

Principal Author and Illustrator: Brian Dickens
Edited by: Tina Yalen & The Wallyworkers

2-29-2012 Working Draft w/Omissions
(Originally Published in 1989)

Current* Copyright is still All Rights Reserved

**I'd like to see this change to a more permissive Creative Commons license
as soon as there is a plan worked out for what to do with this darn thing
at which point we'll try and do what's right so it's both good and free
as most things--especially educational materials--simply **should** be*

FOREWORD* TO THE 2012 WORKING DRAFT

by Brian Dickens

**Skip this if it's too long. But to me it's actually kind of the important part.
So you're hurting my feelings if you do.*

Wally and the Walnuts is a little detour within my (increasingly strange) personal history that I keep coming back to, decades later. It grew out of a proposal from my 8th grade social studies teacher, Tina Yalen. She solicited her students to get together over the summer of 1989, with the goal of updating one of the materials she had just used in our economics unit.

The material in question was an essay by an economist named William G. Tapply called "How Our Economic System Works". It demonstrated the evolution of standard-of-value through an analogy about walnuts being adopted by people in a village. Most of our other lessons about finance and government had been in books that didn't have any characters or dialogue at all. So although Tapply's double-spaced typewritten work was a little dated and dry, by comparison it'd been pretty memorable!

(Note: Due to lack of Internet research abilities, I don't think any of us were aware that Tapply's teaching tactic already had a parallel in the economics community. It's

called "Crusoe economics", based on the narrative of Robinson Crusoe. Lessons using this tact typically talk about the derivation of economic principles out of necessity and reason. They start with a lone individual on an island, like Crusoe, and then see how economic systems evolve as he begins to interact with outsiders... for example, when he meets Friday.)

When Tapply talked about buying and selling products it invoked examples "oleomargarine"...and the characters were all pretty flat. So Yalen's modest stated goal was to have some regular meetings, and those of us who'd just finished her class could retool the essay. We'd take the parts that didn't connect us or our peers out, and maybe throw some more things in that would connect.

After a couple of meetings the process was at a standstill. Mostly we just sat around a table eating pizza while disagreeing about what kinds of changes to make. I don't think it's because we were 8th graders--this was a pretty smart bunch, a gifted program in the suburbs of DC. It was just a typical failure of any creative process by a committee--of any age--when there's no structure. Someone was going to have to take initiative if it were to succeed.

Rather than using my summer to play video games, I somehow decided the person taking initiative would be me. So that meant spending many an hour staring at the

grim gray-on-blue screen of WordPerfect for DOS. It was an earlier version of WP than even this one on Wikipedia because it didn't have the colorful menu:

```
File Edit Search Layout Mark Tools Font Graphics Help (Press F3 for Help)
IN CONGRESS, JULY 4, 1776
The unanimous Declaration of the thirteen united States of
America

When in the Course of human events it becomes necessary for one
people to dissolve the political bands which have connected them
with another and to assume among the powers of the earth, the
separate and equal station to which the Laws of Nature and of
Nature's God entitle them, a decent respect to the opinions of
mankind requires that they should declare the causes which impel
them to the separation.

We hold these truths to be self-evident, that all men are created
equal, that they are endowed by their Creator with certain
unalienable Rights, that among these are Life, Liberty and the
pursuit of Happiness. - That to secure these rights, Governments
are instituted among Men, deriving their just powers from the
consent of the governed, - That whenever any Form of Government
becomes destructive of these ends, it is the Right of the People
to alter or to abolish it, and to institute new Government,
laying its foundation on such principles and organizing its
powers in such form, as to them shall seem most likely to effect
A:\DEC-IND.TXT Doc 1 Pg 1 Ln 1" Pos 1"
```

As I looked at what I was writing and the process emerging, my goal became more ambitious. No longer was I just seeking to modernize an old story about emergence standard of value. I wanted to take our entire economics unit and re-engineer *everything* to fit into the format. If this was done properly, then no other text should be needed by a class to learn what we had learned.

I'd kept all the graded homework from our economics unit, and surveyed it to ensure I was covering everything.

I wrote about stock markets and investment, international trade, breaking up monopolies, the new abstract currency crashing...etc. At our weekly meetings I'd show up with a few new chapters.

The group responded well to this development and found its mojo. Talk of calling off the project ceased. They actually preferred debating how to change what I was doing, instead of trying to group-rewrite the original. We shifted into a plan where I was the "principal author" and they were the editors.

While phrasing and grammar corrections were generally not contested, we did war a bit over character choices...especially Bianca and Marvin's relationship. In fact, a "Romantic Interlude" chapter of their wedding was inserted against my will. It was full of bad vegetable puns, and it's not in this draft because I actually never transcribed it when I had a copy of the book.

I've omitted some other chapters. That's because seen by a 37-year-old in a 2012 context, I think they were not very "politically correct". We'd tried to get international trade issues covered with the communist Commlanders and the tech-savvy and seafood-loving Napajese. None of it was mean-spirited, of course. But the accent-laden text was too much of a caricature, plus my drawing skills were already past their limit. Portraying a variety of races just drew attention to the sensitivity being out of our depth.

(Note: To be fair, the textbooks that weren't written by 14-year-olds used in schools two decades ago would often be considered to contain bad or biased information by today's standards.)

After that summer I mostly went on to other things. Yalen kept busy...making a teacher's guide for the book, along with adding questions to every chapter. She had it printed and spiral bound, and used it in her classes for years. I believe she said around a dozen classes in Fairfax County were using it at one point (though due to the issues I mention I'm sure it couldn't be used these days anymore without an update).

But it did have its time. When I was a senior at another high school entirely, a random freshman on my bus saw me doodling cartoon characters on a piece of paper. He made the connection between my name and the signature I'd put on every graphic. I had a brief celebrity moment as he declared to his friends: "Wait a second you guys...*Brian* is ***BFD***!! From Wally and the Walnuts!!"

(Note: You won't see any of the BFD signatures on the illustrations in this document. That's because in 2003 when I scanned the last copy of the book I had, I cropped the signature out of all the pictures. I used a weird rough edge and then some walnut graphics to fill it back out.

*Partially that's because my philosophy on signing art is now that if you have to do it then your style isn't speaking for itself. But also because BFD is currently used most often for the "Who cares?" sentiment expressed more profanely as "Big F**king Deal.")*

It has been strange to look back on the book as years have gone by. I keep thinking I should do *something* with the world we built: Marvin and Bianca, Smidley and his Saber-Tooth Slug...Wally and his Walnuts. I'm just not sure *what* to do. I'm always getting ideas about other story universes with similar goals:

- **The Magic Cactus:** Parched travelers are lost in a desert where the impenetrable ground is like concrete, and it gives and accepts no moisture. Near death, they discover a magic cactus filled with water. Yet it has many odd behaviors...it will expel water at different pressures depending on how high you poke a hole into it above ground, and sucking in water if you poke a hole in it underground. By exploring this freak cactus and how to keep water from flooding the city they build around it, they discover the foundations of what we think of as electricity.
- **Anna and Digit:** An agrarian kingdom is obsessed with accurately preserving weather almanac data. They're obsessed with the belief that it's impossible to copy a graph produced by their instruments without

losing some resolution of the data in the process. Hence they build record rooms that are like fortresses, where the impenetrable nature kills their head weather predictor in a fire. Her daughter steps up to the same role, but with the goal of making the records fully accurate yet easily replicated for backups. This leads her to meet a robot from a faraway city who introduces her to digitization, as well as foundational concepts of digital signal processing.

- **Blueprint:** The world's most famous and sought-after architect has become elderly and ill. His increasing disabilities force him to move further into seclusion and use more and more limited ways of communicating his blueprints. The man who could once give construction crews scale models of what to build is reduced to using two dimensional blueprints, and further decays force him into communicating that same information via teletypes...and ultimately like *The Diving Bell and The Butterfly* through only blinks. These steps teach information representation theory.
- **Change of Address:** A town starts with everyone taking notices to the center of a village and tacking it to a post. Questions arise about how long a post should be up until it is taken down, and eventually into whether someone could deliver a message so that people don't have to keep going to see if something is for them. A mail service evolves from

something that has no address forwarding...into one that does...into one that uses invariant addresses based on unique IDs. Eventually they can move messages all over the planet at amazing speed, to follow the development of addressing invariance and network communication.

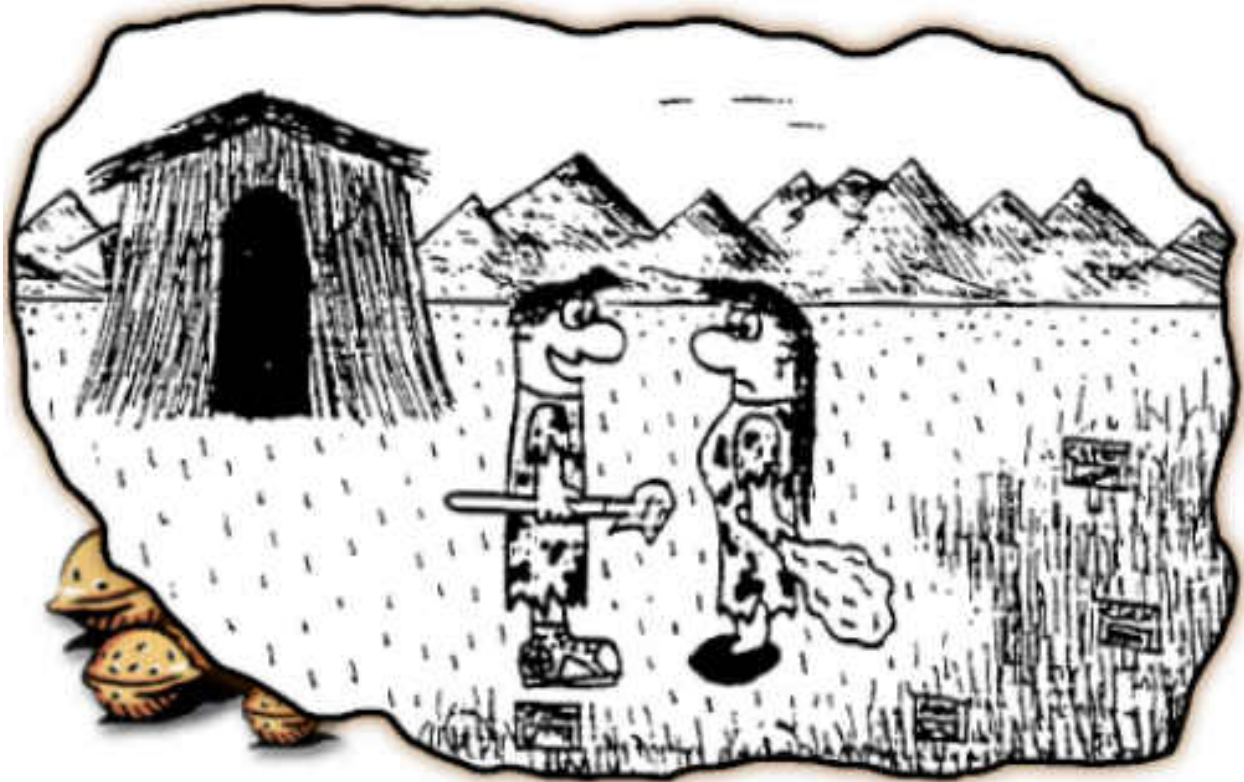
What I think drives these ideas is more than merely building up concepts from simpler ones. Rather it develops this in the context of a story universe, with characters who have needs and wants and development. I do believe that learning the history of a subject gives us that depth, but often the *real* history is a bit daunting for children. It takes wrong turns and has people whose names are hard to remember. A hypothetical history can be a better framework.

Today I think these should be episodic cartoons on the Internet--or even interactive video games--instead of a book. But I've been stalled on taking steps toward that. Without collaboration...the original Wally and The Walnuts wouldn't have been finished. And without collaboration...I don't see much happening to motivate me now.

So I've sought help and moral support on these projects, but haven't found much to go on. So if anything speaks to you, please get in touch with me!

THE WEEDS AND THE WOLVES

(Cooperation)



A long, long time ago, in a valley far, far away, there lived many poor people. The valley had fertile soil, plentiful game, and groves of majestic fruit-bearing trees. Despite the abundance of natural resources, the valley dwellers remained poor. Each generation lived as the one before, scrabbling for food in the soil with crude handmade tools and hunting the wild animals with primitive weapons.

They knew nothing of luxuries, for every day was devoted to survival. The valley had no schools, theaters, or libraries. They didn't have skateboards, video games,

or baseball caps. The struggle to provide the necessities in life, such as food and shelter, left them no time to invent such things...they were living completely at a subsistence level.

Times were tough, and raids and theft were frequent. So there was little trust among families, and they built their homes far apart from each other. Cooperation on difficult tasks was unheard of; anything people needed, they did for themselves. Each villager was completely self-sufficient, and if a family could not grow enough food or kill enough animals on its own, it would starve!

One day Marvin, one of the valley's dwellers, was working in the pathetic patch of dirt he called his garden. He heard growls behind him, and when he turned around he saw a pack of vicious, snarling wolves. One of the wolves leapt forward, biting his ankle. In a panic, Marvin jerked his foot from the mouth of the wolf, and dashed back into his hut.

The wolves sniffed around for a long time, searching for a way inside. In the meantime, Marvin waited inside fearfully. After several hours, the wolves finally departed, frustrated and still hungry.

The next day, as Marvin was limping through the valley in search of slow game, he saw a wolf chasing a young woman around her hut. Recalling his previous

encounter, he was reluctant to become involved. However, the pain in his ankle enraged him, so he ran up and clobbered the wolf with his trusty club. The woman was startled to see Marvin and was about to run away, but when she realized he had saved her, she decided to stop and thank him.

"Thank you for saving my life," she said shakily, as if the prospect of talking to another person was even more frightening than being devoured by a wolf. "My name is Bianca."

"Err..." said Marvin, who had never been much of a conversationalist. "My name is Marvin. It was no problem, really." He started to limp away, but she stopped him.

"Wait!" exclaimed Bianca. "It seems that since you did something for me, I should do something for you." She thought about how she could repay Marvin. Then an idea came to her. "If you are ever having any trouble with wolves, then just call me and I will help you drive them away. Then we will be even."

Marvin thought this was a fair exchange, so he agreed and went on his way. As it happened, no more wolves attacked him for many days, so he cautiously returned to his gardening. Marvin's injury made it difficult for him to hunt, and he would have to rely mostly on what he could grow. However, as he toiled, he noticed that the

weeds were far too many and he was far too few.

His vegetables would have to succeed, or he would certainly starve. Marvin cursed the wolves, but then considered something he might learn from them. A lone wolf wasn't that threatening, but they would always come in packs. If wolves could benefit from working together on a task, why couldn't he? Struck with inspiration, he called for Bianca.

