

he Shovelcrats

*A Satire on the Illusional
Theory of Political Economy*

A REPORT BY COMMISSIONER
JOHN WILLIAM JONES TO THE
DIRECTORS OF THE DRY LAKE
EXCAVATION COMPANY

By
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Illustrated by Phillip Grant

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*"The toad, beneath the harrow, knows
Precisely where each sharp tooth goes—
The butterfly, upon the road,
Preaches contentment to the toad."*



1

HE WAS huddled on a large flat rock by the roadside, morosely contemplating a spear of buffalo grass and shedding an aura of dejection all around. From his seat he could view the sprawling expanse of Dry Lake City.

He narrowed his eyes, protruded his jaw obstinately, leaned forward about an inch as though that concession were intolerable, and croaked defiantly:

"A shovel is made to shovel with!"

"Quite true, my friend," I replied.

"Do you admit it?" he inquired eagerly.

"I certainly do," I said heartily—I might say enthusiastically—first, because I was seeking no maniacal dispute, second because what he stated was a fact, as far as I could see.

The figure on the rock relaxed and I felt I had made a favorable impression.

"Stranger here?" was his next shot.

"Yes."

"Ah—that accounts for it. Yes, undoubtedly, shovels were made to shovel with. And I claim that a man who came here to shovel, and wants to shovel, should be permitted to shovel."

I considered this remarkable declaration, but, at the moment, it did not occur to me that it had a bearing on my mission which was to ascertain what extraordinary engineering difficulties had been encountered and recommend to the directors of the Dry Lake City Excavation Company how best to expedite matters.

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Dry Lake City lies in the Nevada desert at the head of Dry Lake Valley, the area our reservoir system will irrigate. The Valley, an arid wasteland populated only by a

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few sheep, stretches westward, eighty miles long by thirty wide. From the nearest railway junction a single track line is built to transport workmen to our camp and provision them. For all practical purposes, this one railway is the sole means of communication.

Because of difficulties and expense, and also to sustain progress, it was thought advisable to contract with the employes for the full term of the work. At the outset it appeared that this would be to their advantage.

It was estimated that it would take fourteen thousand men fifteen years to complete the lake bed, and diversion of the Colorado River to the lake would require three years additional, with half this force employed.

Including the fourteen thousand workmen, their wives and families, tradesmen, artisans and others who took up residence there to ply their vocations and transact the business of the camp, Dry Lake City is populated by about sixty thousand souls. It is something of a desert metropolis.

The full quota of fourteen thousand has been in the camp eight years but progress has been far short of our estimates.

Ruminating on these facts, I sized up the disconsolate figure on the flat rock and weighed his statement that a shovel is made to shovel with.

"Any argument about it?" I asked.

"Argument! It's all we do—argue about it."

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"Just who argues?" I inquired.

"Everybody," replied the man on the flat rock. "Martin started it and we've never got it settled. If it hadn't been for Martin, we'd be away ahead on this job."

"That's why I'm here," I explained, "to find out what's wrong. I'm here to investigate for the company."

"You are!" exclaimed the man on the flat rock jubilantly. "Then you're the man I want to see. I'm Tom Morgan. I'm the champion of the theory that a shovel is made to shovel with."

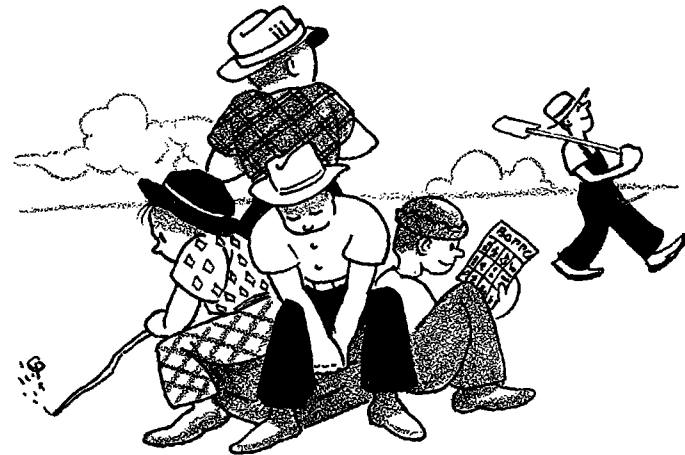
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The odd champion of an odd cause arose and accompanied me, relating incidents of the camp, incidents that appeared fantastic, but which I have had occasion to verify and now embody in this report.

An ingenious ditch digger, William Martin by name, is the founder of the Dry Lake City economic system. There is no question of Martin's plausibility. In any other environment—in some city, for example, where he might have become a local boss—his statecraft would, no doubt, have been fittingly appreciated.

Explorations of his motive would be out of place. The

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Four thousand without shovels were unable to work.

public motive, so far as I could ascertain, was to develop, enrich, and civilize Dry Lake City.

When the first consignment of ten thousand shovels reached Dry Lake, the orders of our Salt Lake City office stipulated that they were to be sold to the workmen at cost, namely \$1.00 per shovel. But, since there were fourteen thousand men waiting for shovels, that left four thousand without shovels and unable to work. Since no one knew when another shipment was due, some of these surplus workmen went to the trenches and offered as high as \$5.00 for shovels which had cost the owners a dollar. The purchasers estimated that they could recover their investment with the wages for their first day's

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work, and that they would thereafter be able to take home their full pay.

This shift in the ownership of shovels brought about a corresponding shift in the names of workmen on the payroll; but it still left ten thousand workers with shovels and four thousand potential workers without. Thus one obvious change was that the price of a shovel had jumped from its cost of \$1.00 to a market price of \$5.00.

4

Martin digested this phenomenon.

"I wish I had bought a hundred shovels five days ago," he said to a fellow shoveler in the trench where he worked. "It would be \$400 clear velvet."

The fellow shoveler grunted.

"Do you know," pursued Martin, "that this camp is getting richer every day—getting richer without anyone doing any work?"

"I suppose so," replied the grunter, "but it looks like work has something to do with it. They pay \$50,000 a day to the ten thousand of us who are shoveling. That helps. But I don't see them paying anything to those who aren't shoveling."

"I don't mean that," Martin replied. "I mean the

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shovels. Four days ago there were ten thousand shovels worth ten thousand dollars. Today they are worth \$50,000."

"They are not worth one cent more," declared the dissenter, who was Tom Morgan. "They are the same shovels. You can't shovel any more dirt with one today than you could yesterday. A shovel is a shovel, and a shovel is made to shovel with. That's all there is to it."

