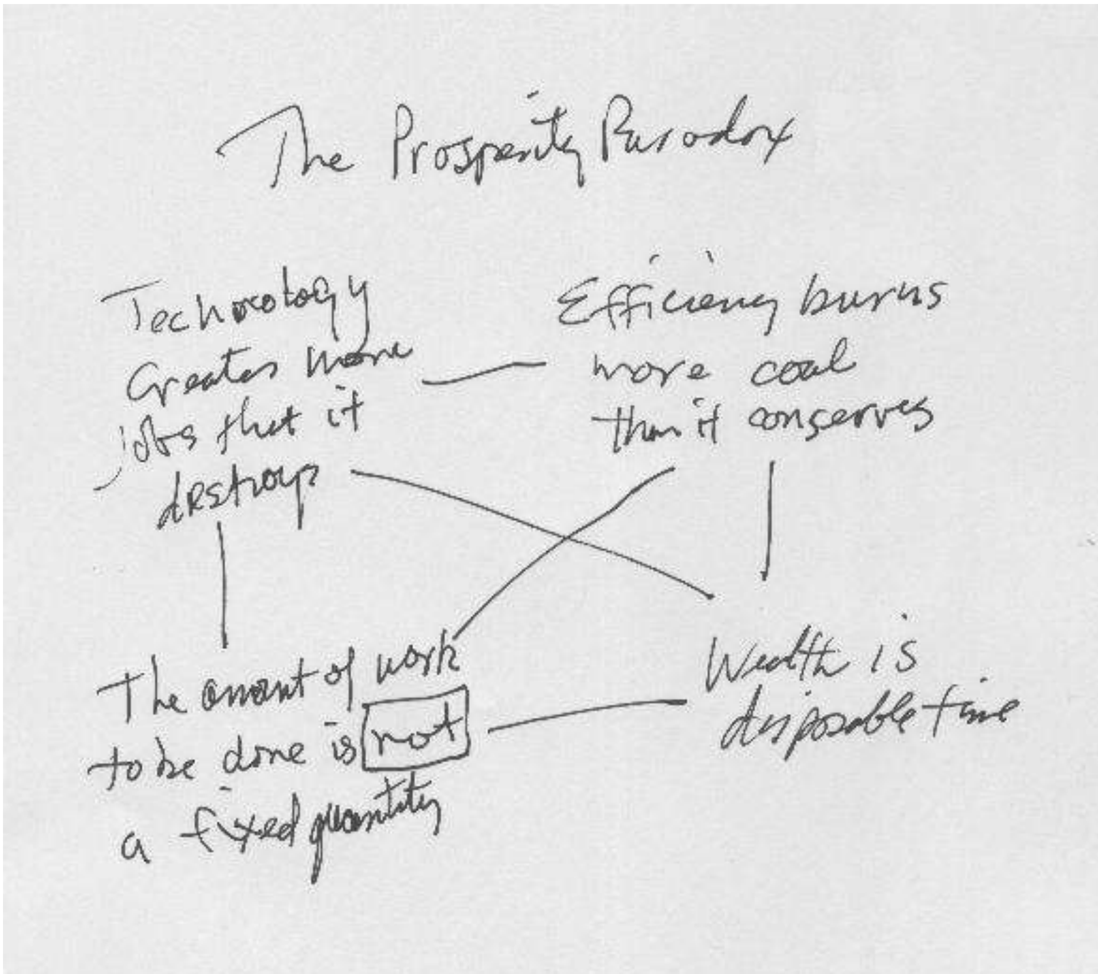
Jobs, Liberty and the Bottom Line



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Part One: Problems and Proposals

"It is impossible for any man to contribute to the social system the physical equivalent of what it costs that system to sustain him from birth until death – and the higher the physical standard of living the greater the discrepancy. If, in addition to his food, he receives also the product of modern industry, this is due to the fact that material and energy resources happen to be available and, as compared with any contribution he can make, constitute a free gift from heaven."

—M. King Hubbert, Man-Hours and Distribution.

Chapter One: The Newcastle Engineers' Strike of 1871

> *The North countrymen are proverbially both long-headed and hard-headed; in fact the Lowland Scotch and the Northumbrians are practically one race and speak almost the same dialect. The are a "canny" people, as they call it, but when once they have committed themselves to a decisive course of action they are as stubborn and persistent as a bull-dog's bite or the clutch of a hungry kite.*

Everyone knows about the Paris Commune, which ended in a bloody and ignominious rout on May 28, 1871; but who has heard of the Newcastle Engineers' Strike that commenced the very next day? The protracted struggle between workmen and employers, which for five months almost entirely stopped the engineering trades in the city, offers several important lessons that appear to have been forgotten -- if they were ever truly learned -- but today need urgently to be resuscitated. In the words of its chronicler, John Burnett, the strike for the nine-hour day was "one of the most determined struggles, for a good object, which has ever been entered into by any portion of the working community of this kingdom." Not only was it a determined struggle, though, ultimately it was a victorious one whose repercussions quickly spread throughout the country.

It might be supposed that the lessons from that long-ago contest would be primarily of antiquarian interest or that perhaps they would pertain only to incidental questions of, say, union organizing or political public relations. Such a supposition would underestimate the far-reaching significance of the events and their ingredients. Indeed, the themes that played themselves out then can serve as a distant mirror reflecting the manufactured controversies, political stalemates and intellectual and moral equivocation that today constrict society's capacity for responding to the looming threats of ecological crisis, economic instability, cultural decay and social disintegration.

Eight years prior to the outbreak of the strike, in his presidential address to the British Association for the Advancement of Science, Sir William George Armstrong, the chief spokesman for the Newcastle employers during the strike, formulated the question that subsequently led economist William Stanley Jevons to investigate the paradox of efficiency. Sir William wondered if Great Britain might someday run out of coal and if so, what would be the consequences. Jevons responded with a book that estimated, incorrectly as it turned out, that Great Britain would indeed run out of coal, possibly "within a lifetime." But more importantly, in the course of his argument Jevons introduced a novel way of looking at the question. The savings in coal consumption from efficiency gains, Jevons argued, would be offset or exceeded by the price reductions that those same efficiency gains yielded. People would buy more of the cheaper final goods, resulting in greater, rather than less, consumption of coal.[1] If confirmed empirically, the Jevons Paradox would nullify faith that a technological fix can be found to reduce green house gas emissions and mitigate the danger of climate change. The evidence so far upholds the paradox.

The Jevons Paradox can be rephrased as follows: "efficiency burns more coal than it conserves." In that form, it exactly mirrors conventional economists' cherished maxim that "technology creates more jobs than it destroys." Because of the structural correspondence between the two phrases, asserting one while denying the other would be a symptom of cognitive dissonance. The Jevons Paradox and the economists' technology mantra are the first two terms in the prosperity paradox matrix.

During the strike, in correspondence to *The Times of London,* Sir William performed a calculation in arguing the employers' case, the error of which can be plainly demonstrated. On its face it is a simple accounting error that nevertheless discloses the intricacies and snares of social accounting. If the word "accounting" induces narcolepsy, please try to stay awake for a bit. The difference between accounting and social accounting is *a question of life or death*. "Social accounting" refers to an accounting framework that attempts to aggregate the accounts of two or more units, such as households or firms. The catch is you can't just add the two together and report the sum. If you do, your answer is likely to be wrong because any transactions between the two units may result in double counting. Sir William Armstrong's miscalculation provides an elegantly clear illustration of the double-counting error, its elusiveness and its consequences. National income accounts – commonly referred to as gross domestic product or GDP -- are

[1] "Capitalism and the Curse of Energy Efficiency The Return of the Jevons Paradox," John Bellamy Foster, Brett Clark, and Richard York

another instance of social accounting. Multiply Sir William's mistake by several billion and you get what economists worship as "economic growth" (more properly described as the *illusion* of growth).[2] Disenchantment with the GDP as a measure of social well-being is rife. President Obama criticized it during his presidential campaign. President Sarkozy of France appointed a commission to recommend alternatives to GDP. But Sir William's mistake provides the indispensable key to unlocking the "riddle wrapped in a mystery inside an enigma" of social accounting that underlies what is drastically wrong with the measurement.

What better way to distract from a real fallacy, though, than to noisily call attention to a fake one? In a dispatch filed on the day the Newcastle strike was settled, the London correspondent for the *New York Times* dismissed the stated motives and objectives of the Nine Hours' League as devious. He alleged that the League was in reality pursuing a nefarious "ulterior design" of strangling production so that employers would be coerced into hiring ever more incompetent or lazy workers and paying them extortionate wages. In his article, the *Times* correspondent introduced a phrase that has since become a boilerplate staple of anti-union editorials and economic textbook dogma: "Their theory is that the amount of work to be done is a fixed quantity, and that in the interest of the operatives it is necessary to spread it thin in order to make it go far." By the middle of the 20th century, this *malicious slander* (there's no better term for it) – sanitized of its more rabid conspiratorial allegations – had become respectably enshrined in textbooks as the supposedly authoritative refutation of an alleged "lump-of-labor fallacy". But the expunged conspiracy theory had left its telltale mark on the fallacy claim. Without the sulphurous whiff of those ulterior designs, the rote claim is incoherent, ungrammatical and absurd. Yet tenured economists, conservative think-tank pundits, journalists and even the occasional trade union official parrot the bogus claim with wide-eyed credulity.

The fallacy claim is the third term in the prosperity paradox. The fourth and final term ensues from the strikers' "good object," which was to have a bit more time to themselves to improve their education and their health. It's what they said they wanted and it would be prudent to take them at their word unless the *Times* correspondent could produce conclusive evidence for his

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[2] A more technically precise term for this double counting in the context of national income accounting is Roefie Hueting's "asymmetric entering," which will be discussed in Chapter Four.

allegations. The principle is called presumption of innocence: the burden of proof rests on who asserts, not on who denies. The strikers' goal is summed up in the fine statement, "wealth is disposable time."

Taken together, the four phrases, "technology creates more jobs that it destroys," "efficiency burns more coal than it conserves," "the amount of work to be done in [not] a fixed quantity" and "wealth is disposable time" constitute the paradox of prosperity. The first and the third terms are articles of faith for a conventional economics that is grounded in a single-enterprise accounting model that, by default, generates double-counting errors when the accounts of two or more units are aggregated. The second and fourth phrases reposition those taken-for-granted notions within a social accounting framework that detects and actively seeks to mitigate those errors of double counting.

	Labor power	**Means of production**
Social Accounting	***"Wealth is disposable time and nothing more."***	*"Efficiency burns more coal than it conserves."*
Enterprise Accounting	*"The amount of work to be done is [not] a fixed quantity."*	*"Technology creates more jobs than it destroys."*

"There are political consequences to remembering things that never happened and forgetting things that did," wrote Ariel Levy. Forgetfulness and false memory also have economic consequences and social, environmental, moral and intellectual ones. As mentioned above, the difference between accounting and social accounting is a *question of life or death*. Remembering what actually happened is a precondition for untangling the web of deception and compulsion in which we are ensnared. The 1871 strike in Newcastle stands before us as a crucible of memory and amnesia in which what actually happened has sunk out of sight while a malignant catchphrase has coagulated on the surface. We need to stir the pot to get to the bottom of things.

Background and Beginnings of the Strike

In the month following the successful conclusion to the engineers' strike, John Burnett, president of the Nine Hours' League, wrote and compiled a pamphlet containing a methodical record of the circumstances and progress of the strike. Burnett comes across in the pamphlet as a moderate, conciliatory, shrewd and articulate — even if somewhat pedantic and long-winded — spokesman and negotiator. There is little that needs to be added to his telling of the story, other than to interject reflection on later developments. In fact, the narrative presented in these pages is hardly more than a much abridged and updated adaptation of Burnett's account. Quotation marks appear in the text where it was desired to emphasize that these are indeed Burnett's own words. But as often as not Burnett's phrasing and word choice pass into the current rendition unheralded.

"There is a very large portion of the public press which is always too ready to heap blame and abuse upon the devoted heads of the working classes," Burnett complained, "whenever they make any determined stand to assert the rights of labour, to have a voice in fixing the rate of wages, or the duration of their hours of labour. Indeed, some journals would have us believe that labour has no rights, and that it is the bounden duty of the working man to submit blindly to any terms the employing class may choose to impose."

Likewise, there was a strong feeling against the men among certain people in Newcastle during the strike; a feeling that they were ungrateful, insubordinate, idle fellows, who would neither work nor want; that, in fact, they ought to have nothing to do but to work when they are told; to leave off only when the employers choose; and to receive with humble gratitude the money offered to them. If workers utter a word of protest — if they claim the right to put their own value upon their own labour — they are accused of insolence and ingratitude. Newspapers that uphold the interests of the employers, break out into eloquent denunciation of the folly of those who are so blind to their own best interests as to resort to strikes in order to gain their ends; altogether forgetting that general experience proves the almost utter hopelessness of working men getting in any other way what is just and reasonable from a majority of employers. Employers of labour, as a rule, pay no more wages than they are compelled to pay, and require their workers to work as long hours as possible, without regard to their physical wants or intellectual and social requirements. If workers remained quiescent, their position would never be improved, but rather would deteriorate.

For many years prior to the strike there had been a feeling growing in the working community that the time was at hand when they might fairly look for a reduction in the number of the hours of labour. Strikes and agitation for a reduction in the hours of labour became frequent in almost every branch of trade. The building trades and quarrymen in the district set the standard in their prolonged and, in many cases, successful agitation for a nine-hour day. The Newcastle engineers were thus not peculiar or out of line in pressing for "the noble cause of progress" and in seeking to improve their condition physically, morally, and intellectually — and not to be content with only the mercenary consideration of good wages.

Widespread agitation for the shorter working day surfaced in the Tyneside engineering trade in the mid-1860s, but owing to a depression in trade in the wake of financial panic, the movement came to a standstill and was quietly abandoned. There is an aura of happenstance about the events that precipitated the 1871 strike, which have their origin in the shipbuilding town of Jarrow, destined to become notorious in the mid-1930s – some 65 years hence – as the starting point for a protest march to London against unemployment. In Jarrow, the employees of the colossal Palmers Shipbuilding and Iron Company Limited had been dissuaded from going on strike for the nine-hour day by the conciliatory intervention of the company's owner. But one of the organizers of the nascent movement, Andrew Gourley, was discharged on account of his role in the agitation. Gourley moved on to nearby Sunderland where he became president of the Sunderland Strike Committee. He may have been motivated by a desire to be avenged for his unjust dismissal from the Palmer shipyard. If he had been kept on at Jarrow, Burnett speculated, Gourley might possibly have been given a house through the factory building society and become domesticated and politically de-fanged – "the possession of a house having that effect upon a man." If he hadn't been fired, he might "never have originated the Sunderland Strike, and the Nine Hours' Movement would still have been left in the limbo of unfulfilled aspirations."

Nevertheless, the Sunderland strike came to pass and led directly to the strike in Newcastle. On April 1, 1871 – "a day which some people said was very appropriate for the commencement of such a hopeless undertaking" – the workers in Sunderland walked off the job. Meanwhile, their employers made clear their resolve to resist the demands of their recalcitrant workmen. Both masters and men appealed to their counterparts in Newcastle for support, the upshot of which was an account that appeared in the *Newcastle Daily Journal* of April 10 of a meeting held two days earlier at the Station Hotel where the employers of the North Eastern district passed a resolution pledging support to the Sunderland masters in resisting the demands of their employees. Three weeks after the strike began, however, one of the largest firms capitulated and by the end of another week the nine-hours' movement had prevailed in Sunderland.

The timing of the respective meetings in Newcastle of employers and of workers was to eventually prove significant. The employers met on the 8th of April, while the workers convened two days later. By the time of the workers' meeting, employers had already pledged aid to their Sunderland counterparts and their decision had been publicized. Thus, when the Sunderland workers informed their comrades that one of the arguments used by Sunderland employers was that they couldn't meet the workers' demands unless the Newcastle masters did likewise, the Newcastle men were readily persuaded to start their own agitation for shorter hours. "If you commence to agitate in Newcastle," the Sunderland delegates explained, "you will take this argument out of the mouths of our employers." It was thus that the Newcastle workers adopted the following resolution:

> *"This meeting is of opinion that, considering the great improvements in machinery, and in the various manufacturing processes in connection with our trade, the time has arrived when the present excessive hours of labour may, without injury to the employer, and with great advantage to the workmen, be reduced to 54 hours per week."*

Two weeks later, on April 26th, a well-attended committee meeting was held at which it was decided to prepare and circulate a notice calling for delegates to a meeting, three days later, to establish a Nine Hours' League. The founding meeting for the League received delegates from almost every factory on Tyneside. They elected officers and appointed a committee to meet on May 2nd to draft a circular to be sent to employers requesting the reduction in working hours from 59 to 54 hours per week. Six draft circulars were submitted at this latter meeting and there was considerable debate over the merits of each before eventually the committee agreed to the circular drafted by John Burnett:

> *The Nine Hours' Movement.—Gentlemen,—' Coming events so often cast their shadows before,' that the events which have taken place in Sunderland, within the last few weeks, must have prepared you for the request, which we, as the appointed representatives of your workmen now respectfully prefer, viz.:—That you will kindly consent to the reduction of the hours of labour from ten to nine hours per day—or, more properly*

speaking, from 59 to 54 hours per week; a concession, we believe, that might be made with little or no injury to your own interests, and with great advantage to ours. The various arguments in favour of a reduction of the hours of labour have been so often successfully advanced of late that we will not trouble you with a repetition of them, but content ourselves with assuring you in all sincerity, that it is our desire to settle this matter, if possible, in a friendly and peaceable manner, and without having recourse to extreme measures. In conclusion, gentlemen, we venture to express a hope that you will not utterly ignore our claims to consideration, by treating this with that silence which looks so like contempt, and which so often helps to precipitate masters and men into a struggle which cannot be otherwise than hurtful to the best interests of both.

Trusting that you will, in reply to this, view the matter in a similar spirit of good will, and, anxiously expecting an answer not later than Friday, 12th inst., we remain, gentlemen, yours respectfully,

THE ACTING COMMITTEE OF THE NINE HOURS' LEAGUE.

N.B.—Please address—Secretary of Nine Hours' League, Westgate Inn,

Westgate, Newcastle-on-Tyne.

The employers' response to this request came nearly a week before the announced deadline, signed not by the employers themselves but by a solicitor. The terse reply advised the Nine Hours League that a meeting of the Manufacturing Engineers had been held on May 6, where: "It was unanimously resolved that the above application be declined, and further, that a copy of this resolution be forwarded to the Secretary of the Nine Hours' League."

The workers next proposed a meeting between delegates from the employers and the Nine Hours League, which the employers also declined on the pretext that a strike had already broken out at one of the factories. In response to this second rebuff from the employers, the League dispatched a circular, to be "liberally distributed over the country" and addressed "To the Working Men of Great Britain," asking for public support and financial contributions for their declared strike. Meanwhile, merchants and bankers in Newcastle, concerned about the effect that the threatened strike would have on commerce in the city appealed to the Mayor, R. Burdon Sanderson, to intervene with his good offices, which he did with considerable expressions of reluctance. The Mayor met first with a delegation from the Nine Hours' League, who read to him a lengthy treatise, evidently written by Burnett, outlining the rationale for the nine-hour day.

According to the League's manifesto, the principal motive for reducing the hours of work was to free up time for the workers to improve their education, "not only is it necessary to be possessed of strength and energy, but likewise that to these should be added some knowledge of scientific principles – at least those which apply to our own particular trades. But if all our time is to be taken up with work… how are we to avail ourselves of the means of technical, or indeed of any other sort of education…? " Closely allied to these educational aspirations was the need to ensure that they would have the physical and mental energy to pursue those studies, "for a wearied body generally contains a weary mind, and if the body is not wearied by long hours of work the mind will be fresher and more vigorous to surmount difficulties, to receive impressions, and to originate ideas." Conversely, the impediments to educational improvement were at the same time inducements to intemperance, "we contend that one of the most powerful preservatives of ignorance and one of the most seductive agencies of drunkenness, has been the long duration of the hours of labour, and its consequent effect in the almost total exhaustion which it has produced upon the vital energies of the working man." Health and healthy physical activity, including sport, were further considerations. "Long hours of work in an impure atmosphere of a factory are more hurtful to [the human machine] than anything else that we know of…" Around 30 percent of workmen in the trade were said to die of tuberculosis, at an average age of little over 30 years, "if by shortening our hours of labour we can add but one or two years to the average age of those who die in our trade, we are doing something which will both increase our means of production and tend to raise the physical standard of the working men of this country."

The manifesto conceded that all of the arguments about the desirability of shorter hours, from the workers' standpoint, were subordinate to the question of economic feasibility but pleaded difficulty in obtaining accurate information about the profits of the employers upon which such a question hinged. "We are often told that we should study political economy more, and that we would then see the folly of such disputes as this; but… all the economic science of Adam Smith or Stuart Mill would avail us nothing, and could not tell us whether our request was just and reasonable or unjust and dangerous to the interests of our trade." Lacking direct information on profits, however, the workers had to rely on what they could infer by observing the action of employers. The fact that employers were prepared to offer an increase in wages, in lieu of a reduction in hours, proved to the workers that they could indeed afford the shorter hours that the workers preferred, "because our object is not a mercenary one."

In conclusion, the League's treatise reviewed the litany of objections that the workers were accustomed to hearing each time they put forward a request for improvement of their condition:

> *We know that many people will say that we are rash, and that we had bettor let things remain as they are: but if things always remain as they are, there will never be any progress, and we will never improve our position. We will be told that we are recklessly ruining the trade of the district, and some timid scribbler in a local paper, prompted, no doubt, by a kindly fellow-feeling, will tell us not to kill the goose which lays the golden eggs; but we have been so often told this that the bugbear has ceased to frighten, and we are not to be deterred by it from claiming what we believe to be just and reasonable….*
>
> *Statistics will be paraded, showing, that even if we gained our object by means of a strike we will be the losers; but if this be true of us, it is equally true of the masters. We will, in fact, be called upon to count the cost before we take the last dread step. Sir, we have, to the best of our ability, already counted the cost, and to the best of our ability we are prepared to meet it. The worst fault of this style of reasoning is its want of moral force. It is merely economic and thrifty, as if the parties who employ it should say, "No matter whether you are right or wrong, you will lose heavily. It is foolish to contend with capital. Your duty is to submit blindly to its dictates on all occasions." Why do they not assume higher ground, and judge trade disputes on their merits, and by the laws of social science?*

Burnett devoted twelve pages of his pamphlet to the almost Socratic dialogue between the Mayor and the League delegates, which finally resulted in the Mayor conveying to the employers yet another offer from the workers to meet with the employers. The employers, however, reaffirmed their previous refusal to engage in face-to-face negotiations. So it was that on Whit Monday, May 29, 1871, the Newcastle engineers' strike commenced in earnest.

Escalation

The strike dragged on more or less uneventfully for two months until on August 2nd the employers posted a notice offering the workers a compromise settlement of 57 hours, instead of the requested 54. The workers overwhelmingly rejected that offer, setting the stage for the dramatic turn of events that was to come: the recruitment and importation by the employers of foreign replacement workers. Burnett immediately traveled to London to secure the assistance of the General Council of the International Working Men's Association, who dispatched James Cohn, the Council's Danish Secretary, to the continent to persuade workers not to accept the "knobstick" jobs in Newcastle. Incidentally, in his biography of Karl Marx, Franz Mehring recalled that in the course of the discussions with Burnett, "Marx was unable to suppress the bitter remark that it was a peculiar misfortune that the organized bodies of workers remained aloof from the International until they were in trouble, whereas if they came in good time it would be easier to take effective precautionary measures." Marx appears to have been unaware that the majority of the strikers in Newcastle were not union members.

Despite the best efforts of Cohn, by the end of August, large numbers of imported replacement workers had arrived from Europe and from the South of England. Due to the lack of available accommodation, they were often lodged in the factories themselves. Preparations were made to guard the different factories much as if they were prisons; or, as though the foreigners were lambs, and the men outside were wolves. The utmost secrecy was observed in getting new men to the respective factories. One detachments of foreigners, on arriving in the Tyne, were taken from the steamer at the mouth of the river, and conveyed by tugboat to the works of Sir William Armstrong at Elswick. The motley appearance of the strange freight, however, attracted the attention of some men who were standing near the Gas Company's works, and as they instantly suspected what was the matter, they all ran along the quay for the purpose of witnessing the novel application of the crane hoisting the men from the boat to the factory's coffee-room. Fearing that an altercation might ensue, around a hundred special constables were summoned from the neighbourhood to keep back the crowd; but as these worthies had unaccountably left their staffs at home, several of them armed themselves with bars of iron, and thus were enabled to stop the passage of any but the favoured ones to the crane. No disturbance was either caused or intended, and hence the iron bars were superfluous.

Before long, Cohn was forced out of Belgium after which he returned to London and was then sent to Newcastle by the Amalgamated Society of Engineers to induce the foreign workers to leave. Before Cohn's arrival in Newcastle, the League had itself sent many foreigners away and was in danger of being charged with conspiracy. On one occasion upwards of 100 were shipped off in a day. Although the number of foreigners inside the different shops was daily increasing, little change took place in the demeanour of the strikers, for they heard from reliable parties inside the factories, that, taken as a rule, the foreigners did very little work, and what they did do was of inferior quality. Merely seeing the foreigners filling the shops, though, was a severe test to the patience of the men on strike, especially when many of them were forced from their houses to make way for the men who were supplanting them in the shops.

Continuing financial support from around the country boosted the morale of the strikers, as did the periodic defections of the foreign workers. The last week in August saw a mutiny of 120 Germans who had been employed at the Armstrong factory, despite efforts by management to mollify them by allowing them to smoke whenever they chose. Even the Germans themselves had begun to demand the nine-hour day! On the down side, repressive legislation was used to prosecute strike supporters. John Taylor was fined for the crime of looking at the foreigners. Margaret Monaghan, age 33, was sent to prison for 21 days for *hooting* at some workmen employed at one of the struck firms.

At the end of August, the employers sent a delegation to London and called a meeting to solicit funds from the employers in that city but were turned down. They had slightly better luck in Manchester, Nottingham, Glasgow and other centres where they were able to obtain a pledge of financial support from the manufacturers of one shilling per head on each man employed by them.

On September 2nd, strikers held a mass meeting on the Town Moor in Newcastle. Numerous foreign workers joined the strikers on the platform proclaiming their desire to return to their home countries. Men employed in a newly opened co-operative engineering works, which had been established to demonstrate the viability of the shorter day also joined the procession. By mid-September, the replacement workers were becoming increasingly restless and, in some cases, disorderly to the point that the local police had to recruit reinforcements from the countryside at an additional expense to the taxpayers. Meanwhile the strike was gaining increasing national attention, culminating in a lead article that appeared on September 11th in the *Times of London.* Burnett characterized the article as "not very correct in matters of fact, but it is almost impossible to estimate the benefit which that article conferred indirectly upon the cause of the men."

Duelling in the Press

In effect, the *Times* article kicked off a public relations battle between Sir William Armstrong, the employers' spokesman, and John Burnett. Burnett was able to make the most of it. The very inaccuracies in the article were "blessings in disguise" in that they goaded Sir William to reply at length in an attempt to correct the mistakes – from the employers' viewpoint. This created an opening for Burnett to submit a detailed rebuttal to Sir William's missive. The exchange continued into a second round, with Burnett very astutely documenting the errors in Sir William's account, while taking maximum advantage of any conciliatory gestures that Sir William might offer to in his effort to make the employers' conduct look less harsh.

After the first letters appeared, a strong tide of newspaper criticism set in, the balance of it being decidedly in favour of the striking engineers. The effect produced by the leaders in the London and provincial papers was at once to greatly increase the amount of contributions in support of the striking men. When he wrote his first letter, Sir William Armstrong, had, in a manner of speaking, appealed to the bar of public opinion, and public opinion expressed itself so strongly in reference to the Newcastle strike that he was constrained to write a second letter to the Times. This second letter being couched in a more conciliatory tone than the first. It was seen from the latter part of the second letter that there was a desire on the part of the employers to make a further concession to the men. This concession, however, was not in the direction desired by the men. The men would not accept any offer of compromise whatever, many of them saying that this second letter of Sir William's was another sign of weakness, and that if they only held out a little longer, they would get the whole of their demand conceded.

Both men's letters focused largely on procedural grievances or on disputes over the interpretation of statements or gestures by one party or the other. But Sir William Armstrong's second letter also contained a substantive account of the employers' economic rationale for refusing the engineers' request. Two features of Armstrong's accounting require special attention. First, is his assumption, intuitively plausible but theoretically naïve, that following the reduction in hours output will decline in direct proportion. Even if one concedes Armstrong's naïve assumption, his second assumption involves the outright error of double-counting. Armstrong's faulty accounting is of such significant interest that it is worthwhile reproducing the relevant portion of his letter in full.

> *The point which I chiefly desire to render intelligible is the extent of the loss which would result to the employer by the shortened working of his plant. The machinery, buildings, and implements which constitute this plant are of an extremely costly description, and the mere interest upon the capital invested in them forms an annual charge of a very serious amount. In addition to this interest, the manufacturer has to provide for the annual depreciation of his plant, because portions of it are continually becoming obsolete, or of antiquated design. In fact, the necessary modifications and renewals are so frequent and extensive, that an engineer's plant is, in most cases, revolutionised at intervals of only a few years; and to compensate for this short duration, the value has to be annually reduced by a charge upon the articles manufactured. It is also necessary to provide for the general expenses of the establishment, consisting of cost of management and superintendence, rent, taxes, rates, and insurance, interest on floating capital, and so forth, amounting in the aggregate to a large annual sum. These several charges for interest, depreciation, and general expenses remain the same, or nearly so, whatever the produce of the plant may be, and therefore the percentage of cost due to fixed charges must be increased in the same proportion that the produce of the plant is diminished. Hence it is that higher rates of wages can be afforded for overtime and night work, because the plant is longer at work.*
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> *It is easy to value the commercial gain to the men of a given reduction of time, but it is more difficult to define the loss to the employer. As a mere arithmetical question, a reduction from 59 to 54 hours a week represents a money gain to the workman of about 8 per cent. on the price of his labour. To the employer the direct loss is, of course, the same; but the indirect loss must be matter of estimate, varying in each particular instance. In my own case, I should certainly regard it as equal to the direct loss on wages, and I believe that engineers in general would concur in the substantial accuracy of this estimate. Upon this view the reduction of time claimed by our men would be attended with a gain to them of 8 per cent. on the amount of their wages, and of a loss to*

us equal to 17 per cent. on the same amount. To suppose that the average profits of the trade have of late years been such as to admit of a deduction to that extent is absurd. The men point to individual cases of great success, such as arise in all trades from special advantages, but they ignore all examples of a contrary nature. I am confident that the average profit realized by engineering firms on the Tyne during the last five, ten, or even twenty years has not been more than sufficient to attract capital to the business, and, although a great demand has recently arisen for marine engines, causing great activity in the trade, yet, considering how quickly supply always overtakes demand, there is no reason to anticipate a long continuance of the present unusual prosperity.

If, then, the increase of cost which would attend the proposed reduction of hours cannot be met by diminution of profit, it would necessarily result in increase of price, and thus operate to the great prejudice of this district in its competition with other localities possessing equal advantages. If other districts succumbed to the same influences, the rise of price would be universal, and not only would the public suffer as consumers, but the exportation of machinery would be discouraged, and for some articles wholly arrested,

Unpacking Armstrong's arithmetic from his rhetoric requires first that we distinguish between the hourly wage and weekly pay. A reduction from 59 hours to 54 hours a week with no loss in weekly pay represents a 9¼ percent (not 8 percent!) increase in hourly wage but *no change whatsoever* in weekly pay. The wage increase is indeed a commercial gain to the workers. From the employer's side, assuming, as Armstrong does, that output declines in proportion to hours, there would be, *ceteris paribus* an 8½ percent loss in revenues from reduced sales. But, by definition, the weekly wage bill would remain *unchanged*. Therefore the employer's *weekly loss* would actually be less, in percentage terms, than would the workers' *hourly gain* (if one may be permitted to compare weekly apples to hourly oranges). But that is simply the difference between 59/54$^{\text{ths}}$ minus one and one minus 54/59$^{\text{ths}}$. Armstrong' derived his 17 percent loss estimate from the erroneous assumption that the workers' weekly pay would increase at the same rate as their hourly wage even though they would then be working five fewer hours!

There is, though, another possibility. Armstrong may have assumed that the reduction in hours was only nominal, in which case the workers would receive overtime pay for the last five hours of a 59-hour week after receiving their accustomed weekly pay in the first 54 hours. In that case, the total pay increment for the workers would indeed be 8 percent (or 8.2 percent) but their total output would presumably be the same as before the change to a *nominally* shorter working week.

There is nothing to indicate that Armstrong's error was anything other than inadvertent. Double counting is a common occurrence in social accounting and results from the conceptual difficulty of aggregating the accounts of multiple enterprises and households. In aggregate accounts, the income of one unit may be the expenditure of the other. So, if I give you a dollar, it is only one dollar that has changed hands and not the two-dollar sum of the dollar I've given you and the dollar you've received. A consistent system of grossing and netting the incomes and outlays of the units must be employed to avoid double counting. In the absence of such a system, Armstrong simply added the percentage hourly wage gain of the workers to the estimated percentage revenue loss of the firm.

As if to confirm the difficulty in detecting the double counting error, Burnett, in his reply, raised no objection to Armstrong's double accounting but instead disputed only the empirical accuracy of his cost estimates for depreciation and his inattention to the "increased care and energy with which men would work under the new system," which is to say the productivity argument that Armstrong completely ignored.

As mentioned earlier, Armstrong's assumption that output would change in proportion to the reduction of the hours of work was theoretically naïve. Leaving until later the theory of productivity and working time (which will be discussed in detail in Chapters Four and Nine), however, we can look at empirical data from a time reasonably close to 1871. Jeremy Atack, Fred Bateman, and Robert A. Margo analyzed U.S. census data from 1880 and calculated a coefficient of elasticity of output with respect to hours of .24, meaning that an 8½ percent reduction in hours, from 59 to 54 could be expected to yield only a 2 percent reduction in output. Thus, at 17 percent, Armstrong's reckoning of the employers' loss is off by almost an order of magnitude from the estimate provided by the best available empirical evidence.

Armstrong's diligent attention to the fixed costs of capital are also worthy of scrutiny. Conceding that those costs are indeed more or less fixed, what of the workers whose cost of subsistence and reproduction persist whether or not there is sufficient trade to keep him or her employed? What portion of the worker's wage might be considered "profit" above and beyond the amount required to keep the human machine functioning in good stead? These questions will be addressed in Chapter Four, where John Maurice Clark's analysis of the social overhead costs of labor will be discussed.

No doubt the object of Sir William's letter was to turn the tide of public sympathy from the side of the men to the side of the employers. Had the letter been successful in this respect great good would undoubtedly have accrued to the side of the masters. Therefore, Burnett, acting on his own initiative, thought it inadvisable to allow this letter of Sir William's to remain unanswered, lest some people, whose good opinion was of importance, should feel inclined to say that all the efforts to make peace proceeded from the side of the employers—that the men were too hard and. unyielding—and that therefore the responsibility of the continuance of the strike would rest upon them. Accordingly, a letter in reply was addressed to the Editor of the Times, and appeared in print on the 28th of September.

Resolution

Before that letter could appear in print, however, A.J. Mundella, the Member of Parliament for Sheffield and Vice-President of the Capital and Labour Committee of the Social Science Association, arrived in Newcastle with the intention of mediating the dispute, if possible. Coincidentally, Joseph Cowen, publisher of the *Newcastle Chronicle* and Ralph Philipson, the Town Clerk also launched a mediation attempt, drafting a proposed agreement that they submitted simultaneously to both sides. Cowen and Philipson won the race of the mediators. Their proposal was to return to work forthwith on the 57-hour schedule with a 54-hour week coming into effect on January 1, 1872. Sir William Armstrong accepted the proposition on his own behalf and as far as he could bind other employers. At a mass meeting held on the evening of October 6th, the strikers unanimously passed a resolution accepting the terms proposed by Cowen and Philipson. There were still considerable details to be ironed out. Some of them, such as the order of returning to work and the status of the "blackleg" workers were contentious. Nevertheless, by the 12th of October, the return to work got underway.

On the very day the Newcastle strike was settled, a dispatch was sent to the *New York Times*, from "Our Own Correspondent" in London, a certain "F.H.J."[3] Through an accident of poor timing, the report informed the paper's American readers that the strike "shows no sign of coming to an end," at a time when, unbeknownst to the correspondent in London, a tentative agreement had already been reached by the representatives of the two parties and the proposed settlement was wending its way toward ratification. The report contained a number of inaccuracies, for the most part in favor of the employers and detrimental toward the strikers, but is significant for another feature, possibly inconspicuous at the time. The final section of the article is subtitled "Real Question at Issue," and asks whether the workers are seeking the shorter hours for the reasons their spokesman, "Mr. Barnett" (sic), asserts or for some sinister "ulterior design." F.H.J. concedes Burnett's argument that better rested workers will work harder during the time they are employed is "plausible, and to a certain extent true." He cites A.J. Mundella's opinion that the men are sincere in their declarations. "But," the Times correspondent interjects, "I find it very difficult to take this view." "The League," he asserts (contrary to documentary evidence), "is only an offshoot of the Unions, and the great object of the Unions is to surround production with all manner of restraints and restrictions, so that it shall not be accomplished too fast or by a small number of workmen."

The reporter's catchphrase is one that has become the boilerplate staple of hundreds of anti-union propagandists and reactionary economists: "Their theory is that the amount of work to be done is a fixed quantity, and that in the interest of the operatives, it is necessary to spread it thin in order to make it go far." The alleged "ulterior design" of the Nine Hours' League was to strangle production so that that employers would be coerced into hiring ever more incompetent or lazy workers and paying them extortionate wages, "I think there can be little doubt that the nine-hour movement is only another of the Socialist expedients of the Unionists." Coincidentally (or not?) four and a half years later the *exact same wording,* about an idea that "…the amount of work to be done is a fixed quantity…" and the same conspiratorial accusations about the " poisonous nonsense of the Trade Unions… that it is only by deliberate idleness and shirking of

[3] The dateline for the report states, "Saturday, Oct. 6, 1871," which is odd because October 6th fell on a Friday that year.

work that they can force up wages," appeared in an article in the *Saturday Review of Politics, Literature, Science and Art*.

The story of how this crude slander evolved into a article of introductory textbook dogma will be told in Chapter Eight, for now, though it is enough to note the irony that a mere three years before F.H.J.'s fulminations in the *New York Times*, the notion of a fixed amount of *wages* – the wages-fund doctrine – prevailed as one of the cornerstones of classical political economy. As late as 1868 it wasn't the fixed amount of work that was at issue but the fact that unionists believed the false notion that wages were determined by importunity and combination rather than by fierce competition between employers for the hardest working, most skilled hands. In 1904, a report of the U.S. Commissioner of Labor examined the, by then, widespread and increasingly frenzied alarm in the press about an alleged union conspiracy to restrict production. It found no substance to the claims. Moreover, specifically with respect to the reduction of working time, the lengthy commission report found that "from the standpoint of exertion, a reduction of hours is *exactly the opposite* from a restriction of output." The persistence of the fallacy canard in the face of its authoritative refutation demonstrates conclusively what Sir William Armstrong's bungled calculation only hinted at: there is no *economic* case for resisting reduced hours of work. The opposition from vested interests manifests a violent struggle to retain political, economic and social domination per se, *whatever the cost.* A full social accounting would show that the cost is not merely exorbitant. Its ultimate cost is ecocide. That is the view from 2010, but we are getting ahead of our story and, especially, John Burnett's narrative. We will return once more to the Newcastle strike in Chapter Ten to examine political economist, Henry Fawcett's "not unsympathetic" 1872 interpretation of the significance of the strike but for now we will conclude this chapter – without further interruption or abridgement – with the summary Burnett presented in the last four pages of his pamphlet.

