

The economics of the Wizard of oz.

Type of activity: Case Study

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Audience: High school and college economics students

Time required: About 50 minutes

NCEE Standards: 19, 20

Summary: History teachers sometimes have students read or view *The Wizard of Oz* while discussing the Populist Movement. Economics teachers might want to use the story to reinforce these concepts:

- An increase in the money supply can result in inflation.
- Inflation results in gainers and losers.
- Borrowers often benefit from inflation, while lenders often lose.
- The government can control the money supply and, to some extent, the inflation rate.

Background

Here's a trivia question: What color were Dorothy's shoes as she walked along the Yellow Brick Road in L. Frank Baum's tale, *The Wizard of Oz*?

The answer is silver, although you're not alone if you answered red. In the classic 1939 film version, Dorothy's silver shoes were changed to ruby slippers to show off the film's newfangled Technicolor photography.

It's a shame, for the silver shoes were rich with symbolism. As explained by Henry M. Littlefield ("The Wizard of Oz: Parable on Populism," *American Quarterly*, Spring 1962), Baum's book was much more than just a whimsical children's fantasy; it was also a sly allegory of the 19th century Populist movement. Dorothy's silver shoes were intended to represent the Populist hope that America would abandon the yellow brick road of the gold standard, and monetize silver. A bimetallic monetary system, as the Populists knew, would bring inflation--and prosperity--to struggling Midwest farmers.

It might seem surprising to see inflation linked with prosperity; nowadays inflation is usually portrayed as a malicious swindler, Gerald Ford's "Public Enemy Number One." But most economists view inflation as a redistributer of wealth, more like Robin Hood than Al Capone. And while inflation often redistributes wealth arbitrarily, it tends to take from rich and give to poor (or, at least, the not-so-rich), by hurting creditors and helping borrowers.

Inflation's ability to shrink debts was well known to the impoverished, uneducated--and deeply indebted--farmers who jammed the Populist meeting halls. Their problems had begun soon after the Civil War. To help finance the war, Lincoln had issued "greenbacks," paper currency

which wasn't back by gold. The new currency had expanded the money supply considerably, causing prices to rise by 74% from 1861 to 1864.

This wartime inflation had hit Eastern creditors hard, for the real value of their financial assets plummeted as prices rose. After the war, the Eastern financiers pushed for--and got--retribution in the form of a return to the gold standard. Greenbacks were gradually retired from circulation, and the money supply was contracted to restore the price of gold to its pre-war level of \$20 an ounce. This caused deflation—a decrease in the price level. With steadily declining prices for their crops, and high interest payments for their land and machinery, many farmers went bankrupt.

As the greenbacks dried up, Populist meetings sprouted up throughout the Farm Belt. Their leaders exhorted the conservative farmers to "raise less corn and more hell," and pressed for the free coinage of silver, which had been demonetized in 1873. Such an inflationary policy would have permitted farmers to pay off their loans with depreciated currency, at the expense of their Eastern creditors.

The Populist wave crested in 1896, when William Jennings Bryan won the Democratic presidential nomination with an impassioned speech against the gold standard. It was at the end of that speech that Bryan roused the convention with the famous words, "You shall not press down upon the brow of labor this crown of thorns, you shall not crucify mankind upon a cross of gold."

Bryan tried to forge an alliance between agrarian Populists and urban workers in the East, calling upon these "struggling masses" to rise up against the "holders of idle capital" in the East. Eastern labor balked at Bryan's radicalism, though, and he lost the election to the hard-money candidate, William McKinley. No matter. The South African gold rush in the 1890s was to expand the world's money supply and inadvertently bring farmers their long-awaited inflation. This economic success, combined with political failures, caused Populism to fade out at the close of the 19th century.

It was then, in 1900, that the Populist Democrat L. Frank Baum wrote *The Wonderful World of Oz*. The story begins with a terrible tornado which carries young Dorothy's house away from Kansas to Munchkin Country in the mythical Land of Oz. The house lands on the wicked Witch of the East, killing her. The Munchkins are grateful to the dazed and bewildered Dorothy, for the Witch had kept them in bondage for years.

