

Talking about Economics using “The Grapes of Wrath”

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Abstract:

A hundred years after John Steinbeck's birth, I found in this date a good reason to approach *The Grapes of Wrath* as an introductory suggestion to some concepts of Economics to the students of the Social Communication Course of the University of Minho. These students present a diversified cultural baggage, but, however, they acknowledge a deep lack of specific preparation in the quantitative domains, which can unchain some previous aversion to subjects such as Statistics or Economics. With the sense of reducing that predisposition, as done with other universal literature books, I made use of Steinbeck's epic to introduce the classes to powerful concepts such as the labour market and its imperfections, there explained. The reaction was very positive and the book promoted a large discussion about the role of government and the strategies of both sides (labour offer and demand).

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Casey said “An’ Almighty God never raised no wages.”

Why The Grapes of Wrath

A hundred years after John Steinbeck's birth, we find many manifestations that intend to mark the event. Alerted by some of these, I decided to value one of the most popular literary creations of the twentieth century, signed by the Nobel Prize of 1962. But, after a personal critical reading of *The Grapes of Wrath*¹, I found there were, equally, elements that could be used to illustrate some thematic points of my Economics classes to the Social Communication course of the University of Minho (Portugal).

We easily discover that students of the Social Communication course reveal an interesting intellectual baggage in areas related to Literature, to the universe of Communication, to the discussion spring facilitated by themes linked to Philosophy or Semiotics, for example. However, areas supported by Mathematics or Statistics or subjects as Economics are assumed as particular fields of the knowledge, which have a good probability of unchaining aversion in the students, due to the lack of specific preparation, as I verified in an investigation carried out during the year 2001/2002. In an attempt at removing this “predetermined idea”, I intended to plan classes that could stimulate the intellectual curiosity of students and facilitate the learning of concepts and realities that, without a doubt, would be new for most of them at the same time, maintaining the expected rigour, essential for future men and women working in newspapers, in radio or television stations, or in the press cabinets of public or private organizations.

In this sense, I turned to some titles known worldwide, some studied by the undergraduates of Social Communication, as part of other subjects. First of all, we talked about Sammy's preferences (taken from the book *What makes Sammy run?*); his particular concepts of individual and social utilities, extremely caricatured by Buzz Buschwald. But we could not forget, among other writings, the cited work of Steinbeck, meritorious of a more specified treatment of the Labour Theory, but that it also permitted an interesting suggestion for the introducing of the laws of market (especially, of the labour one) and its imperfections (exploitation of workers, asymmetric information or union practices).

This teaching resource is not recent, it has been proposed by many academic authors, such as Kish-Goodling (1998). With this author, we can state:

Often literary works reflect our economic life more accurately than today's economic statistical techniques and mathematical models.

Finally, *The Grapes of Wrath* is an excellent portrait of a dramatic era, that we cannot forget, but we must keep in mind its causes and, mainly, its consequencesⁱⁱ. It was an era that promoted deep changes in the social structures, in the international economics and in the demographic distribution of a country (United States of America). The book was also a good basis for discussing a particular moment of the History of Economic Thought (the role of government from Classics to Keynesians and its importance in the Great Depression).

Steinbeck, *The Grapes of Wrath* and the Great Depression

John Steinbeck was born in Salinas, a rural Californian community, on the 27th of February, 1902. He grew up in a middle-class family. Until 1930, he learnt to appreciate the wrapping nature of California; he assumed that he wanted to be a writer at the age of 14 and he tried to be graduated at Stanford University, taking literature courses. But, after 1929, he moved to Monterey and Steinbeck began to focus the disappointed farmers, labourers and families on the edge. His conscience became, in those years, more accurate about peasants' difficulties. California was a state where thousands of migrants were arriving each day, coming from the East. The context was one of poverty, migration, homelessness and insistent labour instability, but also of pragmatic ways of surviving, of spontaneous acts of generosity and of humanism.

In the 30s, Steinbeck wrote *In Dubious Battle* (1936), *Of Mice and Men* (1937) and *The Grapes of Wrath* (1939). With this trilogy, he described the hard times of Great Depression worsened by natural disasters. His views are a good combination of the realism of a reporter with the sense of a man engaged. After these titles, he became known as “the bard of the American worker” or “the bard of people”.

Particularly, in *The Grapes of Wrath*, the effects of economic and natural phenomenon are revised through a deeper sagacity of individual and group views. The Joad can be seen as a family that, simultaneously, is searching for a job and for dignity. The dignity that, as the Spring in California, seems to escape day by day.

