

make ~

For release on delivery at
approximately 12:15 P.M., E.S.T.
Thursday, April 27, 1939.

R-262

ADDRESS SCHEDULED FOR DELIVERY BY ELMER F. ANDREWS, ADMINISTRATOR
WAGE AND HOUR DIVISION, U. S. DEPARTMENT OF LABOR
Before The
ROTARY CLUB, WILMINGTON, DELAWARE
APRIL 27, 1939 at 12:15 P. M.

As I recall it, every Rotary Club typically includes in its membership a merchant, a plumber, a clergyman, a carpenter, a dentist, a barber, a physician, a banker, a lawyer -- and so on through the various trades and professions -- so that it represents a good cross section of the various social and economic interests of the community.

You are the sort of people the Fair Labor Standards Act in part was designed to help, and we try to keep that very much in mind in the work of the Wage and Hour Division of the United States Department of Labor.

Maybe it hadn't occurred to you before that wage and hour legislation is a matter of personal concern to you. If you have thought about it as something designed for the other fellow -- who probably lives in a shack over on the other side of the tracks -- and of only remote academic interest to yourselves, you have distinguished company. I meet a number of important industrialists who say, sure, it's a good thing to have a floor under wages and a ceiling over hours -- and let it go at that. They think it is wrong that anybody should have to work for as little as 10 or 15 cents an hour, the sight of poverty stirs their humanitarian sentiments and they agree there ought to

be a law again' it. But when they stop and think a bit the conviction begins to sink in that fair wages are a good thing for them, too. It is because that conviction has been sinking into the public consciousness pretty rapidly within the last few months that we are getting a fine type of co-operation in our work in Washington and throughout the country.

I believe I am as sensitive to the humanitarian considerations as the next person. I am as deeply hurt as anybody at the sight of poor people being exploited by hard-hearted employers who pay so little that they have to live in hovels while their children run around half-clad and half-fed. But that's sentiment, and they tell us that sentiment and business don't mix. I am not certain that proposition is wholly true, but I do know that we have had poverty with us a good many centuries and the sentimental attack upon it didn't get very far. It was only when we began to see that poverty is bad business for everybody -- for the so-called prosperous as well as for the poor -- and acted accordingly, that we began to make progress against it.

I could take you to certain communities in this country notorious as low wage towns. You would find they all have certain characteristics in common. The streets are poorly paved and lighted, public health is at a low level, homes lack bathrooms and sanitary facilities, there isn't enough taxable property to maintain good schools and adequate playgrounds for the children -- and the merchants complain that business is bad.

Then you could go into communities noted for maintaining a high level of wages. And there you would find well-paved and well-lighted streets, good schools, playgrounds, neat, well-painted houses, low mortality rates -- and the merchants will tell you business is good. The low-wage community isn't a good place in which to live and those who happen to become well-to-do in it usually get out at the first opportunity, while the high-wage community

is a comfortable and attractive place in which to build a home and you'll find old families firmly rooted in the soil and carrying on happily and contentedly generation after generation.

In an economic society such as ours nobody can live unto himself alone. Not even Robinson Crusoe was an economically free man; he had to reckon with his man Friday. We are all dependent upon one another and what affects one for weal or woe affects in some degree all the rest of us. What each member of a group does with his money may have a very striking effect upon every other member of the group.

There are only two or three things you can do with money. You can spend it for goods and services you need and want, or you can invest it. People with incomes of \$500 a year or less don't save anything or have anything to invest. There may be an exception here and there, but as a group they are in debt and falling behind. So are those with incomes up to \$1,000. Families with incomes of \$1,000 to \$1,500 a year save a few dollars, but what is laid by in one year usually is spent the next. The bulk of the Nation's investment capital comes from those in the higher income brackets and always has.

If an individual family with annual resources of \$400 finds its income doubled you cannot tell with any certainty what it will do with its extra \$400. Maybe it will use up in riotous living. But if a large number of families experience that much increase in income you can predict with reasonable certainty about what will happen. The larger the group the better your prediction will be, because as the numbers affected increase, the law of averages minimizes the exceptional cases. We know from detailed surveys that the typical family of the group probably will spend \$104 more a year for food, \$58 more for housing, \$28 more for life insurance, \$22 more for clothing,

\$18 more for medical attention, \$17 more for recreation, \$16 more for household operation (including fuel, light and gas), \$14 more for house furnishings and equipment and \$10 more on personal care -- hair cuts, beauty treatments and necessary paint for the finger nails. That leaves \$83.20 for oil, gasoline, tires, upkeep for a second-hand car, and for other things.

