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RESEARCH REPORTS

Coming Effects of Current Events

The past week has been noteworthy in one respect. Not for many weeks previously has it been possible to report, "All quiet along the Potomac." Unfortunately, it is hardly to be hoped that, "The 'brain trust's' off duty forever," but a week sans wild excursions and alarms is something to be thankful for. There is, however, a little news worthy of attention.

The President's View

It is heartening to learn that the President has taken a definite stand adverse to the old age pension and similar schemes which have recently received so much publicity. He asserted that general security through improved business was of greater importance than security for any special groups. It is unfortunate that the same speech contained references to the possibility of unemployment insurance, references sufficiently vague to be somewhat disturbing. Nevertheless, condemnation of the Townsend plan and similar schemes is a definitely favorable development.

The Thirty Hour Week

The demand for a shorter work week as a remedy for unemployment has grown stronger, in part because of the administration's favorable attitude toward organized labor. Although a bill making the thirty hour week mandatory in industry was defeated in the last Congress, it will no doubt be revived in the coming session.

Organized Labor's Viewpoint

The spokesmen for organized labor have backed the thirty hour week movement, ostensibly for the purpose of eliminating unemployment. Probably labor leaders are well aware that, when more normal business conditions return, the thirty hour week will be inadequate for

the maintenance of a high standard of living. If the shorter week is well established at that time, over-time rates might be charged for the longer hours, thereby increasing the real rates of pay.

Another Viewpoint

Some economic theorists have advocated shortening hours of work in order that goods may not be produced at a faster rate than the country's income will enable them to be consumed. This idea is based on the theory that America's capacity to produce greatly exceeds capacity to consume. If industry in this country can produce in a period of eight months the goods which might be consumed in a year, the thirty hour week could be justified.

American Standards of Living

The Brookings Institution has published this year two analyses bearing on the standard of living in this country: "America's Capacity to Produce" by Edwin C. Nourse, and "America's Capacity to Consume" by Maurice Leven.

These analyses are based on a pre-depression period, the boom year of 1929. It was found that 21 per cent. of the families in this country had an income of less than \$1,000 a year, 42 per cent. less than \$1,500, and 71 per cent. less than \$2,500. Only 8 per cent. of the families enjoyed an income in excess of \$5,000, and 2.3 per cent. had incomes in excess of \$10,000. Even at present prices, and assuming the national income to be about two-thirds of the 1929 amount, there is room for a great expansion in consumption by most of the population.

The Inadequacy of the 30-Hour Week

Since the beginning of 1932, a large portion of the families in this country have been existing on little more than the barest necessities of life. Unless this reduced standard of living is to be continued indefinitely,

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a substantial increase in production must take place. Mr. Leven has shown that "We cannot materially shorten the working day and still produce the quantity of goods which the American people aspire to consume." In 1929, the average work week was approximately 51 hours. Even assuming some increase in productive efficiency, it is plain that a thirty hour week would be inadequate to provide anything like a normal standard of living.

Capital Export

The removal of restrictions on foreign exchange transactions, with the exception of silver and gold, may be more of a gesture than a direct move toward stabilization. The chief significance of this action is its suggestion that there will be no further devaluation of the dollar.

In this connection, it is well to keep in mind the fact that highly favorable and constructive news is not an impossibility. For example, stabilization of the pound and the dollar at a definite ratio would be an important indication that sanity had not been lost, along with the gold standard. Definite abandonment of the monetary depreciation race to ruin would be constructive news of primary significance.

The Eccles Appointment

The appointment of Marriner S. Eccles to the Governorship of the Federal Reserve Board has been the subject of much comment. The underlying significance of this appointment in terms of monetary policies is of course the question. Judging by the record of public utterances available, Mr. Eccles is not now in favor of printing press money. However, he is a strong advocate of credit expansion and is also credited with a belief in the profit motive for industry.

Restoring Confidence?

If credit expansion is to be the next objective of the administration, the more conservative trend of administrative utterances is laying the necessary foundation. The administration has apparently come to the conclusion that a certain amount of confidence on the part of business men is required in order to induce them to take advantage of the large reservoir of credit now available.

Government in Business

Proposals have been made to subsidize the consumption industries of the entire country in order to stimulate

production. That such subsidies might eventually result in more government control than industry would care to have is obvious. Fortunately, this proposal is vague in form and will probably never be acted upon.

Supply, Demand and Prices

For three weeks, commodity prices have remained nearly stationary, thereby breaking, temporarily at least, the sharp downturn which began last August.

Supply

Basic industrial production continues to improve slowly, contrary to the usual seasonal trend. It still seems probable that the movement of goods into consumption is proceeding at a somewhat faster rate and that inventories are therefore diminishing. Retail stores and chains report a continuation of sales in excess of a year ago.

Demand

It is significant that, in spite of the decline in general productive activity since last spring, retail sales have continued to run ahead of last year for the country as a whole, sensationally for some sections. It is undeniably true that this is in part accounted for by the distribution of cash in the farming areas for one reason or another. The interesting point is that declining production with the accompanying declines in payrolls has not been sufficient to offset government spending as a source of new purchasing power. It seems quite probable that improvement in basic production will mean a rapid building up of demand before finished goods reach the market.

Future Prices

Except in those industries where semi-monopoly conditions via the codes have made possible exorbitant prices, it is difficult to see any probability of substantial declines. Assuming that confidence will return, in fact is returning now, there is some likelihood that business will begin to make use of the vast credit resources at its disposal. It is not at all impossible that the next movement in prices will be rapid and substantial.

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