

**STATEMENT OF DR. HAROLD G. MOULTON, REPRESENTING THE
BROOKINGS INSTITUTE, WASHINGTON, D. C.**

The CHAIRMAN. Doctor, you have the privilege of making a formal statement without interruption, if you prefer, at the end of which you will be subject to such questioning by members of the committee as they desire, if that is satisfactory.

Dr. MOULTON. As I understand it, I am asked to speak on the 30-hour-week proposal.

The CHAIRMAN. The Chair has not been advised what phase of the bill you are to speak on. You may select your own subject, if it is pertinent. You may be your own judge of that.

Dr. MOULTON. That is what was conveyed to me.

Mr. WOODRUFF. May I say, Mr. Chairman, that I am particularly anxious to hear the doctor on the subject of the 30-hour week for reasons which I gave him over the telephone today, and which I have already given you, sir. But, as a member of the committee, I should be delighted to hear him on any part of the bill on which he cares to speak.

The CHAIRMAN. Mr. Woodruff, our colleague, did suggest that the witness was to discuss the subject of the 30-hour week.

Dr. MOULTON. That is correct. I should like, at least first, to confine myself to the 30-hour-week proposal. I have not studied the general bill.

My interest in the 30-hour week is solely from the broad general economic point of view. I have no connections with either the industrial side of the problem or the labor side.

The primary argument, of course, for the 30-hour week is that it will generate recovery, and, second, that it will, in the long run, give to the laborer higher standards of living.

If I thought it would do either of those things, I would be strongly in favor of the 30-hour week. But, as we have analyzed the problem, we do not think that it would be effective in giving us a higher standard of living for the masses.

In order to get that problem clearly before us, I would like to make just a brief statement with reference to what the trend in the number of hours has been over the period of the last 30 years, between 1900 and 1930. In that period the average length of the workday in this country was reduced by about 13 percent.

During that same period there was also some increase, a very material increase, in productive efficiency, amounting to about 40 percent.

Mr. LEWIS. That does not include agriculture, doctor?

Dr. MOULTON. No. That is in the field of industry generally.

In 1929 the average working week was about 50 to 51 hours in industry generally. It varied quite widely in the various divisions of industry, running from around 43-44 hours a week in such industries as coal and some divisions of the textile industry, up to more than 60 hours in iron and steel.

But the general average works out at about 50 to 51 hours in 1929.

As a result of the depression itself, and the curtailment of working schedules, there has been a substantial reduction below the 50-hour average of 1929, a reduction which, under the codes, works out in a standard week of about 40 hours. The actual working week would be a little less than that, but, taking the 40 as the new standard, you have had about a 25-percent reduction between 1929 and 1933.

The real question, and I think I can put the major problem very succinctly, is could we, on a 30-hour week, produce the quantity of goods and services which the American people, all classes, including the laborers, desire to have?

The best way to come at that is to state what standard of living we did have in 1929. The per capita production in 1929 was around \$700, produced on an average work week in industry of about 50. Obviously, if we are going to have a higher standard of living than we had in 1929 in the years that lie ahead, or as high, we have got to be able to produce as much as we did in 1929. You will see that in rough terms, on a 30-hour week, we would have to produce very much more per hour than we did on a 50-hour week.

In 1929 the total national income was about \$81,000,000,000. This national income would be, if there were no change in efficiency on a 30-hour week, about three-fifths that.

Now, there has been some change in efficiency, but, on a three-fifths basis, you would have an income of about \$50,000,000,000 on a 30-hour week instead of \$80,000,000,000.

Nobody knows how much the increase in efficiency has been during the course of the depression. That there has been some is not to be denied. There has been quite considerable in some lines, and very little in other lines.

But, as a general average, it would certainly be very much less than a 30- or 40-percent increase in efficiency.

Mr. VINSON. Mr. Chairman, what part of the bill is the gentleman directing his attention to?

Dr. MOULTON. I was asked, sir, to speak on the 30-hour week as a special problem. I have come at the invitation of the committee itself.

Mr. WOODRUFF. I was responsible, I will say to my friend from Kentucky, in bringing Dr. Moulton here. I asked him to come here, because I understood he was an authority on this subject. The thing that prompted me directly is the fact that I have been rather strongly committed to a 30-hour week and I am beginning to wonder whether my previous deductions were correct.

This question has to do with the whole broad question of security; social security.

Mr. VINSON. As I understand and it, we do not intend to deal with the 30-hour week, in the consideration of this bill. It is no part of this bill.