Burnett's Concluding Essay on Lessons of the Newcastle Strike

If this great struggle had been remarkable in its origin, and in its complete development, it was likewise remarkable in its close. After the failure of Mr. Mundella's negotiations, a long continuation of the struggle appeared inevitable, and therefore the sudden manner in which the resistance of the employers collapsed astonished nearly every one. But what was more remarkable still, and what gave more satisfaction to the men of Newcastle, was the manner in which the movement began to spread — first over this district, and then over different parts of the country. In fact, it may be safely said that since the Newcastle Strike was settled not a day has gone over without some firm or other conceding the nine hours' system to their men. It is not necessary to specify every place where the matter is settled, nor indeed is it possible, it is sufficient to say that places where it is not given or promised for the first of January are exceptions to the general rule.

It is not necessary to trace the history of this great movement any further than has already been done. So far as it has gone it only professes to be a bare and truthful record of facts, and the writer, or rather compiler, has endeavoured to write about the past conduct of the employers with as little bitterness as possible. A brief review of some of the leading incidents of the Strike, and an attempt to point out the lessons which it teaches, or ought to teach, to both masters and men, may not inaptly bring this pamphlet to a termination.

The first thing that strikes the mind in regard to the commencement of the Strike is the hard and unyielding disposition shown by the employers. It is very probable that had the employers consented to meet the delegates of the men as they were repeatedly requested to do, the Strike might have been averted. The manner in which the first and second proposals of the men were received shows quite clearly that the employers had resolved to fight rather than make the slightest concession to their men, and this feeling of obstinacy on their part produced a similar feeling in the breasts of the men. Then there was the signing of all the letters of the employers by a firm of solicitors — a trifling thing in itself perhaps, but yet having a strong exasperative effect upon the minds of the men. The manner in which the offer of the men, made through the Mayor of Newcastle, was received added fresh fuel to the flame, and the anger of the men waxed hot indeed. With such feelings of pride and hauteur on the one side, and of outraged dignity on the other, it now seems no wonder that the conflict should have been so long and fierce, for we generally find that the duration and fierceness of all trade fights bear a certain proportion to the intensity of the passions which are called into action at the commencement of the battle. Again, a man of spirit will do his utmost to defeat the man by whom he has been treated with contempt, the party so treating him at the same time being driven to a more desperate resistance, because he knows that the humiliation of defeat will just be in proportion to the amount of overbearing swagger with which he threw down the gage of battle. In this particular instance the lesson is all for the employers, for had they met their men at the outset, the Strike would have been prevented by the acceptance of a compromise on the part of the men, and, in all probability, the Nine Hours' Movement would have been shelved for years. At all events, as a matter of policy, the employers should have met their men and then, had they offered a reasonable compromise, and the men had refused it, the employers by showing a spirit of conciliation would have secured public sympathy and approval; the men would not have been so well supported; the men who did not believe in the Strike at first would still have remained opposed to it — they would either not have turned out, or have returned to work as soon as they had a chance, and the Strike, had it taken place, would soon have come to an unsuccessful conclusion. As it was, the men who did not give in their notices, but were locked out, became the most determined not to return until the Nine Hours' System was conceded. It is, therefore, to be hoped that if in future complications should arise between men and masters, a greater readiness to meet the men will be shown by the employers; for things seem to have arrived at this pass now, that men have a perfect right to treat with their employers on terms of perfect equality. Until this principle is admitted on all hands there seems little prospect of strikes ceasing to take place, or even of their being reduced to a minimum.

It has likewise been thought and said that another lesson which the Strike should teach is that it is almost absolutely necessary to establish courts of arbitration in all great centres of industry. As far as the engineering trade is concerned, the establishment of such courts would be hedged about with difficulties on account of the many different branches employed, and the many different rates of wages paid. There can be no doubt, however, that if Mr. Mundella, Mr. Kettle, or other competent gentlemen were to devote a little attention to the matter, a scheme of arbitration might be arranged so as to apply to the various peculiarities of the engineering trade.

The recollection of the hardships suffered by the men in this Strike ought to teach them some very important lessons. In the first place, they will have seen from the various weekly balance sheets which have been published that the greater part of the money which has come in for their support has come from the voluntary contributions and gifts of the various trade societies in different parts of the Kingdom. It is further to be observed that during the whole of the Strike the Nine Hours' League was to all intents and purposes a trade society, and as has been already remarked the success of the Strike was in a great measure due to the strict observance of the resolution passed to the effect that no shop was to negotiate on its own behalf, but that everything was to be done through the central power. In addition to this whenever the travelling delegate of the League waited upon any trade society to ask assistance, they were almost invariably met with the objection that the members did not like to subscribe money to men who were not members of a trade society, and the objection was generally got over by the delegate stating that in all probability as soon as the strike was over a majority of the Newcastle engineers would join a trade society, so that if another struggle should come they would be prepared for it. If this is not found to be the case, if large numbers do not enrol themselves as members, and another strike should occur, it will be almost useless for their delegates to go again to the country for support. But, even were money for their assistance easily obtained, it is surely better to receive money to which they are entitled than to have to depend upon the voluntary contributions of men who, in nine cases out of ten, think at the same time they are paying their money that if the men who ask for their assistance had been properly alive to their own true interests, they would not have needed to come a begging. This is no place for setting forth the great advantages to be derived from membership in a trade society; but it is impossible to refrain from saying that had there been a greater number of society men in Newcastle the Strike might never have taken place, for employers think twice before engaging in a strike when they find that a largo majority of their workmen are members of a powerful trade organisation. As in the case of the Newcastle Strike, however, the employers know perfectly well that a comparatively small number of their men were connected with trade societies, and that, therefore, the great body of the men if left to themselves would have no means of support, and, therefore, would soon be literally starved into submission. For the first two months of the Strike this view of the position was almost a correct one; for it will have been seen that during that period the amount of money received by the men was very small indeed, whereas, had they been members of trade societies, they would have been able from the commencement of the Strike to have commanded their ten or twelve shillings a week, instead of receiving the small sum of one shilling and ninepence.

It is not necessary here to go into the other numerous benefits to be derived from trade societies, such as benefit in cases of sickness, superannuation, and accident. It will be seen, however, that these remarks lead to the conclusion that the principal lesson which this Strike ought to teach the men is that the working-man by himself is weak, but that when combined with his fellows he is almost irresistible; therefore, it is to be hoped that the men of Newcastle will profit by the stern lessons of the past six months, and, by becoming members of trade societies, prepare for the next great trade storm which may arise.

Another important lesson which ought to be learnt from the events of this Strike is that working-men ought to assist every movement which is set on foot for the purpose of having stipendiary magistrates appointed in all large towns. It is evident that in a majority of cases tried before the local magistrates there was little hope of justice for the working man, from the simple fact that most of the magistrates are themselves employers of labour. The men of Newcastle may indeed think themselves fortunate in having had a gentleman and not an employer of labour as chief magistrate of the town during the time of the Strike. Working men ought likewise to see the advisability of agitating to have alteration made both in the law of master and servant and in the criminal clauses of the new Trades Union Act, both of which statutes, in their present state, may be used as instruments of the grossest injustice by employers who sit upon the magisterial bench. Indeed, the Recorder of Newcastle, in his charge to the Grand Jury, said, "that if the latter act was carried out in its strict sense it would be nothing short of an act of tyranny."

If these various lessons are taken to heart, and put into practice, it is quite possible that the Great Strike for the Nine Hours' Movement may in the future be considered as having conferred greater benefits upon the working community than ever its projectors anticipated.

The Nine Hours' System may now be said to be in the hands of the working men of this kingdom, and it is for them to decide upon the soundness or the unsoundness of the various arguments which have been used to call it into existence. It is true that men will never be able to derive much benefit from it in busy times, on account of the excessive quantity of overtime which they are required to work; but even under these disadvantages, if they use well their opportunities, they may do much to prove that the mental improvement argument was not the moonshine which some people would have the public believe it was.

Another argument, which the men are almost in honour bound to prove true, is, that little, if any, less work will be done under the new system than under the old. If the men can do this — if they can show this argument to have had a foundation in fact, and if the balance sheets of their employers bear similar testimony, then the employers throughout the kingdom will have no reason to regret the day which saw them concede the Nine Hours' System to their men; neither will they have much reason to dread the day, which will most assuredly come, when eight hours shall be fixed as the standard length of the working day. This great change has already been shadowed forth as one of the points in that mysterious political charter[4] which has attracted so much attention of late. It is to be hoped, however, that the further reduction of the hours of labour will be left in the hands of those whom it most concerns. The working men of England can now to a great extent make their own future; and if they want to make that future bright and prosperous — if they want the industrial sun of this country to shine as brightly as of yore —they can only do it by individual effort. The nine hours' system (nor indeed any other system) has no power of itself to work any magical results. Everything depends upon the proper use of it; and if each man does his best to use its benefits well, he will go on proving that the British working man is able to work out his own social salvation; and he will go on proving, likewise, that there is no reason why the employing class should seriously dread the coming of the time when their workmen shall "respectfully request them to reduce the hours of labour to eight per day."

[4] This may possibly refer to the resolutions adopted by the Congress of the International Working Men's Association in Geneva in September 1866, and specifically the resolution on the limitation of the working day:

"A preliminary condition, without which all further attempts at improvement and emancipation must prove abortive, is the *limitation of the working day.*

"It is needed to restore the health and physical energies of the working class, that is, the great body of every nation, as well as to secure them the possibility of intellectual development, sociable intercourse, social and political action.

"We propose 8 *hours work* as the *legal limit* of the working day. This limitation being generally claimed by the workmen of the United States of America, the vote of the Congress will raise it to the common platform of the working classes all over the world."

Chapter Two: Requiem for a Labor Utopia

> Now, we talk about the remedies; some of them. There is no questionable doubt that automation or technological changes throughout this Nation has created unemployment problems, and I think that was pretty well visualized this year when Senator Pat McNamara, Senate bill 462, in which he requested at least a 35-hour workweek, in amending the Fair Labor Standards Act. I think I have a letter from the chairman of this committee in which he agrees that maybe this might be a solution to our overall problem on unemployment.
>
> I think we have come to this position in this country the same as we did in 1930. In 1930, as you probably remember, so far as wages are concerned, they cut wages in this country during the thirties; and each time they cut wages, we created more unemployment. What was the end result in the solution? We finally had to enact a Fair Labor Standards Act of putting in a 40-hour workweek. And I think that we are today in perhaps the same position. The Government has got to act on a shorter workweek in this Nation; and I don't think we should have to wait until such time that we have a total collapse of our economy.

In the years leading up to and following the dismantling of the Berlin Wall and signalling the beginning of the end of the Warsaw Pact, the Soviet system and the Cold War, a somber tone permeated writing on the issue of working time and leisure. From the late 1980s to the mid-1990s, a flurry of books appeared lamenting the demise of the unfulfilled dream of leisure and of what Andre Gorz called 'the utopia of work.' Looking back from his 1989 vantage point, former U.S. Senator Eugene McCarthy, who in 1959 had chaired the Special Senate Committee on Unemployment Problems, recalled that the committee had considered proposals to reduce the hours of work but hadn't recommended them because the senators felt that other remedies should be tried first. Thirty years later, McCarthy concluded that those other remedies had not broken the steady upward creep of unemployment.

In their book, *Nonfinancial Economics: The Case for Shorter Hours of Work,* McCarthy and co-author William McGaughey disclosed what must be one of the best-kept secrets about the relationship between government revenues and public policy on working time. Treasury officials are unsympathetic toward leisure because they can't tax it. "A proposal such as the shorter workweek," McCarthy and McGaughey argued, "which would redistribute the burden of work and its income more evenly, would reduce the tax collector's take from a given volume of economic activity. Therefore, it cannot be." That insight throws a stark illumination on the debate about jobs. It's not really about jobs or leisure; or at least not primarily. It's about revenue.

More recently, President Obama's chief economic advisor, Laurence Summers, offered the following assessment, "It may be desirable to have a given amount of work shared among more people," he conceded. "But that's not as desirable as expanding the total amount of work." Why is expanding the total amount of work more desirable? From a Treasury perspective, more work increases tax revenues while sharing work could potentially decrease revenues. This treasury view also brings into focus a prime objective of supply-side economics – its magic was supposed to flow from incentives that encourage people to work more hours (or that penalized people for working less). This aspect of the supply-side rationale was clearly spelled out in 1981 by Paul Craig Roberts, Reagan's Assistant Secretary of the Treasury for economic policy in an opinion piece published in the *Wall Street Journal:*

> *For the supply-side policy to work, taxpayers don't have to respond to lower marginal tax rates by giving up vacations, going on a double shift and saving all their income. When you have a work force of more than 100 million people, small individual responses result in a large aggregate effect. If the average number of hours worked per week rises from 35 to 35.5, GNP rises by $24 billion.*

If the point of supply-side economics was to get people to work more hours, the strategy can be judged a success in the sense that it did indeed ratchet up the hours that people worked. Average annual hours of work in the U.S., which had been in decline for well over a century, bottomed out in 1982, the second year of the Reagan administration and actually rose by 4 percent over the following 17 years. Whether or not that increased work effort ultimately translated into higher revenues, though – or enough additional revenues to offset the cuts to marginal tax rates and spending increases – is another matter.

A second account from the late 1980s, Benjamin Hunnicutt's *Work Without End: Abandoning Shorter Hours for the Right to Wor*k, chronicled a pivotal juncture from the 1930s when the seemingly imminent adoption of the 30-hour workweek was scuttled at the last minute after the Roosevelt administration succumbed to pressure from the National Association of Manufacturers and the Chamber of Commerce. In the place of the 30-hour legislation was substituted a "gospel of consumption" along with an idealistic vision of the boundless worthwhile and fulfilling work to be done. In the course of his examination of that history, Hunnicutt described the fascinating and contrasting visions of New Deal Brains Truster Rexford Tugwell and of Arthur Dahlberg, whose arguments for shorter working time will be examined in more detail in Chapter Nine.

Tugwell's 1933 book, *The Industrial Discipline and the Governmental Arts,* "more than any other single document," in Hunnicutt's estimation, "presented what was to become the [Roosevelt] administration's position on work creation vis-à-vis work reduction." Tugwell's philosophy was exemplified in his statement that, "I believe, myself, that we are within a stone's throw of the end of labour – as labour, not as willing and co-operative activity. We know how to make machines do nearly everything. Only defective social mechanisms prevent the consummation of the trend toward the abolition of employment." One might expect to see a treatise on the importance of leisure proceeding from such a bold proclamation of the imminence of the end of work. Instead, like his protégé, Leon Keyserling, profiled in Chapter Eleven, Tugwell adamantly opposed work time reduction, seeing it as defeatist. In place of the "counsel of despair" that leisure symbolized to him, Tugwell envisioned a vast new "third economy" of transformed, freely-chosen, self-fulfilling careers in government-funded and wondrously creative brain work. Drudgery, dog-eat-dog competitiveness and compulsion would be banished. "True progress lay on the frontiers of New Work." Tugwell's plea for the humanization of work is not without its philosophical and/or spiritual allure. Eric Gill, John Kenneth Galbraith and E.F. Schumacher have made similar suggestions. But Tugwell's vision had the distinction of being translated into government policy.

In Hunnicutt's view, the demise of the shorter hours movement after abandonment of the 30-hour bill by the Roosevelt administration had multiple causes. One was changing attitudes toward free time. During the depression, shorter hours became associated with the idleness of unemployment. Second, with varying degrees of success, post-world war II governments have committed to acting as a permanent stabilizing force in the economy, spending whatever money is necessary to achieve "full employment" (or at least financial stabilization through bank bailouts and resumed growth of corporate profits and share prices). As a result, work-sharing as a cure for unemployment has been sidelined. Labor unions have traded in their traditional shorter hours strategy for government promises to stimulate the economy. Other contributing factors include the commercialization of leisure time and the ubiquitous advertising and expansion of credit, fuelling consumer appetites and purchases.

David Roediger and Philip Foner contested Hunnicutt's bleak assessment in *Our Own Time: A History of American Labor and the Working Day.* Their book surveyed the history of labor struggles for shorter working time in the U.S. from colonial days to the passage of the Fair Labor Standards Act in 1938. In their final chapter, "The Hours Stalemate Since 1939," Roediger and Foner argued that "the picture of shorter hours progress since 1938 is not so unrelievedly bleak as Hunnicutt's provocative work implies and the prospects for future gains are not bleak at all." The evidence they presented in the chapter, however, resists such an interpretation. For example, they tell the story of the 1956 AFL-CIO conference, following the merger of the two labor bodies, in which delegate after delegate presented cases *against* a concerted pursuit of shorter working time. One notable exception was the UAW delegate, Nat Weinberg, who pointed out that there is a potential contradiction between union arguments about increased productivity and increased employment from shorter working time unless the work time reduction moved fast enough to offset the productivity gains of the shorter working time.

Among the "hopeful signs" Roediger and Foner highlighted were a smattering of isolated local union contracts that contained significant work time reductions, some incidents of religious-labor co-operation, the needs of family farmers for limitations on hours in the city jobs they work to supplement farm income, appeal of the issue to young and minority workers, the entry of more women into the workforce and a department of labor study that showed workers were willing to forgo around 5 percent of wages for more time off. Incredibly, another hopeful sign, in Roediger and Foner's view, was that employer *rollbacks* of shorter hours would "keep the issue alive." With hope like that, who needs despair?

In *The Overworked American: The Unexpected Decline Of Leisure,* Juliet Schor also reviewed the post World War II U.S. experience of stagnant and then rising hours of work. Schor told of a "time squeeze" that had developed between 1969 and the early 1990s, fuelled by factors such as a vicious cycle of work and spend, broader labor force participation of women and youth, the disciplinary advantages to employers of long hours and the effects of increased costs for employer-paid benefits that varied by the number of employees rather than by hours worked. Schor pointed out that the time squeeze has been particularly acute for women who continue to perform the bulk of household work and childcare. Schor's policy prescriptions for breaking the cycle of work and spend included incentives for employers to replace salaried positions with jobs that specify standard hours; making overtime redeemable in paid time off rather than cash, making part-time work more equal and extending the option for people to forgo future wage increases in exchange for reductions in current working time. Schor also addressed some possible objections to her suggestions: what would it do for international competitiveness? And what about the poor quality of much "leisure" and the link between more time off and spending money?

Chris Nyland's *Reduced Worktime and the Management of Production* and Moishe Postone's *Time, Labor and Social Domination* offered distinct Marxist perspectives on working time. These two books are discussed in detail in Chapter Six. Nyland's book also compared the Marxian view with the scientific management ideas developed in the early 20th century by Frederick W. Taylor and presented an historical overview of economic thought about working time, culminating in the post World War II standard model of "income/leisure choice." Andre Gorz's *Critique of Economic Reason* also took its departure from a novel analysis of Marx – or more precisely from the view that Postone criticized as traditional Marxism. The original French title of Gorz's book, *Metamorphoses du Travail* is more descriptive of its theme. Gorz's earlier book, *Farewell to the Working Class*, anticipated by nearly a decade the despairing theme, which subsequently became widespread in the late 1980s and early 1990s. Gorz observed that the promise that work would be transformed into a fulfilling combination of social labor and personal activity, as Marx had expected (and as Tugwell had prescribed during the New Deal), never came to fruition. Instead, every attempt to put the "utopia of work" into practice had produced disaster.

More positively, Gorz sought to re-evaluate the nature of work as a preliminary to salvaging whatever could be recovered from the failed utopia – if not a workers' paradise, how about, at least, some policy ideas that could lead to a better, more meaningful balance between work and life? Two particularly useful contributions were Gorz's analysis of the limits of economic rationality as it relates to different occupational categories and his analysis of the potential of new forms of work to unify working and living – occupational culture and culture in general.

There is not, Gorz pointed out, a single, undifferentiated kind of paid activity, which the term "work" refers to, but many very different kinds of activity for which people receive remuneration. Gorz's analysis of the economic rationality of different kinds of work asks whether "a) the work creates value; b) for exchange as commodities; c) in the public sphere; and d) in a measurable amount of time, at as high a level of productivity as possible." He asserted that it is not enough for an activity to be paid for it to be work in this economic sense. To put it differently, economically-rational work must also be work that can literally be rationalized – made more efficient. Not all work fits this criterion and the idea that unlimited amounts of inefficient but nevertheless well-paid work can simply be created out of the blue is absurd. The conclusion Gorz drew is that rather than wait for the technological processes underway to somehow spontaneously generate a bright future contrary to their internal logic, it is necessary to give those technological processes an emancipatory meaning with the vision of a possible other society.

Gorz's analysis of the integrative potential of various kinds of jobs viewed those jobs from three distinct perspectives:

a) the organization of the labor process;

b) the relation with the product to be produced; and

c) the content of the work, that is the nature of the activities and the human faculties it requires.

Following from those dimensions, work can only be considered to be an autonomous activity if:

d) it is organized by those performing it;

e) it consists in the free pursuit of a self appointed aim; and

f) it is fulfilling for the individual performing it."

On the basis of that analysis, Gorz concluded that it is contradictory to expect technology to increase the efficiency of labor while at the same time humanizing it. In Part III of the book, "Orientations and Proposals," Gorz sketched elements of a vision of that other possibility, with many of the passages quoted from *La revolution du temps choisi*:

> *From all the foregoing analyses, there emerges, between the lines as it were, a vision of a possible other society. The progressive diminution of work for economic ends will have made it possible for autonomous activities to become preponderant in that society; 'free time will have gained the upper hand over unfree time, leisure the upper hand over*

> *work'; 'leisure will no longer simply be rest or compensation but essential living time and the reason for living, work having been reduced to the status of a mere means.' 'It would then be this free time which would be the bearer of all common values. One only has to think of the upheaval there would be in our society if creativity, conviviality, aesthetics and play came to predominate over the values of efficiency and profitability involved in work.' 'This is a crucial question.. . It is nothing short of an art of living and renewed forms of social creativity that have to be invented.' What is involved is the transition from a productivist work-based society to a society of liberated time in which the cultural and the societal are accorded greater importance than the economic: in a word, a transition to what the Germans call a 'Kulturgesellschaft'.*
>
> *Only this fundamental transformation (which would deserve to be called revolutionary if the term had not been devalued and condemned by fashion) could give a meaning to the changes that are currently occurring. If it does not take place, those changes will give birth only to fearful technical barbarities. And the savings in work and gains in time engendered by the accelerated development of new technologies will bring only social exclusion, pauperism and mass unemployment on the one hand, and an intensification of the 'war of each against all' on the other.*

One of the better-known and more controversial books dealing with work and working time in the 1990s was Jeremy Rifkin's *The End of Work*, published in 1995. Coming as it did in the throes of a jobless recovery, *The End of Work* was a best seller that carried an aura of prophecy of the approaching millennium. "We are entering a new phase in world history," Rifkin announced in his introduction, "one in which fewer and fewer workers will be needed to produce the goods and services for the global population."

The End of Work promised to examine the technological and market forces behind that coming "near workerless world" and to explore its promises and perils. One of those promises was "Re-engineering the Workweek." Rifkin opened his chapter on the workweek citing Herbert Marcuse's prophetic words about civilization defending itself from the possibility of freedom. He briefly scanned the history of productivity increases leading to work time reduction and noted the impasse in that progression documented by Hunnicutt, Schor and Roediger and Foner. Then he looked to Europe where progress in work time reduction was still being made. Rifkin pointed to the large proportion of financial assets held by pension funds as evidence that the ownership, if not control, of corporations was passing, indirectly to the very workers who were being laid off by them. That led Rifkin to speculate that in the future, "chances are that corporate resistance [toward work-time reduction] will soften." His prediction has not been tested because there has been no sustained push from either unions or public opinion in the U.S. for shorter work time. Meanwhile, a funny thing happened to those pension funds on the way to the millennium…

Chapter Three: The Forbidden Question

In a 1958 address to the group Resources for the Future, John Kenneth Galbraith asked whether it was reasonable to ignore the question of restraining the economy's appetite for materials. "Yet in the literature of the resource problem," Galbraith observed, " this is the forbidden question. Over it hangs a nearly total silence." He compared this silence to agreeing not to mention speed in a discussion of how to avoid automobile accidents. Galbraith went on to inquire whether our happiness would be greatly impaired by more modest consumption. In the half-century since Galbraith made those remarks, many scientists and economists have asked that forbidden question about restraining the appetite for materials. Some of the classic contributions have been E.F. Schumacher's *Small is Beautiful*, E.F. Mishan's *Costs of Economic Growth*, *The Limits to Growth* by the Dennis and Donella Meadows and Jay Forrester and *For the Common Good* by Herman Daly and Clifford Cobb.

In recent years, a growing number of observers have put the issue squarely on the table. "Living well in the 21st century," wrote Yale School of Forestry and Environmental Studies Dean, James Gustave Speth, in a Barron's op-ed, "will require that we soon begin the transition away from a capitalism driven by the quest for profit and growth," By the end of the first decade of the 21st century, the critique of growth has become a recurrent theme in ecological economics. Leading off Speth's prescription for transforming economic activity is a shorter workweek. "The economy might even evolve to a steady state, where a declining labor force and shorter work hours are offset by rising productivity." In the context of a steady state or growth-constrained economy, reducing the hours of work offers one of the few coherent strategies for maintaining full employment. Research shows that working less is better for the environment. In a cross-national study of OECD economies, Anders Hayden and John Shandra examined the stresses that long hours of work had on the environment. They found empirical support for the hypothesis that long hours contribute to a country's ecological footprint both through their impacts on GDP as well as independently of GDP. The latter effect, they speculate, results from the adoption of more environmentally damaging consumption and lifestyle choices by people for whom free time is scarce. David Rosnick and Mark Weisbrot of the Center for Economic and Policy Research looked at the potential environmental effects of other countries adopting U.S. style long working hours. They found that the levels of carbon emissions could increase substantially if workers in other countries worked as much as U.S. workers do. Conversely, if the U.S. adopted working times closer to the European average, energy consumption could be reduced significantly.

"Not in the Remit"

Most predictions put forward in 1937, like those of other years, would now be worth recalling only as amusing relics. But at least one prediction published in that year has since come to seem exceedingly perspicacious. It appeared in a book by literary critic and social philosopher, Kenneth Burke:

> *Among the sciences, there is one little fellow named Ecology, and in time we shall pay him more attention. He teaches us that the total economy of this planet cannot be guided by an efficient rationale of exploitation alone, but that the exploiting part must itself eventually suffer if it too greatly disturbs the balance of the whole (as big beasts would starve, if they succeeded in catching all the little beasts that are their prey – their very lack of efficiency in the exploitation of their ability as hunters thus acting as efficiency on a higher level, where considerations of balance count for more than consideration of one tracked purposiveness).*

Burke's awareness of ecology in 1937 was by no means unique or idiosyncratic. There was a Dust Bowl going on (Burke capitalized the term in his footnotes) and it was reported dramatically in the popular press. Consider, for instance, the following montage of images from *The New Republic*, *The Nation*, *News-week* magazine and Paul B. Sears's *Deserts on the March*:

> *A black or yellow copper-brown cloud pokes its ugly head over the horizon. It rises slowly at first, then swiftly. It marches angrily, blotting out the world as it comes. Children scurry like chickens to their mother's wing. With a howl the storm burst upon us. The impact is like a shovelful of fine sand flung against the face. People caught in their own yards grope for the doorstep. Cars come to a standstill, for no light in the world can penetrate that swirling murk.*
>
> *Three men and a woman are seated around a dust-caked lamp, on their faces grotesque masks of wet cloth. The children have been put to bed with towels tucked under their heads. My host greets us: "It takes grit to live in this country."*

> *Two-dollar wheat during the war lured growers farther and farther into the West. The deeper they went, the dryer they found the country. Gang-plows ripped and chopped sage brush and the hardy native grasses. The roots of these plants had been the straw in the brick of the Great Plains' soil. When they were destroyed the soil crumbled. Each year's ploughing left a raw surface exposed to the winds.*
>
> *No work of ignorance or malice is this but the inevitable result of a system that has ever encouraged immediate efficiency without regard to ultimate consequences.*

The 1930s dust bowl can be viewed as a microcosm of the "human ecological dysfunction" that is happening today on a global scale. According to climate scientists, a 6 percent annual reduction in green house gas emissions is needed almost immediately to avoid a catastrophic 4C degree increase in mean global temperatures by the end of the century. According to William Rees, it is "now virtually impossible to stabilize emissions at a level that would generate the 2C degree increase that governments seem to think would be tolerable." An even larger reduction of energy use and material throughput in North America is needed to make room for economic growth in developing countries. Such a reduction would require substantial reductions in consumption and in working time to maintain full employment.

In light of the evidence, it is puzzling and disturbing when the old forbidden question about restraining appetites re-asserts itself between the lines in the announced program of a "Good Jobs, Green Jobs National Conference" sponsored by the AFL-CIO and various environmental groups. The program made no mention of either the critique of growth or of work time reduction as part of a green jobs strategy. Instead, it's all about retrofitting, recycling and renewables. The dream of cleanly, efficiently and renewably retrofitting an economy addicted to unlimited growth is seductive but futile. In the 19th century economist W. Stanley Jevons predicted – and American experience in the wake of the energy crisis of the 1970s has confirmed – that increased energy efficiency alone can sometimes lead to more, rather than less, total consumption if the reduced cost stimulates greater demand. This is known as the rebound effect. Similarly, green technologies can indeed lower emissions of greenhouse gases per dollar of output. But it is total emissions – not just the intensity of emissions – that need to be reduced. Urgent targets for reducing total emissions are only achievable by combining greener technology with slower or no economic growth.

Critics of economic growth have pointed out, for the last 40 years or so that the way we measure economic growth virtually compels increased material throughput. In the first pass, efficiency gains by themselves could even result in a decline in GDP. It is only due to the rebound effect that we see greater efficiency combined with continued growth. Nor would a move away to a different measure of economic well-being than GDP be a panacea. Governments rely on GDP growth (or something very much like it) for increasing their revenues. It is all very well to measure well-being, Genuine Progress or Gross National Happiness but if the government is taxing *income*, that's what really counts.

A clear hint of the uneasiness and ambivalence about the critique of growth can be found in the United Nations Environment Programme's 2008 report, *Green Jobs: Towards Decent Work in a Sustainable, Low-Carbon World*. In one section, the report raised the spectre of insatiable consumerism overwhelming efforts at efficiency:

> *Sooner rather than later, however, we need to confront the specter of insatiable consumerism itself. There is a danger that the consumer juggernaut will overwhelm even the most sophisticated methods and technologies that can be devised to make consumption lean and super-efficient. Consuming better does not obviate the need to consider moderation in overall consumption levels.*

The implication is clear. If we *don't* confront the economic growth imperative, all the rest of the good work we do to create green jobs is likely to be in vain. That's a rather strong statement to be tucked inconspicuously into a one-page section of a 376-page document (and excluded from the executive summary for decision makers). Notwithstanding the admitted peril, however, how to tame that consumer juggernaut was "not part of the remit of this report." When dealing with the *juggernaut* that could *overwhelm* even the *most sophisticated methods and technologies* is not in the remit, there would appear to be something fundamentally wrong with the remit! As John Kenneth Galbraith remarked fifty years earlier, it is like having a discussion about how to prevent traffic accidents while agreeing not to talk about speed. The great bulk of talk about green jobs sidesteps the single most direct and immediate way to cut greenhouse gas emissions (among other things) – reduce consumption, reduce the hours of work, share the work and spare the planet.

That brings us to another brief section in the UNEP report. In "A New Approach to Work Hours" the authors acknowledged that industrial economies are very adept at producing more and more output with less and less human work. "In principle," they conclude, "this can translate into either of two objectives: raising wages while holding working hours constant, or providing greater leisure time while holding wages constant." (Actually, there is a third possibility: splitting the gains of productivity between some increased consumption and some increased leisure.) Nevertheless, the report notes, "it has mostly been the former. Most people have been locked into a 'work and spend' pattern." While past struggles for shorter work time have been motivated by desires for a higher quality of life and enhanced job creation, "channelling productivity gains toward more leisure time instead of higher wages that can translate into ever rising consumption also increasingly makes sense from an ecological perspective."

Although the UNEP report acknowledges, "it is crucial to retool not only the economy, but also economic thought," it doesn't follow through on what could be done to retool economic thought. Instead the report merely observes that there is "controversy" over the effect that work time reduction might have on employment. Of course there is controversy. Those who insist that productivity gains be taken exclusively in increased consumption are opposed to work time reduction. Presumably to "avoid taking sides" on this controversy, the report focused exclusively on the technological fix. But in sidestepping the controversy, the report evaded what it has identified as the crucial task of retooling economic thought. In other words, the report does end up taking sides, by default and by omission. As Albert Camus observed, "Artists of the past could at least keep silent in the face of tyranny. The tyrannies of today are improved; they no longer admit of silence or neutrality. One has to take a stand, be either for or against."

It takes courage to speak about what has become taboo to mention – to name the elephant in the room. The brief sections in the UNEP report that discuss "rethinking consumption" and "a new approach to work hours" are pithy, even enticing for the attentive reader. They also issue a subtle indictment of whatever bureaucratic politics excluded those two issues from the remit simply by calling attention to the omission. What might it look like if the authors followed through with an unexpurgated edition? The Worldwatch Institute, which produced the Green Jobs report for the UN Environmental Programme, also publishes that State of the World report, Its 2010 report is titled *Transforming Cultures: From Consumerism to Sustainability* and addresses in detail the issues that weren't in the remit of the Green Jobs report, including the controversial topic of working time in Juliet Schor's contribution on "Sustainable Work Schedules for All."

Where Does Growth Come From?

A pivotal element in the evolution of thinking about economic policy was the argument put forward by R. Harrod in 1939 and E. Domar in 1946 that economic growth, defined as annual increase in national income, was indispensable to maintaining full employment. Although Harrod's and Domar's arguments are commonly referred to as "Keynesian", Keynes himself viewed government stimulus policies as only one of the possible strategies for addressing the problem of full employment. Furthermore, it was a strategy that Keynes believed was only applicable for a limited period of time (Keynes estimated a best-by date on the growth stimulus policy of about 15 years after the end of the World War II). The "ultimate solution", Keynes stated in a 1943 Treasury Department memorandum and again in a 1945 letter to T.S. Eliot was "working less".

John R. Hicks – whose 1937 mathematical 'interpretation' of Keynes underpinned Harrod's and Domar's efforts – subsequently repudiated that earlier contribution as too static and unhistorical. Similarly, Simon Kuznets, who developed the national income accounts relied on to measure economic growth, warned, "The welfare of a nation can scarcely be inferred from a measurement of national income... Goals for 'more' growth should specify of what and for what." There is inevitably some discussion about what kind of spending is most desirable in an economic stimulus package. But this should not be a secondary consideration. It is rather, as Arndt termed it, the *realistic* question. When the question becomes "what kind of growth" instead of "how much growth," then some things that have in the past been growing would deserve to be excluded from the calculus as kinds of growth we don't actually want because they don't benefit society and impose unacceptable costs on the environment, sociability, etc. The sum total of those expendable kinds of growth may even exceed the growth potential of desirable kinds of growth and result in a decline in GDP. Defenders of growth simply assume that there will always be a surfeit of desirable stimulus targets. That is they assume the very thing that they would have to demonstrate to be scientifically credible.

Hitherto the trump card in defence of economic growth has always been the assumption that full employment could only be attained through continued (and fairly brisk) growth. That assumption becomes less tenable as the political linkage between growth and full employment has been severed. With official unemployment stagnating in the U.S. at nearly 10 percent, pundits shrug it off as some sort of "new reality." Some policies to promote growth even have the side effect of reducing the employment intensity of a given amount of growth. For example, increases in labor supply and productivity both contribute to economic growth while at the same time diminishing the employment intensity. This is not accidental but instead is the declared rationale of supply-side and "flexible labor market" policies. Second, the claim that growth is necessary rests on the tenuous assumption that work-time reduction simply cannot play a positive role in maintaining full employment. That blanket assertion is groundless. Like any other self-fulfilling prophecy, experience has shown that if you obstruct all alternatives for achieving full employment, then you do indeed need the only policy left intact. It's a tautology hiding behind a taboo.

The strongest case against growth for growth's sake is that the GDP measure is not what it purports to be. GDP is a social accounting concept, not an exercise in single enterprise accounting, and as such it is supposed to include only final consumption goods and to exclude intermediate goods, such as goods and services for further processing or goods for resale. In practices, though, that doesn't happen because of what are euphemistically termed "externalities". If a factory installs a smokestack scrubber to cut emission of soot, it is properly considered an intermediate good. But if it pours the soot out into the environment and the neighbouring homeowners have to pay out of their own pockets for extra medical expenses and to clean up the soot from their yards or even if the government picks up the tab for them, those expenses are considered final consumption goods. They are really just intermediate goods whose cost has been shifted to someone who receives no added value from simply restoring what they already had. Dutch economist, Roefie Hueting calls the counting of these environmental restoration expenses in GDP "asymmetric entering" because there is no offsetting accounting entry for the damage that was done to the environment in the first place. The effect is the same as double counting. The GDP goes up but no value has been added. Poor urban planning, commute time and expenses, crime fighting and incarceration, credential inflation for job seekers can all be viewed as quasi-intermediate costs that add no value but only restore something that has been damaged.

Undoubtedly, cleaner technologies, greater efficiency and renewable sources of energy are part of any solution to the problems of limited resources and adverse environmental effects of industrial production. But another, essential part of a comprehensive green strategy has to focus on developing alternatives to the imperative of economic growth. Ultimately, the technological responses have to be integrated with the ethical and social responses. One of the alternatives to economic growth is the reduction of working time.

In *Managing Without Growth: Slower By Design, Not Disaster*, York University economist, Peter Victor, modeled the effects on the environment, poverty and unemployment of various economic-growth scenarios. If we relied on economic growth averaging a modest 2.5 percent annually to supply jobs, greenhouse gas emissions would increase by around 75 percent over the next 30 years, even if the intensity of emissions continued to decline at a rate consistent with the historical trend. Even so, poverty and unemployment would creep upward. Simply ceasing economic growth, however, would result in catastrophic increases in poverty and unemployment. Only by slowing economic growth, reducing working time and targeting investment and regulatory policy on greenhouse gas reductions in combination can the goals of environmental protection and reduction of poverty and unemployment be approached simultaneously. A key element of Victor's proposed low-growth economic strategy is thus reducing work time. The beauty of LowGrow is that it illuminates the nature of the qualitative choices that must be made and the variety of outcomes that could be expected based on different choices. There is not a single, "optimal solution" in LowGrow. Nor is there a single policy prescription that issues from it. Instead, multiple runs of LowGrow using different sets of assumptions can be made to tease out an array of complementary policy recommendations.

In March 2009 the UK government's official environmental watchdog, the Sustainable Development Commission issued its report, *Prosperity Without Growth?* In the report's forward, Tim Jackson discussed the myth of economic growth, the environmental degradation caused by growth and the impossibility of a return to business as usual. The extraordinary growth that has occurred over the last half century is unprecedented and is "totally at odds with our scientific knowledge of the finite resource base and the fragile ecology on which we depend for survival." Those who question growth, Jackson pointed out, are routinely dismissed as "lunatics, idealists and revolutionaries" even though it is clear that "the myth of growth has failed us." Growth has delivered neither economic security nor economic stability even as it threatens the environment. The current economic crisis, Jackson argued, offers "a unique opportunity to invest in change" and to replace short-term thinking with considered policies aimed at achieving a lasting prosperity.

