

Chapter 3

A Key Economic Issue

Should we take advantage of economic prosperity to produce more or to have more free time—or use it for a combination of the two? This question is crucial to how we live our lives and to whether our economy is sustainable, but somehow, it has fallen into our conceptual blind spot. It is the most important political issue that no one is talking about.

How Should We Use Our Productivity?

Ever since the beginning of the industrial revolution, improved technology has allowed the economy to produce more output for each hour of work. During the twentieth century, America's productivity (the word economists use to mean output per hour of work) grew by an average of about 2.3% a year—which means that the economy produced almost ten times as much for each hour worked in 2000 as in 1900, as shown in Figure 1.

Productivity increases because new technologies let us replace human labor with machines, eliminating existing jobs. In the past, machines eliminated many unskilled jobs on farms and in factories. Now, artificial intelligence is eliminating jobs of white-collar workers in fields like accounting.¹² In the near future, it seems that self-driving cars might eliminate most jobs of drivers and that voice recognition plus artificial intelligence might eliminate most jobs in call centers. The economy will keep producing more for each hour worked.

To avoid unemployment, we can make up for these lost jobs by:

- **Producing More:** For example, if productivity increases 2% annually, we can produce 2% more every year.

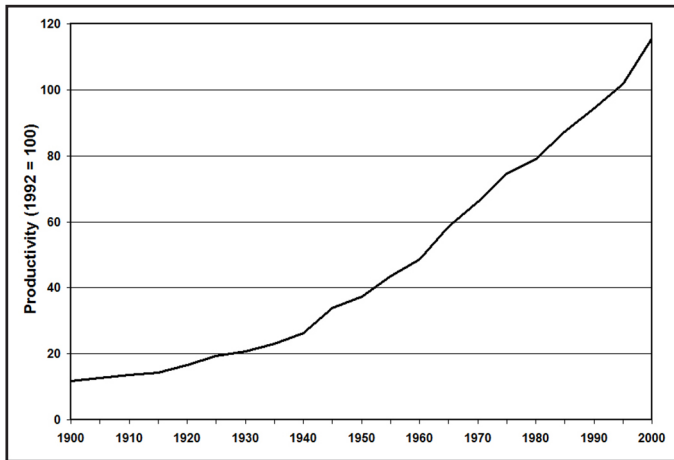


Figure 1: American Productivity (Output per Hour of Work)

- **Working Less:** For example, if productivity increases 2% annually, we can work about 2% less every year.
- **A Combination of the Two:** For example, if productivity increases 2% annually, we can produce 1% more and work about 1% less each year.

During the nineteenth and early twentieth century, we chose the third alternative. Higher productivity gave American workers both more income and shorter work hours.

In the early nineteenth century, employees in American factories typically worked six days a week, twelve hours a day, a total of 72 hours per week. In Lowell, Massachusetts, humanitarian reformers established factories to help young women work and save money before marriage, and even these idealists required the women to work 12 hours a day, six days a week, with only four holidays per year apart from Sundays. Those were the standard full-time work hours that everyone took for granted.

During the nineteenth and early twentieth century, unions fought for shorter hours just as fiercely as they fought for higher wages, and work hours gradually declined. Around the time of World War I, Americans began shifting from the traditional six-day week to a five-and-a-half-day week, with half of Saturday off

as well as Sunday. During the 1930s, we shifted to the five-day, 40-hour week. The Fair Labor Standards Act of 1938 set the standard work week at 40 hours and required time-and-a-half overtime pay for longer hours.

During the nineteenth and early twentieth century the average work week in manufacturing declined dramatically, from about 70 hours in 1840 to 40 hours a century later, as we took advantage of higher productivity to work shorter hours and to earn more income.

But in postwar America, the trend toward shorter hours suddenly stopped. Since 1945, in a dramatic break with the historical trend, we have used the gain in productivity to produce more, and we have not shortened the standard work week at all, as shown in Figure 2.

Work hours in manufacturing are interesting, because we have the best historical statistics for them and also because manufacturing jobs are generally full-time, so Figure 2 shows very clearly that a typical full-time job has not always meant a 40-hour week. The 40 hour per week full-time job was an invention of the Depression and the postwar period, which has stayed with us ever since.