Mr. WOODRUFF. I understand that, but my friend will agree that the question of continuous employment has a very proper place in these hearings and I think you will find, if you will allow the doctor to proceed, that he will give the committee information that will be very helpful to us.

Mr. VINSON. He is making a very interesting statement.

Dr. MOULTON. Thank you, sir.

Mr. VINSON. Although I do not see how it pertains to the matter that we have directly under consideration.

Dr. MOULTON. I can well understand how you were a little doubtful as to why I should be discussing this particular problem.

The main point I want to get before you, the main question, because it is the basic issue, is whether, with a working week of 30 hours, in comparison with 50 hours in 1929, there is any reason to

believe that we would produce as great a volume of goods and services as we did produce in 1929.

It is obvious, if we do not, whatever may be true of money wages, if we do not produce as great a volume of things for our consumption, we will not have, in the aggregate, as high standards of living. I was indicating that nobody can tell exactly how much increase in efficiency there has been between 1929 and 1933, because nobody has made a comprehensive investigation of all the various industries such as would be required; and even if one had had an opportunity to make a very comprehensive study of all the industries with a view to finding out to what extent man-hour efficiency had increased, he would still have difficulty in arriving at very definite conclusions, because efficiency is naturally very much higher in a period of acute depression, when the less efficient workers have been weeded out, and when you have got only the best on the job, and when they are afraid of losing their jobs.

The whole history of labor efficiency is that in periods of prosperity, when new employment gets more universal, and when the less efficient have also been employed, that the average man-hour efficiency naturally grows less.

There has been one effort made to show that we could go ahead with a 30-hour week, and I am referring to that made by Mr. William Green, of the American Federation of Labor. He has drawn upon some data with reference to man-hour efficiency between 1919 and 1933, and based upon figures of Professor Mills of Columbia University.

I think we may accept those figures as the best that are available with reference to man-hour efficiency. Those figures show that between 1919 and 1933 there was an increase of 71 percent in the workers' producing capacity. Note that starting with 1919 as a basis and carrying that through to the latest figures for 1933, you find an increase of 71 percent in the workers' producing capacity. In other words, they say that work which took about 52 hours in 1919, which was the average working week then, could now be done in about 30 hours.

They submit that as evidence that we could get on comfortably now on a 30-hour week, because we could produce as much as we did in 1919 with that number of hours. The question that they do not ask is, How much did we produce in 1919, and would that give us a satisfactory standard of living?

The truth of the matter is that we produced in 1919 about \$64,000,000,000 of wealth, as compared with the \$81,000,000,000 in 1929. And if you will recall, the price level was very, very high in 1919, so that that \$64,000,000,000 is measured at the peak of prices of the early post-war era.

Mr. LEWIS. Have you the adjusted figures?

Dr. MOULTON. I was going to give you that, Mr. Lewis. The adjusted figures, adjusted to 1934 prices, in terms of our present prices, show that that income of 1919 would be about \$34,000,000,000 instead of \$63,000,000,000. That would mean a per capita income of about \$326, as compared with a per capita income in 1929 of close to \$700.

The trouble with that comparison of man-hour efficiency is that the base from which they proceeded—the base year from which they proceeded—was the year in which we had the lowest efficiency in our modern history. It was the year, you will recall, of demobilization

from the Army, in which you had a year also of greatly disturbed labor relations, with a great many strikes; a year, also, you will recall, of very rapidly mounting prices.

If a 30-hour week in 1934 will give us a volume of production equal to that of 1919, and the actual production of wealth in 1919 was \$326 per capita or thereabouts—those are rough figures—we would, by a 30-hour week, freeze the standard of living in this country at the 1919 level, roughly speaking.

Gentlemen, in analyzing this problem—and it is something that is engaging to us all, naturally, in view of the great technological progress—but in analyzing this problem, we have to focus our primary attention, as I say, upon the problem of production. That is a technical question, and regardless whether money wages are high or low, the standard of living that this country will afford will be the standard of living which the laborer—which labor and industrial capital of this country are able to produce.

One other issue: Would it promote recovery? I do not think it would promote recovery, because it would mean an increase in money wages of about one-third overnight. That is a very much greater increase in wages than occurred under the N. R. A. codes; and the experience under the N. R. A. codes was that the higher wage costs were recouped by industry from higher prices, which they passed on to the consumer.

It is all a matter of evidence with which I think you are familiar.

