

The Dust Bowl is Always Coming to California

By Michael Harvath

The dust bowl is an example of how economists are like bankruptcy lawyers – for both of us, bad times for others are good times for us. It is when an economy is pushed to the extreme in one way or another that it becomes easiest to see how it works. Normal times are boring times. I have chosen as the title of my talk, *The Dust Bowl is Always Coming to California* because the dust bowl is an extreme case of what has been the California reality since its founding, the continual immigration of farm workers.

Periodically, this immigration and its consequences for good and bad flares to the top of our political debate. Tonight I want to talk about not only some items specific to the dust bowl, but also put the dust bowl into our broader historical context by comparing it to a few other well-known California immigration flare-ups.

Reading *The Grapes of Wrath* as an economist, a few things strike me. One is that if you read it as a war book, which is not an unfair reading, you face the question that you have at the end of all complicated wars, which is “What does winning look like? I’m not sure Steinbeck knew. I’m not sure I know. Yes, we can all agree those peach orchard owners should not have arbitrarily lowered the wage from 5 cents a bucket to 2.5 cents. Yes, we can agree that the police should not have gone around shooting innocent people. But go back through the book and change all those mean things done by the rich and their stooge police to nice things. What do you have? You still have 300,000 people looking for work on farms that only need 100,000. What to do?

Perhaps surprisingly, other than building more housing camps and calling off the police, Steinbeck doesn’t directly say what he thinks the government should do about this, but a couple things are clear.

Man, does he hate tractors. If you’ve seen the movie, you might remember the scene of the herd of tractors moving across the plain. I’ve seen pictures of similar scenes before, usually captioned “America Feeds The World” and followed with a couple of paragraphs on ever-advancing American know how and productivity or in a film shown in junior high underscored with swelling trumpets and proudly announcing at the end “Sponsored by the American Chamber of Commerce and the Future Farmers of America”. Steinbeck calls them “The tractors that throw men out of work, the machines which produce, all were increased; more and more families scampered on the highways, looking for crumbs from the great holdings ...”. He is truly a Luddite for the 20th century.

Did these tractors cause farmer unemployment and mass migration? Well, I am an economist, so you know what I am going to answer ... “Yes and no.” Steinbeck’s story of the evil tractors driving out the traditional small farmer does not fit the dust bowl area well. The dust bowl land,

with its thick buffalo grass which, we later figured out was holding down all the dirt, could not really be cost effectively plowed until we had tractors to do it. It was only by having tractors in the first place that the Oklahomans could plow enough land to eventually cause the dust storms.

But there is more to the 1930's immigration than just the dust bowl. A little further west of the dust bowl, in Arkansas, there were sharecroppers whose story is tolerably close to the Steinbeck story of traditional farmers displaced by the new big machines.

Machinery creates jobs when it allows the farming of new land or the creation of new industries. Without machines to make cars at a price low enough to penetrate the mass market, most of our car making jobs go away. Machines destroy jobs when they infiltrate industries that would exist anyway and do the jobs instead. I don't think we have that many more gas stations around now than in the age of the full service station, but there are less people working there.

But if even we agree that tractors are the bad guys here, what to do about it? And this is really the question that has stumped the Luddites from the beginning. Steinbeck's solution is presumably in the 2nd half of the same paragraph, "Three hundred thousand – if they ever moved under a leader – ... the land will be theirs, and all the gas, all the rifles in the world won't stop them."

So Steinbeck walks up to the edge of Marxism here. As a California writer and intellectual, the circle Steinbeck moved in had numerous genuine Marxists. In general, while he appreciated their work for the downtrodden, he was skeptical of their political/economic solution.

But this one time, he does go all Marxist on us, so let's go along with him and suppose the workers rise up and seize the land. This isn't really a solution, this is simply readjusting the framework in which the same question again is asked, "What does winning look like?" You still have the same basic problem, 300,000 people on farm land that needs 100,000. What are they going to do? Destroy the tractors? Tell everyone to work really slow? Send 200,000 of them to different jobs? You don't have to seize the farm land to do that.

Luckily, having lived past the end of the book, we know the answer in real life. Tom Joad gets a job at Hunters Point Naval Shipyard in San Francisco in 1942 and never looks back. Here is a solution that is never hinted at in Steinbeck's book.

There is a phrase in economics "Creative Destruction". It was coined in 1942 by an economist named Joseph Schumpeter. Schumpeter emphasized progress is not some antiseptic painless thing, but comes on the bones of its predecessors. The calculator industry stands on the corpses of a bunch of unemployed slide rule producers.

