LABOR
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and
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STRUGGLE

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From Surplus Value to Unit Labor Costs:
The Bourgeoisification of a Communist Conspiracy

[N]either nominal wages, i.e. the sum of money for which the worker sells himself to the capitalist, nor real wages, i.e. the sum of commodities which he can buy for this money, exhaust the relations contained in the wage.

The wage is above all determined by its relationship to the gain, to the profit of the capitalist—comparative, relative wages [Marx 1959, 413].

The American Federation of Labor is the first organization of Labor in the world to realize the importance of the factor productivity in economic society. It no longer strives merely for higher money wages; it no longer strives merely for higher real wages; it strives for higher social wages, for wages which increase as measured by prices and productivity [Green 1927a, 919–20].

Among the thousands of potential statistical candidates for substantive and methodological scrutiny, the category of unit labor cost(s) (ULC) seems as innocuous as any. Yet the origins and transformations of ULC discourse make it peculiarly appropriate for critical historical analysis. For the path from Marx’s proto-conceptualization of exploitation in terms of “relative wages” to the American Federation of Labor’s formulation of a “social wage” policy in the 1920s and from there to ULC as an indicator of business well-being and national competitiveness has been tortuous.

The analysis begins with a brief preview of the contemporary official and orthodox economic understandings of ULC as a measure of how much firms must pay out in current (inflated) wages per hour to produce a fixed unit of physical (or deflated) output. ULC is then contrasted with an alternative approach, which, by relating real wages to real output, directs attention to class-distributitional income shares. The focus then shifts to the statistical progenitors of ULC. The first way station is the adoption by the conservative American Federation of Labor (AFL) in the 1920s of a collective bargaining wage policy that was based on a notion of labor’s share in national income that was suspiciously reminiscent of Marx’s original (pre-Kapital) analysis of capitalist exploitation. After solving this mystery, the essay examines the methodological contributions during the New Deal and World War II by a small group of U.S. government economists—whom McCarthyites later hounded out of employ-
ment—to the creation of the statistical underpinnings of the components of labor's share or ULC. The final part of the account is devoted to the postwar transformation of ULC, which ultimately hegemonized productivity discourse in the service of "neutral" inflation-fighting. This scholarly and popular-propagandistic triumph is shown to have been institutionally forged by the U.S. Bureau of Labor Statistics and the President's Council of Economic Advisers.

In sum, then, as different class interests reconfigured the components used in calculating ULC, the statistic underwent a transformation—from a datum to which workers could appeal to press for a share in the surplus to one that discounted workers' contributions to the surplus through inflation adjustments and supported employers' arguments against wage increases based on low productivity gains.

**ULC Today**

The bipolar class distribution of income (Y) can be recast in the categories of official national income accounts by reference to the wage (or labor) share (W/Y) and the capital (or property) share (P/Y). If Marx's relationship of the rate of surplus value ("the degree of exploitation of labor power by capital") (Marx 1867, 185) is approximated by (P/Y)/(W/Y) or P/W, then any discussion of labor's share necessarily implicates surplus value extraction. If aggregate real wages (W_r) are divided by the total hours of labor (L), then the real hourly wage (W_r/L) is the result. Similarly, if real national income (X) is divided by L, the resulting magnitude (X/L) represents output per hour of labor or productivity. Finally, if both the numerator and the denominator of labor's share are divided by the total number of hours, the resulting expression, (W_r/L)/(X/L), reveals that labor's share is equivalent to real hourly wages divided by hourly output or productivity (Sherman 1991, 157-58; U.S. BLS 1988, 33). Analysis of the movements of this expression, real ULC (RULC) (Hoffmann 1971, 578), may therefore also implicate social struggles over the class distribution of income and the extraction of surplus (Buchele & Christiansen 1993).²

As defined by the U.S. Bureau of Labor Statistics (BLS), ULC "measure the cost of labor input required to produce one unit of output and are derived by dividing compensation in current dollars by output in constant dollars" (U.S. BLS 1992, 80). The full version of ULC as labor compensation per unit of output is arrived at "by dividing compensation per man-hour by output per man-hour." The numerator and denominator are asymmetrical inasmuch as the output is expressed in constant dollars.
whereas the compensation data derive from "current dollars" (U.S. BLS 1974, 9, 184).^3

In formulating ULC in this way, economists adopt the perspective of the employer, who "is interested in two things: how much it costs him to hire a man-hour of labor and how much output he is able to obtain from this man-hour" (Reynolds 1949, 326). But because wages are simultaneously incomes to workers and costs of production to employers (Mark & Kahn 1965, 1056), the businessman's microeconomic perspective is transformed into a statistical basis of macroeconomic policy. In particular, the BLS has emphasized that if productivity increases can offset increases in hourly wages, "pressure to increase prices will lessen in a competitive economy" (U.S. BLS 1988, 33). ULC thus synthesize a number of economic dimensions crucial to analyzing aggregate profitability: total labor time, volume of production, productivity, and wages. ULC are therefore commonly viewed as measuring "changes in the competitiveness of a country's total manufacturing" (Artto 1987, 47).

The contrasting trends of ULC and RULC stand out clearly in Figure 1, which presents data for all persons in manufacturing since 1947 (U.S. BLS 1989, 348–50; Monthly Labor Review 1994, 93). ULC has moved steadily upwards during the entire postwar period, whereas RULC has declined almost as sharply. To be sure, however, ULC's progress has not been uninterrupted.

Economists consider declining ULC a positive (lagging) business cycle indicator because productivity increases in excess of wage increases during the contraction and early expansion phases point to mounting profits (Moore 1955; Crotty & Rapping 1975, 796–98; Kendrick & Grossman 1980, 90–96). The impact that the Reagan administration's anti-union and anti-labor policies had on ULC, for example, has been touted as the foundation of the cyclical upswing during the 1980s (Cullity 1990).^4

The cyclicity of ULC has, in effect, been a staple of business cycle theory since Marx theorized the cyclical movements of the rate of surplus value as determined by the accumulation of capital (and, derivatively, unemployment) and conceptualized the functionality of depressions for restoring profitability (Marx 1867, 599–632). In the early part of the twentieth century, Wesley Mitchell revived interest in the class implications of the business cycle. In particular, he called attention to the fact that wage rates rose slowly at the start of a trade revival whereas wholesale prices rose faster than wages. On the productivity side, "the less efficient employees are the first to be discharged after a crisis. Hence the relatively small working forces of depression are the picked troops of the industrial army." At the height of the prosperity phase, however, "the relatively inefficient reserve army of labor is . . . called into service," while overtime is both expensive and "tired labor" so that workers become "unable to
accomplish as much work per hour as in less busy seasons." Moreover, "men cannot be induced to work at so fast a pace when employment is abundant as when it is scarce." Consequently, "this combination of advancing prices for labor and declining efficiency produces a serious increase in the cost of getting work done. . . ." (Mitchell 1941, 31-34).

During the Great Depression of the 1930s, labor economists also observed that physical output per man-hour "leaped ahead in spectacular fashion" vis-à-vis real wages because inefficient firms and workers were subject to ""weeding out"" while the fear of unemployment spurred the remaining workers to greater efficiency (Mills & Montgomery 1938, 154).

The Reddening of the American Federation of Labor

Since the mid-1920s, when the AFL announced its new wage policy according to which "[s]ocial inequality, industrial instability and injustice must increase unless the workers' real wages . . . are progressed in proportion to man's increasing power of production" (AFL 1925, 271), unions, capital, and the state have sought to develop economic indicators to determine the degree to which labor is achieving this objective and what the macroeconomic consequences of a productivity-centered wage policy are.

This task assumed particular urgency during the "New Capitalism" of the 1920s when "[a] surge . . . in productivity, probably exceeding in its intensity and rivaling in the scope and magnitude of its effects the advance which has given the label of 'industrial revolution' to the events of the late 18th and early 19th centuries in England, was under way" (Mills 1932, 556). Consequently, "physical product . . . leaped ahead of real earnings" (Mills & Montgomery 1938, 152), bringing about "substantial declines in labor costs per unit of product" and causing "profit margins . . . to swell." The fact that "[t]he reward of labor for its contribution to each unit (i.e., labor per unit for goods produced, in dollars of constant purchasing power) was declining" was another way of saying that "[f]or wage earners in manufacturing industries contributions in excess of withdrawals were piled up" (Mills 1932, 397, 550-51, 553). The cumulative result of this redistribution of income from labor to capital, overaccumulation of capital, and overproduction of commodities was the unprecedented Great Depression of the 1930s (Douglas 1930, 504-48; Leven, Moulton, & Warburton 1934, 125-33).5

In the midst of this monumental redistribution process, the delegates to the forty-fifth annual convention of the AFL assembled on the boardwalk at Atlantic City in October 1925 voted to approve a new wage policy—and, The New York Times certified, "not one Communist was there to
dissent” (Clark 1926, 1). The immediate background to their deliberations extended to the wage and price experiences of World War I. War-time union contracts and labor arbitrations had embodied the principle that money wages should increase in tandem with the cost of living. When employers sought to enforce the principle in reverse by demanding wage reductions as prices fell after the War (Soule 1968, 218), the AFL attacked the cost-of-living-centered wage policy as “a violation of the whole philosophy in progress and civilization and . . . utterly without logic or scientific support . . . .” Moreover, the Federation objected to that policy’s tendency “to standardize classes, each class having a presumptive right to a given quantity of . . . commodities.” Desiring but not yet in a position to formulate a “scientifically sound” policy, the 1921 AFL convention aspired to find a “method of relating standards of living to social usefulness, or production service,” and authorized the Executive Council “to conduct an investigation into the whole question of wages and cost of living” (AFL 1921, 68, 314).

The committee that was appointed to investigate failed to meet during the following year because it lacked the funds to survey wage theories. Instead, the committee’s executive secretary, Matthew Woll, reported to the 1922 convention “that a wage based solely upon costs of living . . . bears no direct relation to production or service rendered. However, a wage based upon productivity . . . must accept as an initial standard a wage based upon human needs and aspirations . . . without reference to the other considerations that enter into a wage which compensates for productivity. . . .” Nevertheless, Woll stated that productivity should be among the factors forming “the basis for wage increments” (AFL 1922, 34–35).

One wage theory available for elaboration by the labor movement was that of “increased productive efficiency,” which had first been unsuccessfully advanced by railway unions in a wage arbitration in 1910 and 1913 to justify higher wages based on increased productivity and profits (Stockett 1918, 129–57; Lauck 1929, 32–40, 160–61). The articulation of productivity-linked wage policy received a more effective impetus at the same time from complaints by the International Association of Machinists, the union representing workers at U.S. navy yards and arsenals. Because they were, as government employees, unable to project the same kind of strike threat that undergirded other unionists’ collective bargaining demands, their wages had traditionally been set by reference to those prevailing in neighboring plants; during World War I they were also increased in response to rises in the cost of living. But when postwar wage reductions spread among civilian plants, the Machinists sought a new wage policy (Soule 1968, 218). The House of Representatives promptly held hearings on a bill to create a wage board for employees
of navy yards and arsenals that would have been required to take into consideration "[t]he average change in per capita productivity of manufacturing industries in the United States over a period covering the preceding ten years" as well as "[t]he progress made in per capita production in manufactories in the United States since 1900 which has not already been reflected in increased wages" (U.S. House of Representatives 1922, 1).

These provisions of the bill, which the AFL supported (AFL 1923, 305-306), were based on a study, commissioned by the Machinists, and carried out by Labor Bureau, Inc., under the direction of the economist George Soule, whom at his death a half-century later The New York Times still recalled as a believer in socializing the means of production ("George H. Soule" 1970). In his "Report on the Relation Between Wages and Production," which was appended to the hearings, Soule, waiving for the time being the contention that "the present wage basis does not represent a sufficiently large share of the Nation’s income," argued that in order to maintain the workers’ current share, real wages would have to be increased by the ten-year moving average increase in production per wage earner (designed to avoid violent fluctuations in wages) (U.S. House of Representatives 1922, 28-29). By publishing condensed versions of his recommendation and data on production, real wages, and wage shares in leading social science journals in 1922 and 1923, Soule was able to promote a broader public discussion of productivity-linked wage policy (Soule 1922; Soule 1923).

Soule’s Labor Bureau, Inc. devoted special attention to the issue in its new periodical, Facts for Workers, which immediately announced that “even . . . the most conservative economic doctrine” justified unions’ demands for wages that took into account the workers’ increased productivity ("Does Hard Work Bring More Pay?" 1923). After pointing out that real wages can be increased by maintaining a constant share of a larger product, a larger share of the same product, or a larger share of a larger product, the newsletter, which noted that the share of wages in manufacturing value added had in fact been declining in the twentieth century, made no effort to conceal the zero-sum class conflict inherent in Soule’s approach:

Under capitalist production there is a more or less definite limit to the share workers can obtain, though where that limit is has not been ascertained. There is certainly no reason to believe that the share of the other productive factors . . . cannot be diminished without injury to the economic structure, even on the assumption that the capitalist order is the ultimate form of economic organization ["Wage Theories and Arguments" 1924, 1].