Morgan spoke without realizing that there might be much more to it—and he was not aware that he was stating the basis of one of the two economic theories that were, later, to rend the camp.

Martin said:

"These shovels will sell today for \$50,000. Therefore, they are worth \$50,000."

And therein Martin stated the opposing theory.

So impressed was he with this idea that, glancing about in search of the straw boss and not seeing him, he sat down to think over his discovery. Morgan also thought, and repeated:

"A shovel is made to shovel with!"

To one intent on shoveling it might appear that way, but not to Martin. Something was burning in his brain. It was the Big Idea.

"I don't feel well," said Martin. "Tell the boss, when he gets around, that I'm ailing and have had to go home."

"All right," said Morgan.

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Martin had \$400 in cash of his own. He did not go home. Instead, he went from one work gang to another, summoning men he knew. They met Martin in the back room of one of the new saloons. There they talked over the Big Idea. Then they went to see Murphy, the company agent.

Two days later the second consignment of shovels arrived and some four thousand workmen assembled, each with dollar in hand, to procure a shovel.

"Nothing doing," said Murphy. "Martin bought the shovels. See him."

"What the hell does Martin want with four thousand shovels?" demanded one. "Thinks he's a steam dredge, does he?"

Martin himself appeared about this time.

"Boys," he said, "I've got your shovels. As you know, shovels are worth \$5.00 each. I don't care to sell all the shovels I have, but I'll sell a thousand of them today for \$7.00 each to first up."

"That don't go!" shouted the crowd. "Come through with those shovels!"

"Now don't get excited," cautioned Martin. "This is not a holdup. It's a benefaction. Dry Lake City is about to enter upon a most remarkable era of prosperity—the

greatest period of business expansion any construction camp has ever experienced. Now, I want to put this question—how much is the wealth of Dry Lake City today—just counting the fourteen thousand shovels?"

"Fourteen thousand dollars!" shouted a voice.

"Wrong you are!" replied Martin, smiling benignly. "Its wealth in shovels is \$98,000—\$7.00 per shovel! You never saw wealth increase so rapidly. Boys, if I hadn't taken over and added another \$2.00 to the value of shovels, do you realize that all this wealth would have been destroyed—shovels would have dropped to a dollar and our community would have lost \$84,000!"

"Not only have I safeguarded the honestly-earned wealth of every man in this camp who owns a shovel, I am adding to it! I am about to increase the wealth of those who own the ten thousand shovels already in use by \$20,000. I shall do this by increasing the price of a thousand new shovels I am about to sell from the \$5.00 at which they have been holding their shovels, to \$7.00. I can do this because four thousand buyers want shovels, and only one thousand shovels are available for sale. That is why I say that Dry Lake City is embarking on the greatest era of wealth and prosperity ever known to any construction camp in the United States.

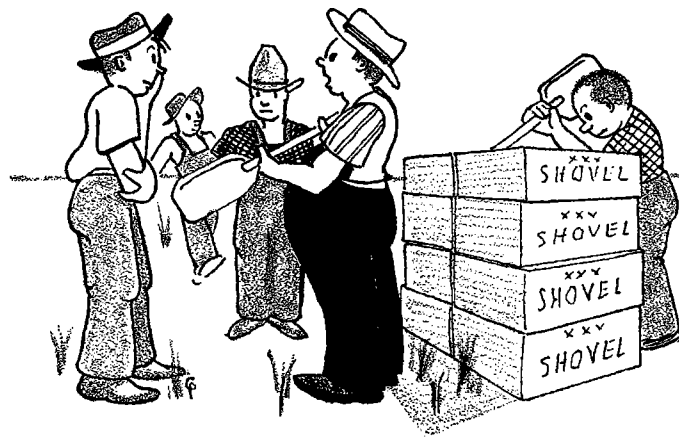
"You who buy the thousand shovels I am going to sell at \$7.00 each, will pay just what shovels are worth today, for the market fixes the value. I state that as a well-known economic fact that cannot be denied. And you will be

protected, for shovels will never be worth less—they will be worth more!

"I say that because we've got a wide-awake city council which has voted that no additional shovels can henceforth be transported into Dry Lake City or manufactured here. While you recognize the needs of your community, while you see to it that the right kind of men are elected, you need never fear that your well-earned rights in these shovels will be molested.

"By prompt action, my friends and myself have shielded Dry Lake City from disaster. In four days we have increased the financial resources of this community from \$14,000 to \$98,000! Can you beat that?"

Martin paused to let his oratory sink in. Then he said: "We will now begin the sale of a thousand shovels at \$7.00 per shovel."



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As the last of a thousand workmen dug up his \$7.00 for the last of the thousand shovels, it dawned on the three thousand remaining workmen that Martin was leaving them out of the deal.

"What's this? A freeze-out?" yelled three thousand shovelless voices. "Where do we get off?"

"See me later," said Martin, "I'll be around."

The crowd broke into groups, excitedly speculating on Martin's scheme.

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The purchasers of the thousand shovels quickly spread the story of the era of wealth and prosperity Martin had predicted. For the most part the idea was eagerly welcomed. Dry Lake City shovels were to be nonreproducible. Shovels were to be just like land—their value unaffected by what it would cost to produce more shovels. So each workman grasped his \$7.00 shovel with renewed enthusiasm as he bethought himself that it represented more than he could earn in a day and that it had not cost him a single effort. Martin, who was busy negotiating with the three thousand shovelless workmen, was popular.

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"No," he said. "I won't sell any more shovels just at present. But I'll tell you what I will do. I'll release two thousand on terms. You use the shovels and pay me one-fifth of your wages."

"Like hell!" replied the shovelers. "We're entitled to a shovel and full wages, the same as you."

"Very well," Martin said. "They are my shovels!"

The upshot was that the shovels were finally rented with much grumbling by workmen who felt they had better work for four-fifths pay than none at all. But this arrangement still left a thousand shovelless men.

"What about us?" the thousand demanded.

"I do not care to do any more business," Martin responded. "I feel that I should go home and rest. Only those few to whom the welfare of a community has been entrusted by Divine Providence can appreciate the exhausting character of responsibilities so vast as mine. I shall go home and lie down. I must have quiet. I must think!"

"But what will we do?" persisted the shovelless shovelers.

"It's a competitive age," Martin replied. "Every fellow for himself."

"How are we going to compete without a shovel to compete with?"

"That's up to you," Martin replied. "Every fellow must settle his own personal problems."