So far, the symbolism is straightforward: Baum's turn-of-the-century readers would have easily identified the wicked Witch of the East with the Eastern industrial establishment, and the Munchkins with the working class. Populist writers at the time often portrayed the Eastern industrialists as predators who victimized workers.

The good Witch of the North appears and suggests that Dorothy seek out the Wizard of Oz to find out how to get back to Kansas. She gives Dorothy the dead witch's magic silver shoes, and sends her off on the hazardous Yellow Brick Road (i.e., the gold standard) to the distant Emerald City where the Wizard lives.

As Dorothy makes her way to the Emerald City, she meets a Scarecrow, who longs for a brain to replace the straw in his head. Baum clearly intended the Scarecrow to represent Midwestern farmers, who were often dismissed as ignorant "hicks" and "hayseeds" by their adversaries in the urban East. Baum's uneducated Scarecrow, though, turns out to be quite clever. All the same, Dorothy invites him to come with her to the Emerald City so that the great and powerful Wizard can supply him with a brain.

The pair soon meet up with a Tin Woodman, a Munchkin who had been put under a spell by the wicked Witch of the East. Once human, the Woodman kept chopping off parts of his body each time he swung his axe. Tinsmiths had repaired the damage, but left him without a heart. As Littlefield explains, this reflects the Populist view that "... Eastern witchcraft dehumanized a simple laborer so that the faster and better he worked, the more quickly he became a kind of machine."

The Woodman had been caught in a rainstorm and had stood rusted for more than a year, until Dorothy in her silver shoes freed him by oiling his joints. The rainstorm may represent the depression of 1893-97, which also had immobilized many workers. The Populists believed (and many modern economists agree) that the industrial paralysis of the 1890s

might have been avoided had the economy been lubricated with a larger money supply, which would have stimulated production and employment.

The Tin Woodman joins Dorothy and the Scarecrow on their journey to the Emerald City, where he intends to ask the Wizard for a heart. The Yellow Brick Road leads the trio through a forest, where they soon encounter a lion. They're frightened at first, but soon discover that he's a coward, and invite him along to ask the Wizard for courage.

The Cowardly Lion represents the vocal but ineffectual William Jennings Bryan. In the book, the Lion claws and knocks over the Tin Woodman when they first meet, but doesn't make a dent in him. This may be a reference to Bryan's failed attempt to win the vote of Eastern labor in the 1896 election.

Dorothy, the Scarecrow, the Woodman, and the Lion finally arrive at the Emerald City and meet the Wizard of Oz, evoking images of Coxey's Army of indigents, which marched on Washington in 1894 to ask President Cleveland for work.

The Wizard asks them to bring him the broom of the wicked Witch of the West. She is powerful and dangerous, though, and to find her that have to pass through a rough and treacherous land, not unlike the untamed American West. Using wolves, crows, bees, and flying monkeys as weapons, the Witch of the West represents the malign forces of nature. She soon captures Dorothy, and enslaves her. Dorothy ultimately triumphs, however, melting the Witch with a bucket of water. Baum is prophetic here, since water was later to play a major role in the conquest of the American West.

After liquidating the wicked Witch, Dorothy and her friends return to the Emerald City, only to discover that the Wizard is a fraud, a common man, a humbug. "The Wizard," writes Littlefield, "a little bumbling old man, hiding behind a facade of papier mâché and noise, might be any President from Grant to McKinley. He comes straight from the fairgrounds in Omaha, Nebraska, and he symbolizes the American criterion for leadership--he is able to be everything to everybody." The Wizard eventually leaves Oz as he had arrived--in a hot-air balloon. He leaves the Scarecrow to rule the Emerald City, the Tin Woodman to rule the West, and the Lion to protect smaller beasts.

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