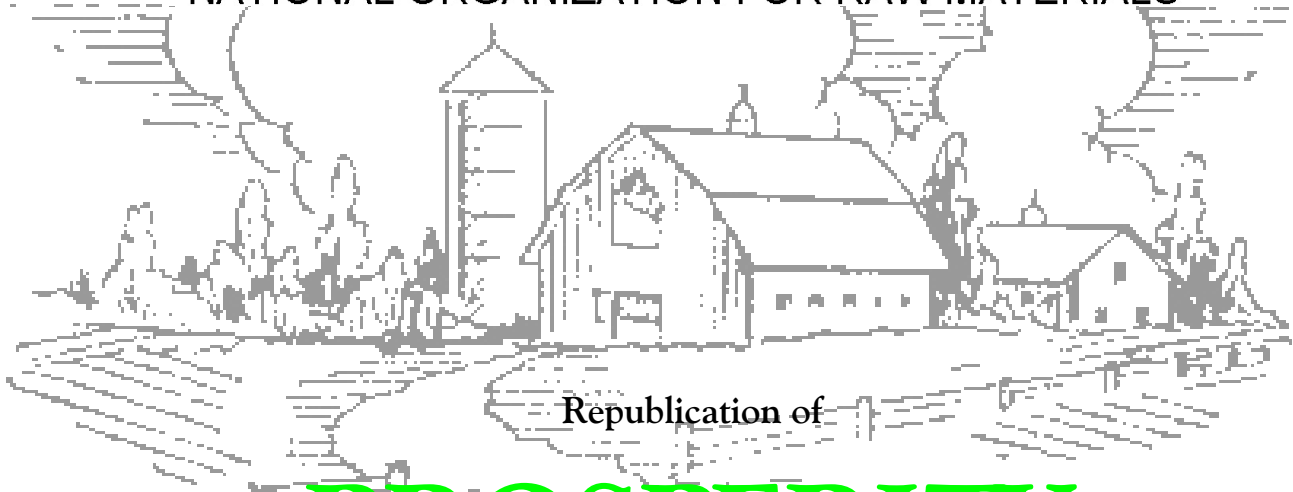


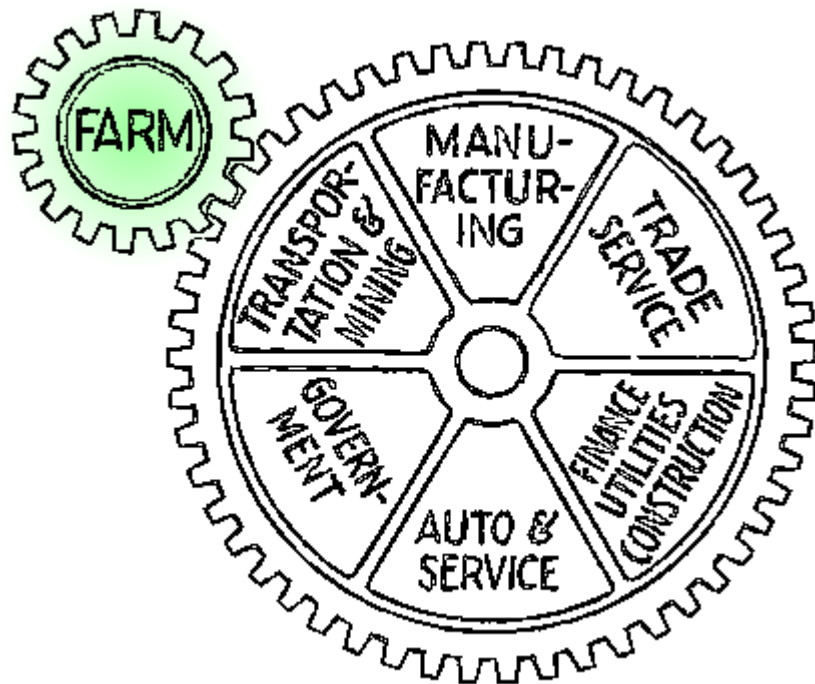
NORM

NATIONAL ORGANIZATION FOR RAW MATERIALS



Republication of

PROSPERITY
IS WITHIN OUR GRASP



Prologue

So much of our everyday world has changed since the following document was composed that you may find it challenging to pick up the rhythm of those times. Long-distance domestic travel was nearly all via passenger train; communication was by mail—letters and stamps, or telegrams, perhaps an expensive long-distance telephone call; war in Europe had broken out, France had surrendered to Germany whose submarines patrolled the Atlantic shipping lanes; our fist peace-time military draft was under way. Our economy ruptured in 1929 and had continued to sink through 1933. Slowly we had stabilized and recovered somewhat through 1937, but 1938 lost ground again with unemployment still over 15% in 1940. IBM's first commercial digital scientific computer was still a world war and 13 years in the future.

Eight decades have spiraled away since that time. You can read for yourself the broad experience and geography of just a few of the members of the Raw Materials National Council: agriculture, industry, mining, real-estate, banking, finance, law, publishing, are all evident in the masthead. Each concerting their effort to focus the attention of neighbors, citizens and government on resolving their life-changing problems.

The shock to our social structure was deep enough to become embedded in the characters of those who faced the situation as adults. Passing along these anxieties, their children were also marked with particular attitudes and beliefs about our life as a people and a nation.

The money had disappeared. Gold was confiscated. Businesses failed. Factories closed. Crops failed in several areas of the country. People moved. You can find the history of the “Great Depression” in family histories, books and case studies. It's our history because our families lived it.

I remember hearing a close friend of my dad's speak about his family's condition during those years of his childhood. The man was emotionally explicit about how *poor* they were. I watched the concern grow in my dad's eyes as the story was related. At a pause in the litany of sufferings, dad, who had lived the same severe deprivations, remarked: “You weren't *poor*. **You just didn't have any money.**”

That was precisely the conundrum that was investigated by the Raw Materials National Council. What made the money go away? Where had it gone? If they learned how and where it went maybe they could figure out how to get it back. They began to study the economic record of the nation. They wanted to follow the facts, not guesses or beliefs. One particular fact was glaring. A bushel of corn, 56 pounds of yellow kernels, an entire summer's growth, would bring maybe \$1 on a Tuesday in September and yet 3 weeks later it would barely sell at 9¢. Yet corn was still corn. It still took the same soil and rain, the same labor to plant, tend, harvest and transport to sale. What caused the price change?

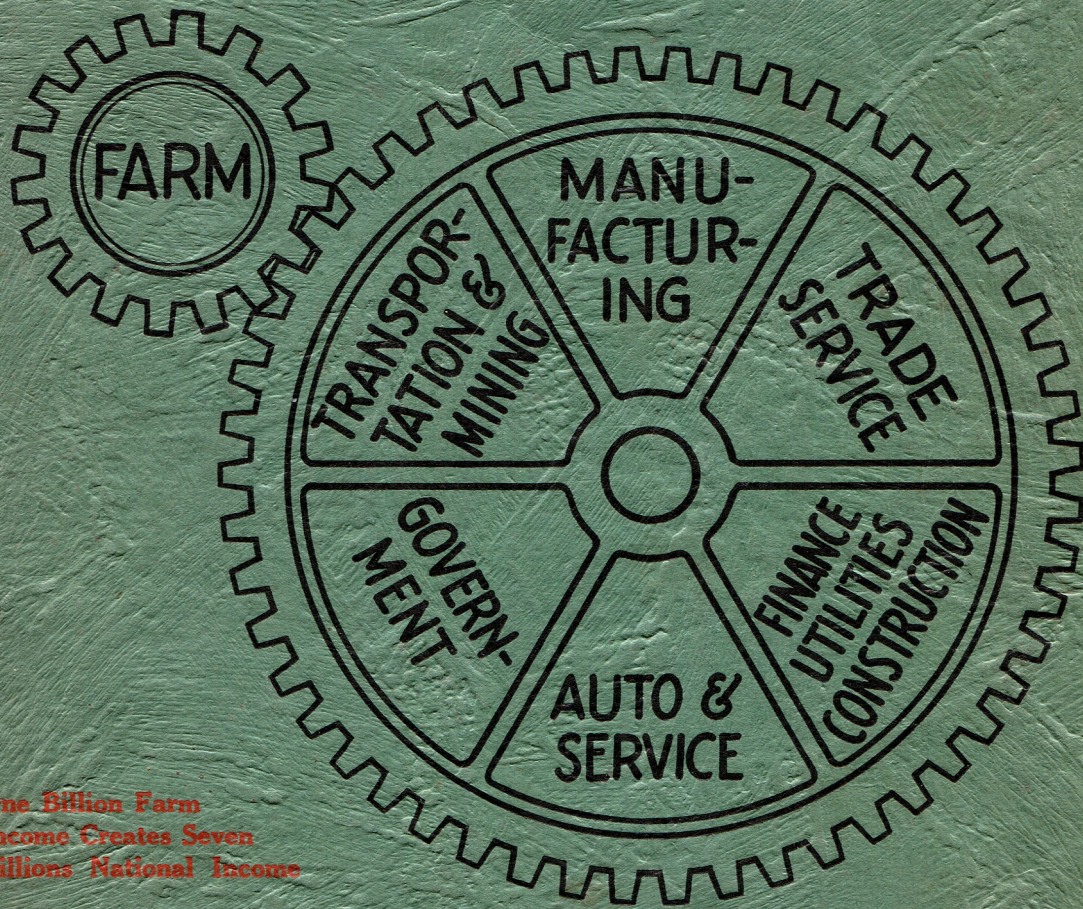
Leaving behind their beliefs, former opinions or theories, they began searching the facts in the economic record of the United States. With this 80 year old publication they laid their discoveries before the reader. Their findings are as relevant and helpful today as they were then. They still have not been refuted: **“If the price of raw materials, at the first point of sale is in balance with the costs of labor and capital in the rest of the economy, you cannot have a depression.”**

*Randy Cook
10 Jan. 2019*

PARITY PRICES • PARITY TARIFFS • PARITY FOR LABOR • NEW INDUSTRIES

PROSPERITY IS WITHIN OUR GRASP

*Unemployment, Mass Poverty, Depression,
Capital Losses and Menace of Socialism,
Can Be Quickly Dissolved in America!*



*One Billion Farm
Income Creates Seven
Billions National Income*

Labor is prior to and creates all capital.—Abraham Lincoln.

All wealth comes from the soil.—Thomas A. Edison.

RAW MATERIALS NATIONAL COUNCIL

203 Trimble Building

Sioux City, Iowa

Acknowledgement



We wish to express our appreciation to the eminent men who contributed so much to the compiling of this record of economic research, data and opinion, and to all who gave so generously of their time and effort as well as their financial contributions which have made this publication possible. We wish, especially to thank the businessmen of Sioux City who, as individuals, have supported the work of the Raw Materials National Council in its studies of our national economy. In compiling this study, we feel that America as a whole can be brought to realize the interdependence of our economy and that a system of balanced (parity) prices is necessary if our form of government and the capital system is to be preserved. Our economic riddle can be solved with the support of our American people in an educational program that will point the way. Any support in the future to make America parity conscious is hereby acknowledged.

RAW MATERIALS NATIONAL COUNCIL.

CARL H. WILKEN, Secretary
203 Trimble Building,
Sioux City, Iowa.

AIR

FARM

FOREST

MINE

SEA



RAW MATERIALS *National Council*

PRESIDENT

J. CARSON ADKERSON
Woodstock, Va.
President American Manganese
Producers Association

203 Trimble Building

SIOUX CITY, IOWA

Jan. 2nd, 1941.

VICE-PRESIDENT

IRVING PARIS
New York, N. Y.
Real Estate and Investments

To Raw Materials Producers
of the Farms, Forests and Mines

**SECRETARY-TREASURER
RESEARCH ANALYST**

CARL H. WILKEN
Wall Lake, Iowa
President Progressive Farmers
of Iowa

Without doubt the material contained in this booklet constitutes one of the most enlightened and compelling arguments ever compiled in behalf of the principle of parity treatment in the matter of tariffs and prices for the raw materials of the American farms, forests and mines as compared with manufactured goods.

DIRECTOR OF RESEARCH

O. L. BROWNLEE
Sioux City, Iowa
Editor and Research Consultant

We respectfully urge every organization representing in any way any of these raw material producing interests to study this record carefully and to marshal their forces promptly to impress upon Congress the importance of enacting these principles into law.

DIRECTORS

H. A. PUMPELLY
Owego, N. Y.
Mine and Land Operator

This record proves beyond contradiction that failure to apply the parity principle in pricing new wealth which we annually produce, is costing the American people at least \$25,000,000,000 of national income which they might have each year.

KARL M. LEUTE
Minneapolis, Minn.
Mining Interests

JESS BRIEGEL
New York, N. Y.
Investments

JOHN NAPIER DYER
Vincennes, Ind.
Director of Public Relations

Intelligent self interest should impel every producer of raw materials, every businessman in America and every laboring man to fight to bring national income up to what it should be because each will then share in the increase.

CHIEF COUNSEL

J. J. O'CONNOR

CHARLES B. RAY
Chicago, Ill.
Industrial Engineer

The Raw Materials National Council is a research and co-ordinating body. They cannot do this job alone. They need the cooperation of every individual, concern and organization interested in obtaining an adequate, stable price for the products of our farms, forests and mines—in other words parity prices.

EXECUTIVE COMMITTEE

JESS BRIEGEL, Chairman
J. CARSON ADKERSON
CARL H. WILKEN

Respectfully yours,

RAW MATERIALS NATIONAL COUNCIL

"THE PRODUCTIONS OF NATURE ARE THE MATERIALS OF ART"

“Prove all things, hold fast to that which is good.”

I N T R O D U C T I O N

Practically all of the trouble now plaguing this distraught world stems from the practice of orthodox principles of economy which are—and always were—false. Overwhelmed by the results of fuzzy thinking, nations and men, grown desperate, seek to rend their neighbors.

This brochure was written for two purposes, namely:

First—To prove the falsity of current economic orthodoxy by stripping away the hocus-pocus about production and money and credits which so long has been employed to conceal the truth about the operations of our collective business affairs, and—

Second—To reveal to men of intelligence and reason the simple, unadorned facts which, when put into practice, will enable the American people to achieve enduring peace, national security and prosperity for every man, woman and child in this republic.

The problems of unemployment and mass poverty can be solved. Our free political institutions can be saved. Not only can the capital system be preserved, but new and seemingly boundless opportunities can be created for its constructive expansion.