We aren't entirely guessing about this. We have seen how people at various income levels spend their money. They say you can't change human nature, but at least you can predict pretty accurately how it will behave in certain given situations. When Bill Jones, laborer, gets a raise in pay he typically begins immediately to buy more and better food for his family, more and better clothing, moves into a more convenient house in a better neighborhood, and takes his wife to the movies once a week instead of once a month. That's automatic and, I may say, axiomatic.

If we follow his newly-earned dollars around the circle we find that because of them the grocer is able to pay his doctor bill, and the clothing merchant sends his children to the dentist to get their teeth fixed, the doctor pays his loan at the bank, the banker buys a new car, the auto salesman increases his church contribution, and the clergyman, knowing that his salary will be paid, is able to take a needed vacation trip which before he felt he couldn't afford.

I have discussed probable changes in buying if families at the \$400 income level were raised to the \$800 level. As a matter of fact, the effects of increasing mass purchasing power can be shown in even more impressive totals from the results of a recent study of the spending habits of the whole mass of American families now getting less than \$1,250. If sixteen million such families could be raised to the modest income level of \$1,500 a year, it is probable that they would spend 800 million dollars more a year for food (attention, grocers,

canners, farmers and food processors), 400 million more for clothing (attention, clothing and textile manufacturers, dry goods merchants and haberdashers), 450 million more for fuel, light, refrigeration and house furnishings (attention coal dealers, department stores, public utilities and manufacturers of electrical appliances), 600 million more for rent (are there any real estate men present?), 385 million more for automobiles, 200 million more for medical attention, drugs and dental care.

The great benefits growing out of increased purchasing power can be brought about only by many forces acting in that direction. The efforts and the results will vary widely from industry to industry, depending upon many factors -- such as the amount of unused capacity and the ability to cut unit costs through increased production. The Fair Labor Standards Act is only one of the elements in the problem of expanding the production and consumption of goods in this country. It is a step in the right direction and we hope that its successful operation will make a measurable advance to this end.

We have heard a good deal in the last nine years about over-production. We didn't have over-production but under-consumption. We look back at 1929 as a year of maximum prosperity, but even in that year the productive capacity of our industrial plant was only 83 per cent utilized. We wonder what we are going to do with our exportable surplus which other nations will not or cannot buy, but we must remember that one of the most hopeful attacks on the problem of the exportable surplus is through the increase of mass purchasing power. If every man, woman, and child in the United States could be properly fed, properly clothed, and properly housed, a large portion of the present surpluses would be absorbed by new buying in this country. Further, the expansion of industrial activity coming with a broadening of domestic markets would provide alternative occupations for many people now making the surpluses and the problems

that go with them. The great American market is not in the British Isles, or China, or even in Canada and South America. It is right around the corner from us among our own friends and neighbors.

I certainly am not trying to imply that the Fair Labor Standards Act is going to make over our National economic pattern between now and 7 o'clock tomorrow morning. It isn't any cure-all. Nor, on the other hand, is it a conspiracy against business, but an aid to business. It brings a reasonable decent standard of living at least within hailing distance of millions of workers who have sunk in poverty. It gives the employer, through the over-time pay provisions, an incentive to abolish excessive working hours and to put more men to work. It is one device by which we hope, along with the President, that National income may be again boosted to the eighty billion mark.

Employers generally are complying. There is powerful incentive to compliance in that provision of the law which permits the worker who does not receive the benefits to which he is rightfully entitled to go into court and collect double the amount of his withheld wages, though I think the great majority of employers did not need this persuader. Most of them are anxious to pay high wages just as soon as they can be assured that some competitor isn't going to be allowed to undercut them by paying starvation wages. They know, too, that only as mass purchasing power is increased can they hope to find a market for their goods. Were that not true the entire standing army would be insufficient to enforce minimum wages and maximum hours.

Through your support of the law and your help in driving out the chiselers, and through even-handed and just enforcement, we can cooperate to make this a better country to work in, to do business in, to live in. Greener pastures lie just ahead.

#####