Steinbeck received the Pulitzer Prize for *The Grapes of Wrath*, a book that sells over 300,000 copies annually, in America, for over 60 years. He died six years after being awarded the Nobel Prize for Literature.

The exodus

During the Ist World War (1914-1918) American crops suffered a significant increase in its demand, especially from Europe. After 1918, the heavy demand on American agricultural products persisted, until the mid twenties. This situation, naturally, promoted a reaction from the Offer. So, farmers plowed up grassland on the Southern Great Plains to plant wheat. But when peace came, the falling demand for American agricultural products, followed by descendent prices, promoted a deflation process, which left farmers in trouble (Temin, 1994). In 1934 and 1935, high winds and violent dust storms killed the wheat plants and changed 150,000 square miles of land in the Southern Great Plains, into the Dust Bowl. Because of these causes, most of these farmers were not capable to make their credit payments and so the banks acquired the land. Small firms reacted and constituted large holdings owned by corporations and farmed by employees.

In the sequence of the pretence of mechanization on land workingⁱⁱⁱ, the biggest North American companies, in the decade of 1930, were dispossessing, little by little, the farmers and their families from their places of residence. They were forced to an exodus in direction of places that offered possible alternatives of working, to the West (California), where they could pick up fruit and cotton. That will be the Joad's aim, a peasant family whom we follow, from the Oklahoma dust bowl to the promised land of California. The laws of progress (presented as general causes of the situation) are identified with banks' interests (symbolically, represented as a 'monster'). Those laws are abstract, desensitised and cruel, as Steinbeck suggests:

“Well, the guy that comes aroun’ talked nice as pie. ‘You got to get off. It ain’t my fault.’ Well,’I says, ‘whose fault is it? I’ll go an’ I’ll nut the fella.’”It’s the Shawnee Lan’ an’ Cattle Company. I jus’ got

orders.' 'Who's the Shawnee Lan' an' Cattle Company?' ' It ain't nobody. It's a company.' Got a fella crazy. There wasn't nobody you could lay for." (p.50)

"We're sorry. It's not us. It's the monster. The bank isn't like a man (...) The bank is something else than men. It happens that every man in a bank hates what the bank does, and yet the bank does it (...) Men made it, but they can't control it. " (p.35)

And so the large group of Joad (initially, twelve, including a child in Rosaharn's womb) will be driven to the West, seduced by thousands of bills that indicate available opportunities of job in crops.

So many bills

But soon the disappointment will make them recognize the reality. This family will meet some people who come back from the West. Joad's Father (Pa) is hopeful that they will find jobs but he is met with uncomfortable smiles. A disappointed man, whose wife and two kids died in California, explains to them why so many bills asking for workers were distributed when landowners' needs were limited to some hundreds, even though these papers could be, apparently, expensive.

"Maybe he needs two hunderd men, so he talks to five hunderd, an' they tell other folks, an' when you get to the place, they's a thousan' men. This here fella says, 'I'm payin' twenty cents an hour.' An' maybe half a the men walk off. But they's still five hundred that's so goddamn hungry they'll work for nothing but biscuits (...) The more fellas he can get, an' the hungrier, less he's gonna pay." (p.209)

This is the reality shown in Figure 1 (Fig.1) and in Figure 2 (Fig.2). The Joad are some of the constituents of a labour supply curve. They are able to offer their work to an employer, under a negotiated price (wage). But when they migrated to a host country, they reduced their sending country labour supply curve L_{1s} , in Fig.1, and they now belong to the host country labour supply curve L_{2s} , in Fig.2. Naturally, these figures, extracted from Elliott (1996), would lead us to other extrapolations, namely, the foreseen unemployment in the host country under the basis that migration costs would be compensated by wage differentials (accepting the framework of Harris and Todaro^{iv} (1970) that migration is motivated by expected earnings), and the wages convergence trend occurring in both countries. It is plain to see that it was in the employers interest to create a pressure on available workers, asking for many men, preferably with low capacity of responding to work prices (wages) – this was the case of the hungriest people – in a way that, shifting upward labour offer, they could reduce wage level and, as we will see, they (employers) could earn more profits.

