

The Shovelcrats

By CRAIG RALSTON

Like all normal communities, Dry Lake City is religious.

Beyond preaching a better world to come, and counseling their flocks to industry and sobriety, however, pastors can do little. Who shall have wealth, opportunity and jobs, has become a political question in Dry Lake City, and if pastors say much about such things they are likely to be told to keep out of politics. Most pastors leave economics to the statesmen and urge charity for the unfortunate.

Charity can succeed only in part. Owing to the large number of idle, the camp's income has been sharply cut. Were the remaining income devoted wholly to charity, each person would receive much less than he would if he could obtain a shovel and provide for himself.

The Dry Lake City Academy is the intellectual fount of the community. Its faculty compares with any like group in the country.

Its economists are Professor 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 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 surpasses 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, or it may be due to excess of laborers. Therefore, what we require is either more capital or fewer laborers."

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

Prof. Coe, of the department of sociology, sighs and says 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, therefore the thing to do is to practice birth control. Prof. Hoe, of the chair of philosophy, thinks up lugubrious thoughts about the struggle to survive, and the futility of everything, which he publishes in text-books to guide future philosophers. Prof. Moe, doctor of ethics, condemns schemes to get something for nothing—except the investment of \$5,000 in a shovel, with the object of selling it for \$7,500. Prof. 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.

Deep thinkers, in and out of the academy, have evolved three theories of property, and wealth.

The Shovelcrats believe property and wealth should be distributed by private authority, through private monopoly of the means to work, protected by the taxing power.

Collectivists believe property and wealth should be distributed by government authority, through state monopoly of the means to work.

Morgan asserts the Productive theory—that government should have nothing to do with the distribution of property and wealth, that there should be no monopoly, private or state, that anyone who wants to

work has the right to do so, and that a shovel is made to shovel with.

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So interested was I in William Martin that I loitered a full day about his doors, making memoranda of what occurred. The result is produced herewith:

Nine A. M.—Met delegation of politicians who wanted to be elected, so they could have the city; subscribed to their campaign funds.

Ten A.M.—Issued statement to the press deploring the decay of morals and stability in the community.

Eleven A.M.—Met delegation of resolute organizations, some bent on suppressing some things, some promoting others; gave them advice and money.

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

One P.M.—Gave inspirational interviews to reporters on "How to Be a Success," and posed for snapshots in masterful attitudes, pleading for tax relief for the overburdened shovel owner, and more protection for labor.

Two P.M.—Conferred with the Eugenic Society for the prevention of marriage and with moralists for the promotion of marriage and subscribed to the funds of both.

Three P.M.—Addressed the graduates of Dry Lake City Academy. Told the class that never before had youths possessed opportunities so magnificent, because never before had shovels been worth \$7,500. In order to obtain one of these shovels, the graduate would be required to borrow \$7,500, and were it not for those possessing large loan capital, no one could shovel, and the alumni would most likely starve to death. They would, anyway, unless they were protected from José Vasquez' beans.

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

Five P.M.—Met delegation of doc-

tors and physical directors who dosed and rubbed him into condition for another day's worry.

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

Eight to Eleven P. M.—Addressed a mass meeting of the Better Business League, describing the beneficence of the Dry Lake economic system, and proving by Professors Doe and Roe that wealth had been vastly increased. Emphasized the need for immediate legislation to relieve shovels of an unjust tax burden, pointing out that honest investors, who had recently paid \$7,500 for shovels, were having difficulty earning a five per cent return—thus proving that existing shovel taxes were confiscatory. Proposed new laws to limit shovel taxes and sky rocket the bean tax. Bankers, lawyers, etc. spoke, explaining that the credit of the city rested on shovels, and unless shovels were relieved, credit would be impaired.

Eleven to Midnight P.M.—Engaged in a running altercation with Tom Morgan, who obstinately insisted that shovels and railroads are made respectively to shovel and railroad with.

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More government costs more money. Because of this truism, tax experts and budget balancers acquired the prize headaches of the camp. Their pangs became more acute when protection funneled the proceeds of the bean tax to Martin's pockets.