By the time of its 1925 convention, the AFL’s Committee on Resolutions, in response to the Executive Council’s report, which opposed wage
reductions in the textile industry on the grounds that they reflected wasteful management and would contribute to depression, urged workers to oppose reductions everywhere and managers to reduce waste. John Frey of the Molders' Union, "a stanch conservative, [who] frequently concentrated his fire on radicals within labor more readily than upon employers" ("John P. Frey Dies" 1957), then moved to amend the Committee's report by adding the following sentence: "Social inequality, industrial instability and injustice must increase unless the workers' real wage, the purchasing power of their wages, is advanced in proportion to man's increasing powers of production." Frey's purpose was to induce the union movement to define its wage philosophy beyond vague phrases such as "a fair day's wage for a fair day's work," "a living wage," or "a full return for the value of his services to society." A sharp debate ensued, in the course of which Woll, an AFL vice-president and Republican who had been Gompers' choice as his successor, argued against adoption of Frey's "productive wage theory" on the ground that the AFL should not commit itself to one single theory. Indeed, for Woll, "the less we have to do with theory in these matters the better off we are, because . . . our crude judgment expressed in trade union movement activities has gained more for us." When Frey failed to accede to Woll's demand for modification, the matter was referred back to committee, which recommended adoption of Frey's amendment, which was then unanimously approved (AFL 1925, 36, 231–33, 271).

William Green, the organization's new president and "an uncomplicated intellectual mediocrity" (Bernstein 1966, 96), immediately began devoting himself to explaining the new policy. In an address in January 1926 before the Chicago Forum, Green, speaking "as a member of the Baptist Church and not as a labor leader," insisted that:

Labor . . . contends that labor's reward shall not be merely enough to meet the requirements of the family budget, but that, in addition, it shall be representative, in full measure, of labor's contribution to industry.

This shifts the whole wage basis from the places where it has been erroneously placed, namely, the cost of living, a living wage or a saving wage. All of these bases are too intangible, too, indefinite, and too susceptible to conflicting interpretations.

The developments of modern industry have inevitably placed the basis of wage demands and wage theories upon the eternal principles of equity, justice, fair dealing and frankness ["Asks High Standard" 1926].

The next month Green told Princeton University undergraduates that if firms failed to pay workers real wages sufficient "'to buy back the commodities they produce . . . industry will be confronted with a surplus of idle goods'" ("New Wage Theory" 1926). After the AFL Executive
Council confirmed its commitment to the new “cultural wage” (AFL 1926, 47), Green added this gloss to the AFL’s new Weltanschauung in an editorial in the AFL’s monthly magazine, which The New York Times thought important enough to report as news (“Says Labor Enters New Pay Fight Era” 1927):

In the earliest period organized labor struggled for higher money wages. A second period in the wage policy began as organized labor realized that the amount of money is no adequate measure for deciding whether a wage is high or low, and that it is necessary to relate money wages to prices. Then organized labor struggled for higher real wages—that is, wages that would buy more.

Very obvious changes in prices induced organized labor to realize the necessity for calculating in real wages.

Very obvious changes in productivity of labor today induce organized labor again to widen its wage policy.

Higher money wages from an economic point of view do not improve the situation of the worker if prices increase more than money wages.

Higher real wages from a social point of view do not improve the situation of the worker if productivity increases more than real wages.

For higher productivity without corresponding increase of real wages means that the additional product has to be bought by others than the wage-earner. This means that the social position of the wage-earner in relation to other consumers becomes worse . . . [Green 1927a, 919].

Although it is implausible that Green consciously sought aid in Karl Marx’s theoretical defense of trade union wage demands, his language was strongly reminiscent of the reasoning that Marx had used in an address to the General Council of the First International in 1865 to refute the claims of one of its members, a carpenter named John Weston, that a general increase of wage rates did not benefit the working class. In discussing the case of an increase in productivity that cheapened a worker’s “necessaries” so that after a wage reduction his real wages remained unchanged, Marx said: “Although the labourer’s absolute standard of life would have remained the same, his relative wages, and, therewith, his relative social position, as compared to that of the capitalist, would have been lowered” (Marx 1992, 178). The Marx-AFL real-relative wage policy was thus designed at the very least to make workers whole vis-à-vis increases in prices and productivity.

Green’s inability to explain how such “eternal principles” were any less “indefinite” than the earlier “erroneous” ones may have been rooted in the underdeveloped state of productivity data and hence of ULC (Clague 1927, 285): “Since economists were just beginning to construct indices of man-hour output, the Federation could do little more than
endorse the general principle” (Bernstein 1966, 103). Rather than by a
new-found appreciation of Marxism, the AFL’s turn from real to real-
relative or “social” wages (AFL 1927a, 29–31) may have been primarily
motivated by the decline in consumer prices during the 1920s, “which
robbed the old cost-of-living argument of all its efficacy” (McKelvey 1974,
92 n.33; National Industrial Conference Board 1926, 14; U.S. Bureau of
the Census 1975, ser. E 135 at 211). Indeed, it was precisely employers’
continuing ability to turn the cost-of-living argument against labor that
led union leaders to “cast about for some sword to wield in wage disputes
that was not double-edged” (Clark 1925, 1).

Whatever the AFL’s motivation may have been, Frey, the driving
force behind its adoption of the new wage policy, proudly announced that
the National City Bank of New York, “this most conservative bank,” had
informed its clients that the Federation’s policy correctly perceived that
“industrial progress” depended on “a constant increase in the buying
power of the masses” because ultimately “everything produced in all of
the industries must be sold back to the people engaged in the industries”
(Frey 1926, 34). Indeed, by the next year, Frey euphorically asserted
that “no new conception of dealing with a problem has received such
international recognition in such a short space of time as” the AFL’s new
wage policy (AFL 1927b, 195). To be sure, Frey failed to mention that
the bank, like the editors of The New York Times (“Wage Theory and
Practice” 1926), had asserted that capitalism had always operated ac-
cording to this principle:

Questions may be raised as to the relative distribution between proprietors
and employes, but the proprietors are not running their works on the theory
that they are selling their products to each other. . . . Therefore, there can
be no controversy over the proposition that “real wages” . . . “must increase
in proportion to man’s increasing power to [sic] production.” It is the basic
principle of the existing order of society. . . . It is a declaration in favor of
just what has been taking place ever since capital began to be used for
increasing production [National City Bank of New York 1925, 192].

What intrigued National City Bank, an ally of J.P. Morgan and Co.
(Corey 1934, 413), was not the anti-crisis potential of a social wage policy,
but the possibility that the AFL craft unions, abandoning their shop-floor
interference with managerial control, might be “inspired to cooperate” in
expanding production and productive capacity. Moreover, the bank was
decidedly opposed to passing on the benefits of productivity increases in
the form of “wages pushed up arbitrarily . . . by the power of organiza-
tion. . . .” Because the bank rejected the notion that “workers in a given
industry have a prior claim to the benefits resulting from improvements
to which they have made no personal contribution”—a policy that would
interfere with the “natural distribution of such benefits” as rewards to “those who have been instrumental in accomplishing the improvements”—it proposed instead a policy of lowering prices (National City Bank 1925, 191, 194, 193).

Buffeted both by employers’ welfare paternalism programs and open-shop campaigns, AFL membership had fallen by a third from 1920 to 1926 (Wolman 1936, 138). The AFL was therefore reaching for organizing rhetoric that would appeal to employers’ self-interest (Phelan 1989, 29–32) by emphasizing that: “When workers realize that increased productivity is the way to . . . higher wages . . ., they are ready for constructive relationships. . . .” Moreover, the Federation urged business not to interpret demands for productivity-linked higher wages “as an attempt to restrict profits. Quite the contrary is true. . . . By assuring an adjustment between consuming power and productivity, the unions are helping to maintain business conditions that make profits possible” (American Federationist 1928, 148–49).

This underconsumptionist-accommodationist version of the social wage can, to be sure, plausibly be interpreted as “an affirmation of yearning to increase the efficiency of capitalistic enterprise [that] was ideologically very remote from the thesis of class struggle” and expressed the AFL’s need to transcend business and craft unionism (Millis & Montgomery 1945, 172). After all, when Secretary of Labor Davis told the AFL in 1927 that “there is no essential conflict between capital and labor” inasmuch as “[e]ach is dependent on the other, like a general and his army,” Green thanked him for seconding the Federation’s high wage policy (AFL 1927, 142–43, 150). Moreover, the whole purpose of Frederick Taylor’s scientific management movement was purportedly to achieve high wages for workers and low labor cost of manufacture for employers (Taylor 1912a, 22) by inducing both sides to “take their eyes off of the division of the surplus as the all-important matter, and together turn their attention toward increasing the size of the surplus until this surplus becomes so large that it is unnecessary to quarrel over how it shall be divided” (Taylor 1912b, 29–30). The AFL’s new wage policy was then expressly welcomed as an admission of the correctness of scientific management (Garrett 1928).

Nevertheless, the suggestion that businessmen regarded the AFL’s new productivity-oriented wage policy as “the final triumph of their efforts to steer the philosophy of organized labor into sound economic waters” (McKelvey 1974, 95), is not fully persuasive because it overlooks the fact that the concept of the relative wage furnished unions with a statistical instrument for directly attacking profits in a zero-sum contest over the surplus—the AFL did, after all, see a perfect business cycle correlation between prosperity for firms and depression for workers and
vice versa (Kuczynski 1927d). In contrast, bargaining over real wages had that effect only inadvertently. Moreover, because the social wage policy did “not intend to keep wages exactly on the same level with prices and productivity” (Green 1927, 924), in principle it permitted rolling back the rate of surplus value cyclically or secularly. Indeed, American Federationist published an article in 1927 asking whether some workers might even find productivity-linked wage policy too timid: “Are wages to increase no faster than production increases? Is labor’s relative share in the total social income to remain as it is . . .? Is the American Federation of Labor expressing its belief that nothing can be gained by more equitable distribution?” (Gluck 1927, 217). And on the eve of World War II, Green himself was still arguing that “[o]ur policy of productivity wages . . . served to bring to wage earners a larger portion of the increasing wealth they produced” (Green 1939, 100).

It was on precisely such class grounds that the National Industrial Conference Board, a right-wing economic research organization associated with the National Association of Manufacturers (Domhoff 1971, 191), criticized the AFL’s new wage policy “as an abstract dictum” which left open the possibility of workers’ and unions’ laying claim to “all the surplus wealth created. . . .” The Conference Board also expressed skepticism about the AFL’s readiness “to modify its traditional policies of restriction of output and control of labor force” (National Industrial Conference Board 1926, 15, 18). It is, therefore, misleading to assert that bankers applauded the AFL’s new position because it turned attention away from “struggle for a greater share” (Dorfman 1969, 67).

With the question of “the relation of productivity to wages . . . very near to the hearts of all of us” (Clague 1927, 289), by the time of its 1927 convention, the AFL announced that it had begun publishing studies of the relationship of wages to prices and productivity: “For the first time Labor is exploring the field of government statistics to ascertain whether its share in national income is equitable and whether wages paid to wage earners enable them to share in advances in material civilization” (AFL 1927b, 37). Who or what finally impelled the Federation to embark upon this contentious undertaking?

President Green’s Marxist Ventriloquist

The reason that Green’s “Modern Wage Policy” Declaration seemed so curiously suggestive of Marx’s own popularization of the theory of exploitation is that it was, implausibly enough, written by a German Marxist mole in the AFL. That person, who was also responsible for developing the data on relative wages for the AFL, and thus for the
organization's conversion to a crypto-Marxist strategy of holding the line on the rate of surplus value, was twenty-two year-old Jürgen Kuczynski, son of Robert René Kuczynski, perhaps the most eminent economic and demographic statistician in Europe in the first part of the twentieth century (Kuczynski 1957). Born in 1904 into a German-Jewish family with a long intellectual lineage, already as a teenager Kuczynski came into contact with many of Germany's leading intellectual and political figures from Einstein to Kautsky, who formed his parents' intellectual and political circle in Berlin. Robert Kuczynski, whose son was proud of the praise that Lenin had once lavished on his father's book on wages and hours, worked closely with the Communist Party of Germany (KPD), whose "smart leadership could do more with" with such a "high-profile personality" as a non-party-member (Kuczynski 1973, 17–18, 34, 39–41, 78, 107). The elder Kuczynski always remained "true to the Party and to the Soviet Union" and five of his six children became Communists (Kuczynski 1957, 62; Kuczynski 1973, 35).