Eventually, the tenant farmers do have to give way to the tractors, as our high school films triumphantly told us. That's progress. These people hurt, then move on to different jobs, and the economy advances, and by that I mean makes more stuff than before. Where it used to take 100

people to grow a certain amount of wheat, 10 people and a tractor can do it and the other 90 are freed up to make something else, so more stuff is made and we can all have more, on average. However, sometimes the destruction part flies ahead of the creative part. Then we are destroying jobs faster than we are creating them and then there is trouble. Technological progress is not fun in the middle of a depression.

In the context of 1930s California agriculture, Schumpeter's ideas tell us we can get quite far in understanding what is going on in terms of 3 main factors

- 1) Technology
- 2) Immigration
- 3) Institutional Power

The struggles concerning number 3 (institutional power) are definitely the most interesting to write about, and I certainly don't want to underestimate the importance of who has the guns, but Schumpeter would, I think, emphasize the extent to which institutional power depends on technology and immigration. If the first two are undermining your negotiating position, it is hard to make progress on the last one. Nothing improves the deal you can get more than knowing the other guy has no other options. If you are the farm worker and the other guy is the farm owner, numbers 1 and 2 give him good other options.

So let's get serious about employment for all farm workers and higher wages to boot. Imagine a land of never ending milk and honey. Let's call it ... Caltopia. Caltopia is surrounded by a vast land of low paid workers quite willing to immigrate to Caltopia. Let's call this land Dustbowlico. Now the question is, "How can we get the low paid farm workers in Caltopia more money? Our options:

- 1) Government mandates it.
- 2) Unions and strikes.
- 2) Create a labor shortage through other opportunities for these workers or immigration restrictions.
- 4) Thinking outside the box.

I think a good name for this set-up would be, "Welcome to Cesar Chavez's World". Cesar Chavez, the famous leader of farm workers' union from 1962 on, was very familiar with *The Grapes of Wrath*. In fact, he said. "When I read *The Grapes of Wrath*, that was like reliving my life. I was never so proud of poor people before as I was after I read that book."

The simplest most obvious way is the government just mandates it, an agricultural minimum wage increase if you will. This might not help overall as much as you think. Here's why.

What's the best job in America in terms of money, fame, etc? Movie star, right. So since this is on the short of list of best jobs, your son or daughter announces to you that their job choice is to be a movie star. You're thrilled, right? Maybe not. Because you know that everyone wants to be a movie star, so that your daughter will end up a waitress somewhere in Hollywood telling all her customers that she isn't really a waitress. So even though the job of Movie Star is better than accountant, it is very likely that, overall, people who decide to be accountants are happier than those who decide to be movie stars.

The better the job, the more it attracts soon to be unemployed hopefuls. And remember Dustbowlco has a lot of would be hopefuls. The better you make the potential job in Caltopia, the more hopefuls will come. So the actual workers will be making more, but you will be creating more unemployment and lower wages in the satellite jobs.

Unions and strikes may work. But of course the availability of large amounts cheap immigrant labor to come in and do the work of the strikers makes it hard to make this work.

Eventually, any labor leader with easy migration into his industry has to make a choice. The head of the United Mine Workers union at the time of *The Grapes of Wrath* summed up his choice by saying, "It is better to have half a million working at good wages than it is to have a million working in poverty."

When his union organizing was at its height, Cesar Chavez supported that sentiment when he said, "If we can get the illegals out of California, we will win the strike overnight." This led to the UFW's 1974 Campaign Against Illegals. Aside from backing a bigger budget for the INS and more raids by the Feds, most famously the UFW shipped a couple of hundred people down to the Arizona-Mexico border to enforce the "Wet Line" to stop immigration where, as often happens in this sort of thing, there was some violence.

These things are not usually noted in his list of accomplishments when the memory of Cesar Chavez receives public honors, but as my favorite philosopher Homer Simpson once said, "Yeah, but what are you going to do?" It is hard to make a union work when new cheap workers are undercutting you.

It is fair to add that later in his life, and as he saw himself more as a community leader and even a spiritual leader, he backed off many of these earlier anti-immigrant views. But to this it must be added that as he did so, the effectiveness of his union work declined.

Then there is method 4, which is whatever else you can think of. Here we can put Chavez's lettuce and grapes boycotts. For the younger ones in the audience, Chavez called on people to stop buying lettuce and grapes until the growers gave into his demands. Now here is a great idea, if you can make it work. The good part is that it gets around the problem of easy access to more workers. If people aren't buying your product, access to more workers doesn't help with the problem. The downside is that the success of this method depends on the actions of people,

the customers, who have no personal stake in the outcome. You have to be able to portray your struggle as an issue of social justice, not merely a power struggle over wages going up or down a bit. This is something that Mr. Chavez was pretty good at.

Ultimately, coming out of the union activism of the 1960's and 70's, the farm workers union did win some important local battles, but lost the long-term war.

Which brings us to today. The more things change, the more they remain the same. Here we are now 80 years after the dust bowl, and what are we talking about? The low pay of migrant farm workers and immigration reform.