Fig.1 -Sending country

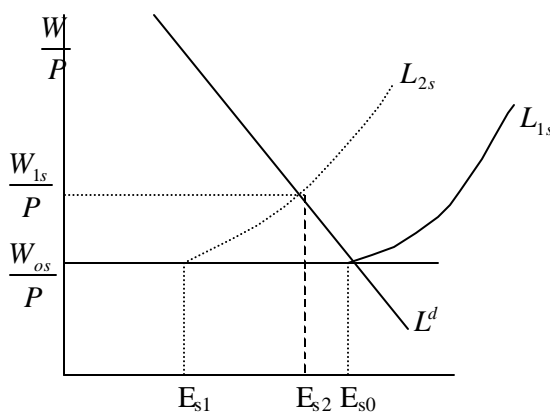
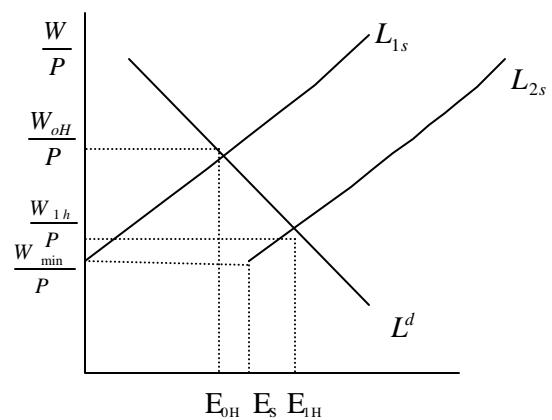


Fig.2 – Host country

“...forced to an exodus in the direction of places that offered possible alternatives of working...”



[When unskilled workers migrate from a sending to a host country, they reduce labour supply in local market where from they are and shift outward the labour supply function of host countries. So, wages go up in sending countries and fall in the host ones.]

An excellent anonymous economist

The competitive forces that feed and reproduce the situation promote a low wage level in some areas such as the Hooverville, where the Joad are first received when they arrive in California. Those forces are extremely well described in the speech of Tom Joad's interlocutor in the federal host camp.

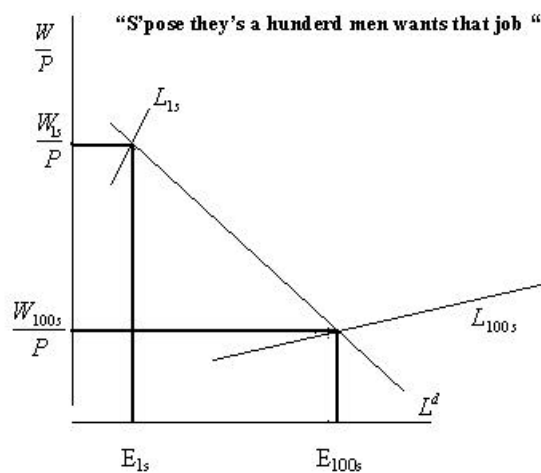
"S'pose you got a job a work, an' there's jus' one fella wants the job. You got to pay 'im what he asks. But s'pose they's a hunderd men^v (...) S'pose they's a hunderd men wants that job. S'pose them men got kids, an' them kids is hungry (...) S'pose a nickell'll buy at leas' somepin for them kids (...) Jus' offer 'em a nickel – why, they'll kill each other fightin' for that nickel." (p.269)^{vi}

The young interlocutor, with his excited speech, describes the basis of perfect competition among the offer agents, responsible for keeping prices near equilibrium level, phenomenon understood since many centuries ago but particularly revealed by Adam Smith. Meanwhile, in the present situation, *equilibrium* wages are touching a miserable subsistence level affecting thousands of families (a first approach of the trade-off efficiency/equity).

He also explains the dilemma of seasonal jobs that, under advanced studies, we could understand as a good theme to be inserted into the context of *incentives* (present or induced mechanisms that, acting in the market, could change the expected result if we only considered the interaction between Offer and Demand). While that, here is clear the purpose of atomicity of the Labour offer, because, individually, without any power of persuasion, a worker is obliged to accept market rules or to leave it.

“They’s a big (...) of a peach orchard I worked in. Takes nine men all the year roun’. (...) Takes three thousand’ men for two weeks when they peaches is ripe. Got to have ‘em or them peaches’ll rot. So what do they do? They send out han’bills all over hell. They need three thousand’, an’ they get six thousand’. They get them men for what they wanta pay. If ya don’t wanta take what they pay, godamn it, they’s a thousand’ men waitin’ for your job. (...) When ya get ‘em picked, ever’ goddamn one is picked. There ain’t another damn thing in that part a the country to do. An’ them owners don’ want you there no more. Three thousand’ of you.” (p.270)

Fig. 3 – Labour Supply with a man or with a hundred men



[With only one worker (L_{1s}), his labour supply function, much more inelastic, will allow him to receive higher wages. But with the interaction of many men (L_{100s}), their labour supply function, which is the horizontal sum of their individual labour supply functions, will descend wages and increase quantities of employment, *coeteris paribus*.]

Information and *moral hazard* on bargaining

Information, itself, is looked upon as a precious good in engagement of job opportunities. So, it is necessary to value it, retaining or only distributing it inside our group (the typical case of Inside Information).