The SDC report contained a 12-step program for overcoming our addiction to economic growth. Elaborating on Step 5, "sharing the available work and improving the work-life balance," the report highlighted the essential role that must be played by working time policies to achieve stability and protect people's livelihoods. The *Prosperity without Growth* report acknowledged that the means for satisfying material desires are limited absolutely, not just transiently, by physical laws and/or social institutions. The report characterized growth as a compulsion driven by the unanswerable system, rather than an option that can be rationally chosen by individuals whatever their motivation may be. It concluded:

> *The clearest message from the financial crisis is that our current model of economic success is fundamentally flawed. For the advanced economies of the western world, prosperity without growth is no longer a utopian dream. It is a financial and ecological necessity.*[5]

[5] Tim Jackson's foreword to the Sustainable Development Commission's report and the report's 12 steps to a sustainable economy are presented in Appendix One and Appendix Two, respectively.

Chapter Four: The Labor Commons

> *In accepting what we receive so abundantly from nature we should guard against a gesture of avarice. For we are able to make Mother Earth no gift of our own.* —Walter Benjamin, One Way Street.

In "Foundations for Environmental Political Economy," John Dryzek explored the prospects of an environmentalist economic subject, *Homo ecologicus*, as an alternative to the traditional rational actor or economic man. Dryzek criticized previous efforts at positing an ethical, environmentalist subject, saying they were flawed by wishful thinking and reductionism. The alternative Dryzek proposed instead was based on his interpretation of Elinor Ostrom's case study work on managing common pool resources.

The new political economy, Dryzek argued, would be one that can account for instrumental rationality – even deploy it in its proper place – but that also can point to alternatives grounded in something firmer than wishful thinking. Dryzek's alternative wouldn't rely exclusively on subjectivity but also would take into account communication between people (other than purely economic exchange). Such a communicative model of economic behavior already exists in Ostrom's work. Communication and interaction between individuals was what distinguished the successful management regimes she studied from the unsuccessful ones. In the successful common pool resource management institutions, participants learned to distinguish whom to trust, discern the effects their own actions will have on others and on the shared resource, behave more straightforwardly toward each other and build institutional arrangements for resolving conflicts.

Ostrom's framework for distinguishing different types of goods and services classifies them as either highly subtractable – meaning that one person's use of a resource leaves less available for others – or have low subtractability and as either more or less excludable, depending on how difficult or costly it is to exclude people from access to the good. Taken together, those two pairs constitute a matrix that specifies four ideal types of goods. Private goods are subtractable and excludable (that is it is not difficult to exclude beneficiaries). Public goods are neither highly subtractable nor excludable. The remaining sectors are common pool resources, which are subtractable but difficult to exclude and toll goods, which have low subtractability but are not difficult to exclude people from.

		Subtractability of Use	
		High	**Low**
Difficulty of Excluding Potential Beneficiaries	**High**	*Common pool resources:*	*Public goods.*
	Low	*Private goods.*	*Toll goods.*

Figure 2: Source: Ostrom's Nobel Lecture

Employment as a good

Labor is commonly treated as a commodity, which the employer purchases with a wage or salary. However, it is also possible and useful to view a job position, with its income, status and promotional opportunities, as a good that the worker purchases with his or her time and relevant skill and credentials. From the perspective of the workers, job positions would arguably rank within Ostrom's analytical grid as both highly subtractable and difficult to exclude potential competitors from. Employment thus would count as a common pool resource in that framework. A disclaimer is necessary here. A good needn't be available only in a fixed quantity to be considered subtractable. The supply can be ever expanding, but if demand expands faster than supply, there still may not be enough to go around. Contrary to the theoretical abstractions based on assumptions of perfect competition, full employment, etc., price competition doesn't clear the market for jobs, nor can most workers voluntarily withdraw from competition on the job market and subsist on a private income or the family farm.

Another way of thinking about common pool resources is as gifts. Peter Barnes uses the generic term, *the commons*, to refer to "all the gifts that we inherit or create together." If it seems strange at first to refer to employment as a gift, it should be remembered that we already do so in everyday speech – "I applied for the job but they *gave* it to someone else." "She's a hard worker, if only someone would *give* her a job." We don't talk about a store *giving* us something we've just bought. But we do talk about teachers *giving* students their grades. There is some ambiguity in the notion of employment as a gift. After all, as Barnes points out, "A gift is something we receive, as opposed to something we earn." On the one hand, people do earn their job opportunities by acquiring credentials, experience and networks of contacts. But, on the other hand, those qualifications don't always land them the jobs they are qualified for and people often take advantage of connections to get jobs they're not really qualified for. Despite an inexhaustible supply of rhetoric and ritual about meritocracy, there remains a residual element of vassalage in the employment relation, as there is in academia.

Successful institutions of the type identified by Ostrom rarely come into being through explicit contracts. More often they evolve through long periods of informal, collective learning about what works and what doesn't. Another approach to creating these institutions would involve more deliberate experimentation. For such institutional innovation to take place, however, it is essential, Dryzek cautioned, that participation "move beyond the narrow community of political economists and political theorists and into society at large." Treating employment as a common pool resource could be one such deliberate experiment.

The labor commons union is proposed here an experimental institution that would treat employment as a common pool resource. Such an undertaking has various precedents, none of them exact but all nonetheless suggestive. The traditional workers' ethic of the craft guilds viewed the work available as something akin to a common resource. Guild principles included the proposition that a given amount of work could be divided up equitably among the available hands. This is not to say that workers assumed the amount of work to be unalterably fixed for all time. They were, however, dealing with the finite demands of a given locality at a particular time. In addition there are worker co-ops, works councils, syndicalism and the movement unionism such as the eight-hour leagues and nine-hour leagues in the U.S., Canada and the U.K. in the 19th century.

Regardless of whether the idea of sharing work makes sense strictly in terms of industrial efficiency, as an ethical proposition it is simply the reciprocal gesture of co-operative working arrangements. John Maurice Clark's analysis of social overhead costs, discussed below, suggests that the notion also makes economic sense, given an appropriate social accounting framework. Just to be clear, social accounting does not refer to some warm fuzzy notion as opposed to the hard math of business. It is not social*ist* accounting, sociable accounting, sociological accounting or uniquely subjective. It is, properly speaking, the kind of accounting required when dealing with two or more discrete accounting units. It pays *more rigorous* attention to boundary conditions when the elements from those accounting units are aggregated. It is *harder* math than using the single firm's bottom line as a one-size-fits-all metaphor. It requires explicit accounting for the cost-shifting that results from *imposed economic transactions* rather than an apologetic shrug about the difficulty of quantifying externalities.

Collectively, working people would be better off if they joined in refusing to compete in a race to the bottom. Some individuals might have to forgo receiving more than their share of the economic dividend from the expanded trade that might result from competition between workers. But where does it say it is an ethical imperative that the most ambitious should benefit at the expense of their less single-minded companions? Incidentally, by collectively conserving work effort, the workers acting co-operatively might achieve higher levels of productivity than otherwise as well as build greater social solidarity and security. Economists merely *assume* that competition between workers will result in greater expanded trade than would cooperation. They don't consider all the factors.

Are today's labor unions up to the challenge? The signs are not encouraging. At least in the U.K., the U.S. and Canada, unions long ago abandoned their traditional strategies of prioritizing the demand for shorter hours, especially in response to unemployment. Instead, the rallying cry of union leaders has become increased government spending. The genesis of that political transformation is discussed below in Chapter Eleven. The preference for a government spending strategy is not surprising given the increasing proportion of unionized public sector employees and the declining influence of unions in private industry. Indeed, some prominent union spokespeople have adopted the traditionally anti-union, lump-of-labor rhetoric – disdainfully rejecting work-time reduction as an employment strategy.[6] Might it be that the long-term decline

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[6] For example, Nigel Stanley is Head of Campaigns and Communications at the TUC in the UK. On the TUC Touchstone blog Stanley denounced shorter work time proposals by the New Economic Foundation on grounds that unmistakably reiterate conventional microeconomic doctrine. "Linking unemployment to working time is dangerous," Stanley wrote, "There is not a fixed amount of work to go round (the lump of labour fallacy). If people spend less because they earn half of what they earned before, then unemployment could rise as demand falls. On the

of union density in private industry is both a consequence of the abandonment of the shorter hours strategy and, in turn, the decline of the unions in the private sector reinforces organized labor's abandonment of the struggle?

How would the labor commons union come into existence? How would it be organized and governed? What principles would it uphold and tactics would it employ? These important details can be left for future elaboration, not least because they differ from case to case and in many instances would involve the reorientation of and transition from established institutions that themselves may vary substantially. One particular, however, can be specified. That is the analytical model for guiding decision making within the union.

Accounting for Labor and the Environment

Not only can employment be regarded as one more common pool resource among others, it can also be argued that it is the common pool resource *par excellance* – the instance that stands as the single most far-reaching and democratically vital model of a common pool resource. Donald Stabile alluded to something in this vein when he noted that, "Human labor is also the primary constituent of the society whose values must be part of any criterion of social evaluation. The appropriate starting point in any policy directed at social costs is with those imposed on labor."

In his 1923 opus, *Studies in the Economics of Overhead Costs*, John Maurice Clark offered the following illustration of his argument about the overhead costs of labor, "If all industry were integrated and owned by workers, what would be the relation of constant to variable expense? …it would be clear to worker-owners that the real costs of labor could not be materially reduced by unemployment." After all, the cost of maintaining the worker and his or her family in good stead has to be borne by someone whether or not that worker is employed. If those costs are not met, the ability of the worker to contribute to society will deteriorate. Meanwhile, the time spent out of work will amount to a dead loss, both to the worker and to society as a whole. This is not to say that all industry necessarily *should* or *must* be integrated into a single, worker-owned

other hand there would be shortages of skilled workers that would make some capital investment no longer viable – and hit public services."

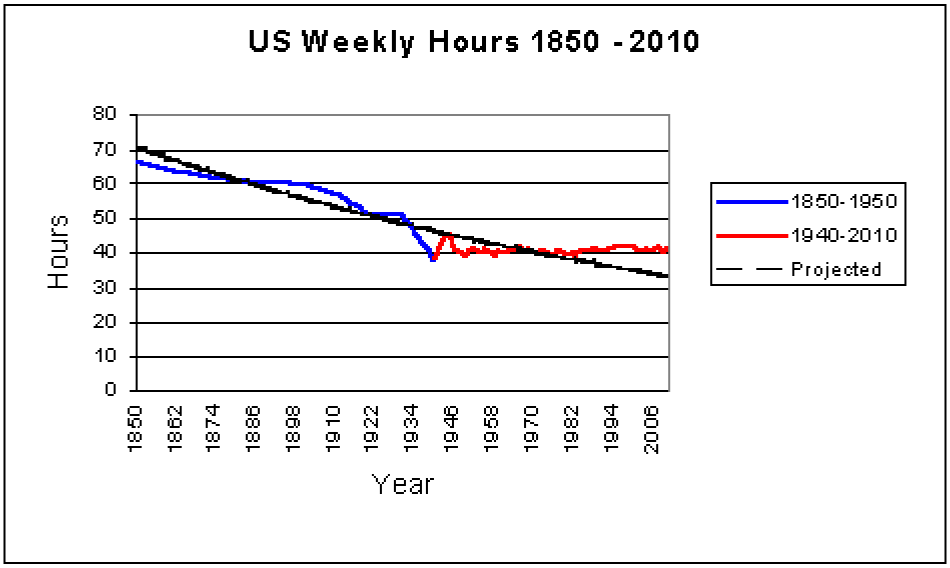
enterprise in order to achieve full employment. But what is imperative is that if all industry isn't so organized, there must be an appropriate accounting framework that acknowledges the workers' fixed costs as readily as it does the firm's. It is not only an ethical question but a matter basic accounting integrity. Sir William Armstrong lamented the loss to his capital of allowing his machines to lie idle eight percent of the time. What is that compared to the worker who is unemployed 100 percent?

In "Accountants and the Price System: the Problem of Social Costs," Stabile focused on the perspective introduced by Clark. Commenting on the efforts by some accountants during the 1970s to change the way social costs were accounted for on the corporate account books, Stabile concluded that those accountants had not developed useful concepts for examining social costs. To explain why they had failed, Stabile referred to the analysis by Clark and by K. William Kapp that viewed the social costs of labor as central to any more general process of social evaluation. Such an outlook was missing from the works of social cost accountants of the era. "Market values are a weak thread from which to hang a whole system of value," Stabile argued, "but accountants cling to it doggedly. Without an alteration of this basic tenet of accounting, social cost accounting cannot develop into a criterion of social value."

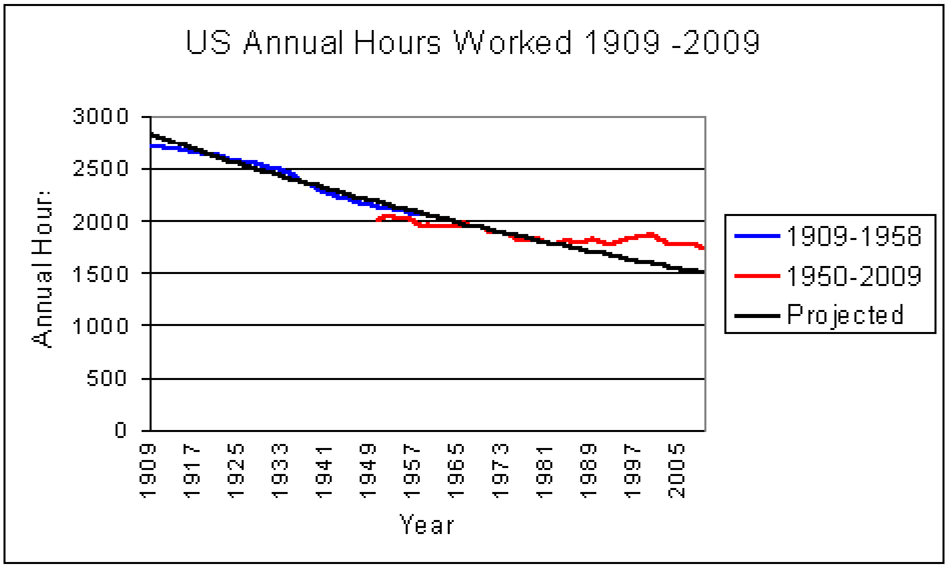
Returning once again to Clark's thought experiment of the hypothetical state where all industry is integrated and owned by workers, here is an instance of a non-market process of social evaluation whose results can be worked out with little hesitation. Unemployment would be regarded as sheer waste rather than as a regrettable but necessary expedient for containing labor costs. Social accounting for unemployment would come to a very different assessment of economic efficiency than would an asymmetrical pseudo-social accounting relying on the metaphor of the firm. Gains in disposable time would need to be valued as *economic* gains and losses as *economic* losses.

An Hours and Output Spreadsheet

In the early 1960s, Edward Denison, one of the pioneers of growth accounting, estimated that roughly one-tenth of the economic growth that occurred between 1909 and 1957 in the U.S. could be attributed to the "effect of shorter hours on [the] quality of a man-hour's work." A few years earlier, labor economist Joseph Zeisel called the long-term decline in the industrial workweek, "one of the most persistent and significant trends in the American economy in the past century." That is, it *had* been a persistent and significant trend up until around 1940. After a brief spike during World War II, however, the length of the average workweek in manufacturing quickly subsided to pre-war levels and then remained virtually flat for the next 65 years. By March 2010, the average manufacturing workweek lasted six minutes longer than had the average workweek in August 1945.



In the broader economy, annual hours of work continued to decline after World War II, but at a slower rate than they had previously. Part of that decline, however, must be attributed to the increased labor force participation of women and students, often as part-time workers, and a sectoral shift of employment away from manufacturing and toward services. Annual hours for full-time workers and for adult, non-student men showed less movement. Had the annual hours of work continued to decline at the rate that prevailed from 1909 to 1957, average annual hours in 2009 would have been nearly 14 percent lower than they were – an annual average of around 1500 hours instead of 1742.



What might the effect on job creation have been?

Intuitively, it is tempting to take the total number of hours worked in 2009 (approximately 250 billion hours) and divide by the lower annual average per worker. This would imply an additional 22.6 million jobs (net) would have been created between 1980 and 2009 if hours had continued to decline in conformity with the long-term trend. But wouldn't the productivity gains from shorter hours – what Denison referred to as the "effect of shorter hours on [the] quality of a man-hour's work" – be expected to offset some or even most of that hypothetical job creation? With increased productivity, the given amount of total output produced in 2009 could have been produced in fewer total hours. But who says total output would have remained the same if average hours had changed and if the change in average hours resulted in higher productivity? Economists claim that faster productivity growth leads to higher employment in the long run. It is an article of faith – at times a cliché and we have encountered it earlier in this article: "technology creates more jobs than it destroys." University of California economist Carl Walsh summarized this view; "…there is little debate among economists about the long-run effect of productivity on employment.... In the long run, faster productivity growth should translate into an increase in the overall demand for labor in the economy."

With respect to the hours of work, Denison called attention to the surprising lack of attention given to the relationship between hours and output in published projections of economic growth – especially given the "virtual unanimity of opinion among economists" that shorter hours had in the past contributed substantially to higher output. To begin to address these issues, I have developed a spreadsheet model to evaluate the effects of shorter working time on productivity and employment. The spreadsheet model can serve as a navigational tool or "management information system" for the labor commons union. It takes its cues from both Walsh and Denison but analytically relies on the economics of fatigue and productivity pioneered by the early 20th century British economist, Sydney J. Chapman.

Chapman's theory and its subsequent neglect by present-day economic analysis will be discussed more thoroughly in Chapters Nine and Ten. For now what we need to know is that according to the theory, the output during a working day – or other duration of work – has a predictable pattern. Setting aside the immediate effect of breaks and interruptions in the flow of work, work usually requires some set up and settling in period after which the pace of work increases until it reaches a peak or plateau, which may last several hours, after which it then declines as fatigue sets in toward the end of the day. This pace of work or rate of productivity can be ideally represented as a curve that first rises and then falls. The cumulative output that occurs over the course of the day can be evaluated as the area under the curve up to any given length of time.

The height and length of the curve, or, technically speaking, its amplitude and period are determined by the current state of technology and the characteristics of the worker – such as health, skill and motivation. Over the longer run, there will be established an optimal length of the working day for maximizing total output. Given an optimal length, the effect of extending the usual working day beyond that point will eventually subtract from total daily output. The occasional brief stint of overtime work would probably have little or no effect on total output or perhaps even boost it a bit. But a persistent regime of scheduled overtime will tend to detract from total output because the worker will gradually adjust his or her work pace downward to offset the fatigue from the longer days. Or, if the pace isn't adjusted, the increased fatigue may result in more absenteeism, accidents, deterioration in the quality of work, etc.

For the economy as a whole, we can also construct a generic Chapman work curve, given the total quantity of output, the number of workers employed, the total hours worked and assuming that the average annual (or daily or weekly) hours of work per employee are optimal. Presented with this picture of the shape of productivity, some people are quick to raise objections and seek out exceptions and loopholes having to do with specific kinds of occupations, etc. There are indeed exceptions and individual variations, but we are talking here about an average, generalized condition. To the extent that individual results do vary, the value of an average is precisely that it takes into account such variance or deviation from the norm. It is not a one-size-fits-all straight-jacket.

The second component of my model is derived from the long-term trend in the hours of work. Assuming that a "persistent and significant" trend in the hours of work prevailed in the US from the mid-19th century to the mid-20th century, as Joseph Zeisel remarked in 1957, we can project the effect on total output of an interruption in that trend. Such a projection is bound to be controversial but it can be justified by reference to particular, non-statistical historical conditions – such as abandonment of a shorter hours strategy by unions, pursuit of demand management policies by governments, increased proportion of per-employee benefit payroll costs, etc.

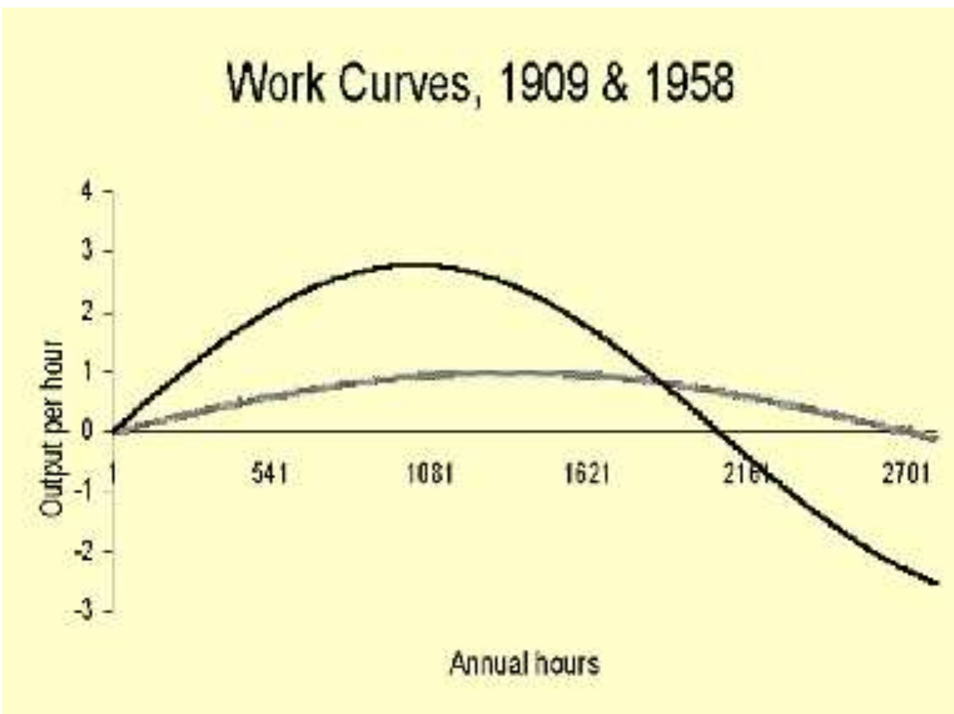
Combining the output curve and the hours trend allows us to construct an estimate of the additional change in total output that could be expected if the trend of decline in hours had not been interrupted but instead had continued up to the present (or any intermediate point). Imputing employment growth from that expanded output becomes more subjective. There are several avenues available with arguments for and against any particular approach. The easiest procedure would be to apply the rule of thumb known as Okun's Law, which attributes a reduction of one percentage point to the unemployment rate for each additional two percent of economic growth.

There is, of course, the distinct possibility that there was no real need for the potential extra output. In fact, our previous analysis implies just such a scenario. In that case we could estimate a much-reduced workweek and factor in a redistribution effect instead of, or as well as, a growth effect. Supplementary adjustments can also be factored in. For example, let's say around 25 percent of employment income goes to defray the costs of working and commuting. If the workweek were cut from five days to four, a worker would require only 95 percent of the five-day week's income to maintain an equivalent standard of living.

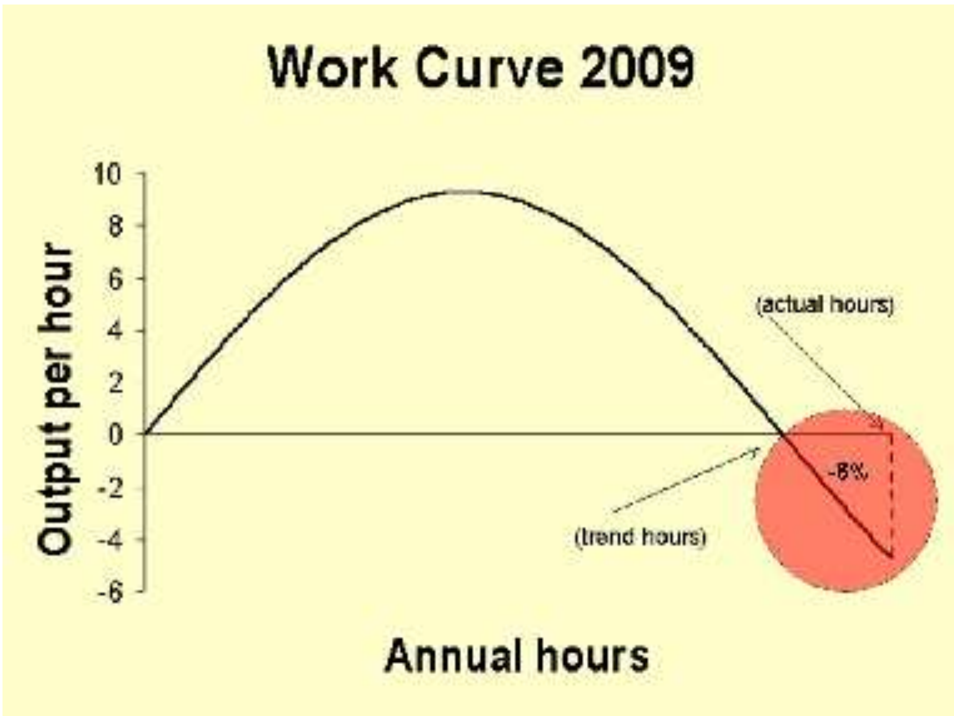
One possible objection to these calculations would have to do with how a given reduction in hours was implemented. If a government mandate imposed a one-size-fits-all regulation, it might cause inefficiencies that would impede employment creation. However, the institutional arrangement of the labor commons union was designed expressly to circumvent such pitfalls of implementation.

One Example: Five Million Jobs?

To give an example of the kind of calculation this model enables, I have estimated the job-creating potential of a workweek conforming to the historical trend prevailing from 1909 to 1957. This model assumes that the average length of the workweek in 1909, 52 hours, was optimal for the level of technology that existed in 1909 and the 39.6-hour average workweek was also optimal, given the technology of 1957. The underlying hypothesis is that the long-term trend in hours – at least in the period from 1909 to 1957 – reflected an underlying technological dynamic and that deviation from that trend after 1980, also represents a deviation away from the path of optimal output.



Projecting the 1909-1957 trend suggests that by 2009 the optimal workweek would have averaged 29 hours. Or, to be more concrete, something like a standard 32-hour workweek with five weeks annual vacation. A workweek longer than that optimum would reduces output below the potential. The spreadsheet model estimates that excessive hours of work resulted in the loss of about six and a half percent of potential output. That is to say, people were too fatigued, distracted or fed up to produce as much as they otherwise could have. Translated into jobs lost, this represents over five million jobs, assuming a one-percentage point decrease in employment for every two-percentage point drop in output. That five million jobs estimate doesn't take into account the multiplier effect that would have resulted from the loss.



I've used some fairly conservative benchmarks to anchor the trend line. If I had chosen 1940, instead of 1957, as the endpoint, then the trend would have indicated an optimal working year of 1400 hours and around 11 million potential jobs foregone (again ignoring the multiplier effect). Remember, these are not work-shared jobs, created by redistributing a given number of hours of work. They are exclusively productivity-dividend jobs associated with accelerated productivity growth and an expanded output potential. Whether or not that additional economic growth would be a good thing is another matter. This model doesn't itself demonstrate the job-creating potential of work time reduction in the absence of economic growth but it does suggest the job-creating contribution that work time reduction can make in an expanding economy. Actual results would depend crucially on how policies were implemented but there is certainly a good case for aggressive experimentation.

A Social Accounting Mentality

Werner Sombart (1952) described the concept of capital as something that "did not exist before double-entry book-keeping." "Capital," he wrote, "can be defined as that amount of wealth which is used in making profits and which enters into the accounts." In "Accounting and the Labour Process," Rob Bryer (2006) wrote of a capitalist "mentality" that consists of using accounting information to control the labor process "by holding the collective worker accountable for the rate of return on capital." Such control from the bottom line is central, not incidental, to both the domination of the labor process by capital and the evolution of the ways that domination has been implemented through successive varieties of technology. Any alternative to that domination requires the development of a counter-mentality that "turns the capitalist development of calculation and accountability to other ends."

Bryer imagined such counter-mentality as a "socialist mentality" but I would amend that to a "social-accounting mentality" to both enlist and implicate an existing social-accounting tradition as well as to differentiate the alternative mentality from advocacy of state socialism. Ownership of the means of production may be beside the point or the amenable forms of ownership may be more eclectic than traditional socialism assumes. It is not private ownership *per se* that is onerous but the domination over the labor process that capital decrees and a one-dimensional accounting mentality enforces. Social accounting is simply the kind of accounting that needs to be done when two or more accounting entities are aggregated. It differs from the accounting of a single enterprise in the way that transactions between the constituent parts are treated. Great care needs to be taken in defining the boundaries between parties to avoid the double-counting errors that are pervasive in attempts at social accounting. Friedrich Engels (1891) remarked on the profusion of errors that afflicted classical political economy as a result of uncritically applying book-keeping conventions to macro-economic questions:

> *Classical political economy took over from industrial practice the current conception of the manufacturer, that he buys and pays for the labour of his workers. This conception had been quite adequate for the business needs, the book-keeping and price calculations of the manufacturer. But, naïvely transferred to political economy, it produced there really wondrous errors and confusions.*

As we shall see, when these book-keeping calculations are naïvely transferred to social accounting practices – including collective bargaining – they also produce "really wondrous errors and confusions." Today, national income accounting – the Gross Domestic Product (GDP) – is the most prominent example of social accounting. Most economists assume that a perpetually increasing GDP is an imperative for achieving well-being, full employment or some other normative goal. Critics of this supposed growth imperative suggest otherwise. But perhaps the debate is confounded by a misperception of what it is that is growing.

Accounting vs Double Counting

When the U.S. Commerce Department released its first comprehensive report of national income and product accounts in 1947, the influence of this focus on maximizing production was evident in their methodology. Simon Kuznets, who had led the NBER national income measurement project, was asked by *The Review of Economics and Statistics* to review the Commerce Department's report. His critique was scathing. Kuznets (1948) objected that the Commerce Department's report lacked a clear definition of the end goal of economic activity and thus counted the activity itself rather than the *product* of that activity. Technically, the issue was one of distinguishing final consumer goods from intermediate goods, the inclusion of which would constitute duplication or "double counting." Most pointedly, Kuznets objected to the inclusion of all goods purchased by the government as final products, arguing that a great deal of government activity – particularly during wartime – adds nothing to final consumption but only measures the antecedent costs of maintaining society at large.

In reply, Commerce Department economists (Gilbert, et al., 1948) defended their methodology on the grounds of expediency and the excessive cumbersomeness and subjectivity of examining each purchase to determine whether it was a final or intermediate good. Besides, they claimed, their approach avoided "moralistic" judgments and its focus on material production served important national concerns arising out of the Depression and wartime mobilization. There is no question but that the Commerce economists had a strong case regarding feasibility and relevance to urgent priorities of the recent past. As to moralistic judgments, though, they overlooked the complication that to abstain from moralistic judgement is itself a *moralistic judgment*.

More recently, Roefie Hueting (2008) has adapted Kuznets's analysis of duplication to the issues of social and environmental externalities, using the term "asymmetrical entering" as a more inclusive description of the accounting error than double counting. Asymmetrical entering refers to the costs of restoring or substituting for an environmental or social free good after it has been damaged or destroyed. There is no subtraction from the GDP for the damage to the environment or social wellbeing, which is technically appropriate because there is no monetary exchange involved, but this is what makes counting the costs of restoration as an addition to GDP asymmetrical. Stefano Bartolini (2006) has made a related point about what he terms negative externality or negative endogenous growth (NEGs). This describes a vicious cycle in which the products required to substitute for the free goods of nature and society destroyed by the negative externalities of industrial activity count as growth even as they are generating additional negative externalities, which then lead to more substitution, more growth and so on.

From Macroeconomics to Microeconomics: Contract Costing

So far our modeling has been concerned with the big picture of long-term national trends. But the detailed examination of the relationship between working time, output, leisure and income can be extended to the level of the individual and the local workplace bargaining unit. The template for this is a modification of the traditional protocols of contract costing for collective bargaining. What follows is adapted from an analysis I made in 1997. In subsequent years, I developed a spreadsheet model to incorporate the productivity gains and other elements, such as taxes into a detailed calculation. In this analysis, I identified a double-counting error in the traditional union method of contract costing thus demonstrating that such miscalculation is not the exclusive failing of employers or national income account statisticians.

My review of contract costing methods used by some unions showed that those methods introduced substantial errors into the calculation of contract costs. Such errors were invariably biased *against* reduced work time. They tended to understate the value of paid time off and of reductions in working hours and to overstate the value of overtime work. Aside from their errors in calculating the relative benefits of working time proposals *per se*, these methods tended to significantly overstate the total cost of a settlement. Miscalculation in costing contract proposals weakens the labour movement's pursuit of shorter working time through collective bargaining. And it may contribute to settlements that contain unnecessary concessions to management. More accurate and time sensitive contract costing could help avoid those pitfalls.

From a broader perspective, more accurate contract costing also could provide new insights into the efficacy of strategies that have long dominated the labour movement's pursuit of shorter work time. These strategies included demands for reductions in work time with no loss in pay and advocacy of legislative increases in overtime premiums. In the concluding section of this section, those strategies will be re-examined in light of the data from more accurate contract costing. Some of the suggestions for new strategic directions may be controversial within the labour movement, so it must be emphasized that there are two distinct and equally important reasons to pursue better contract costing:

- more accurate and time sensitive contract costing can help achieve better results from current strategies
- better contract costing can lead to adoption of better strategies

Annual paid hours versus annual worked hours

The most serious problems with the way that contract costing is currently done stem from the use of "annual paid hours" as the divisor for calculating the cost per hour of the items in a proposal. The rationale for using annual paid hours is understandable and seems to be based on common sense. First, the use of annual paid hours as the divisor generates a gross calculation of cost per hour that equals the wage rate. That is, with a wage of $20 an hour, annual earnings of $41,600 and 2080 annual paid hours, the cost per hour also calculates as $20. Second, the use of annual paid hours simplifies calculations in that the standard doesn't fluctuate with changes in paid holidays or vacation entitlements.

The alternative to using annual paid hours as the divisor is to use "annual hours worked". Before showing why this is the better number to use, let's look at the reasons some unions would object to using it. First, using hours worked seems to "inflate" the cost per hour. A $20 an hour wage generates a $22.61 cost per hour, after accounting for, say, three weeks of paid vacation, ten days of holidays and five days of sick pay. Second, using hours worked as the divisor requires that all figures must be recalculated whenever there is a change in provisions for paid time off. This was harder to do when the arithmetic had to be performed on a calculator or worked out by hand. Finally, and perhaps less urgently, using hours worked as the standard requires making judgements about what to include or exclude (e.g. should paid breaks or travel time be counted as hours worked).

The tendency to want the cost per hour (of annual earnings) to equal the hourly wage is understandable until it is realized that the "hour" in one and the "hourly" in the other are shorthand for two entirely different measures of time. The hourly wage refers to the worker's time -- the time for which the worker is paid whether he or she is at work, on holiday or home with the flu. But the cost per hour refers to the employer's time -- the time during which the worker is available to perform tasks on behalf of the employer. Paid time off may indirectly contribute to worker productivity by making the worker more effective during actual work hours, but it is only during those work hours that production occurs and hence that greater productivity can be realized.

If wages were the only item on the bargaining table, it would hardly matter which standard was used to calculate cost per hour, so long as the same standard was used to calculate both current and proposed wages. However, it is in the calculation of non-wage benefits, and particularly in the calculation of paid time off, that the use of paid hours as the divisor introduces substantial errors.

Consider what happens in the calculation of the cost of an additional week of vacation, using hours paid as the divisor (method 1):

Current contract

(three weeks vacation)	hours	annual cost	cost per hour
Direct wage costs	1840	$36,800	$20
Paid time off	240	$4,800	N/A
Total	2080	$41,600	$20

Proposed contract

(four weeks vacation)	hours	annual cost	cost per hour
Direct wage costs	1800	$36,000	$20
Paid time off	280	$5,600	N/A
Total	2080	$41,600	$20

The above calculation leads to the conclusion that an additional week of vacations costs the employer nothing. Because the idea of zero-cost-per-hour vacations is so clearly wrong, some followers of the hours-paid method try to remedy this by adding in the vacation cost per hour to the base cost per hour. This "correction" only compounds error and confusion.

Below is how the same calculation would be performed based on the method described in a pamphlet produced by the Oil, Chemical and Atomic Workers' Union (method 2):

Current contract		
(three weeks vacation)	annual cost	cost per hour*
Direct wage costs	$41,600	$20.00
Paid time off	$4,800	$2.31
Total	$46,400	$22.31

Proposed contract		
(four weeks vacation)	annual cost	cost per hour*
Direct wage costs	$41,600	$20.00
Paid time off	$5,600	$2.69
Total	$47,200	$22.69

*defined as annual cost divided by 2080 hours

While the above calculation does show an increased cost per hour resulting from the additional week of vacation, it does so by double counting the vacation cost and thereby overstating the total annual cost of the contract by over 13 percent.

This double counting is not unique to the OCAW pamphlet. The same procedure is specified in the manual, *How to cost a union contract: a guide for union negotiators*, published by the Center for Labor Research and Education at the University of California. Discussions with sources familiar with union contract costing practice confirm that a similar approach is widely used. In the CLRE manual, the double counting of paid time off benefits also overstates the employer's total annual cost by 9 percent.

It's conceivable that a negotiating team could use method 1 to calculate total annual cost and method 2 to calculate cost per hour. But, the disadvantage of such a mixed method is that the two sets of calculations don't "add up" -- that is, there is no way to reconcile the two separate sets of calculations. And, while the double counting of paid time off is readily apparent in the simple example presented above, it would be easy to overlook in a bargaining-unit wide calculation involving a complex benefit package and a variety of pay grades and vacation entitlements.

Here's how the same cost comparison looks when hours worked is used as the divisor for calculating cost per hour (method 3):

Current contract			
(three weeks vacation)	hours	annual cost	cost per hour**
Wages for hours worked	1840	$36,800	$20.00
Paid time off	240	$4,800	$2.61

Total	2080	$41,600	$22.61

**defined as annual cost divided by 1840 hours

Proposed contract			
(four weeks vacation)	hours	annual cost	cost per hour***
Wages for hours worked	1800	$36,000	$20.00
Paid time off	280	$5,600	$3.11
Total	2080	$41,600	$23.11

***defined as annual cost divided by 1800 hours

Note that using method 3, the total annual cost of the current and proposed contracts has remained the same, $41,600, as has the wage. But the added cost of an extra week of vacation is shown in the increase in the cost per hour from $22.61 to $23.11. Sure enough, the cost per hour using hours worked is $.42 (or about 2 percent) higher than when hours paid is used as the divisor ($23.11 vs. $22.69). But the total annual cost is $5,600 (13 percent) lower.

Even it union negotiators are able to avoid the worst miscalculations, the hours paid method contains a significant bias in the treatment of paid time off. This bias is evident when we compare the vacation cost per hour calculations for method 2 and method 3:

Paid time off	**Cost per hour**	
	Method 2	Method 3
Existing	$2.31	$2.61
Proposed	$2.69	$3.11
Increase	$0.38	$0.50

As the above table shows, method 2 (based on hours paid) consistently assigns a lower cost per hour to paid time off than does method 3 (based on hours worked). Furthermore, the gap between the two methods grows as the amount of paid time off increases. Using hours paid for the calculation, an extra week of vacation would be comparable to a $.38 an hour wage increase. The hours worked calculation, however, would value the extra week as comparable to a $.50 an hour wage hike -- a difference of over 30 percent!

