

# THE ASSEMBLY LINE OR THE FAT CAPITALIST : A MEXICAN TALE BY B. TRAVEN

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**The Assembly Line or the Fat Capitalist**  
**A Mexican Tale by B. Traven<sup>1</sup>**

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**Abstract**

In this article we invite you to meet three characters. The author of the tale we are discussing, a Mexican Indian and an American gringo. The author, B. Traven, had a very strange life: no one really knows where he was born, probably in Germany, but we know that he died in a small village in Chiapas (southern Mexico) where he defended the local poor. He didn't like gringos very much. The second character is a gringo, and the third is a poor Indian weaver. The last two characters met by chance and, of course, the gringo tried to fool the Indian, inducing him into producing more of these small but beautiful baskets at lower prices, baskets that he (the gringo, of course) could then sell at a good price in his homeland. Mucho dinero... The Indian could barely write but was able to do simple calculations. For additional quantities, he could offer lower prices but, faced with a demand for larger quantities, he eventually started asking for higher prices. The gringo didn't understand and, after a long discussion, gave up, saying "These Mexicans don't understand anything." And the Indian went back to weaving his 12 baskets a week.

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<sup>1</sup> We are grateful to B. Traven who authorized us to borrow word for word parts of his paper. He is such a beautiful writer that we had no chance to beat him. We are also indebted to François Bourguignon and Jean-Philippe Platteau who forced us to use more economic theory, but in terms that are understandable.

## About B Traven

Let us start with a few words devoted to B. Traven, the author, a tale by himself, of this short tale.<sup>2</sup> The only thing one knows about him for sure, is that he lived somewhere in the Chiapas, Mexico, and died in Mexico City in 1969. His Mexican wife and testamentary executor, Rosa Elena Luján threw his ashes into the Rio Jatate, Chiapas. He may have been “the son of a Norwegian fisherman, or of an American farmer from the Midwest, or of a German theater impresario. Was he the German–Polish locksmith’s apprentice Otto Feige from Schwiebus near Posen? Or a bastard son of Kaiser Wilhelm II” (Guthke, p. xi). Though he was born in Germany, he used to say that he wrote his works in English, but had them translated into German, because during the 1920s, literary activity was freer than in the United States, where he would have been censored. In fact, the English and German versions differ. The American version of his celebrated *Treasure of the Sierra Madre*,<sup>3</sup> is much longer than the German version, and each version contains parts that are not contained in the other. Helen (2013) notes that his American manuscripts are filled with Germanisms, and the German versions are seriously contaminated by Anglicisms.

B. was his first name, and Traven his name. But he also appeared as Berick Traven Torsvan, or Marhut, Ret Marut – at the time he was a German actor, a revolutionary Spartacist, who participated in the establishment of the Soviet Republic in Bavaria. Or Hal Craves (his name when he died in Mexico), Herman Arnold, Albert, Barker, Otto Feige, Kraus, Lainger, Wienecke or Ziegelbrenner<sup>4</sup> – the title of an anarchist journal published between 1917 and 1921 by Ret Marut in Munich and Cologne. Vila–Matas (2000) adds another twelve of his names.

Traven may have been trained as economist as well, since he could make the difference between increasing, constant and decreasing average and marginal costs. This is clearly pointed out in his short novel *The assembly line* in English or *Der Gross–Industrielle* in German and *Canastitas en serie* in Spanish (see Cook, 1995). The English version is twice as long as that the German. We follow the German version, though we will give some details picked in the other one.

The German starts with “In a small Indian village of the state of Oaxaca, an American whose intention was to study the land and its population, popped up.” He inadvertently met an Indian who was making small baskets from bast and other beautifully colored fibers. “Each basket looked as if covered all over with the most beautiful ornaments, flowers, butterflies, birds, squirrels, antelopes, tigers and a score of other animals of the wilds.” This was not his main business since he also had a small field. Even if the average American tourist had difficulties to value such beautiful baskets, the *gringo* was able to see that this craft did not exist in his native country. Here is the tale, a mix of the German and the English versions, to which we added some of our own perception.

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<sup>2</sup> Translated from the German version *Der Grossindustrielle*, in Xokonoschtetl, *Indianische Weisheiten über Feuer und Wind*, München: Orbis Verlag. Note that Xokonoschtetl is another name chosen by B. Traven, and the consonants *tl* in *Schtetl* sound very Mexican. Xokonoschtetl is also the name of one of the authors of *Medizin der Mutter Erde: Die alten Heilweisen des Indianer* (*The Medicine of Mother Earth: The Old Ways of Healing by Indians*).