"Bianca, come quickly!" he shouted, as loud as he could. Not long after, he saw her running into view.

"Where is the wolf?" she asked, catching her breath.

"Well, actually, it's not the wolves who threaten me today; it's the weeds," replied Marvin. "I can't stop them alone, and if my vegetables die, so will I. If you help me, I would consider your debt paid, and my garden and I would be saved."

"You mean I ran as fast as I could all the way over here...for vegetables?" Bianca looked at the club in her hand, and for a moment, considered an alternative use for it. But she realized that what Marvin said made sense, so she agreed. "All right," she said, grabbing the hoe. "I'll do it."

To their surprise, the weeding went quite quickly.

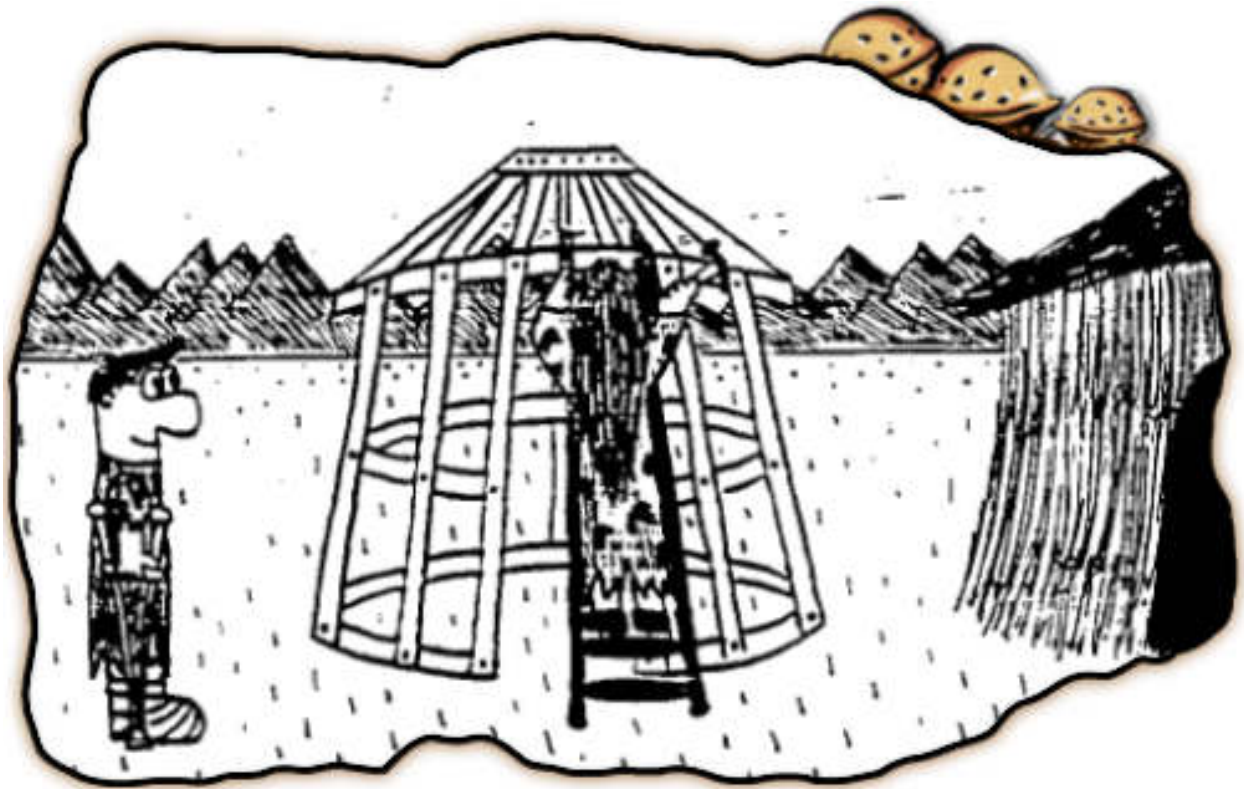
Bianca dug up the weeds with the hoe, and Marvin went along gathering them in a basket. It went so fast that Marvin was way ahead of his daily schedule.

Remembering her own overgrown garden, she asked for Marvin's help in weeding it. Working separately, it had taken each of them several days to weed, but working together, they were able to weed both of their gardens in less than a day.

That night, for the first time in their memories, Marvin and Bianca had some spare time after their meager evening meal. They met in Bianca's hut and talked most of the night. They discussed working together while hunting, repairing huts, and farming. When they finished their conversation that night, they had decided to form a partnership, excited at the prospect of living easier lives. Although they could not foresee it, this spirit of cooperation would change life in the valley forever.

GETTING IT TOGETHER

(Partnerships)



A week later, the wolves returned to Marvin's hut. He was trapped outside without his trusty club. He called for Bianca, but she came too late. Marvin had already been badly bruised and brutally bitten by the time she arrived. As quickly as she could, she helped him return to his hut and bandaged his wounds.

"Hey, Bianca," he said thoughtfully, "living so far apart is dangerous. Wouldn't it be safer if we rebuilt our huts so they would be closer together?"

"Yes," replied Bianca, "but it took me a month to build my hut. We have to take care of our gardens and can't spare the time."

"I'm sure that it wouldn't take very long if we worked together," Marvin reassured her.

So they began construction of the new huts, which were even bigger and stronger than before. In addition to moving closer together, they combined and expanded their gardens across the space in-between them to make one big field. This allowed them to plant certain crops in the areas where they grew best. Cabbage and corn grew best in Marvin's plot, whereas potatoes grew best in Bianca's plot. Since each section of the field was being used for the crop that grew best there, their vegetables grew larger and were more plentiful. Also, they had room to experiment with radishes and tomatoes, which they hadn't previously dared waste space on.

Of course, the proximity of the huts made life much safer. Whenever a wolf attacked one of them, the other would clobber it. This soon proved to be a safer and more productive way of life.

As time passed, the rest of the valley dwellers began to look enviously at Marvin and Bianca's bountiful field. Their corn grew the tallest, their potatoes the largest, and they had the only field that grew tomatoes. Using

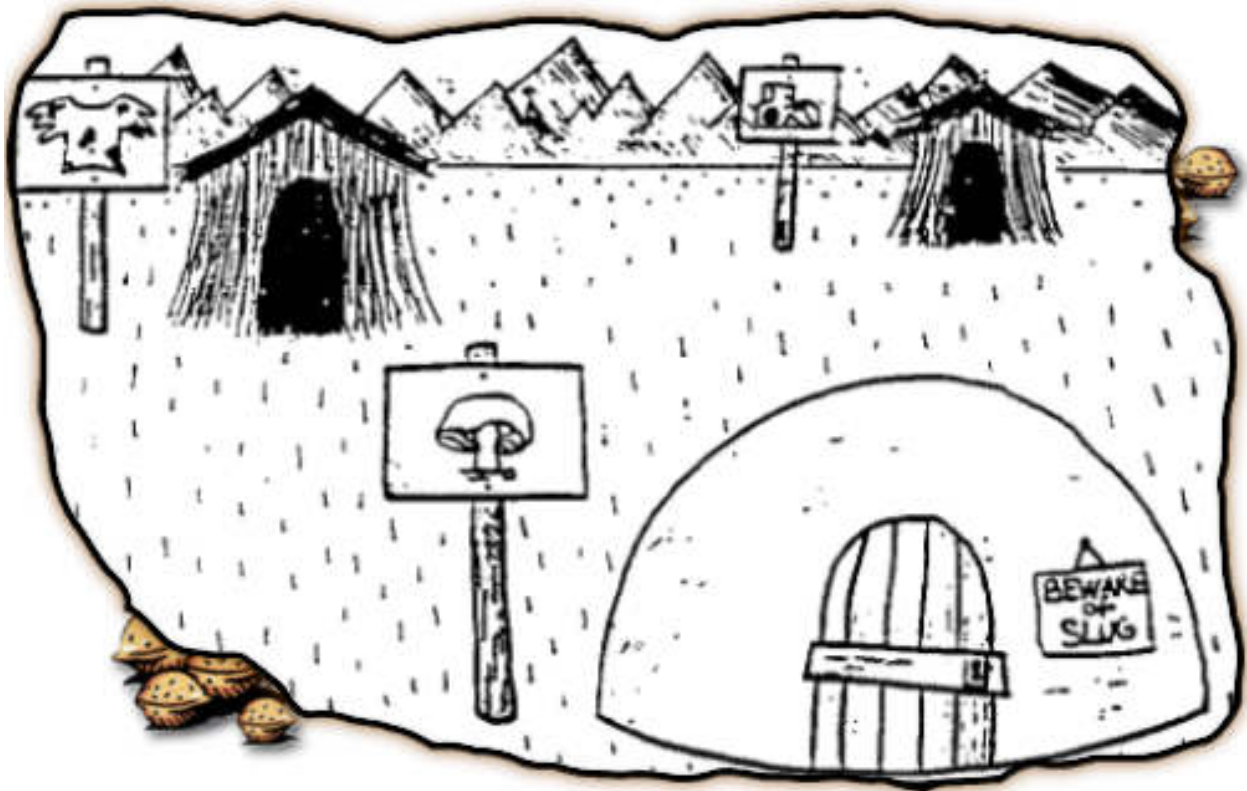
cooperation, they were able to bring back more than enough game, keep their huts in perfect repair, and still have time left over to sit and talk. They even had enough time to make fashionable hats to wear...just for fun!

It wasn't long before other valley dwellers decided that they, too, wanted to live easier lives. So they rebuilt their huts to form a tightly-knit village near the sparkling river, and began to cooperate in small groups. Each group was able to produce more and enjoy more leisure time than before. Those who had joined the village took to making hats like Marvin and Bianca had, to show how well off they were.

Soon everyone in the valley wore hats and caps, and they decided to name their new village "Capland".

TO EACH HIS OWN

(Division of Labor)



Since there was no longer any need to work after supper, the villagers used their extra time to make and play musical instruments, relax, and discuss ideas in informal town meetings. At one of these meetings, a young man named Bart made a startling proposal.

"Why don't Marvin and Bianca take charge of all the farming for the whole village?" he asked. "They have the largest field, and they really enjoy farming. Then Harry and Harvey can devote all their time to hunting, because they are without a doubt the best hunters in the valley.

Everyone could do what they do best!"

At first, not many of the villagers paid attention, since Bart was something of a practical joker. But the idea was such a good one that it began to stir a lot of controversy at the meeting. Previously, all cooperation had been done in small groups, but village-wide cooperation seemed to offer many advantages. Yet one man named Wally thought this sounded incredibly boring.

"Marvin and Bianca love to farm, and I know Sean over there enjoys making shoes," he agreed, "but the only thing I seem to be able to do well is grow walnuts. I like eating walnuts as much as everyone else does, but I don't really want to spend all of my time growing them!"

This was a good point, but Bart's idea still seemed to win out in the long run. Although Wally might end up spending five or six hours each day in his walnut grove, at least he would be able to take the rest of the day off and not have to spend it making shoes and shirts! With some hesitation, Wally agreed that this division of labor would benefit everyone.

Soon, each villager became a specialist, working at only one task. Some, such as Shirley the shirt maker, produced things which you could hold in your hands...which they called goods. Others, such as Herb, who repaired huts, performed a service that could not be

put in a box. All the inhabitants of the valley were also consumers, taking the goods or services of others in return for the goods or services they themselves produced.

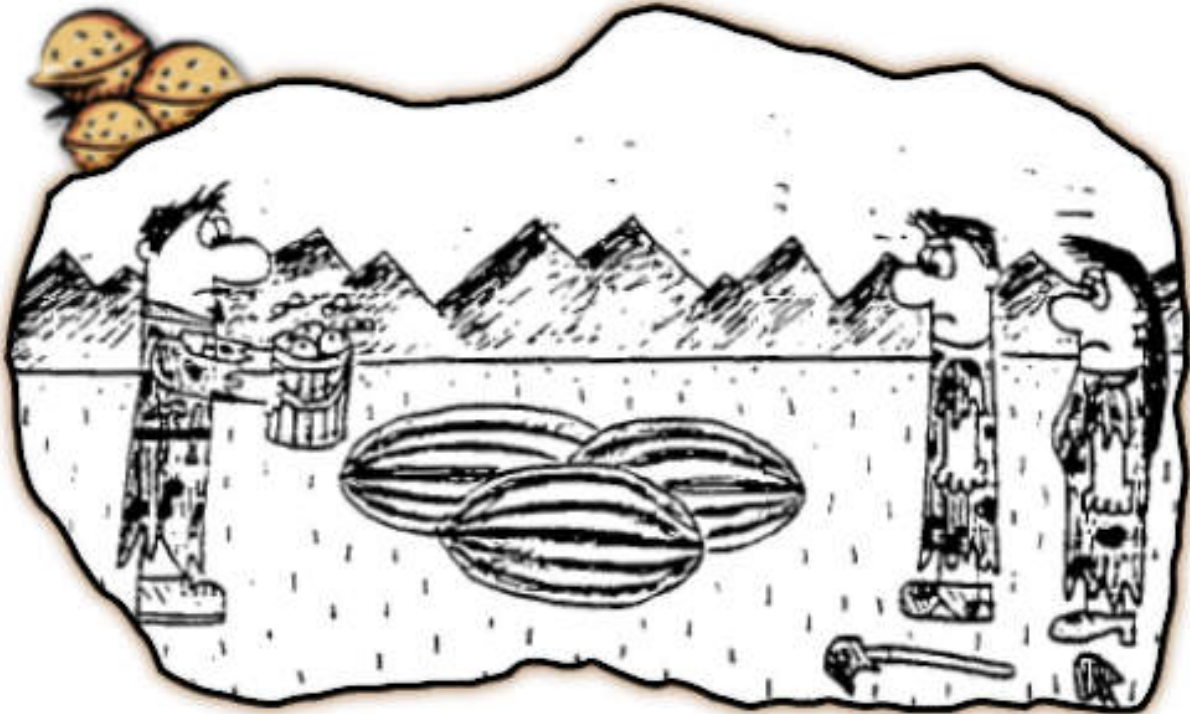
There was only one problem the villagers faced with the new system, and that was how to distribute all the goods and services they produced, in order to get what they needed. For example, Herb had to get vegetables, shirts, and shoes. How could he exchange his service, repairing huts, for what he needed?

The problem was solved by a process of bargaining. Marvin and Bianca would offer Herb a bushel of potatoes for having their huts repaired. Herb might feel that his service was more valuable, so he might ask for two dozen tomatoes in addition to the bushel of potatoes. Finally they would work out a compromise; Herb would fix their huts for a bushel of potatoes and only one dozen tomatoes.

All the villagers adopted this system, which they called barter...in Bart's honor. Everyone produced what they produced best, but could still consume the goods and services that they needed from the other villagers. Even Smidley, a shifty-eyed man who lived in a cave on the fringe of the village, finally began trading his mushrooms for goods and services.