"I know!" shouted one. "We'll have a new city ordinance! We'll get more shovels into camp!"

"Do you think so?" queried Martin. "This is a democracy. The majority rules. The majority elects the city council. Now, in this case, the majority is satisfied because I increased the value of their shovels from one to seven dollars. Do you think they will vote for cheaper shovels?"

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With that Martin went home and took a nap, well pleased with his day's work. He had a margin on the sale of the thousand shovels since his own four hundred dollars represented one-tenth the amount it took to swing the deal. Besides, he had a one-tenth interest in the two thousand shovels let out on shares and his income from that source meant one-fifth the wages of two hundred men. The camp wage was \$5.00 a day; so Martin knew that at the end of each day he would receive \$200.

When he awoke several hours later, he was richer even than these figures indicated. A force on which he had not calculated had been at work. The shovelless thousand had solved their personal problems by rushing to the

trenches. There they had sought to purchase shovels from those at work.

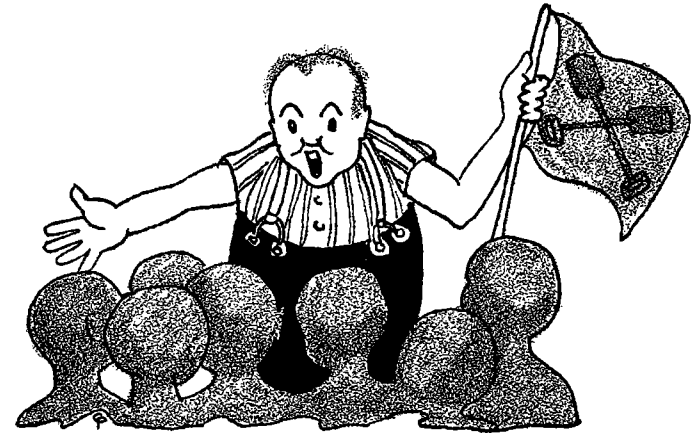
The more eagerly they tried to buy, the more the owners asked, for owners now feared to sell since it was known that no more shovels could reach the camp. However, some of the shovelless had savings, and when enough money is offered, some will always sell what they possess. So shovels changed hands for \$15, \$20, \$50 and then \$100.

A fever of shovel speculation raged. Men clambered from the trenches. The shouts of rival bidders, the exultation and increasing excitement as the price of shovels rose, caused all to lose interest in their jobs and join the scramble to easy wealth by the acquisition of shovels.

Some, who possessed foresight and financial means, hastily purchased shovels to hold for future advance. Thus there was introduced the speculative holding of idle—or should one say “vacant”?—shovels. In this way, other shovels were withdrawn from use in addition to those hoarded by Martin. With fewer shovels to bid on, the bids went higher.

An additional stimulus was the knowledge that Martin had shrewdly leased two thousand shovels at one-fifth the wage. When Martin woke up, he found shovels quoted at a thousand dollars each!

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That night citizens thronged the public square, drunk with the desire for more wealth just as easily acquired. Martin was lionized. He made a speech.

“Fellow citizens,” he said, “Dry Lake City is about to attain the zenith of modern civilization.

“There are fourteen thousand shovels here worth a thousand dollars per shovel. That is a total of \$14,000,000, all created within four days. I dare say no construction camp has ever witnessed so rapid a development of its material resources. Every loyal and patriotic citizen should uphold our city council whose wisdom in protecting the interests of our beautiful city so amply demon-

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states the sagacity and profound statesmanship of its members."

Working in the trench next to Morgan was Joe Miller, one of the fortunate two thousand who had rented a shovel from Martin for one-fifth his wages. Miller believed in all forward-looking movements, causes and reforms. He went to all meetings. He would rather lay off and be docked than miss street corner election debates. As each new idea came along, Joe Miller embraced it enthusiastically and regarded opponents as gentlemen of dark and reactionary minds.

Miller was delighted at the prospect of working with a valuable shovel worth a thousand dollars. Because of the swift advance in shovels, Miller thought his shovel was a bargain. He credited his good luck to Martin.

"A great head he has!" cried Miller to Morgan.

"Rot!" spat Morgan. "A shovel is worth a dollar—that's all. What's a shovel for? To shovel with! You get paid for the shoveling. That's where the wealth comes from."

Wherein Morgan uttered dictum number two in the economic strife that was to rend the camp. But Miller was not convinced.

"It's worth a thousand dollars," he said, weighing his shovel carefully and gaping at it, "and if it hadn't been for Martin, it would be worth only a dollar. A great head!"

Thus was the Shovelcratic regime launched. The camp was delighted when it found how swiftly and how easily it had grown rich.

Martin measured aright the course the people would take. The thousand workmen with no implements larger than spoons were resentful, but the lure of quickly-created wealth closed all ears to their complaints.

The majority was satisfied with itself and impatient with the shovelless. Without being told in so many words, everyone sensed that if all the inhabitants of Dry Lake City could obtain possession of shovels, values would drop to what shovels could be had for at any factory—a dollar. So the complainants were thrust aside. The luckless thousand were informed that they had only themselves to blame. They should have been earlier in line to take up Martin's offer of a shovel for \$7.00, or they should have seized the opportunity to give one-fifth their wages for a shovel.

Than changes in fortune, nothing more faithfully reflects the fickleness and vanity of mankind. Among the workmen were many who had bought shovels for a dollar with never a thought that shovels would be worth more, who now flattered themselves on possession of superior foresight and unusual financial ability. These believed

they had been rightfully rewarded and that the whining thousand were merely paying the penalty of incapacity. When we are lucky, we take the credit and think we deserve wealth; when fortune frowns, we shift responsibility to the fates.

So finding none to heed them, the shovelless thousand roved here and there, bargaining for shovels. With cash, some tempted an owner to part with a shovel. Others became tenants. In the great era of speculation that followed the rise in shovels, many became owners of more than one shovel. These sought others with whom to make tenancy or purchase contracts. A workman who owned, say, five shovels, did no work. Instead, he collected the rental of one-fifth their wages from each of five workmen to whom he had leased shovels. It can readily be seen



There was now created a leisure class.

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that this beat sweating in a trench! Of course, this bargaining did not change the picture as a whole. Everyone who obtained a shovel displaced someone else, who then set up a new howl for a shovel.

But there was now created a leisure class which, by collecting RENT for the use of some shovels and interest on mortgages given in payment for others—which came to the same thing—grew in power and influence by reason of their possession of shovels.

