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LOS ANGELES CHAMBER OF COMMERCE  
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WASHINGTON, D. C.



REPUBLIC 6080

December 29, 1943.

Mr. Marriner S. Eccles, Chairman  
Board of Governors  
Federal Reserve System  
Washington, D. C.

Dear Mr. Eccles:

I am sure you will be interested in the attached editorial appearing in Southern California Business for December 9, regarding H. R. 3677, to provide for the reduction of the postwar workweek to thirty hours.

Will you kindly read it, and then write me your comments, so I may forward them to our General Manager, Leonard E. Read, who will greatly appreciate your views.

Sincerely yours,

A handwritten signature in cursive script, reading "W. G. Herron".

W. G. HERRON  
Washington Representative



78TH CONGRESS  
1ST SESSION

## H. R. 3677

### IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 16, 1943

Mr. KLEIN introduced the following bill; which was referred to the Committee on Labor

## A BILL

To aid in the stabilization of the economic structure of the United States after the present war by amending the Fair Labor Standards Act to provide for the gradual reduction of the workweek to thirty hours.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

That in order to achieve greater economic stability for the United States by (1) providing employment for men and women released from the armed services and defense industries after the termination of the present war, and (2) providing greater happiness and a more abundant life for the laboring classes of our Nation, section 7 (a) of the Fair Labor Standards Act of 1938, as amended (U. S. C., 1940 edition, title 29, sec. 207), is amended to read as follows:

“(a) No employer shall, except as otherwise provided

in this section, employ any of his employees who is engaged in commerce or in the production of goods for commerce—

“(1) for a workweek longer than thirty-five hours during the first year from the date of the termination of hostilities in World War II, as proclaimed by the President;

“(2) for a workweek longer than thirty-four hours during the second year from such date;

“(3) for a workweek longer than thirty-three hours during the third year from such date;

“(4) for a workweek longer than thirty-two hours during the fourth year from such date;

“(5) for a workweek longer than thirty-one hours during the fifth year from such date; or

“(6) for a workweek longer than thirty hours after the expiration of the fifth year from such date,

unless such employee receives compensation for his employment in excess of the hours above specified at a rate not less than one and one-half times the regular rate at which he is employed.”

SEC. 2. The amendment to the Fair Labor Standards Act of 1938 made by section 1 of this Act shall take effect on the date of the termination of hostilities in World War II, as proclaimed by the President.

# To the Gentleman from New York:

By introducing H. R. 3677, Mr. Klein, you have rendered a service to your fellow citizens as well as to your fellow congressmen.

You have brought into bold relief a common fallacy which either goes unnoticed or is little understood when practiced in moderation. This fallacy concerns the relation of short hours and high wages. Admittedly it is confusing; its exposure difficult. But you have hit on the plan of taking a bad idea and expanding it honestly and logically so that the badness is apparent to everyone.

Perhaps we are too imaginative out here. We got to thinking how people would have reacted had you added 30 more paragraphs to your bill so that in 35 years after its enactment no one could work at all unless paid time and one-half for every hour worked.

Then we got to thinking, after hitting the zero work week, how you could have added a lot more paragraphs, progressively increasing the rates of pay: 1½ times for the zero year, 2 times for the next year, 2½ times, 3 times and so forth. The expansion of the fallacy would have been just as logical and just as honest but possibly your more moderate attack on it is more effective.

## Why Not Bonuses for Others?

Here's another idea. Why not introduce a companion bill to H. R. 3677 on behalf of another deserving class—the savers, or investors? They, also, are people. There are millions of them, mostly in humble circumstances, and their services are essential to industry and to jobs. On the average it takes \$5000 or more of savings to build plants and provide tools and equipment for every single job provided for a wage earner. Those who provide these savings forego many immediate satisfactions and sacrifice many pleasures in the hope of providing future income for themselves and their families. Of course you know all this.

Your new bill, therefore, should have in its preamble something about “providing greater happiness and a more abundant life” for those who save and sacrifice, for those who invest, so that our wage earning classes may have workbenches, tools, equipment, fireproof buildings and good working conditions. Stipulate in your bill the maximum amount that any saver may put to work without a bonus, just as you stipulate the maximum hours any person may work without a bonus. Provide that any producer who wants to borrow more savings than this maximum must pay interest at “not less than one and one-half times the regular rate.”

## Popular and Curious Superstition

Isn't this plan an honest and logical development of the notion that the “abundant life” can be provided by making goods and services less abundant? Or by any kind of legislative fiat?