The search for revenues disclosed the pitiful plight of shovel owners. Shovels yielded a scant five per cent return on a \$7,500 valuation. A further tax on shovels would decrease this yield, cause shovels to drop to only \$7,000, affright the investor, and impair the wealth and prosperity of the camp. The problem was two-fold: first, to impose a tax to pay city bills; second, to relieve shovels of the frightful tax load they bore.

The tax gatherers focused on trade and industry. They devised a scheme based on ability to pay, and redistribution of wealth.

Professors Doe and Roe drew the

bill. In framing this legislation, they based it on the three dimensions. They listed all objects of large size—big incomes, big corporations, a big Electric Company, big mercantile establishments and the like. On these large objects they placed the tax. The theory was that because of their large size, the large objects would pay in proportions to their ability to pay.

They also taxed peoples' salaries and wages.

In most cases, the ability of a big business to pay turned out to be its ability to pass the tax along. If the tax was paid by a manufacturer, he wrapped the tax up with the goods, and collected it from the buyer. Money lenders passed the tax on to borrowers. In hard times, when profits and the cash to pay taxes on them, were obtained by slashing wages, the income tax was passed on to the wage earner in the form of a wage cut, and became a wage tax. The Electric Company passed its tax to strap-hangers, and light users, corporations charged more for goods or paid less for wages and thus transformed the tax into a consumer's tax or a wage tax.

Salary and wage earners paid their income taxes. This was because their product was labor and the boss was the consumer. If these tax-payers tried to pass the tax along, the boss refused to consume, so it was more diplomatic to pay.

Prices rose in the stores. Wages fell.

Through these channels, the tax eventually reached those least able to pay, and they paid it. By means of "diffusion," as the economists call it, the tax was shifted to workmen and consumers.

What the Professors had achieved was an invisibility tax. The people paid unwittingly. The Professors were credited with a miracle—suspension of government without taxing the poor.

Higher living costs spurred workmen to strive more fiercely for shovels. With tax relief, shovels became more desirable property and their value increased. Workmen now had to pay one third their wages to get shovels.

Shovel rents were established at \$500 per year. On the basis of this higher earning power, shovels were quoted at \$10,000 each. The value of all the camp's shovels rose to \$140,000,000. This gain in wealth thrilled the city and Martin glowed with pride.

Because of the Doe-Roe bill, Martin paid more income taxes. He did not mind. He paid less shovel tax, he got more rent, and his shovels would sell for more. So he got a chunk of the redistributed wealth. The upshot proved that redistribution of wealth by this plans was like distribution of fleas by proclamation—those who had the most at the start, had the most at the finish.

It all resulted from an intricate change in prices, wages, taxes, and shovel rents. As a result of the change, true wages were no longer \$5 per day, the rate fixed when our company inaugurated this project. After the workman had paid the taxes he knew about, and those he did not know about, and paid to use a shovel, he had left less than \$2.50.

But the people liked the new tax bills. It was popular to tax Big Business just as it was popular to tax José Vasquez, the foreigner.

Dry Lake City, according to Martin's way of thinking, was now rolling in wealth. "If, in spite of this wealth," he said, "some are poor, it simply proves that human nature is deficient, and of course we can't change human nature."

What Martin said was echoed at large. With \$140,000,000 worth of shovels, the people succumbed to grandiose ideas of wealth. They voted huge public expenditures that required more taxation and bond issues. Possessors of shovels borrowed money with which to buy things they desired. If reluctant to borrow or uncertain what to buy with borrowed money, they were urged by their bankers to buy more stocks in shovels, corporations or protected industries.

Stocks soared. Business thrived. Buyers crowded stores. Out of the welter of tax relief for shovels, increasing wealth, and boom borrowing there emerged a total camp debt of \$80,000,000, which debt, Mar-

tin proudly announced, proved the camp possessed the wealth, the credit and the cash to meet any demands of business. "The New Era is here. By extension of our wise policies, it will soon be possible to abolish poverty entirely."