GOING NUTS

(Standard of Value)



The villagers no longer had to do everything for themselves, and it was easy to find the person who had the goods or services that they wanted. But finding them wasn't enough--sometimes the specialist didn't need what you made to offer! Frequently, people had to go through numerous transactions before they ended up with what they were looking for.

One such example was when Sean needed a new hammer. He approached Tony, the toolmaker, and asked if he would be willing to trade a hammer for a new pair of shoes. Unfortunately, what Tony wanted was a high quality

shirt. When Sean went to see Shirley, she did not accept the shoes but told him that she needed two heads of lettuce.

"This could go on forever," muttered Sean. He was so frustrated he decided the hammer could wait!

Dealing with each product and service's value also created problems. When Harvey and Harry came back from hunting, they were uncertain as to how many carrots they should charge Marvin and Bianca for a duck, as compared to the number of shirts Shirley could give them for the same duck. Plus, there was no way Shirley could offer "half a shirt" to trade. It was very confusing.

Most of the villagers wanted to get down to making shoes or repairing huts, and they considered negotiation to be a hassle...especially if they had to deal with several people to get the one thing they wanted. Yet strangely, Wally seemed to be trading his walnuts for things he didn't need on purpose, just so he could try and find someone else to trade with again.

"I don't believe it!" exclaimed Marvin to Bianca.
"We've got our hands full bartering vegetables all day, because otherwise they'll rot on the vine. Wally's walnuts last for years...so he could wait however long he wanted, but he spends all day trading."

Bianca nodded in amazement. "Something else I heard," she gossiped, "is that most of the time he just trades it all back for walnuts again. He treats it like a game, where he tries to get more than he started out with!!! Wally is nuts!"

"Wait a second," mused Marvin. "Since Wally likes this game so much, why don't we just take all our vegetables to him and get walnuts? They'd last much longer than our vegetables do, and we could focus on farming and spend less time trading!"

Wally was eager to strike a deal, so Marvin and Bianca swapped their entire harvest for buckets upon buckets of walnuts. They took a few of them to Herb, who they'd been wanting to talk to about building a shed to store their gardening tools in. Herb waved as they walked up, but shook his head.

"I know they're good for me, but I still don't like vegetables!" he said, stepping down from his ladder. "What I could really use right now are some new shirts! So you'll need to go talk to Shirley first."

Marvin and Bianca showed him that their buckets contained walnuts, not vegetables.

"Well, I don't really want walnuts either," remarked Herb. "Today, I could use a shirt. Tomorrow...who knows?"

"Come on Herb," pleaded Marvin, "you know Wally, he's always got tons of stuff he's picked up that he's trying to trade back for walnuts again. If he finds out you have walnuts and you want a shirt, he'll find a way to get that shirt to you."

"And if you change your mind and decide you want something else, Wally will find that too!" chimed Bianca.

"I guess you're right," said Herb, scratching his head. "You pretty much can't go wrong with walnuts! If worst comes to worst, I can just eat them."

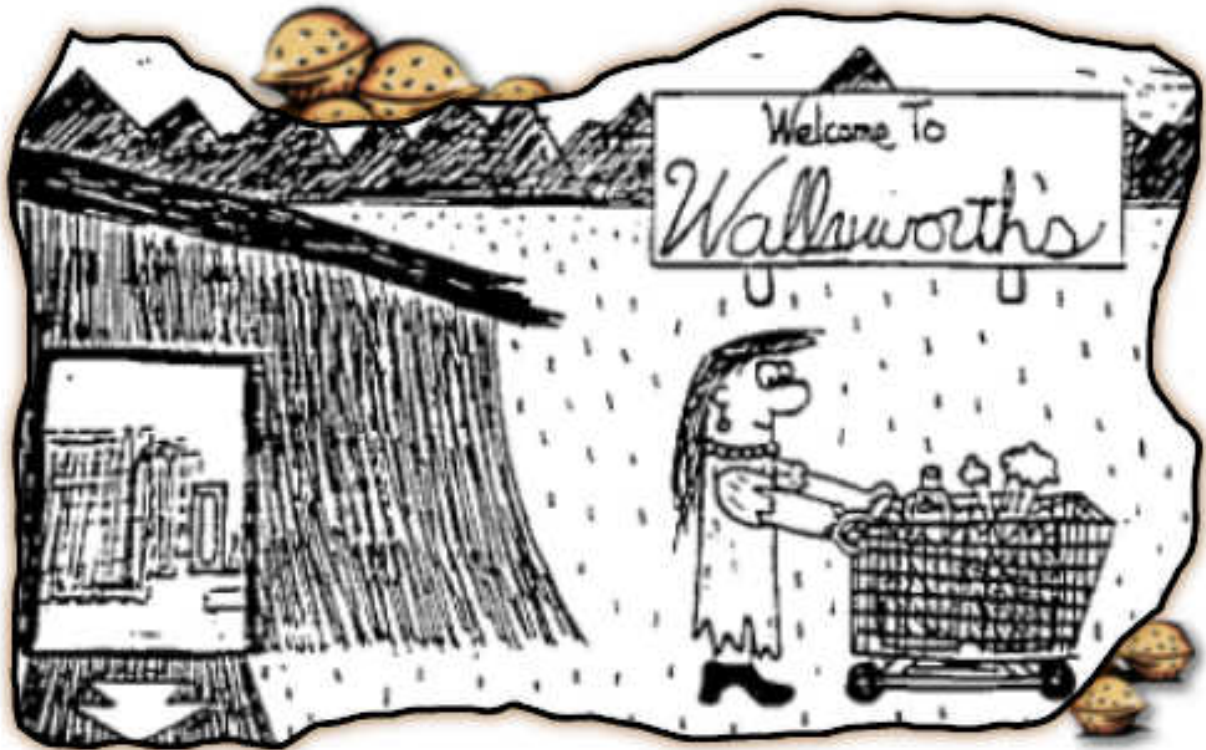
They all felt a little bad taking advantage of Wally, but he didn't seem to mind a bit. It wasn't long before Marvin and Bianca decided to trade their crops for walnuts every time they had a harvest. It made it fairly easy for them, but now if the villagers wanted fruit and vegetables they would have to do their bartering with Wally, since he was the only one who distributed them.

Eventually everyone adopted this. Shirley would go to Wally on the first day of each month and give him all the shirts she had made in return for several bushels of walnuts. Harvey and Harry would take the ducks they had hunted each day to Wally and traded them for walnuts. Herb began accepting only walnuts as payment.

It was now Wally's job to barter all the products with the villagers. Walnuts had become a standard of value for Capland.

WALLYWORTH'S

(Medium of Exchange)



Wally soon had his hands full working as a full time barterer and a walnut farmer! Since he found trade more exciting, he decided to let his cousin Walter take over the family walnut grove business, and dedicated all his time to his new job as a merchant.

Herb built Wally an extremely large hut with extra-secure locks on the doors, where he kept all the hundreds of items he collected. Whenever the Caplanders wanted anything, they could come trade their walnuts for goods at his "Wallyworth's" warehouse, located squarely in the

middle of the village.

The villagers saved a lot of time by doing most of their trading with Wally, who was affectionately known as the "middle man." It had been wasteful for Shirley, when she needed corn, to have to carry shirts over to Marvin and Bianca's distant field to barter. With Wally working in-between them, Shirley would have more time to make shirts and Marvin and Bianca would have more time to spend farming.

Of course, Wally did get compensation for his work. When Marvin and Bianca brought in a bushel of corn, he would give them three buckets of walnuts in return. Then, when someone wanted that bushel of corn, Wally asked them for four buckets of walnuts. The increase in walnuts collected by Wally in the transaction was what he called profit.

So things were going well overall, but there were a few concerns. One of the villagers named Shannon asked Wally for a favor.

"My hut isn't big enough for all these nuts," she complained. "And I don't like having to watch over my door every day to make sure people don't steal them. Since Wallyworth's is so large and secure, would you mind holding onto my buckets? I'll pay you some walnuts if you do it!"

Ever-mindful to new business proposals that could raise his profits, Wally agreed. He started charging a bucket of walnuts for every twenty that he kept safe. Since many villagers did all their trading with Wally, they agreed to deposit their walnuts with him. He kept track of how many buckets each villager had in his warehouse on a piece of paper. Most sales and purchases could be done just by updating the paper...without ever touching a bucket!

Everyone took notice of the ease with which transactions could be performed at Wallyworths. They were especially interested because ever since using walnuts had become standard, a high percentage of the villagers were having severe back pain. Carrying around several heavy buckets of walnuts wherever anyone wanted to buy something was cumbersome!

Still, not everyone did their all their trading with Wally. They were used to exchanging buckets of walnuts with each other, whenever it was more convenient or they felt Wally's prices were too high. So they held out from joining his safe-deposit system.

Never wanting to lose a potential customer, Wally tried to think of a solution. That night, he began cutting many small pieces of wood into squares, burning a unique letter W on them with a metal brand. He announced his

plan the next day at a town meeting.

"I know some of you have been holding out on joining my safe-deposit system, because you want to trade with each other," said Wally. "So I came up with a solution."

He pulled out one of the Wallywoods from a bag.

"This specially marked piece of wood represents one bucket of walnuts," he declared. "Anyone who participates in my safe-deposit system can ask for one of these wood pieces back instead of a bucket. It's an IOU, and it can be exchanged at any time for a bucket of walnuts. But you can trade it among yourselves just like it were an actual bucket of walnuts, only it's much easier to carry."

This was great news. Since Wally was a well-known figure whom the villagers could all trust, they began carrying their buckets to Wallyworth's to trade them in. The wood pieces became a monetary system, in which something relatively worthless on its own was used to represent something else. Walnuts were still the standard of value, but these special wood pieces had become a medium of exchange.

Almost everyone in the valley accepted this new system. Only Smidley, who had never trusted Wally, still bartered his mushrooms.

YOU WANT IT? I GOT IT!

(Supply and Demand)



With the new monetary system established, and with a standard of value, there was no need for barter anymore. People did not have to worry about trying to trade ducks and shoes and hut repairs for each other. They simply had to worry about trading wood pieces for goods, at a set price.

Wally based his prices on a system that he discovered almost by accident. One sweltering summer day, Cathy the coatmaker walked into Wallyworth's with a large supply of coats. Wally wiped the sweat from his brow

and loosened the collar of his green polyester suit (the specialty of Taylor the Tacky Tailor).

"Wally, I have come to sell you my supply of fur coats," said Cathy. "I need ten wood pieces each for them."

He gave her a quizzical look. "Are you kidding? Who would buy coats on a day like today?"

"Oh please, Wally!" begged Cathy, "My husband left me with my fourteen children, who are all sick and starving at home! I need wood pieces now!"

Wally was sympathetic, but knew he could not sell the coats in this weather. Then it clicked: if he bought the coats at a reduced price when demand is low, he could store store them until winter when demand was high. Then he could sell them at a much higher price, creating more profit!

"I'll tell you what, I'll give you five wood pieces per coat," offered Wally.

Cathy was offended and disappointed at his counter offer.

"I've worked hard on these coats!" she said angrily. "I could easily sell them for fifteen wood pieces this winter!"

"But didn't you need the money now?" said Wally suspiciously. "What about your children?"

Cathy grumbled and took the money, and Wally put the coats in storage.

This supply and demand relationship also held true in his transactions with Marvin and Bianca. For example, if the tomato season was bad, Wally would be willing to give many wood pieces to Marvin and Bianca for only a few of the tomatoes. However, if the tomato crop was larger, Wally would give them fewer wood pieces for the same number of tomatoes.

From this point on, this supply and demand relationship was what determined the prices in Wallyworth's. If there was not a very high demand for a particular product, prices dropped and the producer risked losses. On the other hand, if there was a great demand for a product that was available in only limited quantities, prices would climb and profits would rise. The villagers also discovered that this law of supply and demand affected their wages as well as their purchase costs.

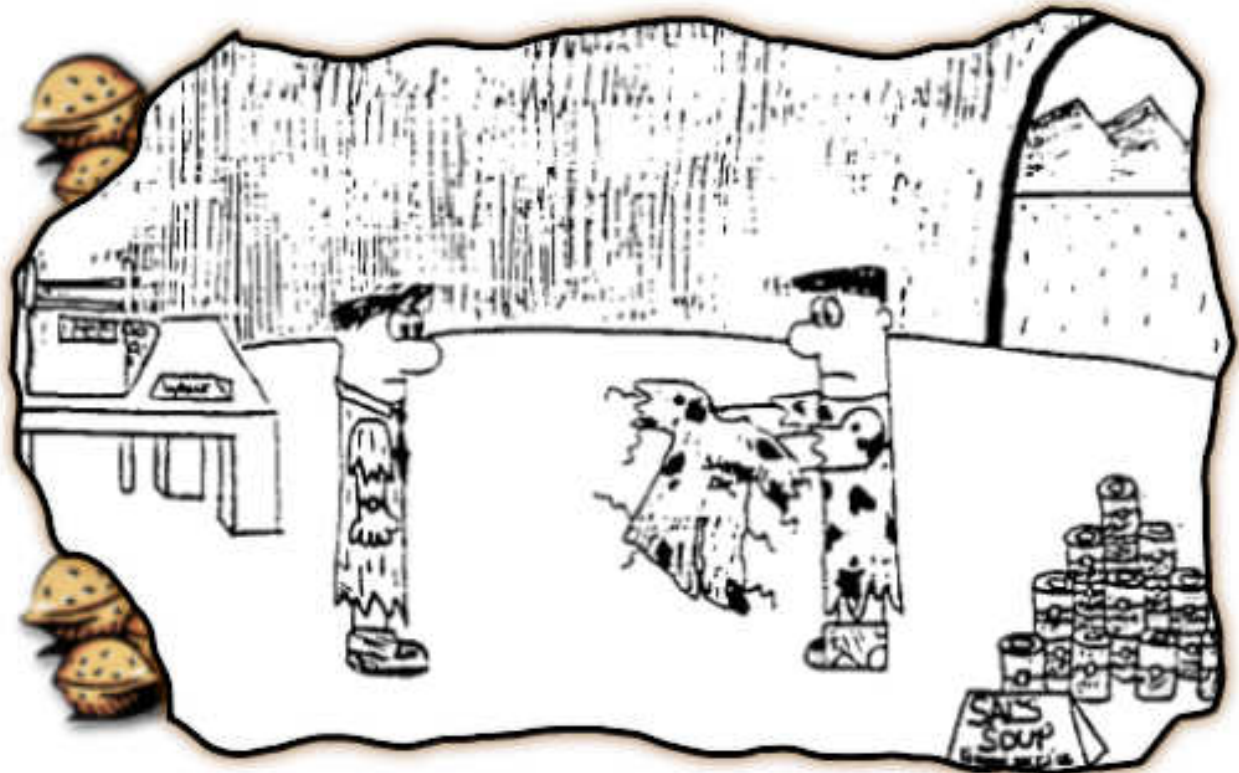
Due to the high demand for many products in the village, numerous employers hired some of the younger villagers to work in their shops and factories. Some of the workers performed difficult tasks such as stitching shirts or

painting pottery. Others had jobs that were extremely dangerous, such as digging coal in deep mines in the side of the mountain. Some had jobs that required no skill at all, such as carrying logs from the forest or digging holes for fence posts.