What about the argument that using annual hours worked as the divisor is disadvantageous for unions because it inflates the employer's cost per hour? Wouldn't it be harder to bargain for the $.50 an hour increase indicated by method 3 than for method 2's $.38 an hour increase? This is a difficult claim to answer, because it relies on a mathematical tautology. In a trivial sense, using hours worked does appear to raise the cost per hour simply because a smaller divisor will always result in a larger quotient. But it's another matter whether or not the difference is a disadvantage to unions.

The usefulness of a calculation depends on the logic and persuasiveness of the terms, not on the absolute size of the answer.Employers are not going to be persuaded by lower cost per hour figures arrived at through the use of a conveniently large divisor. In practice, large discrepancies between union and company estimates would probably pose a bigger obstacle to settlement than would a slightly higher, but mutually agreed upon, cents per hour figure.

On the management side, the accounting literature (Granof 1973, Hazelton 1979, Lau and Nelson 1981, Sullivan 1980) is clear on the importance of using "productive hours" or hours actually worked as the divisor. For example, Hazelton states flatly, "Gross hours per year cannot be used as a divisor to arrive at a meaningful cost per hour figure. The hours worked calculation offers a more reasonable solution." But even that consensus is relatively recent. As late as 1979, Hazelton observed that reports of national, local and industry-wide wage rates and benefit costs were "relatively useless" because of inconsistencies in calculating the costs of various benefits.

For their part, union negotiators have shown an understandable skepticism toward costing as it is practiced by management. Former Canadian Union of Public Employees research director Gilbert Levine summed up his skepticism when he commented that "From what little I have observed about costing of collective agreement settlements, I am convinced that it has been used by management as a sophisticated device to deprive workers of a fair and just settlement."

Unfortunately, this otherwise healthy skepticism often leads union negotiators to be satisfied with an informal approach to costing. Or, what is worse, to rely on questionable costing formulas that produce misleading results, such as the 13 percent overstatement of employer costs arrived at in the previous example using method 2.

Another contract costing dilemma -- the overtime premium as "benefit"

Besides the main problem of using the wrong divisor, there are at least four other aspects of collective agreements that can create confusion when costing them:

- many cost items are inter-related -- when the cost of one item changes, the cost of other items change, as well;
- some costs vary depending on the number of hours worked, while other costs are fixed per worker;

- negotiators generally use historical data as the base for their calculations; these data may not be pertinent to future conditions, when the negotiated contract is in force; and
- data supplied by management may itself be incomplete or based on faulty calculations.

All of these problem areas can result in misleading calculations that have an impact on the issue of working time. But we will here concentrate on problems in costing payments for overtime work that derive from a combination of the above difficulties. The errors invariably overstate the value of overtime.

A common practice is to treat the overtime premium as a *benefit* in calculating cost per hour and to use a historical average from recent experience to estimate the number of overtime hours. This practice embeds a "usual amount" of overtime in a collective agreement. However, because the calculated values of cost items are interrelated -- and because some cost items are fixed, per worker costs -- the treatment of "usual hours of overtime" as a benefit reduces the apparent value of other benefits.

In this case, the problem is not a mistake in calculation; it's the misleading use of labels. It would be more accurate to describe a "usual amount of overtime" as a tacit agreement to lengthen the workweek at management's discretion. Any lengthening of the workweek decreases the per hour cost to the employer of fixed cost benefits because it spreads those costs over a greater number of hours. In effect, the overtime premium captures these employer cost savings and falsely reports them as a new benefit.

The distortion can be seen if we compare calculations based on different assumptions regarding usual hours of overtime.

0 hours of overtime	**hours**	**annual cost**	**cost per hour worked**
Wages for hours worked	1840	$36,800	$20.00
Paid time off	***240***	***$4,800***	***$2.61***
Overtime premium	0	$0.00	$0.00
Total	2080	$41,600	$22.61

50 hours of overtime	**hours**	**annual cost**	**cost per hour worked**
Wages for hours worked	1890	$37,800	$20.00
Paid time off	240	$4,800	$2.54
Overtime premium	50	$500	$0.26
Total	2130	$43,100	$22.80

100 hours of overtime	**hours**	**annual cost**	**cost per hour worked**

Wages for hours worked	1940	$38,800	$20.00
Paid time off	240	$4,800	$2.47
Overtime premium	100	$1,000	$0.53
Total	2180	$44,600	$22.99

As the "usual amount of overtime" increases, the calculated cost per hour (and consequently the apparent value) of paid time off decreases. Meanwhile the calculated cost per hour and presumed value to the workers of the overtime premium appears to increase directly in proportion to the number of overtime hours worked. An argument might be made that the lower cost per hour of the other benefits could make improvements easier to sell to an employer. In effect, though, such an argument is at the same time an argument to the employer against reducing the use of overtime.

Some of the factors for the persistence of overtime, even in the face of high premiums include bad planning on the part of management; the desire of supervisors for overtime pay and collusion between supervisors and workers to increase overtime and ration it. In reality, "high overtime premiums" are an illusion. These nominally high premiums for customary overtime aren't really a new cost to the employer. They represent a reshuffling of costs from regular pay to overtime as a way to lengthen the usual hours of work and make it look like a bonanza for workers.

Costing for reducing work time and sharing work

Up to this point, we have dealt with how various contract costing methods can affect the evaluation of a given wage and benefit package for a given number of workers. The same methods of costing contract proposals can be used to evaluate the potential for reducing work time and sharing the work. However, such an analysis requires making many more assumptions about total employer costs (aside from direct labour costs), anticipated changes in productivity and the divisibility of jobs.

Furthermore, costing of shorter work time proposals is a one-sided exercise as long as it looks only at the employer side of the ledger. This is because what the employer pays is NOT what the worker gets. Payroll and income tax policies have created a bias against reductions in the full time workweek. This bias is accentuated if unions and workers focus exclusively on gross earnings as the measure of employment compensation.

Aside from the complexity of the calculation, the main difference between evaluating a work sharing proposal and evaluating the usual proposal for wages or benefits is that the work sharing proposal should start with the result of a calculation dealing with the current work force and hours and work forward to examine the changes that would occur "automatically" and the adjustments that would have to be made to accommodate a different mix of workers and hours.

For example, consider what happens if we take a work force of 100 workers working a 40 hour week and putting in an average of about two hours of overtime a week. Our goal is to reduce work time and create 20 new jobs. To work the same total number of annual hours, the new workweek would be 35 hours. With no loss in pay or benefits, this seven hour reduction in the work week would cost the employer nearly 20 percent more (assuming no change in productivity, etc.). On the other hand, if the entire cost of the work time reduction were borne by the workers, the original 100 workers' gross compensation would fall by nearly 17 percent.

Such a take-it-or-leave-it scenario would be unlikely to win acceptance from either employers or workers. Nor would a crude "split-the-difference" solution (say a 9 percent increase in employer cost combined with an 9 percent reduction in individual gross pay and benefits) seem to offer much greater chances of success.

It is only when we begin factoring in different assumptions about productivity change and tax impacts that the gap starts to narrow to the point where agreement becomes conceivable. For example, because of tax impacts and the direct costs of working extra days, the net loss of compensation for existing workers would be between one-half and two-thirds of the gross loss. Productivity gains in the range of 5 percent to 10 percent would, correspondingly reduce the cost impact on the employer. Historical data can be used to generate several what-if scenarios.

Using these methods, it is not as difficult to arrive at a proposal in which workers can gain a large reduction in work time and a significant increase in employment in exchange for little or no sacrifice in net pay. Employers would face cost increases no greater than those associated with typical wage and benefit proposals. Governments could be pressured to change payroll tax policies to reward unions and companies that expand job opportunities in this way.

Strategic considerations

The above analysis hints at some of the strategic implications of better contract costing. It would perhaps be useful to restate these implications clearly and to briefly re-examine the strategies that have dominated union campaigns for shorter work time for several decades.

One mainstay of union strategy for reducing work time has been to call for increasing the overtime premium to serve as a greater disincentive to employers to schedule overtime. Obviously the overtime premium is a two-edged sword. While it may serve as a disincentive for employers to schedule overtime, it also acts as an incentive that makes workers desire the premium pay that comes with overtime work

But our example showed how traditional costing practices overstate the cost to the employer and the supposed benefit to workers of the overtime premium. The problem with the overtime premium, then, is not simply that it is too small but also that there is a large gap between the actual cost of the overtime premium to the employer and its perceived value to workers. Raising the overtime premium to, say, double-time would not eliminate that gap and could even increase it if -- as seems likely -- employers took measures to offset the impact of a new premium structure.

Legislative efforts to increase the overtime premium have been notable for their almost total failure. Employers and their economists argue vehemently that increasing overtime premiums would have dire economic consequences. Whether or not such predictions would come true is probably a moot point -- governments are not going to take that chance in the face of such unwavering opposition from business. There's little chance of unions winning the battle for higher overtime premiums. And it's unlikely that a victory on this front would make any difference anyway.

A second pillar of union strategy has been to insist that any reduction in working time must be accompanied by no loss in pay. The Achilles heel of this strategy, as UAW speaker Nat Weinberg pointed out to an AFL-CIO Conference on Shorter Hours of Work in 1956, has long been that small reductions in work time with no loss in pay are entirely feasible. Such reductions could typically be accompanied by an increase in the intensity of work and hence in productivity and would therefore create few new jobs. On the other hand, reductions in work time large enough to create significant numbers of new jobs could only be achieved either through some sacrifice in the pay of existing workers or through mass political mobilization of the workers..

Defenders of these two traditional strategies will point to existing union members' concerns about loss of income or "cash flow" and consequent decline in purchasing power and standard of living. "In order to maintain the support of existing members for shorter work time," the argument goes, "we must assure them that they personally have nothing to lose." This presents an important dilemma: is it the union's role to represent the individual interest of each member or to represent the collective interests of the membership as a whole? What happens when the individual interests of a member conflict with the collective interest?

The traditional strategies evade the question of conflict between individual and collective interests by proclaiming them to be inherently compatible. It is as if an "invisible hand" of solidarity is expected to reconcile the (short term) selfish interest of each member with the general good of the membership, just as the invisible hand of market mythology supposedly guarantees the socially beneficial outcome of individuals maximizing their personal utility.

Contrary to this presumption of benign harmony, a careful evaluation of contract proposals reveals that some outcomes involve trade-offs between individual and collective gains. To allow gross annual individual earnings to dominate such trade-offs is to abandon the union's role as advocate of the collective interest. Not only does the obsession with gross annual earnings neglect the collective interest, it discards the genuine, long-term welfare of individual members in favour of an illusory immediate fix.

By contrast, accurate and flexible costing models show how large reductions in work time and increases in employment could be gained in exchange for very modest sacrifices in the net annual earnings of existing workers. Furthermore, such changes can also accommodate increases in individual members' hourly earnings and substantial increases in the net earnings of the membership taken as a whole. There is no guarantee that employers would readily agree to proposals constructed according to these principles of collective well-being. But there is a much better chance of winning support from both the union membership and the public for such practical, "moderate" proposals than for all-or-nothing, pie-in-the-sky demands.

Appendix: specifications for the spreadsheet model

Part Two: Historical Reflections

"Wealth is everything, men are absolutely nothing? What? Wealth itself is only something in relation to taxes? In truth, then there is nothing more to wish for than that the king, remaining alone on the island, by constantly turning a crank, might produce, through automata, all the output of England…

"It is not the improvement of machines which is the true calamity, it is the improper distribution we make of their products. The more we can produce with a given quantity of labor, the more we must increase either our enjoyments, or our leisure; the worker who is his own master, when he would have produced in two hours with the help of a machine, what he had before in twelve, would have stopped after two hours, if he had no need, and could not use a larger product. It is our actual social organization, it is the dependency of the worker that brings him to work, not less but more hours per day, for the same wages, while the machine enhances his powers of production." – J.C.L. Simonde de Sismondi, *Nouveaux Principes d'Economie Politique*

Chapter Five: Life, Liberty and the Pursuit of Happiness

Three famous phrases – the pursuit of happiness, the invisible hand and the self-made man – are intimately connected with the conventional myths of economic man and maximizing utility. Closer examination of their original contexts and associations, however, introduces considerable ambiguity toward -- if not outright contradiction with -- the modern model of the rational actor. In this chapter, I am not so much making claims about what 18th century authors actually meant as highlighting the incongruity that arises if one simply assumes that they conceived of economic man as an individualistic rational actor.

The historical retrospective is a purposeful digression. The accustomed ways of thinking about things take on the appearance of being universal and immutable. That today's labor market could be organized differently than it currently is thus seems Utopian, whimsical or downright eccentric. Of course things were different in the past but somehow, the misplaced concreteness insists, the universe unfolded in the only way it could have so that even if the institutions we have today are not ideal, they were inevitable and thus the best and only that we have to work with. This is not so. There were other possibilities inscribed in the thoughts of men and women of the earlier times. Unless we rediscover those other worlds that might have been, we'll never have a full picture of how we might today remake the world.

"The pursuit of happiness" is not an exact synonym for utility or wealth but it is often associated with them. John Locke's original formula of the natural rights of man was "life, health, liberty and possessions." Thomas Jefferson's use of the phrase, "the pursuit of happiness," in the Declaration of Independence may thus be viewed as a somewhat broader term, inclusive of property but not confined to it. In Jefferson's time, there was also in circulation a notion of *public* happiness that could also lend itself to an alternative interpretation of the phrase. It was, in effect, a *social accounting* vision. Jefferson's friend, the Marquis de Chastellux, wrote about this concept of public happiness in *An Essay on Public Happiness,* which may, at least in part, have influenced Jefferson's notion of the pursuit of happiness.

In his book, the Marquis offered the following formula for calculating happiness:

> *First: how many days in the year, or hours in the day, can a man work, without either incommoding himself, or becoming unhappy? One may perceive, at the first glance, that*

> *this question refers to the nature of the climate; to the constitution, and to the strength of men; to their education, to their aliments; &c. &c. all cases, which may be easily resolved.*
>
> *Secondly, how many days must a man work in the year, or, how many hours must he work in the day, to procure for himself that which is necessary to his preservation, and his ease? Having resolved these questions, it will be no difficult matter to determine how many days in the year, or how many hours in the day, may remain for this man to dispose of: that is to say, how many may be demanded of him, without robbing him either of the means of subsistence, or of welfare; so that now, the whole matter rests upon an examination, whether the performance of that duty, which the sovereign exacts from him, be within, or beyond the time, which each man can spare from his absolutely necessary avocations.*

Chastellux objected to a cruder notion of public happiness, which relied on displays of grandeur by the state. Instead, he argued for some kind of aggregate assessment of the well-being of the inhabitants. For Chastellux "public happiness" was in large part a matter of not taxing people excessively, insuring that they won't have to either work so much as to cause them distress or go without essentials. By process of elimination, individual happiness was presumed by Chastellux to hinge, in the first instance at least, on *preservation* and ease. This did not rule out some subsequent role for maximizing utility or for the emergence of new wants that go beyond preservation.

As for luxury and the presumed insatiability of wants, Chastellux classified luxury under the catch-all category of "ease". If a desire – say to be clad in velvet – went unfulfilled, the person who had the desire may become "uneasy" or discontent. The question then becomes whether it is necessary therefore to employ a portion of time in "the raising of silk-worms, and the manufactory of velvets?" Chastellux's answer was that although there is this similarity between leisure and luxury, the principle must be that "private convenience would only follow public security, and that a certain enjoyment is preferable to an extended enjoyment." One might say, then, that a certain unspecified amount of ease was necessary for self-preservation and to forestall outright unhappiness but that additional quantities of it are subject to the legitimate requirements of the state or the common interest. Thus while human wants may be insatiable;

there are crucial differences in kind between some wants and others. Self-preservation and enough leisure to ensure comfort are essential. Luxuries are only secondary.

The Poor Man's Son and the Invisible Hand

For Adam Smith, the founding father of classical political economy, luxury goods appeared as, on the one hand, "trinkets of frivolous utility," but on the other (invisible?) hand they provided a fortuitous deception that in his opinion drove the industry of mankind. In *The Theory of Moral Sentiments,* Smith told the cautionary tale of the "poor man's son, whom heaven in its anger has visited with ambition." The story is remarkable for its dramatic intensity. This restless young chap was discontented with his father's modest accommodations and enchanted by the apparent effortlessness and ease of the rich people's lives. He longed for the happiness he imagined he would enjoy if only he could be spared the fatigue of walking or riding and the inconvenience of having to provide for himself. To achieve that imaginary happiness and repose, the poor man's son devotes himself to a life of ceaseless toil, self-denial and obsequiousness only to discover at the very end of his life that the wealth he had attained afforded him no better enjoyment of life than would have the humble security of his father's modest subsistence he left behind.

The poor man's son is not unique in his single-minded pursuit of "mere trinkets of frivolous utility." Rather it is the sheer ordinariness of the blunder that Smith stressed.

> *How many people ruin themselves by laying out money on trinkets of frivolous utility? What pleases these lovers of toys is not so much the utility, as the aptness of the machines which are fitted to promote it.... They walk about loaded with a multitude of baubles… of which the whole utility is certainly not worth the fatigue of bearing the burden.*

Clearly these "lovers of toys" are not maximizing utility in the way that modern economists tell us economic man is wont to do! On the contrary, in Smith's own words they "ruin themselves" by loading up on trinkets and baubles of *minimal* utility. But here's the catch: "it is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind."

> *It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which*

> *ennoble and embellish human life; which have entirely changed the whole face of the globe, have turned the rude forests of nature into agreeable and fertile plains, and made the trackless and barren ocean a new fund of subsistence, and the great high road of communication to the different nations of the earth. The earth by these labours of mankind has been obliged to redouble her natural fertility, and to maintain a greater multitude of inhabitants. ...*

But to get from the ruinous pursuit of trinkets to the ennoblement and embellishment of human life and improvement of rude forests and barren oceans outlined above required a *deus ex machina* that Smith famously baptized the "invisible hand."

> *The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species.*

Could this be the same "invisible hand" that subsequently appeared in the Wealth of Nations? Let's recap. Too many people ruin themselves chasing after baubles. But that's good because it rouses "the industry of mankind." And the fruits of this industry are distributed more or less equally because the rich aren't able to consume much more than the poor.

This is what is known as magical thinking. There is no logical or empirical connection between the causes and effects in Smith's chain of argument. Ultimately, if what the rich are pursuing are indeed mere trinkets and baubles, there need be no limit on their consumption and, consequently no providential distribution of the fruits of industry, even leaving aside for the moment Smith's fantasy of the primeval rudeness of the forests and barrenness of the seas. But the magic doesn't stop there. Not only do the rich make everyone better off because of, or rather "in spite of their natural selfishness and rapacity." They even elevate the very poorest to heights of contentment unheard of among kings!

> *When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition. These last too enjoy their share of all that it produces. In what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them. In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for.*

So, the striving of the poor man's son succeeds only in acquiring for him a body wasted with toil and disease, a "galled and ruffled" mind and, at long last, the realization that his dogged pursuit of wealth and greatness was a sham. No matter. It was all for the best. The invisible hand saw to it that the benefits trickled down to the poor – even to the beggar sunning himself by the side of the highway!

It is easy to be seduced by Smith's eloquence and deft deployment of the picaresque. Thus charmed, the reader is led by a succession of small, seemingly logical steps to a gross exaggeration and distortion of the futility of riches, the disagreeableness of strenuous effort and the essential fairness of a grossly inequitable distribution of wealth. When Smith, the magician, eventually pulls the invisible rabbit out of his invisible hat, the enchanted reader gasps with surprise, relief and credulity... and presumably lets pass the preposterous notion that, "the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for."

What is the relationship between this invisible hand in *The Theory of Moral Sentiments* and that other one in the *Wealth of Nations*? There are similarities and differences. Significantly, in *The Theory of Moral Sentiments,* it is explicitly *the rich* who are led by an invisible hand; but in *The Wealth of Nations,* it is *every individual*. That would seem to be an important distinction. But there is an even more telling one in the ultimate distribution of "what constitutes the real happiness of human life" namely "ease of body and peace of mind." In *The Theory of Moral Sentiments,* such contentment is explicitly reckoned as flowing to the poor no less than to the rich.

In *The Wealth of Nations*, Smith wrote about leisure in radically different and less fanciful terms. In Book Five, Chapter 1, Part 3 Article II, "Of the Expense of the Institutions for the Education of Youth," Smith lamented the condition of the common people who "have little time to spare for education... their labour is both so constant and so severe, that it leaves them *little leisure* and less inclination to apply to, or even to think of, anything else." By contrast, people with rank and fortune are not kept at bothersome employments all day long. "They generally have *a good deal of leisure*, during which they may perfect themselves in every branch either of useful or ornamental knowledge…" So it is that the common people have "little leisure" while those of rank and fortune have a "good deal" of it. This difference also must be viewed in the context of the classical Aristotelian view that leisure is the activity proper to humans, in which they find their fulfillment and happiness.

In discussing leisure, Smith was not talking about time off work to get drunk or play cards. "*In what constitutes the real happiness of human life"* – that is to say, leisure – the rich and the poor are not, by Smith's own admission, on a level. Therefore, Smith's invisible hand image can't be on the level, either. Now you see it; now you don't. Rather than disclosing some inscrutable wisdom about markets, the metaphor reveals a profound perplexity and confusion regarding the relationships between work, striving, idleness and leisure – and how those elements ultimately define the concepts of wealth, utility and happiness. Not that there is anything wrong with Adam Smith being perplexed about those things in the mid 18th century. What is peculiar is the subsequent reception of the invisible hand motif by 20th century economists as some kind of self-evident truth and revelation.

A Four-Hour Day

If Adam Smith is customarily regarded as the father of economics, for Max Weber it was Benjamin Franklin who exemplified the spirit of capitalism. The popular image of Franklin is forever joined with the work ethic and the ideal of the self-made man. Franklin's myth, therefore – if not the life of the actual human being – personifies economic man. The Franklin-Weber connection is notable because it was Weber who argued, in "Marginal Utility Theory and 'the Fundamental Law of Psychophysics'," for the methodological canonization of economic man, an argument subsequently enlarged upon by Philip Wicksteed in *The Common Sense of Political*

Economy and by Lionel Robbins in his *Essay on the Nature and Significance of Economic Science*.[7]

For our purposes, Franklin wrote a prophetic letter to his friend, Benjamin Vaughn in July 1784, in which he speculated about the prospect of a working day of just four hours:

> *It has been computed by some political arithmetician, that if every man and woman would work for four hours each day on something useful, that labor would produce sufficient to procure all the necessaries and comforts of life; want and misery would be banished out of the world, and the rest of the twenty-four hours might be leisure and pleasure.*

In his letter, Franklin distinguished between two kinds of wants: those for the "necessaries and conveniences of life" and those for "superfluities" the desire for which arises from "the eyes of other people", that is to say from the desire for social distinction and from emulation. With regard to physical and social limits, Franklin was optimistic. He speculated that people could be converted from producing useless commodities (recalling Smith's "trinkets of frivolous utility") to producing necessaries and conveniences and that there was more industry and prudence among mankind than idleness and folly. For Franklin, idleness and folly were associated with toiling for trivial goods while he considered leisure as a worthwhile pursuit. This is an important distinction to dwell on for a moment. Toiling for frivolous trinkets was for Franklin not industrious but idleness.

Economic man might feel some ambivalence toward Franklin's scenario. On the one hand, the "toil of millions for superfluities" offers untold opportunities for profit. On the other hand, though, such idle toil occasions so much want and misery – surely not the ideal picture of utility maximization for the population as a whole.

Another 18th century thinker who addressed the question of the hours of work was William Godwin. In his chapters on property in *An Enquiry Concerning Political Justice,* Godwin distinguished between three kinds of property. First, there is that property, the exclusive

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[7] Economics for the Common Good, Mark Lutz, pp. 150-154. Robbins, following Wicksteed supplanted a merely selfishly-motivated economic man with a universalistic theory of choice predicated on rationality.

possession of which brings a greater benefit to the possessing individual than it could to anyone else; second is the product of an individual's industry, which the individual has stewardship over; and third, unearned property from inheritance and usurpation. This third degree of property, Godwin argued, is contradictory to the second. The desire for conspicuous wealth comes not so much from the direct pleasure afforded by the possessions as from the deference and public esteem bestowed upon the wealthy by the obsequious and the flatterer. The fault thus lies not so much in the possessors of ostentatious wealth as in the beholders' foolish admiration of such extravagance. By consecrating the status of unearned opulence, they impoverish themselves. If good sense and clear and correct perceptions – that is to say, *rationality* – prevailed, the desire for disproportionate acquisition would soon disappear. Godwin maintained that the most desirable state of human society would be that in which manual labor could be reduced to a minimum. Furthermore, luxuries and "all inventions that tend to give employment to a great number of labouring hands, " were contrary to the expansion of happiness. Godwin's calculation of the amount of work required to supply everyone with necessities outdid Franklin by a large margin, totalling half an hour a day in manual labor.

Of the four 18th century enlightenment thinkers mentioned here, three ventured some sort of calculation of the good life that prominently featured leisure. Godwin's result left a workload of a mere half an hour per day; Franklin's was a more cautious four hours a day. The Marquis de Chastellux stopped at only the outline of a calculation, acknowledging that the particulars would vary considerably in accordance with climate, strength, skill, diet and other factors. Only Adam Smith eschewed a calculation, offering instead the invocation of an inscrutable and invisible hand that magically removed the question from inquiry.

Chapter Six: Wealth is Disposable Time… and Nothing More

Published anonymously in 1821, *The Source and Remedy of the National Difficulties, deduced from principles of political economy, in a letter to Lord John Russell,* was, according to Friedrich Engels, "saved from falling into oblivion," by Karl Marx. At the time of Engel's remark, however, Marx had scarcely mentioned the pamphlet in published writings other than a scant footnote in Volume I of *Capital*. Some rescue! Nevertheless, Engels acclaimed the pamphlet as "but the farthest outpost of an entire literature which in the twenties turned the Ricardian theory of value and surplus value against capitalist production in the interest of the proletariat."

In his unpublished notebooks, Marx did declare the pamphlet an advance beyond Adam Smith and David Ricardo in its conscious and consistent distinction between the general form of surplus value or surplus labor and its particular manifestations in the forms of land rent, interest of money or profit of enterprise. Commenting on the pamphlet, Marx returned several times to what he referred to reverently as a fine statement: "a nation is really rich if no interest is paid for the use of capital, if the working day is only 6 hours rather than 12. WEALTH IS DISPOSABLE TIME, AND NOTHING MORE." Marx noted that Ricardo had also identified disposable time as the true wealth with the difference that, for Ricardo, it was disposable time for the capitalist that constituted such wealth. Ricardo's ideal would thus be to maximize surplus value as a proportion of total output.

Marx again cited the phrase in his *Grundrisse*, immediately following a characteristically explosive proposition:

> *Forces of production and social relations – two different sides of the development of the social individual – appear to capital as mere means for it to produce on its limited foundation. In fact, however, they are the material condition to blow this foundation sky-high. 'Truly wealthy a nation, when the working day is 6 rather than 12 hours.'*

Just how successful Marx was in saving the 1821 pamphlet from oblivion remains to be seen. Obviously, the pamphlet was spared from total oblivion or I wouldn't be writing about it. Aside from the few references by Marx and Engels, there have been scattered mentions of the pamphlet but no sustained analysis of it, which seems odd considering the importance that Engels – and Marx, in his manuscripts at least – assigned to it.

Perhaps one of the difficulties has been the anonymity of its authorship. That problem would appear to have been resolved by a disclosure in the biography of the 19th century editor and literary critic, Charles Wentworth Dilke. Dilke's grandson, the biography's author, reported having found an annotated copy of the pamphlet, acknowledging authorship, among his grandfather's papers. Subsequent authorities on Dilke and the literary journal he edited for several decades, *The Athaeneum*, appear satisfied with the plausibility of this attribution, given Dilke's writing style, his propensity for anonymous and pseudonymous publication, his political inclinations and his subsequent career. There doesn't appear to have been any concerted effort to either definitively establish or to refute Dilke's authorship. So Dilke qualifies as the leading and, so far, only candidate for authorship.

If Dilke was indeed the author, this presents two rather significant bits of context to the pamphlet. First, Dilke was an ardent disciple of William Godwin, whose Utopian half-hour day was mentioned in the previous chapter. The poet, John Keats, who was a close friend and next-door neighbor referred to Dilke, somewhat patronizingly, as a "Godwin perfectibility man". He was said to have retained that political inclination throughout his life. Second, in his career as editor of *The Athaeneum*, Dilke campaigned famously against journalistic "puffery" – the practice of publishers placing promotional material for their books in literary journals, for a fee, under the pretext that they were independent reviews. Both of these contextual items could be significant for an interpretation of *The Source and Remedy* precisely because the pamphlet lends itself arguably to a reading as a Godwinist tract (rather than a proto-Marxist one) but also to a reading as a polemic against yet another brand of puffery: political economy practiced by apologists for privilege and wealth. As for "turning the Ricardian theory of value against capitalist production," such an intention would hardly seem to fit an essay that on its closing page counted among the great advantages of the measures proposed therein that "their adoption would leave the country at liberty to pursue such a wise and politic system of financial legislation as would leave trade and commerce unrestricted."

The Source and Remedy of the National Difficulties had something to say rather distinct from the message Marx took away from it. In his various notes on the pamphlet, Marx paid closest attention to the first six pages of the 40-page pamphlet and glossed over the rest. In his discussion of the pamphlet in *Theories of Surplus Value*, for example, the reader may wonder if Marx was actually still talking about the pamphlet after a few pages or had gone off on a tangent inspired by the pamphleteer having allegedly overlooked the impact of unemployment on wages. It has to be cautioned, though, that Marx's extended comments on the pamphlet appeared in manuscript notes that were published posthumously. They were not polished, fully thought-out positions intended for publication.

Although the first six pages are indeed interesting, in the context of the pamphlet as a whole their function is to set the stage for the crucial pair of questions that appear on page seven. That is, after deducing from principles of political economy that capital, left to its natural course, would soon do away with further accumulation, the author asks why that seemingly inevitable result has never happened and how it is that with all the presumably labor-saving wonders of modern industry, workers work longer hours and more laboriously than ever before.

Dilke's answer was that government and legislation act ceaselessly to destroy the produce of labor and interfere with the natural development of capital. They do this indirectly by, on the one hand, maintaining "unproductive classes" at a constant proportion to productive laborers and on the other by enabling the immense expansion of "fictitious capital," based ultimately on protectionism and government finance. Government does these things so that it may raise an enormous level of revenues that it couldn't through direct taxation of the laboring population, because "it would have been gross, open, shameless, and consequently impossible." Instead, it makes the holders of this fictitious capital accomplices in a stratagem to exact a much-enlarged revenue. As partner in crime, the capitalist lays claim to a generous portion of the booty. Not surprisingly, war is a "powerful co-operator" in this relentless process of destroying the produce of labor while expanding the (asymmetrical) claims of fictitious capital.

As for the natural claims of surplus value exacted by the capitalist, Dilke viewed them as causing the laborer "no real grievance to complain of," a position at least apparently at odds with Marx's views of exploitation and almost certainly incompatible with Engels' assertion that the pamphlet turned Ricardian theory "against capitalist production." Not only was Dilke not opposed to capitalist production, he described it as leading to a virtually Utopian condition of freedom if only it was left to unfold according to its nature. In his note, Marx objected that the pamphleteer had overlooked two things in coming to such a sanguine conclusion about the trajectory of capitalist accumulation. One was unemployment. Marx never got around to specifying the other.

Dilke's reasoning, although thought-provoking, is far from airtight. He confessed in his closing pages that his argument "is not so consecutive, that the proofs do not follow the principles laid down so immediately as I could have wished. The reasoning is too desultory, too loose in its texture." Whether such regrets were heartfelt or simply a stylistic gesture of modesty is hard to say. The subject matter itself is elusive and no treatment of it could be entirely exempt from error. Nevertheless, the case Dilke presented was an original and compelling one that has, as far as I know, been overlooked by Marx and his intellectual heirs.

The part of the argument that Marx appropriated to his own analysis – the author's consistent reference to surplus value as the general form underlying profit, rent and interest was ultimately incidental to Dilke's main points that nature places a limit on accumulation and that the surpassing of those natural limits occurs only as a result of government intervention, which, in effect mandates the excessive exploitation of labor.

There is a problem that arises from Marx appropriation of the (for Marx) correct premise of the pamphlet without first having systematically refuted the author's own deductions from it. What if Dilke's deductions were either equally or more plausible than Marx's? Rather than being a focal point of class struggle, might not surplus value then be "no real grievance to complain of?" Rather than underpinning a contradiction fated to blow the foundation of capital sky-high, might not the tension between "things superfluous" and disposable time have the potential to be adjusted like wing flaps to help bring Capitalism in for a soft landing?

By things superfluous, I refer, first, to the unholy trinity of fictitious capital, unproductive labor and inconvertible paper money and second, to their commodified expression as luxury goods. What I am suggesting is that for Dilke it seems that the primary contradictions of capitalism (to use Marx's expression) lay not so much between capital and labor as between real and fictitious capital, productive and unproductive labor, convertible and inconvertible money, necessities and luxury goods. This internalizing of the contradictions recalls Solzhenitsyn's observation in the *Gulag Archipelago* that, "the line separating good and evil passes not through states, nor between classes, nor between political parties either, but right through every human heart, and through all human hearts." Might we not ask if it's not only the line between good and evil that passes through every human heart but also the line between labor and capital, proletariat and bourgeoisie? From the standpoint of the arguments presented in *The Source and Remedy*, a proletarian revolution would be, in effect, superfluous. The possibility of revolution would arrive more or less at the moment when such a revolution would no longer be necessary.

Karl Marx on the Working Day: Two Views

Revolution or not, Marx did place the question of working time squarely at the centre of his analysis of Capital. Chapter 10 of Volume I is titled "The Working Day" and ends with the exclamation:

> *In place of the pompous catalogue of the "inalienable rights of man" comes the modest Magna Carta of a legally limited working-day, which shall make clear "when the time which the worker sells is ended and when his own begins."* Quantum mutates ab illo*!* [8]

Marx's contribution to working time literature would easily fill a volume of its own. Or several. Chris Nyland's *Reduced Working Time and the Management of Production* addresses the practical and empirical issues. For those with a more speculative philosophical bent, Moishe Postone's *Time, Labor and Social Domination*, offers a challenging re-interpretation of Marx.

Nyland emphasized the role that psychological and physiological capacities play, for Marx's analysis, in the variability of the length of working time. Competition between employers compels them to "extend the work period beyond its social and physical limits." This tends to reduce both the quality and quantity of labor power available. Thus some form of regulation of the hours of work, typically by the state, is in the interest not only of workers but also of employers. Nevertheless, as limitations on the duration of the work period take hold, employers are again driven by competition to seek to intensify the work done during that given period of time, whether by mechanization, closer supervision or other changes in work organization. This in turn leads to a need for further reductions in working time:

> *There cannot be the slightest doubt that the tendency that urges capital, so soon as a prolongation of the hours of labour is once for all forbidden, to compensate itself, by a*

[8] "How changed from what he once was." Virgil

> *systematic heightening of the intensity of labour, and to convert every improvement in machinery into a more perfect means of exhausting the workman, must soon lead to a state of things in which a reduction of the hours of labour will again be inevitable. (P. 393 Capital vol 1)*

The consequence of this incessant cycle of work time reduction, intensification and renewed reduction is that the contest for shorter hours is not merely a feature of the struggle between workers and employers but is also an intrinsic element of the developmental logic of capitalism itself. Nyland observed that unfortunately this key aspect of Marx's theory hasn't attracted much attention, even from Marxists, who tend to confine their analysis of the issue to the political struggle between labor and capital.

Although agreement might be found between Nyland's and Moishe Postone's views regarding the developmental dynamic within Capitalism, Postone went further to explore the implications of this dynamic for moving beyond Capitalism. He first criticized what he calls "traditional Marxism" for its misplaced emphasis on a new, more just and consciously regulated distribution of wealth as the ultimate potential of post-capitalist society. Traditional Marxists thus view the main problem in capitalist society to be the institutional barriers posed by self-regulating markets and private property that prevent the wealth-producing capabilities of industry from meeting the consumption needs of the population. Thus for traditional Marxism (or Marxisms) the industrial organization of production is itself not in question.

In Postone's re-interpretation of Marx, the institutions for distributing wealth – based on markets, private property and exploitation of wage-labor – are not separable from the industrial organization of wealth production but are components of that organization. So it is not enough to simply transfer ownership of the means of production from individuals to society as a whole and to work out some more equitable form of distribution. Socialism, in this view, would require transforming the nature of the production process itself. In this latter regard, Marx referred positively to Fourier's Utopian vision, stipulating that although "labor cannot become play, as Fourier would like," it must nevertheless become something radically different from what it is under Capitalism.

But what might that be? Postone suggested it would involve the actual labor of everyone to be a self-fulfilling activity, "rich and full in a way which corresponds to the level of social richness." This description risks the cynical response that such a condition could as easily be established though Herculean feats of positive thinking – if only everyone would simply consent to "love the work they're with" even if they can't be with the work they love (although the reality of unemployment might throw a wrench into such a conceit). Marx himself described the difference in less glamorous terms, with the human being relating to the production process more as a "watchman" or "regulator" than as a performer of direct physical labor. Furthermore, a great deal of the material wealth produced today already involves mainly this kind of supervisory rather than direct physical work. The catch would seem to be the burgeoning of what might be termed "post-industrial" work necessary to compensate for the loss of jobs resulting from the progressive mechanization and automation of industry. That proliferation might even account for why the watchman and regulator jobs in manufacturing may be subjectively experienced as less "self-fulfilling activity" than they might otherwise be.

Marx's analysis and critique of the concept of value addresses the reservations expressed above. Value already has its commonsense meanings. These preconceptions make it rather tricky to follow Marx's very specific concept of value, as well as appreciate his critical stance toward the concept. Conventionally, we are inclined to think of value either as representing a subjective valuation – how much someone would be willing to pay for some item or service, what that thing is worth to them – or an intrinsic property of the item itself: for example, a well-made pair of shoes is a "good value" even though they cost more than a cheap pair. Marx's technical concept, though, has to do with the amount of labor-time embedded in a commodity or service. But even here there is yet another pitfall. Scoffers at this so-called "labor theory of value" assume that Marx was advocating such a method of evaluation as somehow more "true" or "objective" than the subjectivist or intrinsic viewpoints. He was doing nothing of the sort. Instead, he described it as a perverse peculiarity of the capitalist production process. In his *Grundrisse,* Marx made no secret of his disdain for the inadequacy of this form of value and called it a "miserable foundation" for the production of wealth by large-scale industry. What Marx was saying is thus not that labor-time is the ultimate basis for any production of wealth but that *under capitalism* production is distorted by the necessity of measuring that wealth in terms of the anachronistic yardstick of labor time. It is worth mentioning that K. William Kapp called attention, with approval, to what he called "the axiomatic criteria of socialist planning" which was the balance between the useful effects (not the exchange value) of various goods and services and disposable time. The useful effects and disposable time are thus the measure of real wealth. Even if exchange values were assumed to approximate the subjective evaluation of the useful effects of goods and services, a system of national accounts that fails entirely to incorporate the effects of economic activity on *disposable* time cannot be considered a legitimate system for measuring social wealth.