Just in January of this year, a report came out on farm labor housing. There were plenty of facts and figures, but most striking is the opening paragraph, "Sergio Sanchez, with the California Strawberry Commission, described his visits with workers in East Salinas ... He visited a number of homes where the rooms had mattresses leaning against the walls. This arrangement was necessary during the day because it wouldn't be possible to walk through the rooms without stepping on someone's mattress on the floor. He described sanitation problems as devastating in these conditions of extremely crowded housing."

If you can hear this without immediately thinking *Grapes of Wrath*, you haven't read the book.

But there has been at least a small change lately. The U.S. economy is depressed and Mexican one has been growing. The advantages of coming to Caltopia are declining. More Dustbowlicans have been staying home. California has actually had more people leaving than coming in these last few years. Maybe I should have titled my talk, the dust bowl is *almost* always coming to California. Also, the U.S. has been more serious lately about deporting people. More people have been deported under President Obama than ever before.

Together, these have led to news stories like this from the Huffington Post titled *Farmers Face Labor Shortages* "In the past, we were overrun with farmworkers. But not anymore," said labor contractor Jesus Mateo, whose crews saw a 20 percent pay increase. "Employers have to do something to attract them. The fastest workers can now earn more than \$1,000 per week."

The farm owners don't like this, and I don't blame them. You might know there is a current political battle over immigration reform in Washington, with a bill being pushed that would both legalize may illegals already here and create a guest worker program. Both are likely to increase the number of immigrant workers. Needless to say, employers would like both of these things.

I find the politics of this interesting for both parties. As regards the Republicans, I have to say, I can't recall an issue on which there has been a bigger split between the leaders of a party and its base. Most of the Republican base and the Tea Partiers are strongly opposed to more immigrants in America, and yet many important Republican Senators and lobbyists have been willing to join with Obama in trying to push this thing forward, often with seemingly significant political cost to

themselves. Why? Could it be that many of the rich Republican businessmen/ranchers/farmers used to getting as many workers as they want for nice, low wages are really putting the pressure on? And of course some of these leading Republican politicians are these rich businessmen themselves.

The Democrats have avoided a similar split mostly by just blandly ignoring reality. Democrats know that opposition to immigration in American has often been associated with racist, or at least “anti-diversity” views, and modern Democrats know that being pro-diversity is a good thing. So they see themselves as naturally being pro-immigration. They also see themselves as being on the side of the hard pressed working poor already here. So it looks like here they have to choose between one belief or the other. But if they can believe large scale immigration doesn’t cause lower wages then things get much easier. I’ve seen smart liberals who readily admit that importing 500,000 cheap Japanese T.V.’s would, of course, lower the domestic price of T.V.’s insist that 500,000 cheap immigrant won’t affect the wages of those already here.

I don’t want you to leave here tonight thinking I have just told you immigration is bad. Immigration has had many deep and complex effects on America, some good and some bad. My reading of history fits what I consider the mostly conventional view that, overall, immigration has, in most cases, improved America and often quite a lot. But that doesn’t mean that it never has any bad effects on anybody.

One last thought closing thought. I opened my talk, as Steinbeck opens his book, talking about technology and new machines. Steinbeck is on to something in opening a book on immigration by talking about machines, because there is an essential sameness to them in terms of this discussion. It doesn’t matter if you lose your job to an immigrant or a new machine, the effect on you is the same. There is something happening now that has never happened before. We have just started to build thinking machines. We have called our computers “thinking machines” for a long time, but that has not been right. They have really just been ever fancier calculators. But now, they can at least calculate so fast they can simulate thinking. And they are being combined with sensing devices so advanced, they don’t need us to guide them every step.

It is commonplace to observe that human bank tellers are being stalked by ATMs (President Obama mentioned it himself 3 years ago in trying to explain why job creation has been slow in his Administration). You’ve seen the self-checkout machines at Albertsons, you don’t have to be an economist to look at those and think, if I was a checkout clerk, I would be worried for my job.

And I see the grading, assessment, and teaching programs out there. Programs that can grade homework faster than I ever could, and then give personalized instruction to each student based on the patterns of their answers that I could never have the time to match, and on top of that to provide access to personalized interactive multimedia teaching presentations, and I think to myself, if I was a college teacher, I would be concerned for my job. Oh, wait!

Luckily, for now much of that is marketing hype. But in 10 years? 20 years? Up till now, us people with “thinking” jobs could watch the rise of the machines with a certain detachment, but those days are coming to an end. The new Okies are being designed and built in robot labs all across the world (especially Japan). Soon they will be smarter than you, faster than you, and stronger than you. And did I mention probably willing to work for less? And it will be progress, and the country will be richer - creative destruction, remember? But along the way, a lot of people will find their jobs going the way of those Arkansas sharecroppers that Steinbeck describes.