In general, villagers were paid according to the difficulty or danger of their jobs. Those jobs that were easy could be performed by almost anyone. Since the supply of such unskilled workers was large, it was not necessary to pay much to get them. On the other hand, a much smaller supply of skilled workers existed who could perform the difficult task, so the value of their services was considerably higher. Since there were not that many people who were willing to work in the coal mines, those who did were well paid. The law of supply and demand determined the pay workers would receive, just as it determined the value of goods on the market.

IF YOU CAN'T JOIN 'EM, BEAT 'EM

(Competition)



Since everyone needed shirts, and Shirley was the only shirtmaker in the valley, she was very prosperous. However, she began to spend more time relaxing, and put less effort into her shirts. One particular villager, Sheldon, was examining one of her shirts on a rack at Wallyworth's one day.

"You know something Wally?" he said, pointing at the several loose seams and the uneven fabric. "Shirley has

become really careless. I did much better than this before the division of labor, and I still can. Look at this shirt I've got on. I sewed it myself, and it's a hundred times better than Shirley's. Not only that, but Shirley charges such outrageous prices! I'd sell my shirts for half as much!"

Wally looked at the shirt Sheldon was wearing, which was indeed good quality. "You're right. Maybe you should have been the village's shirtmaker instead of Shirley. But I don't think she will quit."

"She won't have to," replied Sheldon. "I'm going to make shirts anyway. When the villagers see how much better my shirts are than hers, and how much cheaper they are, they'll start buying mine."

So Sheldon began to make shirts in competition with Shirley. In order to sell his shirts, Sheldon asked for fewer wood pieces. In addition, his shirts were of a much higher quality. The villagers thought that Sheldon's shirts were a better deal, and soon Shirley lost many of her customers.

"What can I do?" wondered Shirley. "I can't stitch as well or as quickly as Sheldon can. What I need is some way to improve my shirts."

That day, Shirley took many animal skins and began preparing them in different ways. She came up with many different styles, which could appeal to a wide variety of the

villagers. Even though Shirley continued asking the same amount for her shirts, some of the more fashionable villagers began buying her shirts again. They liked the fancy designs and the patterns she used. However, frugal consumers who wanted their shirts for as little as possible, continued to support Sheldon.

More and more of the villagers began to compete with other businesses. Hank competed with Herb in building and repairing huts. Shannon began to compete with Sean in the making of shoes. Even Wally began facing competition when other villagers started stores of their own.

However, not all competitions worked out well. One such example was the rivalry between Sean and Shannon. They both made shoes in essentially the same way, and it was hard to tell the difference between a shoe made by Shannon and a shoe made by Sean. The only way they could make enough money was to ask for fewer wood pieces than the other was asking. If Sean would ask for six, then Shannon would ask for four. Soon, it became evident that they would not be able to survive in this way. One day, Shannon approached Sean with a new concept.

"This competition is hurting us both," said Shannon. "Suppose you and I make shoes together! We can make all of the shoes for the village. If the villagers want shoes, they will have to buy them from us, and we don't have to

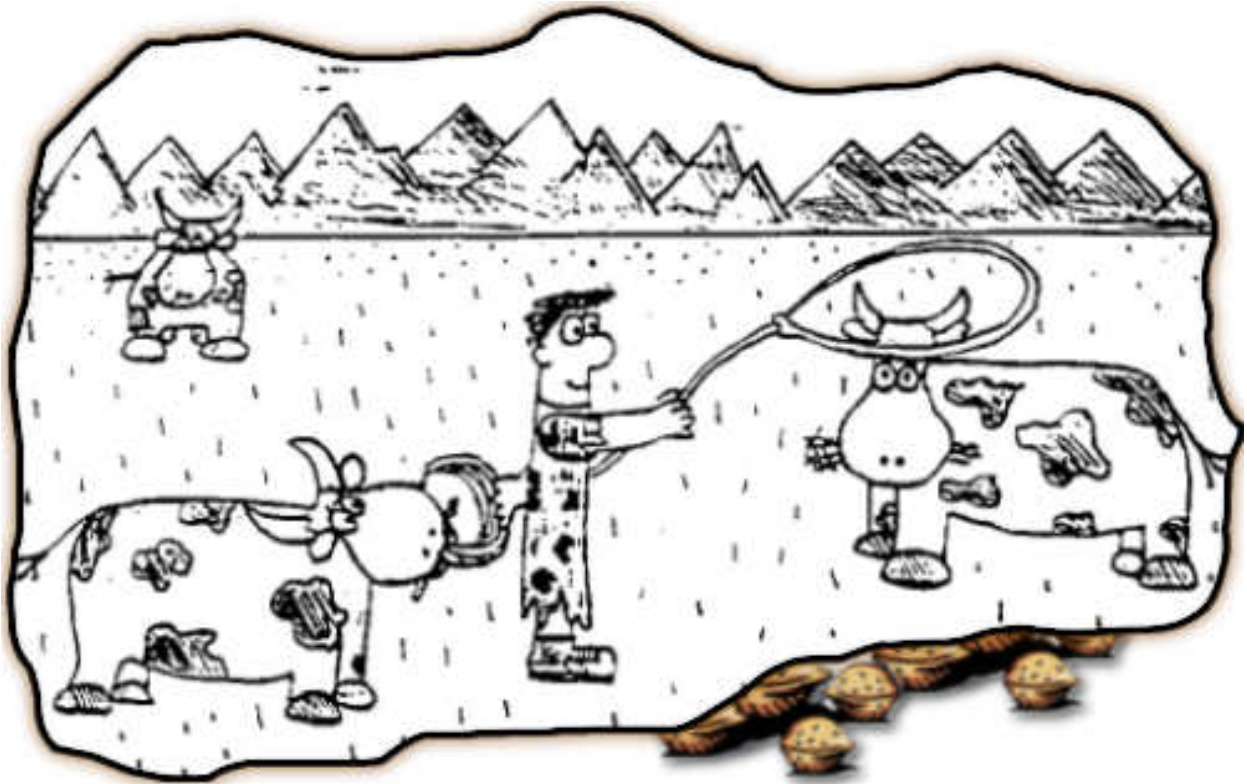
keep lowering our prices to compete with each other."

The shoemakers were happy, but the villagers were not as pleased about the arrangement. Shoes suddenly got a lot more expensive! Yet it seemed fair, because of the law of supply and demand. If Sean and Shannon decided to charge TOO much for shoes, people could go back to making their own or just going barefoot.

But two brothers in particular, Greg and Gary, were disturbed by this situation. They noticed that whenever someone tried to make shoes in competition with S&S, they would lower their prices for a short period of time or work harder to make higher quality shoes...just long enough to drive the competition out of business. Then they would raise their prices again, or start being sloppy. This monopoly was a source of great wealth for the two shoemakers, but it didn't seem to help the village.

WALNUTS ON THE RANGE

(Investment)



As the villagers found new and improved ways to perform their services and to produce their goods, they earned more wood pieces. They were earning much more money than they required for just their basic needs. The people of the valley also had more spare time, so they developed new wants. Caps and hats were no longer the only luxury that they allowed themselves!

Some of the creative villagers began to invent and manufacture games and sell them. The most popular one was the board game conceived by Greg and Gary while

walking near Marvin's garden, inspired by Sean and Shannon's successful monopoly of the shoe market. Toys were also produced to meet the demands of the village's children, such as "Walnut Grove Kids" and the "Nutendo" game system.

As their spare time increased, the Caplanders developed even more efficient ways of doing their jobs. They invented new tools and simple machines. Their huts were kept in good repair and there was plenty of food and clothing. They had increasingly more money to spend. As their standard of living increased, their life expectancies increased as well. These advancements, as well as the increases in disposable income, fueled the desire for continued progress.

Everyone in the village felt the high spirit of the time, none more than Bianca and Marvin. While working in their bountiful fields, Bianca decided that her relationship with Marvin would be more fruitful if they would finally tie the knot.

Sweetly, she said to Marvin, "My little pumpkin, I know this is going to sound corny, but I feel the time is ripe for us to sow the seeds of our love and let our relationship blossom!"

Marvin, overjoyed by Bianca's proposal, gently placed a 24 carrot ring on her finger, exclaiming, "Lettuce be

married!"

The joy of the prosperous village was now complete as word of the wedding traveled through the village grapevine. Everyone was invited, and only Smidley refused to attend; he missed one of the greatest social events in the history of the valley.

Marvin wore a suit made of the finest skins, while Bianca was ravishing in her exquisite corn silk gown. Barbie the bop and Tiffany the trendsetter, dressed to kill in their most outrageous outfits, flirted with all the Caplander guys, and showed off the newest dance craze, the Walnut Wiggle.

Amidst the festivities, a group of boys stopped Wally at the punchbowl with an unusual proposition. They had hoped to catch him in a good mood, and after he'd had a few glasses of punch.

"Wally, we want to make you an offer you can't refuse," said Lou, their leader. "When we were exploring the other side of the mountain, we saw large herds of cattle in the distance. We would like to travel to this land to see if we can capture some of these cattle. With them we could set up a new enterprise and earn a lot of money. But we don't have the wood pieces to finance such an expedition. If you will provide us with the wood pieces we need, we will share the profits with you."

Wally thought for a minute. He did have enough wealth that he could afford to risk some of it. Here was a possibility that by investing his wealth he would be able to create more, not just for himself, but for these boys and the village, too. Caught up in the progressive spirit of the times, he agreed.

"All right, I'll give you the money you need," said Wally, caught up in the buzz. "If you are successful, I will take one of every three of the cattle you bring back. If you fail, I will have lost my investment. Since we all stand to profit from this venture, I know you will work hard and use the supplies wisely. I am willing to bet my cap on this, because the possible rewards are worth it!!!"

In this way, Wally acted as a capitalist, risking his wealth, or capital, in the hope of creating more wealth. He toasted the boys with a glass of punch, and they all danced until dawn to the fine music provided by Denny the DJ.

Exhausted but happy, the newlyweds announced their intention to travel the valley for a few weeks leaving their assistant, Gordo the Gardener, to tend to the fields. While the Caplanders showered them with good wishes, Bianca hurled her beautiful and delicate bouquet of produce high into the air. At once, all of the single women lunged after it. Wendy the wealthy widow, smiling but ruffled, emerged

from the heap victorious, waving the bouquet and batting her eyelashes at Wally.

As the celebration came to a close, the happy couple left and contentment filled the air, and things calmed down in the village.

The boys Wally had invested in were gone for a long time, and his optimism turned to worry that they had either gotten stampeded or had run off with his money. But in a few weeks they returned bringing many fine cattle, and they felt happy with the success.

AN INTEREST IN WALNUTS

(Banking)



Wally was one of the wealthiest individuals in Capland, and villagers often asked him to invest in their ideas. He could say yes to a few, but since his funds were limited, he had to say no most of the time. This bothered Bart, who was now working at Wallyworths, helping to do the bookkeeping. He'd overheard many of the proposals the villagers made to Wally, and was sad to see how many good ideas were being turned down.

One afternoon he was tallying up the piles of buckets in the safe-deposit area of Wallyworth's, when he had an

idea.

"Look at all these walnuts being stored and doing nothing," thought Bart. "If the villagers would only trust some of them to me, I'm certain I could pick the winning investments and then pay them for the privilege of using their money."

That night, Bart went home to his house, which was located squarely on the bank of the river. In his cellar, he made several signs which he posted around town:

**DO YOU WANT TO KEEP YOUR MONEY SAFE
AND MAKE A PROFIT AT THE SAME TIME?**

**I WILL PAY YOU FOUR PIECES OF WOOD
IF YOU WILL DEPOSIT ONE HUNDRED WOOD PIECES
WITH ME FOR A YEAR!**

COME SEE BART AT THE BANK!

This seemed too good to be true, and the villagers were extremely curious.

"Do you mean that Bart will pay us money if we store our extra pieces with him?" they asked, not believing their eyes. "Wally used to charge us for his safe-deposit system, but Bart will be keeping our money safe and paying us as well? How is that possible?"

It started to make sense when they saw the other sign that had been posted:

**DO YOU NEED WALLYWOODS
FOR NEW ENTERPRISES?**

**I'LL LEND YOU A HUNDRED PIECES OF WOOD
FOR A YEAR IF YOU PAY ME SIX PIECES.**

COME SEE BART AT THE BANK!

Everyone benefited from Bart's new idea. Those villagers with extra pieces of wood could deposit them safely with Bart and at the same time make a four percent profit. Those who wanted to start new businesses could borrow money but had to pay Bart six percent. Bart profited because he made two percent on the money he lent. Since Bart was using wallywoods it wasn't creating problems for the currency system of the village, and Wally gave his blessing to the venture.

Soon everyone was heading to the bank to see Bart. He made his profits by charging more wood pieces to the people who he lent money to than he offered to those whose money he stored. If four wood pieces a year wasn't enough to get people interested, he'd offer more to store their money...and charge more to borrow it. So the villagers called these rates "interest".

Many new businesses were started, adding to the well-being of the community. The standard of living continued to rise. Of course, Bart did not extend credit to everyone. Some people asked to borrow money for ventures that he did not think would succeed.

One such instance was when Smidley came to Bart with an idea for a slug farm. Slugs were Smidley's hobby; he always carried around his sharp-toothed slug named Fang.

"I'm sorry, but I don't think that sounds like a good idea," said Bart. "The people of Capland wouldn't support a slug dealer."

"That's the same thing Wally said about the slug movie production company," shouted Smidley, enraged. "And the slug singing group. This isn't the last you'll hear of me!" Then he ran back to his cave in anger.

Bart occasionally lost an investment. New businesses unexpectedly failed and shops occasionally burned down. But Bart kept enough money at the bank so that a depositor could withdraw his or her money at any time. He reasoned that if people came to the bank to withdraw their money, and were told that there wasn't money available, that they'd be coming for *his* nuts!!

THE WALNUT STREET JOURNAL

(Stock Market)



Many more advances were made in the valley, but progress had its price. The population of the village began to outgrow the valley. The shops and gardens could not provide all the goods that the villagers needed. Harry and Harvey had become so skilled at hunting that game near Capland became scarce. Bianca and Marvin complained that they didn't have enough space to expand their gardens and meet the growing demand for food. Even working overtime, enough goods could not be produced.