10

The city council managed everything of a public nature, including schools, water supply, streets and sanitation. The tax levy for these public services wrought a second change that had its economic effect.

With the huge advance in the value of shovels, it followed that shovels were placed on the tax roll at a much higher figure than when they were worth a dollar. Foreseeing a grave danger, Martin revolved in his mind other expedients to produce revenue. He insisted that to over-tax shovels would impair their value and, consequently, the wealth of the community, thus seriously hampering its prosperity.

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The staple camp food was beans which were imported by a Mexican named José Vasquez, living some two hundred miles south. Vasquez had a plantation which he turned into a prodigious bean farm when the establishment of the camp afforded a market. Shipments of beans arrived daily at the camp.

After reflecting on Vasquez and his beans, Martin was suddenly inspired with a new idea. He caused a meeting to be held, which he addressed as follows:

"Ladies and Gentlemen: Wholly patriotic and lofty motives impel me to summon you on the eve of the tax levy, to point out a public peril and indicate an avenue of escape. It is necessary to levy the taxes. One of the sources of revenue will be the shovel, the cornerstone of wealth in our community.

"Naturally, it would depreciate the value of the shovel to burden it with excessive taxation. This would be unjust to our citizens who have invested in shovels. It would be harmful to those who have purchased shovels which they are now holding for a suitable market. It would devastate the widow and the orphan whose funds are represented by shovels. It would discourage capitalists who would refuse to finance workmen with sums necessary to obtain shovels with which to work. This would do irreparable injury to labor.

"I believe all this is unnecessary, and I shall point out a way to shift some of the tax load from shovels and thus escape this disaster.

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"My plan is to make José Vasquez, the foreigner, pay the tax. Vasquez charges us \$2.00 a bag for beans. He should pay for access to this unexampled market.

"Let the council require Vasquez to pay a tax of one dollar per bag on all the beans he sells here. This will supply revenue to defray the expenses of our government. By this expedient our citizens will be freed from taxation which, instead, will be borne by Señor Vasquez."

This suggestion looked so feasible that it was approved with tremendous acclaim. It was ordered that Vasquez pay, and everybody went home highly pleased. Many felt that Martin was a statesman of such consummate ability that he should be elected to Congress and given some post commensurate with his genius, such as Chairman of the Ways and Means Committee.

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Miguel Panza was the agent of Señor Vasquez, attending to the weighing and remitting for beans. The next day, Panza announced that beans would sell for \$3.00 per bag.

This ended the matter, but for long afterwards, citizens

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congratulated themselves on their adroitness in requiring a Mexican to pay the taxes of an American city.

Doubtless the tax would have oppressed Vasquez immensely had he known about it. But since the \$2.00 per bag was going forward regularly, Panza deemed the incident of no consequence and did not even bother to notify his employer, who therefore remained in complete innocence of the "burden" placed upon his shoulders. Therefore, everybody was happy.

Everybody, that is, except Tom Morgan, who asserted that those who ate the beans paid the tax.

He proposed that instead of taxing beans, shovel owners should be taxed to the full rental value of the shovels. This, he said, would get out of their heads all nonsense about creating wealth by inflating the value of shovels and soon everyone would be able to obtain a shovel and go to work. Then wages would again flow uninterruptedly into the men's pockets.

The shift of taxes from shovels to José Vasquez' beans produced two effects. The first was TAX RELIEF FOR SHOVELS. This produced an immediate increase in their value. The second was that beans became more costly and, therefore, harder to get. But it was necessary to obtain beans; and to get them it was necessary to work; to work it was necessary to use shovels. So men who had worked half-time or hung back in the hope that they would soon be able to procure shovels at reasonable prices, saw their resources dwindle as day by day they

spent more money for food. Pressure on the shovel market was redoubled and the price rose again because of increased demand.

As shovels became more costly, debts increased. This was because workmen had to give bigger mortgages in purchase, or pay more of their wages to use a shovel. With the adoption of the bean tax, shovel tenants began to pay as much as one-fourth of their wages in order to use a shovel. SO WAGES, INSTEAD OF BEING \$5.00 PER DAY WERE NOW \$3.75, the sum left to the workman after he had paid his shovel rent.

Martin was elated. He figured the tax on José Vasquez' beans had increased the value of shovels and the wealth of the camp by several million dollars. The results were quite gratifying, he thought.

Joe Miller thought it over, too. He could see that the wealth of the camp had been increased, but his shovel rent had also been increased, which meant that his wages had fallen, and it cost more to buy beans. It had a catch somewhere.

A few troubled souls doubted. Some even suspected that Morgan might be right in claiming that they, not José Vasquez, paid the tax. Martin assured them that this was impossible because tax remittances were signed by Panza, Vasquez' agent. Even if they did pay, he argued, there was no cause for complaint because the enormously enhanced value of shovels had produced more wealth with which to pay.



A few troubled souls doubted.

12

By the end of the year shovels had become so well established as the camp's chief asset, and their value was so generally recognized, that every business transaction was thought out with the shovel as the basis.

Shovels were mortgaged far into the future. On shovels the owners borrowed large sums with which to erect commodious homes or send to distant cities for luxuries. It was regularly established that in such prosperous times a shovel should bring rent equal to one-fourth of what the tenant earned. One-fourth of \$5.00 was \$1.25, so the

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rent was \$375 annually on a three-hundred-day work year basis.

Knowing that shovels could not be reproduced, financiers felt safe in estimating the value of shovels by taking this figure at 5 per cent on the investment, the rate at which money could be borrowed in Dry Lake City. At this rate of calculation, a shovel was now worth \$7,500. According to the same figures, the wealth of Dry Lake City, as represented in shovels, had pyramided to the astounding total of \$105,000,000!

When citizens reflected that all this vast wealth had been created by Martin's simple expedient of withholding a thousand shovels from use and taxing José Vasquez' beans, that it had been created without an extra day's work by anyone, it is not remarkable that they considered him a statesman of enormous capacity.

It was noticeable, however, that as shovels increased in value the owners became fewer in number and more shovel operatives became tenants.

It was extremely difficult for a tenant to purchase a shovel for \$7,500 when he had to give one-fourth his wages each day for its use while he was earning the money to pay for it. It became still harder after José Vasquez began paying the taxes, because each shoveler suddenly found it one-half times more costly to eat.