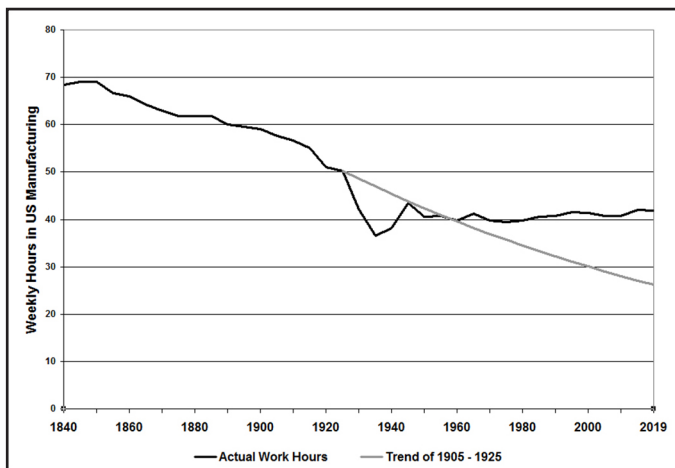


Figure 2: Average Work Week in US Manufacturing

The War over Work Time

Most Americans today take the forty-hour week for granted, do not think about the historic decline of work hours, and have not even heard of the political battle over work hours during the 1930s, which led to a deliberate decision to set the standard work week at 40 hours and to stimulate economic growth rapid enough to provide workers with those 40-hour jobs.

During the Great Depression labor unions fought for shorter work hours not only because they would improve workers' lives but also because they believed a shorter work week would reduce unemployment by sharing the available work. The Black-Connery bill, which was passed by the Senate on April 6, 1933, would have set the work week at 30 hours, and labor strongly supported this bill, with William Green, president of the American Federation of Labor, as a leader.

At the time, many people believed that the 30-hour week would just be the first step. The Depression was caused by inadequate demand, and many speculated that people were beginning to reach the point where they did not need to consume very much more. It seemed inevitable that, as technology continued to improve, the economy would need fewer and fewer work hours to produce everything that people wanted, so the work week would have to keep getting shorter to avoid unemployment.

Business leaders opposed the Black-Connery bill adamantly; they believed that, instead of shortening hours, we should fight unemployment by promoting a "new gospel of consumption." Initially, the Roosevelt administration backed Black-Connery, but because of business opposition, it abandoned its support for this bill and worked for a compromise that would satisfy both business and labor. Without Roosevelt's support, Black-Connery failed by just a few votes in the House of Representatives.¹³

Roosevelt's compromise plan had two features, the 40-hour week and government efforts to stimulate the economy and provide jobs. The 40-hour week of the Fair Labor Standards Act of 1938 did not actually reduce work hours for most workers at the time, because the Depression had already reduced average work hours to less than this. The Roosevelt administration tried

hard to fight unemployment by providing more of those 40-hour jobs.

After World War II, this compromise—the forty-hour week plus policies to stimulate the economy and provide jobs—became the status quo. We still live with this compromise today.

In postwar America, there were fears that the country would fall back into another depression. The federal government spent vast sums of money to stimulate the economy, for example, to build freeways and to guarantee mortgages for new suburban housing. There was bipartisan support for Keynesian economics with deficit spending to stimulate the economy.

Our leaders also urged us to spend more to stimulate the economy. In one famous example, a reporter asked President Eisenhower what Americans could do to help end the recession of 1958, and this dialog followed:

Eisenhower: Buy.

Reporter: Buy what?

Eisenhower: Anything.¹⁴

All these efforts did succeed in speeding up economic growth enough to give Americans those standard 40-hour jobs. The standard work week did not decline during the 1950s and 1960s, despite the widespread economic prosperity and rising wages of those decades. It has not declined since, despite the tremendous change in our society as more women entered the workforce. The Depression-era compromise is still with us today. Everyone takes it for granted that the 40-hour-a-week job is the standard, and every politician promises to promote economic growth to provide more of those 40-hour jobs.

We cannot be sure what balance of free time and income people would want if they had the choice, but the inflection in the graph of the average work week in manufacturing (in Figure 2 above) shows clearly that we have distorted this decision in the direction of longer hours and faster growth. From the beginning of the industrial revolution until the Depression, average work time declined. Suddenly, after World War II, average work time stopped declining. This sudden shift was clearly a result of federal law establishing a standard 40-hour week and of federal policies to

stimulate the economy and provide enough of those 40-hour jobs to keep unemployment down.

And somehow, the war over work time was forgotten, and no one questioned the 40-hour week.