The villagers became so concerned that they called a town meeting, which everyone but Smidely attended. After many speeches and debates, they decided that the only solution would be to explore and settle new territory. Some of the young villagers decided to make an expedition westward beyond the valley into unknown land. Perhaps, like the boys who had discovered the cattle, they might find a source of wealth. In order to proceed, the group needed capital. Their leader, Lucy, approached Wally.

"Wally," she said, "when the boys wanted to go over the mountain to bring back cattle, you bought part ownership in their venture. They shared their profits with you. We, too, need money to pay for our expenses. We will explore new territory where there will be unused soil, great forests, and game that has never been hunted. We CAN make a profit, and we will share our wealth with you if you will share our risk."

"How much do you need?" asked Wally.

She began to list the needs of the expedition. After hearing them, Wally shook his head.

"I'm afraid that I don't have that much extra money to venture, nor can the bank risk losing that amount. I personally can lend you a portion of the money you need, and the bank can lend some as well. But that still won't be

enough. Why don't you try asking the other villagers? I'll bet you can finance your expedition through selling shares to many different people."

As it turned out, Wally was right. Many of the villagers were eager to see the new venture succeed and to share in its rewards. They, like Wally, risked some of their wealth to finance the expedition. It wasn't long before Lucy had gathered enough money to buy supplies and the journey began.

Those who had invested in the expedition looked upon themselves as owners of the venture, since they had provided the money for it. Of course, many of the villagers shared ownership. The extent of ownership was determined by the number of shares they had purchased at a hundred wood pieces each. The agreement was that if the venture had made profits at the end of the year, each owner of a share would receive a percentage of the profit, or a dividend. The greater the profit of the venture, the more a shareholder would receive.

After a few months, reports from the expedition were especially encouraging, and it was clear that the shareholders would make a small profit in the first year. Many of the villagers who had not invested were now sorry, and were anxious to own a share because they were confident that it would continue to make profits. Sean, who had not bought a share, went to Wally in order

to try and buy his.

"Wally, I will give you a hundred and seven wood pieces for your share in the expedition," he said.

Since Wally needed some money to invest somewhere, and since he would make a profit, he sold his share to Sean, pleased that once again the concept of supply and demand seemed to work in his favor. Seeing what Wally had done, other shareholders began offering their shares for sale. Many villagers were eager to buy them. Soon, shares were being bought and sold regularly, with prices fluctuating with the demand for them.

Unfortunately, during the next month, news from the expedition was disastrous. A violent storm had destroyed many of the explorers' huts and had ruined their supplies. Many shareholders, afraid that they would lose money, were anxious to sell their shares. Others felt the new settlement would recover quickly, and seeing a bargain, bought the shares at reduced prices.

The idea of selling shares enabled many of Capland's business people to raise large amounts of money to improve and expand their shops. Wealthy villagers began to accumulate shares, also known as stocks, in many different businesses. The buying and selling of stocks became a popular way of making money, and some people even lived off the profits from their stocks. Some

Caplanders went so far as to hire brokers who performed stock transactions for them in return for a fee, called a commission. There were so many people who wanted to buy and sell stocks that a special hut was built on Walnut Street where a large slate was kept, listing the prices stockholders were asking for a share, and the price buyers were willing to pay.

WALLY'S WALNUT WOES

(Run on the Banks)



One day, Lucy returned to the village with bad news. The expedition was not doing well and needed more money. None of the Caplanders wanted to buy more shares in it because its future appeared unstable. On the other hand, it was clear that if the expedition did not have more money, all the shares that already existed would become worthless. In desperation, Lucy went to Wally.

"We need money," said Lucy. "If you don't give us any, the whole expedition will end in failure, and everyone's shares will become worthless."

"All my extra money is already invested, and I can't risk the bank's money," Wally said sadly.

"We only need five hundred wood pieces," begged Lucy, "and I am sure we'll be able to repay it very soon."

An idea came to Wally's mind, but he had an uneasy feeling about it. "See me tomorrow. I will have the wood pieces. But don't mention this to anybody."

That evening, Wally frantically cut up five hundred new wood pieces and burned his special mark on them. He had been gradually introducing pieces of wood as the village's economy expanded, but never before had he put five hundred wood pieces into circulation at once.

The next morning, Lucy arrived at Wallyworths, and he handed her a large sack. "You must repay me as soon as possible," he said anxiously. Gratefully, Lucy promised to do so and left.

Lucy, who had been begging for money the previous day, was now going to all the shops buying supplies. Also, the firewood pile behind the bank had been drastically reduced, and it wasn't even winter yet. These odd events did not go entirely unnoticed in the village.

"I wonder where Lucy got all that money," mused one

particularly observant villager named Sherlock, as he casually puffed on his crude pipe.

"I'll bet she got it from Wally," said his stout companion, Watson. "He sure is looking nervous."

"Perhaps..." Sherlock stood up, pipe in hand. "...YES...I believe so!"

"What?! Tell me!" said Watson excitedly.

"Elementary, my dear Watson!" said Sherlock smugly. "Wally made those new wood pieces for Lucy. Ergo, they are effectively worthless, since there are no walnuts backing them up. In fact, if all of us went to Wallywoths to try and exchange our wood pieces for walnuts, some of us would not get our walnuts back."

"We'd better hurry and exchange our wood pieces for the walnuts," said Watson. "That way, we'll have something of real value!"

"The word spread, and soon Bart's Bank was swarming with villagers who wanted their wood pieces back, who immediately headed to Wallywoths to exchange their pieces of wood for buckets of walnuts. Before long, Wally had to announce that he had run out of walnuts. By sunset, the bank was empty and Wally was stuck with an immense pile of wood pieces.

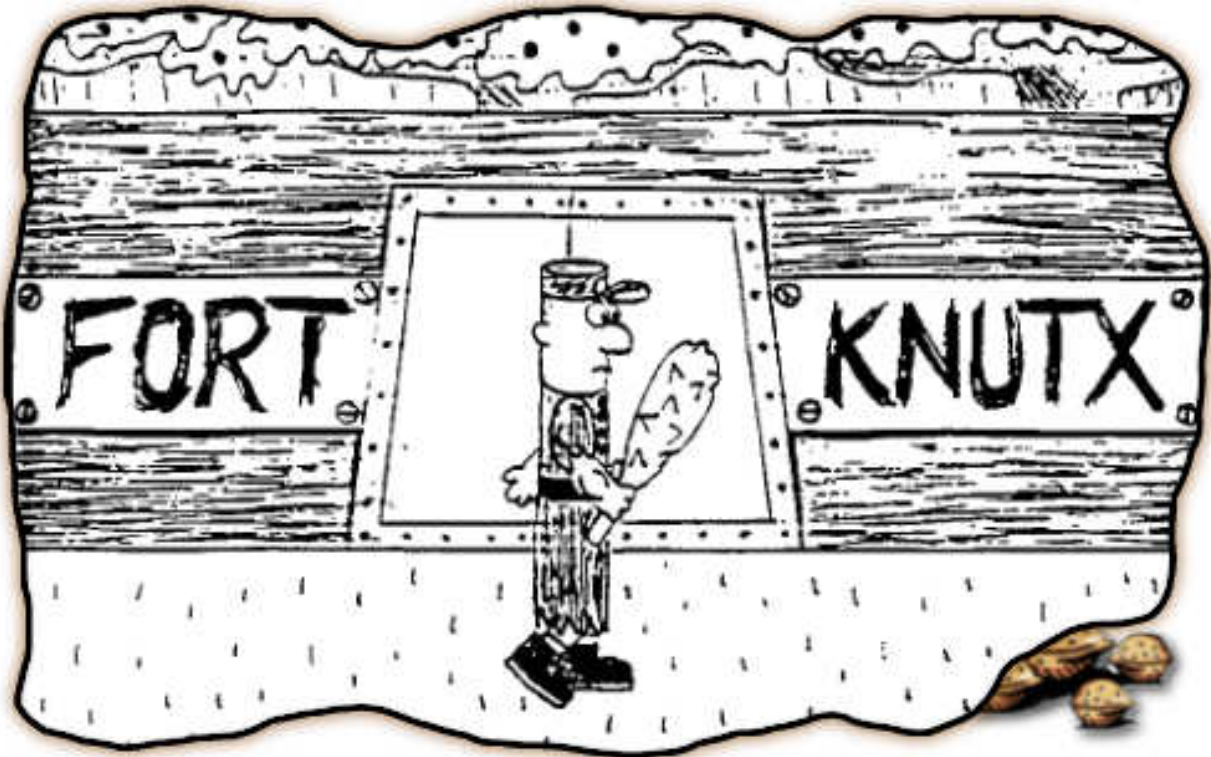
"I am ruined," moaned Wally. "These pieces of wood are worthless!"

The villagers, meanwhile, were caught in the middle. Those who had been fortunate enough to cash in their wood pieces for walnuts were happy to have their wealth safe, and could still buy what they needed. Those who had not been able to get all their wood pieces cashed in before Wally had run out of walnuts shared Wally's feelings. They, too, were ruined.

An emergency town meeting was called. The legislature had grown so large and its affairs so complex, that it was decided a formal government was needed. The citizens elected some of the most respected members of the legislature as representatives and gave them the power to deal with the growing problems facing the valley.

FORT KNUTX

(Treasury Department)



While living together did increase productivity, it also introduced new problems. It did not take long for the villagers to realize that some basic rules needed to be laid down. So it was decided that a few of the villagers would be chosen to establish some rules. These people made up the legislature of the village, and whenever a new idea or policy was proposed, they would decide whether or not it should become a law, depending on whether they believed it reflected the wishes of the people. Since they represented the villagers in this way, these people were called representatives.

In their desperation, the villagers now looked to their new government to restore the prosperity of the valley. The government responded quickly and did many things for the villagers. Public services funded by the government of Capland supported projects such as constructing roads and widening and damming the river. It hired policemen, managed waste disposal, and protected the environment, but the villagers also wanted it to handle the economic problem the valley was now facing. A meeting of the legislature was held to decide what to do.

"I say we throw Wally in jail!" one representative named Rick angrily exclaimed. "This whole thing is his fault. If he hadn't given out those worthless pieces of wood, this never would have happened."

"What good would that do?" asked Ramona, also a representative. "It wouldn't solve the problem. Besides, I think that it is our fault because we didn't prevent the situation from happening in the first place."

"I agree," said a third representative, Ron, who was the most respected representative of all. "The people trust us. We need to do something to restore their faith in their money. I say we cannot have an individual in control of the currency. It is too important and it affects the whole village. Wally did what he thought was best; we can't blame him. Now it is up to us to do something."

After this speech, the legislators agreed that it was their responsibility to restore faith in the currency. They began to closely examine the problem that faced them. Several ideas were discussed.

"Let's pass a law that says everyone has to use the pieces of wood as currency," suggested Rick, "and throw all the people who don't accept it in jail!"

"I think that we should make the currency ourselves instead," said Rebecca, an innovative representative. "If we are going to get people's confidence, then we are going to need to convince them that things have changed, and the same thing can't happen again. We could make them different from Wally's, maybe print them on cloth and dye them green. I think the people will be inclined to accept the money if the government makes it." This idea was greeted with much enthusiasm. "This should solve our problem," she continued. "People will have faith in the money, and as long as this faith exists, this kind of thing will never happen again."

A vote was taken, and it was decided that the government would begin making the currency of the village, and would call it the dollar. People could exchange their walnuts for the new cloth money. The walnuts were taken to a special well-guarded government hut called Fort Knutz. Although Wally could still operate his store, he

would no longer manufacture the currency. While it did not seem necessary to have a bucket of walnuts for every cloth dollar in circulation, the government realized that for a while, it would have to strictly control the ratio between buckets of walnuts and dollars. The important thing would be to maintain the value of the dollar and the faith in the government. Only then would the people have faith in the money.

The decision was announced to the villagers, who felt they could trust the new money if the government was in charge. Soon, the walnuts had been exchanged for the new dollars, and they were circulating freely. Wallyworth's reopened, as did other shops throughout Capland. Transactions also resumed in Wally's Bank. The economy grew, and Wally once again was profiting. Before long, prosperity again reigned in the valley.

Now, the government was doing even more for the village than ever before, and in order to accomplish these things, the government needed money. Since everyone benefited from government services, it was felt that each villager should contribute to the running of their government.

One of the two ways the government could raise revenue was by taxing families according to their incomes and assets. The second way was to borrow money from the people. A villager might lend the government some

number of dollars. In return, he or she would receive a receipt from the government promising to repay the loan with interest after five or ten years.

The government was prompt in repaying its loans on request, and the cause was a good one, so lending money to the government became a popular way of investing. The IOU's or promises from the government became known as bonds.

SMIDLEY'S SINISTER SCHEME

(Business Fraud)



Businesses flourished in the valley; even Smidley decided to accept the new monetary system. Still, his mushroom business was floundering. Although the villagers were extremely fond of mushrooms, they were rarely willing to pay the extravagant prices that he demanded. Year after year, Smidley found himself barely keeping his head above water. One evening, Smidley was going for one of his nightly walks through the valley.

"I need money to start our slug farm," he suddenly said to Fang, whom he had brought with him. "Wally

refused to lend me what I needed. The fool! We'll get him, Fang. Don't worry about that. But in the meantime, I've got to keep trying."

He was about to continue his walk when he heard two voices coming up behind him. Without a sound, Smidley crept into the bushes next to the road and listened intently.

"You've got to be kidding! A hundred and ten dollars?" said one voice. It was the voice of Betty the bargain hunter.

"Yes, and it's worth every bit of it," said Wendy, the wealthy widow. "They're the new 'in' thing from Shirley's Shop. Let me tell you, my genuine black panther shirt is so durable! And so elegant! Believe me, when I walk down the road in this shirt, people notice."

"Oh my," said Betty wistfully. "I'd sure like to have one of those shirts. But a hundred and ten dollars is way more than I can spare for something as frivolous as a fancy shirt." The voices faded as the two women walked out of sight.

"Yes, Fang," said Smidley to his slug while stroking its slimy back. "That's the latest rage--panther shirts. They look just like normal shirts that have been dyed black, if you ask me." Suddenly, Smidley stood up, almost dropping Fang.

"That's it! How could I have overlooked it!" he exclaimed. "I can do just that! Come on Fang, let's go back to the cave."

So the next day, Smidley went and bought as many of Sheldon's \$25 economy-priced shirts as he could. Then, he took a large pot and filled it with black dye #5 and water, and mixed them together over a fire. Then, he dumped the shirts into the hot, blackened water and stirred them around. While they were boiling, Smidley began writing up many small labels. The next morning, the villagers saw a sign posted outside Smidley's cave...

