

100 years since Ford's five dollar day

By Tom Mackaman
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One hundred years ago, the Ford Motor Company began paying auto workers \$5 per day, declaring the move “the greatest revolution in the matter of rewards for its workers ever known to the industrial world.” With the new wage, announced on January 5, 1914, a new era seemed to be dawning. “What marvels might not Mr. Ford’s example work if only other capitalists would do the same?” asked the *New York Times*. For some, Henry Ford was hailed as a genius and the “high priest” of American industry. For the *Wall Street Journal* he was a “class traitor.”

Ford’s move—which essentially doubled the wages of unskilled auto workers—stunned contemporary observers because it seemed to represent such a departure from the modus operandi of American capitalism. In 1913 industrialists paid workers as little as they could, and not one penny more. To pay workers above what the market determined—and what violent repression ensured—would corrupt the workforce and ruin prices, among a litany of other supposed evils.

Ford had not set out to redistribute wealth. His primary aim was to create a loyal and stable workforce so that he could make full use of the moving assembly line, introduced a year earlier, in 1913, at his Highland Park plant where the Model T was manufactured.

The assembly line—“the industrial miracle of the age,” in the words of John D. Rockefeller—had led Ford managers to another discovery: the problem of labor turnover. In 1913 American factories cycled through their workforces with astonishing speed. It was worse for Ford due to the monotony and brutality of the assembly line; in one year investigators at Highland Park counted more than 200 severed fingers and 75,000 burns, cuts, and puncture wounds. “The chain system you have is a slave driver!” the wife of an autoworker implored Ford in 1914. “My God! Mr. Ford. My husband has come home & thrown himself down & won’t eat his supper—so done out! Can’t it be remedied?”

In 1913 exhausted Ford workers often walked off the job in the middle of their shifts, thus bringing to a halt the entire assembly line, and with it Ford’s profits. In 1913 the Highland Park plant had a labor turnover rate of 370 percent; in order to maintain a workforce of 14,000 Ford had been compelled to hire 52,000 different workers.

Ford calculated that by reducing turnover—breaking the day into three eight-hour shifts, and thereby achieving constant production on his new assembly lines—he would continue to expand his profits. Helping Ford was the desperate situation among workers created by the recession of 1913-1914, which saw US industrial production decline by nearly 20 percent. Such were conditions in Detroit that on January 12, 1914, when Ford’s \$5 plan went into effect, 12,000 job seekers braved a blizzard and company fire hoses looking for work at Highland Park.

The \$5 day was “the best cost-cutting measure ever undertaken,” Ford is thought to have said. In 1915 he hired only 6,508 workers, mainly to fill new positions. In two years, the time it took to make a Model T dropped from 12 hours and 28 minutes to 93 minutes. Prices dropped. Markets expanded.

And while he did not expect that the \$5 per day would allow his own workforce to become a major new market for his cars—the Model T was designed for America’s still vast farm population—in a broader sense some did think Ford’s “profit-sharing” scheme held the key to social

harmony. If capitalists imitated Ford they would produce more, sell more cheaply and generate immense profits through sheer volume of sales. If a small portion of the profits were shared with the labor force this would promote loyalty to the company, encourage workers to purchase more and thereby create new markets for commodities.

Herein lay Ford’s bitter opposition to labor unions. “Abundance is the remedy for scarcity,” wrote the *Times*, celebrating Ford’s philosophy. “Restriction of production is labor’s contribution to the problem which Mr. Ford has attacked if not solved.” Unions, at that moment, were primarily rooted in the skilled trades, and as such were organically opposed to innovations in production such as the assembly line and scientific management that eliminated craft workers and their monopoly over the knowledge of production.

Worse was the threat posed by the Industrial Workers of the World (IWW), which advocated workers’ control of the factories and had won a sympathetic hearing from Highland Park workers in March 1913. After a few days of lunchtime speeches and arrests of IWW agitators, Ford ruled that workers could no longer leave the factory for lunch. Banned from Ford, the IWW would go on to lead a June 1913 strike by 6,000 unskilled workers at three Studebaker factories in Detroit—the first important industrially organized strike in the industry.