“Fella come through an’ he says they’s gonna be work up north. (...) this fella says he got a letter from his brother, an’ he’s on his way. He says not to tell nobody, they’ll be too many(...)

- Tom studied him. "Why we gotta sneak away?"

- "Well, if ever'body gets there, ain't gonna be work for nobody." (p. 286)

At that time, employers (some of them were small owners of the land) lived in the risk of loosing their own businesses. They were also afraid of the uncertainty of crop prices. So, they tried to transfer those risks to available workers (the typical reaction studied by *moral hazard*: an agent avoids the consequences of his actions transmitting them to another). This reaction can be interpreted as mirroring the instability of the moment, searching to make flexible the engagement of employees, avoiding the rigidity of written contracts that would, at least, define wages.

"What you payin'?' he asked.

- Well, can't tell exactly, yet. 'Bout thirty cents, I guess.

- Why can't you tell? You took the contract, didn' you?

- That's true, the khaki man said. But it's keyed to the price^{vii}. Might be a little more, might be a little less." (p.289)

An illustrative scene of how events escaped the control of small cropland owners is suggested above. Then, they were invited to accept proposed prices, agreed by administrative entities or by the banks that, little by little, were acquiring the lands.

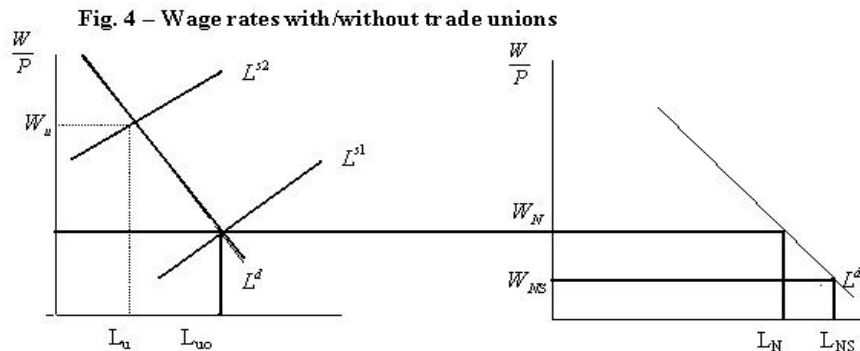
"So last night the member from the bank told me, he said, 'You're paying thirty cents an hour. You'd better cut it down to twenty-five.' I said, 'I've got good men. They're worth thirty.' And he says, 'It isn't that,' he says. 'The wage is twenty-five now. If you pay thirty, it'll only cause unrest. And by the way,' he says, 'you going to need the usual amount for a crop loan next year ^{viii}?' (p.325)

A strike or a scream

The situation progressed into more dramatic realities. After the first Hooverville, the Joad went to Number Four Sanitary Unit, an example of a democratic place where everybody seemed to live well. But, after a month of working, they needed to go away because food became scarce. There, Tom will find Casey, after his arrest, near House 63, where they had been told they could find a job. Casey was attempting to begin a strike and to organize a union among workers to guarantee a minimum wage that permitted the necessary living conditions for workers' families. He explained the basis of their fight:

“Some says don’ want us to vote; keep us movin’ so we can’t vote. (...) An’ some says if we set in one place we’d get organized. I don’t know why.” (p.268)

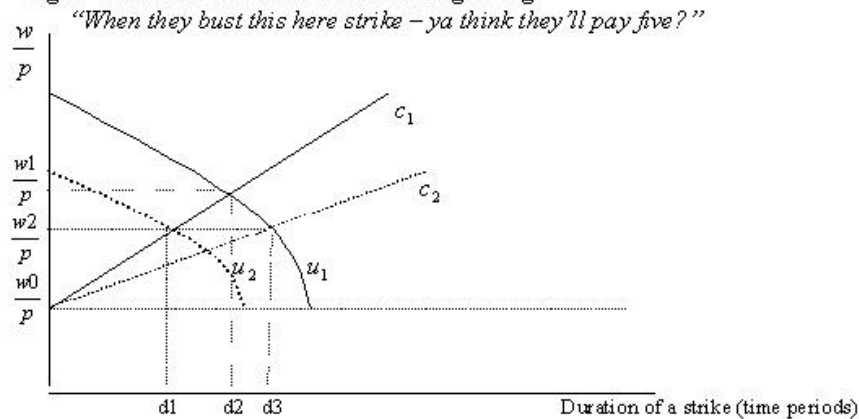
“We come to work there. They says it’s gonna be fi’ cents. (...) We got there an’ they says they’re payin’ two an’ a half. A fella can’t even eat on that, an’ if he got kids – So we says we won’t take it. So they druv us off. An’ all the cops in the worl’ come down on us. Now they’re payin’ you five. When they bust this here strike – ya think they’ll pay five?” (p.423)



[When there is a trade union, labour supply function moves towards left (from L^1 to L^2 , reducing employment (L_{UO} to L_U) and increasing wages of workers who are members of the trade union (W_U to W_s); meanwhile, in the sector non-unionised (engrossed by some unemployed workers because of the union constraint), there is labour supply able to work under wages requested by the union (L_{NS}). In a static model, there is no necessary unemployment (Bellante et Jackson, 1983).]