**BLACK PANTHER SHIRTS!
OWN THE LATEST IN FASHION!
JUST SIXTY DOLLARS EACH!**

When curious villagers entered Smidley's cave, they saw a large pile of black shirts on the floor. They didn't believe they were really panther shirts until they looked at the labels, which said: "Made from genuine black panther skins!"

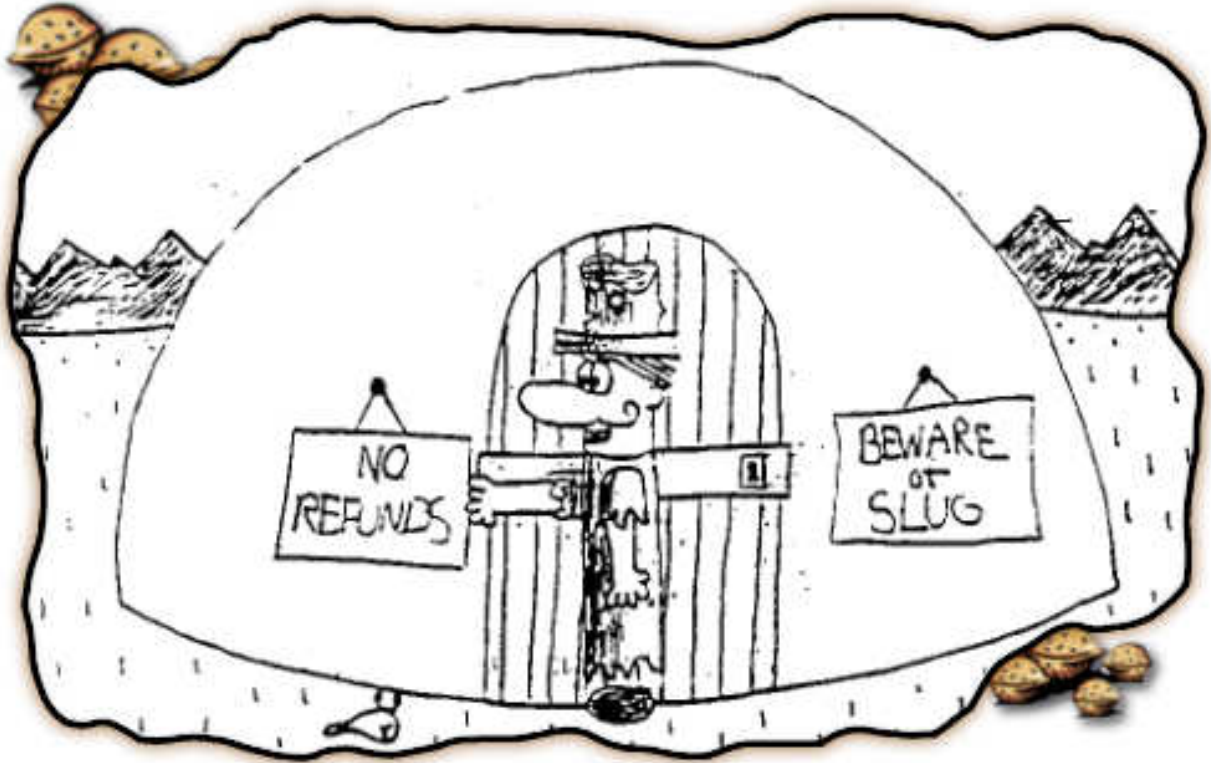
"Like, these are so cool! I think I'll like, buy two!" remarked Tiffany the teenage trendsetter. Soon, all of the shirts were sold; Betty bought five of them. Smidley had amassed a tremendous amount of money in just one day! Without so much as a twinge of guilt, he headed for

SlugMart to buy supplies for his slug farm.

Meanwhile, Betty was at the river washing several of her new black panther shirts. To her surprise, the color washed right out of them. It wasn't long before they all looked like ordinary shirts. Angrily, she started for Smidley's cave, followed by many other cheated Caplanders who wanted their money refunded.

FIGHT BACK!

(Consumer Rights)



Soon the angry mob of villagers converged at the door of Smidley's cave. He was busily setting up his slug farm as he heard their shouts.

"What do they want?" he muttered angrily. Outside, he saw a horde of angry consumers, holding up half-black shirts.

He heard shouts of: "WE WANT OUR MONEY BACK!," "LIKE THESE SHIRTS ARE SOOO BOGUS!," "SMIDLEY IS MOST HEINOUS!," "YOU LIED ABOUT

THE SHIRTS!" With a snicker and a sneer, Smidley pointed to the sign hanging outside his cave:

NO REFUNDS

Dodging a barrage of cheap shirts, he retreated to the safety of his cave. The frustrated villagers went to find Ralph, an influential and fair-minded citizen, who always supported the people of the village when they had a problem. They went to his hut and Betty told him what had happened.

"That definitely was not fair," said Ralph sympathetically. "You have been cheated, and I'm going to do everything I can to make sure you all get your money back."

So Ralph asked for a special meeting of the legislature to be held that evening to be focused on Smidley and his fraud.

"I think we should throw Smidley in jail!" said Rick, whose solution to every problem so far involved throwing somebody in jail.

"I think we should make Smidley refund everyone's money," suggested Ramona.

"That would be a start," said Ralph. "But we need

some way to keep this kind of thing from happening again. Something needs to be done to protect the consumer."

Everyone agreed to this, with the exception of Smidley, who had been forced by the court to attend the meeting. Then another representative, Robert, stood up.

"First of all, we'll need a law to ensure that labels contain accurate information. Special rules are going to have to be enforced in the case of animal products, so that they say what kind of animal it was and where it came from," he said.

"We should also have organizations that test products, provide information to people who think they've been cheated, and bring to court those who use false or deceptive advertising," stated Ralph.

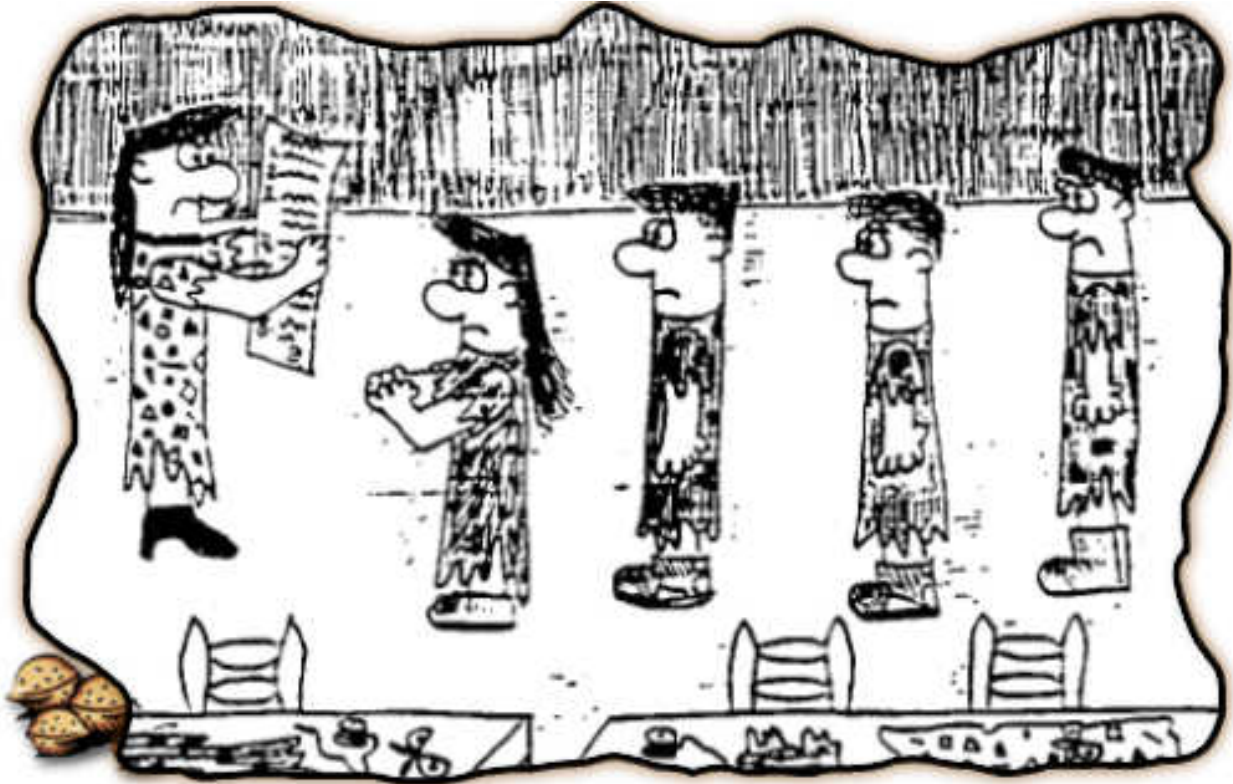
So it was decided that Smidley would have to return the villagers' money. He would not have to go to jail, because there was no law against what he had done at the time he did it. But now, many groups and laws guaranteed the villagers consumer rights.

Despite this new consumer protection, Ralph felt the Caplanders still needed a watchdog to expose and prevent rip-offs. He formed a special group, known as Ralph's Raiders, which served as the voice for consumers.

While the villagers were celebrating their newly obtained rights, Smidley returned to this cave, determined to find new ways to swindle them.

ENRAGED EMPLOYEES

(Labor Dispute)



One hot summer day, a few of the workers in Shirley's Shirtmaking Shop began to grumble.

"We work hard in this sweatshop, and Shirley doesn't pay us enough," muttered Scott, one shirt stitcher.

"Yeah, and I don't like working on Saturday afternoons," said another worker named Sally. "I think that Shirley makes us work too many hours, particularly for the wages we make."

"Well, if you ask me, I think we should have at least two weeks of vacation a year with pay," added a third worker, Sam. "I'd like to have some spare time to spend with my family and perhaps travel across the mountains."

"While you're on the subject, I don't think it's fair that Shirley doesn't pay us when we're out sick. I jabbed a needle in my finger and missed three days when it got infected. You'd think that Shirley would have paid me something, especially since I injured myself on the job."

This fourth speaker, Shelly, threw down the shirt she had been working on and turned to the other workers.

"I have an idea," she said. "Since none of us is satisfied with the way Shirley treats us, why don't we ask her to raise our salary and add some other fringe benefits that we feel we deserve. Let's draw up a list of complaints and requests right now."

So Shirley's workers did just that, and when she walked into her shop that afternoon, she was startled to see all of her workers standing around rather than making shirts.

"What do you think you're doing?" Shirley shouted. "If you don't make shirts how can you expect to make money?" Shelly handed Shirley the list of grievances. She read through it quickly and then angrily tore it up.

"If you think that I'm going to do these things, you are sadly mistaken. If you don't like working here, you can leave. Shirt stitchers aren't that hard to find, and there are plenty of them who would be glad to work for me. You don't know how lucky you are, having such great jobs."

With this, Shirley turned around and marched out of the room. The workers shrugged and returned to their work, but they were determined not to let Shirley ignore their grievances.

That night, they met secretly at Scott's hut. "Shirley may have been right. She can get other workers to take our places. If she does, then we are out of luck, because she certainly wouldn't give us more benefits if she didn't have to.

Seth, who up to this time had been silent, spoke up.

"I've been thinking," he said. "If we stop working and keep other workers from going into her shop, she will have to give us what we want. I think that we ought to quit and tell Shirley that we won't come back to work until she meets our demands. If she hires more workers, then we can stand outside the shop and prevent them from entering."

"The new workers won't realize how badly Shirley will

treat them," grumbled Scott. "Besides, it's not fair for those replacements to have our jobs. They're a lot like scabs covering a wound...it's just on the surface, the injury is still there and it still hurts!"

The following day when Shirley walked into her shop, it was empty. She waited and waited, but her workers did not show up. "Their demands won't be met this way," she said firmly.

Shirley then posted a sign outside her shop:

WORKERS WANTED--APPLY TO SHIRLEY

Within a few days, all of the job openings were filled and Shirley's Shop again hummed with activity.

HELL NO! WE WON'T SEW!

(Labor Strike)



The old workers realized it was time to make their move. If they didn't hurry, they would go broke. They gathered together to make plans.

"I say that tomorrow we go to Shirley's , and stop her new workers from getting in," said one worker. "And I'm bringing a club."

"If we can't get what we want, we'll burn Shirley's shop down!" yelled yet another angry worker.

"I think that we should try to convince the villagers that they shouldn't buy any of Shirley's shirts until she has given us what we want," added another.

They stopped at Wallyworth's where they talked to the customers, trying to persuade them not to buy Shirley's shirts. Others expressed sympathy for Shirley.

"You should be grateful to Shirley for giving you work," they said. "She not only makes fine shirts, but she provides employment for many of us. You have plenty of money to spend which means that we all prosper in the long run."

In the meantime, a picket line was forming at Shirley's Shop. While many strikers carried bold signs, others came armed with assorted dangerous-looking clubs. When Shirley's new workers arrived, they faced a solid wall of determined sewers blocking the entrances to the workshop.

Seeing the huge clubs and fearing bodily harm, most of the scabs kept their distance. The strikers taunted the replacement workers and tempers flared.

"You guys have no right stealing our jobs!" yelled one striker.

"What do you mean stealing your jobs? We're just

here to do work. We need jobs. Walnuts don't grow on trees, you know!!!"

"Actually, they do," snapped Scott. "But that's beside the point. Go find a job somewhere else. You're not going to get one here. And besides, you wouldn't want to work for Shirley anyway--trust us."

Frustrated by the strikers, one brave but stupid scab advanced closer to the picket line. As he approached the line demanding to get through, a picketer with a nasty attitude and an itchy club finger blocked his path.

"How would you like to go to jail for disorderly conduct?" asked the scab defiantly.

"How would YOU like a club sandwich?" replied the striker, promptly delivering a colossal blow to the skull of the scab. What had begun as a peaceful protest had now deteriorated into a scene of violence and near hysteria. Clubs were flying! The police arrived and restored order; the injured were taken to the clinic for treatment.

The strike had already hurt the town economically; this violent turn made matters even worse. Both sides became more determined to hold their ground.

Shirley, of course, was very upset. If she didn't produce shirts, she would lose all of her business to

Sheldon, her chief competitor. She hated to see her shop empty and the tools lying around unused. Shirley had to tell Harry and Harvey that she could buy no more skins until her shop was back in business. She told Tony, the toolmaker, that she couldn't buy any more needles. And she had to tell Wally that she could not repay her loan on time, so the bank had less money to lend. Soon, everyone in Capland was impacted in one way or another by the strike of the shirtmakers.

Yet the strike continued. Although she was losing money every day, Shirley would not talk with her workers. "I refuse to be bullied!" she declared stubbornly. Meanwhile, the workers, although living without income, felt that their principles were involved. They would never return to work for Shirley unless she agreed to discuss their grievances and negotiate a settlement.