This fallacy we are writing about and you have been working on is in the nature of a popular and a curious superstition. It is expressed in the trade union slogan, “the shorter the hours, the higher the pay.” The popularity of this fallacy or superstition is attested by the way the restrictive provisions of the Fair Labor Standards Act are commonly accepted as “social gains.”

Proponents of this measure say, “It does not restrict working hours per week. It merely requires time-and-a-half pay for extra hours.”

But if the time-and-a-half provision does not reduce average working hours then neither do fines for speeding cause traffic to slow down.

You probably laugh along with us at the insincerity of those who argue that this law does not restrict working hours. These very same people advocated the measure in the first place for the express purpose of reducing working hours per worker so they could spread employment. (Most of them didn't realize they were spreading unemployment.)

## Remember War Production Trouble?

If we needed any proof that this law restricts working hours we would have to look back only a year or two. Remember what a time we had, after we got in the war, raising hours above 40 per week? We finally did it but only by resorting to wasteful cost-plus-fixed-fee contracts, by reckless expenditures of government funds and by radical and un-American extensions of bureaucratic controls over the labor market.

There is little doubt that the Fair Labor Standards Act held back war production 10 to 15 per cent in 1940 and 1941. It is impossible to estimate what this lost production cost in lives. How much later the war will end because of it cannot be guessed.

Since then this Act has been a leading factor in promoting costly and dangerous inflation by raising the cost of extra production. You certainly are right in doing everything you can to expose its fallacy.

Perhaps you and some of your colleagues in Washington and some of us can get together and portray successfully the only condition under which a reduction in working hours can justly be called a social gain. Can there be a true social gain unless it results from a well-performing economy? Can it be achieved in fact unless machinery, good management, the efficiency of the worker and other devices increase the productivity of labor so that employers in their competition for employees can offer lower hours as an inducement? Offer lower hours as an inducement just as they offer higher wages as an inducement? And isn't this the way the average daily and weekly hours were reduced by at least one-third during the century from 1830 to 1930? It's awfully simple

but it's hard to get across. Higher wages and shorter hours are the result, not the cause, of higher production. No labor union, however powerful, can extract high wages from industry when the product per worker is low.

### Unemployment Shared by Coercion

But it's no use showing how a real social gain is made unless we show how differently things work out if done by coercion, whether by government or by trade unions. Coercive restriction of hours is nothing but a job-sharing device. It compels workers with jobs to give up part of their employment to the unemployed.

When weekly output per worker is reduced, while government or unions insist upon weekly wages remaining the same, restriction of hours increases unemployment. It raises labor costs per unit of output and puts more employers "in the red" thus reducing the demand for labor. Reduced demand for labor puts workers "in the red."

Coercive restriction of hours also adds to unemployment by creating industrial bottlenecks. When bricklayers lay fewer bricks does not the demand for hod-carriers and brick-makers decline?

We wish there were some way to show how this fallacy is the result of confusing cause and result. We thought of a story but maybe you can't use it in Washington. It's about Joe Doakes who became wealthy. He built a mansion, bought Rolls Royce and took a trip around the world. He over-ent and went broke. He also went crazy. For, wishing ardently to become wealthy again he borrowed some money, bought a new Rolls Royce and encircled the globe a second time. Thus by spending as he did when wealthy, he thought to restore his wealth.

### Lots of Joe Doakes Programs

Joe Doakes' "recovery program" is like the Fair Labor Standards Act of 1938. It is also like all the other scarcity devices. Like killing little pigs and not growing wheat in order to keep prices up! Like trade barriers and NRA-monopolies to keep prices up! Like featherbedding and slow-downs to keep wages up!

For don't nearly all pressure groups reason about the same? Like Joe Doakes they say, "When times were good, then prices and wage rates were high and the working week was growing shorter. Therefore, to assure good times after the war, or at any other time, all we have to do is to raise wage rates and reduce working hours. Merely fix the symptoms of prosperity! Ignore the causes!"

One fact can never be denied. Prosperity and high wages result only from high production. Restricting output means restricting prosperity and progress. It means narrowing distribution. The war has shown that more than 40 hours per week are necessary if the country is to attain full production.

Any reduction below that point most assuredly reduces output and thus reduces labor's opportunity for high real wages and full prosperity.

