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Question: Do you think that any wages are too high?

Answer: It is possible that in particular industries some wages, like some commodity prices, are too high. Well-managed labor organizations recognize that there are limitations to what industry can pay without spoiling the opportunities for employment. But I want to stress my conviction that economy should be sought only as a last resort through wage rates. I want to emphasize that wage rates and labor costs are not synonymous. A man may cut wages and in so doing so affect the morale of his workers as to lower efficiency and raise labor costs. The reverse is also true. By increasing his wage rates, many an employer has increased the efficiency of his workers and lowered labor costs. The first place to look for reduction in labor costs is in connection with those practices of labor or management that lower the efficiency of workers. Only as a last resort should we risk the destruction of purchasing power through wage decreases.

I favor all efforts to stabilize employment that will make it possible to reduce the costly insurance of a high hourly rate on a small number of hours of irregular work and substitute assured jobs that will produce a much higher annual income.

Question: You have said that prices rose too fast last spring. Did wages rise toofast at that time?

Answer: There were very few wage increases from 1934 to October, 1936. In the next nine months average hourly earnings in manufacturing industries rose from about 57¢ to about 65¢. We know that many firms were in a position to increase wage rates in 1935 and 1936. I do not think it was healthy for business to have so long postponed wage increases that they had to be absorbed in a single lump of this size. I notice that during downswings people speak for the need of flexible wages and feel that wages should fall. During recovery they seem to forget that wages should also be flexible and should rise. They delay wage increases to the last possible moment and then at the peak of a boom grant wage increases that are small with hours measured against current profit, but at the same time difficult to maintain when volume falls off. If wage increases were not so long delayed but were made as business improved, business managers would have a longer period of activity in which to adjust themselves to wage changes.

Question: You have spoken of costs that are too high. Do you mean that wages should fall?

Answer: The real answer is to be found in increased volume rather than lower wages. Despite the fact that earnings per hour in manufacturing were 24% higher in 1936 than in 1932, labor costs per unit of output were only 6% higher. This was due in part to the fact that the productivity of labor increased, but primarily was due to the fact that labor can be used far more efficiently in mass production industries when they operate at high volume. This is further demonstrated by the fact that in the last five months, despite the fact that wages have not increased, shrinking volume forced up labor costs per unit of output as much as they had risen between 1932 and 1937.