The key here is that any system of exchange must ultimately account not only for the relative prices of things or how much people are willing to pay but also how those things come about and how the buyers are able to afford to pay what they are willing to pay for them. Although they may be temporarily hidden from view, production and the conditions under which it takes place are indelibly inscribed in the exchange act itself. Capitalism makes an ever-expanding mass of material wealth affordable to people by extracting from them an ever-expanding mass of work effort. If one person could produce all the material wealth in the world by simply pushing a button, the capitalist button-pusher would have to find something for everyone else to do so they could 'earn' the opportunity to consume a portion of that wealth. This extra effort could involve producing more, superfluous, goods or destroying some portion of the material wealth already produced by the button pusher – as in war. The absurdity of the situation is only exaggerated by the image of the button. Marx, in his *Economic and Philosophical Manuscripts of 1844* cited an image by Sismondi, of "the King, living quite alone on the island, should by continuously turning a crank cause automatons to do all the work of England."

So, the labor theory of value is, in some ultimate sense, absurd and that is what Marx tried to tell us. But, what's worse, the absurd theory of value is fully in effect under capitalism, making the needless expenditure of superfluous labor time a "question of life and death" for the population. The alternative to this labor time and natural resource wasting production and consumption of socially unnecessary and downright destructive commodities (i.e., the military-industrial complex, the processed food/obesity/sickness care & health insurance complex, etc.) would be to massively expand the realm of disposable time for "the free development of individualities."

Something Marx implied in discussing disposable time – but didn't fully articulate – is that free time would be qualitatively different from today's "leisure" time in that it would no longer function as the antithesis of working time. The "artistic, scientific, etc. development of the individuals in the time set free" would be indirectly productive but essentially unmeasured time. 'Work' would thus come to be – or come to be acknowledged as – something done autonomously in one's own time. The expansion of disposable time thus eventually soaks up whatever residual labor time is left. Work doesn't become play, as Fourier would have it, but autonomous activity becomes a self-fulfilling and productive activity that makes disaffected labor entirely unnecessary.

Although Dilke and Marx both focused on disposable time as the essence of wealth and the bounty of a society beyond capitalism, each drew a different conclusion as to the path to the Promised Land. Dilke saw a natural capitalist progression toward liberty – if only the exactions of the state could be stopped and rolled back. Marx observed a structural barrier to such a realization posed by the capitalist production process that can only be overcome by a cataclysmic overthrow of that process itself. Both based their conclusions on a perception of limits and superfluity – Dilke on the limit imposed by nature on the accumulation of capital; Marx on a similarly finite amount of labor necessary for the reproduction of society. Both evaluated the work and commodities beyond that limit as "superfluous", echoing Franklin's disdain for "superfluities" and Smith's for "trinkets of frivolous utility". Dilke's and Marx's economic subjects often act out of ignorance (Dilke) or succumb to the hallucinatory fascination of the commodity fetish (Marx) thus discounting their status as "rational economic actors."

Chapter Seven: Decreasing the Hours Increases the Pay

> *Many have been the cases in which men have been forced to admit that the truth was exactly the reverse of all their past opinions or experiences*.—Ira Steward, 1865

From his vantage point in the mid-1920s, Henry Mussey admired the political pragmatism of Samuel Gompers's use of eight-hour philosophy to nurture the fledgling American Federation of Labor. "No student of American labor history," Mussey wrote, "can fail to be struck with the extraordinary importance of the eight-hour issue in union thinking during the formative years of the American Federation of Labor."

In his 1927 article, "Eight-Hour Theory in the American Federation of Labor," Mussey devoted special attention to the early history of the labor federation up to 1892. He argued that the reason the leaders of the labor movement took up the question of the eight-hour day and made it their central demand was that it served the practical needs of organizing. Mussey was less convinced of the theoretical soundness of the federation's eight-hour philosophy, pioneered by Ira Steward in the 1860s. His apparent skepticism was in keeping with the customary disdain of academic economists toward populist panaceas for unemployment. Economic textbooks of the 1920s and 1930s often proclaimed the shorter-hours theory not only false but also pernicious – most of them without having first bothered to familiarize themselves with its tenets. It just didn't sound like something that would conform to their preconceptions so it must be wrong and not worth examining. "Any cub productivity theorist," Mussey quipped, "can upset the idea by a mere reference to long-time effects on wages…" The unionists, in Mussey's view "were blissfully ignorant of such theories" and untroubled by the "theoretical fallacy" of their own views.

But does a "mere reference to long-time effects on wages" by a "cub productivity theorist" add up to a decisive rebuttal of the eight-hour theory or is it a wry commentary on the superficiality of the *pro forma* academic dismissal of the theory? Was the supposed "blissful ignorance" of the unionists a defect or a blessing?

Were the unionists actually "blissfully ignorant" of productivity theories or had Mussey swallowed a red herring? George Gunton – who formalized the American Federation of Labor's eight-hour philosophy in a 1889 pamphlet, "The Economic and Social Importance of the Eight-

Hour Movement" – most certainly was not ignorant. On the contrary, Gunton was familiar enough with John Bates Clark's theory to have writen published critiques of it in which he detected the influence on Clark of Stuart Wood's previously published work on the topic. In March 1889, Clark wrote to his friend and mentor, Franklin H. Giddings, explaining the reason for a delay in publication of his productivity theory of wages. It seems that George Gunton had written to the *Political Science Quarterly* with a proposal to write a critique of Clark's theory and pointing out "He [Clark] seems to have been much impressed by Stuart Wood's article in the *Quarterly Journal of Economics.*" Clark had indeed been much impressed by Wood's article and, after hearing of Gunton's remark, delayed publication of his own theory to reconsider to what extent it was indebted to Wood's. Clark, of course, was no "cub productivity theorist." He was the author of the theory. At any rate Clark stated explicitly that his model held only under the assumption of full employment.[9] Clark's productivity theory could "upset" Steward's only if one accepts that abstract assumptions trump concrete reality. Hopefully, not even a cub productivity theorist would make that mistake.

Sidney Webb, the founder of the London School of Economics, described Gunton's book, *Wealth and Progress*, as "admirable" and credited his "important" 1886 article in *The Forum* magazine with having "brought the subject [of the eight-hour day movement] to the notice of economists." Webb understood Gunton's argument to be that the eight-hour day would benefit workers "not so much by effecting a redistribution of the wealth already existing, as by creating more wealth." Alfred Marshall made it a practice to collect essays and pamphlets of interest to him and to have them bound in volumes. Among the items in Marshall's library are bound volumes of three works by Gunton, including his 1889 pamphlet.

9 "Clark's static model (1899, 56) explicitly holds constant population, capital, technology, firm organization, and consumer demand. It also requires competition on the supply and demand sides of goods and factor markets, perfect labor and capital mobility, and full employment of factors. Clark's marginal productivity theory is primarily a theory of labor (factor) demand rather than of wage (factor price) determination. Wages are determinate only with a theory of labor supply, which is mostly implicit in Clark (although see 1899, 90–94) and assumed to be infinitely elastic, so that the wage represents the marginal cost of labor to the firm." Leonard, Thomas C., 1944-*"A Certain Rude Honesty": John Bates Clark as a Pioneering Neoclassical Economist* History of Political Economy - Volume 35, Number 3, Fall 2003, pp. 521-558

Gunton's pamphlet was a systemization and, in Dorothy W. Douglas's description, a "considerably modified version" of Ira Steward's eight-hour theory. Although chronologically Steward's theory preceded Gunton's modification, it is convenient to start with the latter because it is easier to trace the connections between Gunton's analysis and more conventional economic analysis. Gunton discounted any novelty or radicalism to the proposition for a general reduction of the hours of labor. He argued that opposition from employers should be attributed to a deeply entrenched misconception about the relationship between profits and wages – namely, that profits fell when wages rose – rather than to any aversion on their part to improving the workers' condition. The existence of labor unions was a natural outgrowth of industrial progress and thus was inherently neither an alien intrusion nor a hindrance to further progress. If accepted as such, unions would act as a constructive force for promoting social improvement. If suppressed, though, they could turn to revolt.

Gunton declared consumption to be the end and object of production. This was hardly a novel position as it simply reiterates Adam Smith's dictum that "Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only insofar as it may be necessary for promoting that of the consumer." Within the production process, labor is prior to capital. Capital is only practical to the extent that it can obtain a better or cheaper result than would be possible without the use of capital, which typically only occurs when production can occur on an expanded scale. For that reason, the workers themselves constitute a vital market for the products of modern industry that relies on machine production. But they can only perform the role of consumer to the extent that their social aspirations and wages permit. Thus industrial progress depends upon improvement in the workers' living standards, their real wages and level of consumption. At the same time such an advance of wages is only prudent to the extent that it doesn't *permanently* increase prices or reduce the absolute quantity of profit.

Having established the utility of unions, their demands for higher wages and shorter hours and the contribution their achievement makes to general social progress, Gunton proceeded to outline the mechanism through which such a non-inflationary, profit-conserving general increase in wages could take place. His first assumption was that the price of labor, subject to the laws of competition, tends toward its marginal cost of production. The general rate of wages, Gunton argued, was determined by the cost of living of the most expensive families furnishing a necessary part of the labor supply in a given region and industry. Dorothy Douglas made a similar point – the standard of living "might be regarded as the cost of producing labor" – in *The Worker in Modern Economic Society* (1923, p. 272) although Douglas focused attention on the "normal family" rather than the most expensive ones.

It is on this last point that Gunton's analysis becomes most innovative. The standard of living argument could be understood almost as a 'mirror image' of J.B. Clark's marginal productivity theory of wages. Where the marginal productivity theory ignores labor supply (that is, assumes it to be "infinitely elastic") so that it can focus exclusively on labor demand, Gunton's standard-of-living wage theory specifically addresses the question of the labor supply and effective demand for goods.

Gunton attributed differences between communities in their standards of living to the 'habits and customs' prevailing in any particular society. "Habit not only governs our social wants, but it exercises an important influence over our physical wants also." These habits change over time as a result of frequent contact with "enjoyable conditions", repeated satisfaction of the desire for those conditions and, finally, the solidification of such tastes into absolute wants. Leisure, Gunton argued, provides the opportunity to come into contact with those enjoyable conditions or social influences.

According to Gunton, adoption of an eight-hour day would reduce unemployment (presumably by sharing the current demand for labor) and, as a result of leisure's increased social influence, create new demand for commodities. Both of those trends would, in turn, tend to increase wages and employment. That is to say, there would be two rounds of employment increase: at first from a transitional redistribution and spreading of purchasing power but ultimately from the resulting expansion of economic activity. That is to say that the short term benefits of work time reduction generate longer term gains. Moreover, because the wage increases would result from an increased aggregate consumption of wealth, they would tend to lower prices rather than raise them. The outcome would thus be a win-win-win of higher wages for workers, lower prices for consumers and an increasing total *amount* of profit, albeit at a reduced *rate* of profit. Or maybe that should be a win-win-tie? Capitalists, whose concern is for the rate of return on investment, may not share Gunton's enthusiasm for the increased aggregate profit at a reduced rate. Nevertheless, published objections to Gunton's argument disputed the rationale behind his claims about eliminating unemployment but not his views on profit rates.

Dorothy W. Douglas on Ira Steward's Theory

In 1932, five years after publication of Mussey's article, Dorothy W. Douglas vindicated Ira Steward's eight-hour theory in an article in the *Journal of Political Economy,* describing it as a "philosophy of American wages and unemployment that sounds strangely apposite today." What had intervened decisively between Mussey's 1927 ambivalence about the economics of shorter hours and Douglas's 1932 enthusiasm was a financial collapse and the start of the Great Depression.

Douglas was a pioneering feminist and radical economist. In the 1920s, she wrote economic studies of wages and living standards – sometimes in collaboration with her husband, Paul H. Douglas, the co-author of the Cobb-Douglas production function. In the 1940s, Dorothy Douglas's radical teaching at Smith College had a profound influence on the intellectual and political awakening of Betty Friedan .[10]

Douglas identified the two main aspects of Steward's theory and their interconnection. First was the stimulating effect of leisure and leisure-time consumption upon the standard of living and hence on the wage demands of the lowest classes of labor; second, the stimulating effect of this more expensive labor upon the technique of production itself – the effect of "driving" labor saving machinery; and finally, uniting the two, was the notion that mass demand alone makes mass production possible.

What impressed Douglas most about Steward's theory was his argument that unemployment and low wages lay at the root of economic depressions. According to Steward (in Douglas's words), capitalists "assume that just a little surplus labor is good for business." Too much unemployment would be an inconvenience and even a scandal. But employers welcome just enough unemployment to discourage demands for higher wages. The problem with this "Goldilocks" (not too high, but not too low) theory of unemployment, as Steward pointed out, is that there is, in effect, a multiplier effect of fear. "An unemployed man is the most deadly fact that exists outside of a graveyard... Without raising a hand he takes more bread from others than he himself can eat.. more clothes than he can ever wear..." This specter of unemployment makes

[10] then Bettye Goldstein, see Daniel Horowitz Betty Friedan and the Making of the Feminine Mystique

those who are still employed willing to work for longer hours and lower wages in "the deadly competition between those who have nothing to do and those who do too much for fear of doing nothing." Furthermore, the still employed workers become reluctant to spend what income they have for fear of future unemployment. "The most cautious and calculating laborers, who are not themselves discharged, are sufficiently alarmed by the first few discharges that occur about them to wait before buying." Meanwhile, employers find themselves with no choice but to lay off workers in response to the contraction of business.

Ironically, though, and again in contrast to Mussey, Douglas judged the practical impact of Steward's proposals to be negligible. Mussey had hailed the practical success of a labor strategy founded on Steward's theory but doubted the economic soundness of that theory. Douglas admired the theoretical side, while discounting the likelihood of its practical political implementation. As things have turned out, economists and unionists have abandoned both the theoretical and practical dimensions. This is literally tragic because, meanwhile, unbeknownst (apparently) to either Mussey or Douglas, Steward's theory had been given powerful, independent support in the neoclassical theory of the hours of labor expounded by Sydney Chapman. John Maynard Keynes articulated a policy prescription quite similar to Steward's in 1943. There is no evidence, however, that either Chapman or Keynes was familiar with Steward's theory or its endorsement by the A.F. of L.

Steward viewed machinery as a blessing, "provided the wealth more rapidly produced is consumed as fast as days' works are destroyed." But for this blessing to continue it was necessary that wages rise continuously, in concert with growing productivity. Otherwise "production gains upon consumption," which is to say a glut on the market begins a cycle of unemployment, recession and misery. In Steward's analysis unemployment is the cause of financial crises and not the other way around. Steward could be downright quixotic about the blessings shorter hours would bring, including an end to prostitution, drunkenness, political corruption and war, not to mention better health and more beautiful women!

> *A reduction of Hours means more than an Increase of Wages. It means a more equal and just Distribution of Wealth. For, to increase Wages, without increasing the cost of Production, is a more equal Distribution of Wealth.*

> *A better Distribution of Wealth, means, at the same time, the gradual eradication of. Speculation, Idleness, Public Debts, Interest, Fashionable extravagance, Woman's endless Drudgery and Low wages, Prostitution, Intemperance, Corrupt Legislation, Land Monopoly, Polygamy and War.*
>
> *Human life will be lengthened, less time will be lost in attending the sick, woman will become far more healthy, as well as beautiful, and men, as well as women, will be placed more upon their good behavior…*
>
> *Wealth will increase, while Capitalists as we now understand them will be known no more forever; for the Laborer and the Capitalist will be One! Beyond the power or the necessity, at present, of the imagination to conceive, are the blessings, without number, which will grow up among us, when we turn our footsteps in this direction....*

Although not in such extravagant terms, the advantages of a shorter working day were nevertheless acknowledged in the final report of the U.S. Industrial Commission, published in 1902 and authored by John R. Commons, one of the founders of labor economics. Commons was familiar with and sympathetic to Ira Steward's theory. In his introduction to Steward's pamphlet, "A Reduction of Hours is an Increase of Wages," Commons credited Steward with, "placing the argument upon a more enduring basis, the standard of living." Steward's challenge was to convince workers that they could earn as much or more in the shorter hours and show employers that the better-paid workers would raise demand for their products and thus benefit business. In his Industrial Commission report, Common's confirmed Steward's standard of living argument almost without reservation:

> *On the side of the working population there can be no question respecting the desirability of fewer hours, from every standpoint. They gain not only in health, but also in intelligence, morality, temperance, and preparation for citizenship. Even in those cases where machinery has not increased the intensity of exertion, a long workday with the machine, especially where work is greatly specialized, in many cases reduces the grade of intelligence.*

***

> *A reduction of hours is the most substantial and permanent gain which labor can secure. In times of depression employers are often forced to reduce wages, but very seldom do they, under such circumstances, increase the hours of labor. The temptation to increase hours comes in times of prosperity and business activity, when the employer sees opportunity for increasing his output and profits by means of overtime. This distinction is of great importance. The demand for increased hours comes at a time when labor is strongest to resist, and the demand for lower wages comes at a time when labor is weakest. A gain in wages can readily be offset by secret agreements and evasions, where individual workmen agree to work below the scale; but a reduction of hours is an open and visible gain, and there can be no secret evasion. Having once secured the shorter working day, the question of wages can be adjusted from time to time according to the stress of the market.*

Henry Ford echoed much of Ira Steward's argument when he adopted a five-day, 40-hour week at his automobile factories in 1926. He explained his rationale for doing so in an interview with the journalist, Samuel Crowther. Ford reasoned that the production achieved in five days would be at least as much, if not more than that achieved in six. The pay for the shorter week would be the same as previously for the six-day week. Without a general adoption of the shorter week, Ford argued, the US would not be able to absorb all of the material wealth it could produce. In reasoning reminiscent of Marx's, Ford explained that the shorter week would also put pressure on business to perform more efficiently, "The harder we crowd business for time, the more efficient it becomes."

As did Steward, Ford saw leisure as a source of consumer demand, "The more well-paid leisure workmen get, the greater become their wants." Thus a virtuous cycle would be established. Efficient business paying high wages and selling at low prices would give workers sufficient income to buy the goods that the businesses sell and time to enjoy life and consume the goods produced. People's greater free-time and mobility "gives them a chance to find out what is going on in the world," leading to a "larger" life – "more food, more and better goods, more books, more music – more of everything." "The people who consume the bulk of goods," Ford insisted, "are the people who make them. That is a fact we must never forget – that is the secret of our prosperity."

Ford cautioned that the 40-hour standard was not the final resolution of the issue, valid for all times. If introduced twenty years earlier, under more primitive manufacturing and organizational methods, general introduction of the eight-hour day would have led to poverty rather than wealth. In the future, the hours of work would again need to be reduced. Ford thought the next step would be further reduction in the length of the working day.

Reacting to Ford's five-day week, though, the National Association of Manufacturers surveyed the views of presidents of large business that belonged to the association, asking, "Will Henry Ford's five-day week, just put into operation in his plants, and now urged as ideal by labor leaders, be adopted generally by the industries of the country?"

The response: "It will not!" they replied in unison. And they enumerated the reasons:

> *1. It would greatly increase the cost of living.*
>
> *2. It would increase wages generally by more than 15 per cent and decrease production.*
>
> *3. It would be impracticable for all industries.*
>
> *4. It would create a craving for additional luxuries to occupy the additional time.*
>
> *5. It would mean a trend toward the Arena, Rome did that and Rome died.*
>
> *6. It would be against the best interests of the men who want to work and advance.*
>
> *7. It would be all right to meet a sales emergency but would not work out as a permanent thing.*
>
> *8. It would make us more vulnerable to the economic onslaughts of Europe, now working as hard as she can to overcome our lead.*
>
> *Mankind does not thrive on holidays. Idle hours breed mischief. The days are too short for the worthwhile men of the world to accomplish the tasks which they set themselves. No man has ever attained success in industry, in science, or in any other worthwhile activity of life by limiting his hours of labor.*

Notwithstanding the hostility of the National Association of Manufacturers and its members, Ford was not alone among business leaders who recognized the benefits of shorter working time. The roll call of entrepreneurs who enthusiastically endorsed shorter hours of work goes back to Robert Owen's 10-hour day at in the early 19th century and features prominently William Mather who introduced a 48-hour week at the Salford Iron Works at Manchester England in 1893; Ernst Abbe, who conducted rigorous experiments with reduction of the working day at the Carl Zeiss Optical Works in 1900: Lord Leverhulme, who established a six-hour day at his soap factory in Port Sunlight and wrote a book advocating its general adoption; Lewis Brown and W.K. Kellogg at Kellogg's, who, inspired by Leverhulme, implemented a six-hour day at Battle Creek.

The core of Steward's theory was the role of habit and emulation in establishing the workers' standard of living. As Gunton wrote, "habit not only governs our social wants, but it exercises an important influence over our physical wants also." The point of the shorter working day was to create an opportunity for workers to learn new and better habits. With regard to social emulation, Steward could arguably be credited with coining the phrase "keeping up with the Joneses." "The Smiths and Jones 'and everybody'," he wrote, "are going [to attend an evening concert], 'and who wants to be so different from everybody else.?'… The great majority of men and women must 'act like other folks.' 'What will people think?' or 'What will people say?' is the most terrible question which they can be asked." Unlike some 18th century thinkers, such as Benjamin Franklin and William Godwin, Steward, Gunton and Ford viewed the artificial expansion of needs in a more positive light, possibly because they saw the broader consumption as a result of more leisure rather than as a diversion or barrier to achieving that leisure.

Chapter Eight: A Fixed Amount of Work to Go 'Round

Thou builder of machines, who dost not see!

That which thou mad'st to drive, is driving thee – C. B. Going

Charles Buxton Going's poems appeared in *Harper's Magazine*, *Good Housekeeping*, *Ladies' Home Journal* and a dozen or so other magazines. It is sentimental stuff, prone to affectations and exclamations. Besides writing poetry, Going was the managing editor of *The Engineering Magazine* and a lecturer in mechanical engineering at Columbia University. In 1926 he published a biography of David Wilmot, an antebellum congressman and "Free Soil" proponent.

The May 1900 issue of *The Engineering Magazine* featured an article by Going, "Labour Questions in England and America," that crystallized, from the employers' perspective, what was at stake in the controversy over the eight-hour day. The key to understanding the matter lies in Going's distinction between the "seeming" and the "real" issues. According to Going – and to J. Stephen Jeans whom Going quoted extensively in his article – the conspicuous demand that unions put forward for a reduction in the hours of labor was *not the real issue*. Going even conceded that, "there is little question that the hours of working might be materially reduced without loss of wage earnings to the workman nor increase of cost of product to the employer." "In fact," he argued, "the theorem that a man's labour-production is directly proportional to his hours of working, is almost as fallacious as the trade-union proposition, that the amount of wage-winning work in the world is a definite quantity, and will be exhausted sooner by more diligent working."

"If the reduction of the hours of labour had indeed been the sole question," Going insisted, "it is doubtful if the employers would have made any very uncompromising stand, or would have received any very strong support from public opinion had they done so." The *real issue*, according to both Going and Jeans, was the determination of the unions to tyrannize over employers and impose regulations on them regarding the hiring of apprentices, the number of machines that could be operated by one employee, minimum rates of wages and the introduction of piece-work.

In an earlier article also cited by Going, H.M. Norris had written about the troubles he ran into in trying to implement a premium pay system in a factory of the Bickford Drill & Tool Company of Cincinnati, Ohio. Going concluded from Norris's account that:

> *There is no phase of the tyranny, of the stolid opposition to progress, of the blind adherence to false socialistic philosophy, of the cherishing of the "lump of labour" and other economic fallacies, of the determination to rule or ruin characterizing British trade unionism, which does not appear in full vigour in the efforts and aims of the present labour unions of the United States.*

The quotation above contains the first known published American reference to the "lump of labour.".It is clear from the context of Going's pronouncement that the fallacy claim did not pertain to the putative issue of the reduction of working time but to the alleged union regulations aimed, supposedly, at restricting output. Specifically, the employers' complaint was directed at obstruction by the unionized employees to the introduction of piece-work, or to some sort of premium plan in place of hourly wages. The strongest objection to shorter hours to be found in Going's article is a quote from Jeans that labelled "strangely inconsistent" the workers' claims, on the one hand, that reducing the hours would provide more employment but, on the other, that workers would perform as much work in eight hours as they previously had in nine. Superficially, those two claims may indeed seem paradoxical but only because of the habit of thinking in terms of a static relationship between productivity and employment. In a dynamic economy, the two are consistent. In fact, the two claims taken together are best viewed as an instance of the economists' faith that "technology creates more jobs than it destroys."

The "lump of labour" fallacy claim – the idea that advocates of shorter hours invariably commit a foolish logical error – emerged in the early decades of the 20th century as the banner under which militant opponents of the eight-hour day marched. The peculiar claim rests on little formal analysis but makes up for what it lacks analytically in relentless rote repetition and patronizing sarcasm. Since the days of the mercantilists, a hardy species of economists has flourished whose hostility toward high wages and shorter hours of work transcends whatever analytical frameworks may be in vogue. Sometimes their antagonism is masked by qualified protestations of sympathy, reminiscent of St. Augustine's prayer for chastity, "I'm all in favour of higher wages and shorter hours… But not now!" Surveying the attitudes of the classical political economists to the British 19th century Factory Acts, Mark Blaug concluded that Ten Hours advocates were "not far wrong" when they complained that the political economists were a major obstacle to factory reform. Blaug also observed that the level of formal analysis engaged in by economists opposing the Factory Acts "barely rose above the commonplace." Not to be outdone, the lump-of-labor fallacy claim often sinks far below the commonplace to libel and conspiracy theory.

From the 1920s to the 1970s, economics textbooks routinely recited the tale of a unionist or working class fallacy underlying the agitation for shorter hours. These sermons against the supposedly widespread fallacy faded away only after it had become clear that American unions had long abandoned demands for work-time reduction in favor of policies to stimulate economic growth through government deficit spending. At first, the lump-of-labor notion was only vaguely "connected" with the issue of shorter working time. Eventually, the allegation came to define, in the view of textbook authors, workers' motives for demanding shorter hours. Economist Frank Fetter appears to have been the first textbook author to explicitly allege the connection between the lump of labor and shorter working time – in a section of his *Economics*, published in 1916, Fetter wrote:

> *The shorter working day is advocated by most workers in the belief that it will result not in less pay per day, but in even greater pay than the longer day, even if the output should be decreased. This view is connected with the lump-of-labor notion. It assumes that men will work no faster in a shorter day, and that there is so much work to be done regardless of the rate of wages; and concludes that the shorter day will reduce the amount of labor for sale and cause wages to rise.*

In an earlier textbook, *Principles of Economics,* Fetter had discussed the lump of labor in connection with the introduction of machinery and with foreign trade but not shorter working time,

> *The 'lump of labor' idea, as it is called, is widely held, especially among workingmen. The notion is that there is exactly so much labor predetermined to be done; therefore, if machines are introduced, there is that much less for men to do.*

Following Fetter's lead, Raymond Bye's widely used textbook, first published in 1924, introduced first-year economics students to the supposed fallacy, as did dozens of other texts. In the late 1930s, Harry Millis and Royal Montgomery co-authored a labor economics textbook that summed up an otherwise quite credible discussion of the health, productivity and social benefits of reduced work time by dismissing the unions' *real* motive for wanting a shorter workweek as being based on the infamous fallacy. The first edition of Paul Samuelson's *Economics*, published by McGraw-Hill in 1948, warned against the lump-of-labor fallacy, as did each subsequent edition of the textbook. "Viewed from their personal standpoint," one version of the Samuelson fallacy claim conceded, "the lump-of-labor notion may not be so fallacious… But the lump-of-labor argument implies that there is only so much useful remunerative work to be done in any economic system, *and that is indeed a fallacy*."

It is indeed a fallacy that the amount of work to be done is fixed. But it is a fallacy that neither Samuelson nor anyone else has ever pinned convincingly on the argument for shorter hours. When asked to verify instances of the supposed belief, Samuelson could be no more specific than to reckon that, "the 'lump of labor' fallacy that my textbook wrote about was widespread during the Great Depression 1929-1935 and is still encountered in today's France." It is nonsense to claim "widespread" allegiance to a belief that one cannot cite any specific instances of.

There are several aspects of the lump-of-labor claim that need to be isolated and examined. First is the question of the origin and transmission of the claim. Second is the evidence for the claim or lack thereof. Third is the coherence and consistency of the claim. A fourth aspect, not readily apparent, is especially germane to the present investigation: how does the claim of a persistent popular fallacy square with assumptions about the rationality of the economic agent? The answer to that last question is: it doesn't. People who are held to persist in committing a fallacy can hardly be represented, in the next breath, as rational. We will return to that argument after first considering the history and logic of the lump-of-labor claim.

Origins of the Fallacy Taunt

The first known reference to a fallacious "Theory of the Lump of Labour" was in an article on piecework by David Frederick Schloss published in 1891. It is likely that the phrase is an adaptation of the slang "lump work," the first known published instance of which was in Henry Mayhew's *London Labor and the London Poor* originally published as a newspaper serial in the 1850s, which refers to a form of labor sub-contracting. Several of Schloss's contemporaries attributed the coining of the phrase to him and there appear to be no competing claims for authorship. According to its author, his criticism of the lump-of-labor fallacy had "nothing to do" with the question of the hours of labor. Schloss saw nothing wrong with the demand for shorter hours. In fact, he stoutly defended the movement for an eight-hour day on both social and economic grounds, while cautioning against unreasonable restrictions of work effort during the shorter hours of work. Schloss had previously used the expression, "lump of labour," in an 1887 article on immigrant Jewish workers. That earlier usage was strictly anecdotal and carried no inference of judgment or criticism.

The notion that there is some sort of economic fallacy attributable to ignorance or a hazy superstition common among working people – is a motif with a history going back at least to the Swing Riots of 1830-31. An 1830 booklet issued by the Society for the Diffusion of Useful Knowledge, *The Working-Man's Companion. The Results of Machinery, Namely Cheap Production and Increased Employment, Exhibited: Being an Address to the Working-Men of the United Kingdom*, sought to explain to ordinary workers that the introduction of machinery cheapened commodities and thus, in the long run, would expand trade and increase employment. If, in the short run, workers found themselves unemployed and destitute (and thus not overly sanguine about the glorious future prospects) well, they just needed to better understand that in the larger scheme of things their suffering was all for the best. A key prescription of this pamphlet, though, is that workers withdraw their labor from the market when wages are too low – which is hardly a standard remedy for workers suffering from the lump-of-labor fallacy.

More germane to the typical lump-of-labor fallacy claim as it emerged historically was a polemic that coercion and restriction were fundamental to the aims and methods of trade unions. For example, in her 1859 article, "The Secret Organization of Trades," Harriet Martineau claimed that the aim and object of trade unions was "to stint the action of superior physical strength, moral industry, or intelligent skill in order to protect the inferior workman from competition… in short, to apply all the fallacies of the Protective system to labour." According to the irrefutable logic of conspiracy theories, evidence was scarce for documenting the aims and objectives of trade unions precisely because they were so secretive.

One of Martineau's sources was an 1838 article from *The Edinburgh Review*, "Trades Unions and Strikes," which she presented as authoritative regarding the true motives and practice of trade unionism. The 1838 article commented on the conspiracy trial of five leaders of the

Glasgow Cotton Spinners Association, which took place in the wake of a strike and the murder of John Smith, a strike-breaker. In his capacity as Sheriff of Lanarkshire, Archibald Alison, the article's author, had conducted the raid on the union meeting and arrested the accused. In "Trade Unions and Strikes," Alison discussed the "leading particulars and principles on which all Trades' Unions are founded" in detail. Among the myriad restrictions imposed by "this despotic body" "upon the freedom both of capital and labour" were regulations regarding wages and hours of work:

> *The ruling Committees also take upon themselves to fix the number of hours which the men are to labour, and the wages they are to receive. It would be incredible, a priori, to what a length in some trades their laws carry this restriction; and how effectually, by a compact, well organized combination, they can succeed in raising, for a long period, the price even of the most necessary articles of life.*

Just a month or so before publication of Alison's article, the Irish nationalist and Member of Parliament, Daniel O'Connell, had issued a similar denunciation in the House of Commons of the purposes and practices of trade unions. Hansard reported on O'Connell's remarks:

> *The combination had for its object to close the market of labour; it sought to keep persons from entering into a competition in the market of labour, and to raise the wages by diminishing the supply. The monopoly was almost complete in Dublin. There was nothing to equal the regulations and the arrangements for keeping up that monopoly. The right hon. Gentleman had well said, that there was no tyranny equal to that which was exercised by such persons over their fellow-labourers who endeavoured to carry their own labour into the market.*

It is possible that the sensation of the Glasgow murder and trial conferred the status of conventional wisdom upon the rhetoric about the tyranny of unions. The clearest and most comprehensive exposition of the thesis, however, came four years earlier in a pamphlet written by the Assistant Poor Law Commissioner, Edward Carleton Tufnell, "Character, Object and Effects of Trades' Unions." Tufnell's unabashed hostility toward trade unions may be well summed up in the pamphlet's concluding sentence:

> *Were we asked to give a definition of a Trades Union we should say that it was a Society whose constitution is the worst of democracies whose power is based on outrage whose practice is tyranny and whose end is self destruction* (p. 125).

As for the lump-of-labor fallacy *per se,* Tufnell's analysis of the cotton spinners' support for the Ten-hour Bill could serve as a template for all subsequent denunciations of the "ulterior designs" underlying the demand for shorter hours:

> *The Union calculated, that had the Ten-hour Bill passed, and all the present factories worked one-sixth less time, one-sixth more mills would have been built to supply the deficient production. The effect of this, as they fancied, would have been to cause a fresh demand for workmen*; *and hence, those out of employ would have been prevented from draining the pockets of those now in work, which would render their wages really as well as nominally high. Here we have the secret source of nine-tenths of the clamour for the Ten-hour Factory Bill, and we assert, with the most unlimited confidence in the accuracy of our statement, that the advocacy of that Bill amongst the workmen, was neither more nor less than a trick to raise wages—a trick, too, of the clumsiest description; since it is quite plain, that no legislative enactment, whether of ten or any other number of hours could possibly save it from signal failure* (p. 29).

Nine years after Harriet Martineau published her anachronistic expose of the secret organization of trade unions, in an 1868 treatise on *Workmen and Wages,* James Ward claimed to have identified "the real cause of the objection to piecework and overtime…" which constituted "the fallacy which lies at the bottom of this whole system [of trade unions]." That fallacy, Ward insisted, was:

> *…the view that wages being determined in their amount by importunity and combination, they form a fund for the general benefit of all, and that the fund gained by the contributions and exertions of all ought not to be encroached upon by the superior strength and dexterity of a few.*

In the tradition of classical political economy, Ward accepted the doctrine of a "wage-fund," the magnitude of which was given at any particular time. The fault of the unionist was that, without consideration for the fund's source or continuation, "his aim was to get as much out of the wage-fund as possible." But three years later, John Wilson added a new twist to the wage-fund angle by attributing "the enforcement of all sorts of arbitrary restrictions on the combined workmen" to a "Unionist reading of the Wage-fund theory." The unionists were damned if they did and damned if they didn't. Initially unionist were accused of not understanding and abiding by the irrefutable principles of the wages-fund. But when economists eventually abandoned the wages-fund idea, they turned the argument around and accused unionists of clinging to the archaic and discredited doctrine. In the late 1880s, Alfred Marshall followed in this tradition when he posited the existence of a "work-fund" doctrine analogous to the wages-fund doctrine.

The October 6, 1871 in the *New York Times* report on the Newcastle strike appears to be the first instance where the now canonical wording of the fallacy claim was used. Again the distinction was made between the avowed aims of the strikers and the "real," ulterior designs. "Their theory is that the amount of work to be done is a fixed quantity, and that in the interest of the operatives, it is necessary to spread it thin in order to make it go far." The formulaic nature of the phrasing is demonstrated by an almost identical repetition nearly five years later in the April 1, 1876 *Saturday Review of politics, literature, science and art,* "The root of the mania which has had such a disastrous effect on the material prosperity of the country, and, above all, of the working classes, is the idea *that the amount of work to be done is a fixed quantity,* quite independent of any efforts which may be made to encourage and stimulate demand, and that, therefore, the best course is *to spread it thin in order to make it go as far* as possible." The reference to a "certain quantity of work to be done" may ultimately hark back again to Mayhew's *London Labour and the London Poor* perhaps by way of William Thornton's phrase in *On Labour: its wrongful claims and rightful dues,* "the quantity of work to be done is a fixed quantity." Both instances were sympathetic discussions of the situation of workers.

It would be useful at this point – before moving on to rebuttals – to pause and summarize the vagaries in the fallacy story as it has unfolded over the years. The alleged objectives sought by workers have included resisting the introduction of machinery, piecework and overtime; standardization of wages without regard to effort or skill; and increasing wages without regard to output or market conditions. Meanwhile the alleged error has been to assume that the amount of wages or of work to be done is either constant or will not be affected by the productivity or otherwise of labor. The authors of these fallacy stories display attitudes that range from patronizing condescension to outright hostility toward workers and trade unions. The implied actor who commits these fallacies is either painfully ignorant, negligent, a crank or – if rational at all – a conspirator. Very often the fallacy claim rests on an alleged breach between the stated objectives and motives of the unions and their supposedly real – and nefarious – aims.

"Exactly the Opposite"

Over the years, labor leaders and their sympathizers repeatedly disavowed the intention to restrict output and the fallacious assumptions that go along with it. It would be hard to find a more comprehensive and authoritative reply to the restriction of output complaint than the 921 page 11th Special Report of the U.S. Commissioner of Labor on *Regulation and Restriction of Output* prepared and edited chiefly by John R. Commons and issued in 1904. A paragraph in the conclusion to that report neatly summed up why "the question of restriction of output… is not as simple as it has been supposed to be." Investigators concluded that workers were increasingly insisting that changes in work organization, methods or materials be by mutual consent and this only resulted in "restrictions of output" when compared to some hypothetical level that might presumably be attained if employers could impose their efficiency plans at will – assuming the employers' schemes were well-founded (which often they weren't). The Commission report offered a simple, clear and reasonable explanation that didn't require any elaborate speculation about fallacious theories or nefarious motives. As for the question of reducing the hours of work, the Commissioner's report was even more disdainful of the claims about restriction of output:

> *Considered solely with reference to speed or intensity of exertion, a moderate reduction in the number of hours of labor each day usually tends to increase the speed rather than to restrict it. From the standpoint of exertion, a reduction of hours is* exactly the opposite *from a restriction of output [emphasis added].*

The Manufactured Crisis In British Industry

The background to the Commission inquiry included a wave of strikes and a tide of propaganda and employer agitation in the U.K and the U.S. in the late 1890s and early 1900s. In 1901, a series of reports appeared in the *The Times of London* under the running title of "The Crisis in British Industry." The dispatches from an unnamed correspondent claimed to document abuses by unions that were undermining British competitiveness. The lead article in the series revealed the sinister motive underlying this presumed union scheme for "spreading the same amount of work among more people":

> *It was hoped to "absorb" all the unemployed in course of time, not by the laudable and much-to-be-desired means of increasing the volume of trade, and hence, also, the amount of work to be done, but simply by obtaining employment for a larger number of persons on such work as there was already. The motive of this aspiration, however, was not one of philanthropy pure and simple. When all the unemployed had been absorbed the workers would have the employers entirely at their mercy, and would be able to command such wages and such terms as they might think fit. The general adoption of the eight hours system was to bring in a certain proportion of the unemployed; if there were still too many left the eight hours system was to be followed by a six hours system; while if, within the six, or eight, or any other term of hours, every one took things easy and did as little work as he conveniently could, still more openings would be found for the remaining unemployed, and still better would be the chances for the Socialist propaganda.*

Samuel Gompers, president of the American Federation of Labor, termed such claims about the motives and policies of labor "a libel and malicious invention of irresponsible and plutocratic foes of organized labor." The issue was never about whether there was restriction of output. Few authorities, including union leaders, would deny that such restrictions occurred. The malicious and unsubstantiated parts of the accusation were that such restrictions were pervasive; that they were always inherently irrational or illegitimate and that they emanated from thuggish or Machiavellian motives.