The younger Kuczynski received his doctorate in 1924 for a dissertation on economic value, over which his father had fallen asleep in the bath tub. Two years later he published his first book; entitled, *Zurück zu Marx (Back to Marx)*, which for the author was synonymous with "forward with Lenin . . . in the conquest of the capitalist world" (Kuczynski 1926d, 145, 167); it was a devout exegesis, which a half-century later the author self-ironically observed he was no longer educated enough to understand (Kuczynski 1973, 52–99). In 1927 he published a comparative study of state finances in capitalist and communist states in which he adopted a primitive vulgar-Bolshevik view of class struggle according to which "the expenditures of the capitalist state serve exclusively the welfare of the ruling class of capitalists." After the class-conscious oppressed class suppressed capitalism by means of a violent revolution, a socialist or communist state arose which was the mirror image of the capitalist state. In 1927 Kuczynski was not speaking theoretically, but meant quite concretely Soviet Russia, which "administers justice for the protection of the interests of the working masses" (Kuczynski 1927c, 32, 40). *Die Internationale*, the journal edited by the Central Committee of the KPD, was quick to acknowledge Kuczynski as a Marxist apprentice who had adopted a class standpoint (R. 1928).

In September 1926, several months before this contribution to Marxist-Communist dogma was published, Kuczynski departed for the United States, where his father, who spent half of each year at the Brookings Institution and as late as 1931 was a member of its advisory council, had secured him a stipend at the short-lived Robert Brookings Graduate School of Economics and Government. Through his father, Kuczynski again came into social contact with many scholarly and political leaders.

Shortly before his departure for the United States, Kuczynski was struck by Paul Douglas’s recent article comparing the movements of real wages, production, and productivity. Although Douglas did not draw the parallel or discuss its significance, he presented data showing that from 1899 to 1923, the real earnings of manufacturing wage-earners had risen 28 per cent whereas their per capita output or productivity had increased 52 per cent (Douglas 1926, 33, 42). Kuczynski then published a piece in the Finanzpolitische Korrespondenz, which his father edited, in which he methodologically went a step beyond Douglas: by dividing the index of real wages by the index of production, he generated an index of “the share of industrial workers in the total product of industry.” This “social standard of living,” which Kuczynski conceded was very rough and in need of refinements, had declined by 50 per cent between the turn of the century and World War I and remained stagnant thereafter (Kuczynski 1926a).

In the course of re-reading Douglas on the boat to the United States, a “fundamental idea” dawned on Kuczynski—namely, that the relationship between production and real wages was nothing but Marx’s idea of relative wages. Whereas only bourgeois theorists and especially social-democratic revisionists contested Marx’s “‘theory of absolute immiseration,’” relative immiseration seemed, once the absolute variant was accepted, self-explanatory. The reason that no one had thought of calculating relative wages was the lack of relevant data. When Kuczynski realized on the boat that statistics recently published in the United States had made such calculations possible, he arrived in Washington with his “tongue hanging out” (Kuczynski 1973, 122-25). In November 1926, two months after his arrival, he published two more articles in his father’s journal on relative wages, which were both suffused with a primitive version of ameliorative underconsumptionism. In one, expressly referring to Marx’s distinction between real and social standards of living, he loosely defined the latter as (wage-working) consumers’ share of the national product (Kuczynski 1926b). In the other he presented the first fruits of his calculations of relative wages in several industries as the result of dividing real wages (measured both by a cost of living index and an index of wholesale prices of the particular industry) by productivity (Kuczynski 1926c). In 1927 and 1928 Kuczynski published additional articles on the same subject in Germany until the relative wage “had again found its place as a category of Marxist doctrine” (Kuczynski 1973, 125-26).

While refurbishing Marxism, Kuczynski also performed a much more spectacular feat: ventriloquizing President Green. Although Frey’s
efforts at the 1925 AFL convention had "given a great movement a great idea," Kuczynski was disappointed that the Federation had "forgotten" about computing the worker's share of the product or implementing the new principle (Kuczynski 1928b, 26). To be sure, Kuczynski overstated his own and underestimated the AFL's initiative: immediately after the Atlantic City convention, The New York Times had published an interview with Green in which he anticipated by a year Kuczynski's call for a workers' share index. Specifically, Green stated that the AFL should do research to show workers and the public "how the purchasing power of wages has varied . . . and what relation that curve bears to the output per worker" (Clark 1925, 14).

Kuczynski gained his entrée to the AFL through an acquaintance at Brookings, Margaret Scattergood, who was an assistant to Florence Thorne, secretary to Samuel Gompers, the long-time president of the AFL, and then to his successor, Green. Thorne, who was then organizing a research staff ("Florence Thorne" 1973), gave Kuczynski access to the monthly American Federationist, which had already published Frey's article containing thoughts "which, let us say, do not stand all too far from the concept of relative wages" (Kuczynski 1973, 130). Kuczynski's project was also furthered by the accessibility of the BLS, all the commissioners of which (including Carroll Wright, Ethelbert Stewart, Isador Lubin, and Ewan Clague) from its inception in the 1880s until 1965 were friendly with the Kuczynski family. By July 1, 1927, barely nine months after his arrival in the United States, Kuczynski had managed to be appointed the director of the AFL's new statistical department with the special duty of developing relative wage statistics (Kuczynski 1973, 126-36).

Kuczynski's political state of mind as he embarked on his mission at the AFL is nicely captured by family correspondence. On November 7, 1927, Kuczynski wrote to his future wife (in English): "'Ten years Soviet Russia[—]when Soviet Germany!'" Several days later, his father, writing from Moscow, where he was the leader of a German delegation of cultural luminaries to the tenth anniversary celebration of the October Revolution, told his son that "'Soviet Russia is the future'" (Kuczynski 1973, 169-71).

Against the background of Kuczynski's strong and visible pro-Marxist, communist, and Soviet sentiments, it is remarkable that in his memoirs he expresses no surprise on that account that the AFL nevertheless hired him. To be sure, his books may have been "completely unknown" in the United States (Kuczynski 1994b), but, despite his age, he had already accumulated a considerable left-wing paper trail that the German trade union movement, with which the AFL maintained friendly relations, could easily have been asked about. Moreover, Green's secretary, Thorne, had a classical education and graduate school social science training that would have made it plausible for her to make such inquiries.
The AFL's robust anti-communism suggests that it must have been concerned about vetting its employees' ideological orientation. In November 1926, for example, even as Kuczynski was publishing articles on relative wages in Germany that would have been completely unacceptable to the AFL, Green, unwittingly anticipating Kuczynski's modus operandi, editorialized that communists "are revolutionaries who use the tactics of intrigue and maneuver" (Green 1926, 1430). And the following October, at the same AFL convention that praised Kuczynski's articles in the *American Federationist* for rendering "a great service," Green, echoing the sentiments of Secretary of Labor James Davis, who lauded the AFL "for keeping out of its ranks men who would try to improve us by Russian or communist methods," reiterated that the Federation "would never have anything to do with Communism or Communistic activity" (AFL 1927b, 289, 145, 193).

Perhaps, as Kuczynski's luck would have it, the AFL did not suspect any connection between Marx and Kuczynski's advocacy of social wages because Kuczynski's fellow student at Brookings, Elsie Gluck, had led the Federation astray by writing in the *American Federationist* that Marx's theory of surplus value was based on the discredited iron law of wages (Gluck 1925, 1164). In any event, in a less bureaucratized world, where personal connections weighed heavily, Kuczynski, who viewed himself "at that time not at all as a communist, but rather as an 'independent Marxist'" (Kuczynski 1994b), was able to occupy the statistical cockpit of the U.S. trade union movement.

Green, "a personally decent, petty-bourgeois compromise figure" amidst "brutal, corrupt" presidents of the individual unions making up the AFL, and Kuczynski, who at the time was writing a book in German about American factory workers which a Soviet reviewer praised as refuting the fairy tale about the capitalist paradise in the United States, made very strange bedfellows indeed (Kuczynski 1973, 137-38, 174-77). Although Green may have shared Kuczynski's experience of never having met a socialist in the AFL, he was surely not asking himself, as was Kuczynski, how one "could carry on class struggle in this country outside of the A.F. of L." (Kuczynski 1973, 183, 141). Kuczynski imagined that his first task at the AFL was not research, but the creation of the basis and program of a relative wage policy as crowned by a wage proclamation to be issued by Green. Kuczynski then wrote the policy which was eventually published in the August 1927 issue of *American Federationist* under Green's name.

Before the arrangement was finalized, however, a problem arose when "an ass from the Federation said that social wages was socialism," causing Green's secretary, Thorne, to become anxious and requiring the parallel publication of an explanatory commentary. In order to get the
commentary published, Kuczynski had to use all his guile, charm, and flattery with Thorne and Scattergood. Green, who came to call him “Mr. Jürgen,” finally signed, but changed Kuczynski’s title, “New Wage Policy,” to “Modern Wage Policy,” probably, Kuczynski speculated, in order to avoid the public impression of change (Kuczynski 1973, 141-43, 179).

The “sensation” triggered by Green’s proclamation may have dumbfounded Thorne, but it delighted Kuczynski, who in his memoirs, published almost a half-century later, offered this account of “the greatest pseudo-success of his life”:

The whole thing was of course nothing but an ideological “coup” [Husarenstreich]: The reactionary president of the A.F. of L. delivers a declaration on wage policy, which breathes more than a breath of genuine Marxist spirit—the declaration said nothing more and nothing less than that the A.F. of L.-union in the future would demand wages that would prevent the increase of exploitation, indeed would reduce it in the course of time. . . . The whole thing really makes the impression of an ideological farce [Posse]. The reactionary A.F. of L. sends a wage declaration out into the world which clearly and distinctly for any theoretically educated Marxist contains the idea of taming capital’s craze for exploitation—whereby the declaration had been theoretically and textually worked out in complete isolation by a young postgraduate student. . . . An ideological farce, impossible to perform in a farce theater because it seems so improbable in every respect—except it was in fact reality [Kuczynski 1973, 143-44, 146-47].

Kuczynski’s role at the AFL expanded beyond the wage policy. He represented the Federation in various governmental agencies (such as the Bureau of the Census) and non-governmental statistical organizations; on behalf of the AFL he also appeared in public calling for wage increases and shorter hours (Kuczynski 1973, 168; “Asks Higher Wages” 1928). Although Kuczynski ghost-wrote other articles for Green—or, perhaps more accurately, manipulated Green into signing them—the latter’s suggestibility was apparently not without limits. Thus after Green had accepted the annual economic preview article that Kuczynski had drafted for 1928, when Kuczynski prognosticated in December 1928 that a continuing decline in relative wages would lead to an economic crisis in 1929, the draft was rejected as too pessimistic (Kuczynski 1973, 165, 177-78).

Looking back from the vantage point of the 1970s, Kuczynski—whose memory, as already noted, was not completely accurate on this point—was also amused that “monopoly capital” had been maneuvered into welcoming this socialist-like policy “‘of taming the monopolies’”: because its own campaign on behalf of increasing productivity was based on the claim that the results would benefit the whole people rather than merely profit-takers, “the monopolies” were precluded from refuting the
AFL's wage policy. Nevertheless, Kuczynski, in conceding that his coup, of brief effect, “vanished without leaving traces” except for the “very modest” one of the regular publication of relative wage indexes, even with aid of hindsight, overlooked its seminal impact on ULC (Kuczynski 1973, 146–47).

At the end of September 1928, Kuczynski left the full-time employ of the AFL in response to an invitation from the Brookings Institution to write a book on employment statistics. Although Green had complained that the American Federationist had become too statistical, he solicited Kuczynski’s further (paid) collaboration on the magazine. At the annual convention that year, the Executive Council, without mentioning him by name, listed all of Kuczynski’s pamphlets that the AFL had published and singled out the monthly index of the “share employed labor has in the growing opportunity which progressing industry offers” (AFL 1928a, 43). That same year the AFL republished two collections of Kuczynski’s American Federationist articles. Naming Kuczynski’s name, Green welcomed his “vanguard study” of labor’s share in value added “or, from the point of view of the manufacturer, ... the costs of wages to the manufacturer” (AFL 1928b, 6–7), and even recommended the studies to “trade union officials ... for special use in wage negotiations” (AFL 1928c, 5).