The budget can be balanced. Taxes can be reduced. Production can be stepped up. Consumption can be increased. Our educational facilities can be expanded.

Adequate assistance for the aged can be provided. America can be made once more a place of inspiration and hope for the youth of our land.

What the authors of this brochure have set forth and suggested is not wholly new. Neither is it revolutionary in any sense. They deal only with neglected truths and demonstrable facts.

This treatise does two things. It dispels the confusion concerning “wealth” and “value.” It sets raw materials income, labor income and collective income in their proper relationship to each other and thereby reveals the basics for an automatic, self-balancing economy which no amount of orthodoxy or distorted thinking could destroy.

Man is inherently reluctant to abandon fixed notions and long cherished ideals, but the time has come when we must overhaul our thought processes, cast out erroneous convictions and embrace “that which is good”—the eternal verities.

The return of peace to Europe and Asia will bring great strains upon the economy of the whole world. It is highly important that Americans understand their own problem in order that they may render this nation economically secure. A sound and strong America may be the salvation of the world.

We believe that you, after reading this brochure, will agree with us that it is the most challenging array and interpretation of economic facts ever to come to your attention.

Transcriber’s note: Although typographical errors have been corrected and some minor edits have been made to the text, images of the figures, charts and tables are presented as they appear in the original publication (4 of them were “fold-outs”). Responsibility for textual errors now resides with the transcriber. Tabular data may not add precisely but original sources are rare and germane computing errors are less than 1%. Copyright belonged to the Charles B. Ray presentations of 1939 & 1940 (now expired). Raw Materials National Council did not indicate copyright at the original time of publication. This publication: copyright © 2018, all rights reserved, Randy C. Cook & National Organization for Raw Materials (NORM).

Randy C. Cook, 12 Dec. 2018

President, National Organization for Raw Materials (NORM)

www.normeconomics.org

The Economic Riddle and Its Solution

This analysis of the great American economic riddle and the solution herein outlined are the results of four years of intensive research work by the Raw Materials National Council of Sioux City, Iowa. It is a factual presentation of the United States of America as a business. The relationships set out have been checked for a period of two years with leading businessmen and economists of the United States. No one has been able successfully to refute our analysis or conclusions.

The principal argument advanced in the way of a question is where our economy begins. Does it start with industry or the production of raw materials?

We purposely have used the above title for this chapter in order to put the reader on his mettle and to arouse his curiosity.

Our first step must be to get back to fundamentals. A good football coach, with a host of individual stars, must take his players out of the scrimmage line and teach them the fundamentals of blocking and tackling if he wishes to have a strong team.

In like manner, the people of our nation are not lacking in education and intelligence, but they do require a course in common sense and arithmetic, the foundation of all government and economy.

We Americans have become groups of specialists and have failed to realize that each group is interwoven with every other group in an indivisible economy, all multiples of the complete economy of the United States.

As special interests or groups gain advantage over another group, they immediately find that other elements of our economy, those which furnish the markets, do not keep pace with them in the consumption of goods and they all fall back together in what is usually called a depression. In fact, a depression is nothing more than an unequal balance between groups.

In this discussion we shall limit ourselves to the use of common sense and arithmetic. We are not creating any temporary emergencies and shall confine ourselves to the factual record.

So Much That Isn't True

From our research work it would appear that the answer to the economic riddle has been obscured by a lot of theory and political philosophy which never has worked in practice—as proved by the present dilemma.

Removing all the theory, we find that the financial measure of our economic welfare, whether individual, corporate or governmental, consists of adding up two columns of figures—*income* and *disbursements*.

Regardless of what our theories may be these two totals tell the story of our economic well being.

Income consists of primary bartering power, which is created by the production and sale of the materials of new wealth—the things which we obtain from the earth, the farms, forests, mines and seas—and earned income, which is derived from wages, interest and profits.

Disbursements include everything on the “outgo” side of the ledger, whether in the accounts of an individual or government. Even the wages and salaries of those in public service must be regarded as disbursements since public employees actually are not producers of wealth.

The amount of primary bartering power, or primary income, depends upon two things—the number of units produced and the price received for them by the producer. In the processing industries and professions, the amount of income is governed by hours or days of labor times the rate of pay for services rendered, or fees in the case of professions.

It is therefore fundamentally necessary that the total annual production of goods and services rendered, times price, plus wages, interest, fees and profits, must create an income large enough to pay for all the costs of operating the nation as a business. The total must pay the costs of all government; pay the cost of producing raw materials and for their processing and distribution. Otherwise we cannot have a sound, solvent economy.

With this simple approach, let us examine the situation of the United States of America in order to solve the problem that confronts us.

Vast Potential Market

We have a nation of 132,000,000 people, an abundant supply of raw materials, ample factories, splendid systems of transportation and plenty of labor—all the fundamentals of prosperity.

Yet, we find that one-third of the population is doing without the actual necessities of life and the other two-thirds are doing without things that they would like to have—a huge potential market that is not being filled. Why?

Because the people do not have the purchasing power, or, in other words, the income in terms of dollars with which we measure the value of goods and services.

Our primary problem, then, is to put more dollars in the hands of consumers. This can be done only by increasing the number of units of production, and by

increasing the price of the things produced; and, of course, by increasing wages, fees, profits, interest, etc., which supply purchasing power.

We do not actually lack money. We normally transact all of the business done in the nation with from \$6,000,000,000 to \$8,000,000,000 of currency. It is credit that counts, and the United States has the largest reservoir of credit that any nation ever had.

Recently, Carl Snyder, in a book entitled "Capital the Creator," implies that production is the result of capital, whereas the reverse is true.

Capital is not the creator and never has been. Labor is basic, and the production of raw materials by labor came before money or capital, as we call it, was invented. People can live without capital, but they cannot live without real wealth.

If we had a reservoir full to the brim and our people were doing without water, we would apply common sense and arithmetic. We would make a survey of the water main and locate the trouble. If an obstruction prevented the water from circulating, we would remove it. If the pipe leading from the reservoir were too small, we would replace it with one big enough to carry more water.

Having plenty of money in our financial reservoir reduces our problem to one of drawing the money from the reservoir in proper proportions, allowing it to circulate through the channels of trade and then flow back into the reservoir.

Henry Ford recently said, "What the country needs is a new financial motor." We shall point out how this is possible and at the same time fundamentally sound.

Bringing Out the Money

How can we withdraw money from the reservoir soundly? The method now being used to increase the flow is by Federal borrowings and expenditures. The government, having no earning power, can spend only what is taken from its citizens through taxation, or through federal borrowings, thus increasing the national deficit. Federal borrowings have been of temporary value, but adding to the national debt eventually will lead to bankruptcy in the same way that expenditures beyond income lead to bankruptcy for the individual. Therefore, federal expenditures of money borrowed from the reservoir are unsound and solve nothing.

The sound method of drawing money from the capital reservoir is by the annual production and sale of goods and services. In other words, earning it.

Using a bushel of corn as an example, or it might be any other form or unit of new wealth, when the producer takes it to market the first step in our system

of distribution takes place. The elevator operator, ready to buy the grain, is equipped with capital created through the years of our expanding economy and the savings of our people. With his capital he helps to make up, and is, part of the reservoir of credit dollars.

If the price of corn is 80 cents per bushel, he draws 80 cents out of the capital reservoir and pays the farmer for the corn. The producer has earned the 80 cents through production and it is new money offsetting the bushel of corn in our economy. It does not have to be repaid by the producer. If the price is only 40 cents, the elevator operator draws out only 40 cents, and simple arithmetic tells us that the flow of money from the reservoir in that case is just half as large as when the corn is priced at 80 cents.

Compare this with the resale by the elevator operator. When he gets his check, he must first restore the 80 cents to his capital structure, leaving for him his margin or service charge.

The farmer spends his 80 cents, for example, with the grocer and the grocer has 80 cents of income with which to pay his overhead and reorder from the wholesaler, who in turn has income to buy from the manufacturers. This gives us a picture of how the agricultural dollar, passing from hand to hand, duplicates itself and its purchasing power.

Relationship of Income Group

From our research work and study of the national economy we set up a formula three years ago which we call "1-1-7," meaning that each dollar of agricultural income translates into one dollar of factory payrolls and a grand total for all groups of seven dollars in national income or purchasing power.

(In using the gross agricultural income, as compared to gross national income, it is necessary to take an average of about 20 years because of the violent fluctuation of agricultural prices and national income. Using the 20 year period, from 1921-1940 inclusive, the average relationship will be approximately 1-1-7.)

Charles B. Ray of Chicago has checked this ratio by using the net cash agricultural income, as compared to the net earned national income, and obtains the same ratio of 1-7, grouping the seven parts as follows: 1—Agriculture; 2—Manufacturing; 3—Trade and Service; 4—Finances, utilities and construction; 5—Automobiles and Service; 6—Government; 7—Transportation.

A similar definite ratio exists between all raw material income, adding mining, etc., to agricultural income, and national income at approximately 1-5, using gross in both cases.

The following table illustrates the relationship:

Statistical Record of the Operation of Our National Economy

	Gross Agric. Income (Millions)	Factory Gross Payrolls (Millions)	National Income (Millions)
1921	8,900	8,300	62,300
1922	9,900	9,100	61,100
1923	11,000	11,000	59,200
1924	11,300	10,500	71,900
1925	12,000	10,800	76,500
1926	11,500	11,400	80,200
1927	11,600	11,200	82,900
1928	11,700	11,300	84,100
1929	11,900	11,700	81,100
1930	9,500	9,600	75,400
1931	7,000	7,000	63,200
1932	5,300	5,200	48,800
1933	6,400	5,500	44,200
1934	7,300	6,800	50,400
1935	8,500	7,600	55,800
1936	9,500	8,800	63,900
1937	9,800	9,300	67,500
*1938	7,500	7,800	54,100
Total	\$170,600	\$162,900	\$1,182,600

*Preliminary estimates for 1938.

Average relationship of Agricultural income to National 1-6.93 or approximately \$1 of Agricultural income to \$7 of National income. It is interesting to note that in 1926 the only year since 1800 that commodities and the dollar had a relationship of 100, that the relationship is 1-6.97, very near the 18 year average.

Average relationship of gross Agricultural income to factory payrolls is 1-.95 or approximately equal 1-1. In 1926, the year of full parity, the relationship was 11.5-11.4, or almost exactly 1-1.

Average relationship of all raw material income to National income 1-4.95 or approximately 1-5, with the relationship in 1926, the year of parity, 1-4.92, or almost a direct 1-5, turnover of the money drawn out of the capital structure by the sale of raw materials.

With the definite relationship of Agricultural income, all raw material income and factory payrolls to National income it makes it possible to operate our National economy on the same actuarial basis that we operate Life Insurance Companies. Using the commodity index as a guide we can determine the price for basic materials in direct proportion to the National income required to operate the nation as a business.

It is interesting to note that if we had maintained a parity price for our agricultural products or an annual gross Agricultural income of \$11,500,000,000 in the years 1930-1938 inclusive, the sale of these products would have represented a total increase in farm income of \$32,700,000,000. With the 7 times turn of the agricultural dollar, our National income for the last nine years would have been \$228,900,000,000 greater than the actual income received.

With this increase our average additional income per year for the nine years would have been \$25,633,000,000. With that additional income labor would have been employed. Federal borrowings would have been unnecessary and we would not have had a depression. We had the real wealth but failed to mark the price properly.

Complete figures for 1938, 1939 and estimates for 1940 will not change the ratios materially.

The next question that we have to answer is: Just where does our economy begin? Does national income come first? Do factory payrolls come first? Does agricultural income start the procession?

Prosperity Starts on the Farm

The records of the various groups show clearly that agricultural income is the governing factor in our economy. It leads factory payrolls, the yardstick of factory production, up and down under normal changes of volume and price levels at intervals of from three to six months.

Common sense and logic should prove the point without charts.

In the first instance, farm products amount to 70 per cent of all raw materials, or new wealth, produced each year. In contrast to other raw materials, farm crops represent almost complete obsolescence each year. A beefsteak cannot be consumed more than once, and natural causes such as mold, rot, etc., tend to help create a new market from day to day.

Second, we have a constant "tummy" urge or demand for food that is created by nature. The average per capita consumption of food is about 1,500 pounds per year.

Third, 54,000,000 people live on farms and in the small rural towns. Their buying power depends directly on the number of units of farm products produced times the price per unit received by the producer. A 50 per cent cut in agricultural prices immediately is reflected in reduced consumer buying power and reduced factory output and unemployment.

Fourth, farm labor and plants which process farm products show only a slight decline in employment when agricultural prices fall. For example: flour production and meat slaughter in 1932 were almost the same as in 1929 while the production of automobiles dropped from 4,500,000 in 1929 to 1,250,000 in 1932.

Food products are necessary, regardless of financial conditions, and low prices do not materially affect consumption of food, but low agricultural prices curtail the initial flow of money from the capital reservoir, which is reflected in reduced purchase of goods and services of all kinds.

To emphasize the importance of the 1-1-7 ratio let us now apply it to the bushel of corn at 80 cents. We have 80 cents of farm income, 80 cents for factory payrolls, and \$5.60 of national income.

With the price at 40 cents per bushel we have only 40 cents of farm income, only 40 cents of factory payrolls and only \$2.80 of national income from each bushel of corn. Thus we lose \$2.80 of collective buying power when we allow corn to drop from 80 cents to 40 cents per bushel.

Applying this income relationship to an average corn crop of 2,500,000,000 bushels, we get a picture of the huge loss that occurs. At 80 cents a bushel the average crop would yield \$2,000,000,000 in farm income, \$2,000,000,000 in factory payrolls and \$14,000,000,000 in national income.

At 40 cents per bushel for corn farm income drops from that source to \$1,000,000,000, factory payrolls to \$1,000,000,000 and national income to \$7,000,000,000, or a loss of \$7,000,000,000 when compared to corn selling at 80 cents per bushel.

Facts from the Record

In case you refuse to believe that such a loss actually takes place, we give you a comparison of two actual years of operation of the United States as a business.

Below you will find the production of basic grains and meats, and income for the years 1928 and 1932.

Production

1928—5,333,000,000 bushels of oats, wheat, rye, barley, flax, corn.

1932—5,253,000,000 bushels of oats, wheat, rye, barley, flax, corn.

1928—17,007,000,000 pounds of beef, pork, mutton, veal.

1932—16,800,000,000 pounds of beef, pork, mutton, veal.