The rest of the villagers, who were not so personally involved, thought it was silly that Shirley and her workers would not sit down and settle the problem. They decided that someone should do something. So they approached Morton, whose wisdom was respected by all of the villagers.

"Morton," said Wally, "we feel that if you talked to Shirley and her workers, you could show them how desirable it would be for them to discuss their problem together. You might even investigate the situation and

make some sort of proposal that would please both sides, management and labor. Both Shirley and her workers have too much pride to propose a compromise, but if you suggested one, they probably would agree to it. Then they would have work, Shirley would have profits, and we would have shirts."

So Morton tried to act as a mediator, talking to both sides in an effort to bring them together to settle their problems themselves. He convinced them to sit down in a meeting, but after a few hours, it broke up with no settlement being reached.

Morton decided to try a different approach. He talked to the workers and learned what their demands were. He talked with Shirley to get her side of the story. Then he asked if they would consider and accept a proposal of his own, and they said they would. So Morton, now acting as an arbitrator, brought about a solution to the problem. Shirley accepted the proposal, although it required an increase in the workers' pay and paid compensation for injury or illness. The workers accepted it even though they still had to work on Saturdays and did not get paid vacation time.

They did learn, however, that unity brought results. The workers formed a labor union, to help them with future negotiations. Seeing what happened with Shirley and her workers, other labor unions were formed to

represent the workers in other trades. Collective bargaining became an effective tool in settling labor disputes.

Unfortunately for Sheldon, Shirley was now back in business. Soon Wallyworth's once again had Shirley's shirts back in stock. The hunters were able to sell more animal skins, Tony received more orders for his needles, and Wally could make more loans. Capland had survived yet another economic crisis.

PUMP IT UP

(Inflation)



The villagers had never felt so prosperous. There was a large market for everything, especially toys and games. Entrepreneurs began to increase production by hiring more workers, purchasing more materials, and expanding their shops. Although this expansion was very expensive, they were confident that they would be able to sell everything they produced, and make profits in the long run. There was a wide variety of good jobs available, and the unemployment rate was very low.

As the demand for workers grew, they were able to

ask for higher wages. If one employer wouldn't pay them what they asked, they could easily find another business owner who would. Shops began running overtime to produce more goods, and those employees who worked extra hours were able to earn even more money.

To finance all this expansion, many people came to Bart for loans. At the same time, more and more Caplanders had extra money to deposit in the bank. "Everyone wants to borrow," Bart said to himself. "If I increase my rates on loans a little, they will still want the money and I'll make greater profits. Then I can encourage people to deposit money in the bank by offering a higher interest rate on savings."

Due to this expansion, the Stock Market was also very active. Many people were anxious to get involved in trading shares, since the constantly rising values of stocks almost ensured they would make a profit. Soon, even villagers without much money to invest had a good chance of getting money quickly and easily.

One day a group of women were shopping in Darcy's Dress Shop. "Dresses are a lot more expensive than they used to be," complained Betty. "I remember when I could buy two dresses for what I now pay for one."

"What difference does it make?" asked Darcy. "I have to raise my prices as production costs increase. I hired

three more employees the other day, and material prices went up as well. You all still seem to want dresses, and you are able to afford them."

"It is true that I am able to buy as much as I could before prices began going up," replied Betty, "but every time I get a raise, prices go up just as much. I am making much more money, but I can't buy any more goods. It seems like something is going wrong, somehow."

The women in the dress shop were not the only people in the village who were concerned. Older people in the valley who were retired were having a difficult time buying what they needed. All that many of them had to live on was a pension, a fixed sum of money that a retired person received each month. Although prices were constantly increasing, the pension did not, and pensioners were able to purchase less and less with their income as time went on.

Soon, people on pensions and other fixed incomes brought their problem before the legislature. "This inflation is hurting us," they said. "We have less purchasing power as the value of our money decreases. If it is not stopped, we will not be able to make ends meet."

Bart also appealed to the legislature to do something about the rampant inflation. Two years earlier, before the inflation had begun, he had lent Sean five hundred dollars

at six percent interest. Back then, five hundred dollars could buy many things, and was worth a lot. Now that Sean had repaid him, however, the five hundred dollars plus interest of thirty dollars was worth less than the original five hundred dollars were worth. Those who owed money were very pleased with this, but those who lent it out were not.

"I keep trying to raise my interest rates, but I can't keep up with this inflation," Bart complained. "I am being paid back money that is worth less than it was worth when I lent it. The debtors like it, but I will go out of business if this continues."

Many of the legislators were worried as well. "Even with the great increases in wages, and with almost everyone having jobs, I don't think that our economy is healthy," stated Ramona at a meeting. "Things seem almost out of control. It is as if prices and wages will keep going up forever. Our money is losing its value. One needs more dollars just to keep buying the same amount of goods and services. It's very nice that there is expansion and employment, but it's going to come to a dreadful halt sometime soon. I think that this inflation is dangerous!"

"Let's throw the pensioners in jail!" suggested Rick, who noticed that everyone was staring at him so he sat down quickly.

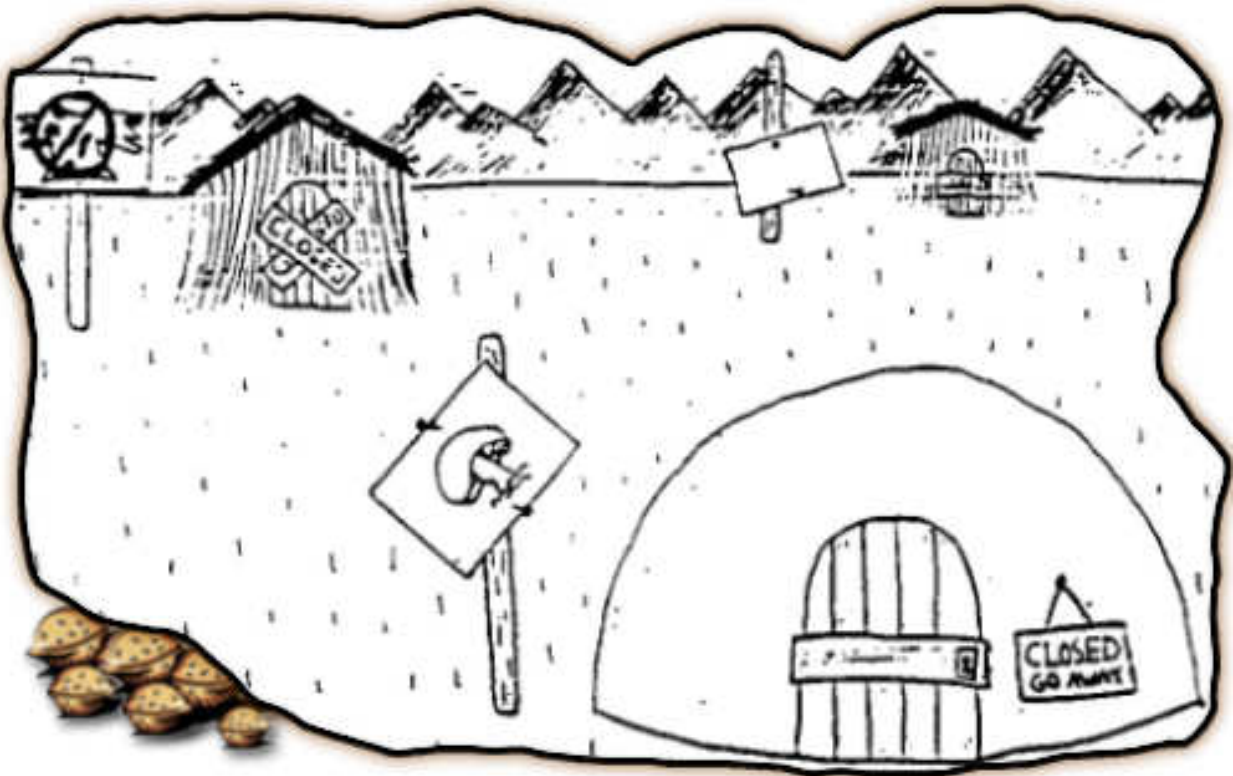
"I agree that something does need to be done," stated Ron. "Bart doesn't feel that this inflation is fair to creditors like him. Sure a lot of people aren't suffering; some people are even better off than before. But others are being hit hard, and it is our responsibility to do something about it. We can't just sit around and watch it happen."

"Wait a minute," interrupted Rebecca. "The economy goes up and down naturally. Now it's going up and whether it's good or bad isn't the question. We can't legislate how much employers are allowed to pay their workers, that would be crazy! Through the law of supply and demand, the economy will eventually straighten itself out."

Since most of the representatives agreed with this last speech, the meeting was adjourned. They did not feel that they, as legislators, should get involved. It was the store owner's right to set prices, and there would certainly be a large amount of resistance if the government tried to intervene. But Ron went away from the meeting feeling uncomfortable. He did not think that ignoring the inflation was such a good idea.

BLACK WALNUT DAY

(Recession and Depression)



Despite concerns, it seemed that Capland's economy would prosper indefinitely. Businesses continued to produce in large quantities, and wages continued to rise as well.

It soon became apparent, however, that all was not well in the village. Shopowners realized that although there were more goods and services available, fewer were being sold than ever before. In their efforts to expand production, they had manufactured more than the villagers wanted, or needed. At the same time, the Caplanders had

reached a point where they could not afford the prices that the shopowners were asking. So even though the villagers saw the shelves overstuffed with Sheldon's shirts at Wallyworth's, they would not buy them.

"We don't need any more shirts," they would say.
"Especially not at those prices!"

In order to sell their goods, Sheldon and the other manufacturers tried reducing their prices and held clearance sales. When they did, they reduced their profits as well. The village had entered a period of wide-scale economic slowdown. The reduced demand for goods and services was being felt at all levels; a recession had hit the valley. It got so bad that one morning, Sheldon called all of his workers together with some unfortunate news.

"I guess we have overproduced ," he said sadly, "because there is a surplus of shirts that nobody seems to want. As a result, I've had to charge less to sell all of the shirts we have made. Now, if I don't slow things down here in the shop, I'm going to go bankrupt. Profits have dropped, and I cannot pay Wally on the loan from the bank unless I cut production costs. I'm afraid this means I'm going to have to let some of you go. I have tried to avoid layoffs, but I am no longer able to pay all of you. Those of you who do stay are going to have to accept lower wages. I'm sorry."

The same thing happened at the other village shops. An increasing number of workers found themselves without jobs as producers cut costs. Some shops had to close down completely. Fewer people had money to spend, and this decrease in demand forced prices down even further. Unemployed villagers began to fill the streets as the economy came to a grinding halt. The village was now in a full-blown depression.

Those who had invested money in stocks discovered that the new enterprises they had risked their money on were no longer making profits. Many of these enterprises had gone bankrupt, and their shares were now worthless. The investors tried to sell their shares, but nobody was interested in buying them, so stock prices also decreased alarmingly. Some investors lost so much of their fortunes that they took desperate leaps out of the windows of their huts. (Fortunately, no lives were lost because all of the huts in the valley were only one story tall!)

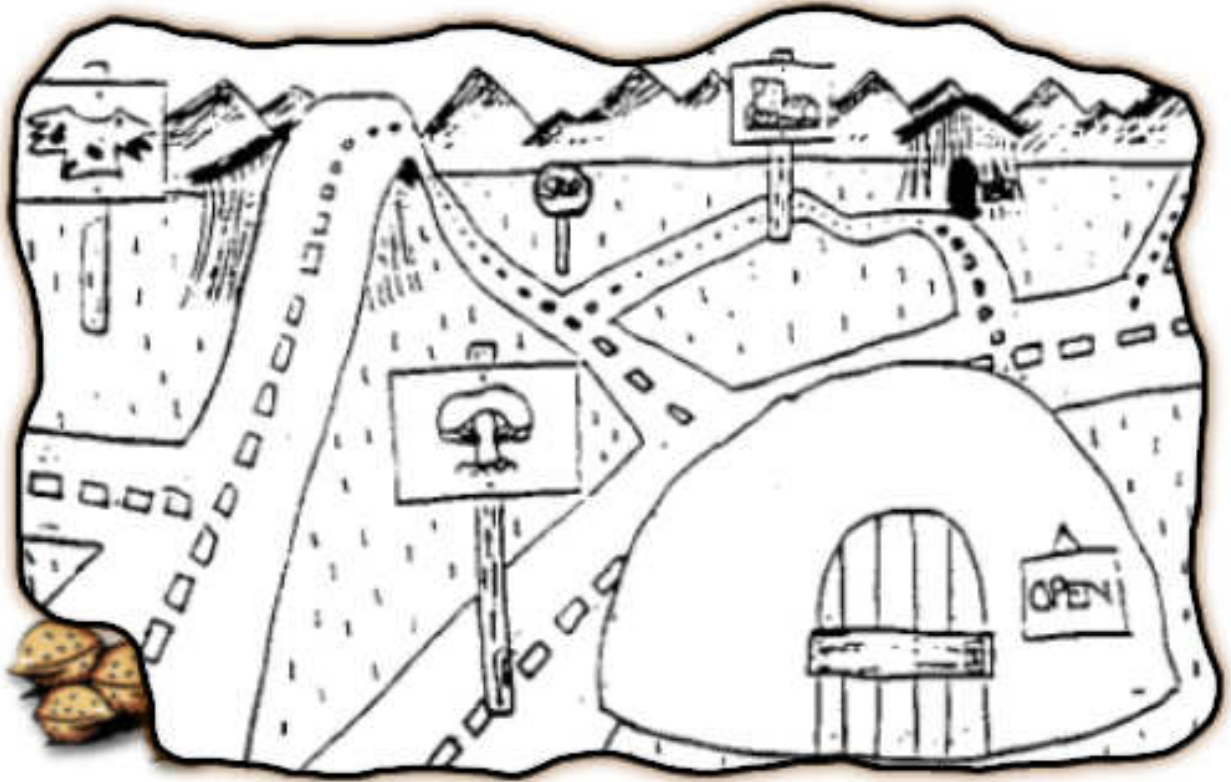
Bart also found himself in an undesirable position because no one was interested in borrowing money from his bank to increase production. Once again the supply/demand connection governed the economy of the valley.

The government of Capland called another meeting. The villagers listened anxiously, hoping for encouraging words. Most of the representatives still held the opinion that this was all part of the business cycle, and was not a

problem the government could solve. It was decided that the government would lend money to businesses so that they could continue producing goods and pay off their debts, but nothing drastic was done to bring the village out of the depression it was in.

ON THE ROAD AGAIN

(Recovery)



Still, the situation continued to worsen. The Caplanders clamored for their legislators to help them, and the government convened once again. This time, however, the representatives were ready to listen to what Ron had been saying.