The *Times* articles were written by Edwin A. Pratt but William Collison, the publicist for the strikebreaking National Free Labour Association, claimed to have "provided the information for them." In 1906, James Emery, the chief counsel of the National Association of Manufacturers (NAM), sponsored Collison in a lecture tour of the United States. David M. Parry, the militantly anti-union president of the NAM also wrote a dystopian novel – published in 1906 – which borrowed generously from the *Times*' "fixed amount of work to be done" theme. In one scene in the novel, a dissident doctor from the lost civilization of Atlantis explains to the sojourning hero, John Walker, how the Federation of Labor had sown the seeds of the place's degradation:

> *The leaders of the Federation said that there was a certain amount of work to be done in Atlantis, and that the competition among the workers for the chance to do this work made*

> *it possible for the employers to reduce wages. "Now," said they, "all that needs to be done is to get rid of this competition. Let us shorten the hours and let no man perform any greater share of this labor than he can possibly avoid, and then we shall have a condition in which the competition will be transferred to the employers – a condition in which the employers will bid against each other to secure men to perform the necessary work of the nation."*

The announced goal of the NAM propaganda campaign for the open shop, launched by Parry at the Association's 1903 convention, had been no less than "pulling up, root and branch, the un-American institution of trades unionism." Parry was only slightly more circumspect when he described the role he envisioned for the free press in his avowed enterprise of crushing the unions, "The newspapers finding that they have the moral support of a strong employers' association, can, I think, be depended upon to take a more positive stand against the outrageous practices of unionism than it is wise for them to do without such support." What that "moral support" meant in practice, according to a contemporary account, was that local affiliates of the NAM's civic-action front group, the Citizens Industrial Association of America, were expected to see to it that "pressure is brought to bear upon the local newspapers through its advertising members." Parry's successor as president of the NAM, cereal tycoon Charles W. Post, was a key strategist for the organization's publicity campaigns. At the NAM's 1906 convention, Post boasted about the results achieved:

> *…two years ago the press and pulpit were delivering platitudes about the oppression of the workingman. Now this has all changed since it has been discovered that the enormous Labor Trust is the heaviest oppressor of the independent workman as well as the common American Citizen. The people have been aroused and are now acting. It has been the duty of this Association to place the facts before the people by various forms of publicity in the work of moulding public opinion to a point of active self-defense.*

Post had made his fortune by adopting the techniques of the 19th century patent medicine show for the promotion of packaged foods. He advertised 'Grape-Nuts' and 'Postum' as cure-alls for everything from consumption, appendicitis and malaria to 'Loose Teeth Made Sound by Eating Grape Nuts,' as one of his ads proclaimed. Post was also notorious for spending what for the time were extravagant sums of money on advertising and for using the leverage of that spending to intimidate the press and keep them from criticizing his fraudulent claims.

Given the activities of the open-shop movement, it is somewhat surprising that little has been reported by secondary sources about the movement's ideological sophistication and propaganda expertise. In a 1903 speech, though, Jack London aptly described the organizations as "leagues of class-conscious capitalists . . . formed for the purpose of carrying on their side of the struggle. Like the socialists, they do not mince matters, but state boldly and plainly that they are fighting to subjugate the opposing class." Such description is confirmed by the proceedings of the 1903 convention of the National Association of Manufacturers, particularly the presidential address presented by David M. Parry and an address by John Kirby Jr. on "What Should Be the Attitude of Employers toward Labor." In a master stroke of understatement, American labor historian, Selig Perlman, described Parry's speech as giving "emotional utterance to the feelings of many of the medium-sized and smaller manufacturers" and as "bitterly assail[ing] the tyranny of organized labor and urg[ing] the employers to make sacrifices . . ." The transcript of Parry's speech reveals instead a sustained "denunciation of organized labor" (Parry's own words), a diatribe that exceeds 50 pages in the proceedings, expounding upon the following theme:

> *Organized labor knows but one law, and that is the law of physical force – the law of the Huns and Vandals, the law of the savage. All its purposes are accomplished either by actual force or by the threat of force. It does not place its reliance in reason and justice, but in strikes, boycotts and coercion. It is, in all essential features, a mob-power, knowing no master except its own will, and is continually condemning or defying the constituted authorities. The stronger it grows the greater a menace it becomes to the continuance of free government, in which all the people have a voice. It is, in fact, a despotism springing into being in the midst of a liberty-loving people.*

That call to arms, it should be noted, was issued at a time when around six percent of the American workforce was unionized. But if Parry ever doubted whether his demonizing of organized labor was explicit enough, he cleared the matter up near the conclusion of his speech with the following apocalyptic image:

> *When one observes the thousands of toilers of that city [Chicago] with the badge of trades unionism upon their coats, or, after the manner of the Teamsters' Union, on the*

> *front of their hats or caps, one is reminded of the words of St. John, in Revelations. In the thirteenth chapter of the prophecy he refers to a beast which arose from the sea and caused no end of torment to mankind. Speaking of the work of this beast, St. John says, in the sixteenth and seventeenth verses:*
>
> *'And he causeth all, both small and great, rich and poor, free and bond, to receive a mark in their right hand or in their foreheads. And that no man might buy or sell save he that hath the mark, or the name of the beast, or the number of his name.'*

Not quite as colorful, but still extreme, was Parry's assertion that the "vicious" bill then before the U.S. Senate to extend an eight-hour day to government contractors would more appropriately be entitled "An Act to Repeal the Bill of Rights Guaranteeing the Freedom of the Individual." Contemporary observers of industrial relations, Hollander and Barnett summed up the policy toward labor of the hostile anti-union employers' groups:

> *Nothing less than the entire destruction of the power of the unions, whether the exercise of that power be legitimate or not, can fulfill the purpose of these militant associations. They refuse to recognize the generally conceded right of unions to exist in the present industrial regime, and deny that unions have a legitimate function.*

That conclusion is confirmed in Parry's address to the 1903 convention:

> *The most obvious way in which employers' associations can accomplish good is to conduct a propaganda along the lines of truth and justice and thus administer an antidote of common sense for the sophistry of the agitator which is now poisoning the minds of so large a mass of the people. . . The newspapers finding that they have the moral support of a strong employers' association, can, I think, be depended upon to take a more positive stand against the outrageous practices of unionism than it is wise for them to do without such support. The employers association can stand for the right of its members to employ whom they please, for the right to hire as many apprentices as they deem necessary, and for the right to conduct their business untrammeled by the many petty exactions of unionism. They can also perform a great service by making it possible for thousands of men to shake off the shackles of unionism, which they now unwillingly bear, and they can furnish protection to the independent workman who holds dear the right to dispose of his labor as he sees fit. THUS IN MANY WAYS CAN EMPLOYERS' ASSOCIATIONS SET*

> *ABOUT THE TASK OF PULLING UP, ROOT AND BRANCH, THE UN-AMERICAN INSTITUTION OF TRADES UNIONISM, AS AT PRESENT CONDUCTED [emphasis in original]*.

The NAM became extraordinarily influential in the years before World War I, even to the extent that it was referred to in newspaper reports as the "invisible government" after a scandal came to light in 1913 about their lobbying methods and the extent of their political influence. Their propaganda campaigns were comprehensive. They included comic strips, movies, lectures, magazines, newspaper editorials, pamphlets, orchestrated letter and telegram campaigns. The association had to tone down its stridency after the 1913 congressional investigation into its corrupt activities. Meanwhile, the lump-of-labor charge against unions drifted into the pages of introductory economics textbooks.

The NAM openly published material clearly aimed at the college market, such as the *Open Shop Encyclopedia*. It maintained an Open Shop Publicity Bureau, subsequently renamed Industrial Relations Department, headed by a former University of Minnesota economics professor, Noel Sargent, the express purpose of which was "educating the public". But to what extent the NAM and its allies influenced or censured economics textbooks must remain largely conjectural and circumstantial, since much of the suspected activity would have been conducted behind the scenes. There is one celebrated case of a NAM campaign in the 1940s against a junior high school social studies textbook series developed by educator Harold Rugg. A related glimpse of the sort of thing that may have been going on in private can be had from the case of the utilities companies' "information committees" in the 1920s, which conducted sweeping textbook reviews and exerted pressure on educational authorities, publishers and authors. Those activities were investigated by the Federal Trade Commission in 1928 and reported in *The Propaganda Menace* by Frederick Lumley.

In 1922, the NAM Open Shop Publicity Bureau "supplied 1,500 colleges and university teachers of economics and sociology with material.... Practically all of the college and university teachers of sociology, government, and economics receive our publications." At the NAM's 1923 convention, president John Edgerton credited Sargent with attracting "a great deal of favorable attention from our seats of learning in this country. He is teaching the teachers. He is teaching the professors and college presidents." Among the contributors to NAM "educational literature" were Harvard University President Charles W. Eliot and University of Chicago economics professor and founder of the Journal of Political Economy, J. Laurence Laughlin. Other conspicuous advocates of the NAM open shop policy included Chancellor James Roscoe Day of Syracuse University, President George B. Cutten of Colgate University and Dean Robertson of New York University. In its relations with the press, the Association sent out materials to newspapers, monitored the take-up of these stories by the papers, rewarded (with advertising revenue) those newspapers who towed the line and punished those who didn't through blacklists and boycotts. It made no secret of those activities; rather it extolled them as the organization's sacred and patriotic duty to uphold the US Constitution and the Ten Commandments of the Old Testament, as President Edgerton boasted in a 1920 address to the Tennessee Manufacturers Association. "When the people of this enlightened country surrender to the absurdity of the argument for the so-called closed shop and accept it as an established institution, they will owe it to the devil to repudiate the Decalogue and repeal the Constitution of the United States."

It is not as if such efforts would have encountered a hostile or even indifferent reception. American universities in the early decades of the 20th century were notoriously conservative and elitist institutions. Thorstein Veblen's *The Higher Learning in America* and Upton Sinclair's *The Goose Step* give a sense of the general climate. The great majority of university trustees were businessmen or allied professionals. Students generally came from the upper middle classes and went on to become businessmen or professionals. College men were routinely recruited to work as strike-breakers and did so enthusiastically. Strikebreaking was not something the collegians did out of desperation for the money – it was a cause they believed in. And let's not forget textbook companies themselves – some of which were active members of anti-union employers' organization. For example, McGraw-Hill was a leading member of the NAM's public relations committee during its anti-New Deal "American Way" campaign and published NAM propaganda in trade edition books.

Among the leading academic apologists for the militant employers' organization was J. Laurence Laughlin, founding chairman of the economics department at the University of Chicago. On November 15, 1905, Laughlin delivered an address titled "The Unions Versus Higher Wages" to a banquet of the Citizens' Industrial Association, a NAM front group, in St. Louis, Missouri. Laughlin subsequently published his banquet speech in the March 1906 issue of the journal he edited, *The Journal of Political Economy*.

Laughlin's speech was largely devoted to defamatory statements against workers as, at best, narrow, uneducated, unable to reason correctly and ignorant of the "trials and difficulties of running a great business" or at worst "shiftless, drunken, incompetent, or trouble-making." Meanwhile Laughlin denounced union leaders as "dishonourable, unscrupulous, lecherous and pig-headed men, who would be a disgrace to any penal colony." Aside from the copious verbal abuse, Laughlin's argument boiled down to the following:

1. The trade unionists' own statements about their motives and objectives were disingenuous and therefore could be dismissed without consideration.

2. The trade unionists' *real* motives and objectives (as divined by Laughlin) were the fomenting of class hatred, the dissemination of socialistic and Un-American literature, the systematic restriction of output and the enforcement of a vast monopoly on the supply of labor.

3. Because the theories and policies of the trade unions (that is to say, the theories and policies attributed to them by Laughlin) were indefensible, they had given rise to "a series of acts of violence which have shocked the civilized world" and cultivated an endless parade of "unwise and brutal" leaders. "The ignorance, lack of business habits, and helplessness of the laboring classes has been seized upon by clever and designing men as a means of fattening their own purses, and getting the resources for the indulgence of their lowest vices."

4. The true path to higher wages lay with increase of productivity, which, after all, was the sole motive and objective of the employer. If workers would only do what their employers tell them to do with all their energy and enthusiasm, it would be impossible for them to escape being rewarded for their increased efficiency.

In the course of his address, Laughlin made passing mention of the names of "some of the brightest minds in the economic world": Ricardo, John Stuart Mill, F.A.Walker and J.B. Clark. What was the sum total of the "thinking of the best economists", who "devoted their lives to the study of the causes of wages"? Why, it was the "general truth" ("the answer is as plain as day") that "increase productivity and wages rise" which is "only another way of saying that a skilled man gets more than an unskilled man."

NAM propagandists seldom missed an opportunity to repeat the claim that the eight-hour day movement was based on a venerable economic fallacy – "It is the statement as an economic fact of the old, old fallacy that men can restrict their output and thus make work for more men…" (Walter Drew, "The Real Problem of the Eight-Hour Day), "And we have the old fallacy that eight hours a day will mean more men to be employed." ("The Proposed Federal Eight Hour Law and What it Means, reprinted in C.W. Post's *The Square Deal*).

The lump-of-labor charge has a long and convoluted history, surviving several explanatory twists and turns and passing effortlessly from the propaganda mills of employer associations, to newspaper columns to introductory economics textbooks. If, on the one hand, claimants were remiss in providing textual evidence to support their claims of fallacy, their insistence that shorter work time advocates invariably committed the fallacy creates a double bind for the concept of economic man. For if economists accede to the lump-of-labor notion that workers are notoriously naïve and unreasoning regarding the sale of their labor, how can they then assume, in abstract economic analysis, that those same individuals are rational economic actors? It would appear that the economists' perverse attachment to an unsubstantiated fallacy claim reveals a latent ambivalence – and a lack of rigorous commitment – toward their supposedly canonical economic man. As a pedagogic staple, the lump-of-labor fallacy claim is a *prima facie* exercise in bad faith.

Chapter Nine: The Riddle of Social Justice Solved

> *The days are gone when it was necessary to combat the* naïve *assumption that the connection between hours and output is one of direct variation, that it is necessarily true that a lengthening of the working day increases output and a curtailment diminishes it.* – Lionel Robbins

On August 26, 1909, at a meeting of the Economics and Statistics Section of the British Association for the Advancement of Science, in Winnipeg, Manitoba, Sydney J. Chapman unveiled his economic theory of the hours of labor. The theory was subsequently published in *The Economic Journal*. Chapman's analysis arrived at several remarkable and far-reaching conclusions. First, the length of working day that would be best for workers' welfare is shorter than the length that would produce the largest output. Second, the play of competition would tend to make the working day too long, even from the standpoint of production. Third, improved methods of production would lead to a progressive reduction of the optimal length for the working day. As a consequence, renewed conflict over the length of the working day would break out from time to time.

Not only were those conclusions novel from the point of view of conventional economic teaching, they also had important practical implications for public policy regulating the hours of work. If the hours of work established by the market were likely to be too long, even from the perspective of total output, then legal limitation of the working day could aid not only equity but also economic efficiency.[11] This possibility challenges the popular myth – often presented as an economic truism – that there is a "trade-off" between equity and efficiency goals and, furthermore, that economic efficiency is best served through the workings of a competitive market. Chapman's theory calls both of those suppositions into question. It does so from within the tradition of neoclassical economics, using the approved tools and standard assumptions.

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[11] Pigou had summarized these inferences as, "If then, as we have shown, the play of normal economic forces is liable to make the working day too long for the best interests of the national dividend, a fortiori it is liable to make it too long for the best interests of economic welfare" (p. 467).

The leading economists of the day acclaimed Chapman's theory. Alfred Marshall cited Chapman's theory as authoritative. So did Marshall's successor at Cambridge, A.C. Pigou, who based his own discussion of working time in *The Economics of Welfare* on Chapman's theory. Lionel Robbins referred to Chapman's article as having effectively dealt with "one of the chief problems of the analysis of economic equilibrium" – i.e., the determination of the hours of work in industrial civilization. John Hicks, called the theory the "classical statement of the theory of 'hours' in a free market", and presented a meticulous six-page précis of it.

It wasn't as if Chapman's theory was eccentric or Chapman himself was a radical fringe figure. Chapman's theory built on Stanley Jevons's well-established analysis of individual labor supply, supplemented by an accumulation of statistical and experimental evidence. Chapman had been Marshall's star pupil at Cambridge for three years before moving on to Manchester where he completed a prize-winning study of the Lancashire cotton industry. He rapidly rose to a professorship of political economy at Manchester's Owens College (which in 1904 became Victoria University) and was appointed dean of the newly established faculty of commerce and administration there. In that role, from 1904 to 1917, he pioneered an exemplary teaching and research program.

At the start of the first world war, Chapman was asked by the British government to direct research into wartime production. By 1918, he had become a full-time civil servant. The following year he was appointed joint permanent secretary of the Board of Trade and subsequently served seven years as permanent secretary. In 1920, he was knighted for his contribution to the war effort. In 1927, Sir Sydney Chapman was appointed chief economic advisor to the British government, a post he held until 1932.

Chapman argued that the importance of leisure, both to industrial productivity and to individual well-being, must rise along with technical progress. As industrial processes became more intensive and specialized, the faster pace of working and the mental concentration demanded from workers would accelerate fatigue and thus would make it less productive to continue working longer hours. The optimal length of the working day would thus decline. At the same time, higher incomes from increased output would also make leisure time both more attractive and more affordable to workers. Those changes in both the optimal length of the working day and the value of leisure to workers would lead to demands for corresponding reductions in the actual length of the working day: "agitation for shorter hours will be constantly breaking out anew." Recall that Marx had also written, in Capital, that the intensification of work following a reduction in working time would soon lead to demands for yet another reduction of working time.

Chapman arrived at this conclusion after reviewing a mass of evidence from the 19th century that reductions in the hours of work had not led to proportionate declines in output. From that evidence, he inferred that workers required more leisure time to fully recover from the fatigue of work as industrial methods became progressively more intensive. Thus when the hours of labor were reduced, the better-rested workers were often able to produce as much or more in the shorter hours than they had previously in longer hours.

Most importantly, Chapman's analysis also suggested that competition between employers would make it unlikely that a working day of optimal length could be established solely through the working of a free market. The reason for this was that the long-term maintenance of a working day of optimal length for output would require employers to exercise short-term restraint. Such restraint, however, could be undermined because competing firms could always offer higher wages to poach well-rested employees from a firm that did exercise such restraint. The enlightened firm would thus be making a sort of investment without equity in the workers' well-being. For this reason, the length of working day sought by employers under competitive conditions would tend to be longer than would be optimal for output. A working day of optimal length could only be maintained if all employers acted together in enlightened accord.

The length of day that would be best for workers' welfare would be shorter than that which could produce the greatest total output. But workers, too, would tend to disregard the long-term effects of working time on fatigue, productivity and ultimately on wage levels. In forming their preferences for income and leisure, they would be predominantly influenced by *current* wage levels. This would result in workers seeking a working day longer than would be prudent in the long run, although still shorter than that sought by employers acting competitively. The prevailing concern of both employers and workers for immediate self-interest would bias the preferences of each toward a longer than optimal length of the working day.

Among the "experiences of yet another half generation" added to the facts collected by John Rae in 1894,Chapman called particular attention to the 1902 report of the United States

Industrial Commission. In the years after Chapman's theory was published there were to be even more empirical confirmation, such as H.M. Vernon's studies of British munitions factory workers during World War I and Kossoris's American study of war work during World War II. In the meantime, Josephine Goldmark, Philip Sargant Florence and John Maurice Clark produced compendia of the empirical record and further theoretical contribution on the relationship between hours of work and efficiency. The bulk of theoretical and empirical work on the topic during the first third of the twentieth century would seem to have confirmed Robbins's confidence that the days were indeed gone that economists would assume that the "connection between hours and output is one of direct variation, that it is necessarily true that a lengthening of the working day increases output and a curtailment diminishes it."

The New Deal and Shorter Hours

During the 1932 presidential elections both political parties adopted election platforms calling for work-time reduction as a response to the unemployment of the Depression. One month after the inauguration of Franklin Roosevelt, the new administration was shaken by the passage in the Senate of the thirty-hour workweek bill sponsored by Senator Hugo Black of Alabama. By that point, Roosevelt had decided against taking action to stimulate economic recovery. Passage of the Black Bill changed everything. Under intense pressure from the Chamber of Commerce and the National Association of Manufacturers, Roosevelt was convinced the thirty-hour law would be both unworkable and unconstitutional. In response, he commissioned several disparate groups of advisors to draft a recovery bill. The result was a hodge-podge of programs unified, according to Leon Keyserling, Rexford Tugwell and William Connerly, mainly by the aim of deflecting the shorter working time alternative.

By the early 1930s, in response to the mounting unemployment of the Depression, political pressure for work time reduction and work sharing came from a variety of sources. At its 1930 convention in Cleveland, the American Federation of Labor adopted a resolution demanding immediate implementation of a thirty-hour workweek. In the summer of 1932, the Hoover administration launched a voluntary work-sharing movement headed by Standard Oil executive, Walter Teagle. In the period between Roosevelt's election and his inauguration, the Technocracy organization briefly flared, along with its prescription of an eventual 16-hour workweek and much shorter working career. A new rationale for shorter hours presented in Arthur Dahlberg's *Jobs, Machines and Capitalism* lent the movement intellectual vogue and respectability.

The tone for much of the debate in the 1930s around working time had been set in 1920 in a *New York Times* essay by Canadian political economist, Stephen Leacock – best known for his humorous short stories – titled "The Unsolved Riddle of Social Justice." In his essay, Leacock advocated a "rest cure" for society. "The nerves of our industrial civilization are worn thin with the rattle of its own machinery," Leacock wrote, "The industrial world is restless, over-strained and quarrelsome. It seethes with furious discontent, and looks about it eagerly for a fight. It needs a rest." Leacock argued that reducing the hours of work "should be among the primary aims of social reform," and recommended "such a shortening as will strain the machine to a breaking point, but never break it."

Leacock's argument rested on four pillars. The first two were his repudiations of both laissez-faire and socialist doctrines. The third was the recent experience of increased war-time production, aided by mechanical power and invention, in the face of a much reduced labor force population. "There need be no fear that with shortened hours of labor the sum total of production would fall short of human needs. This, as has been shown from beginning to end of this essay, is out of the question." Leacock's fourth pillar was a call for an imaginative break of 'public opinion' from outdated and grotesque conventions. The only real difficulty Leacock foresaw to the shortening of the hours of work was that moving too fast to alter things "may dislocate the industrial machine." Nevertheless, he implored, the nation "ought to attempt such a shortening as will strain the machine to a breaking point, without breaking it."

> *Not much can be done at once. But the process can be continuous. The short hours achieved with acclamation today will later be denounced as the long hours of tomorrow. The essential point to grasp, however, is that society at large has nothing to lose by the process. The shortened hours become a part of the framework of production. It adapts itself to it. Hitherto we have been caught in the running of our own machine: it is time that we altered the gearing of it.*

Leacock's appeal for shorter hours inspired and was echoed in a novel analysis by Arthur O. Dahlberg, who was also influence by Thorsten Veblen and Stuart Chase. Dahlberg's key argument in *Jobs, Machines and Capitalism* was that capitalism tolerated, encouraged and, in some circumstances, virtually required employers to waste the effort of workers by stimulating artificial needs for worthless consumer goods, expanding production facilities beyond actual requirements, differentiating products in frivolous ways and competitively establishing needlessly redundant distribution channels. Rather than attempting to address each instance of waste in isolation, Dahlberg, argued, the maintenance of a relative labor scarcity would impose a financial discipline on employers that would discourage the leaking of excess profits into such wasteful pecuniary competition. Such a labor scarcity could be achieved by judiciously shortening the hours of work.

Dahlberg was keen to distance his advocacy of shorter hours from that of "Ira Stewart" [sic], George Gunton and Henry Ford. As Dahlberg explained, those earlier advocates of shorter hours thought increased leisure would foster desires for more material goods and that the increased expectations would raise wages. He objected to that view on the grounds that "the power to redistribute income must precede the injection of new wants if labor is to benefit." He also complained that the Steward/Gunton/Ford theory overlooked the changed nature of consumer goods, which would prevent wants from ever catching up with labor supply. The key to raising wages, in Dahlberg's view, was labor shortage not increased wants and desires.

The Teagle Share-the-Work Committee

In August 1932, President Herbert Hoover established a voluntary share-the-work committee chaired by Walter Teagle, president of the Standard Oil Company of New Jersey. In an article published in the *New York Times* a month later, Teagle responded to criticisms of the plan. He explained that work-sharing had evolved gradually as a spontaneous response to the employment crisis in the years preceding establishment of the committee. It was not an abstract theoretical proposition. Large employers, such as Standard Oil of New Jersey, US Steel, Bethlehem Steel and International Harvester adopted work-sharing on their own as an alternative to permanent lay-offs of a large number of workers. It was only when attempts were made to co-ordinate such action that they had become subject to criticism.

Teagle stressed the limitations of the work-sharing remedy. He saw it as an emergency measure that shouldn't be carried too far. He also advised that it should be done in cooperation with the workers and in consultation with the community. Work-sharing, as Teagle envisioned it, usually involved a proportionate reduction in income and thus was unsuitable for low-wage workers who already were not earning enough. As business picked up, Teagle expected the movement to "evaporate like gasoline in the open air."

As an example of a well-conceived scheme, Teagle pointed to the New Hampshire plan, which levied a contribution on higher paid workers in order to subsidize the pay of the lower paid. Another variation was to reduce pay uniformly by a given percentage down to an agreed upon minimum. The achievements of work-sharing, Teagle conceded, had been mostly in the preservation of existing jobs and not substantially in re-employing idle workers. Work-sharing also faced the objection that it placed an unfair burden on workers, which should instead be borne by taxpayers in general. Teagle pointed out in reply that government budgets were already facing large deficits and that corporate finances were reduced to cash for working capital, without which business couldn't continue to operate.

The Odenheimer Plan

Sigmund Odenheimer, a New Orleans cotton manufacturer, proposed a constitutional amendment that would give Congress the power to legislate on the hours of labor. His plan, so he claimed, would guarantee, "jobs for everyone, every week in the year." Under the Odenheimer plan, Congress would create a permanent "Hours of Labor Commission" whose members would be appointed by the President. One week after the President appointed the Commission, it would issue an edict establishing the number of hours in a week that could be worked in all places of work employing five or more people. The penalties for violation would be fine and imprisonment. The proclaimed workweek would be just long enough to ensure than everyone had a job. Thereafter, the commission would regularly adjust the workweek depending on economic conditions. The guarantee of employment would increase consumer demand in two ways. First, it would provide more disposable income to those who are presently unemployed; and second, it would give currently employed workers a sense of security and confidence to spend their current earnings rather than hoarding them out of fear of job loss.

Odenheimer's system would, in the first instance, simply redistribute the available hours of work and the wages that corresponded to them. However, he believed that the increase in consumption, resulting from greater security and broader distribution of income would quickly lead to an increase in production, a lengthened workweek and more pay. The stabilization of business conditions would eliminate panic price-cutting and thus enable a rapid increase in wages.

An Orthodox Rebuttal

During the Great Depression, not everyone agreed that shorter working time was an appropriate policy response to unemployment. Thomas Nixon Carver's December 1931 presentation at the annual meeting of the American Economic Association examined the issue of "Shorter Working Time and Unemployment," The presentation and a panel discussion of it were summarized in the *American Economic Review* for March 1932.

Professor Carver detected four 'errors' in the reasoning of those who advocate shorter working time as cure for unemployment: First, working shorter hours does not reduce unemployment, "it only smears it more evenly." Instead of 10 percent unemployed and 90 percent employed, everyone would be employed 90 percent of the time and unemployed 10 percent of the time.

Second, more leisure doesn't increase the demand for goods unless it is accompanied by greater purchasing power. Furthermore, leisure could just as easily be spent in the cultivation of the arts and graces. "If the cult of leisure should result in the popularization of Gandiism [sic], humanism or any of the highbrowisms, it would decrease the desire for material goods."

Third, if shorter working time is accompanied by an increase in wages to hold total income constant it will raise the unit cost of products, resulting in decreased sales. "Even though each worker produces less, it may not take any more workers to produce the reduced volume than it took before." Besides, even though workers' money income stayed the same, price increases would mean their real income went down. If, instead of reducing the hours of work, Carver suggested, the *money wages* of workers were reduced, this would result in lower prices, expanded employment and more or less level real wages.

Fourth, it was a mistake to assume that shorter hours would have the same effect globally as it might when applied in only one or a few industries. As the purchasing power of money wages falls, if money wages are advanced to keep real wages at the old level, that will send the cost of production still higher, reduce the quantities that can be purchased by those who are not wage workers, result in a still smaller volume of production, and completely nullify any supposed advantage to the unemployed.

Although Carver at least adopted a refreshingly civil tone, his arguments do not rise above the commonplaces of orthodox 19th century political economy. Harold Moulton of the Brookings Institute repeated much the same sort of argument a few years later in a debate with Hugo Black over the 30-hour bill.

The Black-Connery Bill

On April 6, 1933, the Black Thirty-Hour Bill was passed by the US Senate, 53-30. According to Hunnicutt, passage of the Black bill created the impetus for the Roosevelt administration to develop and implement its New Deal economic recovery programs. Nevertheless, versions of the bill were introduced in each successive legislative session. In 1935, a debate about the thirty-hour week took place in the pages of the *Annals of the American Academy of Social and Political Science* between Alabama Senator Hugo Black and Brookings Institute president Harold Moulton. Black was the US Senator from Alabama from 1927 to 1937 and a Supreme Court Justice from 1937 to 1971. Black described his thirty-hour bill as:

> *an effort to stimulate human genius to nobler inventive activities; to raise the output of civilization's vast productive machinery; to supply mankind with more of the comforts Nature has provided for his happiness; to give to labor a fairer return for the expenditure of energy; to provide jobs for all; and to afford opportunities for rest and recreation for all, instead of long hours for some with enforced idleness and misery for others.*

Black disputed the assertion that long hours and low wages increased production. On the contrary, US economic history showed that they retard the development of technology, depress the level of production and impoverish millions. During the boom of the 1920s, the low-wage, long-hour philosophy was tried and it led to an unbalanced and unsustainable distribution of income. Wages fell relative both to profits and to the total amount of goods and services produced. The purchasing power of people could not keep up with the productive power of industry.

It is only through increased bargaining power, Black maintained, that workers can obtain enough income to buy the products of their industry. The advantage of a shorter working day and week is that it creates a scarcity of labor that forces employers to bid for labor rather than have workers competing for jobs. A thirty-hour week would therefore increase rather than decrease production because it creates effective demand for the output.

> *Shorten the hours fairly and uniformly for all business enterprises that compete with each other, thereby supplying work for the jobless. Do this, and the fantastic, if not fictitious, dream that shortening hours will decrease production will go the way of other dogmas invented from age to age to retard opportunity for the many in order to bestow too much on the few….*
>
> *Who can say what labor-saving improvements another generation will develop, and who believes that it is necessary for man to do the work that can now be done with the energy of our wood, our coal, our oil, our running streams, our tides, and perhaps sometime with the energy diffused by the rays of the sun? It has been my observation that most of the eulogies and panegyrics written on the glories of hard physical labor were spoken or written by those who either had never done it themselves or who had ceased to bend their backs or strain their muscles at the very first opportunity.*

In his contribution to the Annals, "In Defense of the Longer Workweek," Harold G. Moulton presented the counter-argument. Moulton was president of the Brookings Institute, which Rexford Tugwell described as "a kind of research organ for the conservatives." In the early months of 1933 Moulton and associates had drawn up detailed plans for the incoming Roosevelt Administration to accomplish "sweeping reductions in public expenditures, consolidation of bureaus, and elimination of government functions."

Moulton began his article by restating two primary ideas underlying the proposal for a shorter workweek. First, that the supply of labor chronically exceeded the demand for it and, second, that the shorter workweek will generate greater purchasing power for workers and thus stimulate and promote economic recovery.

To evaluate the validity of these ideas, Moulton argued that "we must first have an accurate picture of the amount of goods and services which this country has produced at the time of its best performance, and the length of the workweek that was then prevailing." Next, according to Moulton, we needed to ask whether the level of output prevailing at the peak provided an adequate standard of living for the population. Moulton concluded that the output in 1929 was not enough to supply an adequate standard of living for all, even if that output was divided equally.

The next question Moulton addressed was whether recent gains in efficiency were sufficient to enable a reduction in hours of work without sacrificing total output. He concluded that they weren't.

"The principle that working hours should be reduced in proportion to increasing efficiency is utterly indefensible." Moulton insisted, "It would freeze productive output and standards of living at the low level of 1919 or some other selected year. It would give us a static society in which progressively improving conditions for labor would be virtually impossible." The careful reader may be left to wonder just how Moulton had projected the "utterly indefensible principle" that working hours be reduced *in proportion* to efficiency gains from a William Green quote that advocated no such thing.

Having substituted a plodding and mechanistic discussion of total output levels for the issue of imbalance between the supply of labor and the demand for it, Moulton then moved on to address the issue of whether the shorter workweek would stimulate business recovery. "In the first place," Moulton explained, "a great increase in pay-roll disbursements, unaccompanied by any increase in output, inevitably means a sharp increase in unit cost." Higher prices to the consumer would be the inevitable consequence of the increase in costs. Higher prices and higher wages combined would result in no increase in the standard of living.

Finally, Moulton addressed the shorter workweek from the perspective of a relief measure for the unemployed. Here, he conceded that "a shorter workweek would put people back on the pay rolls," objecting only that the 'real question' is who should bear the burden of relief, the workers or the American people as a whole? Moulton magnanimously declared that other (unspecified) methods than the shorter workweek would be more equitable in providing relief to the unemployed. Presumably these methods would not have included fiscal stimulus either, since that would be the opposite of the austerity plan drawn up by the Brookings Institute in 1932. Besides being careful not to specify *which* other methods he had in mind, Moulton declined to consider the political feasibility of those phantom alternatives. In the final analysis, Moulton's case against relied on three fatally flawed and illogical premises: that wages were paid out of a "fixed wages fund" consisting of an efficiency-optimized portion of the total output of industry, that the output of labor was inevitably proportionate to the hours worked and that aggregate hours worked varied in proportion to the number of hours each worker worked. To put it bluntly, Moulton's discussion of output, wages and hours *assumes full employment*, which sounds like a rather foolish thing to do when discussing unemployment. However foolish such a methodology may sound, it is standard operating procedure for arguments against shorter working time as a remedy for unemployment to rely on assumptions that only apply to a full employment situation.

American Federation of Labor President William Green strongly supported the Thirty-Hour Bill. The April 1935 issue of *Congressional Digest* featured a debate between Green and Neil Carothers, Professor of Economics at Lehigh University, on the topic "Would a Thirty-Hour Week Increase Employment." In his "pro" presentation, Green stressed the urgency of solving the problem of unemployment.

> *No other question of national policy, whether political, social or economic, must be permitted to obscure this major issue until it is definitely disposed of. It can be disposed of not through half measures but only through courageous and decisive action, jointly undertaken and carried to conclusion by government, management and labor.*

The response Green proposed to the crisis was the adoption of a shorter workweek that would "absorb the unemployed, assuring wage-earners the maintenance of their incomes at previous levels." Green maintained the recovery could only be achieved through the normal channels of production and that stability required secure and sufficient employment and purchasing power. A thirty-hour workweek was thus both a plan for immediate recovery as well as a permanent reform.

The program would bring the unemployed into established workplaces rather than setting up distinct relief work. It would maintain incomes of currently employed workers at present levels at the same time as it created new incomes for formerly displaced workers. Thus it would increase total purchasing power and consumer demand thereby stimulating production and loosening credit. Increased economic activity would establish the material condition for a higher standard of living. The need for such a program stemmed, Green maintained, from the failure of private industry to create jobs for all.

In responding to the opposition, Green noted that the fight for a 30-hour week continued a century-long tradition. Opponents repeated arguments made against the 10-hour day 100 years ago and against the 8-hour day 50 years ago. These arguments, Green noted, falsely assume a static society. The two main criteria for evaluating the thirty-hour proposal are: is it an effective remedy for unemployment? and is it a positive way of fostering the desired standard of living? The thirty-hour workweek would put millions to work and restore their confidence and self-respect.

Green went on to contrast the 30-hour week with the share-the-work schemes such as the Teagle committee promoted. Those schemes were inadequate to the tasks of recovery and reform because share-the-work reduces incomes in proportion to the reduction in hours while the 30-hour week maintains incomes at their present level. The 30-hour bill thus was not merely a relief measure. It was also a method to achieve a more equitable distribution of income. "It is a plan to bring about basic readjustments in our social and economic order." Reprising the traditional A.F. of L. philosophy derived from Ira Steward's theory, Green argued that increased leisure and purchasing power would give workers the time and money to be effective consumers of the fruits of industry.

Neil Carothers, economics professor and dean of business administration at Lehigh University, presented the "con" position that the adoption of a 30-hour week would defeat its purpose and lower the standard of living by reducing industrial production. A supporter of FDR during the 1932 election, Carothers later became an outspoken opponent as an activist with the anti-New Deal Liberty Lobby. "The fundamental truth that you cannot help labor by reducing production is the basic fact in this 30-hour week matter." Carothers insisted, with exaggerated assurance.

According to Carothers, those who want to reduce the workweek were like a man who just jumped through a plate glass window. He can't remember why he did it but it seemed like a good idea at the time. On the one hand, no economic issue is more complex and obscure than the hours of work, Carothers admitted. Trained economists would shrink from speaking on it. Nevertheless, Carothers felt confident enough to essay the "very elementary economics" involved.

There are three factors of production, Carothers explained: land, labor and capital. All three are paid out of the product of industry. Automatic forces of nature fix the share of each. Whatever reduces the productivity of any one of them reduces the total product and thus reduces wages. If the average workweek is 44 hours, then the national dividend is simply the product of 44 hours of labor applied to land and capital. Cut this work to 22 hours and you destroy the American standard of living. Cut it again to 11 hours and civilization disappears. Cut it once more to 5 and 1/2 hours, and death sweeps away the population!

But, you say, this is a proposal only to cut to 30 hours? Exactly! It will have the same starvation tendency, but it will not go quite so far. You can solemnly propound fool theories, you can talk glibly about "sharing the work," you can believe in impractical schemes for "absorbing the unemployed"; but this cold fact still stares you in the face. It has been a fact for a long time. That's all there is to it. Well… almost all, except for some refined analysis. One of the glorious facts of American history is the slow but relentless reduction in the hours of labor. What caused this blessed improvement? It was the operation of economic forces!

Labor's argument that reducing hours increases total output is, in general, not true. What is true is that when hours are uneconomically long they result in a loss to the employer and thus he can afford to reduce them. Unfortunately, this only works for highly skilled workers with modern machinery. It's not for ditch diggers, dishwashers or retail sales clerks, though (poor devils)! But economic history shows that it is wiser to restrict hours in these fields at least to the point where workers are not victims of exhaustion or deprived of home life and recreation. An arbitrary restriction of their hours, though, throws these workers on relief. The increasing expense of capital equipment makes radical reduction of hours most dangerous. Shortening the hours of work increases the overhead cost and will wipe out returns from sales. All this tedious economics is essential for an understanding of the 30-hour week proposal.

In practice, the law would affect only a small proportion of the workforce and thus lead to a trivial amount of job creation. So, what is the *real* objective of the 30-hour workweek scheme, then? The real objective is to force a wage increase by law. The six-hour day will become an eight-hour day for a few privileged workers with the last two hours being worked at the overtime premium. In the long run, though, even these workers will not gain because their excessive wages will cause employers to replace them with machines and they will end up out of work, too.