Upon his return to Germany in 1929, Kuczynski, who knew that he would vote for the Communist Party, found the social democratic trade union umbrella organization (Allgemeiner Deutscher Gewerkschaftsbund) too sophisticated to be infiltrated and uninterested in the development of the kinds of statistics he had been able to manipulate the AFL into financing. In 1930 he joined the KPD (Kuczynski 1973, 179, 187, 198), and extended his study of relative wages to Western Europe—research that would eventually mushroom into his postwar 40–volume History of the Conditions of Workers Under Capitalism (Kuczynski 1934). Following his sister Ursula, “the famous Soviet spy” (Kuczynski 1994a), Kuczynski became a self-professed Soviet spy in exile. Despite being the head of the KPD in England, he became a lieutenant-colonel in the U.S. Army in England during World War II; assigned to the U.S. Strategic Bombing Survey, he worked with Paul Baran and Paul Sweezy, who became the leading Marxist economists in the United States. After the war, he returned to East Germany, where he became a phenomenally prolific, distinguished, and high-ranking dogmatic Marxist economic statistician and historian with close ties to the leaders of the ruling communist party (Sozialistische Einheitspartei Deutschlands), Walter Ulbricht and Erich Honecker (McElvoy 1990; Williams 1987, 25–28, 34, 48–50; Kuczynski 1973, 286, 399–416; Kuczynski 1992, 18).
Shortly after World War II, Kuczynski, in celebrating the centennial of Marx’s development of the concept of relative or proportionate wages—which Marx himself gave Ricardo credit for having fixed as a political-economic category (Marx 1978, 1042)—engaged in self-celebration by stressing that eighty years had passed before he, Kuczynski, undertook the first calculations of relative wages for the AFL. Although he did not inform the AFL in the 1920s that the purpose of collecting relative wage data was to show the class polarization of misery and wealth under capitalism (Kuczynski 1947, 769, 770), in October 1927, Kuczynski inaugurated in the AFL’s *American Federationist* “the monthly publication of an index of Labor’s share in economic progress,” which Green editorially welcomed two months later (Green 1927b). The data showed both the share of wages in manufacturing industry income and labor’s “share in the products on the market, which Labor can buy.” Both series were merely indexes of trends for the 1920s rather than absolute levels (Kuczynski 1927a, 1232).

At the same time *American Federationist* began publishing a series of more detailed studies on individual industries by Kuczynski (and his wife-to-be, Marguerite Steinfeld, who was simultaneously working at the National Bureau of Economic Research, whose director, Wesley Mitchell, was Robert Kuczynski’s long-time friend) (Kuczynski 1973, 130–35). In these micro-studies Kuczynski showed absolute levels and index numbers for wage-earners’ share in value added as well as for real income. These data would, Kuczynski assured the membership, enable unions to determine whether labor’s share had declined and, if so, whether the decrease had resulted from an increase in salaried workers, the purchase of especially expensive machinery, or “because the profits of owners or stockholders increased very much. . . .” The practical upshot of such investigations was, according to Kuczynski, empirical support for demands for an increase in labor’s share where the other groups had garnered “unjustified increases” (Kuczynski 1927b, 1235).

Scattergood, who had made it possible for Kuczynski to work at the AFL, even anticipated his approach: in July and August of 1927 she published two articles in *American Federationist* calculating social wages separately for male and female automobile workers by dividing the cost of living index by an industry-specific productivity index (Scattergood 1927). That same year, the AFL republished Kuczynski’s articles as a pamphlet, accompanied by President Green’s introduction certifying that they were an “application of the Federation’s Modern Wage Policy.” Kuczynski, in turn, passing Marx over in silence, testified that the AFL and Green were his inspiration (Kuczynski & Steinfeld 1927a, 5, 7). Kuczynski also emphasized that the new wage policy represented not only a statistical refinement, but also a fundamentally different conception of the
production process and of the worker’s role in it as well as of the interrelation between production and consumption (Kuczynski & Steinfeld 1927b, 558-59).

Taking his readers behind the methodological curtain, Kuczynski explained how he computed social wages. Merely dividing total wages by the total value of production in manufacturing would be deceptive because the result did not take into account increases in the number of wage-earners and in the population. Correctly conceived, the numerator (wages) had to be divided by the number of wage-earners, while the denominator (production) had to be divided by the total population. Parallel to this social wage index, Kuczynski constructed a series showing “the cost of wages to the manufacturer.” A kind of proto-ULC, its denominator included the income of industry with the exception of that spent on raw materials. Unlike the social wage index, which had fluctuated considerably between 1899 and 1925 and had risen a total of 18 per cent, the relative cost of wages had moved within a very narrow band (Kuczynski & Steinfeld 1928, 830-35).

Significantly, Kuczynski saw no relationship between the movements of real wages or social wages on the one hand and those of the cost of wages on the other: wage increases would therefore not necessarily raise the relative cost of wages to employers. This interpretation was presumably designed as a selling point to employers, to whom Kuczynski was apparently suggesting that increasing social wages would not only save them from overproduction crises but also leave their costs unaffected. The underdeveloped state of ULC was highlighted by the fact that although the AFL was clear that “productivity is . . . not an element separate from costs, but enters into the calculation of costs, including labor costs” (American Federationist 1928, 148), Kuczynski himself mentioned productivity as an afterthought, observing that other factors such as management, salesmanship, and productivity had a greater influence in reducing the burden or compensating for wage increases (Kuczynski & Steinfeld 1928, 835).

In his memoirs, Kuczynski asserted that the fact that neither the “Declaration” nor the accompanying “Comments” had referred to Frey’s earlier statements about the relationship between wages and productivity had given them a “fundamental” character and made them newsworthy. Yet the press failed to understand the social and ideological significance of the “Declaration”—namely, that it would bring about “at a minimum, a halt to the intensification of exploitation.” Neither Green nor the presidents of the individual AFL unions caught on either, although the latter protested Green’s unilateral promulgation of the declaration without having consulted with them. Why readers failed to grasp Kuczynski’s sly Marxist point is unclear since the “Comments” omitted mention of the
one scenario (productivity increases in excess of wage increases) under which the rate of surplus value would rise—"Wages may keep pace with prices and productivity, wages may increase more, wages may decrease less" (Green 1927, 924). In any event, in order to defend Green and his own new research department, Kuczynski had to argue that the policy merely synthesized earlier statements by Frey and other union leaders. What "confused" the situation even more, according to Kuczynski, was that at the time he had—in order to protect the new wage policy against attacks by the AFL's antisozialist leadership—to insist that the policy "had nothing to do with socialism," because even if it had been implemented, which would have been objectively impossible, it would merely have checked the expansion and deepening of exploitation but would in no way have "oriented [policy] towards its abolition" (Kuczynski 1973, 145–46).

The left's reaction to Kuczynski's efforts was largely opportunistic. The Labor Bureau Inc.'s economic newsletter hailed the index as a "praiseworthy experiment in a new field" although it raised questions as to whether productivity should be computed macro- or microeconomically ("Labor's Share in Production" 1927). German Social Democracy welcomed the AFL's conception of the social wage as a belated demand by a nonsocialist labor movement for the social equality of classes, which, the AFL would eventually be compelled to recognize, was incompatible with capitalism. Fritz Tarnow, a German trade union leader, observed— in a piece Kuczynski himself found "exceedingly interesting" (Kuczynski 1973, 143)—somewhat condescendingly that what underlay Green's notion of the social wage was the struggle against "relative immiseration." Social democrats applauded a policy that enabled the working class to overcome capitalism without committing economic suicide by succumbing to that "hopelessly pessimistic" doctrine of relative immiseration. Writing in the newspaper of the German counterpart to the AFL, Tarnow gently criticized Green for his exaggerated claim of novelty. What the new policy, which was common to European unions as well, embodied was the insight that the greatest spur to higher wages was not so much the struggle between capital and labor for a larger share but the larger social product made possible by increasing productivity (Tarnow 1927).

Despite the fact that a fellow-traveller had been instrumental in introducing into U.S. wage contests an explicit measure of the results of class income distribution struggles, Marxist-Leninists were contemptuous of mere relative immiseration, which they considered an insipid revisionist plot to divert attention from full-blooded absolute immiseration, which was the proletariat's universal fate (David 1971, 55–59; A. Enderle et al. 1973, 59–60). Soviet Marxists, bound by the Stalinist denunciation of
social democracy in all its manifestations as social fascism—a policy of which Kuczynski himself approved (Kuczynski 1973, 202–203)—derided Green’s notion of the social wage. On the one hand, a social wage policy merely accommodated capitalists’ (self-contradictory) hopes of mitigating underconsumption crises; on the other, it also fit comfortably within capitalist ideology by eliminating surplus value from the distribution struggle: by limiting wage demands to productivity-created additional value, social wage theory focused merely on reducing the value of constant capital embodied in machines and materials in favor of variable capital (i.e. wages) (Kriwizki 1929, 395–405). Despite this predictable propagandistic onslaught, Kuczynski later reported that within days of the first publication of his relative wage index in American Federationist in 1927 a “Soviet-Information-Man” in Washington had told him that he had immediately forwarded the index to Russia with the comment that it was “the first original thing that the A.F. of L.” had done (Kuczynski 1973, 159–60).

American Marxism also ridiculed the AFL’s new wage policy. Lewis Corey, for example, who had spent 1929 at the Institute of Economics at Brookings after having left the Communist Party USA (Draper 1966, 293–302), citing a study done by Kuczynski after his return to Germany, expressly linked exploitation and relative wages by making the decline in relative wages a “characteristic of capitalist production” in general: “Relative wages . . . fall continuously. The fall is usually greatest when the productivity of labor rises most rapidly. [I]n 1929, relative wages fell to the lowest point in American history in the midst of an extraordinary rise in the productivity of labor, surplus value, and profits.” Corey, who by this time had developed an ambiguous relationship to the Party, also regarded social wage policy as hopelessly naive because it ignored the “irreconcilable” “fundamental antagonism between profits and wages” (Corey 1934, 82–83, 92). But then even an orthodox economist and Federal Reserve Bank official could agree that: “The great difficulty about raising wages as a means of raising national income is the conflict between wages as income and wages as cost” (Williams 1945, 369).

The criticism offered by William Z. Foster, a leader of the CPUSA and its chief labor spokesperson, lacked the Soviets’ or Corey’s theoretical or empirical sophistication. For Foster the new wage policy was simply [a] fancy name[] for surrendering the trade unions entirely to the greedy exploitation of the capitalists in return for the right of the bureaucrats to collect dues from the workers. The workers had but to work faster and faster and then, by some hocus-pocus, which the A.F. of L. leaders never explained, they would automatically and without struggle, get higher wages. . . .
But beneath the mounds of invective against the AFL’s “lackey-like” complicity in “this reactionary speed-up program” lay a glimmer of recognition that in the right proletarian hands, this “platonic argument in favor of higher wages” (Foster 1937, 189, 190; Foster 1947, 100) might bear progressive fruit. This opportunistic attitude is corroborated by Kuczynski’s memoirs, which showed sympathy for the “hard time” that Foster was having in the Communist Party in 1927 and 1928. And although Kuczynski criticized the Party for its failure to recognize the propagandistic possibilities opened up by relative wage data for pillorying exploitation, he also proudly reported that when his sister Ursula came to the United States in 1928 and transferred her membership from the German to the American Communist Party, the latter expressed its appreciation for Kuczynski’s work in the AFL and took over the computation of relative wages after he left the United States. By the same token, Kuczynski retrospectively justified his own failure to join the CPUSA in 1927–28 on the ground of its unsound (Lovestoneite) leadership and by virtue of the fact that it would have been “unhealthful” for a young person to start his Party career as an illegal member—a step that his work for the AFL would have made necessary (Kuczynski 1973, 181, 144–45, 180, 156–57).

In one of the articles he wrote in 1928 for Finanzpolitische Korrespondenz and republished as a book while still in Washington—and which the KPD’s Die Internationale praised as contributing to the destruction of the legend of the “American workers’ paradise” (Lenz 1928)—Kuczynski warned his German audience that the AFL’s new wage policy represented neither a conversion to socialism nor a struggle against “relative immiseration.” For although Green’s “Declaration” could be interpreted to mean that the workers should receive an increasing share of production, it was certain that it would “never” be so interpreted by the AFL. Instead, the AFL’s goal was merely to insure that that share did not fall—an objective diametrically opposed to “all socialist principles” and consistent with its acceptance of the status quo. Concealing his role and understating his own hopes for the policy, Kuczynski argued that the Federation had come to recognize the possibility of preventing the rapid immiseration of the masses because it strove to cooperate with business and could induce workers to participate in productivity-enhancing programs only if they too benefited from them (Kuczynski 1928b, 28). Two years later Kuczynski conceded that the notion that wages should rise in tandem with total output was connected with Marx’s idea that because wages do not so rise workers must immiserate relatively: “But . . . the A.F. of L. never knew that one could produce the slightest connection between its wage theory and Marx’s theory of immiseration.” He seemed resigned to the fact that
the AFL had adopted the position of a "dignified burgher" who wanted to make sure that no one took anything of his but who also had no intention of seeking revenge for the relative immiseration of previous decades (Kuczynski & Kuczynski 1930, 169-70).