By contrast, it became easier for those who possessed shovels (whence they derived increasing revenues) to

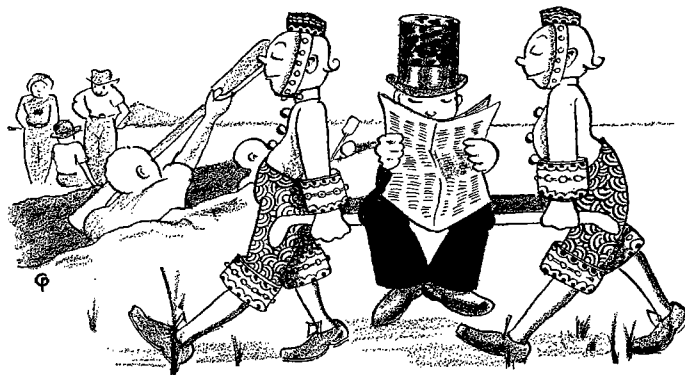
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purchase additional ones. This they did from time to time, usually when some workman became ill or had some bad fortune which compelled him to sell or mortgage his shovel, or sometimes they took advantage of the improvident or the idle.

Thus shovels accumulated in the hands of those who already had the most of them.

13

My story has now reached the point where I can inform your directors why work proceeds so slowly on our excavation.



Some are employed as servants.

About a thousand leading citizens who possess many shovels are idle all the time except when they are figuring up their incomes, collecting shovel rents, interest or dividends, or devising means to entertain themselves or each other.

Another thousand are sunk into deep and dejected poverty. Deciding that nothing is to be gained by hustling, this thousand prefer odd jobs or they resort to panhandling, vice or crime. Possibly another two thousand have quit the trenches and the shovels and are employed as servants in the homes of the rich, or they have entered into occupations common to highly organized societies, such as acting as agents for shovel owners in the collection of rents, or striving to augment their own fortunes by timely speculations in shovels.

Counting out the very rich and the very poor, there are left ten thousand men to work in the trenches, or a little better than two-thirds of the total force in the camp.

As they toil, these ten thousand are constantly harassed and impeded. The thousand leading citizens are about continually with mortgage and lease renewals, taking up the time of the workmen with squabbles over what a shovel is worth for the next term. Then there are shovel speculators who have bought shovels in anticipation of a rise. They refuse either to shovel or to let anyone else shovel, and they get in the way of those trying to work. If the straw boss expostulates, they claim they are per-

forming the important economic function of holding shovels until the demand increases to where the shovels can be profitably used. The thousand who think work is a dead loss, hang around trying to beg the price of a meal off those on the job.

Under such circumstances, I figure that the ten thousand perform labor equivalent to that of eight thousand steady workers.

It is because this industrious remnant keeps shoveling that productive activity does not halt entirely. Were this to occur, the entire superstructure would fall; for those who shovel are in one way or another maintaining those who do not, since they go home each night with the only wages paid in the camp, whence the profits of all are drawn.

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Among these workers is Tom Morgan who is unconvinced of the soundness of Martin's theories of wealth. His doubts increase as he surveys the luxury on one hand and deprivation on the other that are its consequences, and the division of the camp into top-hatters and down-and-outers.

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Shoveling away with his so-called \$7,500 shovel, Morgan insists, in the face of much ridicule, that it is really worth \$1.00; that the value placed on shovels is illusion; that a shovel is made to shovel with, and that is all it is good for.

Morgan scoffs at the idea that a shovel is anything more than an implement and he upsets the town's serenity by pointing out that the work of digging the lake is proceeding much more slowly than it would had Martin never launched his scheme. He denies the community is richer, or even better off, scouts common beliefs in Martin's genius and proves himself an all-around skeptic.

One thing that causes considerable discussion is Morgan's idea that the camp has actually been impoverished by the advance in shovels. He says that six thousand men are idle and bring no wealth to the camp because they draw no wages. He figures that had they worked the whole eight years, as the others had done, \$70,000,000 more would have been paid into the camp in wages, and the total wealth of the camp would have been augmented that much. He holds that shovels are valuable only for their productive power, whence is derived the true wealth of the camp.

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Under normal conditions the affairs of Dry Lake City might be expected to go on quite complacently. Employment is stable, the wage sufficient, and every man is under contract to hold his job. The whole term to be occupied in the completion of this great project might be counted on as remote from upheaval. This calm was broken by Martin and his theories of wealth.

Within two years, business and finance assumed bewildering complexity. The business element took the Martin theories for granted. Bankers recognized shovels as the basis of credit; they preferred shovels as collateral to ability of the borrower to produce earnings to pay. A huge artificial credit system was thus erected for which no one was responsible.

Martin utilized these developments as additional arguments for measures to sustain the value of shovels. He sought to demonstrate that shovel values could not be impaired without ruining the financial institutions and their depositors and crushing the city.

Morgan derided the credits and financial operations built on the inflated value of shovels. Use of shovels as a credit basis he held to be a questionable advantage. Men were buying shovels, gambling in shovels and borrowing and lending on shovels on the basis of \$7,500 per shovel

—and they would come to a sad end some day, he thought.

After three or four years, class cleavage in Dry Lake City became quite marked. It was not unusual for one man to own ten shovels, whence he derived one-fourth the wage of ten laborers, or \$3,750. A few owned ten times as many shovels and enjoyed incomes of \$37,000. This gave them a higher rank in luxury—important to them because luxury was the social barometer.

Of the \$12,000,000 going into the camp each year in wages, a little more than half was retained by those who did the work, while the remainder was split among tax collectors, shovel owners, investors and corporations, probably a thousand persons getting the chief benefit. This thousand, with their wives and families, constituted what would be known in some localities as "the Idle Rich," or, "the Upper Ten."

A division of profits and incomes on this basis left out in the cold, or partly in and partly out, the six thousand able-bodied workmen who were only partially employed, or not employed at all.



Known in some localities as "the Idle Rich."

When wealth accumulates, as in Dry Lake City, it is because some, by expropriation of natural rights and opportunities have blocked the way of others. So the losers are deprived of the chance to be their own masters and wealth producers.

But man is lazy; and the first group, having acquired abundance, looks for others to serve it. So there is a new demand for service. Thus it was in Dry Lake City; hundreds found employment catering to the whims and pampering the appetites of the newly-born Shovelocracy.

The social life of the camp followed a pattern which may often be observed in communities of the same type.

In the eight years the Shovelcrats have ruled, part of a new generation has matured. Boys, grown to manhood, now contend lustily for shovels and bid the price up to get them. These youths are the recipients of much fatherly advice from prosperous folk, chiefly shovel owners who have abundant time to offer it.