Now, a 33-percent universal increase in wage costs would mean that prices would be sharply advancing as a means of recouping these higher outlays. Those who received the same money wages as before—and you see that is involved in the plan of reducing the workers from, say, 40 hours to 30 hours without a reduction in money wages—all those now on the pay rolls will have the same money wage; but just as sure as the sun shines, when they go to buy goods they will find that it only goes about two-thirds or three-fourths as far. So I do not think that that sort of thing will promote business recovery. On the contrary, because of the very magnitude of the increased cost involved, it would probably be a deterrent to business enterprise. That is judgment, there, rather than any scientific finding.

Of course, nobody can tell for sure, because that is in the realm of psychology. But I think that is what would happen.

I think that is all the general statement I would care to make, Mr. Chairman; and if members of the committee want to ask any questions I shall do the best I can.

Mr. LEWIS. You speak of the adjustment of prices, to the increase, in the actual hourly wage pay. Have you any estimate of the amount of marketed product in the United States as to which the price is not a matter of change from day to day, where the price is fixed—such as utility charges and transportation charges?

Dr. MOULTON. I cannot give you, offhand, the relative magnitude of those particular industries in the total; but in an industry in which you have prices fixed—take the railroad industry of the public utilities—there you have got two alternatives, either added costs, which come out of profits, or else you have bankruptcy of the company—one or the other.

If you cannot raise prices and recoup in that way, you have two alternatives left. In the case of the railroads I should say that a

great many of those would find themselves extremely seriously embarrassed. In the case of the public utilities the margin is less narrow.

But as large an increase as 30 percent, with one-third in the wage cost there, would, in a great many instances, I fancy, although I have not made a special study of it, produce great difficulty.

Mr. LEWIS. Is there a field of prices that is not subject to change with changed costs?

Dr. MOULTON. Is there what?

Mr. LEWIS. Is there a field of prices for commodities or services that is not subject to change with change of costs?

Dr. MOULTON. Only in your regulated industries.

Mr. LEWIS. That is all.

Mr. KNUTSON. Approximately what increase would result in prices of commodities from our going on a 30-hour week basis?

Dr. MOULTON. I will indicate first the extent of the wage advance. That would be about one-third, generally speaking. You see, our present average is about 40 hours. If you reduce that to 30 hours, you see that it would make something like a one-third or a 25-percent change. Just how much that would advance prices, nobody can say with certainty. But our experience under the N. R. A. was that the prices of commodities made in industries which had advanced their wages was just about the same as the percentage of increase in wages.

I do not think, myself, that it was necessary for prices to have advanced that much in those particular instances. I think they could have trenched on profits a little there. But, just taking it as a fact, as to what did happen, prices did advance just about the degree that wages advanced. I think it was short-sighted on the part of industry to advance that much, because it tended to defeat the very purpose of the expanding purchasing power.

Mr. KNUTSON. What effect, if any, would our going on a 30-hour basis have on our foreign commerce?

Dr. MOULTON. It would increase the costs. Starting with that, having increased the costs of the manufactured goods in money terms, 20 or 30 percent—whatever the price might be, it would of increase appreciably.

Mr. KNUTSON. What would be the effect when goods were manufactured on a 30-hour basis that came into competition with goods countries that were on a 48-hour basis?

Dr. MOULTON. It would reduce our export trade, undoubtedly.

Mr. KNUTSON. Would it close the door to us, in many instances?

Dr. MOULTON. I should say—of course, it is awfully hard to generalize on the whole range of foreign trade, but I would say that as big an increase in the wage cost as that would effectively bar us from markets in a great many instances in which we now have some foreign trade.

Mr. KNUTSON. Where we would come in competition, for instance, with Japan, what would the effect be?

Dr. MOULTON. We do not come very much into competition with Japan, so that would not be a big item there.

Mr. KNUTSON. We do not?

Dr. MOULTON. Not very much direct competition.

We buy very heavily from Japan on raw silk, and they buy raw cotton.

Mr. KNUTSON. You do not understand my question. Suppose we were engaged in an economic struggle with Japan over the South American markets.

Dr. MOULTON. Yes.

Mr. KNUTSON. What effect would our going on a 30-hour week have in that struggle for economic supremacy?

Dr. MOULTON. It would very materially lessen the effectiveness of our competition, because our costs would be very much higher than theirs.

Mr. KNUTSON. Could we meet them?

Dr. MOULTON. I do not think we could, no.

Mr. KNUTSON. Then, according to that, we would defeat the very ends sought to be accomplished of bringing about more employment.

