 26 weeks during the two preceding calendar years.

Section 4, Point 2—Benefits shall be paid for a period to be fixed as provided herein but not for more than 13 weeks in one calendar year nor in a greater ratio than one week of benefit to four weeks of employment . . . during the two preceding calendar years. . . .

Section 1, Point 1—An "employment" except where the context shows otherwise means any employment for hire within the state except employment as a farm laborer.

The above three points (1) *eliminate 400,000 workers on farms*, who make up the largest single section of the working class in California; (2) *eliminate everybody from insurance for two years after the bill becomes law*; (3) *eliminate the most needy section of the working class*—the disemployed for whom industry under capitalism has no room; (4) *eliminate the partially unemployed* who have not had work for six months in two years before benefits are supposed to be paid; (5) allow actual payments in such manner that a man who has had a job for only half a year in the two years after the bill goes into effect, and is out of a job for one whole year, can get three months' benefit if he meets all the other requirements—and this writer honestly believes that not much more than a baker's dozen could be found in the state who would satisfy all the other requirements.

We are not taking the trouble to cite all the other conditions in detail. For example, the bill provides that a man must take any job open to him even if the prevailing wage is \$6 or \$8 a week and by his skill he qualifies for a \$40 a week job. There are many more, but these are enough.

Under these limitations only a rare and esoteric group of craven worms would be concerned, because of meeting the qualifications,

as to exactly how much the benefit would amount to—but here it is: \$7 for a single man, graduating to the tremendous sum of \$12 for a married man. With bread at 10 to 15 cents a small loaf, and butter at 40 cents a pound, the unemployed have a bright future indeed under capitalism if this generous bill ever becomes law.

BUT REAL AID IS GIVEN—

But stay! We almost forgot. The above shows that the unemployed do not get any help. But how about the bosses?

The fund is to be raised by taxing the workers 1% weekly on their wages, and the bosses 2% of the payroll. It is forgotten to stipulate that the bosses shall not make the workers pay all by cutting wages 2% or by speeding production just a wee bit.

But this fund (remember, it is proposed by the A. F. of L. bureaucrats) is to be turned over to an industry board of five “appointed by the director of the department of industrial relations” of the official state government, “at least three of whom shall be employers.” The labor fakers are indeed humble. Not even equals with their masters—even with the hypocritical mask of the usual “impartial” chairman, appointed by the governor. No. The governor appoints the whole works and, says the A. F. of L. bureaucracy, at least three shall be employers.

But here is the crowning glory of this “insurance bill for workers.” The fund at the discretion of this board (of employers) need not be given out to the unemployed at all, irrespective of whether they have met all the requirements, but may be invested and used (Section 23, Point 2c) “to award dividends to employers based on their experience in maintaining regular employment.”

We cite the sections carefully because otherwise few readers will find it possible to believe that in this age of literacy such an amazing piece of chicanery would be attempted even by the California labor leaders, already notorious throughout the world for such jobs as the Mooney-Billings frame-up.

MUCH ADO ABOUT NOTHING

The A. F. of L. officials find it necessary to play this farce because they first, of all the agents of the bosses, feel the pressure of the growing militancy of the workers. If one is to test whether the deception works there must be the full cast brought onto the stage. And so the National Association of Manufacturers has declared itself against the bill. In fact it sent its general counsel, J. A. Emery, to make speeches against it. That this gentleman should play his

part in the great controversy over the A. F. of L. proposed bill (the title of the comedy is "Much Ado About Nothing") is not surprising. But the arguments he makes are very instructive.

#### OUR FRIENDS ARE APPOINTED AND THEN QUOTED

He calls to witness a whole series of "friends" of the working class. First Francis Place whom he calls "a distinguished radical of more than a century ago." Students of history will remember Place as a renegade who deserted the revolutionary movement of the time to become a prosperous manufacturer and a bourgeois member of Parliament. Of this character he quotes that man "must submit himself to the pain he cannot avoid without abandoning his duty." Meaning in plain English that a worker out of a job should starve patiently and, without complaint or violence because he cannot avoid it any way and because it is his duty. It would labor the point to answer such religious twaddle.