They are advised to marry young; not to marry until they have accumulated sufficient to buy a shovel; to rear large families; to restrict their families to proper size; to marry a girl whose father has two shovels; not to drink intoxicants; to drink more, and forget their worries; to put their money in the bank; to spend their money and boom business; to endure the lack of a shovel in this world patiently and look for reward in the world to come; and the like.

The Upper Ten, or Idle Rich, so called, has no problem of existence. Its problem is to kill time, to find diversion. Some purchase horses and bet which can run fastest; others get drunk and go to bed; others compete fiercely among themselves to acquire more shovels, and, as a consequence, more wealth; some are candidates on platforms designed to extinguish the ills of the community; others

employ their leisure in pastimes that will not bear elaboration.

Women play cards, seek culture, amuse themselves with dress and the pursuit of fashion.

So much unoccupied time gives well-to-do folk opportunity to devise endless schemes to uplift the social order and try them on the dog. In this case the dog is the idle poor. Being idle, it has plenty of time to be the dog and get uplifted.

Some of the uplifting consists in investigating and regulating the lives of the poor. Promoters of these activities employ detectives to peep about and collect evidence; as proof of achievement they point to the large numbers of the sinful in jail. With uplift committees perpetually in pursuit, armed with admonitions, search warrants and injunctions, life for the sinful poor has become one swift sprint between two eternities.

In brightly illuminated spots of gurgling refreshment, opulent Dry Lakers become over exhilarated while gloating over the advancing value of their shovels and the increasing wealth of the community; at other tables, down-and-outers soak up more than their share in an endeavour to drown their troubles.

Pondering these decadent trends, Martin concluded that some people could not stand the prosperity resulting from a vast increase in wealth. To protect the people from themselves he lobbied through the city council a liquor tax and an amusement tax and other gentle reminders of

the advantages of virtue. These measures eased the tax load on shovels, which rose in value, but they appeared to bring no improvement in the conduct of those at whom they were aimed.

This outcome did not surprise Morgan who claimed that reform by the city council's fiat is practically worthless. Shovels, and jobs for everybody, would reform Dry Lake City much more effectively, he asserted.

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Dry Lake City's intellectuals comprise its well-schooled citizenry—the professional element, teachers, scholars, journalists, leaders of thought. Most of the intellectuals do not take the trouble to question the soundness of Martin's theories and system.

Their unconcern has led to the acceptance of an inverted communism. Everybody is trying to confiscate the product of some one else. Those who have money in their pockets generally have some of some one else's and those who have no money wonder whose pockets their money is in.

This singular state of affairs climaxes in a conflict of reason and principle that has turned people's ideas topsy-



Most of the intellectuals did not take the trouble to question.

turvy. Economists, philosophers, moralists—and even theologians—find that whether they expound the laws of supply and demand or the brotherhood of man, their ideas are misfits. What they say does not make sense in the setting in which they say it.

The real intellectual fount is the Dry Lake City University, an institution whose faculty compares with any like group in the country.

Its economists are Professors John Doe and Richard Roe. They studied in Europe and America and possess deep learning and many statistics. In their field, according to popular view, they speak with authority.

The Dry Lake City system is sound and accords with the generally-accepted principles of economic science, the professors say.

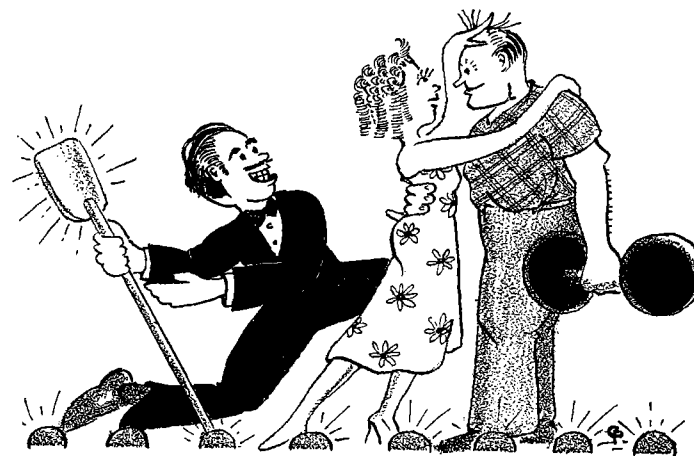
What is before their eyes, the professors see for themselves, and one thing they have noticed is that shovels are worth \$7,500. What they cannot see, they get out of some other economist's book, and so they theorize as follows:

"The wealth and prosperity of Dry Lake City so far surpass that of any other construction camp that shovels here are worth \$7,500," they say. "The sum of \$7,500, however, is more money than the workingman possesses. The capitalist, therefore, steps in and performs his function by equipping the laborer with a \$7,500 shovel. Were it not for this important service, no workman would be able to use a shovel and this lake could not be excavated. Therefore, it is necessary that this camp be financed by

capitalists possessing sufficient wealth to supply a \$7,500 shovel to each laborer. If there are unemployed in the camp, it is because of lack of capital to supply workmen with shovels. Therefore, what we require is either more capital or fewer laborers."

Other social scientists are influenced by the teachings of these economists.

Professor Coe, of the department of sociology, sighs and says that it is evident that there are too many people in town in proportion to the number of shovels that can be brought into use with the limited capital of the camp. Professor Hoe, of the chair of philosophy, thinks up lugubrious theories about the struggle to survive and the futility of everything, which he publishes in textbooks to guide future philosophers. Professor Moe, doctor of ethics, condemns schemes to get something for nothing—except the investment of bank rolls in shovels, with the object of selling them for more than the purchase price. Professor Poe, who teaches moral conduct, warns against poker, craps and slot machines, and bets his last year's salary against next year's advance in shovels.



The theatre mirrors the people's longings.

As in all cities, journalists pilot progress. Each has his favorite political party which he asserts will increase the price of shovels faster than the opposing party. If he is not a party journalist, he turns independent and searches relentlessly for good men with forceful characters to elect to office so they can rescue the camp from misgovernment, reduce the shovel tax still more and thus increase the price of shovels more rapidly than the machine politicians.

In the theatre the drama mirrors the longings and emotions of the people. Each workman would like to possess a shovel and a job, so that is the conventional theme.

The biggest headaches in Dry Lake City were acquired by statesmen whose job it was to figure ways to meet the ever-soaring costs of government, and by Martin whose problem was to get a 5 per cent return on \$7,500 shovels.