"We have a real problem," stated Ron. "This cannot be avoided any longer. Let's try something and see if it works. If it doesn't, then fine, we'll try something else. But people are going hungry. They cannot get sufficient clothing either, and their huts are falling apart. More shops

are closing every day. We must get money into circulation somehow, so that there will be a demand for goods and services. If we can do this, then shops will reopen, and there will be available jobs."

The other legislators couldn't help but agree. "What if we, the government, created jobs?" suggested Robert. We could hire workers for the new road project, since we need better roads anyway. We would pay these people so they would have some money to spend. Then they would go to the stores and buy goods, so that the shop owners would have money to produce with again. They would then rehire their workers, thus giving them money to spend as well. Soon we will not have to hire anyone to work on the roads, because there will be a demand for workers elsewhere."

The plan was voted on and approved. Soon, a sign announced the availability of jobs on the road project. The unemployed flocked to the job openings, and soon the road was ringing with the sounds of shovels and picks. These villagers brought home money which found its way into the stores and shops of Capland. As the government had predicted, the valley was on its way to recovery. It was gradually able to reduce the number of road workers as they moved back to their jobs in the reopening shops of Capland.

The government realized that it could never again sit

idly by and watch the economy collapse. A special committee was put together to study and advise the legislators about the economy. A careful watch was kept on the unemployment rate, and government projects were started if too many Caplanders lacked work. The government monitored prices and wages of essential goods and services and tried to keep them reasonable. It placed limits on the interest rates that Bart's Bank could charge and raised or lowered the limits when it felt an adjustment was necessary. If people were spending too much, the government raised taxes. If they were spending too little, it lowered them. The government kept a careful eye on the currency in circulation.

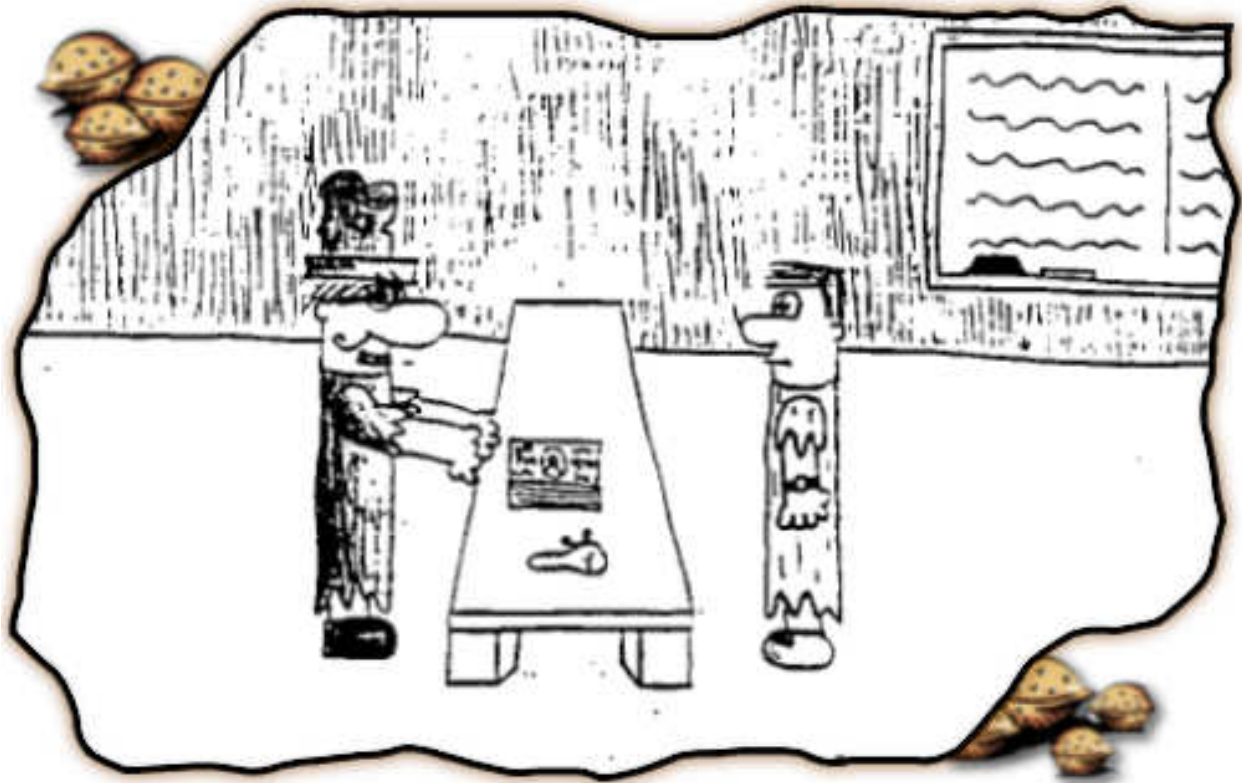
Although some of the shopowners felt the government was not letting them make a decent profit, most of the Caplanders felt better protected by the new roles of the government. Their jobs were more secure, and their income was more likely to enable them to buy what they needed. Still, the argument about the government's involvement did not die out. People began to group according to their beliefs about the relationship between the government and the economy.

Yet the government survived, the economy was in a state of recovery, and the people of Capland prospered. They were proud to live in a democratic society where they could live their lives as they chose.

Smidley, however, sat in his cave all day with his slugs. He was not proud of the villagers at all.

I KNOW SOMETHING YOU DON'T KNOW

(Insider Trading)



Smidley had been even more antisocial than ever after the scandal with his black panther shirts. But his greed and ambition had not diminished. He had many ideas for money-making schemes, but knew that the villagers would not trust him because of his damaged reputation. Smidley needed a partner.

He decided to meet with Ivan, a villager who shared his love of slugs and his dislike of the Caplanders. After a

serious talk, Ivan agreed to help Smidley look for new money making schemes for a share of the profits.

Ivan worked at Tony's Tool Shop. While he worked, Ivan was always listening to conversations hoping to hear something that could be used in a scheme. On a regular basis, he provided Smidley with valuable tips about things going on in the village.

One particular day, Ivan stopped by Smidley's cave with some news. "Today," he said to Smidley, "Nick the knife maker came by too, wanting to know if Tony would be interested in having their two companies merge."

"They want to arrange a Monopoly, eh?" remarked Smidley. "That's a good scheme if I do say so myself. But you know the government these days. Join forces and jack up the prices, they get suspicious."

"Actually they aren't planning to raise prices," Ivan said. "Both of their shops needed a furnace for heating metal, and use essentially the same raw materials and tools. If they were to merge, they would only have to operate one furnace at half the fuel cost, and would be able to place larger orders for supplies and thus get cheaper rates from the suppliers. This way they would make greater profits, even if they sold the tools for cheaper."

"That's different." Smidley smiled fiendishly. "So no one knows about this yet except for you and me?" he asked.

"Not a person in the village, except Nick and Tony, of course," replied Ivan. "At the end of the month they are going to announce the formation of Tony-Nick-Tools Inc."

"You say they're absolutely sure this T-N-T will be explosive on the market?" asked Smidley.

"They were pretty positive from what I heard," answered Ivan. "Exactly what are you thinking?"

"I'm thinking about how the value of their stocks will go sky high once they announce their little merger," said Smidley, twirling his black mustache. "And we have a golden opportunity to buy shares while they're still relatively inexpensive. Then we can sell them at the end of the month and make a killing. Buy low, sell high!"

"That's a good idea..." mused Ivan. "But insider trading doesn't seem fair. We have access to information that most people don't have, because I work for Tony."

"Since when do we care about what's fair?" asked Smidley, with an evil look in his eye. "We need to find some money to invest. I could sell all of my mushrooms at bargain prices, and I have some money I've been saving

for my slug farm. What do you have?"

"All my money is in Bart's Bank, and that's not much," said Ivan. "But we could try to get a loan..." At this suggestion, Smidley became enraged.

"NEVER!" he shouted. "Whatever we can raise on our own will be good enough!"

Smidley began gathering together all his money and everything he owned that he could sell, and left his cave, wearing his black hat and sunglasses to block out the sunlight. Ivan also went back to his hut to gather what he could.

The next day, Smidley walked into the Stock Market with a large bag. "Give me as many shares of Tony's Tool Shop and Nicks Knifery as eight hundred and thirty dollars can buy," he said with an evil grin.

During the rest of the month, Smidley bought shares of stock whenever he or Ivan managed to get some more money. When Nick and Tony's merger was officially announced at the end of the month, many of the villagers were convinced that shares in the new corporation would be profitable. As Smidley had predicted, he was able to sell the shares at almost double the price he had paid for them. He and Ivan were rich. They split the profits in secrecy at Smidley's cave the following day.

"I'm going to use my money to buy my slug farm," said Smidley. "That has been my lifelong dream. What are you going to do with your share?"

"I'm going to deposit my money in Bart's Bank," said Ivan, after considering the possibilities for a moment. "That way I can make more money." Again Smidley was angered.

"NO!" yelled Smidley. "BART WILL PAY! I now have enough money to ruin him. I can set up my own bank in competition with him! I have a plan."

"How can you compete with *a bank*?" asked Ivan, puzzled. "The government limits the amount of interest to control inflation. All banks are the same."

"Unless you get the government to make an exception, and I know just the way, countered Smidley. "Remember how you said Ron stopped by to get a screwdriver at Tony's shop, and he was talking about how the government is interested in finding a way to promote more home ownership and less risky investment?"

"Right," said Ivan. "He said they want to influence what people are saving their money for without outright telling them what to do. Or something like that, it was loud in the shop."

"If I could convince the legislature that my bank would only lend money for housing and not risky ventures, they might allow me to pay interest rates higher than the normal bank limit." A gleam came to Smidley's beady eyes. "Everyone would deposit money in my bank instead of Bart's. He would go BROKE! And imagine all the possibilities for schemes if I've got access to all the money in the bank!"

"But nobody trusts me. Those fools!" Feeling dejected, Smidley grew silent.

"What if I were to run the bank?" asked Ivan. "The villagers and the legislature have no reason to distrust ME. I could go to the legislature tomorrow and see what they think."

"Excellent!" said Smidley. "You do that!"

During the following week, the idea was approved. Ivan's bank would be able to pay one percent more interest to depositors than Wally could, and they were only permitted to give low risk loans for mortgages.

To get the villagers to trust the new bank, the government set up a special fund to back all of the money that it lent out. If anything happened to the money in the new bank, the depositors' money could be returned from

the fund.

MONEY FOR NOTHING

(Savings and Loan)



After all of the arrangements had been made, Ivan hung two signs outside his hut:

**IVAN'S SAVINGS AND LOAN:
NEED A HOME LOAN? BORROW FROM US!**

...and...

**IVAN'S SAVINGS AND LOAN:
NOW PAYING 12% INTEREST ON DEPOSITS!!
GOVERNMENT INSURED!!**

The villagers were skeptical. "Isn't it illegal right now to pay more than 11% interest?" asked one.

"For ordinary banks, yes," replied Ivan. "But a new government approved plan allows us to give higher rates since we only give loans for safe projects like home mortgages. That's why we are called a Savings and Loan Institution (S&L). Also, any money you put in is backed by the government, so you can't lose."

Almost all of the villagers, who wanted to make as much money as they could and who trusted anything supported by the government, withdrew all their money from Bart's Bank. He could no longer make a profit and had to go back working as a part-time bookkeeper for Wally. Smidley walked past the bank, and when he saw Bart's "Closed" sign, he cackled with glee. He then walked into various stores in the village and came out with large bags, filled with supplies for his slug farm.

"Where did Smidley get all that money from?" Wally asked his cousin, Walter. "I just saw him down at Slug-Mart and he was buying a lot of stuff."

"Didn't you hear? He struck it rich in the Stock Market," replied Walter. "He bought shares in Tony and Nick's companies before they merged."

"That's odd. I didn't know Smidley had any stocks," said Wally.

"He went and bought them just a couple of weeks before the merger was announced," replied Walter. "Not in any other companies, just Tony and Nick's."

"That's pretty strange," observed Wally, "I wonder why Smidley would have bought those stocks."

Sherlock, who was just stopping by Wallyworth's to look at the new spring fashion magnifying glass shipments, broke in. "You know something Wally, I'd bet that the reason Smidley bought those stocks was because of the merger. The stocks in those companies were obviously going to be worth more after the two companies joined."

"But Sherlock, nobody knew about the merger until after Smidley bought the stocks," replied Wally.

"Elementary, my dear Wally," said Sherlock, "Smidley somehow found out about it before the rest of the village knew. Perhaps he overheard a discussion about the merger. Or maybe he had a partner who knew Tony or Nick and told him about the merger."

"THAT'S IT!" exclaimed Wally. "I've seen Smidley hanging out with Ivan, who used to work for Tony, but

started that Savings and Loan after the merger."
Everything was falling into place.

"I'll bet that Smidley gave Ivan the money to start the S&L in return for the inside information," added Walter. "If Smidley is behind the Savings and Loan idea, then everyone who deposited money in it is in trouble."

Wally went to see Ron, and told him what he suspected. At the next meeting of the government, Ron proved to the other representatives that Ivan had told Smidley about the merger before the public was told. Immediately, Smidley and Ivan were summoned to the Cap-Hut-Tall where the legislature met. When they got there, the legislators demanded that they collect on all their loans and repay all their depositors.

It turned out, however, that Smidley and Ivan had taken most of the money that had been deposited in their S&L and embezzled it for their own purposes. On those few rare instances when they had granted loans, they had given them to people who didn't own property of equivalent value that the S&L could take in the event that the loans weren't paid. Without collateral, there was no way to collect on unpaid loans if the money had been spent.

In addition, Ralph said that he had gotten many complaints that Smidley and Ivan had been advertising

one interest rate and then charging another. Almost instantaneously, you-know-who jumped up and shouted, "Let's throw them in jail!"

"Smidley and Ivan didn't break any laws," said Ralph. "But as always, we need to make sure this does not happen again. We need to pass a law that orders stores and banks to put accurate lending information on their credit agreements. Also, something needs to be done to keep people from buying and selling stocks in a company based on information they hear from someone inside the company. That kind of insider trading is not fair."

To this the representatives agreed, and a Truth In Lending Law and an Insider Trading Law were passed. The government still faced the problem of what to do about the Savings and Loan. "We have to repay those people who put their money into the Savings and Loan," stated Ron. "We gave our word that it was insured. And we need to keep the people's faith in the government."

"Smidley and Ivan spent everything that wasn't lost, and we don't have any more money left in the fund. We'll have to get the money from somewhere else." said Rebecca. "What about the money we budgeted for education?"

So Smidley and Ivan were forced to give up their Savings and Loan. It took the government many years

and many taxpayer dollars to complete the bail-out. Bart's Bank went back into business, and although Smidley didn't realize it, he had once again strengthened the rights of the villagers.

TO BE CONTINUED...? UPDATED...?



MAYBE...