The trade union situation is suggested in Fig. 4. If Casey had obtained a consistent organization among workers, we could have expected that wage rates could be higher and more alluring to workers who adhered to the union. But, with the arrival of new floods of workforce and with the threat of weak adhesion from the part of ‘non-unionised’, the strike was violently repressed^{ix}. As a consequence, in accord to the prevision of priest Casey, wages decreased to a level below the expected one.

Fig. 5 – Hicks’s model of collective bargaining



[According to Hicks’s model of collective bargaining the employer’s concession curve (c_1) is positively sloped, as a result of the firm’s willingness to agree to a wage higher than its initial offer w_0/p rather than incur the costs of a strike of increasingly long duration. The union resistance curve (u_1) is negatively sloped, representing the union’s willingness to accept a wage lower than its initial demand rather than incur the costs of a strike of increasingly long duration. An employer, to guarantee w_2/p , a lower wage rate expected equilibrium than w_1/p , can search for a more flexible concession curve (recruiting available workforce, for example) or promote a lower union resistance curve (u_2) by increasing strike union costs (Bellante et Jackson, 1983).]

Final remarks

Towards the end of the book, the Joads are abandoned, on the road. After some days of raining, their provisional house can not face water forces and they need to go on again to look for living opportunities.

We do not know when they stopped. We do not know if they found jobs for everyone, or if they got a house. We only know that, despite their reality, they give us an excellent description of a remarkable era, a stimulant suggestion of looking at the stronger concepts of Economics from a different view (especially, to some themes of Labour Economics) and, mainly, an accurate portrait of migrants' actuality.

The Grapes of Wrath is, surely, one of the most social and economic engaged books of 20th century but it is also one of the most surprising epics of modern times. Even the most inattentive student had his opinion and, interested, used the discussed economic concepts as instruments to better understand those times, sometimes so near ours.

ⁱ Steinbeck, J. 1976. *The Grapes of Wrath*. New York. Penguin Books. All the citations were taken from this edition, keeping the original expressions.

ⁱⁱ Fishback *et al* (2001) cited that Steinbeck's vivid portrayal of the Joad family escaping the Oklahoma dust bowl to suggest the strong significance of American migration during the 1930s.

ⁱⁱⁱ Despite the dramatic situation affecting most farmers, Temin (1994) refers that some of them escaped because they were linked to the opportunities created by technical change in grain production, absorbed by large-scale farming.

^{iv} Cited by Fidrmuc (2002).

^v See Fig. 4.

^{vi} Another example of the approximate bertrand equilibrium present in the bargaining, is clearly expressed in the following period: “They had no argument, no system, nothing but their numbers and their needs. When there was work for a man, ten men fought for it– fought with a low wage. If that fella’ll work for thirty cents, I’ll work for twenty-five. If he’ll take twenty-five, I’ll do it for twenty. No, me. I’m hungry. I’ll work for fifteen. I’ll work for food. The kids. You ought to see them. (...) Me, I’ll work for a little piece of meat.” (p. 312-313)

^{vii} If we understand the short -run production function as $Q=f(L)$ and the marginal product of labor as $dQ/dL=f'(L)$, so the profit function of a producer operating in perfectly competitive product and labour markets (price of output, P , and wage rate, W , are given) can be maximized by $W=P*f'(L)$. But this contractor was trying to keep wage rates free of exogeneity, in a way that he could, in face of low prices of output (which will be verified in a large range of products, like apples, cherries, purple prunes, pears and grapes – p.383 -384), employ an adjustable number of workers with low wages.

^{viii} According to Temin (1994) banks acquired most of the loan business during the Great Depression because they were the low-cost intermediaries. But when some banks failed, the other banks raised their cost of loans to borrowers, day by day more dependent of bank strategies, as seen.

^{ix} This case is commented in Fig. 5.

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For a large view of Steinbeck's centennial celebration, visit

<http://www.steinbeck100.org/introduction.html> from where you can access

more comments about his life and bibliography.