The impoverishment of some Dry Lake citizens in the midst of vast wealth, has already been noted. The city council was unable to account for this strange phenomenon, due, as some claimed, to the inscrutable ways of Providence, but it felt that it ought to do something. It therefore legislated with great fury, setting up costly public works projects and relief programs, each with its appropriation, to care for shorn lambs.

While Martin sat in his office and waited for somebody to come in and pay shovel rent, Dry Lake City's shopmen, merchants, bankers and factorymen hustled for what they got. Martin was galled by the discovery that some of them earned more than 5 per cent on what they had invested. This, Martin felt, was because the shovel-holding industry was so overburdened with taxes that his \$7,500 shovels did not pay their proper dividends.

It was clear that what both the city council and Martin needed was a just tax bill which would at the same time yield more revenue to the city and relieve the overburdened shovel owner. The bill, prepared by Professors

Doe and Roe, focused on the industry and commerce of the city.

The professors achieved an invisible tax. The people paid unwittingly and the professors were credited with a miracle—sustention of government without taxation.

By means of "diffusion," as the economists call it, the tax of which the shovel owners were relieved was shifted to consumers and workmen by higher prices and lower wages. For a workman to exist now costs about a dollar a day in taxes.

Higher living costs spurred workmen to strive more fiercely for shovels. But since shovels were now less heavily taxed, shovels became more desirable property and their value increased. Workmen now had to pay a third of their wages to get a shovel. Shovel rents were established at \$500 a year. On the basis of this higher earning power, shovels were quoted at \$10,000 each.

On the new \$10,000 basis, the value of all shovels was increased to \$140,000,000. Martin was jubilant over this gain in the wealth of the city.

As a result of the tax change, true wages were no

longer five dollars a day, the rate fixed when our company inaugurated this project. After the workman had paid the taxes he did not know about, and paid for the shovel he did know about, he had less than \$2.50 left.

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For Joe Miller, all this was pretty deep. Rooters for the new tax bill told him that if shovels were relieved of taxes it would be easy to achieve property and independence by acquiring shovels. So Miller brightened up and marched in the "Own Your Own Shovel" parade.

But before Miller could buy his shovel, the bill passed. Shovels responded to tax relief and boomed in price. At the same time, everything Miller was buying in the stores shot up. He was now on the new \$2.50 wage level and he couldn't figure just how he had arrived there.

"I work in the richest construction camp in the country and Professors Doe and Roe have the statistics to prove it, and what does it get me?" Miller grumbled. "It gets tougher and tougher—I'm broke!"

"It's taxes—" began Tom Morgan.

"Nonsense!" Miller broke in. "They told me the new bill soaks the rich."

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"Then what is it?" Morgan asked.

"Individualism has played out," Miller replied.

"Mine hasn't," Morgan said, "I'm still me."

To prove his statement, Morgan proceeded to move a little more sand with his own shovel, under his own power.

"That's all right for you," Miller said. "You started differently. You bought a shovel for a dollar. But now the camp is rich and prosperous and shovels are worth \$10,000. A poor man has no chance—he can't own a shovel."

Miller saw people about him conducting their own enterprises—banks, mercantile establishments, shops—they lined Main Street. He concluded the difficulty was capitalism—people doing business with their own money.

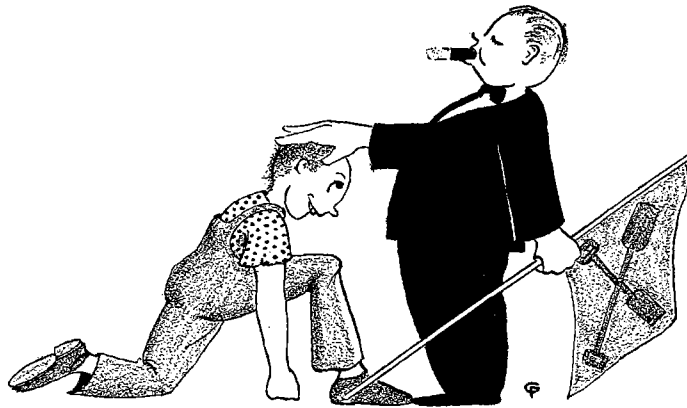
"That's it!" he declared. "The capitalist owns the banks and the stores and the shops. He pays only \$2.50 a day—and that brings wages down all over the camp. Why—you can see that with only one eye!"

"What are you going to do about it?" inquired Morgan.

"I say, abolish capitalism, competition and the wage system!" cried Miller, waving an arm vaguely. "Reconstruct the social order! Co-ordinate our lives into a harmonious whole!"

Miller went downtown and joined the Communists.

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Martin has no quarrel with labor.

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Along these lines moved the social life of the camp. The picture I present is tolerably accurate and, if hastily sketched, fairly represents Dry Lake City the day I arrived to make this investigation. From which it will appear, I presume, that the people pursued modes of life calculated to make each other as uncomfortable as possible.

One might fancy that Martin, as the founder of this peculiar system of economics and one of its chief beneficiaries, would be happy.

Martin is without the vexations of the industrialist because he does nothing and employs no one. Conse-

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quently, he has no quarrel with labor. Each time Martin gets a new tax bill through, wages fall and it costs more to live, but laborers blame the real capitalists they work for. *Real capitalists know as little about shifts in wages and living costs as the laborers*, hence the so-called battles between capital and labor are fought in the dark.

So interested was I in William Martin that I loitered a full day about his door, making memoranda of what occurred.

My observations show that he, too, has his cares and responsibilities.

9 A.M. Met delegation of politicians who wanted to be elected so that they could save the city. Subscribed to their campaign fund.

10 A.M. Issued statement to the press deploring the decay of morals and stability in the community and lack of respect for government.

11 A.M. Met delegation of resolute organizations, some bent on suppressing some things, some on promoting others. Gave them advice and money.

12 Noon. Grabbed a lunch and subscribed to the funds of several charitable organizations.

1 P.M. Gave inspirational interview to reporters on "How to be a Success." Posed for snapshots in masterful attitudes, pleading for tax relief for overburdened shovel owners.

2 P.M. Addressed the graduates of Dry Lake City

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University. Told the class that never before had youth possessed opportunities so magnificent because never before had shovels been worth \$10,000. In order to obtain one of these shovels, the graduate would be required to borrow \$10,000, and were it not for those possessing large loan capital, no one could shovel and the alumni most likely would starve to death.