<sup>3</sup> In 1935, John Huston wanted to produce a movie from the *Treasure*. For various reasons, the movie was finally shot in 1947, in Mexico. It may well be that someone called Hal Croves who was present during the shooting of the movie, was B. Traven himself. The main character was played by Humphrey Bogart. He seems to have told to a movie critic that he “played the worst shit you ever saw.” Meanwhile, the movie got three Oscars in 1948 (best director, best scenario and best second role) plus a number of Golden Globes.

<sup>4</sup> *Ziegelbrenner* means brick burner in English.

## The tale

The waving Indian was crouching next to his hut, while the American asked him:

– How much does one of your baskets cost?

– Fifty *centavos*, *señor*.

– OK, I will buy one, since I know someone in my country who would be pleased to get such a basket.

The American thought that such a basket would cost 200 *centavos*. Encouraged by the answer of the Indian, he dared asking:

– How much would it cost if I would like to buy ten of them?

– Forty-five *centavos*, *señor*.

– And what would be your price if I bought one hundred?

The basket maker made a quick calculation and said:

– Forty *centavos*, *señor*.

Unfortunately, the weaver had only fourteen such baskets, and the American bought all of them. He flew back to New York and immediately went to visit a confectioner, showed him the baskets in which he could wrap his most luxury chocolates.

The confectioner was interested, but wanted to discuss this with his associates, who agreed that such a basket would be worth two and a half dollars, including transportation and value-added tax, if he could get ten thousand of them.

The *gringo* decided to visit one of his former Harvard Business School teachers, to check whether this was a good deal.

– Yeah! responded his professor of cost accounting and management control, you could probably get them at a lower price per unit.

The former HBS student rubbed his hands, signed a contract with the New York confectioner, flew back to Mexico City, and took a bus to Oaxaca where he met the basket maker. During his trip, he calculated how much money he would make on such a deal. He estimated this could bring him some \$25,000.

– *Buenas tardes, mi amigo*, I am coming with big business for you. Do you think that you could produce a thousand of these small baskets?

– You did not ask me during your previous visit *señor*, but as you can guess, this would take some time.

– Last time we met, you told me that I could have a discount of ten *centavos* (40 *centavos* instead of 50) would I buy one hundred such baskets.

– Indeed, and the deal looked good.

– What about ten thousand?

– I have to think about such a deal. Come back tomorrow.

The *gringo* came back and the Indian said:

– It took me quite some time to do my calculations. It would cost you two hundred *centavos* per basket for an order of one thousand baskets, and four hundred per basket if you decided to order ten thousand of them.

The *gringo* thought that this was a misunderstanding. So, he kept asking:

– Two hundred *centavos* for one thousand and four hundred for ten thousand... The last time we met, you told me that I would have to pay forty *centavos* per basket if I bought one hundred.

The Indian remained very quiet, as there was indeed no reason to fight with the *gringo*.

– Yes, that is right. But you should understand that producing one thousand baskets takes much more time than to produce one hundred, and ten thousand of them even much more. For one thousand baskets, I would need more bast, and I would have to get the flowers and insects from which I brew my dyes. Anyway, if I had to work so hard, what would happen to my field and my livestock? I would have to ask my sons, my nephews and my uncles for help. I can assure you that I tried to be as pleasant as I could and this is the best deal I can offer. This is my last word, *ultima palabra*, two hundred *centavos* per basket for one thousand and four hundred for ten thousand.

The American bargained during the whole day. He took his thick notepad, covered it with calculations to show the Indian by how much he could increase his fortune. The Indian admired the numbers the *gringo* had cooked up, but was not really impressed, since he could read neither ciphers nor words, and ended up from this subtle meeting full of admiration that a man can talk during hours, and say so little.

When the American businessman thought the Indian understood that he miscalculated his numbers, he gave him a tap on the shoulder and said:

– *Desde entonces mi amigo*, what is your last say?

– Two hundred a piece for one thousand baskets and four hundred for ten thousand.

Then the Indian crouched again on his blanket and said:

– I am sorry *jefecito*, but please excuse me. I have wasted so much time and am afraid I have to get back to my work now. Each of these baskets is another song. Each morning when the sun rises, and when the birds start chirping and the butterflies come landing on my baskets, I may see new beauties: Butterflies like my baskets and their pretty colors. That's why they come and sit down, and I can make my *castañitas* copying them. And now, *adios señor*, you will kindly excuse me. I have wasted my time already, although it was a pleasure and a great honor to hear the talk of such a distinguished *caballero*. But I am afraid, I have to attend to my work now, for the day after tomorrow is market day in town, and I have to take my baskets there. *Adios*.