Ford’s vision could not admit into discussion the existence of opposed class interests. Yet socialism and the Russian Revolution, coming just four years after Ford’s \$5 day, breathed a new spirit into the American class struggle. Workers began to think that they might overcome the impotent and corrupt craft unions and build industrial unions that would organize all workers in a given industry regardless of skill or trade, race or nationality. And workers began to be attracted to what was then commonly called “industrial democracy,” breaking the dictatorial control of capital over the workplace and the economy. By 1919 the Auto Workers’ Union, whose leaders were socialists and which advocated industrial unionism, had 40,000 members in Detroit.

Ford sought to stamp out these subversive thoughts, as part of a broader drive to create a disciplined and submissive workforce. This was overseen by his Sociological Department, also launched in 1914. In order to earn the \$5 day, which was in fact not available to all employees—including women, young single men and the few black workers Ford would begin to hire in 1914—workers had to meet a number of personal requirements. Ford’s social investigators paid unannounced visits to workers on the job and in their homes, inspecting the latter for cleanliness and signs of alcohol consumption.

The Sociological Department sought to “Americanize” Ford’s multinational workforce—by 1914, 70 percent of Ford’s total workforce were foreign born, and over half came from eastern and southern Europe—compelling workers to enroll in citizenship courses. Beginning during World War I, the Sociological Department joined hands with federal authorities and the American Protective League to finger and root out radical workers. In 1921 it was merged into Ford’s infamous Service Department.

In 1919, Ford launched into a notorious career as an anti-Semite, using his own newspaper, the *Dearborn Independent*, to attribute to an

“International Jewish Conspiracy” everything he found objectionable, including the Russian Revolution and its influence on workers: “Bolshevism is Jewish,” one of Ford’s ghost writers declared.

The novelty of Ford’s \$5 day did not last long. Inflation during World War I undermined the wage’s purchasing power by half, making Ford’s announcement of a \$6 day in 1919 considerably less impressive. Meanwhile rival auto producers mimicked the assembly line, cutting into Ford’s market share. In 1920, during the postwar recession, Ford laid off 70,000 workers. Then in 1929 came the stock market crash followed by the Great Depression, shattering any lingering assumption that capitalism might resolve its contradictions by simply producing more. Ford drove down wages—to five \$4 days in 1932 compared to six \$5 days in 1914—and laid off workers by the thousands.

In the trough of the Depression well over half of all Detroit workers were without jobs, while Henry Ford remained the world’s richest man. On the bitterly cold day of March 7, 1932, the Detroit Unemployed Council led a march of about 5,000 workers and youth from Detroit to Ford’s massive River Rouge factory complex in Dearborn in what became known as “The Hunger March.” When the marchers reached Dearborn, police and Ford’s private goons attacked with tear gas, fire hoses, clubs, and live fire. Five men and boys were killed. Five days later some 60,000 Detroit workers marched down Woodward Avenue in memory of the fallen.

In 1937 auto workers launched the massive sit-down strike campaign against General Motors, which had eclipsed Ford as the nation’s largest automaker. The strike wave, led by socialist-minded workers, was the high water mark of working class militancy in the Great Depression. Tens of thousands joined the United Auto Workers at GM plants. Yet Henry Ford signaled he was prepared for violence to keep the union out when Service Department thugs beat up UAW leader Walter Reuther and other unionists in the so-called Battle of the Overpass on May 26, 1937.

Ultimately what paved the way for the entrance of the UAW into the Ford plants in 1940 and 1941 was the labor movement’s embrace of the American war effort in World War Two. The UAW, the Congress of Industrial Organization (CIO) and the American Federation of Labor (AFL), promised the Roosevelt administration to clamp down on strikes as US imperialism readied itself for its showdown with Germany and Japan. In return, in key industries such as auto and steel, the labor bureaucracy was given a “seat at the table” to organize wartime production. The Stalinist Communist Party wielded its influence among militant workers to support the pact and enforce the ban on strikes.