Income

	Farm	Factory Payrolls	National
1928	\$11,700,000,000	\$11,400,000,000	\$82,000,000,000
1932	<u>5,300,000,000</u>	<u>5,200,000,000</u>	<u>*39,000,000,000</u>
Loss \$	6,400,000,000	\$6,200,000,000	\$43,000,000,000

*After deducting \$9,000,000,000 of capital losses.

The above statement is not theory, but the actual record of two years of operation with almost the same physical production.

The records of the Department of Agriculture show that in 1928 we had a net import of \$267,000,000 of farm products. That fact precludes the thought of any surplus resulting in 1932 from a loss of export trade.

Consumption records show that in 1932, with 10,000,000 to 12,000,000 unemployed we were able to consume all but 148,000,000 pounds of the meat produced. That's just about one good beefsteak per person. Surely the 148,000,000 pounds didn't cause a surplus large enough to result in a loss of \$43,000,000,000, or almost four times the value of the entire farm crop in 1940!

Some Facts About Cotton

An interesting fact in regard to our most important exportable crop, cotton, is that we had a larger export from a smaller crop in 1932 than we did in 1928. Yet, the price dropped from 20 cents per pound in 1928 to 7 cents in 1932. It was low prices, not over production, that caused the depression. The record does not disclose any over production.

Low prices depressed farm income, thus curtailing buying power for factory products, other than food, with resulting unemployment.

Had farm prices remained the same in 1932 as in 1928, the loss of income could not have been more than approximately 1 per cent, about equal to the decrease in physical production.

During the last eight years, because we have not maintained the average price for farm products that prevailed in the parity period—1922-1929 (average 1926)—the United States has suffered a loss of \$250,000,000,000 in

national income and the output of 10,000,000 to 12,000,000 men who have been on the relief rolls. And in addition to that we have taxed ourselves and mortgaged future income to the extent of \$25,000,000,000 to \$30,000,000,000.

Income 75 Per Cent of Parity

Actually during the past eight years agricultural income has averaged approximately 75 per cent of parity. And because the primary bartering power created by agricultural production has been only 75 per cent of parity there has been only 75 per cent of a full demand for other raw materials, labor has been only 75 per cent employed (working part time or wholly idle) and collectively the American people have had only 75 per cent of the national income which they would have had under a full parity economy.

One would not expect a business man to succeed if he marked the price of his stock of goods at 75 per cent of what he should receive for them in a normal competitive market, or if he chased 25 per cent of his customers out of his store. We know that under such circumstances he would ultimately face a commissioner in bankruptcy or a sanity commission. Yet that is a close approximation of the manner in which we, the people of these United States, conduct our collective business affairs.

It is plain, therefore, that the agricultural problem is the No. 1 economic problem of the country because, directly and indirectly, it affects the economic welfare of every citizen in the land.

Three Steps to Prosperity

The solution of the agricultural problem is not the complex and highly involved matter that the politicians of all parties and the orthodox economists make it appear to be. On the contrary, it is quite simple. Three definite and distinct steps are indicated, to-wit:

1—Agricultural prices and industrial prices must be brought into balance by basing them on a common index, preferably that of 1926.

2—The parity thus established must be protected by means of tariffs geared to the same index to prevent foreign products from coming into the United States and underselling products of domestic origin, thereby breaking prices in the home market.

3—New industries must be encouraged to consume for non-food and non-fabric purposes any surpluses of agricultural raw materials not needed for human consumption or which cannot be sold in the world markets, and to absorb industrial labor rendered idle by technological improvements in industry.

By gearing our pricing and tariff systems to a common index and by expanding industry to meet the needs of a growing society, the United States can, within a period of two years, achieve a national income of \$100,000,000,000 per year. Such an income would be sufficient to provide work for every employable citizen and provide a base for taxes sufficient to meet every normal need of the federal government and the state and local governments.

It is within the scope of reason to believe that the 1-1-7 income relationship represents the most important recent discovery in the field of economics, if not actually the most important in the history of the world.

Disolves Hokum About Money

The late Arthur Brisbane said many times in his newspaper column "Today," "No one seems to understand money, but I do not see why a nation should have to borrow money."

National borrowing in times of emergency such as pestilence, drought, or other forms of disaster is necessary and justified, but in normal times it should not be necessary for the government to go into debt.

Under a system of economy whereby prices and tariffs are based on a common index it is possible to draw from the reservoir a supply of money sufficient to provide enough primary bartering power to yield an annual income ample to meet every need of society. When the proper amount of primary bartering power is supplied by the sale of raw materials, the turnover of the capital thus created, as it flows through the channels of commerce, will yield a sum actually seven times greater than the sum drawn from the capital reservoir by the sale of agricultural raw materials.

It is possible to operate the national economy with a degree of exactitude comparable with the manner in which a life insurance company is operated. When average production can be determined, when the number of times the raw materials or new wealth dollar will turn over in commerce is known, and the price point at which the maximum volume of goods will exchange is parity we have a sound formula upon which to base our collective business operations.

Under such a formula there can be no mystery about the functioning of money or the operations of credit. Money then would become a true and unvarying measure of value. Credit operations then would be sound because

they would be based on known values determined by scientific mathematical calculation.

We Must Go Back to Fundamentals

Subsection 5 of section 8 of the Constitution of the United States authorizes Congress to "coin money, regulate the value thereof, and of foreign coin, and to fix the standard of weights and measures."

Congress has fixed standards of weights and measures which never vary. But Congress has failed, especially in recent years, to regulate the value of money in terms of goods as it is empowered to do.

The third act of the First Congress was a tariff law, the purpose of which was not to protect infant industries but to prevent cheap foreign goods and debased foreign currencies from determining the value of American money in terms of goods, commodities, labor, etc.

Many members of that First Congress had been members of the constitutional convention. They understood the purposes of the founding fathers. They knew that the intent of the constitution was to establish a parity economy. They knew that economic equality and justice were essential to the preservation of political equality and justice.

Parity simply means giving value to money in the form of goods and commodities—units of wealth—not in giving value to these essential things in terms of money.

Parity means balance — equal exchange value — without which one party to a transaction is certain to be "short changed."

If two persons engage in a series of ten transactions and one has a 10 per cent advantage over the other each time, the favored party will have all the money or property and the other will be bankrupt after the tenth transaction.

Results of Disparity

That simple illustration, multiplied many million fold, explains what has transpired under the disparity price system which has been practiced so long in the United States.

It explains why one-third of our population live in a state bordering on beggary and why the great middle class is on the point of being wiped out.

« "Parity Prices, Parity Tariffs and New Industries is the Solution of Our Economic Riddle" »

Parity Prices

Parity Prices Means a Hundred-cent Dollar—But the United States Has Had a Hundred-cent Dollar Only Twice in History.

No where would it be possible to find a more graphic review of the economic history of the United States than is set forth in the exhibit occupying the lower part of this page. The graph explains how and why so much of the wealth that has been created in America has been siphoned from the hands of the producers of raw materials to the hands of others. Because production of new wealth has expanded constantly, primary bartering power, regardless of price per unit, has been sufficient to provide markets for our greatly expanded industrial output. The chart reveals that we have not had a parity exchange value for goods and commodities except during limited and widely separated periods. We have not had equitable distribution of the benefits of production. We cannot have equitable distribution under such a disparity pricing system. Production of new wealth has leveled off in America, hence there is no relief from permanent depression in sight except to bring prices of commodities and industrial goods into balance by use of the common index pricing system.

To determine parity prices as of today, a commodity index reflecting the average weighted price of industrial goods is compared with either the 1910-1914 or 1922-1929 index. When applied to agricultural products, it is possible to determine the price at which such products should sell to have the

same purchasing power they had in 1910-1914 and 1922-1929, when parity prevailed.

At the present time the Department of Agriculture estimates this price at approximately 82.2 cents per bushel for corn. Other comparative prices are \$1.16 for wheat, 16-17 cents for cotton, \$9.50 per cwt, for hogs, etc.

EXHIBIT



What the Senate Committee on Agriculture and Forestry Said

(Report No. 1925, Calendar No. 1347, 75th Congress, 2nd Session)

“The farm problem is a price problem. First, the price which the farmer receives for his products, and, second, the price he has to pay for the things he has to buy. . . . The farm dollar fluctuates the most widely; hence is the most unstable dollar any group has to contend with.”

The graph on the opposite page is reprinted from page 15 of the above entitled document.

Quoting further from the same report (page 14):

“The record shows that since 1800 the value of the dollar as measured by wholesale commodity prices, has fluctuated as follows:

“In 1800 the dollar was valued in commodities at 100 cents.
 “In 1812 the dollar was valued in commodities at 155 cents.
 “In 1830 the dollar was valued in commodities at 66 cents.
 “In 1860 the dollar was valued in commodities at 61 cents.
 “In 1865 the dollar was valued in commodities at 132 cents.
 “In 1880 the dollar was valued in commodities at 59 cents.
 “In 1896 the dollar was valued in commodities at 46 cents.
 “In 1919 the dollar was valued in commodities at 154 cents.
 “In 1926 the dollar was valued in commodities at 100 cents.
 “In 1932 the dollar was valued in commodities at 65 cents.
 “In 1937 the dollar was valued in commodities at 81 cents.”

And in 1938, after making that statement, Congress enacted the Pope-McGill bill which seeks permanently to bind the farm price level at 52 per cent of the 1926 price level, or parity.

Parity Price Not Price Fixing

Many people jump to the conclusion that parity means price fixing. That is not true. Parity means price balancing. The commodity index is established by the competitive selling price of finished goods. It fluctuates, up or down, as cost factors enter into factory operation and as competitive buying regulates the price.

Prices of farm products and living costs would rise and fall with changes in the index. Any price fluctuation that occurred would be slight and in normal times prices would be practically constant.

During the 1922-1929 period, for instance, prices ranged from 97 per cent to 104 per cent of parity.

With an adequate flow of money, increased volume would offset any material rise in raw material costs.

Effect on Living Costs

Living costs would not rise in ratio to farm commodity prices and the increased national income would be largely spent for goods other than food, thus taking up the slack

in the industrial employment situation.

For example, from 1929 to 1932 farm prices declined 55 per cent, but general non-farm industrial prices declined only 25 per cent, while total cost of living declined only 22 per cent.

In the recovery period, on the upgrade to 1937, farm prices rose 86 per cent from the low levels of 1932. Retail goods and clothing prices rose only 25 per cent, and the general cost of living rose only 15 per cent; however, cash farm income and the national income almost doubled from 1933 to 1937. These are typical movements of these factors.

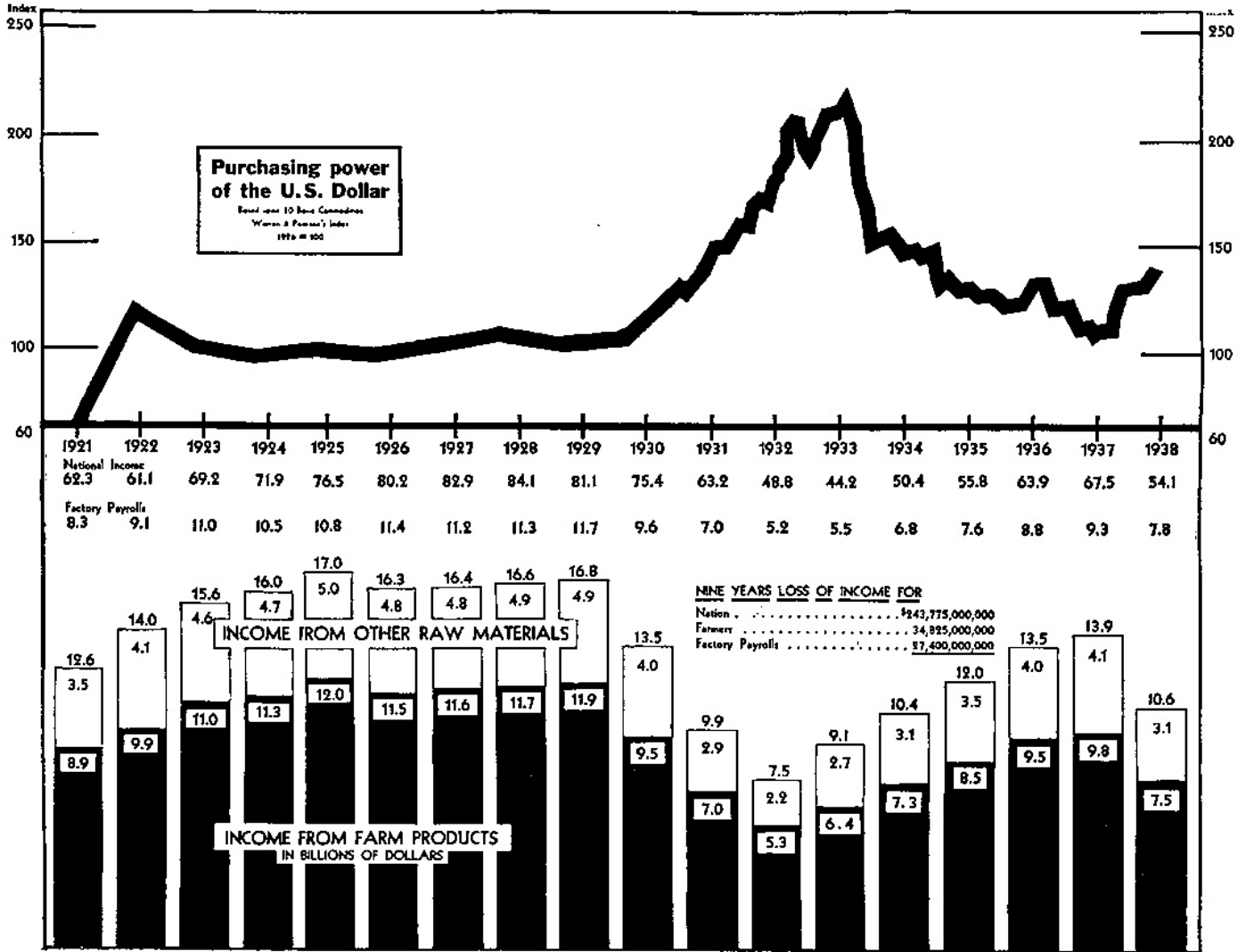
It is safe to say that a 20 per cent increase in farm prices would not increase living costs more than 7 per cent.

The chart on the following page was prepared by New York State Conference Board of Farm Organizations—Farm Bureau, State Grange and other affiliated organizations.

Why the Nation Is in the Red

The graph reveals how nearly normal or, at the point of 100, the commodity index, as compared to the dollar, ran from 1922 to 1929.