People smiled on Martin and were proud to speak to him but on Tom Morgan they cast pitying glances. None questioned the future. All believed that shovels would become even more valuable and it would be easy to repay, or to borrow more.

The financial structure was a vast machine that apparently ran without a source of power. One day it stopped—and, naturally, those who did not know what made it go did not know what made it stop. With shovels worth \$10,000, people could not understand why they were rich one day, broke the next.

Merchants could not collect accounts; the city could not collect rents; mortgagees could not collect money they had loaned on shovels.

Confronted by starvation and loss of savings, workmen rioted when the sheriff came to foreclose on their shovels. Shovels became so cheap that it was a fine time to buy, but no one had the cash. The banks could finance nothing, and everyone was sunk in debt by his attempt to buy his last shovel.

Banks closed because the depositors, knowing the banks could not collect money due them, took their home. The bankers were then sent to jail on one charge or another, though in many cases they were guilty only of not knowing what became of the camp's wealth. Pounding up rocks on the streets, the luckless financiers blamed their plight on lack of confidence.

Clamors filled the air. Some felt they had been robbed by somebody and wanted to start a revolution. Popular demands were: for a dictator, for a moratorium on shovels, for \$200 monthly pensions for old timers to spend to boom business, for a lottery to supply funds for down-and-outers.

The crash continued the usual conflict between Martin and Morgan. "Dry Lake City is fundamentally

sound," shouted Martin. "Shovels are worth \$10,000 in a normal market, and I do not believe our mighty resources, comprising 14,000 shovels, have yet been fully developed. Shovels will go to \$15,000!"

Morgan said he hoped hard times would disillusion the camp. "The Great Paymore Plan (to pay more taxes, to pay more for shovels, to produce more wealth) is a dream that could come true only if the camp could build wealth on two ascending columns—one taxes, the other debts, both presumed to mount forever, and by economic perpetual motion produce wealth continuously through inflation of the value of shovels.

"We can't tax and mortgage ourselves rich," Morgan claimed. "We can't lift ourselves by our bootstraps. A shovel is made to shovel with, and everybody ought to be allowed to get a shovel and go to work."

That it was a bad-tempered time was shown when Dry Lake City voted the Conservatives out and the Liberals in and got a New Deal. It looked on the New Deal as a unique adventure, but I think you directors will recognize the relationship between the Old Deal and the New as one of cause and effect. Benign Old Dealers sought to enrich the community by regulating shoveling and railroading. Benevolent New Dealers essayed to correct Old Deal results by regulating everything else, so they thrust props under the tottering Old Deal economic structure. The props comprised devices to bolster the price of shovels, new bureaus and officials with power to control business and the people, ways to tax and borrow and lend and spend.

To efface Old Deal debts, government authorized each possessor of a \$1 bill to tear it in two. Each half bill was stamped "One Dollar," making two devaluated dollars with which to pay the mortgages and the bank—a logical step on the theory that one good inflation in the price of shovels deserves another in the currency.

A tax created a fund to lend to

banks whose assets—based on securities, based on \$10,000 values, based on shovels—had frozen up. Fearful that banks, when again they lent cash the same way, would again break the same way, government pledged itself to pay to depositors what the banks owed.

Another tax was to provide money to lend to shovelers at low interest rates in order that they might more easily buy \$10,000 shovels.

If it was no longer profitable to shovel, this proved that there was too much shoveling. The cure was another tax, proceeds of which would pay shovel owners not to shovel. With 1,000 shovels, Martin was able not to shovel more than Morgan could with one shovel, so Martin got \$75,000 and Morgan \$75. Those who rented shovels were out of luck. The scheme deprived tenants of shovels, and made them relief clients.

By these credits, subsidies and exemptions, government did what it could to buttress shovel values and preserve the camp's wealth. It also grappled with other problems:

The depression was due to overproduction, a fact which could be verified by the plight of merchants whose shelves were piled with goods that no one bought. The remedy was a tax to create a fund to buy the goods and destroy them, thus relieving the merchants.

(To be concluded.)