Although the summary above of Carother's argument may sound like parody, it is a virtually literal condensation. Carothers careened from one sweeping, unsubstantiated claim to another in his condemnation of shorter hours with no concern for consistency, overall coherence of his argument or evidence. Carother's diatribe in the *Congressional Quarterly* is perhaps the most egregious example that can be found of the pseudo-economistic casuistry peddled by tenured opponents of shorter hours, but it is by no means unique in its hostility, hyperbole and reckless disregard for logic and evidence.

Technocracy

In the 1930s, Marion King Hubbert, the geophysicist who was later to become best known for his predictions of peak oil, was a leading theorist for the Technocracy movement. The movement's following and news value rose meteorically in 1932 and then fell from grace even more swiftly. In 1956, Hubbert told an audience of Shell Oil Company executives that U.S. domestic oil production would peak sometime around 1970, after which it would decline. He was right. Later he also predicted that world oil production would peak sometime around the year 2000, after which it too would decline. Many petroleum industry analysts today believe that peak oil has either already occurred or is imminent in the foreseeable future. In the 1930s, while associated with Technocracy, Hubbert wrote an article titled "Man-hours and Distribution." Here is how he began:

> *The period since 1929 has been one of the most unique and one of the most disturbing in the history of North America. The events that have occurred since the stock market crash of that year have provoked more competent social thinking on the part of the American people, and have demolished more fixed tenets of our American social and economic faith than those of any preceding half century.*
>
> *Up until the year 1929 the American public had been brought up in the belief that any child with ambition and a willingness to work would automatically be rewarded with material gain in direct proportion to the effort and ingenuity displayed; that any office boy might become the president of his corporation in due time provided he displayed the proper virtues of industriousness, honesty, respectfulness and thrift; that every boy had an equal chance of becoming President some day; that the pathway to success was to be found in part through proper education, and that educational facilities were equally available to all; that work could be had by all who were willing; and, conversely, that*

> *unemployment and lack of material success were themselves indicative of the lack of those cardinal virtues of industriousness, thrift, honesty, and the like.*
>
> *In 1929 and the years that have followed, these tenets of our American folk-lore have been rudely shattered…*

"Contrary to all the textbooks of economics, which state that human wants are insatiable," Hubbert asserted, "the fact is that human beings, regardless of income, can only consume a limited amount of food per day, can only wear one outfit of clothing at a time, and so with all other forms of consumption." Hubbert was of course writing in the days before television and credit cards. He was also writing before the uncanny resurrection of that American folk-lore that he supposed had been so rudely shattered by the events of 1929 and after. The central argument of his essay was that the number of hours needed to produce each unit of industrial output had historically declined to the point where it could no longer be offset by increasing consumption. The result would be massive unemployment – a seen in the Depression – unless the hours of work were reduced radically.

Hubbert's argument was based on the following premises: first, no individual can produce the physical equivalent of what he or she consumes during a lifetime. "…man is an engine operating under the limitations of the same physical laws as any other engine. The energy that it takes to operate him is several times as much as any amount of work he can possibly perform." Second, most individuals have only their capability to work to offer in exchange for income to purchase the goods they need. Third, advancing technology continually reduces the quantity of hours of work needed to produce each item of consumption even as it makes an expanded range of consumer goods available on the market. The result is a continual downward pressure on small incomes from the oversupply of hours along with an upward pressure on expenditures, which two movements tend to concentrate more and more access to wealth among the top income earners.

"If it is possible to completely eliminate unemployment by a suitable reduction of the hours of labor per person," Hubbert asked, "why not make the reduction and be done with it?" In reply to his question, Hubbert explained: the "price system" stood in the way of such an adjustment. Technocracy's solution to the price system was to issue equal quantities of time-limited energy certificates to each individual, so that consumption was no longer tied to an artificial standard of productive contribution. Under the proposed Technate organization,

> *The period of work required of each individual, once the reconstruction following the transition from the old system to the new is complete, need be no longer than about 4 hours per day, 164 days per year, from the ages of 25 to 45. The income of each individual, however, will continue without interruption until death. Hence the insecurity of old age is abolished and both saving and insurance become unnecessary and impossible.*

Keynes and the Long Term Problem of Full Employment

Toward the end of the 1920s, John Maynard Keynes had predicted a fifteen-hour workweek as a feasible prospect for the grandchildren of his generation: "…everybody will need to do some work if he is to be contented…Three-hour shifts or a fifteen-hour week may put off the problem for a great while." In 1945, Keynes wrote, in a letter to the poet T. S. Eliot, "...the full employment policy by means of investment is only one particular application of an intellectual theorem," he explained, "you can produce the result just as well by consuming more or working less. Personally I regard the investment policy as first aid. In U.S. it almost certainly will not do the trick. Less work is the ultimate solution (a 35 hour week in U.S. would do the trick now)."

As Keynes's biographer, Lord Robert Skidelsky, has noted, Keynes's interest in work time reduction can be seen in his earlier essay "Economic Possibilities for our Grandchildren," which originated in a talk delivered in 1928, and in his ideas about the good life, derived from G.E. Moore's *Principia Ethica*. Economics, in this view, was mainly useful to get us past the problem of scarcity as quickly as possible, so that people could begin to confront the problem of "how to use [their] freedom from pressing economic cares ... to live wisely and agreeably and well."

In a May 1943 Treasury Department memorandum titled "The Long-Term Problem of Full Employment," Keynes spelled out the role he saw for reducing the hours of work. He anticipated three phases of economic policy following the end of the war. During the third phase, which he estimated to begin some ten to fifteen years after the end of the war, "It becomes necessary to encourage wise consumption and discourage saving, and to absorb some part of the unwanted surplus by increased leisure, more holidays (which are a wonderfully good way of getting rid of money) and shorter hours."

In Work Without End, Ben Hunnicutt traced the abandonment of the drive for shorter hours to the consumerism promoted by business in the 1920s and subsequently by New Deal planners such as Rexford Tugwell. However, rather than viewing that consumerism as originating with advertising, the New Deal and Keynes, it may be more accurate, as well as sobering, to see its roots in the same working class ideology that originally sustained the movement for shorter hours. In *A Living Wage*, Lawrence Glickman traced the imperative of a perpetually rising standard of living back to the living wage ideology labor itself had proselytized over the final three decades of the 19th century. The idea thus wasn't original to the 1920s and 1930s, but it did gain newfound respectability. Glickman's account of the evolution in labor ideas focused on the distinction between a traditional "producerist" ideology and the emerging consumerist ideology that characterized Samuel Gompers' American Federation of Labor. When asked the question, "what does labor want?" Gompers had famously replied,

> *We want more schoolhouses and less jails; more books and less arsenals; more learning and less vice; more leisure and less greed; more justice and less revenge; in fact, more of the opportunities to cultivate our better natures, to make manhood more noble, womanhood more beautiful, and childhood more happy and bright.*

Gompers's panegyric is sometimes abbreviated as "What does labor want? More!" or even "More, more, more..." concealing the qualitative dimension of what Gompers was referring to behind a seemingly exclusive reference to quantity. The New Deal thus incorporated labor movement ideas about an American 'standard of living'. Organized labor, in turn, gradually appropriated a technocratic, "Keynesian" language regarding 'purchasing power' and 'aggregate demand'. Big business got into the act with the National Association of Manufacturer's billboard campaign trumpeting "the world's highest wages," "the world's highest standard of living" and – most ironically, given the association's unrelenting hostility toward the eight-hour day and the five day week – "the world's shortest working hours." As World War II drew to a close there was clear consensus among economists, politicians and the general public in favor of doing whatever needed to be done to maintain full employment.

Keynes had been concerned with full employment, not with economic growth. It was his successors who shifted the emphasis from the one to the other. They did so, I would argue, to suit their mathematical models and career prospects more than anything. Be that as it may, in the 1970s Fred Hirsch showed how economic growth drained resources from non-market activities and also even from final consumption goods because increased competition for scarce positional goods diverted resources away from final consumption into intermediate goods. For example, the competition for prestigious professional and managerial careers leads people to consume greater amounts of higher education but as employers receive more applicants for each position they raise their required credentials as a way of screening applicants. Competition for scarce positions creates a credential treadmill. If the goal of Keynesianism was to "save capitalism from the stupidity of its managers", who would spare it from the hubris of it rescuers? According to Hirsch:

> *...Keynes's interpretation of managed capitalism retains a vital importance precisely because of its unquestioning reliance on obligations and instincts deriving from an earlier pre-industrial culture. It is in the complete Keynesian system that we can best observe the limits of the guided market, because Keynes took for granted supportive characteristics that his own system could not preserve but that the purer system of his successors in economic liberalism ignored.*

The cultural ground for those non-market obligations and instincts need not be "pre-industrial" but can as readily be extra- or counter- industrial, as in the 19th century labor movement's notion of a living wage. What is important, though is that these obligations and instincts operate outside any "laws of the market", even as modified by the intervention of the state.

The Achilles heel of what Hirsch termed "Political Keynesianism" resides not in the simplistic objection that "the money has to come from somewhere" but in the fuzzier notion that the motivations and instincts have to come from somewhere *other than* the market. Keynesianism cannot succeed as a technocratic exercise in estimating aggregate demand, multipliers and shortfalls in capacity utilization.

Chapter Ten: Now You See It; Now You Don't.

Twenty-four years after John Hicks had proclaimed Sydney Chapman's theory authoritative, H. Gregg Lewis referred to something else as the "orthodox approach" to analyzing the individual supply of labor time. According to the newly-crowned orthodoxy, individuals choose how many hours they want to work based on their relative preferences for income and leisure. In the income-leisure choice model, leisure is viewed as a normal consumer good – no different from shoes, cabbages or sealing wax. Between the earlier classical statement of the theory of hours and the later orthodoxy lay a gulf and an enigma. In his history of worktime thought, Chris Nyland described the stealthy transition as a matter of "now you see it, now you don't."

Nyland's explanation for the disappearance of Chapman's theory was that Lionel Robbins and John R. Hicks, in 1929 and 1932 respectively, had each introduced a simplifying assumption that the given length of the working day was optimal for output. According to Nyland, the requirement for such a move arose because the variability of both the duration and intensity of working time made it difficult – if not impossible – to calculate returns to the various factors of production. Subsequently, in Nyland's account, Robbins's and Hicks's simplification came to be regarded as the way things were in reality.

However, a re-examination of the Robbins and Hicks texts fails to detect the simplifications that Nyland specified. Both authors made statements that may seem to announce such a simplification. But a careful re-reading of the wording and context of those statements challenges Nyland's interpretation. In Robbins's article, the context for the statement Nyland takes to be a simplifying assumption involved, first, acknowledgement of the authority of Chapman's theory and of the documentation of the theory's empirical confirmation by Philip Sargant Florence. Second, Robbins offered the disclaimer that in his discussion, he wasn't examining what factors might lead to a reduction of the hours of labor but *only* the effects that would proceed from it, assuming such a reduction to take place. Finally, came the alleged simplifying assumption itself: "If we are to predict the effect of a given variation in hours we must conceive of it in relation to a working day of maximum productiveness." Robbins's working day of maximum productiveness is thus not posited as the *given* working day but only a point of reference to which any given *variation in hours* must be related. If the given day were longer than the hypothetical day of maximum productiveness, then a reduction in hours would induce an increase in production. If the day was already shorter than optimal, then a further shortening would lead to an decrease in production. Such an analysis remained in accord with Chapman's theory.

What Hicks did with Chapman's theory in *The Theory of Wages* cannot be called a simplification either – at least not an acknowledged one. If he did assume somewhere that the given length of the working day was optimal (which he may well have done), Hicks didn't announce it. What Nyland mistook for such an acknowledgement, was only an appeal to disregard *transition costs* in entertaining the concept of a given length of a working day that was optimal for output.[12] Hicks did not specify that he was assuming that the given day actually was that length. The difference is that the assumption Hicks actually made still allows for the circumstance where the given day is longer or shorter than optimal, whereas the alleged simplification would not. The statement cited by Nyland as evidence of a simplifying assumption was thus also in agreement with Chapman's theory.

The closest Hicks came to specifying the alleged simplification is when he argued that, "[provided certain limitations were respected], it is perfectly possible to treat labour as a commodity consisting of discrete homogeneous units, for which there are well-defined curves of supply and demand." Such treatment may imply the assumption that the given day is optimal for output because it would be hard to conceive of Chapman's hours – during which productivity may vary with the effects of fatigue – as consistent with "discrete homogeneous units". Indeed, if such homogeneity implies that output per hour is constant, then treating labor as homogenous could go farther down the simplifying path than merely assuming that the given day was of optimal length. Hicks acknowledged, though, that treating labor as such was "a method with very

[12] Compare Nyland and Hicks: Nyland: "[Hicks] assumed 'for the present' the existence of an optimum working day that would yield a greater supply of labour than any other" (p. 33). Hicks: "If, for the present, we leave out of account these transitional effects of changes in the length of the working day, and fix our eyes only on the supply of labour which will be reached when a given length of day has been in force for some time, we inevitably reach the conception of an "optimum"…. There will be some length of working day which, if it were maintained, would yield a greater supply of labour than any other…" (p. 104)

considerable dangers, which can only be avoided if we think back our arguments into a more cumbrous but more realistic form as frequently as possible."

Although Hicks didn't explicitly introduce a simplifying assumption, that isn't the end of the story. Hicks discussed Chapman's theory and the optimal length of the working day in his chapter on the theory of individual labor supply, Chapter. V. Later on in the book, though, in Chapter XI, Hicks turned his attention to the regulation of hours and working conditions. There Hicks no longer dealt with pure theory but with "reality" – at least with reality as Hicks perceived it. He announced at the beginning of Part II that it was, "now time for us to take a further step towards actuality." This was the moment Hicks had anticipated when he referred to "think[ing] back our arguments into a more cumbrous but more realistic form." Chapter XI was intended to present that 'more realistic' discussion of hours and working conditions than the purely theoretical discussion of Chapter V! But was it more realistic?

At the beginning of Chapter XI, Hicks credited Robbins with having conducted the "general study of the economics of hours-regulation" and declared that there was "no need for us to go over yet again ground which is by now sufficiently well trodden." After stating (without further explanation) that there was no material difference between the situations created by union demands for reduced hours and that created by demands for increased wages, Hicks surmised that if it was "true that if the working day has previously been fixed at a length which is greater than the 'output optimum' the Union will not usually need to exert any considerable pressure in order to bring about a reduction." On the sole basis of that assertion, then, Hicks limited the rest of his discussion to a situation where union demands would reduce the hours of work below the hypothetical output optimum. If such a limitation had been proposed in a theoretical discussion, it would indeed have represented a simplifying assumption. As Hicks presented it, however, it was an alleged, albeit uncertain 'fact'.

For Hicks, then, thinking back his argument to a "more cumbrous but more realistic form" involved making an unexplained leap from the observation in Chapter V, consistent with Chapman's theory and historical evidence, that "probably it had never entered the heads of most employers that it was at all conceivable that hours could be shortened and output maintained." to the claim in Chapter XI that, "[a] very moderate degree of rationality on the part of employers will thus lead them to reduce hours to the output optimum as soon as Trade Unionism has to be reckoned with at all seriously."

Although Hicks's *non sequitur* feat of "realism" may be one element in the disappearance of Chapman's theory, surely it can't be held solely responsible for its eclipse. For an explanation of that, we need to turn to a subsequent general shift in formal economic analysis (in which Hicks was deeply involved) that took place in the 1930s. This shift inherited some of its fundamental premises from the thought of Leon Walras, Vilfredo Pareto and Enrico Barone, proponents of the Lausanne school of economics.

The approach to the analysis of individual labor supply that replaced Chapman's theory took no notice of the effects of technological change on fatigue or on the subjective experience of the worker. It treated labor itself as a residual of the individual's consumption preferences. According to the new orthodoxy of income-leisure choice, leisure is assumed to be a normal good. Work is something featureless that takes place in the weeds behind the billboard of consumption and leisure. Because this commodity-leisure itself lacks any definitive quality other than not being work, work is reduced to the hollow double negative of 'not not-working'. There is no pain in this hollowed-out work, neither is there joy.

A chorus of criticism surrounds the income-leisure choice model. One objection is that the model ignores the qualitative dimension of both work and leisure, a dimension that was specifically addressed in the approaches of Jevons and Marshall. Another disputes the epistemological coherence of the model's microfoundations. A third finds dead metaphors that signify measurement in the labor supply model, pointing out that measurement already requires a metaphor but that unmeasurable homogenous units of labor are a metaphor for a metaphor – a *catachresis* (literally "wrong use").

Empirical research consistently produces values that violate the income-leisure model's predictions, "the scientific procedure is surely to regard the theory as it has been formulated and applied to date as having been refuted by the evidence."[13] Other criticisms point out that the income-leisure choice model "cannot provide any substantive analytical predictions on the

[13] Pencavel, p.95

course of labor supply by an individual or a group" and takes no account of the non-pecuniary benefits of working.

Laurent Derobert questioned the pedigree of the model, noting the paradoxical disappearance of labor, documenting bibliographical anomalies in the model's transmission and finding that the model's formal consecration by Tibor Scitovsky was accompanied by a warning about its pitfalls – specifically, that regarding leisure as a commodity may lead us to mistakenly assume there is a "conflict between the efficient specialization among workers and the efficient distribution of leisure." Scitovsky went on to explain,

> *It is much safer, as well as more natural, to look at the face of the medal and concentrate our attention on work and the burden it involves, rather than on freedom from work and the satisfaction this yields. We can, if we like, think of work as a negative commodity, of its burden as a disutility or negative satisfaction, and of the earnings received for work as a negative price...*

Scitovsky's 'safer' and 'more natural' approach, however, would require abandoning the opportunity-cost value theory at the foundation of the income-leisure choice model, without which the model itself would cease to have any meaning.

In tracing the emergence and triumph within economic theory of the income-leisure trade-off model, Ugo Pagano gave an account of a compromise between English and Austrian marginalist circles about what could be regarded as the "ultimate standard of value": pain cost or opportunity cost. The English side of the debate, argued by F. Y. Edgeworth, featured Jevons's calculus of pleasure and pain whereby, after a certain point, increased units of work time produced an increasing amount of pain or disutility while additional goods purchased with the income from those extra hours supplied diminishing increments of utility. At some point the increase in disutility from work matches the increment in utility from additional income and the worker will choose to stop working. The Austrian perspective, argued by Eugen von Böhm-Bawerk, regarded cost as being wholly constituted by the sacrifice one had to make, given scarce resources, to be able to consume any particular bundle of goods. One had to allocate one's scarce resources between wants that were, in principle, unlimited. The Austrians considered the hours of work to be institutionally fixed by custom or law and thus any hypothetical pain or disutility of work was, for them, not a factor in the individual's utility calculus.

Eventually, a compromise between these two positions was achieved by adopting what Pagano referred to as a "leisure semantic device". This device originated in the work of Leon Walras and bridged the differences between English and Austrian approaches by finding a way of including work and leisure in the opportunity-cost equation. It did so by defining the "disutility of work" to consist solely in the fact that the worker had to sacrifice leisure time in order to obtain income. According to Pagano, the adoption of the device underlies modern economic theory's "almost complete ignorance of the difference between human labour and the other resources."

According to this leisure device, labor can be divided into two parts, the first part of which is self-consumed as leisure. The second part is sold and used in the production of goods for other people. Pagano notes two advantages of the leisure device for treating labor: first, it enables the treatment of labor in the same way as other consumption goods and thus greatly simplifies the analysis. Second, because the amount of time available to each individual for working is constrained (there are only 24 hours in a day), the system does take into account – or at least *seems* to take into account – the fact that labor expended in production affects the welfare of individuals. The more time the individual works to obtain income, the less leisure time he or she is left with. Despite those advantages, Pagano viewed that leisure device as very misleading because it assumes that workers are only affected by the total amount of labor time expended and not by the way in which that time is allocated to the performance of different tasks.

Further questions concerning the coherence of the Walrasian leisure device, beyond those identified by Pagano, are raised by examining the context in which Walras first introduced it and the form it took in Hicks's influential *Value and Capital*, which is cited by both Pencavel and Scitovsky (although disputed by Derobert) as the source of the now orthodox model. Walras introduced the argument in *Elements of a Pure Economics* as part of his definition of the role of the "services of persons" (i.e., labor) in his theory of production. There, Walras discusses "the pleasure enjoyed by the idler" as constituting the income of "those who do nothing but travel and seek amusement." Walras's use here of the word "income" is metaphorical. No money changes hands. The rewards enjoyed by Walras's idler are what normally would be considered intrinsic whereas income refers to an extrinsic reward. Thus Walras's usage of the term 'income' is not just metaphorical but more precisely *ironic*.

There is no indication in his treatment that Walras intended such pleasure of the idler to also include the after-hours (non-monetary) "income" of someone who was a worker for the other 8 or 10 hours a day. On the contrary, Walras explained that "the idler who has wasted today will waste tomorrow; the blacksmith who has just finished this day's work will finish many more..." (p. 215) *Doing nothing* for Walras thus would appear to be the specialized occupation – the *vocation*, so to speak – of the idler, not something the blacksmith or the lawyer does in the hours after he or she has finished the day's work. Unlike the idler's repose, the blacksmith's and the lawyer's rest restores their stamina for the next day's work.

In *Value and Capital,* Hicks's treatment of work and leisure is laconic. It appears virtually as an aside in his discussion of the difference between the consumer's demand, if it is assumed to be fixed in terms of money, and what happens if the consumer is also a seller with a fixed stock of some commodity, who might hold back some of that commodity for his own consumption depending on the market price. "Thus a fall in wages," Hicks wrote,

> *may sometimes make the wage-earner work less hard, sometimes harder; for on the one hand, reduced piece-rates make the effort needed for a marginal unit of output seem less worth while, or would so, if income were unchanged; but on the other, his income is reduced, and the urge to work harder in order to make up for the loss in income may counterbalance the first tendency*..

The salient detail to note about Hicks's 'wage-earner' is that he is being paid by piece-rates, not on an hourly wage. That is to say, his income presumably varies in proportion to his output, not as a function of the number of hours he spends on the job or the number of hours of leisure he sacrifices to do so. The possibility that he may "work less hard" could thus mean *either* that he would exert less effort or that he would reduce the amount of time he worked. Or it could mean some combination of the two.

The dichotomy of working harder or less hard also introduces a certain ambiguity into exactly what is being traded-off, particularly if the wage-earner's hours at work remained unchanged. In the latter case, working less hard could be interpreted as a way of making work time more enjoyable (or less painful) and thus would be a backdoor re-introduction of the rejected pain-cost theory of value.

The canonical labor-supply model, based on the analysis of income-leisure choice, differs from both Walras and Hicks in establishing the constraint of 24 hours as the sum of the hours of leisure and of labor. In very general terms, David I. Green stated the formula for such a calculation in 1894. Green argued that "the laborer stops work at a certain hour, not simply because he is tired, but because he wants some opportunity for pleasure and recreation" and further, that

> *the economic opportunities which a man sacrifices by pursuing a certain course of action are more capable of objective measurement. These sacrifices of opportunity are what constitutes the principal part of the costs of production which determine normal exchange values.*

Although Green made explicit a trade-off of limited hours between labor and leisure, he didn't take the obvious next step of dividing the day into 24 hours to be apportioned between the two activities, nor did he specify an hourly wage. Enrico Barone did, however:

> *It is convenient to suppose – it is a simple book-keeping artifice, so to speak – that each individual sells the services of all his capital and re-purchases afterwards the part he consumes directly. For example, A, for eight hours of work of a particular kind which he supplies, receives a certain remuneration at an hourly rate. It is a matter of indifference whether we enter A's receipts as the proceeds of eight hours' labour, or as the proceeds of twenty-four hours' labour less expenditure of sixteen hours consumed by leisure.*

Barone's "simple book-keeping artifice" constituted a second, not entirely congruent, version of opportunity-cost doctrine. The first version, as articulated by Green, was vague enough about time to defeat the pain-cost argument as an explanation of prices. Barone's version was precise enough about the division of the 24 hours in a day to be incorporated into mathematical formulae. Such precision came only at the (unexamined) cost of resurrecting what Robbins called the 'naïve' assumption that "the connection between hours and output is one of direct variation."

Abram Bergson adopted Barone's framework as a basis for his "Reformulation of certain aspects of welfare economics." Although it may have seemed a matter of indifference to Barone whether to count the receipts of labor as eight hours or as twenty-four hours minus sixteen hours of leisure, the book-keeping artifice was essential to the flourishing of the indifference-curve analysis, unhampered by the essentially unquantifiable spectres of worker fatigue, unrest or even intrinsic enjoyment of work. The founding myth of the new orthodox approach thus passed unannounced into the canon. Chapman's theory was rendered expendable not by an explicit simplification but by the unheralded revival of a naïve and anachronistic assumption about the connection between hours and output. That revival was accomplished, moreover by a two-step bait and switch.

Chapman's theory appears to have covered both the opportunity-cost and pain-cost bases. In a technical footnote, he drew two dotted-line curves to describe the effects of the length of the working day on the worker. The first curve, labelled ***I***, clearly indicates an opportunity-cost analysis of the value "of the leisure destroyed by the addition of [an] increment of time." The second curve, labelled ***L***, retains the notion of absolute satisfaction or dissatisfaction involved in working. There doesn't seem to be a suggestion that this curve ***L*** directly determines the cost or value of labor, only that it affects the welfare of the worker. To paraphrase Chapman, what curve ***L*** addressed was not "the quantity of external wealth produced" but rather the "balance between internal and external wealth."

In his article on the canonical labor-supply model, Derobert mentioned Chapman's theory in connection with Hicks's description of it as "the classical statement of the theory of 'hours' in a free market." Derobert dismissed Chapman's theory as "excessively complicated" and as "more of an amalgam than a synthesis." He also described it as lying "somewhere between Jevons's analysis and the canonical model." Chapman's theory lies between Jevons and the current canonical model only in a narrow chronological sense. Although Chapman's analysis did indeed develop Jevons's earlier discussion of the hours of labor, it bears little resemblance to the income-leisure choice model. Instead, it incorporates the opportunity-cost concept without at the same time abandoning the idea that work provides intrinsic satisfactions and dissatisfactions.

Perhaps Chapman's theory could indeed be considered "excessively complicated" in the non-pejorative sense that life itself is too complicated to describe in a mathematical model. The income-leisure choice model simply ignores Chapman's theory, it doesn't refute, refine, simplify, adapt or transcend it. In its ignorance of Chapman's theory, it tacitly assumes proportionality between hours worked and output produced. In the bargain, mainstream analysis implies an identity between market goods purchased and economic welfare. Leisure time disappears – *even* *as a commodity*. The hypothetical purchase of leisure time leaves behind no receipts to be reckoned in the calculation of national income. Thus Barone's book-keeping artifice involves writing entries in disappearing ink and pocketing the difference – a practice that might elsewhere be reckoned as embezzlement.

Sydney Chapman's theory of the hours of labor was both insightful and authoritative. It was widely accepted by eminent English economists of its day. It buttressed the novel conclusions that the ideal hours of work for maximizing social welfare would be shorter than those for maximizing profits and that the hours of work set in a competitive market may be too long even from the standpoint of maximizing output. Yet that acknowledged authoritative theory was displaced by what? A simplifying assumption? A semantic device? A book-keeping artifice? An absent-minded lapse of theory? In place of an established theory has sprung up a mathematical model of income-leisure choice in which the face of actual work is unrecognizable.

The Masters Would, in Every Instance, be Compelled to Yield

In his 1958 article on the classical political economists and the factory acts, Mark Blaug concluded with a commentary on "Fawcett's contention that pecuniary motives alone bring about the adoption of a work day that optimizes output per man-hour." Blaug suggested that Fawcett's argument showed the classical political economists "had no theory of the firm." In a footnote Blaug presented the modern contrast to that lack, referring to pages 104-110 of J.R. Hicks's *The Theory of Wages,* which happen to be the pages where Hicks précised Chapman's theory of the hours of labor. Elsewhere in the same book, as we have shown above, Hicks backtracked on Chapman's theory to arrive once again at the assumption that pecuniary motives alone would bring about a working day of optimal length. Perhaps, as Robbins had asserted, the days *were* gone " when it was necessary to combat the *naïve* assumption that the connection between hours and output is one of direct variation." Instead what we now have to combat is a befuddled conviction that *even though* the connection between hours and output is not constant, *somehow* employers would manage to get it right. This modern day befuddlement echoes Fawcett's own peculiar combination of insight and blindness.

In an 1872 lecture, "The regulation of the hours of labour by the state," Fawcett presented a stirring narrative of the 1872 Newcastle Strike in which he told how workers, relying entirely on their own struggle and without any help from the government, were able to obtain the nine-hour day, "a most important social and economic reform."

> *Early in August, 1871* [TW: actually it was late May], *the engineers of Newcastle formally put forward the demand that a day's work should consist of nine hours. The masters refused to yield. The workmen thereupon carried out their threat to desist from work; and a general strike ensued. Although efforts at conciliation were repeatedly made, the dispute continued to rage fiercely for many weeks. Various persons offered themselves as mediators, in the hope of suggesting some compromise. But compromise after compromise was unceremoniously rejected by the masters* [TW: according to Burnett's account there were four attempts at mediation. One before the strike began, two toward the end of the strike, one of which succeeded and one during the strike].
>
> *Many circumstances combined to arouse strong and angry feelings. At the outset a bitter personal enmity had been excited by the workmen being told that the masters would not hold interviews with them, but that they must have their views represented by some legal adviser. Still more angry passions were aroused when the manufacturers attempted to replace the labour of which they had been deprived, by the importation of foreign workmen. Agents were dispatched to Belgium, Germany, and other places to engage at remunerative wages artisans who had been accustomed to engineering work.*
>
> *The English workmen on their side put forth equally strenuous efforts to check this importation of labour. Strong appeals based on international principles were addressed to the continental workmen; they were entreated to be loyal to the cause of labour, and they were told that the employed would be always vanquished unless the labourers of different countries were not only ready to unite, but were also prepared to make some sacrifices for the common cause. In spite, however, of all these efforts the manufacturers obtained a considerable number of continental workmen. After their arrival, however, not a single moment was lost in bringing every possible kind of pressure to bear upon them to induce them to return.*
>
> *Occasionally the pressure assumed the form of threats of violence to any who might continue to work. Such threats, however, were exceptional; it was generally found that after the exact position of affairs had been explained to these foreign workmen, there was*

little difficulty in inducing them to return to their own countries if they were provided with the requisite funds. The funds required for this purpose were promptly procured by subscriptions raised among the artisans in every important centre of English industry.

In consequence of these exertions the manufacturers gradually became convinced that it was hopeless for them to expect to keep their works open by substituting foreign for English labour. The alternative therefore which was presented to them was either to suspend business or to grant the demands of those whom they employed. The adoption of the former course involved many formidable difficulties. It has been often remarked that workmen in the disputes which they have had with their employers have very generally shown themselves to be extremely bad tacticians. They have generally struck work in order to resist a decline in wages consequent upon dull trade. But when trade is dull the victory of the employer is almost insured, for at such a period it costs him little in fact, it is often a positive advantage to him temporarily to suspend his business. But, whether from accident or design, the Newcastle workmen commenced the Nine Hours' Movement at the very time above all others when they were most likely to obtain success. The engineering trade was in a state of unprecedented activity and prosperity; unusually large profits were being realised, and the order book of every manufacturer was filled with lucrative contracts. Victory therefore was virtually ensured to the employed when they deprived the employer of an adequate supply of labour; for he had the strongest possible inducement not to curtail, much less to suspend his business at a time when it was exceptionally profitable, and when the non-fulfilment of extensive contracts would render him liable to extremely onerous fines.

After a struggle which was prolonged for fourteen weeks [TW: May 29 to October 6 is nineteen weeks, not fourteen]*, the masters were compelled to succumb; and the demands put forward by the workmen were fully conceded to them. No sooner was the Nine Hours' Movement successful in the engineering trade at Newcastle, than similar demands were immediately put forward by workmen engaged in a great variety of trades in different parts of the country. The battle having been once fairly fought out, employers very generally adopted the wise and prudent conclusion that it was far better not to renew the contest. It has therefore come to pass that in a few weeks, throughout no inconsiderable*

> *portion of the industry of the country, the principle has obtained practical recognition that nine hours is to be considered a day's work.*

The unexpected lesson Fawcett derived from the above tale of intense, unprecedented and perilous struggle is that "the workmen can succeed when they have as good a case to urge as they had at Newcastle; and the masters would, *in every instance*, be compelled to yield [emphasis added]." Since, in Fawcett's view, regulation by the state would just as inevitably result in miscalculation – if not outright corruption, it would be better to leave the determination of the hours of work to industrial disputes between employers and organized workers.

Not only was Fawcett confident in the ability of workers to win shorter hours through strike action and in the ineptitude of regulation by the state, he was also, he claimed, in sympathy with the cause of the workers and convinced of the benefits of shorter hours. "In making these remarks I should much regret if it were thought that I did not most entirely sympathize with those who desire to see a great diminution in the excessive toil of so many of our workmen." Well, no, he didn't exactly come right out and say that he sympathized with the cause of the workers. Instead he said that he would regret it if people thought he didn't sympathize with them. His stated position is more a concern for his reputation than for the workers. But let's give him the benefit of the doubt and say that he really did sympathize. He did refer to the "undue length of time men have been accustomed to working" and calls it a mistaken policy. But then he expressed a very practical reason for his "sympathy": shorter hours may lead to higher output. "In many instances it is undeniable that men would not only get through more work, but would do it more efficiently, if they had more opportunity for mental cultivation and for healthful recreation."

A final note on Fawcett's 1872 lecture: it seems a classical economist can scarcely discuss the hours of work without invoking the spectre of 'fallacy'. Fawcett's charge of fallacy, however, is not the classic lump-of-labor version discussed previously but "the old fallacy that the wages of labour can be regulated by law." And in explaining how this fallacy relates to the demand for a shorter day, Fawcett relied on the same ploy that Going, and so many other of the lump-of-laborites have employed: the detection of a *real* reason for the demand for shorter hours at variance with the proclaimed reason, "that motives very different from these actuate many who most earnestly appeal to the State to impose a legal limit upon the days work." The workers are asking for a shorter day – and the day is indeed overly long, Fawcett admits – but what the workers *really* want is higher wages imposed by the State.

Once again, when it comes to preferences, economists are eager to credit those of workers only when expressed in terms of money and the things money will buy. But when workers explicitly demand something else, those wants are discounted and dismissed as inauthentic or disingenuous. So much for the economic man's complete set of preferences when it comes to actually exercising a choice between income and leisure!

Chapter Eleven: "Do you really want a four-day week?" *(Wouldn't you rather have a Cold War?)*

> *This country is changing. We had a 58-hour week, a 48-hour week, a 40-hour week. As machines take more and more of the jobs of men, we are going to find the workweek reduced, and we are going to find people wondering what they should do.* –US President John F. Kennedy, September 1963.

From the glossy four-color process, half-tone perspective of mass-circulation magazines of the late 1950s and early 60s, "the future" appeared as a boundless horizon of entertainment-themed leisure. The urgent social question of the day seemed to be how – or whether – people could cope with all that free time. A few years before President Kennedy made his prediction about the future of the reduced workweek, "as machines take more and more of the jobs of men," economist Clyde Dankert set a date and a number on such speculation. "By 1980," estimated Dankert in 1961, "the thirty-hour work-week should be widely established and some progress made toward the twenty-five-hour week."

"Do you really want a four-day week?" asked *Parade Magazine* in September 1957, describing the issue as "one of the 'hottest' controversies in the U.S. today." During the 1956 Presidential election campaign, US Vice President Richard Nixon speculated on the imminence of the four-day week. United Autoworkers union president, Walter Reuther argued the shorter workweek was necessary to curb unemployment resulting from automation.

The *Parade* article juxtaposed the views of pollsters that most Americans didn't want a four-day week, experts at the Department of Labor who saw such a week as a strong possibility by 1970, and economists and industry groups who favoured increased consumption over more free time. One psychiatrist argued that American wives would not "stand to have their husbands underfoot for three days in a row." He argued that a shorter workweek would mean more broken homes because "there are a lot of marginal families based on keeping out of each other's way," But another psychiatrist and a radio evangelist argued that more time together might improve family relationships, cautioning, however, that the extra time could also lead to many more "temptations". Perhaps one of the most troubling findings unearthed by the *Parade* reporters was the possibility that "further scrambling of the jobs of husband and wife" – such as the husband washing dishes or doing housework – might lead to gender role confusion by children. Economists and business spokesmen were universally skeptical that the four-day week would become widespread any time soon or even that it was such a good idea. "Will you ever work a four-day week?" the article concluded, "You can tomorrow, if you want to. But do you really want to? These, as the experts see them, are the terms."

An ominous cloud loomed over the futuristic horizon of leisure – a mushroom cloud. If "The American Way" had indeed bestowed upon workers "The World's Shortest Working Hours" – as the National Association of Manufacturers had boasted in their 1937 billboard campaign – defending that way of life from the Soviet Menace required work, *more* work, not less. In 1947, perennial Presidential advisor, Bernard Baruch, who had directed the War Industries Board during World War I, appealed fervently for a longer workweek of 44-hours to boost national output, jobs and consumption. "Unless we work," Baruch warned, "we shall not be able to maintain our claim to power. That would be the greatest blow we could receive, for it would strip us of our strength to preserve our way of life." Ten years later, after the Soviet launch of Sputnik in October 1957, Texas Senator Lyndon B. Johnson again called for a longer workweek to combat the Soviet threat. Until his speech at Whiskey Creek Dam, just a month before he was assassinated, President Kennedy had repeatedly rejected calls for work time reduction.

Siphoning Off a Part of the Annual Increment of GNP

The lessons drawn from World War II by US policy makers and their advisors stand in stark contrast to the those drawn from World War I by Stephen Leacock and prescribed by Keynes during the war. Where Leacock had seen the maintenance of industrial output despite vast withdrawals of manpower from the labor force as a sign of the redundancy of much of that labor force, Leon Keyserling, chairman of the Council of Economic Advisors under President Truman, viewed massive spending on armaments as a tonic to stimulate the expansion of economic activity. Keyserling went even further in his calculation of the economic benefits of the preparations for war. In his view, the increased economic activity could produce a "growth dividend" that could be "siphoned off" to pay for the arms. Rearmament would thus be a free lunch that would not only pay for itself but make a down payment on a bargain dinner. This reasoning underpinned National Security Council memorandum, NSC-68, written in 1950 by State Department analyst Paul Nitze. Keyserling supplied the economic vision underlying NSC-

68, which represented a "a serious effort to develop a coherent strategy" in response to two distinct but interrelated problems: first, the obstacles to rebuilding an open system of world trade in which the US could sell its exports and second, containment of the Soviet military and political threat.

"With a high level of economic activity," the report assured, "the United States could soon attain a gross national product of $300 billion per year… Progress in this direction would permit, and might itself be aided by, a build up of the economic and military strength of the United States and the free world." The deficit financing of this military build up and subsequent effect of that spending on economic growth meant, in its author's opinion, that the rearmament could occur, "without a decrease in the national standard of living because the required resources could be obtained by siphoning off a part of the annual increment in the gross national product."