Kuczynski himself went on to make a career not of preaching the efficacy of the social wage as trade union policy, but of using the relative wage as a readily available statistical magnitude reflecting the rate of surplus value. Characterizing relative wages as "an expression of the aggregate societal relationship between working class and capitalists" and "a function of the fundamental antagonism between capital and labor," he argued that it must decline from one business cycle to the next (Kuczynski 1968, 102). In this spirit, he devoted a considerable part of the rest of his life to trying to show the continuous rise in the rate of exploitation in numerous countries and in the world at large (Kuczynski 1967, 125-27). After his departure from the United States, Kuczynski's legacy fell to the CPUSA, which through the Labor Research Association periodically updated his relative wage calculations (Kuczynski 1973, 180; Labor Research Association 1947, 53-55; Labor Research Association 1949, 43-44).18

"A Conspiracy So Immense"19

The national state was itself no stranger to the collection of data on productivity, output, and wages. As early as the 1890s, Congress had authorized the U.S. Commissioner of Labor to conduct extensive detailed investigations of the effects of the displacement of hand by machine labor on wages (U.S. Commissioner of Labor 1899). By the mid-1920s, against the background of what the BLS deemed "a new industrial revolution . . . perhaps the most remarkable advance in productive efficiency in the history of the modern industrial system" ("Index of Productivity" 1926, 1), Kuczynski's friend Ewan Clague (Kuczynski 1973, 129), whose public prediction in 1933 that "the economic future of this country is to be state socialism" would delay his reconfirmation as Commissioner of Labor Statistics two decades later (U.S. Senate 1955), inaugurated publication of data on industrial productivity in the Bureau's Monthly Labor Review. Although "the problem of the distribution of the gains [lay] entirely outside the scope" of the series ("Index of Productivity" 1926, 19), the BLS observed that alone from 1919 to 1925, productivity in manufacturing had risen by one-third ("Comparison of Employment" 1927; "Productivity of Labor" 1927). Matching real wage data with the newly released productivity series, Soule's economic newsletter immediately announced that productivity was outstripping wages ("New Light on Productivity" 1926).
At the outset of the Depression of the 1930s, the U.S. Commissioner of Labor Statistics carried Kuczynski's work farther back in time. Shortly after the AFL's Atlantic City convention, Frey met Ethelbert Stewart, who "good naturedly" asked why the Federation had adopted its new wage policy and "ruined much of the work which I have done for a lifetime. . . . Now you have done something which destroys the value of cost of living statistics. Now I will be compelled to begin to gather information concerning man's increasing power to produce" (AFL 1927b, 195). Stewart, another Kuczynski family friend, soon reproduced census data on manufacturing showing "the relative share of wage earners in the product of their labor" from 1849 to 1929. In current dollars Stewart computed the share of wages—in absolute terms and as an index—both in the value of the products produced and in value added. Both the former ratio, approximating a symmetrical ULC (SULC), and the latter ratio, the wage-share, exhibited a steady decline over the whole period. Although Stewart's article also purported to be a study of "the relation between the purchasing power of the wages paid to labor and the value of the products of that labor," he failed to create a series of real wages based on price movements (Stewart 1930).

The depression that seemed to result from the relentless decline in ULC during the 1920s furnished the opportunity for developing the empirical data for refining the concept of ULC. The social crisis of unemployment and the fear that labor-saving innovations would preclude the possibility of the eventual reemployment of the unprecedented mass of unemployed spurred the Works Progress Administration (WPA) to undertake a National Research Project on Reemployment Opportunities and Recent Changes in Industrial Techniques directed by David Weintraub. Shortly before the advent of the New Deal, Weintraub had published an article on technological unemployment during the 1920s in which he developed a novel unit labor cost index (Weintraub 1932, 386). One of Weintraub's WPA studies, Production, Employment and Productivity in 59 Manufacturing Industries, 1919–36, generated the kind of data on output and productivity that were required for calculating reliable ULC. Congress motivated its funding of this project in 1939 by reference to the two million workers who had been disemployed by labor-saving devices during the previous decade:

Statistics pertaining to productivity and labor costs are necessary in efforts to prevent technological unemployment. These statistics will show in what industries work hours should be shortened where new machinery and techniques have increased productivity and reduced labor costs.

Figures are also needed by employers and employees for wage negotiations. By making adjustments in those industries where scientific advance
makes shorter hours and higher wages possible, the problem of technological unemployment can be attacked at its source and controlled through the normal channel of trade-union agreements [U.S. House of Representatives 1939, 1–2].

The principal author to whom the National Research Project entrusted this pro-labor and pro-union study was a recently graduated statistician, Harry Magdoff, who had been knocking on doors in search of a civil service job in Washington. Magdoff worked as a statistician for several federal agencies during the New Deal and World War II, rising in 1946 to special assistant to the Secretary of Commerce, Henry Wallace (U.S. Civil Service Commission 1943, 60; 1944, 61; 1945, 233; 1946, 178; U.S. Senate 1953, 286–326; Hillard 1985, 397–98; Magdoff 1994). For this work he was later credited with having designed the method of measuring production and productivity that the BLS still uses today and that underlies ULC calculations (Biographical Dictionary of Marxism 1986, 207). While engaged in that government work, Magdoff, who unlike many later researchers, conceded that there was “no ‘true’ measure of productivity or production for a group of diverse products,” observed that “[t]he problem with which we were confronted arose from an already existing allocation of human and natural resources which was determined through the operation of the market” (Magdoff 1939, 317–18).

McCarthyites later charged that under Weintraub, who had “occupied a unique position in setting up the structure of Communist penetration of governmental agencies,” the National Research Project “appears to have been a kind of trap door, through which agents of the Communist underground gained entrance to the Government.” A naturalized U.S. citizen from Central Europe, Weintraub, unlike many other victims, answered all of the Senate Judiciary Committee’s questions. He denied ever having been a Communist and expressed disbelief that Magdoff or others whose names had been named were Communists. His admission that he had been a member of the Young Socialist League, however, elicited no further questions (U.S. Senate 1952, 4627–80, 4719–37). As a reward for full disclosure and cooperation, Weintraub was forced to resign from a high-ranking position at the United Nations in 1953 (“11 in U.N.” 1953; Hamilton 1953).

Among the alleged Communists whom the Project had “harbored” was Magdoff (U.S. Senate 1953b, 10), with whom Weintraub had written an important empirical article in 1940 on the shift to service employment, which also subtly dealt with the concomitant phenomena of proletarianization (Weintraub & Magdoff 1940). In 1948, the “self-styled espionage-exposer and professional witness” (Navasky 1982, xxiii n.) Elizabeth Bentley apostrophically accused Magdoff before the House Un-American
Activities Committee (HUAC) of being part of the "Perlo group" of federal employees engaged in espionage on behalf of the Soviet Union—a charge of which the FBI had allegedly been aware since 1945 (U.S. House of Representatives 1948, 685, 687, 691–92; U.S. Senate 1953b, 1–2). Five years later, Magdoff, one of whose federal supervisors surmised that he read Russian because his parents had been born in Russia, endured similar accusations in person before the Senate Subcommittee to Investigate the Administration of the Internal Security Act, which added the allegation that he had already been a communist in college. Refusing to name names (including Perlo’s), Magdoff, who by this time in the progress of McCarthyism had been relegated to self-employment (U.S. Senate 1953a, 286), availed himself of the Fifth Amendment—or, as The New York Times headline put it, joined the ranks of those who “Refuse to Tell If They Are Spies” (Trussel 1953).21

Magdoff’s anti-communist tormentors were so fixated on knowing whether he had betrayed his country by passing on to the Soviet Union secret information on U.S. monthly production of bearings that they totally overlooked his role in the even more insidious surplus value-ULC conspiracy. His more unbalanced congressional persecutors even threw him into the same communist pot with the Ford Foundation and the Encyclopedia of the Social Sciences. After working as a stockbroker, financial analyst for an insurance company, and insurance salesman, he became a world-renowned expositor of the Marxist-Leninist theory of imperialism and editor of the Marxist socialist Monthly Review (U.S. Senate 1953a, 286–326; U.S. Congress 1953, 10,021; Hillard 1985, 398; Magdoff 1969).22

As military production and war supplanted the Depression, the U.S. government became increasingly interested in the physical and financial dimensions of labor requirements for rearmament (Clague 1968, 115–16). One of the first government statisticians to work up Magdoff’s output data in combination with BLS payroll data in order to generate ULC data—which had exhibited a decline of one-third during the interwar period—was Victor Perlo (Perlo and Bowden 1940).23 At the time, Perlo, who eventually became chief of the statistics branch of the Office of Price Administration and an economic analyst in the Division of Monetary Research of the Treasury Department with wide ranging responsibilities for foreign trade, worked in the Industrial Economics Division of the U.S. Department of Commerce (U.S.Civil Service Commission 1942, 26; U.S. Senate 1953a, 402–403, 442–43).

In between federal government jobs, which lasted from 1933 to 1937 and again from 1939 to 1947, Perlo worked at the Brookings Institution at the request of his former boss at the Home Owners Loan Corporation, Spurgeon Bell (U.S. Senate 1953a, 389). At Brookings—where he met
Kuczynski, who was again sojourning in the United States, this time collecting money for the KPD (Perlo 1994; Kuczynski 1973, 306–10)—he became general assistant to Bell, the author of one part of a series of studies constituting “a general re-examination . . . of the operation of the capitalistic system of wealth production and distribution.” Perlo was responsible both for developing much of the statistical basis of the study which made unit wage cost a linchpin of the relationships among productivity, wages, and national income, and preparing the chapter on ULC and RULC, both of which showed a sharp decline during the 1920s and 1930s. Because he returned to the federal government before the project was completed, he was not responsible for its interpretations or conclusions (Bell 1940, vii, 3, 44–55). The conclusions that Bell, who eventually became president of a mutual fund trading in commodity futures (“Spurgeon Bell” 1968), reached would presumably have been un congenial to Perlo. In particular, Bell’s claim that gains to labor from increased productivity were realized “chiefly in the form of greater leisure” (Bell 1940, 176) must have seemed sheer mockery during a period of catastrophic unemployment. Equally unpalatable to Perlo must have been Bell’s proposal, rooted in pre-Keynesian orthodoxy, that productivity increases be distributed in the form of lower prices rather than as higher wages (Bell 1940, 174–84). Bell’s wage-price policy recommendation was identical to the approach adopted by the president of the Brookings Institution, Harold Moulton, who, in addition, deemed redistribution of income from rich to poor useless and that of wealth impracticable (Moulton 1935, 72–83, 117–27; Moulton 1936, 12–18). Instead, “the essence of the good society as Moulton saw it [was] class reciprocity, an equal exchange of benefits from one class to the other” (Smith 1991, 124).

Several months after the ULC article that Perlo co-authored had appeared, his co-author from the BLS published a more detailed account of wages and productivity in the *Monthly Labor Review* in 1940. The BLS’s interest in this area was galvanized by the changes in the labor market brought about by the introduction of federal wage and hour and labor relations legislation during the 1930s. Basing itself in part on the framework developed by the Perlo-Bell Brookings study, this new article proved to be unusual if not unique in focusing on (the decline in) RULC and labor’s share (Bowden 1940, 517, 520–21, 528, 528 n.8, 540–44). A series of BLS follow-up reports during World War II did not return to these issues (“Labor Productivity” 1941; “Productivity and Unit Labor Cost” 1942; “Productivity and Unit Labor Cost” 1943; Gody & Searle 1946, 914–16). Indeed, the BLS appears to have lost interest in ULC for the next fifteen years; by the time it returned to the subject in 1960, inflation had ousted class income distribution as the whole point of ULC data.
Before then, however, Perlo took his turn jousting with Richard Nixon and other demagogues before the auto-da-fé. In 1948 Bentley, the “red spy queen” (Packer 1962, 52-120), testified before HUAC that Perlo had been the head of a group of federal employees passing secret data through her to Stalin. Indeed, she asserted that Perlo had once literally asked her: “Is Joe getting all this stuff safely?” When Perlo refused to name names (including Magdoff’s), The New York Times named his on its front page, complementing it with a large photograph on an inside page (U.S. House of Representatives 1948, 677-701; Trussel 1948; U.S. Senate 1953a, 425). Whittaker Chambers weighed in with similar accusations against Perlo (Chambers 1952, 345-46). Five years later Perlo, who, like Magdoff, had in the meantime been thrust down into the ranks of self-employed economic consultants, was also required to appear before the Senate Subcommittee on Internal Security. He again invoked the Fifth Amendment in refusing to answer questions about Magdoff and others (U.S. Senate 1953a, 384-85). As with Magdoff, the congressional anti-communists’ obsession with Perlo’s access to data on struts and turrets blinded it to what he had helped pass on to the United States from Communism—to wit, class-conscious ULC.