You know, Mr. Klein, as every thinking man knows, that opportunities for human achievement are limited only by men's capacities for work. Perhaps we *could*, after the war, produce a 1930 level of living, including its poverty, on a 30-hour week. But who in the name of Humanity would be satisfied with 1930 standards of living for American workers!

### Let's Unleash Powers of Free Men

For 1950 we will want levels of living that are 20 years ahead of what we knew in 1930. We will want goods and services as yet undreamed of. And no man worth his salt wants his opportunities for these—AND MORE—to be restricted by laws which put penalties on work.

America can abolish poverty. She can show the world new levels of human achievement. Let's unleash the full powers of free men to build the best they can for *all* the people.

Some day every worker may have earned and built a home of which any man may be justly proud. Every family may be able to afford the best of schooling for its children. Every person may have the chance to travel and explore which now only the few can afford but all at some time want. Then there may be none who is ill-clad, ill-fed or ill-cared for.

When that day comes let us then take stock. If our scientists and inventors have run out of ideas for better ways of living, if our merchants can no longer offer us new enjoyments and pleasures, if ambition has died down and men want only to spend more time sitting in the sun—then workers will not ask for higher wages. Instead, they will ask only for shorter hours and employers will have to grant their requests if they want to hold their workers.

### You Wanted to Shock Us

A free economy will give workers shorter hours—if that is what they want in place of higher wages. But today workers want higher wages, even when it means longer hours. We believe they still will want higher wages after the war. As long as that is what they want, you will not wish to deny them the opportunity to get it. Neither will you try to trick them into thinking they can get these higher wages by reducing hours.

This is why we feel certain you introduced H. R. 3677, not to put a new law on the statute books, but to shock the American people into realizing the folly of scarcity policies as methods for promoting prosperity and progress.

Again, we say, we owe you our thanks for this public service!

A Few Reading Suggestions  
FOR PROTAGONISTS OF THE AMERICAN ARGUMENT

ESSAYS IN SOCIAL JUSTICE ( <i>libraries only</i> )-	-	-	-	-	T. N. Carver
ECONOMICS OF THE HOUR ( <i>libraries only</i> )	-	-	-	-	J. St. Loe Strachey
ECONOMIC SOPHISMS ( <i>libraries only</i> )	-	-	-	-	Frederic Bastiat
ELEMENTARY ECONOMICS ( <i>Ginn &amp; Co.</i> )	-	-	-	-	Carver and Carmichael
THE DISCOVERY OF FREEDOM ( <i>1943, John Day Co.</i> )	-	-	-	-	Rose Wilder Lane
CHALLENGE TO FREEDOM ( <i>1943, Harper &amp; Brothers</i> )	-	-	-	-	Henry M. Wriston
THE GOD OF THE MACHINE ( <i>1943, Putnam</i> )	-	-	-	-	Isabel Paterson
THE ECONOMY OF HUMAN ENERGY ( <i>libraries only</i> )	-	-	-	-	T. N. Carver
THE MEANING OF MONEY	-	-	-	-	Hartley Withers
THE FEDERALIST PAPERS ( <i>Modern Library</i> )	-	-	-	-	James Madison et al
ON LIBERTY ( <i>Harvard Classics</i> )	-	-	-	-	John S. Mill
AEROPAGITICA ( <i>Harvard Classics</i> )	-	-	-	-	John Milton
OUR ENEMY, THE STATE ( <i>Morrow</i> )	-	-	-	-	Albert Jay Nock
WHAT SOCIAL CLASSES OWE TO EACH OTHER ( <i>Yale Press</i> )	-	-	-	-	William Graham Sumner
THE MAN VERSUS THE STATE ( <i>Caxton Printers</i> )	-	-	-	-	Herbert Spencer
LIBERTY ( <i>W. W. Norton</i> )	-	-	-	-	Everett Dean Martin
SOCIAL MOBILITY ( <i>Harper &amp; Brothers</i> )	-	-	-	-	P. Sorokin
THE BANKRUPTCY OF LIBERALISM ( <i>Nider Book Co.</i> )	-	-	-	-	John Rustgard
*FINDING WORDS FOR COMMON SENSE ( <i>pamphlet</i> )	-	-	-	-	Editorials
*ON THE WINGS OF DEBT ( <i>pamphlet</i> )	-	-	-	-	Garet Garrett
*THE OLYMPIA LECTURES ( <i>175 pages</i> )	-	-	-	-	V. O. Watts

\*Publications of the Los Angeles Chamber of Commerce.  
Single copies available on request.