Approved months before the outbreak of the Korean War, NSC-68 recommended a massive rearmament program for the U.S. and Western Europe. "Leon Keyserling was very helpful when we wrote NSC-68," author Nitze admitted in a 1986 interview, "He was my principal adviser on the economic parts." Not only did Keyserling advise on the writing of document, but President Truman's special counsel, Charles Murphy called upon him to evaluate the document's economic feasibility. It is unclear whether either Murphy or Truman, were aware of Keyserling's dual role as both advocate and judge of the strategy. Never one to underestimate his own importance, Keyserling described his role as "the one who had introduced the fundamental new factor of the dynamics of economic growth. Now, as I say, I started this circa 1947…"

Because of limits to domestic purchasing power imposed by the market, stabilizing the U.S. economy in the post-war period required the expansion of foreign trade. Although the two goals of economic stabilization and Soviet containment were acknowledged as distinct in NSC-68, the document's rhetoric elevated the political-military conflict to top billing. The memorandum's drafters believed that rearmament could solve both problems while also being easier to sell politically. The economic dilemma arose out of Western Europe's fragile financial condition in the immediate post war period. Wartime devastation of productive capacity in Europe left in its wake immense inflationary pressures, as pent-up demand for goods could not be met by the constricted supply. Europe's international payments position was also weakened, giving rise to exchange controls and other barriers to international transactions in an effort to prevent capital flight.

Meanwhile, widespread conservative and protectionist political sentiment in the U.S. blocked a wholesale expansion of a Marshall Plan-type arrangement of foreign aid and easy credit. The Marshall Plan itself had been a brilliant success in providing a temporary solution to the dollar shortage in Europe. But European restructuring to new patterns of world trade required a long-term continuation of the effort. Changes were needed in European business practices, new institutions for investment planning, regional integration and co-ordination and overcoming of protectionist sentiment in the U.S.

NSC-68 was not based on a compelling analysis of the long-term needs of US capitalism. Instead, it produced politically marketable palliatives to several immediate and pressing problems. The document evaded the hard issues of the inherent weaknesses of liberal capitalism and the difficulty of establishing an open world economy. Instead, it opportunistically projected Western economic frailties onto Soviet military strength. That rhetoric, in Fred Block's opinion, was a short term expedient whose success in overcoming the structural economic problems would presumably render continued use of the Soviet bugbear unnecessary. While it may have made sense as an expedient, it was flawed in that it created an enduring institutional bias in favour of ongoing militarization of U.S. foreign policy. According to Block, "Rearmament became official policy largely because of the absence of coherent alternatives." But the strategy's success in the early 1950s cannot explain the continuing appeal and dominance of its rhetoric. Block argued that the implementation of NSC-68 established or reinforced three institutional structures – NATO, the military-industrial complex and political McCarthyism – that subsequently made it difficult for US policy makers to stray from the logic of militarization.

If the politics of NSC-68 were dubious, the theoretical status of its economic rationale was even more so. During World War II, as mentioned in a previous chapter, John Maynard Keynes had written to T.S. Eliot describing the full-employment policy by means of investment as first aid. It was, he explained, only one application of an intellectual theorem that also included wise consumption and working less. Keyserling's growth economics, however, abandoned any pretence to theory in favour of boosterism of growth, growth and more growth fuelled by wasteful consumption and wasteful investment. Economic stimulus through rearmament strategy is best understood as a response to the political difficulties inherent in adopting a genuine full-employment policy, as they had been analyzed by Michal Kalecki in a 1942 Cambridge lecture published the following year as "Political Aspects of Full Employment."

Kalecki had argued that the economic feasibility of maintaining full employment through a policy of government spending was widely accepted by economists, with the exception of "'economic experts' closely connected with banking and industry." As long as there remained unused capacity of labor, production facilities and raw materials, government spending financed by borrowing could proceed without triggering inflation. The reasons for political opposition to a full employment policy, however, are three-fold. First, industrialists dislike government interference in the area of employment because it blunts the political threat – used to indirectly dictate government policy – of warning that one or another policy opposed by business will "undermine business confidence." Second, the scope for government investment is initially narrow – restricted to such facilities as schools, roads and hospitals – but continued pursuit of the policy of government spending would create pressure to expand government involvement into industries like transportation and public utilities that are currently the preserve of private investment. Subsidizing mass consumption is even more strongly scorned because it violates the fundamental moral principle, "that 'you shall earn your bread in sweat' – unless you happen to have private means." The long-term maintenance of full employment is most politically objectionable because it would lead to social and political changes in which the threat of dismissal from employment would cease to be an effective disciplinary measure. Thus, although a full employment strategy could increase profits, its undermining of factory discipline and political stability make it unpalatable to bankers and industrialists.

An exception to this rule of big business opposition to full employment occurs under fascism, where, "the state machinery is under the direct control of a partnership of big business with fascism" and "dislike of government spending, whether on public investment or consumption, is overcome by concentrating government expenditures on armaments." Although this second aspect suggests parallels with NSC-68, there are fundamental differences between fascism and the economic rationale behind the Truman administration's Cold War rearmament strategy. As Kalecki pointed out, "in a democracy, one does not know what the next government will be like. Under fascism there is no next government." This clearly was not the case with NSC-68. Although the memorandum itself remained classified until 1975, its implementation following the outbreak of the Korean War revealed a policy logic that was clear enough to critics of the Truman administration.

Opposition to the rearmament as economic stimulus policy was readily forthcoming during the 1952 presidential election campaign. On the evening of September 23, 1952, General Dwight D. Eisenhower, the Republican nominee for President of the United States, was scheduled to deliver a campaign speech in Cleveland, Ohio. That night however, his running mate, Richard M. Nixon, gave his famous "Checkers" speech defending himself from charges that a political campaign fund established for him was improper. Instead of his originally scheduled address, whose topic was inflation and "false prosperity", Eisenhower substituted his reaction to Nixon's televised appearance. The text of Ike's unspoken speech, however, was published the next day in the Washington Post.

Eisenhower's speech was a sustained polemic expressly directed at the Truman administration policies conceived by Keyserling. Although Ike didn't name the economic policy's architect in the speech, he did the next best thing. He cited with regret the resignation of the Edwin G. Nourse, whom Keyserling succeeded as Chairman of the Council of Economic Advisors. To anyone familiar with Keyserling's conceptual role with regard to the economics of NSC-68, several passages in Ike's speech stand out as virtual indictments.

> *The inflation we suffer is not an accident; it is a policy. It is not, as the Administration would have us believe some queer and deadly kind of economic bacteria breathed into the atmosphere by Soviet communism... The point and purpose of this policy I have already indicated: to fool the people with a deceptive prosperity. The method is very simple: to give more people more money that is worth less...*

Furthermore Eisenhower identified the mainspring of that inflationary policy as the production of armaments:

> *There is in certain quarters the view that national prosperity depends on the production of armaments and that any reduction in arms output might bring on another recession. Does this mean, then that the continued failure of our foreign policy is the only way to pay for the failure of our fiscal policy? According to this way of thinking, the success of our foreign policy would mean a depression.*

In contrast to the scorned Truman administration policy, Eisenhower cited Thomas Jefferson's praise of governmental frugality: "If we can prevent government from wasting the labors of the people under the pretense of taking care of them, they must become happy." Jefferson's sentiment in those words echoed the formula for calculating public happiness specified by his friend, the Marquis de Chastellux..

Borrow. Spend. Buy. Waste. Want.

Eisenhower's theme of "false prosperity" echoed elements of essayist and literary critic Kenneth Burke's satirical essay of twenty-two years earlier, "Waste – the future of prosperity":

> *For long we have worried about war, driven by a pre-industrial feeling that war is the enemy of mankind. But by the theory of the economic value of waste we find that war is the basis of culture. War is our great economic safety-valve. For if waste lets up, if people simply won't throw out things fast enough to create new needs in keeping with the increased output under improved methods of manufacture, we always have recourse to the still more thoroughgoing wastage of war.*

Burke's essay had situated the wastefulness of war within the broader issue of deliberately wasteful consumption and planned obsolescence. In May of 1927, Henry Ford gave the order to shut down production of the Model T to retool for production of the Model A. According to a special report that appeared in the May 5, 1956 issue of *Business Week*, "Selling to an Age of Plenty," that action by Ford marked "a great divide in modern times... the transition from the Age of Production to the Age of Distribution."

Ford had been reluctant to implement a model change and had earlier declared he would not do so. But competitive pressure from the successful sales strategy of General Motors eventually forced his hand. Beginning in 1923, General Motors had introduced annual model changes for the Chevrolet, a move that vaulted the Chevy from a mediocre second-string vehicle to a Brand with a capital "B". The Chevy was murdering the Flivver in the marketplace. Three years after the Ford Motors retooling, Burke's satirical essay appeared in the *New Republic*. Titling his essay "Waste – The Future of Prosperity," Burke dedicated it to Henry Ford who Burke mistakenly credited with the model change and the "planned obsolescence" concept.

Burke's Veblen-inspired satire revolved around what he called the "Theory of the Economic Value of Waste," which may be stated as follows: "The more we learn to use what we do not need, the greater our consumption, the greater our consumption, the greater our production; and the greater our production, the greater our prosperity." "By this system," Burke explained, "business need never face a saturation point. For though there is a limit to what a man can use, there is no limit whatever to what he can waste." Burke offered the sole disclaimer that, "We have simply to make sure that the increase in the number of labor-saving devices does not shorten the hours of labor." Besides war and annual model changes for automobiles, Burke ruminated on such advances as disposable razor blades, skyscrapers, beverages, advertising and prisons for stimulating the economy and keeping people busy "for at least eighteen hours a day replacing the wasted commodities."

Twenty-six years later, writing in *The Nation*, Burke got the opportunity to retract his unwarranted indictment of Henry Ford when *Business Week* published its feature on the age of distribution. His earlier satire had been based on what he thought was an exaggerated statement of his case. However, the *Business Week* article showed him that what he had thought of as a burlesque was nothing less than the gospel of modern day economics. "'Just past the midmark of the 20th century,'" Burke quoted from the article, "' it looks as though all our business forces are bent on getting everyone to… Borrow. Spend. Buy. Waste. Want."

Organized Labor Sells its Birthright for a Mess of Pottage

When Harry Truman left office in 1953, Leon Keyserling moved on to become a key advisor to organized labor. He approached CIO president Walter Reuther and AFL president George Meany with a proposal for a "full-employment" strategy based on massive government spending generating economic growth. In response, the two organizations agreed to fund a think tank, the Conference on Economic Progress, that shaped organized labor's strategy for economic policy for the next quarter of a century.

Keyserling had played a key role in labor relations during the New Deal as Senator Robert Wagner's legislative aide. He drafted the National Labor Relations Act and its precurser, section 7(a) of the National Industrial Recovery Act. In his memoir, "*Roosevelt's Revolution",* Keyserling's mentor, Rexford Tugwell, would subsequently write of the legislation, "It will be remembered that one of the reasons why NRA was sponsored by Roosevelt, and why the act was passed in the special session of spring, was the threat of a thirty-hour law being pushed by Senator Hugo Black." Keyserling's view concurred with this assessment. In a 1958 letter to Arthur Schlesinger, he wrote, " The National Recovery Act as they [Bernard Baruch's and Gerard Swope's men] wanted it would not have included either Section 7(a) or the wage or hour or labor standard provisions. These emerged through a series of haphazard accidents reflecting the desire to get rid of the Black bill and to put something in to satisfy labor…"

Keyserling made his enduring opposition to shorter work time clear in a 1986 interview with legal scholar, Kenneth Casebeer. When Casebeer asked him about Senator Wagner's attitude toward the Black 30-hour bill, Keyserling first side-stepped the issue by talking about other economic recovery proposals. Casebeer persisted, though, asking if Wagner opposed the thirty-hour bill. Keyserling equivocated, claiming, "the bill never came to a vote", that Wagner "never supported it" but that he (Keyserling) didn't know what Wagner would have done had the bill come to a vote. Not withstanding Keyserling's selective recall, "Wagner did vote for the bill," Casebeer explained in a footnote, "although it never came to final consideration." Casebeer continued to press the issue, asking, "In your view was that [the thirty-hour bill] a misguided approach to recovery?" Keyserling replied affirmatively,

> *Yes, because I didn't believe in sharing unemployment instead of creating jobs. The thirty-hour bill was an attempt to share unemployment by having a lot of people unemployed ten hours per week instead of a smaller number of people unemployed full time. My opposition to the shortened workweek has gone much further. When I was working closely with Walter Reuther many years later, when he was one of the main financial supporters of the Conference on Economic Progress, the labor movement started developing support for a shorter workweek, and Reuther asked me to help him oppose it. He said he just didn't believe that the solution to the unemployment problem was shortening the workweek. He said we ought to have a shortening of the workweek only when we came to prefer more leisure rather than more work, and when we were productive enough to justify that, and our production needs were more fully met. But as an employment measure, he opposed it. Later, when we had so many recessions and so much unemployment, the labor pressure for a shorter workweek became so insistent even within the ClO, and later within the AFL-CIO, that Reuther stopped actively opposing it because it was futile, but he never actively supported it.*

Keyserling's account is contradicted by the public record of Reuther advocating the four-day workweek in response to automation. Maybe Keyserling meant that Reuther's public support was dilatory and didn't reflect his heartfelt convictions, in which case he probably had a point. Keyserling contrasted the shorter workweek strategy with his own approach, which, he explained,

> *…was that each factor in the economy should be adjusted to the full-employment quotient. In other words, spending policy, tax policy, and wage policy should all be adjusted to a model that I would call a national prosperity budget, or full-employment budget… That is what I learned during World War II; you adjusted each component to the requirements of a full economy.*

Keyserling's approach recognized no limits to economic growth either from deficits, inflation, the business cycle or natural resources. Although Keyserling advocated expanded spending on social programs, military spending remained central to his plans as the default lever for attaining full-employment.

Keyserling's advisory role with the AFL and the CIO – and subsequently, after their merger in 1956, with the AFL-CIO – helps to explain the eclipse of the demand for shorter working time as organized labor's first response to the threat of unemployment. Instead of shorter hours, the unions now called for increased government spending, including – indeed often emphasizing – defence spending. The AFL-CIO's support for the Cold War can hardly be blamed on Keyserling alone. George Meany and Jay Lovestone, the former American Communist Party general secretary turned labor bureaucrat and CIA informant, were zealous advocates of militant anti-communism long before Winston Churchill's famous Iron Curtain speech, even before the end of World War II.

Although shorter hours did not completely disappear from the AFL-CIO agenda, pursuit of the policy through either collective bargaining or political pressure waned. The rationale for this hesitation may be inferred from the editorial that appeared in the *New York Times* in May 1962. AFL-CIO president George Meany had announced an "intensified campaign" to reduce the standard workweek from 40 to 35 hours. The *Times* editorial scolded Meany for ignoring that the country "cannot afford" a shorter workweek "either in terms of production costs or of unsatisfied national and world needs." Furthermore – and this was the clincher – working less would "throw away" the opportunity to "banish poverty at home or abroad." The authority cited by the *Times* for that claim was a pamphlet issued by none other than Keyserling's Conference on Economic Progress. "Certainly we will not answer their needs or those of the much more neglected peoples of the emerging nations through a shorter workweek," the *Times* admonished, "Nor will we match the economic forward thrust of the Soviet Union, which has vowed to 'bury us on the production front." The editorial concluded with the assertion that "Faster economic growth and higher levels of demand are the real answer to the agitation for a cut in hours."

For its part, the AFL-CIO's "intensified campaign" for shorter hours was decidedly muted and diffident. "The case for shorter hours," explained an article in the November 1962 AFL-CIO newsletter, *American Federationist*, "does not rest on the notion that it is the best way." In case anyone missed that point, it was re-affirmed in the next paragraph, "Organized labor has not made shorter hours its first choice in the campaign against unemployment." The federation's first choice was growth – a more rapid rate of economic growth. "Shortening of hours has been discussed periodically but a major drive has been held off as a 'last resort'." The unions only turned to this last resort because the government was not vigorously pursuing programs "preferable to shorter hours" – such as tax reduction, tax reform, public investment and monetary easing. Thus in its own newsletter's presentation of its "intensified campaign" for shorter hours, organized labor hinted broadly that it would be more than happy to drop the demand in a blink if only the government would get serious about economic growth. Moreover, in the event of a recession, the article cautioned that the positive benefits of shorter hours would be nullified and that under those circumstances, work time reduction in the form of work sharing – without a compensating wage increase – would be positively undesirable. After all its hemming and hawing about shorter work time not being labor's preferred strategy, the article still felt it necessary to re-iterate that, "No one seriously considers it (shorter working time) a magic solution to unemployment or the sole answer by itself. Its strongest advocates claim only that it is but one tool although a fundamental one."

An Academic Consensus – in Theory and Practice

If organized labor had become ambivalent toward shorter hours, even in the course of a supposedly intensified campaign, economists in the late 1950s and early 60s were almost unanimously hostile and dismissive. Canadian-born Dartmouth labor economist Clyde Dankert exemplified this antagonistic consensus. He commented frequently on the issue of the shorter workweek, his paper on automation was included in a collection of background readings for the 1959 hearings of Senator Eugene McCarthy's Senate Special Committee on Unemployment and he edited a 1965 Industrial Relations Research Association volume on the hours of work. Like his compatriot, Stephen Leacock, Dankert received his graduate school training at the University of Chicago. By the time he got there, though, Thorsten Veblen had been long gone. Dankert doesn't appear to have published any original empirical studies or theoretical work on the issue. Judging from his 1962 article in the *Industrial and Labor Relations Review*, "Shorter Hours – in Theory and Practice," he did have a comprehensive (if somewhat muddled) grasp of the literature on the hours of labor, including the contributions of Jevons, Chapman, Pigou, Robbins and Hicks, although he mistakenly claimed that "there is a strong presumptive evidence the output optimum standard is the longest… the employer optimum is ordinarily the next longest and the worker optimum is generally the shortest." On the contrary, Chapman's theory had demonstrated why the employers' choice of hours in a competitive market would most likely be for hours of work longer than would be optimal from the standpoint of total output. Although Dankert acknowledged that shorter hours could lead to higher productivity and improved worker welfare, he concluded that in the context of the Cold War, the priority should be on maximizing total output.

Dankert frequently wrote as a fierce opponent of the idea that work time reduction could offer anything positive for employment policy. He adamantly and repeatedly invoked the lump-of-labor fallacy to discredit the notion that shorter hours could relieve unemployment. "Those persons who think that shorter hours will largely do away with technological unemployment, " Dankert scoffed in a 1959 review article in the *Labor Law Journal*, "are guilty of endorsing, whether they realize it or not, the discredited 'lump of labor' idea." Paradoxically, Dankert didn't discount entirely the possibility that work sharing could relieve unemployment in the short term, especially in a depressed economy. In fact, he stated, "the unemployment argument… is valid if used in connection with temporary reductions in hours…" "But," he insisted, "in the 'long run', the amount of work is not fixed, and a share the work policy as such is undesirable." At the same time Dankert was confident that "as time goes on hours of work will continue to be reduced… on the grounds of general welfare this is desirable." But there was always the danger of reducing hours too soon and too fast, "giving up too much in the way of real income for the extra leisure we achieve." "In time," Dankert prognosticated, "we should reach the 30-hour week and even the 25-hour week, but… that time is not now…" Of course, it would have been easy, given Dankert's views, to argue for flexible short-term reductions in the hours of work that progressively led to a gradual long-term decline. But Dankert failed to make that connection. Instead his rhetorical sallies about the "guilt" of shorter working time advocates recklessly distorted the case actually being made by advocates.

Dankert's 1948 version of the lump-of-labor fallacy is perhaps the oddest manifestation of a characteristically odd species of claims. In his textbook, *Contemporary Unionism in the United States*, Dankert acknowledged the truth of the proposition "that a permanent and a more or less general reduction in hours will cut down the amount of technological unemployment." Furthermore, distinguishing between the transition to a new standard of hours and a plateau at that new level, "The transition will without any doubt lessen the amount of unemployment for the time being." One might think that Dankert has just made the case for shorter hours, rather than refuting it, but there's more: "If, as the productivity of industry increases, the length of the working-week is gradually reduced, the amount of technological unemployment can to some extent be kept down." So wherein, then, lies the "fallacy"? According to Dankert, those who believe that a given reduction in hours will *permanently* eradicate unemployment subscribe to the lump-of-labor fallacy.

Dankert's confusion might be attributed to some sort of personal intellectual neurosis if it wasn't for the fact that his "widely respected" views were shared as an overwhelming consensus among economists. There were hints of dissent, but they were few and far between. Dankert was lead editor of an anthology, *Hours of Work*, published in 1965. A review of the book in the October 1965 *Labor Law Journal* summed up the essays in the book as seeming to conclude that the shorter-hour policy was limited in its usefulness at combating unemployment but potentially dangerous, if hours were reduced sharply. Another review found the core argument of the book, "quite convincing", but dryly confided, "it would be more so if an example were given of this [shorter hours reducing the demand for labor] actually happening in one of the many industries or countries in which standard hours have been reduced." A review in the Bureau of Labor Statistic's *Monthly Labor Review* described the analysis in the book as "hasty or pedestrian."

Writing in the April 1966 *Labor Law Journal,* Howard G. Foster, at the time a teaching assistant at the New York State School of Industrial and Labor Relations at Cornell, pointed out the inconsistencies and unsupported assertions in the standard economists' pessimistic assessment of the shorter working time issue, citing Marcia Greenbaum's observation that the gloomy view reflected a "nearly unanimous opinion of economists outside of the labor movement." Foster presented a very simple but effective demonstration of the dubiousness of claims by Dankert and his colleagues that work time reduction would inevitably increase labor costs. Using a simple hypothetical case of a company employing 100 men, Foster analyzed the employment outcomes of different responses to a 5 percent increase in productivity, first assuming that demand was constant and then that it increased. In the case of constant demand, a reduction of hours by 5 percent per worker could prevent layoffs but not create new jobs. In the case of growing demand, a reduction of hours by 5 percent would create jobs. In each instance, no loss in pay would be required because the change would have been triggered by a productivity increase. Of course real world labor-force adjustments are immensely more complicated than Foster's simplified model. Nevertheless his example involved no assumption that there is a fixed amount of work and certainly no extravagant claims about a "permanent eradication" of unemployment.

The Specter of a World which could be Free

Kitschy magazine articles from the 1950s and dogmatic disparaging comments from economists about the four-day week added nothing new to the analysis of the issue. But in retrospect they throw a revealing spotlight on the cultural differences between the near past and the present. No one in 2009, for example, confidently predicts a 30-hour workweek will become standard in 15 or 20 years. In contrast with the glib pop culture panegyrics over the four-day week, Herbert Marcuse's melancholy discussion of the issue in *Eros and Civilization* appears almost prophetic. Marcuse argued that technological progress had advanced to the point where it was feasible to massively reduce the amount of toil required from workers and to free their energies for the pursuit of objectives beyond the spheres of necessity and waste. But the closer that possibility of liberation from toil came to being a reality, the more streamlined and fortified must become the constraints against it actually happening.

> *"Civilization has to defend itself against the specter of a world which could be free." If society cannot use its growing productivity for reducing repression (because such usage would upset the hierarchy of the* status quo*), productivity must be turned* against *the individuals; it becomes itself an instrument of universal control.*

Perhaps Clyde Dankert, Leon Keyserling and George Meany all read Marcuse's words and, taking them to heart, sought to defend civilization from "the specter of a world which could be free"? In Keyserling's case, the intersection of the Vietnam War and the Civil Rights Movement threw a final ironic twist on his assertive utopia of armaments spending-fuelled full employment. In 1965, civil rights leaders Bayard Rustin and A. Philip Randolph conceived the ambitious idea of a "Freedom Budget" that would end joblessness, raise incomes, improve education and health care, build housing and thereby eliminate poverty within 10 years. Rustin recruited Keyserling to draft the Freedom Budget. As Keyserling set about drafting the budget, Rustin went out in search of endorsements for the proposal. The NAACP signed on, as did the Southern Christian Leadership Council. The more radical Student Non-Violent Coordinating Commiteee declined, however. By the end of summer 1966, Rustin had enlisted support from over 600 organizations and individuals, including the Americans for Democratic Action, the AFL-CIO and most of the major unions, the American Jewish Congress, several Protestant denominations and a gaggle of celebrities.

When the budget document was unveiled at a press conference in October 1966, it received major coverage in the *New York Times* and the *Washington Post* as well as front-page stories in other papers. A popular version of the budget, published in pamphlet format, promised higher incomes, better schools, housing and medical care for all at no increased cost in taxes, with no radical change to the economic system and requiring no reduction in arms spending. The key to this painless plethora of promises, as with all of Keyserling's schemes, was economic growth. Boundless growth would float all boats while stepping on no important or sensitive toes. Despite the success of its launch in fall of 1966, by the next year the Freedom Budget campaign had collapsed in utter failure. A conservative "backlash" among voters in the national elections that took place two weeks after the Freedom Budget's launch had moved the Congress decidedly to the right. In response, establishment liberals backed away from new, forward-looking programs and focused on defending their embattled turf. Meanwhile, the Vietnam War was radicalizing the emerging New Left. The Freedom Budget's promise to maintain defence spending opened up a rift between the budget's promoters and its intended constituents over the issue of its casual acceptance of militarism and the war. Seymour Melman, an outspoken critic of the military-industrial complex, distributed an open letter to endorsers of the Freedom Budget describing it as a "war budget" that had been "written in the White House." Bayard Rustin responded indignantly to these attacks. "We decided from the outset not to exclude those people who supported the war," he temporized, chiding critics that it was, "a moral responsibility to continue to fight for freedom even in the shadow of war." Somehow, it seemed to Rustin, it was opponents of the war – not the guns-and-butter snake-oil salesmen – who were abandoning the poor.

In October 1967, Leon Keyserling declared the campaign for the Freedom Budget "dormant". Four months later, in February 1968, he resigned angrily from the Americans for Democratic Action following its endorsement of Senator Eugene McCarthy's campaign for the Democratic presidential nomination. In his letter of resignation, he denounced ADA chairman, John Kenneth Galbraith, a staunch critic of the Vietnam War, as the leader of "a clique whose political purposes and profoundly undemocratic methods" had "virtually converted ADA activity into a one purpose anti-Johnson movement." Along with Keyserling, the presidents of the United Steelworkers of America, the International Ladies Garment Workers and the Communications Workers of America also quit the ADA. Walter Reuther of the United Auto Workers stayed in the organization but expressed his dismay at its endorsement of McCarthy.

On March 31, 1968, President Lyndon Johnson, stung by a strong second-place showing by Senator Eugene McCarthy in the New Hampshire primary and the entry of Robert F. Kennedy into the presidential race, announced that he would neither seek nor accept the nomination for another term as President. By the early 1970s, the guns-and-butter economics supported by the AFL-CIO's top leadership was coming undone, engulfed by the unpopularity of the Vietnam War as well as the policy's own fiscal contradictions. It had, however, succeeded in displacing the traditional struggle for shorter hours from labor's agenda.

Chapter Twelve: The Political Economy of Disposable Time: a Counter-Narrative

> *"After all their idle sophistry, there is, thank God! no means of adding to the wealth of a nation but by adding to the facilities of living: so that wealth is liberty -- liberty to seek recreation -- liberty to enjoy life -- liberty to improve the mind: it is disposable time, and nothing more."*

We would all like to think that reasonable arguments, with strong evidence to support them, would persuade people to take a new course of action when the old ways are no longer viable. Such conversion by persuasion is rare, though. Mostly they just keep on doing what they've been in the habit of doing until long past the point of futility. In his preface to *The General Theory of Employment, Interest and Money*, John Maynard Keynes told of his own long struggle to "escape from habitual modes of thought and expression" and his expectation that most readers would have to undergo a similar struggle to grasp his book's central message. It was not the new ideas that made the struggle so difficult. Keynes felt those were "extremely simple and should be obvious." The hard part was escaping from old habits.

Working less is one of those attractive ideas that many people view to be either impractical or at least unlikely to occur on a broad scale or as a public policy initiative. "It's a great idea – but it will never happen." The case for working less has been made many times in many ways. But for some reason it keeps getting forgotten, distorted or slandered. There is not a single, overriding case but multiple plausible arguments that have evolved ever since the beginning of the industrial era in the late 18th century.

In some respects, those various arguments overlap. In others, though, they occasionally conflict when it comes to ultimate purposes. For example, in Henry Ford's estimation, more leisure would boost the consumption of commercial goods but for the Sustainable Development Commission the proposal to increase leisure is offered as an effective substitute for compulsive consumerism. Which is it, then? Appetizer or appetite suppressant? Perhaps the best answer is that disposable time is what we make of it.

During the second half of the 20th century, economists acquired certain habits of mind regarding the relationships between leisure, employment and productivity. Those received ideas impose a limiting frame on what is deemed respectable public opinion and which views are admissible in sober policy deliberation. At their core, though, is a glaring inconsistency that defies comprehension. On the one hand, economists are nearly unanimous in their confidence that productivity growth has a positive effect on employment in the long run. "Technology," they chant in unison, "creates more jobs than it destroys." On the other, they dismiss and deride the job-creating potential of work-time reduction. Those two opinions are mutually exclusive. Both economic theory and historical evidence point to shorter hours of work as a significant factor in productivity growth. How, then, could shorter hours contribute to productivity growth *without* also creating jobs in the long run? It is a paradox economists can't grasp, let alone explain.

Appropriately designed and implemented, the regulation of the hours of work not only distributes job opportunities more equitably but also potentially *expands* employment opportunities, rather than simply spreading around a given amount. The catch, though, is in the disclaimer, "appropriately designed and implemented." As with any policy initiative, there is no *guarantee* that work time reduction will always succeed in creating jobs, no matter what else is happening in the broader political and economic context. But more responsive policy design can increase the chances of success.

At the dawn of the industrial age, enlightenment thinkers like Benjamin Franklin and the Marquis de Chastellux celebrated the role they anticipated reason, justice and technological progress would play in diminishing the burden of toil and expanding opportunities for leisure, even to the common people. Such early optimism was followed in the 19th century by radical social criticism that focused on the obstacles thrown up by the state or by the logic of the accumulation process itself to attaining the Utopian prospects of abundant leisure and of work that was more autonomous and meaningful.

After the end of the Civil War, the nascent labor movement in the U.S. embraced Ira Steward's political economy of eight hours, which added a new dimension to the enlightenment myth of release from toil. Leisure became not only an end in itself but also the means for workers to achieve a higher material standard of living. Sydney Chapman's neoclassical analysis of the hours of labor confirmed the contribution that expanded leisure could make to productivity growth and explained how market competition hindered rather than fostered the progressive reduction of hours.

The dream of release from toil came full circle with Thorstein Veblen's analysis of how pecuniary motives distort and confound the presumably rational pursuit of utility. In the topsy-turvy economic logic identified by Veblen, consumption ceased to represent the fulfilling end for which production was the means but functioned as a positional marker in an ever-escalating competition for social status. Taking Veblen's sardonic critique to the end of the line, Kenneth Burke prophetically nominated waste as "the future of prosperity" a prediction that was confirmed by the proliferation of advertising, planned obsolescence and recurring cycles of fiscal stimulus aimed at propping up increasingly wasteful but systemically indispensable consumer spending.

Having by now attained standards of material wealth that would have been unimaginable in 1786, when Franklin made his conjecture about the sufficiency of a four-hour day and that "want and misery would be banished out of the world," the world instead finds itself with the grim prospect of mass unemployment, financial instability, dwindling supplies of cheap hydrocarbons and, worst, of all the environmental consequences of excess industrial consumption. Even from establishment quarters, the call goes out for new economic thinking, a "new paradigm."

The new ideas, as Keynes remarked, are simple and obvious. Reducing the hours of work enhances productivity. Improved productivity increases employment. More employment and better productivity gives us the option of taking an increasing proportion of the productivity gain in the form of leisure. We don't need and can't afford perpetual growth based on perpetual waste. The mantra of growth is inconsistent in that it excludes from its calculation one of the most desirable components of what might otherwise be a sustainable and socially just growth: leisure. Meanwhile, it counts as added value the cost of merely restoring or preserving the nature that has been ravished by heedless industrial activity.

"The old myths say that the trickster made the world as it actually is," explains the dust jacket of Lewis Hyde's *Trickster Made this World*. "Other gods set out to create a world more perfect and ideal, but this world, with its complexity and ambiguity, its beauty and its dirt, was trickster's creation, and the work is not yet finished." It seems fitting to think of disposable time more in the spirit of the trickster – with his habits, appetites, vulnerabilities and cleverness – than of those economic gods, growth and rational economic man whose fabled perfection leaves no room for humanity – or any other mortal species, for that matter. Technology makes it necessary for a population to either increase their appetite and consume more each year or take more time off work in the form of leisure. Although it is indeed a choice, it is a compulsory one. Unemployment rises if consumption doesn't increase or working time doesn't decrease. Moreover, in the period since the end of World War II, the levers of public policy have almost exclusively been aimed at increasing consumption and thereby fuelling economic growth. An inevitable consequence of such a one-sided policy regime is that few new policy tools to encourage work time reduction have been introduced and refined.

So, *does* technology really create more jobs than it destroys? It can, under some circumstances, but that doesn't mean it creates jobs for all or the right jobs in the right places at the right time. And it can't *perpetually*. The corollary to productivity creating more jobs is efficiency burning more coal… or petroleum… or emitting more greenhouse gases. There are no guarantees, either, that more disposable time ushering in an age of cultural flourishing and world harmony. But if wealth is disposable time then is the perpetual expansion of work really what we want?

Aristotle said that we work in order to have leisure. The Treasury takes another view. We work in order to pay taxes. Increasingly, the purpose of those revenues is financing programs to stimulate growth so that the government can "siphon off a part of the annual increment" to pay for the spending needed to stimulate yet more growth. Meanwhile the soundness of that so-called growth goes largely unquestioned. Fred Hirsch pointed out over thirty years ago that economic growth increases competition for scarce positional goods and thereby diverts resources away from final consumption to intermediate goods. Through a quirk of accounting called asymmetry entering, those proliferating intermediate goods, though, are counted in GDP as if they were final consumption goods. So we get *faux* growth, a deceptive prosperity bit real greenhouse gas emissions, species extinction and environmental catastrophes like the BP oil spill in the Gulf of Mexico.

As consumers, the economists tell us, we have choices. But as citizens we have to make choices and take responsibility for them. The idea of treating the individual's labor as private property was rendered an anachronism when governments first announced their commitment to full employment. The fact they reneged on that commitment only reinforces the obsolescence of the myth of a individualistic free market in labor. The labor commons union, proposed in Chapter Four can serve as a vehicle for pursuing a social accounting of employment. And that vehicle can be guided by a social accounting information system that explicitly analyzes the relationships between working time, leisure, productivity and income.

The first chapter of this book presented the lesson of an historical struggle of a community of workers for the good object of more free time. Two lessons from that history stand out and bear reflecting upon. First, a powerful movement for progress can emerge with surprising suddenness and call upon remarkable capabilities from the participants. Second, a determined and unified multitude can achieve victory almost as suddenly as the emergence of the struggle itself, even in the face of great adversity.

Appendix One: Tim Jackson's foreword to prosperity without growth?

Every society clings to a myth by which it lives. Ours is the myth of economic growth. For the last five decades the pursuit of growth has been the single most important policy goal across the world. The global economy is almost five times the size it was half a century ago. If it continues to grow at the same rate the economy will be 80 times that size by the year 2100.

This extraordinary ramping up of global economic activity has no historical precedent. It's totally at odds with our scientific knowledge of the finite resource base and the fragile ecology on which we depend for survival. And it has already been accompanied by the degradation of an estimated 60 percent of the world's ecosystems.

For the most part, we avoid the stark reality of these numbers. The default assumption is that – financial crises aside – growth will continue indefinitely. Not just for the poorest countries, where a better quality of life is undeniably needed, but even for the richest nations where the cornucopia of material wealth adds little to happiness and is beginning to threaten the foundations of our wellbeing.

The reasons for this collective blindness are easy enough to find. The modern economy is structurally reliant on economic growth for its stability. When growth falters – as it has done recently – politicians panic. Businesses struggle to survive. People lose their jobs and sometimes their homes. A spiral of recession looms. Questioning growth is deemed to be the act of lunatics, idealists and revolutionaries. But question it we must. The myth of growth has failed us. It has failed the two billion people who still live on less than $2 a day. It has failed the fragile ecological systems on which we depend for survival. It has failed, spectacularly, in its own terms, to provide economic stability and secure people's livelihoods.

Today we find ourselves faced with the imminent end of the era of cheap oil, the prospect (beyond the recent bubble) of steadily rising commodity prices, the degradation of forests, lakes and soils, conflicts over land use, water quality, fishing rights and the *momentous challenge of stabilising concentrations of carbon in the global atmosphere. And we face these tasks with an economy that is fundamentally broken, in desperate need of renewal.*

In these circumstances, a return to business as usual is not an option. Prosperity for the few founded on ecological destruction and persistent social injustice is no foundation for a civilised society. Economic recovery is vital. Protecting people's jobs – and creating new ones – is absolutely essential. But we also stand in urgent need of a renewed sense of shared prosperity. A commitment to fairness and flourishing in a finite world.

Delivering these goals may seem an unfamiliar or even incongruous task to policy in the modern age. The role of government has been framed so narrowly by material aims, and hollowed out by a misguided vision of unbounded consumer freedoms. The concept of governance itself stands in urgent need of renewal.

But the current economic crisis presents us with a unique opportunity to invest in change. To sweep away the short-term thinking that has plagued society for decades. To replace it with considered policy capable of addressing the enormous challenge of delivering a lasting prosperity.

For at the end of the day, prosperity goes beyond material pleasures. It transcends material concerns. It resides in the quality of our lives and in the health and happiness of our families. It is present in the strength of our relationships and our trust in the community. It is evidenced by our satisfaction at work and our sense of shared meaning and purpose. It hangs on our potential to participate fully in the life of society.

Prosperity consists in our ability to flourish as human beings – within the ecological limits of a finite planet. The challenge for our society is to create the conditions under which this is possible. It is the most urgent task of our times.

Appendix Two: 12 Steps To a Sustainable Economy

Building a Sustainable Macro-Economy

Debt-driven materialistic consumption is deeply unsatisfactory as the basis for our macro-economy. The time is now ripe to develop a new macro-economics for sustainability that does not rely for its stability on relentless growth and expanding material throughput. Four specific policy areas are identified to achieve this:

1. Developing macro-economic capability

2. Investing in public assets and infrastructures

3. Increasing financial and fiscal prudence

4. Reforming macro-economic accounting

Protecting Capabilities for Flourishing

The social logic that locks people into materialistic consumerism is extremely powerful, but detrimental ecologically and psychologically. A lasting prosperity can only be achieved by freeing people from this damaging dynamic and providing creative opportunities for people to flourish – within the ecological limits of the planet. Five policy areas address this challenge.

5. Sharing the available work and improving the work-life balance

[In a declining or non-increasing economy, working time policies are essential for two main reasons: 1) to achieve macro-economic stability; 2) to protect people's jobs and livelihoods. But in addition, reduced working hours can increase flourishing by improving the work-life balance. Specific policies need to include: reductions in working hours; greater choice for employees on working time; measures to combat discrimination against part-time work as regards grading, promotion, training, security of employment, rate of pay and so on; better incentives to employees (and flexibility for employers) for family time, parental leave, and sabbatical breaks.]

6. Tackling systemic inequality

7. Measuring capabilities and flourishing

8. Strengthening human and social capital

9. Reversing the culture of consumerism

Respecting Ecological Limits

The material profligacy of consumer society is depleting natural resources and placing unsustainable burdens on the planet's ecosystems. There is an urgent need to establish clear resource and environmental limits on economic activity and develop policies to achieve them. Three policy suggestions contribute to that task.

10. Imposing clearly defined resource/emissions caps

11. Implementing fiscal reform for sustainability

12. Promoting technology transfer and international ecosystem protection.