Attacks on Perlo did not end at the highpoint of anti-communist witch hunts in 1953, but continued into the 1960s (U.S. Congress 1958, 18461-71; U.S. Congress 1960, 8431). His unvarnished criticism of U.S. capitalism and imperialism in the 1950s appears to have made him a bête noire of the McCarthyites, who were incensed that: “The man who wielded this power in the Government of the United States is now an open propagandist for the Soviet world conspiracy” (U.S. Senate 1953b, 32). In 1954, as Perlo was publishing an update of Kuczynski’s relative wage data in order to prove that the rate of exploitation had increased since the end of World War II (Perlo 1954, 53-56), Representative Gwinn included Perlo among the “dozen individuals loyal to Moscow, [who had] dictated policies of the United States in important and vital particulars.” Indeed: “Benedict Arnold was a patriot compared to . . . Victor Perlo” (U.S. Congress 1954, 4849). In 1956, he was accused of having instructed a communist National Labor Relations Board examiner in the 1940s to decide a case against the workers in order to foment dissatisfaction against their employers (U.S. House 1956, 3335; U.S. House 1955, 3004). Ten years after he had left the employ of the federal government, members of Congress were still blaming Perlo for the allegedly Marxist inspiration of U.S. free trade policies (U.S. Congress 55, 5562; U.S. Congress 1957, 3015-16). Perlo, who eventually became the chief economist and a member of the central committee of the Communist Party USA, did not return to the ULC controversy until the 1970s (U.S. House of Representatives
FROM SURPLUS VALUE TO UNIT LABOR COSTS


From Proletarian Struggle Against Surplus Value Extraction to Capitalist Wage-Push Inflation-Fighting

The category of asymmetrical ULC (AULC) or nominal ULC (NULC) (Rebitzer 1988, 393) is used by economists for two distinct but related purposes. On the one hand, ULC, together with unit nonlabor costs and unit profits, which all add up to total unit costs, form the basis for constructing price deflators and hence price indexes. The unit cost approach is thus a statistical reflection of that Smithian tradition within economic theory (Smith 1937, 48–54) that regards price determination as “the sum of the returns to the factors of production” (Schultze & Tryon 1960, 5). Adding up the wages, profits-interest, and rent paid out by the firm/economy reveals, according to this so-called Trinitarian Formula, how prices are formed (Marx 1964, ch. 1, 48–51). At the same time, however, the widely held belief among economists that inflation accelerates when the increase in labor costs exceeds that in productivity is rooted in the hypothesis that firms set prices as a mark-up above productivity-adjusted labor costs (Mehra 1990, 31): “Since labor cost is a substantial portion of total cost in manufacturing, changes in labor cost are frequently associated with changes in industrial prices” (Chandler & Jackman 1965, 1067). A measure of real (constant dollar) output as the denominator of the unit cost expressions derives from the need for a non-price influenced element against which the inflationary movements of the components can be gauged. Because a productivity or real output measure is needed on the price/cost side, a real or symmetrical ULC (RULC or SULC) that expressed both compensation and output in current or real terms would be inappropriate inasmuch as symmetrical ULC would conceal the contribution of the various price components to inflation.

On the other hand, ULC is also used in descriptive and normative analyses of income distribution between labor and capital. In this context, however, AULC—compensation in current dollars divided by constant output—fails to provide the appropriate basis for dealing with distributional issues. Since one of the functions of ULC is to educate the public about wage-price-productivity relationships (Solow 1966) and to make transparent the extent to which labor is able to capture productivity increments by securing wage rate increases in excess of the latter (Kendrick & Sato 1963), the use of current rather than real wage data is inappropriate. First, the way in which real output increases resulting from rising productivity are distributed between labor and capital is not directly vis-
ible if labor’s share appears in inflated form; such a procedure necessarily exaggerates the share of wages and salaries in national income. This methodological bias is not evident on its face because BLS data for output and compensation per man-hour are published in the form of indices. If these series were calculated in dollar terms, their asymmetrical construction would become obvious at the point at which hourly compensation exceeds hourly output.

Second, both economists (Kendrick & Sato 1963, 978–79) and the BLS (Mark 1975; Mark & Kahn 1965) recognize the need for RULC data "to compare real compensation per man-hour and productivity" in order to determine "whether there has been a shift in the distribution of income between factors of production" (Mark & Herman 1970, 32). And third, precisely "[i]n order to provide meaningful information on whether labor has shared proportionately in the gains in labor productivity" (Alterman 1971, 25) or how real wages in a particular industry or firm have developed in relation to economy-wide productivity increases for purposes of collective bargaining (Backman 1954, 65), the BLS itself publishes the requisite real compensation per man-hour data in its ULC tables—yet it has failed to use them to calculate RULC (BLS 1974, 183–84).

In spite of RULC’s usefulness in understanding income distribution over the long run as well as during phases of the business cycle, economists (Hultgren 1960; Moore 1983, 245–80), journalists, and government officials have traditionally based their analyses and policy recommendations on AULC. To cite but one of many such press reports: A.H. Raskin of The New York Times, for years “America’s foremost labor reporter” (Chamberlain 743), stated in an article on collective bargaining prospects that union demands for catch-up wage increases to compensate for inflation had “run into increasingly assertive demands by industry that any increases in labor costs must be balanced by abolition of restrictive work rules and other measures to increase productivity.” Raskin saw “stiff employer resistance” as “keyed to worries about the fragile recovery and inflation’s squeeze on profit potentialities. . . .” As implicit supporting material, a chart, titled, “Wage Gains Far Outstrip Productivity,” was appended to the article. Taken from the BLS’s ULC data, it showed that for the years 1971 to 1975, hourly compensation increased more than six times as much as hourly output (39.4 per cent and 6.5 per cent respectively). Raskin, who was lauded as “especially searching when writing about inflation” (Severo 1993), failed to explain that the data are asymmetrical although he noted elsewhere in the article that real wages had stagnated during these five years. Moreover, the fact that he formulated union claims so as to leave their validity an open question might even lead readers to view the steeply rising wage curve as a corrective for such claims (Raskin 1976). In fact, however, if profitability deteriorated...
during the first half of the 1970s (Weisskopf 1979, 349; Bowles, Gordon, & Weisskopf 1986, 136), that decline was not caused by immoderate real wage increases, since real compensation per hour lagged behind real output per hour in the private sector (U.S. BLS 1989, 348–49).

Non-Marxist economists’ preference for working with nominal magnitudes such as NULC rather than with real income derivatives such as RULC may be a product of the Keynesian revolution in economic thinking and policy. Keynes broke with orthodoxy not only concerning the sufficiency of wage reductions as a means of stimulating recovery, but also with regard to the form of those reductions. Unlike Pigou and other traditionalists, Keynes was convinced that “ordinary experience . . . tells us, beyond doubt, that a situation where labour stipulates (within limits) for a money-wage rather than a real wage . . . is the normal case. Whilst workers will usually resist a reduction of money-wages, it is not their practice to withdraw their labour whenever there is a rise in the price of wage-goods” and “no trade union would dream of striking on every occasion of a rise in the cost of living” (Keynes 1967, 9, 15). Consequently:

[A] movement by employers to revise money-wage bargains downward will be much more strongly resisted than a gradual and automatic lowering of real wages as a result of rising prices. While a flexible wage policy and flexible money policy come, analytically, to the same thing, inasmuch as they are alternative means of changing the quantity of money in terms of wage-units, in other respects there is . . . a world of difference between them [Keynes 1967, 264, 267].

Among these differences, Keynes noted that capitalist societies lacked a mechanism for decreeing uniform across-the-board wage reductions. The means that were available for reducing money wages involved “a series of gradual, irregular changes, justifiable on no criterion of social justice or economic expediency, and probably completed only after wasteful and disastrous struggles, where those in the weakest bargaining positions will suffer relatively to the rest.” But what a “flexible wage policy” could not achieve, an inflationary money policy could: “A change in the quantity of money . . . is already within the power of most governments. . . .” Under these circumstances, Keynes concluded, “only . . . a foolish person . . . would prefer a flexible wage policy to a flexible money policy” (Keynes 1967, 267–68).

To be sure, such indirect methods of shifting income from mass consumption to investment did not originate with Keynes, who merely conceptualized already existing practices, which included the levying of indirect taxes (Luxemburg 1923, 374–75). A senior research advisor in
the International Monetary Fund outlined the short-run benefits that Keynes perceived in such inflationary policies:

Keynes was very clear that the constructive influence was a profit inflation rather than an income inflation—allowing prices to rise by more than wages, so that businessmen pocketed the difference. . . . Inflation then leads to forced saving by consumers, who allow their real income to be reduced by the increased prices they pay to entrepreneurs [Hirsch 1969, 137].

The latter part of the Eisenhower administration, marked by a moderate resurgence of nonwar-induced inflation (U.S. Bureau of the Census 1975, 210), was a prime example of how “[t]he subject of unit . . . labor costs, at one time aroused sporadic interest, which tended to be highly correlated with the occurrence, or the threat of inflation” (Greenberg & Mark 1968, 105). By 1958 the Committee for Economic Development (CED), a research and policy planning instrument of big business (Domhoff 1971, 123–24, 189–94), issued a report stating that “the main problem is in the field of labor, where there is no law and not even a public philosophy or policy for the limitation of economic power,” and urging consideration of legislation to curb unions’ power (CED 1958, 16). The CED concurred in the policy recommendation advocated by American Keynesians a decade earlier that wages should rise in proportion to—that is, that labor and capital should share in—economy-wide productivity increases “without encroaching unduly upon the profit margin” (Hansen 1945, 259; Hansen 1947, 244–45; Hansen 1951, 573). Unlike the British Keynesian Joan Robinson, however, the CED was not so sanguine as to believe that: “The main defence against the tendency to stagnation comes from pressure by trade unions to raise money-wages. . . . If . . . real wages can be made to rise as fast as output per man the root of the trouble is cut . . .” (Robinson 1971, 94).

This policy of linking wage increases to macroeconomic productivity increases had been incorporated into the collective bargaining agreement between General Motors and the United Automobile Workers in 1948; the next year, the President’s Council of Economic Advisers (CEA) became an advocate of the policy, albeit in non-programmatic fashion (Bortz 1948; U.S. Council 1949, 45). In light of the Marxist connection to social or relative wage theory and the central role that rising productivity occupies in Marx’s theory of capital accumulation and crisis (Marx 1867, 599–699), it is ironic that the founder of end-of-ideology ideology asserted in the 1950s that the advent of productivity-linked annual wage increases—indeed, the relatively new idea of productivity itself—constituted a refutation of Marx’s analysis of capitalism, which saw wealth as secured through “exploitation” (Bell 1966, 220). For unlike many laborite, leftist, and
even communist authors, who forged a Ricardian underconsumptionist program that focused exclusively on relative wages or surplus value as subject to a voluntaristic struggle between labor and capital in the sphere of distribution (Glyn & Sutcliffe 1972), Marx argued that crises are ushered in by periods in which labor’s share rises (Marx 1963, 409) and that “the wealth of society and the possibility of the constant expansion of its process of reproduction depends not on the length of the surplus labor, but rather on its productivity . . .” (Marx 1964, 828). Moreover, Marx centered his theory of accumulation on the self-contradictory process of self-valorization of capital. Only this complex dynamic incorporating the relationship between living and dead labor (the organic composition of capital) and the rate of exploitation was, in Marx’s view, adequate to conceptualize the cyclical and secular movements of the rate of profit and their effects on class struggle (Altvater et al. 1974; Schmiede 1973).

To buttress its position on wage increases, the CED argued that the distribution of all after-tax corporate profits as wages “would clearly have disastrous effects on productivity, production and employment. Moreover, the stability of labor’s share suggests that feasible action in a free market is unlikely to change the share materially.” From the claim that an investment strike by capital demonstrates the futility of expropriation (Backman & Gainsbrugh 1949, 194) this non sequitur was supposed to follow: “Therefore, it is a reasonable conclusion that, for labor as a whole, real income cannot rise faster than real output” (CED 1958, 15, 56–57). In order to provide the requisite empirical underpinnings for its agenda, the CED immediately commissioned a study of unit costs by Charles Schultze as a contribution to analysis of the question as to whether inflation was inevitably associated with low unemployment (Schultze 1959, 4 [no pagination]). As a result of excellent timing and the CED’s membership links to influential public opinion-shaping media organizations, the CED’s position was popularized (Collins 1981, 142–44) and “quickly swept into the main flood of national debate” (Schriftgiesser 1967, 82).