Note also how the actual income from all raw materials remained quite stable during that period. 1922-1929 average 100 (1926).



What Bank Clearings Reveal

Further evidence of the accuracy of parity is revealed by a comparison of bank clearings for Sioux City, Ia., and St. Paul and Minneapolis, Minn.

Bank Clearings in St. Paul, Minneapolis, and Sioux City

	St. Paul	Minneapolis	Sioux City
1922.....	\$1,593,657,574	\$3,369,000,000	\$290,854,000
1923.....	1,805,224,835	3,677,000,000	324,276,000
1924.....	1,617,454,198	4,025,843,310	333,556,000
1925.....	1,631,459,933	4,462,950,450	367,858,000
1926.....	1,617,454,198	4,110,311,738	336,873,000
1927.....	1,556,483,398	4,094,562,452	324,686,000
1928.....	1,626,311,125	4,419,614,371	360,969,000
1929.....	1,437,575,406	4,705,231,843	362,277,000
Total	\$12,882,000,000	\$32,862,000,000	\$2,701,349,000
Average	\$ 1,610,000,000	\$ 4,107,000,000	\$ 337,681,000

1932.....	\$768,083,756	\$2,438,597,703	\$119,261,000
1933.....	759,852,910	2,518,077,097	99,753,000
1934.....	1,034,463,067	2,704,320,377	129,679,000
1935.....	1,171,034,947	3,044,735,369	147,043,000
1936.....	1,289,777,170	3,336,540,863	174,556,000
1937.....	1,348,159,285	3,686,111,280	164,903,000
1938.....	1,257,865,021	3,256,314,638	166,076,000
1939*	1,300,000,000	3,400,000,000	185,303,000

Total.....	\$ 8,827,000,000	\$20,981,000,000	\$1,186,574,000
Average.....	\$ 1,116,000,000	\$ 3,047,000,000	\$ 148,321,000

*Estimated. (Other figures from Federal Reserve.)

Loss in 1932-1939 as Compared to 1922-1929 (Parity)

Annual Loss—St. Paul	\$ 494,000,000
Annual Loss—Minneapolis	1,060,000,000
Annual Loss—Sioux City	189,360,000
Combined Loss of Twin Cities (8 years)	12,432,000,000
Loss in Sioux City (8 years)	1,514,880,000
Loss per year in St. Paul and Minneapolis.....	1,554,000,000

During the period 1922-1929, the average was almost the same as 1926, usually used as a base of 100.

It is amazing that an area such as the Twin Cities, St. Paul and Minneapolis, would take a loss of \$12,500,000,000 in eight years without someone doing something about it. Twelve billion five hundred million dollars is a lot of money.

Increase the bank clearings of those communities an additional \$1,500,000,000 annually by means of parity prices and their unemployed will go off the relief rolls in no time.

The same thing applies to every other community in the 40 states which depend primarily upon the money received from the production and sale of raw materials, products of new wealth.

Orders Await Buying Power

Give the residents of these 40 states buying power by placing an adequate—parity—price upon what they produce and the factories and labor of the eight great

industrial states will be taxed to capacity to supply the orders for goods and services that would flow in.

Arithmetic is an exact science and no amount of theory can disprove the record of what has transpired in the clearing houses of the three cities cited as examples. Pages could be filled with comparable records of what has transpired in every city in the land.

Parity—or the lack of parity—is accurately reflected in the total business done by each community and by all communities in the nation. How long can Americans afford to neglect their business in this manner?

It is clear that the American people must reorganize their economy according to the fundamental principles laid down in the charter of our government which was designed to yield economic liberty as well as political and civil liberty. The pattern is there in the constitution and in the law for us to follow. We do not have to embrace new isms or principles nor turn to new and strange gods.

Parity Tariffs

To maintain parity prices there must be a system of flexible parity tariffs to protect such a price level. Parity tariffs are not high or low tariffs, but equal tariffs; the same protection for all groups.

The tariff issue has been used as a political football to win elections. All tariffs should be mathematically adjusted with the use of the same commodity index that is used to determine prices.

At the present time tariffs are adjusted by mentally dishonest Congressmen who talk glibly of free trade, but insist on high tariffs for products produced in their own district.

To get the proper significance of tariffs, we should spend a few minutes reviewing the fundamental economy of the United States.

Our forefathers drafted the Constitution to provide for our civil, religious and economic freedom. To provide for the latter, they gave Congress the power to issue money and regulate the value thereof. They realized that we must be able to control the value of the American dollar if we were to retain our economic freedom, the foundation of civil and religious freedom. As proof of their wisdom, the world of today shows that loss of economic freedom ends in a receivership called dictatorship or a totalitarian form of government.

Our forefathers also realized that they could not regulate the value of our dollar in domestic commerce unless they could protect the price of goods and services. Therefore, the first session of Congress, the third act, passed a tariff act as a monetary measure and not as a

barrier against foreign trade.

Tariffs, therefore, are a fundamental part of our economy if we are to have a domestic dollar free from foreign manipulation. When Congress passed the Reciprocal Trade Agreement Act and lowered our tariffs below the parity price level, they turned over our economic liberty to the international manipulators of money and prices.

Since a 5% increase in our domestic buying power is equal to all our foreign trade our first concern is our domestic price level. Parity prices protected by parity tariffs should give us our maximum domestic and foreign trade. This is borne out by the fact that the period 1922-1929 was the era of the greatest peace time foreign trade in the history of the United States.

As a simple example: in the years 1935-1939, we imported on the average of 320 million pounds of hides while in the period from 1925-1930 (parity) we imported 447,000,000 pounds and were able to use them with a greater buying power which in turn depends on units of production and services times price.

Abraham Lincoln said all there was to say about foreign trade in one paragraph when discussing the purchase of rails from England, "If we buy the rails from England, they will have our money and we will have the rails. If we produce the rails ourselves, we will have both the money and the rails."

But, the proof is in the pudding. With a tariff as part of our fundamental economy, in a little over 150 years

the United States has grown from a small group of colonies until at the present time we do half of the business of the world within our own borders.

Compare this to the condition of India and China, both much older nations operating on a free trade philosophy. And yet, we persist in turning our back on the economy that made us great to embrace a philosophy of theoretical free trade that has never brought freedom to a nation, has never helped to preserve world peace and will not only drive us into bankruptcy, but will engulf our nation in an attempt at International Socialism that will force us to accept the low living standards of peon labor.

With the 1-7 turn of the farm dollar, every farm product imported at one dollar less than parity will mean a further loss in domestic buying power resulting from the turn of the domestic dollar in our own trade channels.

Our foreign trade is such a minor part in our trade total that we could afford to give foreign nations the goods that we export rather than have less than parity prices in the domestic market.

Our annual loss per year since 1930, because of less than parity prices, has been 25 billion in national income as compared to an average of about three billion in exports.

If an American business man could do 98% of his business at his normal profit margin, he would be willing to charge the other 2% to profit and loss. In the same manner, the United States, which is 98% self-sufficient in production and consumption, could afford to dump the 2% into the ocean, and charge it to profit and loss in exchange for parity prices which represent the normal domestic profit level.

If we were to suddenly acquire the vision of parity prices, we would become world leaders in economy and finance.

Let us take a look at the future with parity prices as a possibility.

With 132,000,000 people we are doing half of the world's business while 2,000,000,000 people in the rest of the world do the other half.

If the United States would increase its volume by 25 billion dollars, resulting from the increased national income from parity prices, one-half of the world's business would immediately be prosperous. Our parity price could become the world price. With other peoples receiving higher prices for their raw materials, they would have increased income; increased turnover of money; increased buying power and increased consumption. As they increased their production, they would start upward toward the American levels.

To reach our level, world production would have to be increased five times. It gives a potential for expansion of capital and labor that is beyond the human mind to conceive. This is especially true in a world with a surplus complex when the facts show that everyone is suffering from scarcity.

Our economists have developed a complex of calling goods non-competitive and competitive. There are no goods which can be classed as noncompetitive. In our economy of today, a five-gallon can of gasoline is competitive with food products.

With all goods competitive, any import is directly or indirectly competitive.

Our imports of farm products in 1939 displaced 65,000,000 acres of farm crops that could have been produced on our own soil.

We do not object to the imports as a physical unit because the important damage is from the effect they have on our price level. For example: in 1939 we imported approximately two billion pounds of fats and oils or the equivalent of all the lard from the entire hog crop of 1939.

With the buying power at parity, these imports would not create any great problem. In fact, we would need an additional production of another one and a half billion pounds to take care of our domestic needs.

A return of prosperity with the increased use of paint oil would offset the imports of oils that we now have. Many other items could be given for an example, but for brevity's sake we ask you to get the rest of the picture by an examination of the import chart.

BASIC FACTS CONCERNING THE TARIFF SYSTEM

There is widespread misunderstanding of the purposes and operations of the American protective tariff system. As conceived by the original advocates of tariffs, and the authors of the first tariff legislation, there is everything to be said in favor of the protective system.

Unfortunately, however, the tariff system has been abused. Selfish interests have induced Congress to enact laws which permitted them to price their products out of all proportion to parity or reason. The politicians have been willing to do this because, more often than not, these privilege seeking interests were large contributors to their campaign funds.

As explained under "Parity Tariffs," the real purpose of the protective tariff was to prevent the products of cheap foreign origin from coming into the United States and setting a value on the American dollar in terms of goods.

Such legislation was absolutely necessary then, and it is necessary now, in order to protect the value of the dollar and to preserve the American market for the American manufacturer and the American industrial worker.

But in order to be fully effective tariffs must be worked out with due consideration for all interests within the nation in order that a proper price balance shall be maintained. Without such proper price balance the maximum exchange of goods cannot be achieved.

America suffers today from the long continued disparity between the prices of raw materials and finished goods, a disparity which is at least in part traceable to the mess we have made in setting up tariff schedules to serve special interests.

The manufacturer, being able to control the output of his plant, is enabled to enjoy the full benefit of the protective tariff on every item he sells in the domestic market. Often, as we know, his profits on his domestic business have been such that he was enabled to sell some of his products abroad for considerably less than the price he charged his American customers.

But the raw material producer, especially the farmer, has not been able to emulate the city business man. The tariff never has worked for the farmer as it has for the manufacturer. So long as the farmer produced a surplus which he had to export such surplus necessarily sold in the speculative markets of the world. That speculative price in turn set the price at which the farmer's entire crop sold in the domestic market.

For instance, at the base of the slump period, around 1932-1933, there was a tariff of 42 cents per bushel on wheat but wheat sold in the middle west for 30 cents per bushel. There was a tariff of 25 cents on corn but the price of corn got down to 9 cents per bushel in Iowa in the winter of 1933. Naturally the American farmer was not bothered by competitive imports when such prices prevailed; it was competition with his neighbor that got him down in those circumstances, plus the fact that the world price on his exportable surplus determined the value of every unit of corn, wheat, etc., that he produced.

The statistical record shows that the current depression so far as the farmer is concerned has been a senseless, unnecessary tragedy. This country has actually been on a net import basis with respect to agricultural products for more than 15 years, the record reveals:

Year beginning July	Agricultural Exports*		Agricultural Imports* Excess of agricultural imports	
	Value 1,000 dollars	Re-exports 1,000 dollars	Value 1,000 dollars	1,000 dollars
1925-26	1,891,739	75,162	2,529,775	562,874
1926-27	1,907,864	72,222	2,281,421	301,335
1927-28	1,815,451	73,391	2,193,868	305,026
1928-29	1,847,216	63,942	2,179,046	267,888
1929-30	1,495,907	50,670	1,890,508	343,931
1930-31	1,038,034	28,791	1,163,054	96,229
1931-32	752,145	22,692	834,238	59,401
1932-33	589,653	14,763	611,688	7,272
1933-34	787,259	21,227	861,762	53,276

*Does not include forest products, but includes rubber now mostly a plantation product.

Beginning with the 1925-1926 fiscal year we imported \$562,000,000 more of farm products than we exported. Every year since 1925 up to the present time our imports of farm products have exceeded our exports. A tabulation of imports from 1935-1939 in this booklet shows an average of \$666,000,000 per year during that period.

For the past five years excess of imports over exports has averaged about \$666,000,000 per year—approximately equivalent to the total agricultural income of the states of Montana, Wyoming, Idaho, Utah, Nevada, Colorado, New Mexico and Arizona.

These disparities between raw materials and manufactured goods long have enabled eastern industrial and financial interests to siphon from the hands of the original producers of the new wealth a large part of the money which they received for their products.

This was not such a serious matter so long as the country was growing and those who profited by these disparity transactions reinvested their profits in new American enterprises, such as the railroads, the steel industry, the automobile industry, other enterprises which created employment, and while agricultural expansion continued at a pace so great that volume offset price in the final consideration.

The domestic situation has been greatly aggravated by the effort which has been made since 1934 to destroy piecemeal the whole tariff system. This has been done under the grant of authority contained in the so-called Reciprocal Trade Agreements Act of 1934 under which reductions have been made that greatly increased the disparity between raw materials and factory goods in the American market.

This has been done on the assumption that "in order to export we must import," which is an economic fact capable of being distorted to cruel proportions.

The net effect of this policy has been to let into the country vast quantities of raw materials, including farm crops and substitutes for farm crops, timber products, minerals, and other competitive commodities which have displaced American products and disemployed American labor.

The only beneficiaries of this system of international trading have been the manufacturers whose products have largely gone into the rearmament or to increase the industrial and agricultural production of nations outside the western hemisphere.

There has been no compensating increase in employment in these mass producing industries to offset the disemployment in the raw materials industries caused by such imports as we have let come into the country.

We have deliberately curtailed domestic production and domestic labor and therefore we have curtailed domestic purchasing power. Whether it was done through ignorance or device, the net result has been the same. Our statesmen have forgotten that a five per cent increase in domestic purchasing power would more than equal a hundred per cent increase in foreign commerce.

Americans have permitted themselves to be oversold on the importance of foreign trade. The records prove that we buy abroad in amounts proportionate to what we buy at home. When we are prosperous we buy even more luxuries abroad.

Actually our foreign trade is such a minor part of our total trade that if we had full parity for everything exchanged in the domestic market we could give away the commodities we now sell abroad and still, as a nation, make more money than we now do.

For example, if a business man could transact 98 per cent of all his business at his normal profit margin he would gladly charge off the other two per cent.

Similarly as a nation approaches self-sufficiency and is able to balance its own production and consumption, foreign trade becomes less and less vital to it. Like the businessman, such a nation can charge off losses on a small portion of its transactions if it makes a normal profit on a great bulk of its transactions.