The self-confident American felt very offended. He flew back to New York, and the only thing he could say to renege on his former contract with his chocolate friend was:

– It's just impossible to work with these f... Mexicans don't understand anything.

And this is how these small baskets that a skillful Indian peasant used to weave, while listening to the songs of the birds that were flying over him, and the sumptuous colors of the flowers that he could observe every day. The small baskets would not get wasted, teared and crumpled in New York Park Avenue trashcans, after having lost their value, once the chocolates had been crunched.

### **Economic considerations**

We did not want to destroy this superb and short tale by introducing commonplace economic considerations, but it is clear that during his Harvard visit, the *gringo* bought some economic textbooks at the Harvard University bookshop, including one written by a Nobel prize laureate, hoping to understand why, at first glance, the *mejicano* behaved in such a strange way.

We first observe that we are facing two different logics, even opposite.

The fat capitalist is like many of his kind: insatiable. Economists would say that his *preferences* are *non-satiated*: The more the better. If he makes more money, he can afford to buy more chocolates from his fellow confectioner, because he likes them, or more shares to make more money, to buy more chocolates, and so on.

Our basket maker is both a consumer and a producer. As a *consumer*, he does not envisage producing more than one hundred baskets, since it could hurt his back, make him stay longer in his small factory – in fact, the small carpet on which he was sitting – not see his family, and stop digging his field. He is happy and does not need more money. Contrary to the *gringo*, more money is not worth it. He values differently the time he spends outside his workplace. Economists would say that he has a different leisure-work tradeoff.

As *producer*, he can only produce a given quantity per week. He sells his baskets taking into account his costs (inputs such as bast, plants and insects used to brew his dyes) to which he adds his income. He decides on a sales price which should be low enough, so that he shies away from other producers to enter. Economists would say he is in a situation of *monopolistic competition*.<sup>5</sup> He benefits from some *monopoly power* given the quality and originality of his baskets.

Let's analyze why he decided to increase his prices after a certain production level, and eventually preferred not to produce larger quantities.

When the *gringo* asked him whether he could produce more, the basket-maker had to think and guess how his costs would evolve if his sales were to increase. He discovered very quickly that he could reduce his prices up to 100 units, thus reinventing what economists call *increasing returns to scale*, a situation in which his *average cost* (the cost per basket) is decreasing. This average cost can, however, not decrease indefinitely. The conditions in which the basket-maker operates, limits the production he can achieve in the short-run. But even before reaching this limit, the elements that support the average cost decline (such as discounts on the inputs he needs) will no longer work. In other words, his *average cost curve* is U-shaped: it starts decreasing with the number of baskets produced, reaches a minimum at some point (the *efficient production scale*), and then increases. It is therefore not surprising that our producer announces a much higher price when talking about 1,000 baskets! And it is clear that he is definitely not willing to produce 10,000 of them. Why would he change his lifestyle and hire workers to produce more?

Meanwhile, the irritated *gringo* went to the textbooks he had bought and found in all of them a rule specifying that the price should be equal to the *marginal cost*, that is the cost to produce *one extra unit*, not the cost per unit. This rule ensures that, in *competitive markets*, profits are maximized, profits being defined as the difference between revenues and costs that include the owners' remuneration. Applying that rule for small quantities would generate losses simply because marginal cost is then inferior to average cost! But why the hell would the peasant close his business while he has the possibility to cover his cost and income by producing small quantities.<sup>6</sup> Charging a price equal to average cost implies that the price declines with quantities up to the point where the average cost reaches a minimum.

After spending hours reading the books he had bought, hoping to understand this gibberish, the only thing the *gringo* finally had to say was:

– It's just impossible to work with these f... Mexicans don't understand anything.

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<sup>5</sup> A concept introduced in the 1930s by Chamberlin (1933) and Robinson (1933).

<sup>6</sup> This is the idea behind the pricing behavior proposed by Dehez and Drèze (1988).

In fact, while the peasant used his intuition, the story was too difficult for the fat capitalist who threw away the books he had bought at the Harvard bookshop. He ended up dying as a grumpy pauper. The weaver and B. Traven, the author of this tale, never became rich, but died in peace.

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