Despite the world industrial hegemony that the United States still exercised, by 1960 the BLS regarded manufacturing ULC as part of the answer to the question as to “how to restore the kind of total balance of payments that will enable the United States to finance a desirable level of foreign aid” (Arnow 1960, 693). Because “hourly labor cost in U.S. industry is much higher than in any other country, frequently two to four times that of the countries of northern Europe and even higher in relation to Italy and Japan,” economists began asking whether the outflow of gold, increased U.S. investment abroad, and increased imports of manufactures reflected differences in labor cost between U.S. and foreign firms (Shelton & Chandler 1963b, 485; Goldberg & Moye 1985, 204). Thus during the
half-decade following the Korean War, U.S. imports of finished manufac-
tures rose by 133 per cent whereas exports increased by only 25 per cent; 
during the same period, 1954–1959, U.S. direct investment in manufac-
turing in Western Europe doubled (U.S. Bureau of the Census 1975, 
889, 870).

Economists and policy makers also focused on labor costs because 
they were “the primary cost factor of production,” “can be controlled to 
some extent by the addition of capital equipment,” and directly affect the 
well-being of individuals.” Since differentials in labor productivity in 
some U.S. industries exceeded those in wages, firms were able to remain 
competitive in terms of ULC. This “revival of interest in cost—especially 
labor cost—comparisons . . . stimulated” the BLS to develop ULC data 
(Shelton & Chandler 1963b, 485–86, 488–90) both domestically and inter-

In 1962 the CEA began making elaborate use of ULC data for the 
purpose of establishing “guideposts for noninflationary wage and price 
behavior” within the framework of an incomes policy (U.S. Council 1962, 
39–40; Sheahan 1967). Taking as its “point of departure” a constant 
distribution of income between labor and capital, President Kennedy’s 
Council at the height of Cold War put the “arithmetical relationships 
among output per man-hour (productivity), wage rates, and prices” (U.S. 
Council 1967, 120) in their global context:

It is no accident that productivity is the central guidepost for wage 
settlements. Ultimately, it is rising output per man hour which must yield 
the ingredients of a rising standard of living. Growth in productivity makes 
it possible for real wages and real profits to rise side by side.

Rising productivity is the foundation of the country’s leadership of the 
free world, enabling it to earn in world competition the means to discharge 
its commitments overseas [U.S. Council 1962, 190].

Borrowing the wage guideline “out of the CED book almost word 
for word” (Schriftgiesser 1967, 89), the Council ascribed a pivotal position 
to the development of ULC insofar as it regarded a stable price level as 
dependent on a macroeconomically strictly parallel growth rate between 
compensation per hour and output per hour. If prices then moved in 
accordance with ULC, “the relative shares of wages and returns to capital 
will remain constant” (U.S. Council 1968, 122). To these propositions the 
CEA later added that “since the capital employed per unit of output shows 
little trend in most sectors, the rate of return on capital will remain stable” 
(U.S. Council 1968, 122). This set of propositions, which the Council 
regarded as a realistic description of basic economic processes, was then 
supported by ULC data for several branches. From them the CEA con-
cluded that “when wages rise faster than output per man-hour, prices rise correspondingly with little effect on the distribution of income” (U.S. Council 1968, 122–23). Startlingly enough, this policy of setting wages and prices in accordance with changes in macroeconomic productivity appears to have been first proposed by Kuczynski himself (Kuczynski & Kuczynski 1930, 161–66).

The Council thus implied on the one hand that firms are generally able to pass on wage costs (in the form of higher prices) in order to protect the rate of return on their capital. On the other hand, the Council overlooked the fact that mere constancy of factor shares must lead to further inequalities in the distribution of income if the share of wage and salary workers in the total labor force is on the rise. In other words, official data on labor’s share of national income are overstated because they do not take into account the fact that workers become an increasingly larger proportion of income recipients as the proportion of capital-income recipients declines (Millis & Montgomery 1938, 56–57; Uhlmann & Huber 1971, 112–37; Adam 1973; Skiba & Adam 1974, 89–114; U.S. Council 1967, 132).34

From this analysis it is evident that despite the Council’s admission that “there is nothing immutable in fact or in justice about the distribution of the total product between labor and nonlabor incomes” (U.S. Council 1962, 186), its identification of price stability with constant ULC constituted a plea for acceptance of the existing division of income between labor and capital. Yet even this defense of the distributional status quo demonstrated that the growth and consolidation of unionization during the intervening half-century had doubtless contributed to the sea change that had evolved since Frederick Taylor had enunciated the microeconomic principle that when an innovation increased workers’ productivity four-fold, raising their wages by more than 60 per cent made “many of them . . . work irregularly and tend to become more or less shiftless, extravagant, and dissipated. [I]n other words . . . it does not do for most men to get rich too fast” (Taylor 1911, 74).

The Council’s plea was nevertheless ironic in light of the fact that the period during which the “guideposts” were formulated was marked by declining ULC and labor’s declining share in total output (U.S. Council 1967, 85; U.S. Council 1974, 73). Consequently, U.S. manufacturing firms’ ULC position vis-à-vis foreign competitors improved significantly: in a trend reversal of the previous half-decade, the growth of U.S. exports of finished manufactures exceeded that of imports by 53 per cent to 42 per cent between 1959 and 1964 (Chandler & Jackman 1965; U.S. Bureau of the Census 1975, 889). This development, which included a slowing of the growth rate of real hourly compensation in manufacturing by one-third so that RULC declined 3.8 per cent after having risen 2.8 per cent
from 1954 to 1959 (Mark & Kahn 1965, tab. 2 at 1058), favored the strong cyclic accumulation of capital that took place during the first half of the 1960s.

That the CEA nevertheless avoided open espousal of a policy of accumulation-via-declining labor shares lay only partly in ideology; for the optimism generated by the then longest postwar boom influenced the articulation of economic policy. It is therefore conceivable that the Council, extrapolating from this experience, concluded that high growth rates could be achieved with stable prices and without business cycles if labor and capital shared equally in future productivity increases and if the latter were high and matched by those in capital intensity (U.S. Council 1967, 133; Perlo 1973, 26). However, the accumulation and profit boom, which had in part been fed by low ULC in the first half of the 1960s—from 1960 to 1966 undistributed corporate after-tax profits rose 120 per cent while the after-tax rate of profit for manufacturing corporations rose 46 per cent—brought about a decline in unemployment to its lowest postwar level and an accompanying rise in wages, ULC, and labor's share in national income in the latter half of the decade (U.S. Council 1975, 335, 337, 278–79; Mark & Ziegler 1967, 28–29; Mark & Herman 1970, 32; U.S. Bureau of Economic Analysis, 1984, ser. 64 at 145).

The CEA's fixation on resisting labor's encroachment on capital even misled it from arithmetic to non sequitur: "The disparity between the large nominal gains in hourly compensation and the very moderate increase in real compensation per man-hour in 1966 emphasizes again the fact that more cannot be taken out of the economy than is produced" (U.S. Council 1967, 96). A standard labor economics and labor relations textbook elaborated this capital-logic by asserting "that if labor were to attempt to appropriate for itself the entire increase in labor-hour output, there would be little point in investing additional capital in business" (Bloom & Northrup 1981, 441). Walter Heller, who as chairman of President Kennedy's CEA had formulated the wage-price guideposts, asserted two decades later that employers who could not raise their prices in tandem with wages would "go out of business" (Heller 1980, 88). And President Reagan's CEA repeated the admonition that wages "cannot consistently outstrip productivity growth without diminishing incentives for investment" (U.S. Council 1988, 69).

Andrew Shonfield, the chairman of the British Social Science Research Council and a thoroughly mainstream economist, astutely criticized these ideological constructs, which also flourished in Western Europe:

What the fashionable exponents of "incomes policy" seemed constantly to ignore was that they were asking wage-earners to accept that the existing
division of wealth and the income derived from it was basically fair. Their concern, they insisted, was only to agree about the way in which the annual increment of national production—after all, a very small percentage of what was already possessed—was to be distributed. Perhaps the optimism arose out of the conviction, which had become widespread by the early 1960s, that economic growth could now be taken for granted: with the secure prospect of an annual bonanza to be shared out, it was argued, why should people quarrel about it? . . . [W]hat is implied by arguments derived from theoretical economics about the proper remuneration of factors is the acceptance of a large block of the status quo. Labour is really being asked to give its consent to a particular type of social order. There is no reason why it should willingly do so . . . [Shonfield 1969, 217-19].

The CEA sought to defend itself against such charges. Thus despite its declaration that the guideposts merely “suggest a proportionate sharing of average national productivity gains among labor, capital, and the other related factors of production,” the Council asserted that their purpose was not “permanently to freeze the labor and nonlabor shares”: “it is consistent with the guideposts for wage and profit shares to be bid up or down in a particular industry so long as price behavior in that industry is consistent with the general price guidepost . . .” (U.S. Council 1964, 119–20). Robert Solow, who had worked with the Council during the early 1960s, tried to come to its aid by repeating the CED’s argument: the critics’ complaint about freezing functional income distribution “has no practical weight at all” because that division between labor and property changes very slowly and within a narrow range.37 Since “there is every reason to believe that market forces will never, or hardly ever, want to move the proportional distribution of income very rapidly” the guideposts give “all the room needed for the market to operate” (Solow 1966, 48–49).

When the recession phase of the cycle reasserted itself in 1969–70 and ushered in an extended period of stagflation, which Keynesian fiscal policies proved incapable of mastering, state pressure to prevent the rising wage rates that would interfere with accumulation reassumed its accustomed role—this time in the form of a Keynesian “income policy that would check the rise of unit labour costs” (Phelps Brown 1983, 162–63). During these years the so-called wage-price spiral controversy shaped economic policy formation worldwide (Blechschmidt 1974). In July 1971, Arthur Burns, the chairman of the Board of Governors of the Federal Reserve System, testifying before Congress that “labor seems to have become more insistent, more vigorous, and more confident in pursuing its demands, while resistance of businessmen to these demands appears to have weakened” in part because public welfare programs “can be called upon to help sustain a striking employee,” urged government wage-price
action (Burns 1971, 661–62). The so-called wage-price freeze that was implemented in the United States in August 1971 was a version of the incomes policies that Western European countries had already developed (Weber 1973; Flanagan, Soskice, & Ulman 1983, 1–22). These less subtle Keynesian wage-cutting policies were designed to strengthen employers’ position by “curb[ing] money wage rates in relation to prices” and creating a “lower real wage rate per unit of labor. . .” (Smith 1968, 116).

The reformed social contract that is reputedly the prerequisite of any incomes policy designed “as an instrument to achieve . . . real wage reductions [through] asymmetrical restraint in wages and prices” (Flanagan, Soskice, & Ulman 1983, 10) is, however, particularly difficult to forge in the early recovery phase and the late prosperity phase of the business cycle. It was, therefore, not fortuitous that at the same time the Nixon administration revealed plans to relax price controls in order to “ease profit margins” in 1973, the business press demanded a continuance of the wage freeze in order not to undermine the incipient upswing. Although economists conceded that “a freeze that continues for any significant time does place a burden on labor since the increased productivity of labor leads to higher profits rather than higher wages” (Bosworth 1972, 353), the federal government was so appalled by opinion polling that showed that “nearly 85 per cent of all union members think stockholders rather than employees are the major beneficiaries of productivity gains” that it induced the Advertising Council to grant it $10 million of space and time “to overcome this kind of misunderstanding”—which 20 per cent of executives shared (Monthly Labor Review 1972, 2).

Even when, as in the 1970s, the real rate of return on manufacturing and corporate capital in the United States did decline, the increase in real wages was so “modest” that economists have contended that only a nominal, neutral, anti–inflationary incomes policy was called for as opposed to the “real policies” that were openly applied “with the aim of restraining real wages and bolstering profitability” (Flanagan, Soskice, & Ulman 1983, 7,10, 22; Sachs 1979, 278). By the early 1970s, then, it could be said, by a slight modification of the CEA’s propositions, that “[s]imple arithmetic requires” (U.S. Council 1968, 122) that, _ceteris paribus_, capital’s share rise at labor’s expense if nominal rather than real compensation is compared with real output.