3 P.M. Conferred with his lawyers and incorporated a new company to buy, sell, lease and deal in shovels.

4 P.M. Met delegation of doctors and physical directors who dosed and rubbed him into condition for another day's worry.

5 P.M. Met various committees and donated sums of money to worthy causes.

6 to 11 P.M. Addressed a mass meeting of the Chamber of Commerce, describing the beneficence of the Dry Lake economic system, and proving by Professors Doe and Roe that wealth had been vastly increased. Pointed out that honest investors, who had recently paid \$10,000 for shovels were having difficulty earning a 5 per cent return—thus proving that existing shovel taxes were confiscatory. Proposed new laws to limit shovel taxes. Bankers, lawyers, etc., spoke, explaining that the credit of the city rested on shovels and unless shovels were relieved, credit would be impaired.

11 P.M. to Midnight. Engaged in a running altercation with Tom Morgan who obstinately insisted that shovels are made to shovel with.

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It fell to my lot to cut short Dry Lake City's shovel-cratid idyl. The fair thing to do, I felt, was to inform the camp of recommendations I proposed to make to my directors, and the changes certain to ensue.

My announcement stunned the city but did not faze Martin, who, resourceful as ever, called a public meeting which he addressed. He said:

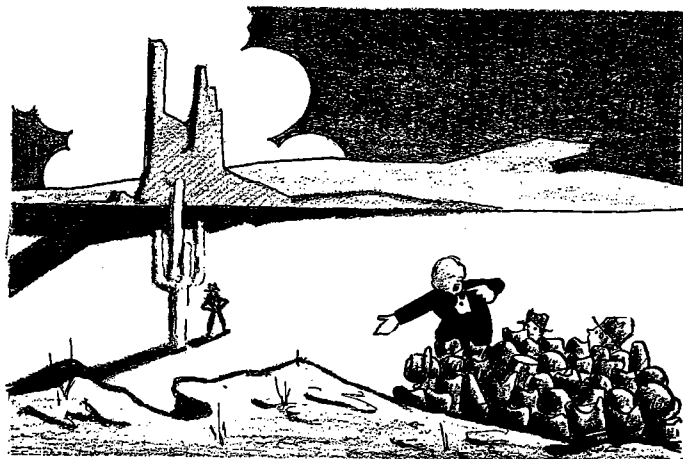
"Fellow Citizens: In this crisis we must take thought for the future. Some time or other, this reservoir will be completed. It will then be no longer necessary for us to furnish shovels to our workmen. Shovels will be worthless. Shovelers will be out of jobs.

"So another duty—a duty whose clarion call I have heard—lies before us. Someone must furnish the land of this valley to those who wish to occupy it. I am happy to inform you that I have taken steps to do this.

"Through a Sacramento law and real estate firm, I and those who have been associated with me in furnishing shovels to our shovelers, have taken options on the vast area of Dry Lake Valley from the sheepmen who now graze it, for purchase at \$2.00 per acre.

"The shovelers who have shoveled this reservoir have informed me that when water flows upon this fertile valley they intend to settle here. Other settlers will swarm

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Someone must furnish the land. I have taken steps to do this.

in. But unless someone furnishes land to the settlers, they will have nothing to settle upon. By the exercise of intelligent foresight and our options, we shall be in position to furnish the land they require.

"Land scouts tell me that we can begin sales of this well-watered land at \$200 per acre. If our shovelers cannot pay this sum, we will arrange rental contracts based on the \$200 value.

"The reason this land will sell for \$200 per acre is because the number of acres in this valley is limited. Those who come here cannot lug in more acres, and they cannot manufacture more acres after they get here. Since acres can be neither imported nor manufactured, compe-

tition will not determine the value of the land we shall sell.

"A value of \$200 per acre will represent an increase in the wealth of this community of \$294,724,000. The experience of other irrigation projects shows that, in time, land such as this rises to \$500 per acre and you can figure for yourselves the vast wealth about to accrue to this community.

"But our duty will not end with furnishing land for farmers only. Towns will spring up here. Unless we furnish sites for towns, no towns can be built. Building sites in towns sell by the thousand dollars per front foot. In the upper valley are coal deposits and our geologists think oil is under the ground. We must also furnish land to capitalists who wish to dig coal and drill oil wells.

"In the enterprise of furnishing land," Martin went on, "we will have the backing of our government which will enact benign tax laws, such as our bean tax, to hasten the increase in land values and consequent increase in wealth. Backed by our government, we can capitalize the value of our land. It will be a perpetual investment whence a stream of wealth will flow forever. This method of increasing wealth will not fizzle out with the end of a construction job, for the supply of land is limited and the demand lasts forever.

"It all sums up," Martin continued, "to mean that the rising land values of Dry Lake Valley will increase the wealth of the community exactly as the rising shovel

values of Dry Lake City increased the wealth of the community here.

"It means that we shall utilize land in Dry Lake Valley to do all over again what we did with shovels in Dry Lake City."

"Just what I thought!" a familiar voice broke in. "And just as shovels were made to shovel with—so land——"

But Martin waved Tom Morgan aside.

"We don't have to listen to any more of your gripes," he said, "this method of increasing wealth is approved by authority—by the world's distinguished statesmen and economists."

RECOMMENDATION

TO THE DIRECTORS

DRY LAKE CITY EXCAVATION COMPANY

DEAR SIRs:

Our company is interested in the excavation of a lake as the nucleus of an irrigation system. We care nothing about the economic theories of the Shovelcrats or whether they succeed or fail. Therefore, I recommend that every man in Dry Lake City be forthwith supplied with a shovel so that all can go to work, to the end that the lake bed be speedily excavated.

RESPECTFULLY YOURS,

JOHN WILLIAM JONES
Commissioner

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Questions for Interested Readers

1. Is there in our contemporary economic set-up something analogous to the shovel in Dry Lake City, except that it is something which man does not produce and cannot reproduce?
2. Does its sale value become higher the less it is taxed, so that to "relieve" it of taxation makes it harder to acquire?
3. Is it something which speculators buy and hold out of use hoping to make money through a rise in its sale value?
4. Does "relieving" it of taxation make it easier for speculators to hold it out of use, and might they be unable to do so if it were heavily taxed?
5. Does such speculative holding make this thing artificially more scarce, thereby causing all the evil social conditions which by many are attributed to over-population?

Well, then—WHAT IS IT?

If you want to know more about this matter, write for free pamphlet and list of interesting publications.

ROBERT SCHALKENBACH FOUNDATION, INC.
50 E. 69th Street, New York 21, N. Y.