What kind of tariff is it that the United States needs?

The answer is a parity tariff.

A parity tariff is a duty or fee equal to the difference between the actual landed cost of an imported article and the domestic article which such import would displace.

Imports do not actually become competitive with domestic products until they have been landed on the shores of the nation into which they have been imported. For that reason it is not important what the imported article costs abroad or what it costs to transport it, hence all the folderol about the difference of the cost of production abroad and at home is just so much camouflage.

In order to set up a perfect workable, an ideal and truly economic tariff system, it is necessary first to determine the parity price of the domestic article the price of which it is desired to protect. Then, by gearing the tariff to the same index used in computing parity price, it is possible to have a tariff system that will work automatically and give one hundred per cent service in protecting the domestic price level of that particular article. Such a tariff would indeed be an equalizing tariff because it would protect the value of our money in terms of goods as well as prices of our goods and commodities.

How would such a tariff apply in the conduct of international trade to avoid all the difficulties that have heretofore attended the use of tariffs? That question can best be answered by means of a simple illustration, thus:

Suppose that we have, for example, one million bushels of wheat which we wish to sell abroad. The domestic parity price of that wheat is \$1.16 per bushel, but perhaps the world market is only 60 cents per bushel. We sell the wheat abroad for 60 cents per bushel and out of the customs funds we pay the American producer of that wheat the difference between the 60 cents and \$1.16 or 56 cents per bushel.

When we have closed the transaction we have established a foreign credit of 600,000 dollars for the million bushels of wheat with which we can purchase goods or commodities of foreign production. When we have made our purchases abroad and brought them to our own shores we can, before admitting them, levy a custom duty or fee upon them equivalent to the 560,000 dollars required to subsidize the grower of the wheat up to parity.

Customs receipts thus would become virtually a revolving fund to equalize the prices of domestic and imported goods and materials and to maintain domestic prices at a constant parity level. Such price level would be based on the materials of real wealth and such values would be real values.

With world prices around half of our parity level free trade will lead to economic suicide for the United States. World prices will not yield sufficient income to support the American standard of living.

This is not isolationism. It does not mean withdrawal from world commerce. It simply would mean the adoption of scientific methods of conducting international commerce.

Note: Study chart on opposite page for full analysis of acreage displacement and dollar displacement.

New Industries

During the early growth of the United States, new industries were a natural result of the abundance of raw material supplies of all kinds.

In the days of Horace Greeley, the cry was "Go West young man." Always the tide of empire moved westward as, mile by mile, the rich farm lands were occupied and placed in production. The price of farm products was not very important then as land could be had for the taking. The constant increase of the number of units produced more than offset the lack of adequate prices.

At the turn of the twentieth century, however, we had just about reached the maximum of our natural expansion. We produced a corn crop in 1896 equal to that of 1939 and larger than that of 1940.

A careful examination will reveal that the ten-year average from 1901-1911 was one of the largest ten-year production periods of basic grains in our history and about 300,000,000 bushels greater than our total production of oats, wheat, rye, barley, corn and flax in the ten-year period, 1930-1939 inclusive.

All the grade "A" land has been occupied and from now on increased production must come from irrigated lands, draining of swamps and more productive use of present lands by crop rotation and increased yields through fertilization and more intensive cultivation.

With this picture before us it is clear that new industries do not have the advantage of raw materials for the asking. They must compete with established industries for raw materials.

As a result incentive payments for new crops and every encouragement by the nation for new industries should be an established policy. The ever increasing population and labor, released through technological improvements in established industries, require that new jobs be provided if they are to enjoy the same prosperity as that of their fathers.

You may well ask whether such a course is possible? Indeed, it is. On the horizon are many growing pains of new patents that are ready for use.

In the field of farm Chemurgic, huge strides have been made and wait only for an American policy rather than an international philosophy to be unleashed.

In the South much progress has been made in the development of southern forests for the manufacture of pulp for both news and kraft paper. This, in spite of an administration which has consistently opposed the domestic production of products that we were importing.

The cellulose development with the manufacture of rayon, plastics, nylon, synthetic rubber, etc., offer a

picture of development that makes fiction seem dogmatic.

Automobile bodies made from plastics produced from farm crops are past the dream stage and will soon be a reality.

In the field of motor fuel from farm products, we have an outlet for farm crops which should drive the "surplus complex" from the minds of our citizens. The day may come in our present generation where livestock will be produced with the by-products of new industries that have removed essential parts of farm crops for new industrial products.

In the field of oils we have the soy and castor bean. Experiments have already proven that dehydrated castor oil is a satisfactory fast drying oil for paints and varnishes. Soy bean oil also makes a good paint and needs only a chemical discovery to hasten its drying qualities to equal the linseed oil of the past. Castor oil is also a fine lubricant and may become our motor oil as irreplaceable petroleum reserves are exhausted.

In the field of minerals we have the future of almost 100% pure manganese, replacing nickel at a lower cost. Synthetic motor fuel from coal, etc. All that is required is parity prices to bring about mass consumption and a "blitzkrieg" against the defeatist attitude of the crackpots who wish to create more wealth by producing less.

We are in the position of the chronic patient who is ill from imagination. Prosperity is around us on every hand if we can just develop the intelligence to use the abundance that we have.

Selfishness and shortsightedness of established industries must be overcome by factual proof of advantages to be gained. For example: the oil industries will react violently against the use of farm crops in motor fuel. Yet, the facts remain that with parity prices and \$100,000,000,000 of national income, their sales would increase 25% above present consumption. Common sense should prove the wisdom of a gain of 25% in sales as compared to a blend of from 5-10% of alcohol from farm crops.

Such an outlet for additional consumption would make a parity price program for farm products fool proof.

It would allow for an expansion of 30,000,000 acres of farm crops or its equivalent in present average production.

With the Department of Agriculture's own survey showing a need of 41,000,000 acres of additional production to provide an adequate diet for the fully

employed nation which we would have with the mass consumption provided by parity prices, new industries could easily absorb any increase from new land available for production.

We are on the brink of a financial collapse if we follow the present theory of curtailing units of production and through our trade theories, reducing the price per unit.

On the other hand by maintaining our prices at parity, we are facing a new frontier that will make the prosperity of the past seem but a pale shadow.

Parity prices, times more units of production; a greater income; a greater turnover resulting in more consumption; more employment is the cycle that we must adopt if we are to preserve world civilization.

The Effect of Parity Prices on Agriculture

Parity prices for agricultural products would immediately restore prosperity among the 54,000,000 in our rural areas.

The local banker would once again find the farmer a sound basis for credit. Fresh coats of paint would decorate the buildings on the farms and in our rural towns. Fences would be repaired and buildings that have been slowly depreciating from neglect would be repaired and restored to a semblance of respectability.

Prosperity would, indeed, have come round the corner.

Labor saving devices, electrical equipment, clothing, furniture, etc., would start moving from the factories. Merchants would be busy handling the goods that have been hoped for in rural America's dreams.

Ownership of land would replace the fast growing condition of tenancy. Hope would be restored and insurance companies could again cease to worry about their mortgages.

Better farming would prevail and instead of being paid to increase his soil fertility in exchange for his political support, the farmer would operate his own farm free from the worries of having one-tenth of an acre of corn too much and the red tape of bureaucratic dictatorship.

In his efforts to increase his yield to take advantage of parity prices, nature would force the farmer to take care of his soil fertility, and he would gladly do so.

Production would not increase to any greater extent than under the present program. Under the guise of crop control, we have had the greatest soil building program in the history of the nation. Increased soil fertility has always meant increased production and always will.

If it doesn't, we had better fold up our 48 state Departments of Agriculture, our national Department of Agriculture and our Agricultural schools. For thirty years they have been teaching the farmer to seed his land to legumes and rotate his crops to produce two

blades of grass where one grew before.

Practical farming experience indicates that soil building is not crop curtailment.

With the development of new industries, the farmer can produce, produce and produce. He will not have to worry about a good crop making a pauper out of him. He can again sit down at the end of the day and thank the Lord that he has been blessed with abundance.

Never again will he be confronted with the picture of the bureaucrats wishing for a drought to make their program work.

With parity prices the farmer will, for the first time in the history of the nation, be assured of his just due. The operation of our economy will give all others their proportionate share in the national income, and poverty, want and unemployment will be a nightmare of the past and soon forgotten.

Then, indeed, and only then will we, as a nation, have taken full advantage of the heritage of a free government and the greatest economy on the face of the globe. Then we will really have, and be able to maintain, a government "of the people, by the people and for the people."

To have all this we must point out to industry that farming is not a mechanical operation and cannot be increased 50% at will.

We must point out to business leaders that the farm production depends on soil and that a man with 100 acres of Iowa land cannot add one foot of additional land, and that if it had not been for the tractor and motor power, our supply of available food would not be sufficient for the present standard of diet, let alone taking care of those who are underfed.

Finally, they must see that the industrialist is a unit with the farmer, and that when he buys his raw materials at less than parity, he is kicking his own market out of the window. The words of the Good Book: "Every laborer is worthy of his hire," must be recognized if the human race is to avoid the pit-falls created by the greed of man.

The Effect of Parity Prices on Labor

The records show that farm income and factory payrolls go up and down together with farm income leading the way.

Again we have the question of which comes first, but the producer of food is always first in our economy.

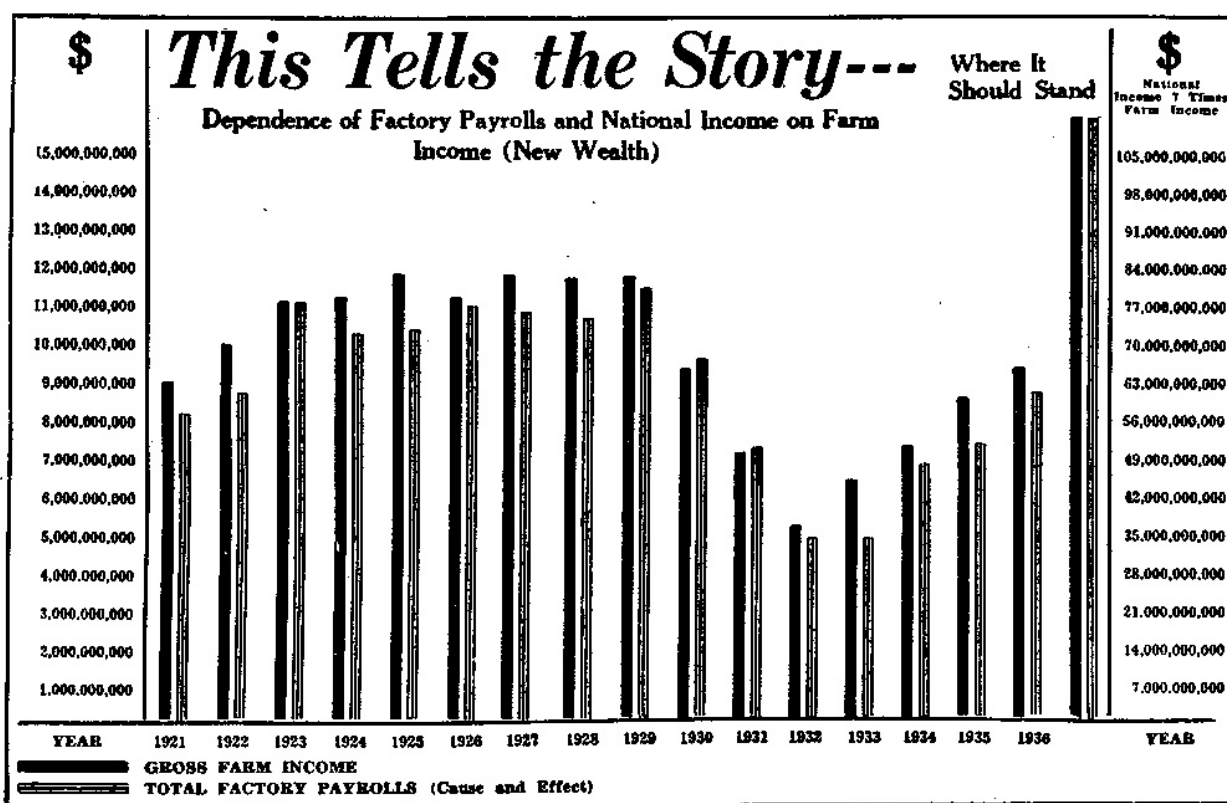
Imagine yourself working in a packing plant. How could you operate if the steer or hog had not first been produced by the farmer?

Then take yourself to the factory that manufactures automobiles. In the production of the car, the factory requires steel, cotton, wood, etc. Again, the raw materials must be available for the cars.

Finally, in the interim required to transport the materials to the factory and into trade channels, the laboring man must eat. The food that is bought to feed him while making the car and the price paid is the initial flow of money which determines the buying power for automobiles.

If the farmer receives 75% of parity, only 75% of the potential market for cars will be filled and only 75% of the potential labor will be required.

Below you will find a chart prepared from the records of the Department of Agriculture and the Department of Labor. Study it carefully, and you will find that farm income leads, up and down.



Records Departments of Agriculture and Labor.

The thing that makes the problem of which comes first confusing is the fact that there is only a 3 to 6 months interval in the rise and fall of farm prices and the rise and fall of employment.

That labor cannot go above farm income has been proved by the effects of wages and hour legislation. The total factory payrolls have not exceeded farm income.

Increased wages per hour have been nullified by part time employment and total unemployment. The wages of labor must be in balance with farm prices and always are. A three billion dollar increase of farm income will mean a

three billion dollar increase in factory payrolls in a period of six months without any legislation. Wages could be guided by the same commodity index as farm prices, and instead of strikes we could have a conference of industry and labor to adjust wages by arithmetic.

This is not impossible, and The Netherlands, before German occupation, were adjusting their wages quarterly with the use of the commodity index, realizing that wages had to be in balance with the price of goods.

Labor is confronted with the same backward philosophy as applied to the rest of our economy. Their leaders are advocating a 30-hour week. Should such a course be adopted, labor will only share in the general poverty created by a smaller output of goods.

For example: if working 40 hours a week at 50 cents per hour, the laborer would receive \$20. Supposing his output in simple terms is 20 units of goods; having produced 20 units, his wages will buy the real goods that he has produced.

Assuming now that he works 30 hours a week at the same wages per week: he will only produce 15 units of goods because of the reduction in actual output and the 15 units will have to be priced at \$20. As a result, having produced 75% as much real wealth, that is all he can consume.