What Goes Around Comes Around: The Renaissance of Communist Party Interest in ULC

After having lost the battle against the capitalist defanging and re-colonization of the category of ULC, Soviet and U.S. Communist Party
economists in the 1970s resumed the struggle on their enemies' own terrain just as employers embarked on an unprecedented worldwide campaign to curtail increases in ULC. The leading Soviet writer on the U.S. economy, Stanislav Menshikov, for example, contended that "the movement of the unit labour cost is the hub of the most acute social conflicts" (Menshikov 1975a, 260). Accepting the orthodox reasoning associated with ULC, Menshikov assumed a framework within which nominal wage increases equaled cost of living increases times productivity increases; consequently, labor's share in national income had to remain constant. Of such a wage policy Menshikov said that the ratio between the growth rate of total money wages (W) and that of real national income (X):

reflects the change in the unit labour cost. From the point of view of entrepreneurs, every increase of this cost . . . leads to a decrease in the share of profit and "compels" them to raise prices. From the position of the working class, however, an increase in the unit labour cost is necessary if prices rise because otherwise a reduction in its share in the national income is inevitable [Menshikov 1975a, 259–60].

If labor's share is defined as total wages/national income (W/Y) or total real wages/real national income (W_r/X), then wage increases equivalent to price increases times productivity increases must leave labor's share unaffected. Although ULC is directly dependent on price movements, under the assumption of a real-relative wage policy, price rises serve only to increase ULC since workers are automatically compensated for them. Even outside the framework of such a wage policy, the claim that "wage increases in excess of productivity increases are inflationary . . . is true only if there are no shifts favorable to wage earners in the distribution of real income" (Rees 1959, 34).

Under a real-relative wage policy, changes in W/X (ULC) track those in W/Y (SULC) and W_r/X (RULC). From the viewpoint of a hypothetically isolated national capital (Fichte 1845), it would arguably be irrelevant whether ULC rose: under the assumptions of a real-relative wage policy, real wages would not be reduced by price increases and the division of income between labor and capital would remain unchanged. The only requirement would be the absence of any limits on price rises.

Such a requirement would, however, be unacceptable in real-world economies. First, such a national capital would be disadvantaged on the world market since its commodities would carry higher prices than those of national capitals not burdened by the aforementioned mechanism (Flanagan, Soskice, & Ulman 1983, 6). Second, even within a national capital, productivity and thus price level changes vary from industry to industry. If the increase in productivity in certain industries or firms
exceeds that of other industries or firms, it is to the former’s advantage that their workers receive wage increases equal to the economy-wide rather than the industry-specific productivity increase since that wage policy will result, ceteris paribus, in lower ULC and higher profits (Sloan 1965, 399). And third, if the restrictive assumption that wages rise parallel to increases in prices and productivity is dropped, firms’ interest in reducing ULC becomes manifest since a lower ULC would be tantamount to a higher total social rate of exploitation.

Writing in the mid-1970s, Menshikov stated that ULC had not fallen in the United States since the recession of 1949. This diminution in cyclical sensitivity he attributed to the greater strength of organized labor, whose long-term collective bargaining agreements blunt the immediate impact of unemployment (Menshikov 1975a, 260–63). This trend toward the conversion of wages from a variable into a fixed cost is exaggerated by Menshikov’s use of ULC for the entire economy including the state sector; for ULC have continued to decline cyclically in manufacturing and to a lesser extent in the private sector as a whole. AULC declined in manufacturing in 1950, 1955, 1959, 1962–65, 1983–84, 1987, and in the entire business sector in 1950, 1955, 1963, and 1993 (U.S. BLS 1989, 350). These waves confirm the aforementioned cyclical character of ULC, in particular its association with improved conditions of profitability during the early periods of the recovery phase of the business cycle (Business Conditions Digest 1970, 28; Business Conditions Digest 1976, 30; Business Conditions Digest 1990, 28).

Real wage rate increases, however, lagged considerably behind productivity increases in manufacturing during the post-World War II period. From 1947 to 1993, real hourly compensation rose 112 per cent while constant dollar output per hour increased 256 per cent (see Figure 2, p. 43); (U.S. BLS 1989, 348–50; Monthly Labor Review 1994, tab. 44 at 93). For the total business sector, the corresponding figures were 139 per cent and 171 per cent respectively (U.S. Council 1994, 322; Monthly Labor Review 1994, tab. 44 at 93). Consequently, during these forty-six years RULC declined 40 per cent in manufacturing (see Figure 1, p. 2) and 12 per cent in the business sector. This across-the-board secular decrease occurred despite the fact that the data on hourly compensation are overinclusive, encompassing not only wages and salaries of employees plus employers’ contributions for social insurance and private benefit plans, but also estimates of wages, salaries, and supplemental payments for proprietors and unpaid family workers (U.S. BLS 1989, 353 nn. 2–3).

Figure 2: Real Output, Nominal Wages, & Real Wages in Manufacturing, 1947-93 (1977=100)
share of national income, which, because its numerator includes considerable income that should be classified as profit, is a much less precise category than RULC in manufacturing, has exhibited a clearly cyclical trend, declining during all recovery periods (U.S. Bureau of Economic Analysis 1984, 145; Business Conditions Digest 1989, 102). Despite this tethering of real wages to productivity (Mitchell 1980, 38-39; U.S. Council 1992, 95), economists conclude from the fact that AULC has risen in most years since World War II that “the notion that wages should advance only in accordance with increases in productivity is more an intellectual exercise for economists than a practical reality at the bargaining table” (Bloom & Northrup 1981, 441).

Three decades after his original contributions to ULC methodology as a government economist, Victor Perlo of the CPUSA also returned to the fray, this time openly joining the issues of ULC and surplus value: “certain types of statistics play a role in the class struggle” and in particular “falsified” ULC data “have become a major weapon of capital” (Perlo 1988, 61-62, 68). Harking back to the underconsumptionist notions that overtly-covertly underlay the AFL-Kuczynski framework, in the 1970s Perlo characterized the exploitation-rooted contradiction between production and consumption as the main contradiction within capitalism. After calculating the high rate of surplus value—“which all employers know, but they do not speak about it”—as the inverse of labor’s share in manufacturing, Perlo shifted to an alternative procedure to take into account “the effects of monopoly pricing and promonopoly taxation. . . .” Like Kuczynski almost a half-century earlier, Perlo compared “the physical volume of the worker’s production with the volume of his consuming power after allowing for changing retail prices and tax deductions. . . .” Based on the greater availability of data—to which Perlo and Magdoff had signally contributed—Perlo was able to generate more refined results than Kuczynski. Perlo accomplished this result “technically by comparing productivity per . . . man-hour with real take-home pay . . . per man-hour.” In other words, Perlo returned to ULC. To illustrate the definitionally inverse relation between the rate of surplus value and RULC and/or labor’s share, Perlo instanced a 20-per cent increase in productivity and a 10-per cent rise in real wages: the rate of exploitation (120/110) rises 9.1 per cent while labor’s share (110/120) declines 8.3 per cent. In an accompanying graph, Perlo plotted a gentle rise in NULC (“Wages per Unit of Factory Production”) and an “almost continuous” decline in RULC/labor’ share after World War II (“Real Take-Home Pay per Unit of Factory Production”) (Perlo 1973, 26-31, 228-29).

In calculating this RULC index, Perlo, like Soviet economists (Vygodskii 1969, 214), strove for greater realism by using the BLS’s real spendable earnings series, which—unlike ULC compensation data, which
include even the employer's share of the social security tax (Alterman 1971, 25)—reflected quasi-take-home pay by deducting federal income and social security (but not state and local) taxes. Perlo justified this methodology on the ground that: "Taxation has become another channel for the realization of surplus value. An increasing portion of taxes is taken from workers and spent for the benefit of capitalists" (Perlo 1973, 26–33). Perlo's use of even realer RULC was part of his and the Communist Party's struggle against "rigged and grossly misleading" government ULC data "designed to assist the antilabor propaganda of big business" that sought to blame inflation on wage increases. Interestingly, in disqualifying official ULC data in part because they include non-surplus value producing sectors, Perlo specifically mentioned "service" industries as "largely irrelevant to the main labor-management struggles over wages (Perlo 1973, 32, 108)." This judgment would presumably come as a surprise to the fastest growing and most innovative and confrontational union in the United States, the Service Employees International Union (Ybarra 1994).

By the time Perlo updated and revamped his realer RULC data in the late 1980s, he was no longer able to use the real spendable earnings series. By that time the BLS under the Reagan administration had discontinued it in 1982 "obviously to cover up part of the deterioration in workers' conditions" (Perlo 1988, 59). In what may have been the final international Communist Party debate over RULC and surplus value, Perlo and Menshikov engaged in a pointed polemical exchange in the wake of the dissolution of the socialist economies of Eastern Europe. In a critique appearing in the last issue of the Prague-based World Marxist Review in mid-1990—and published simultaneously in the theoretical journal of the CPUSA (Political Affairs)—Perlo took Menshikov to task for having argued at an international round table on "Modern Capitalism" that capitalism had become viable because the bourgeoisie in the advanced industrial nations had siphoned off some of its neocolonialist superprofits to the working class, which had also "managed to secure real wage increases commensurate with higher labour productivity," thus expanding markets and substantially modifying "the tendency toward absolute and relative impoverishment of workers." During the post-World War II period, real wages fell "only during periods of structural crises," whereas declines in labor's share of national income were "more common . . . but . . . not felt so strongly" (Menshikov 1989, 56). Perlo, charging that Menshikov had downplayed the exploitation of wage labor in the advanced capitalist world, contrasted the latter's claims with data showing that the rate of surplus value in the United States had risen and relative wages had declined during the post-World War II period (Perlo 1990a; Perlo 1990b). While insisting in rebuttal that, during
the long upturn ending in 1973, increases in real wages had kept pace with those in productivity for all U.S. workers if not for manufacturing, Menshikov indirectly conceded Perlo's empirical point for the entire post-war period (Menshikov 1990).

In this welter of numbers, however, neither side elucidated the political risk that had always underlain Kuczynski's original effort to infuse collective bargaining with surplus-value thinking. That danger was the possibility that orienting wage demands toward productivity increases might, instead of achieving its intended effect of raising working-class consciousness about the historical limits of the capitalist mode of production, ultimately promote the long-term stabilization of capitalism by means of a balanced expansion of mass consumption and production calibrated with the aid of state intervention.

Conclusion

If ULC discourse originated in labor's drive to resist exploitation, orthodox economists eventually succeeded in transubstantiating it into a mere measure of inflation (Kendrick & Grossman 1980, ch. 4). Although the zero-sum struggle between labor and capital became acute during the Depression and then again during the immediate postwar years (Mattick 1969; "Productivity" 1946), by the 1950s the political-economic conflict turned quiescent. As if a reflection thereof, economists' discussions lost their edge and became antiseptic until ULC became, in the words of The New York Times, no more than an indicator of "whether any wage increase is being offset by a rise in the value of what each worker produces" (Uchitelle 1987). Ultimately, then, ULC furnished the statistical-methodological underpinning for the dogma that "workers who do not produce more cannot be paid more" (Mead 1992, 74).

To the extent that official use of ULC tolerates even oblique insight into underlying social struggles, it is only from the perspective of a fictitious society at large defending itself against covetous workers: "through its impact on unit labor costs, output per hour is an important element in the wage-price relationship because it is an indicator of the extent to which compensation gains can occur without putting pressure on prices or reducing payments to other input factors" (U.S. BLS 1992, 84). Or, as Magdoff noted in a late contribution, the productivity measurements underlying ULC, which he himself had, at the creation, treated skeptically as a "makeshift" or "convenient fiction," had become "a myth . . . to support propaganda for . . . a reduction in real wages" (Magdoff 1982, 359).
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That ULC have displaced labor’s share in labor-management relations seems only appropriate in the United States where Clark Kerr, a towering figure of industrial relations, characterized “functional shares” as “a rather dated way of looking at distribution . . . a hangover from the classical economists and the Socialists.” Shifting the focus from class to individual size distribution of income had, according to Kerr, “the added advantage that it is less likely to lead to a class-conflict approach to income distribution. . . . From the standpoint of social peace, it is better to discuss the share of . . . the bottom 25 percent of income recipients than . . . in terms of . . . labor’s share” (Kerr 1977, 127-28). In contrast to this classless pure pluralism and individualism of the United States, in a reformist-pluralist society such as Germany (Müller 1973, 415-16; O’Connor 1986), the annual report of the counterpart to the U.S. President’s Council of Economic Advisers regularly includes a table on labor’s share (Sachverständigenrat 1977, 81); in a more class-conscious country such as Italy the sub-headline of a four-column front-page article in the leading daily newspaper virtually shouts the annual change in labor’s share at readers (Corriere della Sera 1972).

Kuczynski, who began it all by trying to infiltrate surplus value into everyday trade-union thinking and politics, was later amused by his “class-struggle-alien naiveté” in believing that he could have promoted political practice on the basis of a theory within the AFL especially since the wage policy had to remain meaningless for AFL politics (Kuczynski 1973, 144, 157). As the C.P.U.S.A’s more recent open espousal of the interlocked connections between surplus value and ULC reveals, however, glasnost’ alone does not guarantee agitational success either.

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