The next friend of the workers that the chief lawyer of the manufacturers calls is none other than Mrs. Sidney Webb, mate to Mr. Sidney Webb since made over into Lord Passfield by the King of England—no doubt for having such a smart wife. She says about that churchmouse's crumb called unemployment insurance in England: "The present state of things is intolerable and if it is permitted to continue it will bring about a national disaster. Relief out of public funds may itself become a disease of society." Lady Passfield's trepidation can be understood when it is known that her husband is now a member of the King's court and that national disaster to her means the overthrow of capitalism.

In addition he calls upon J. H. Thomas of Great Britain and Dr. Leo Wolman of New York—we've heard of both of these before—who prove that *giving relief to the unemployed is bringing about depressions!* Amazing—but true. Karl Marx should never have confused us in the first place with any theories to the contrary!

#### CAPITALIST PRODUCTION BEYOND CAPITALIST CONTROL

However, after passing over these immortal intellectual contributions we come to some serious admissions from so leading an adviser to the powerful manufacturers' association.

Unlike Lovestone he recognizes that the United States is subject to the same crises and economic laws, with allowance for uneven development, that all other countries are. Showing that United States capitalism is heading for the situation that England and Germany are now in, he warns against any concession to the working

class. Especially does he urge in this direction since the perspective in the long run is for *increased unemployment* because of the anarchy in capitalist production, and "each year will witness new demands for the enlargement of the benefits, the inclusion of new beneficiaries and the expansion of the fund." First he absolves the entrepreneur from responsibility for the unemployment situation, placing the forces which control capitalist economy beyond the control of the capitalist. The circumstances make him see the impossibility of an "organized capitalism," that swan song which Lovestone tried to sing for the revolutionary movement. Emery says to the manufacturers:

"It is true that within limits incompetent management may be responsible for the failure of a particular enterprise, but, broadly speaking, neither individual nor corporate employers can control the circumstances which make for the rise and fall of the demand for commodities or services which reacts upon the expansion and contraction of all forms of employment. . . . Therefore with every effort upon your part, your capacity to maintain your industries rests upon a variety of circumstances, affecting your customers not merely in the United States but throughout the world, over which you can exert little control."

#### THE IRRECONCILABLE CONTRADICTION

But conveniently forgetting the source of the manufacturers' profits he holds that the inability of the manufacturer to organize capitalism takes from him any responsibility for the unemployed who are brought into being by this chaos. He then warns the boss class against any social insurance proposals based on the experiences in European countries:

"In Germany the original rate of assessment [for the insurance fund] was  $1\frac{1}{2}\%$  of the employers' payroll and an equal amount of the employees' wage. By January 1, 1930, this was raised to  $1\frac{3}{4}\%$  in each instance. In July, 1930, it was increased to  $2\frac{1}{2}\%$  for each, and by October the present assessment of  $3\frac{1}{4}\%$  of the employer's payroll and the employee's wage was in effect. Today the total assessment is thus  $6\frac{1}{2}\%$  of the wage fund and the solvency of the insurance reserve is maintained only by continuous government loans, which have lifted the present cost for the year to some \$372,000,000.

"The British experience is even more illuminating. Beginning with limited benefits under the act of 1912 necessity has enlarged the scheme under continuous pressure until time limitation upon the benefit has been abandoned and it endures as long as unemployment continues. Beginning as is proposed here as a joint contribution of employer and employee to a common fund for which the state paid the cost of administration, the government has been called upon to loan steadily to maintain the fund's solvency. The cost for the

last year approximated \$520,000,000. Within a fortnight, we have heard the Chancellor of the Exchequer, speaking for the fiscal department of the Labor government, warn the Parliament that industry could not stand another penny of tax for social purposes without irreparable injury. Within forty-eight hours the same Chancellor had moved that the limitation upon the loans which the government may make to the insurance fund shall be lifted from \$350,000,000 to \$450,000,000."