This does not mean that labor should be a slave, but that there is a happy medium of efficient production which must be the yardstick for more production in order that the real wealth produced may be increased for a greater material prosperity.

One of the reasons why labor cannot exceed the farm income is that the 1-7 dollar turn is also a direct labor relationship. For example: for one man on the farm there will be six to offset the one, in the rest of our economy.

This is one reason why the dollar must, on the average, pass through seven hands to make it possible for the products of labor to be exchanged.

That this close relationship exists can be proved on

a percentage basis. Under the normal operation of our economy (omitting abnormal war materials, etc.) the unemployment is in direct ratio to the percent of parity that the farmer receives. For example: with the farmer receiving 75% of parity, his income will only create enough buying power to operate our factories at 75% of normal and employ 75% of the labor.

Labor also has a vital interest in parity tariffs. Of what help are wage laws if goods produced by peon labor are allowed to undersell domestically produced goods? Imports at less than parity serve to break down American wage levels just as surely as if labor was itself imported through immigration. Even more so because the immigrant would also be a consumer.

With parity prices, in 18 months jobs would be looking for men and a policy of selected immigration could be brought into being. Every unit of seven men would be a self contained unit as they would be both producers and consumers.

We could maintain our standards with such a policy and help the rest of the world as well. All we need to remember is that the actual laboring man is also a consumer and that he would consume more goods working at our level than he will consume at foreign wage levels.

Labor and real wealth can never be a surplus at parity prices unless we saturate the wants of our nation. With the rapid obsolescence and change, that would be an impossibility if equal exchange or a parity level were maintained.

The Effect of Parity Prices on Industry

Industry's gain from parity prices to the farmer and its reflection in the same income for labor in the factory would mean a constant purchasing power of approximately 80 million people in direct balance with the selling price of factory goods.

Add to that the group employed in the government, the professional men such as doctors and lawyers, school teachers, etc., all working at a fair wage level, and industry will have a market for its production.

The chart on the next page, prepared by Allen W. Rucker, shows how factory output and farm income go up and down together. With 75% of parity prices, industry operates 75% of normal. Give the farmer 100% of parity and factories will operate 100% of normal. (See chart)

The present record shows agriculture receiving approximately 75% of parity. This means that with parity prices the average factory output would be increased 25%. That such an increase would actually

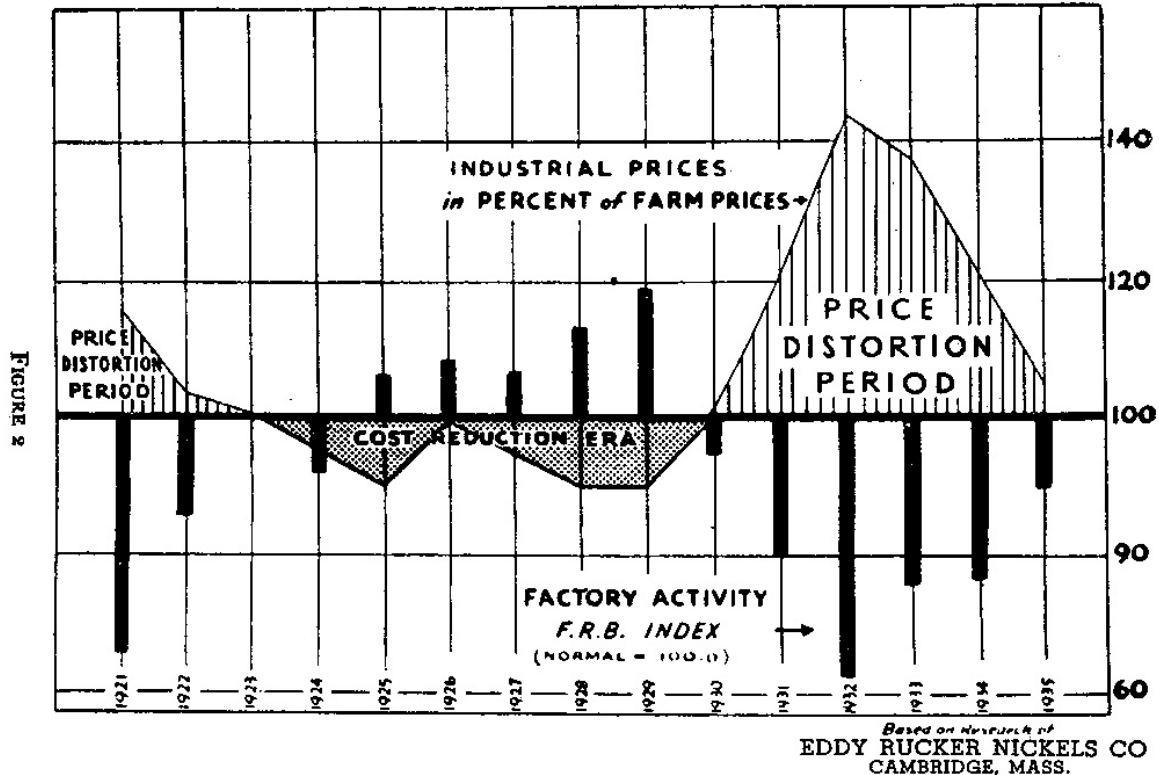
take place, can be proved by using the automobile industry as an example. Because of its use of many kinds of products, it illustrates how prosperity would come into being.

The records of the industry show that in 1929 the auto industry manufactured 4,500,000 cars. Since 1929 we have had an increase of ten million people. Yet, our car production for the domestic market was only 3,500,000 cars in 1939. Our potential is at least 5,500,000 cars on a conservative basis of depreciation.

With \$100,000,000,000 of national income, the auto industry could make and sell 5,500,000 cars every year and increase that production in proportionate ratio to the increase of our population.

To make the additional 2,000,000 cars, above 1939 production, would, in the first instance, require ten acres of farm products per car or 20,000,000 acres of additional farm crops. We would require more wool, cotton, leather, rubber, plastics, etc.

E. R. N. Index of Price Distortion



Sources: Federal Reserve Board Index Factory Output. Bureau of Labor Statistics Index Finished Goods Prices as Per Cent of Farm Prices.

Thus, we would be required to increase farm production rather than curtailing it.

The increase in the use of rubber would require more imports of that product and in turn create more foreign credits to liquidate with exports and proving our contention that parity prices and parity tariffs would increase our foreign trade.

An increase in the number of motor cars would mean more employment on the farm, in the factory, on the railroads, in the oil wells, gas and service stations, thus creating an endless chain of activity and production.

The auto industry would like to make the additional cars—the public would like to drive them. With a parity price level the nation could buy the cars, use them, wear them out and buy some more.

A further advantage to industry would be the stable buying power which in turn would reduce losses on repossessed cars, poor credit, etc.

The additional volume would help in turn to reduce prices and thereby increase consumption.

With the increased sales, profits would increase, making available reserve capital for factory expansion and research for new inventions to be used in new industries.

Increased earnings of labor would in turn be reflected

in private home building. To give the reader some idea of what this means it might be well to give a comparison between the parity years 1922-1929 and the period 1932-1939.

Expenditures from reserve capital in 1922-1929 inclusive totaled 61 billion dollars as compared to 19.5 billion in 1932-1939. This represents a decrease in the latter eight years of 5 billion dollars per year.

Just think of what an increase of five billion dollars a year for home building and factory expansion from private earnings and capital would mean to the heavy industries such as lumber, steel, cement, etc. Think of the employment that the expenditures of such sums would create. Theoretical? No! Because it is the actual record of the 1922-1929 parity period and becomes the potential that we can have by a similar price ratio. Is there a single reason why this nation shouldn't have more homes to take care of the increase in population since 1929? Is there any reason why we cannot consume more goods of all kinds with the same per capita income as in 1929?

Is there any reason why, with the same price level, our labor cannot produce the same per capita in units of goods, which times price, make income?

Not a single reason except the failure to apply common sense and arithmetic to the operation of our economy.

Industry has felt that it was unjustly criticized by the "have nots" because we have not found the answer to our economic riddle. We do not feel that way and think it only fair that industry accept its responsibility and do something about this mess we are in. Theirs is the position of trust and prestige gained through the marvels of factory production. They have the finances to educate the citizenry as to the true workings of our economic machine.

They have spent millions for research to develop new industries, millions for advertising and millions for selfish legislation that has in turn destroyed their market with the American people.

On the other side of the ledger—what have they spent to find a method to create mass purchasing power, to create a market in which their advertising might find a fertile soil instead of creating longing and discontent of the mass in looking at the beautiful pictures of products they need and want but cannot buy? All on account of a vicious economic riddle that doesn't make sense—too much of everything and everybody doing without.

The problem can be solved with parity prices, protected by parity tariffs, and a sound program of new industries.

Surely the intelligence of 132,000,000 people who have conceived all of our marvelous inventions can stoop to the use of simple eighth grade arithmetic in solving the problem of national income which consists of nothing more than number of units, times price, times the turnover of money.

All of which is proved by a 80-year record of actual business operation in the United States.

Unless our business leaders can take the necessary time off to stop this loss of billions of dollars of national income, because of less than parity prices, they will have to accept the consequences.

The consequences are parity because two must equal two. If farm prices are not adjusted to parity, then industrial prices and capital investment will be liquidated down to the level of farm prices through national bankruptcy. Then chaos may prevail like in other lands and our heritage of free government may fall by the wayside and be replaced by some of the isms that are the result of economic dislocation and financial maladjustment between money and real wealth.

To give industry a picture of what has been lost during the past eight years through our failure to maintain parity and have the 250 billion dollars that we might have had, we will break down this amount into terms of real development.

With the 250 billion of national income that we lost we could have accomplished the following things:

We could have paid all the farm mortgages.....	9,000,000,000
We could have paid all the National debt.....	54,000,000,000
We could have built a million miles of paved road at \$30,000 per mile.....	30,000,000,000
We could have built five million new homes at \$4,000 each	20,000,000,000
We could have bought up all the farm land, livestock and buildings in the U. S.	57,000,000,000
It would have purchased a new \$1,000 auto for 40 million laboring men	40,000,000,000
Then we could have given every farmer \$1,000 for operating capital	6,000,000,000
Then we could have paid off the railroad debt	17,000,000,000
Then there would have been enough left to buy a 17 billion dollar navy	17,000,000,000
	\$250,000,000,000

We produced the wealth to make it possible but lacked the common sense to mark the price properly. Had we accomplished all the above there could not have been any idle men — the budget would have been balanced and we would have had the navy to defend ourselves. We lost it all in the short space of eight years.

Many have said to us — that it sounds like a Utopia but it is nothing more than a real picture of what can be done if we mark the price of the real wealth properly. The Good Book tells us "that man must live by the sweat of his brow." A parity price program would not make it possible to live without work or production. But, it would mean that if we produced food we would not have to starve or do without. It would mean a program of production and prosperity with a limit of production dependent only on the laws of nature which shall rule forever.

The solution lies in the willingness of the American people to think and take the time off to grasp the facts that we have set out. We can illustrate the importance of thinking with a simple little poem:

"A man received two ends from his mother,
He sits on one and thinks with the other.
All the achievements of which he can boast
Depend on which end he uses the most."

An Analysis of Proper Legislation

After pointing the way with our analysis and factual proof, we come to the problem of drafting legislation that will put a parity price program into operation.

The failure of the present program is due almost entirely to its complete lack of fundamental arithmetic. Starting on the assumption that average production and parity prices would bring about prosperity, the New Deal became just another old deal of going bankrupt collectively rather than individually.

Income depends on two factors—units and price. With the conflicting philosophy within the New Deal one group started for parity prices by curtailing the number of units and another group started to break down the price level through tariff reduction. With both the number of units and price curtailed, a parity income became a mathematical impossibility with the result that money spent for farm benefit payments, etc., ended up in an increase in the national deficit.

With prices below parity the national economy operates in the red. Like every other business institution to pay dividends when operating in the red means to add to the deficit of the government. The annual earnings of the nation must pay all bills.

As a result, the present farm program of stabilizing at the world level has legislated the United States into a perpetual period of depression and has set up a bureaucracy that will eventually destroy our fundamental government and economy.

Full parity prices would change the picture. Instead of national deficits we would have payments on the national debt from the additional 25 billion of national income earned by the nation. Bureaus could be disbanded and the employees discharged and put into productive labor, thus reducing taxes and at the same time producing more real wealth for the nation to enjoy.

The 25 billion dollars increase in National income or almost twice the total farm income at parity would more than offset the costs, which we estimate at zero, if any should occur.

In 1937 we prepared a bill for Senator Gillette of Iowa, and in 1939 the same bill was introduced by Senator Gillette of Iowa, and Senator Burke of Nebraska. A committee was appointed headed by Senator Wheeler of Montana.

The administration frowned on holding hearings because that would have been a frank admission that their program had failed. Congress should be forced to act as soon as possible and we wish to make the point that our economy pays little attention to political philosophy. One dollar of farm income continues to create seven dollars of

national income whether we have Republicans, Democrats or dictators.

We are reprinting the Gillette-Burke bill S-2481 on the succeeding pages of this treatise. A bill quite similar to this one was introduced by Congressman Karl Mundt of South Dakota.

The passage of this type of legislation is the simplest approach that can be devised. It levels off the production cycle with reserves and with parity tariffs and loans callable at parity protects the farmer in a parity income on six basic crops. With this foundation competitive crops will adjust themselves to the price for the basic crops. Under such a system and with the record showing that in the 1922-1929 period we operated between 97-104 per cent of parity, it is quite safe to assume that our national income wouldn't fluctuate over 1% above or below parity.

Other methods can be used such as processing taxes, price fixing, or like the dictators, set a hard and fast rule. In the use of processing taxes to equalize the farmer's return with benefit payments we create an unnecessary bureau that might as well be eliminated. The most direct method of obtaining parity is the most economical from the standpoint of operating cost. The rigidity of price fixing and the fact that many crops are perishable would seem to indicate that the so-called cost of production method of approach would run into difficulties.

The bill as outlined would increase the national income 25 billion a year and would not regiment any individual. Regimentation consists of price control and surplus control, both inanimate objects.

Other methods of surplus control and disposal could be worked out. For example, instead of having the surplus handled by a collective agency it could be handled by the regular trade channels and they in turn could be reimbursed for a price drop into the foreign market by an export-import bank which collects the parity tariffs.

We are not dogmatic as to methods but do feel that the simple bill which we have written, plus a fair amount of intelligent cooperation would be all that is required to restore and maintain the price level at parity.