After the war, in 1945-1946, workers launched the largest strike wave in US history. They were determined not to go back to the “hungry 30s.” In this explosive situation, Reuther and other labor leaders sought to continue and deepen the collaboration with capitalism and the federal government begun during World War II. In exchange for the state sanctioning of the labor bureaucracy and regular pay and benefit improvements for autoworkers, the unions would purge from their ranks ideas of socialism and industrial democracy—and the workers who held them—and would support US capitalism and its dominance of markets all over the world.

This collusion, epitomized in the “Treaty of Detroit” between the UAW and General Motors in 1950, set up conditions in the 1950s and 1960s that resembled Henry Ford’s dream when he launched the \$5 day. A small share of the immense profits accrued to GM, Ford, Chrysler, and the lesser automakers would find their way back to auto workers in the form of increased pay. Workers would in turn provide a growing market for consumer goods, including for the first time in significant numbers the cars that they themselves made.

In the ensuing two decades of economic boom, Michigan’s auto workers enjoyed arguably the highest standard of living that any section of the industrial working class has ever achieved. Workers tended to stay

in the employ of one of the Big Three for many years, if not their entire career, at the end of which there awaited the expectation of a decent retirement.

Reuther and other union officials justified their program of class collaboration with claims that the “virtuous circle” of increased productivity being rewarded with higher wages, leading to greater consumption and higher profits, would essentially last forever.

Yet Reuther’s wager that tied the autoworkers to the global success of American capitalism was based on a temporary historical conjuncture. The post-war export of capital to war-ravaged Europe and Japan, aimed at preventing social revolution and financing the purchase of US goods, had the effect of creating powerful economic competitors, which adopted the methods of mass production in their rebuilt industries.

The reemergence of America’s rivals, especially Japan and Germany, cut into the Big Three’s market share. Profit rates declined, and from the 1970s on capital flowed out of industrial production into speculative financial pursuits and the personal fortunes of the wealthy.

This gathering crisis came to a head in 1979 with the bankruptcy of Chrysler. Its bailout, orchestrated by the Carter administration, marked a watershed in American history. The UAW cooperated with the federal government, Chrysler, and financiers in enforcing major wage concessions on the workers it nominally represented.

From that moment on the UAW served as a tool of capital—in rolling back wages and benefits, fingering militant plants and workers for closure and dismissal—and came to play a role analogous to Ford’s Service Department.

The UAW abandoned strikes, victimized militant workers, collaborated in the destruction of hundreds of thousands of jobs and joined with the companies to wipe out the eight-hour day and virtually every other gain won by auto workers over generations of struggle. Reuther’s prediction that wages would rise in tandem with productivity has not been true since 1972, as the capitalists, with the assistance of the unions, ruthlessly slashed labor costs while pumping every greater more output from the working class.

It is a fact of great historical significance that one hundred years later the starting wage for auto workers is less in real terms than it was in 1914. Ford’s \$5 day, adjusted for inflation and divided into an eight-hour shift, is today about \$14.50 per hour. In the Obama administration’s so-called “rescue” of General Motors and Chrysler in 2009, the UAW agreed to lower by half the average starting wage for autoworkers, down to \$14 an hour. Once again workers cannot afford to buy the cars they build.

Workers must draw out the conclusions. The capitalists and their politicians are turning the clock back to a time when workers were little more than industrial slaves. New organizations of struggle, independent of the company controlled unions and the big business parties, are needed. Above all, the coming struggles of a new generation of workers must be guided by a new, international and socialist strategy. Only in this way can the wealth created by the collective labor of the working class be used to raise the material and cultural level of all the people, instead of being hoarded by the wealthy few.

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