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EDITORIAL

“UNREASONABLY LOW PROFITS.”

By DANIEL DE LEON

THAT elastic thing, a “reasonable profit”, to which every capita list insists he has a right was illumined in the course of this week from two different sides.

Judge Gary of the billion profit Steel Trust, testifying before the Ways and Means Committee, said woefully his company only received 7.3 per cent. annually “upon its capitalization”—certainly, on the face of it, a poor showing as things go. Upon closer scrutiny it will be found that the poor showing is fictitious.

It is at this point that light comes from another side. The confidential conversation of two promoters is reported as follows:

“I took in two dollars just now,” said the first promoter. “Good enough,” came quickly from the second pard; “shall we issue additional stock to correspond with our increased capital, or shall we have lunch?”

This conversation may not be dismissed as a joke. It explains the “unreasonably small profits” that capitalist concerns are ever complaining of, and “proving” with the percentage of the profit upon their “capitalization.”

The game is worked this way:

Say, there is an actual investment of \$500,000 and an actual profit of \$100,000. That would be a 20 per cent. profit. The stock is then watered so as to present the appearance of a larger investment.

Say, the stock is by water raised to \$1,000,000. The previous 20 per cent. profit is a goad to make larger profits. These are squeezed out of the workers in one or several scores of ways, with the result that the identical \$500,000 investment yields a profit of \$150,000. This is an actual profit of 30 per cent.—10 per cent. more than before. But the nominal capital or investment having been raised with water so as to appear to be \$1,000,000, the profit then sinks to 15 per cent.

The next step is like unto the first. More watering inflates the actual investment of \$500,000 to say, the proportions of \$2,500,000; the actually larger profits of \$150,000, made upon the first inflation, act as a fresh stimulus to some more extortion practiced upon the workers. The consequence is \$200,000 profit an—actual profit of 40 per cent.—again 10 per cent. more. But the nominal capital having been watered so as to seem to be \$2,500,000, the profit then sinks to 8 per cent!

And so on.

The long and short of the tale being that the larger the actual profits made by the capitalist the lower does the “unreasonably low profit” sink—in percentage.

Transcribed and edited by Robert Bills for the official Web site of the Socialist Labor Party of America.

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