There is no question of its constitutionality and the bill is in direct accord with the fundamental government and economy of the United States. With its passage, the American people would be in a position to control their own monetary system for the first time in the history of the nation.

MUST DISPEL OUR SURPLUS COMPLEX

Before proper legislation can be drafted, it is necessary to dispel some of the mental complexes which characterize current thought on the agricultural problem. Most deadly of all of these complexes, because it is the most fallacious and the most persistent, is what properly has been called the "surplus complex."

The plain truth is that there is not, there never was, and the doubt is justified that there ever will be, such a thing as an enduring surplus of any basic food commodity!

We produce seasonal surpluses in every normal crop year. Occasionally we produce periodical surpluses in years of flush yields.

Nevertheless, the fiction concerning surpluses still persists—both in and out of government.

Production Records Refute Scarcity Theory

In order graphically to place the facts about production and surpluses before the public, attention is directed to the following statistical record concerning the production of corn, wheat and oats over the 26-year period extending from 1909 to 1934. These figures are taken from the Agricultural Year Book and may be presumed to be correct. Here is the record of production, price, and disposal covering these three crops:

THREE PRINCIPAL FOOD CROPS

PRODUCTION OF CORN FOR 26 YEARS

Year	Production (million bushels)	Farm Price* (per bushel)	Net Export (Per Cent)
1909	2,611	\$.59	1.05
1910	2,853	.48	2.3
1911	2,475	.62	1.7
1912	2,948	.49	1.7
1913	2,273	.69	.05
1914	2,524	.64	1.5
1915	2,829	.58	1.2
1916	2,425	.89	2.7
1917	2,908	1.28	1.6
1918	2,441	1.37	.8
1919	2,679	1.51	.2
1920	3,071	.61	2.2
1921	2,928	.53	6.1
1922	2,707	.75	2.6
1923	2,875	.84	.8
1924	2,298	1.05	.2
1925	2,853	.70	.8
1926	2,575	.75	.7
1927	2,678	.85	.5
1928	2,715	.84	1.5
1929	2,536	.80	.4
1930	2,065	.59	.1
1931	2,589	.32	.1
1932	2,907	.32	.8
1933	2,352	.52	.2
1934	1,381	.85	

Total	67,496	Average	Average
Average		Price \$.748	Exp. Pct. 1.3
per Year	2,596		

PRODUCTION OF OATS FOR 26 YEARS

Year	Production (million bushels)	Farm Price* (per bushel)	Net Export (Per Cent)
1909	1,014	\$.41	.2
1910	1,106	.34	.3
1911	886	.45	0.05
1912	1,353	.32	2.6
1913	1,039	.39	0.05
1914	1,066	.44	9.4
1915	1,435	.36	6.9
1916	1,139	.52	8.3
1917	1,443	.67	8.5
1918	1,429	.71	7.6
1919	1,107	.77	3.4
1920	1,444	.54	.4
1921	1,945	.32	1.9
1922	1,148	.37	2.2
1923	1,227	.41	.4
1924	1,424	.48	1.0
1925	1,410	.39	2.8
1926	1,142	.40	1.3
1927	1,093	.47	.9
1928	1,319	.41	1.2
1929	1,118	.42	.7
1930	1,277	.32	.2
1931	1,127	.21	.4
1932	1,247	.16	.4
1933	782	.33	.2
1934	529	.49	

Total	31,249	Average	Average
Average		Price \$.43	Exp. Pct. 2.45
per Year	1,202		

PRODUCTION OF WHEAT FOR 26 YEARS

Year	Production (million bushels)	Farm Price* (per bushel)	Net Export (Per Cent)
1909	684	\$.98	12.9
1910	625	.88	11.2
1911	618	.87	12.7
1912	730	.76	19.7
1913	751	.80	19.5
1914	897	.99	37.3
1915	1,009	.92	23.8
1916	635	1.60	28.5
1917	620	2.01	16.6
1918	904	2.04	30.6
1919	952	2.16	22.8
1920	843	1.83	27.1
1921	819	1.03	32.4
1922	847	.97	24.2
1923	759	.93	17.4
1924	840	1.25	30.3
1925	669	1.44	13.8
1926	834	1.22	24.7
1927	875	1.19	21.8
1928	913	1.00	15.6
1929	822	1.03	17.1
1930	890	.67	12.6
1931	932	.39	13.3
1932	746	.38	4.3
1933	529	.74	4.8
1934	496	.88	

Total	20,240	Average	Average
Average		Price \$1.11	Exp. Pct. 19.8
per Year	778		

*Price per bushel received by producers. Prices for years 1909 through 1918 are as of December 1 of each year. Prices for years 1919 through 1934 are weighted average prices for crop marketing season.

SOURCE: Yearbook of Agriculture, United States Department of Agriculture. Production figures for all years from 1935 edition, 74th Congress, 1st Session, House Document No. 33. Farm Prices for years 1919 through 1934 from 1935 edition. Farm Prices for years 1909 through 1918 from 1934 edition, 73rd Congress, 2nd Session, House Document No. 260, as these figures were not shown in 1935 edition.

These figures show conclusively that, with the exception of the World War period when our farmers were inspired to break up marginal and sub-marginal land, there has been a fairly constant acreage of these three basic crops. In fact it would appear that we actually reached the saturation point for corn in 1909.

The average production of corn for this 26-year period was 2,596,000,000 bushels per annum. This figure actually was exceeded in the year which marks the beginning of this period, 1909, when a crop amounting to 2,611,000,000 bushels was produced. It was also exceeded as far back as 1896.

In the case of wheat the average yield over the 26-year period was 778,000,000 bushels per annum. In 1914 this figure was exceeded by a crop of 897,000,000 bushels, somewhat larger than the bumper crop of 1937. Our present domestic consumption is approximately 660,000,000 bushels per annum, or about 15 per cent less than our annual average production.

In the case of oats the average yield has amounted to 1,202,000,000 bushels per annum and that figure was exceeded as far back as 1912 when we produced a crop of 1,353,000,000 bushels.

During the last five years of this 26-year period (1930-1934 inclusive) the average production of corn amounted to 2,256,800,000 bushels per annum, or 340,000,000 bushels per year under the 26-year average. In the preceding five years (1925-1929 inclusive) average production was 2,671,000,000 bushels per annum, or just slightly more than the 26-year average.

PRODUCTION OF FOUR PRINCIPAL MEATS

Basic Crop Facts Reflected in the Meat Situation

Just as there never has been such a thing as an enduring surplus of any major grain crop, so has there been no such thing as an enduring surplus of meat. Let us call attention to the following tables showing the production and consumption of the meats principally used on American tables.

Since there is a definite relationship between grain and livestock production, it is appropriate that we examine briefly the situation with respect to meat over the six-year period 1927-1932 inclusive, involving three prosperous years and three not so prosperous years. Following are the slaughter and consumption records covering beef, mutton, pork, and veal:

BEEF			
Year	Slaughter (million pounds)	Total Consumption (million pounds)	Consumption Per Capita
1927.....	6,826	6,926	58.4
1928.....	6,082	6,210	51.7
1929.....	6,065	6,247	51.4
1930.....	6,076	6,172	50.1
1931.....	6,132	5,156	49.6
1932.....	5,896	5,917	47.4
Total	37,077	36,628	

MUTTON

Year	Slaughter (million pounds)	Total Consumption (million pounds)	Consumption Per Capita
1927.....	645	645	5.4
1928.....	671	673	5.6
1929.....	699	703	5.8
1930.....	820	817	6.6
1931.....	878	878	7.1
1932.....	875	874	7.0
Total	4,588	4,590	

PORK

Year	Slaughter (million pounds)	Total Consumption (million pounds)	Consumption Per Capita
1927.....	8,833	8,122	68.5
1928.....	9,387	8,863	73.9
1929.....	9,323	8,836	72.8
1930.....	8,809	8,541	69.3
1931.....	8,907	8,636	69.6
1932.....	9,180	9,012	72.2
Total	54,439	52,010	

VEAL

Year	Slaughter (million pounds)	Total Consumption (million pounds)	Consumption Per Capita
1927.....	960	964	8.2
1928.....	867	874	7.4
1929.....	814	822	6.8
1930.....	816	821	6.8
1931.....	860	866	6.9
1932.....	849	849	6.8
Total	5,166	5,196	

SOURCE: These figures are estimates by the Department of Agriculture as given in the 1937 World Almanac, page 903.

It is somewhat startling to discover that from 1927 to 1932 inclusive the people of the United States consumed more veal and mutton than was processed in American plants.

We produced a surplus of pork, however, in that period, but it ranged only from less than six pounds per capita down to slightly more than one pound per capita. The low point in per capita surplus occurred in 1932 at the peak of unemployment.

The conclusion that there is not and never was more than a seasonal or periodical surplus of any basic food crop is further borne out by a survey conducted by Dr. Stibeling of the Economic Division of the Agricultural Adjustment Administration in 1935. That survey revealed that had every American citizen been able, in that year, to enjoy the benefits of a properly-balanced and adequate diet, domestic consumption would have required the production from 41,000,000 more acres than were in cultivation that year!

Production of butter fat and other dairy products have not kept pace with the increase of population and in event of a parity price for farm products and full employment the demand would easily maintain such products at a parity level. The removal of any threat of imports has brought butter fat near the parity level in recent months even though 1940 shows an increase in production of approximately four per cent. The possibility of imports often determines the price for domestic production.

Composite Record of Our Principal Grain Crops 1909-1939

Further evidence that we never had a surplus can be found in the record of production of our principal grain crops — corn, wheat, oats, barley, rye, and flax.

	Average total production of six crops	Export average
1909-1918	4,804,000,000 bushels	
1919-1928	5,255,000,000 bushels	300,000,000 bushels
1929-1938	4,354,222,000 bushels	26,000,000 bushels*
1939	4,669,000,000 bushels	

*Nine year period 1929-1937 inclusive. Exports by crops as follows: Total net wheat export 476,000,000 bushels. Total net corn export after deducting imports 4,000,000 bushels. Rye 236,000,000 bushels net import. Barley total net exports 21,000,000 bushels. Oats 17,000,000 bushels net export. Rye 17,000,000 bushels net import.

Much has been said about our loss of export markets but on the average we had little to export in the 1929-

1937 record. The average export of the six crops represents about .6% of the production.

In comparing the record for that period with the 1919-1928 record we find that in the period 1929-1938 the United States produced 901,000,000 bushels less per year than in the former period. Granting that we lost our average export of 300,000,000 bushels into foreign markets it would still leave 601,000,000 bushels less per year than actual domestic consumption in the 1919-1928 period. It would therefore appear that the depression was due to lack of production rather than over-production.

The record shows clearly that low prices were to blame for the depression and that the low prices were due to manipulation rather than any real or potential surplus. It appears that the United States has been the victim of a great hoax. The facts do not support the surplus complex.

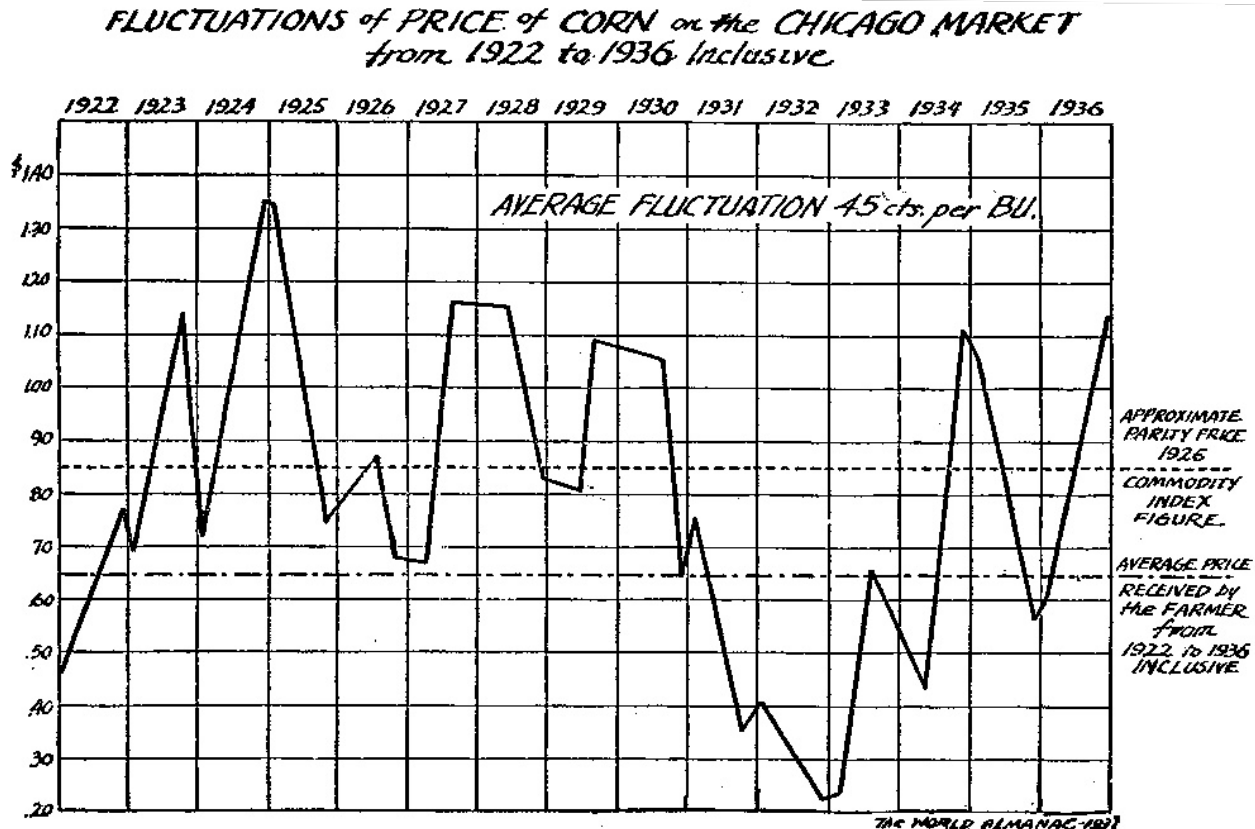
The Proof of the Pudding

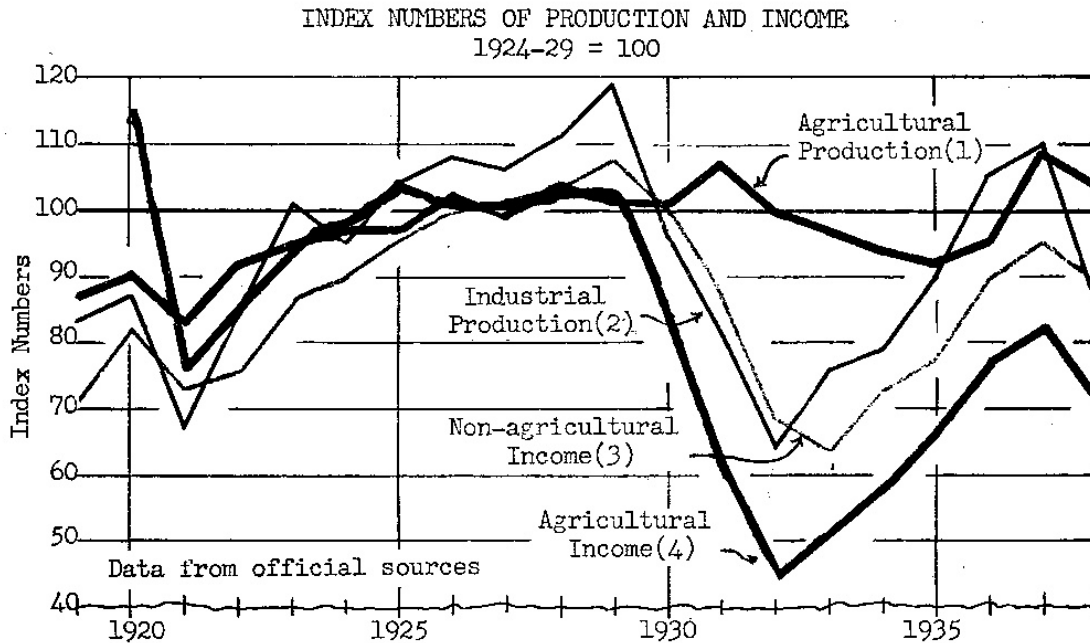
And now comes the proof of the parity pudding in still another form. This might well be called the final test. Please study the two charts which follow carefully.