Dr. MOULTON. Foreign trade, insofar as it were reduced—and I think it would be a material reduction—would lessen the total volume of employment afforded to American labor, unquestionably.

Mr. KNUTSON. Of course, when we do business in the world markets, we have to sell at world prices.

Dr. MOULTON. Yes.

Mr. KNUTSON. And if we cannot meet the world prices, we cannot do business.

Dr. MOULTON. The higher our costs are above those of other countries, the less is our chance.

Mr. KNUTSON. And the minute we pass that mark, we have no chance at all.

Dr. MOULTON. That is true.

Mr. LEWIS. Doctor, I know with what care you and your institute have worked on this matter. You have given us now an adjusted figure of average per capita production of \$326 for 1919 and an average per capita production of \$700 for 1934.

Dr. MOULTON. No; I did not give you that.

Mr. LEWIS. Then I have the figures wrong.

Dr. MOULTON. For 1929 it was, roughly, \$700, or a little less than that. But I used the rough figure.

Mr. LEWIS. I confess myself surprised; I do not mean incredulous—to learn that the production of the country doubled in those 10 years.

Dr. MOULTON. That is because 1919 was an extremely low year, because of disorganization. I have those figures, if you would like them, year by year.

Mr. LEWIS. If you have a table on that, we would like to have it for our information.

Dr. MOULTON. Yes, I would be glad to show it to you. This book is "America's Capacity to Consume." I will send you a reference to that, together with a page reference which gives that income or production all the way from 1909 through to 1929.

Mrs. LEWIS. Thank you.

Mr. KNUTSON. Doctor, has your institute made a study of the effect of the N. R. A. upon our foreign commerce?

Dr. MOULTON. Not foreign commerce specifically; no, sir. We are making a number of studies dealing with the N. R. A., none of which are quite available for publication yet, and I do not think any of those try to gage the direct effects upon foreign trade, although I might possibly be mistaken on that.

Mr. KNUTSON. Should not that be considered in order for the conclusions to be of value?

Dr. MOULTON. In order for them to be of particular value to your committee, I should say, yes. I should try to appraise that. It will throw a great deal of light on it. But I am not quite certain, without consulting with those who have been making that study particularly, just to what extent they have tried to measure its effects upon foreign trade.

Mr. KNUTSON. Have you read the book by Samuel Crother entitled "America, Self-Contained"?

Dr. MOULTON. Yes.

Mr. KNUTSON. What is your opinion as to the future of our foreign markets, in view of the trend of economic changes in this country?

Dr. MOULTON. That is a pretty broad question and, if it is your pleasure, I will discuss that.

Mr. HILL. Mr. Chairman, I suggest that we make it brief, because all of this is wholly beside the question that we have before us.

Mr. KNUTSON. I do not know that we are going to have an opportunity to hear the doctor again.

Mr. HILL. This whole subject is a matter for the Labor Committee and not for this committee.

Mr. KNUTSON. It is a matter for Congress. Let us give the gentleman 5 minutes to discuss it.

Dr. MOULTON. That would be quite agreeable to me, and I should be glad to talk with you, sir, about that at any time. It is really something that needs rather thorough discussion if you once go into it.

Mr. KNUTSON. In view of the attitude of other members of the committee, I will withdraw that question at this moment.

Mr. BUCK. May I ask Dr. Moulton to give us the title of the book that he referred to in speaking to Mr. Lewis, so that all of us may have a reference to it?

Dr. MOULTON. That is America's Capacity to Consume. It is an exhaustive investigation of the amount of the national income, its distribution among the various groups in society, and its changes over a 30-year period. It also shows what the American people spend their incomes for.

The CHAIRMAN. If there are no further questions, doctor, we thank you for the statement you have given us and for the information you have given the committee.

What is the view of the committee on the matter of limiting the time of witnesses in their formal presentations to the committee? We have reached the point in our schedule where it is necessary, I think, to put some limitation on the time of witnesses.

Mr. HILL. I move that the time of witnesses be limited to 10 minutes, unless extended by unanimous consent.

(The question was taken and the motion was carried.)

The CHAIRMAN. The next witness is Hugo E. Czerwonky. We have no information before the committee as to the capacity in which Mr. Czerwonky wishes to appear. Mr. Czerwonky, will you come forward and give your name and address, and the role in which you appear before the committee?

STATEMENT OF HUGO E. CZERWONKY, WASHINGTON, D. C.

Mr. CZERWONKY. My name is Hugo E. Czerwonky. I am an engineer, formerly with concerns that manufactured machine tools; an industrial engineer, in other words.