The struggle over the question of social insurance is a part of the class struggle—namely, a struggle between the classes for a larger share of the totality of production. Emery's formulation of the problem for the American capitalist class is aimed at pointing out the lesson of England and Germany, and directing attention towards finding a way whereby the parasitism which capitalism creates by eliminating millions of humans from industry shall not affect the profits of the owners. His program is that the unemployed should starve to death and eliminate themselves as a problem, or that the rest of the working class should carry the burden of feeding them. Just as the workers have always fought directly on the questions of hours and wages in order to obtain the highest possible standard of living, so in a period of unemployment, premature old age increasing with the intensity of the exploitation of labor, and accidents growing greater with the speed of production, the working class must fight to obtain the greatest degree of social insurance *at the expense of profits* in order to recoup as much as possible in living conditions of what it automatically loses by the very development of capitalist production. The contradiction which Emery sees in Snowden's action increasing loans to the insurance fund in the face of the danger of "irreparable injury" is easily explainable by the stage which British imperialism has reached. It has only one possible synthesis. Soon the workers will discover, despite these dry bones thrown by the Snowdens, who weep with every penny spent for workers' relief while they help the capitalist class to plunder at an unparalleled rate, that the problem is only solvable as the Russian workers and peasants solved it. The only real guarantee against unemployment that is possible is the establishment of the inviolate right to participate usefully in production, and that can exist only under Socialism, such as is being built in the U.S.S.R. Unemployment insurance can at best be a temporary arrangement for decent living until industry can be adjusted to the required conditions, as in the earlier stages of the U.S.S.R., or at worst a constant struggle — even after the bill becomes a law as the experience of Great Britain and Germany has shown — to keep a bare animal existence, as is the case in all capitalist countries where the law has



been adopted. Under capitalism laws are not administered for the benefit of the workers but in the interests of the ruling class.

#### UNEMPLOYMENT INSURANCE AND ITS ROLE IN WAGE CUTTING

But in the United States even this minimum concession has not been granted to the workers. The boss class in the country is moving very cautiously and not granting one soup bowl more than it is forced to. The real reason for this is frankly stated in the statement of the general counsel of the National Association of Manufacturers. He throws to the winds Hoover's and Green's nonsense about the fear of corrupting the "rugged individualism of the American worker" and frankly states:

"The real danger of unlimited relief of unemployment lies not in the fear of demoralizing individual workmen, but in the fear of demoralizing governments, employers, and trade union officials so that they take less thought about prevention of unemployment."

But "thought about prevention of unemployment" does not mean some vague economic science which must be evolved. It means, says our informant, that,

"The fear of causing unemployment may vanish from the minds of trade union negotiators and lead to excessive rigidity of wages and so to unemployment."

Translating this into the language of the worker it means that through not giving unemployment insurance the workers will be forced to accept the agreements of the official trade union fakers for lower wages so that the bosses may successfully compete with the other imperialist powers for foreign markets, thereby maintaining production and preventing unemployment in the United States. Understanding the law of the limits of world consumption in contradiction to unlimited expansion in production, one would be a hopeless idiot to accept this as a solution for capitalism, a prevention of unemployment. But what is clear from the very formulation of the spokesman of the manufacturers is that the struggle for unemployment insurance is not only a fight for increasing the share of the working class as a whole in the national income, but is more specifically also a struggle against wage cuts.

#### AGAINST SOCIAL DEMAGOGY

It is for these reasons that our struggle for social insurance has been so bitter, and will take tremendous effort in militant struggle on the part of the working class before we can force the ruling class

to grant it. Our Party, in the course of the struggle, must be ever alert that the workers are not led into reformist channels, such as any support to the attempts of the A. F. of L. to win support for the bill cited in this article. We must expose the farce played between the A. F. of L. and the manufacturers and clarify the atmosphere by pressing our proposals forward more boldly than ever. We must fight not only for social insurance, but for adequate social insurance managed by the workers at the expense of the profits of the bosses.