Now ask yourself, Mr. Manufacturer, Mr. Merchant, Mr. Banker, Mr. Laboring Man, whether you could successfully operate your own business or even your household on such a fluctuating income. You know that you could not do it. Neither can the farmer and society has no right to impose such conditions on him.

If you have an idea that the farmer's bad luck is none of your concern, that it does not affect you, take a look at the second chart.

Note that declines in agricultural prices always precede declines in industrial production and industrial income—profits and wages. Obversely, increases in agricultural income always precede increases in industrial production and industrial income.





(1) Total production of agriculture. (2) Production of factories and mines. (3) National income less agricultural income. (4) Gross income exclusive of government payments. Agricultural Department, Chamber of Commerce of the United States, Washington, D. C. (See other side)

Volumes have been written which revealed less concerning the operation of our economy than is set forth by these two charts. Speculators and international traders cannot laugh off these facts.

A Parity Price Bill Introduced as S-2481

A BILL

To amend the Act cited as the Farm Credit Act of 1933, as amended, to improve and safeguard the financial integrity of the Farm Credit Administration by effecting a better co-ordination of Federal lending and marketing activities, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that the Act cited as the Farm Credit Act of 1933 be, and hereby is, amended by adding thereto the following titles and sections:

"TITLE I-A

"Sec. 1. By the terms and provisions of this Act the Congress of the United States declares its purpose to serve the general welfare of the people of the United States as authorized by Article I, Section 8, Subsections 1 and 18, of the Constitution of the United States, by means of an adequate law to govern the financing, storing, and marketing of the nation's annual production of basic food crops which will—

"(a) Improve the security and safeguard the value of all land, livestock, chattels, and commodities upon which the Farm Credit Administration, through its various sub-

agencies, has loaned money or may loan money in the future;

"(b) Improve the security and safeguard the investment of money that has been subscribed or may be subscribed in the future by farmer-borrowers for capital stock of the various sub-corporations of the Farm Credit Administration;

"(c) Facilitate the orderly flow of farm products including livestock to market and stabilize the price thereof by means of a comprehensive system of commodity credits;

"(d) Promote the accumulation in storage (on the farms insofar as possible) of a reserve of basic food crops equivalent to a minimum of 35 per centum of a normal year's yield as determined by the average production of each such crop over a ten-year period from 1923 to 1932 inclusive;

"(e) Prevent speculation in the basic necessities of life, namely foodstuffs; and

"(f) Regulate the importation of competitive commodities and substitutes therefor and determine the price at which such imports shall be sold in the domestic markets of the United States.

“Sec. 2 (a) The statistical index to be used as a base for the computing of values, grants of credit, and other purposes enumerated in this Act shall be that known as the general commodity index of 1926, which, for all mathematical calculations, shall be considered 100.

“(b) When used in this Act the term ‘person’ or ‘individual’ shall be construed to include partnerships, corporations, associations, and cooperative organizations as well as individuals.

“(c) The crops referred to herein as ‘basic crops’ shall include wheat, corn, oats, cotton, sugar, and tobacco, but rye, barley, and rice may be added thereto at the discretion of the Governor of the Farm Credit Administration.

“TITLE II-A

“Sec. 1. By virtue of the authority vested in him by the Act cited as the Farm Credit Act of 1933, as amended, and by reason of the additional powers vested in him by this Act, the Governor of the Farm Credit Administration shall be the custodian and administrator of all funds and credits heretofore authorized by Congress to be loaned to farmers on land, chattels, crops, commodities, and so forth, or which may hereafter be authorized for such purposes; he shall prescribe the terms and conditions of such loans; he shall establish a system of accountancy; he shall be responsible for the handling and disposal, by the means provided, of any accumulation of excess stocks of the basic crops or products as herein defined; and he shall make and publish an annual report of the operations of these agencies and such other reports as may be required by Congress or the President of the United States from time to time.

“TITLE III-A

“Sec. 1. The Governor of the Farm Credit Administration shall designate the already existing agency known as the Production Credit Corporation to supervise the granting of credits and to make loans to individual farmers on the specific basic farm crops in storage under seal in compliance with the warehousing laws of the various states; to set forth the rules, regulations, and conditions under which such loans shall be made, but the amount of such loans shall not be less than 76 per centum of the then-current parity price of such base commodities as indicated by the general commodity index, using the 1926 commodity index as the basic figure 100; to provide for the method and time of repayment or extension of such loans and prescribe the rules and regulations for the release from seal and sale of all or any part of any products in storage, upon due advance notice thereof as necessary but, in order to promote an adequate system of

insurance against scarcity, no order calling any such loans shall be issued until it has been determined that the amount in storage of the crop in question is equivalent to at least 35 per centum of a normal year’s yield of such crop, as determined by the average production of such crops for the years 1923 to 1932 inclusive.

“Sec. 2. The Governor of the Farm Credit Administration shall designate the already existing agency known as the Bank for Cooperatives to grant credits and make loans against warehouse certificates issued against nonperishable goods and products manufactured or processed from milk, fruit, vegetables and root crops, dressed poultry, and poultry products when same are scaled and stored under proper cooperative pooling arrangements by the owners thereof; but no such loans shall be authorized or made on any products manufactured or processed from any cereal or fibrous crop unless same shall be owned by cooperative organizations composed of the actual growers or producers of the raw materials contained therein; he shall prescribe the rules, conditions, and stipulations governing all such loans and supervise the collection or repayment of same.

“Sec. 3. (a) To facilitate the purposes of this Act there is hereby created within the Farm Credit Administration a body corporate by the name, style, and title of the ‘Excess Commodities Corporation.’

“(b) The Excess Commodities Corporation shall be organized in conformity with the laws, rules and regulations governing such corporate entities; the Board of Directors shall consist of the Governor of the Farm Credit Administration, the Federal Land Bank Commissioner, the Commissioner of the Production Credit Corporation, the Commissioner of the Bank for Cooperatives, and the Commissioner of the Federal Intermediate Credit Bank. The Board of Directors shall have succession until dissolved by Act of Congress. The Board of Directors shall elect their own officers and they shall appoint or employ such administrative assistants and other personnel as may be required in the conduct of the work of the Corporation, but the salary of no employee of the Corporation shall exceed \$7,200 per annum.

“(c) Upon certification by any agency or subcorporation of the Farm Credit Administration that it holds in fee, quantities of any basic crop of commodity or goods or products processed therefrom acquired under foreclosure process or by default of borrowers or otherwise, the Excess Commodities Corporation shall buy from such agency or subcorporation all or any part of such stocks as it may have acquired, paying therefor a price equivalent to the amount invested therein by such agency or corporation plus interest, storage and other

accumulated charges, and take title to same.

“(d) Beginning with the year in which this Act is enacted, September 1 of that year, and of each succeeding year, shall be designated as ‘Agricultural Surplus Liquidation Day.’ On that day the Governor of the Farm Credit Administration shall issue or cause to be issued a proclamation announcing that the Excess Commodities Corporation will buy and pay cash therefor the then-current parity price for same, all stocks of the basic crops enumerated in this Act, or which may be so designated under this Act, representing an excess of such stocks over and above the current year’s estimated needs and 35 per centum of a normal year’s yield of the period from 1923 to 1932 inclusive. Title shall be taken to all stocks acquired in compliance with this proclamation upon delivery of same to the Excess Commodities Corporation.

“(e) The Excess Commodities Corporation shall dispose of all stocks of basic crops and commodities acquired by it in any one or all of four methods, viz.:

(1) By adding them to the national reserve supply of such crops or commodities;

(2) By sale in the export or open markets of the world, accepting in payment therefor the then current open world-market price for same;

(3) By sale to domestic industries for conversion by them into industrial alcohol, fuel alcohol, oils, plastics, or any other article of manufacture which will not be competitive with any food product and of which not more than 30 per centum of the basic crop thus used shall be returned to consumptive channels, accepting in payment therefor such price as may be warranted by the competitive relationship of such products to other products; or

(4) By gift, devise, or grant for charity, for human relief or to meet any form of emergency resulting from the hazards of nature or acts of God. In no case, however, and for no reason whatever, nor under any circumstances, except and only by direct order from the President of the United States, and then only in event of an emergency representing dire necessity, shall the Excess Commodities Corporation sell or offer for sale in the open domestic market any quantity of any unmanufactured basic farm crop or commodity and then only at the then-current parity price of same.

“Sec. 4. In order to protect the credit integrity of the Farm Credit Administration and in order to support and maintain a parity price level within the United States for all basic crops and products derived therefrom, whether produced within the United States or imported, the Excess Commodities Corporation is hereby vested with the following described powers:

“(a) To license all persons, firms, and corporations engaged in the importation of any and all raw materials or substitute products or products processed therefrom which, when imported into the United States, compete with and serve to displace the basic crops enumerated in this Act, or which may be designated as such under this Act, and products processed or manufactured therefrom; and

“(b) As a condition of the grant of such license to import basic farm crops or substitutes therefor, the said Excess Commodities Corporation shall require the licensee to pay a fee for the exercise of such privilege in the amount and manner herein set forth; upon granting clearance to any imported shipment of any of the basic crops enumerated herein or substitutes therefor, the collector of customs shall certify to the Excess Commodities Corporation the landed cost, including original purchase price, transportation, lterage, insurance, customs or excise taxes paid thereon, unloading, dockage, and all other charges. The amount of the fee to be paid by the licensee shall be the difference between the landed cost of each shipment and the domestic parity price of an equal quantity of like product or products, or products processed therefrom, including freight from the nearest rate-basing point for the particular commodity involved. No such shipment of imported basic farm crops or substitutes shall be moved from the port of entry until the license fee shall have been paid by the importer thereof. Any violation of this provision shall be punishable by a fine of not less than \$100 and not more than \$5,000 or by imprisonment of not less than thirty days nor longer than three years, or by both such fine and imprisonment. All receipts of fees paid by licensees in connection with imports shall accrue to the Excess Commodities Corporation and shall be used by it in the furtherance of the purposes of this Act.

“Sec. 5. For the purposes of this Act and to enable the Excess Commodities Corporation better to discharge the duties devolving upon it, there is hereby allocated to the credit of the said corporation thirty (30) per centum of the customs receipts of the United States Government and Section 32 of the Agricultural Adjustment Act of 1933 as amended is hereby repealed. The Treasurer of the United States is hereby instructed to place to the account of the Excess Commodities Corporation the maximum amounts herein authorized, as collected, at intervals of 90 days.

“Sec. 6 (a) Immediately upon completion of the organization of the Excess Commodities Corporation, the first duty of that entity will be to take possession of

all assets, including money, securities, commodity holdings, and so forth, of the Commodity Credit Corporation and the Federal Surplus Commodities Corporation; and the officers and directors of the said Commodity Credit Corporation and Federal Surplus Commodities Corporation are hereby directed to effect a transfer of all their assets to the Excess Commodities Corporation as quickly as practicable and to effect the dissolution of these two corporations immediately thereafter. The Excess Commodities Corporation is hereby authorized and directed to carry out all of the obligations and to administer the affairs of the Commodity Credit Corporation and the Federal Surplus Commodities Corporation until same have been liquidated. The assets of the Commodity Credit Corporation and the Federal Surplus Commodities Corporation, both liquid and liquable, shall constitute the capital stock of the Excess Commodities Corporation.

“(b) Any profits that may be earned by the Excess Commodities Corporation shall remain in the treasury of the Corporation for reinvestment and use as capital until such times as such earnings equal the original capital of the Corporation, after which time all earnings

shall revert to the United States Treasury as miscellaneous receipts, and if final termination of the Corporation shall be directed by Act of Congress all assets of the Corporation shall, upon liquidation, revert to the United States Treasury as miscellaneous receipts.

“TITLE IV-A

“Sec. 1. All credit transactions contemplated under this Act shall be financed through the Intermediate Credit Bank in exactly the same manner as heretofore through the sale of securities issued by the Intermediate Credit Bank which in turn shall release its funds to the various lending subcorporations of the Farm Credit Administration against securities pledged to it by them in amounts as needed.

“TITLE V-A

“All Acts or parts of Acts in conflict with this Act or any part of this Act are hereby repealed. If any provision of this Act or the application thereof to any person, circumstance, or commodity shall be held invalid, the validity of the remainder of this Act and the applicability thereof to other persons, circumstances, or commodities shall not be affected thereby.”

A COMPARISON OF 1910-1914 PARITY LEVEL AND 1922-1929 PARITY LEVELS

The chart attached was prepared by Charles B. Ray, Industrial Engineer of the Raw Materials National Council. It shows the geometric projection of the two parity periods—1910-1914 and 1922-1929. The higher level of the 1922-1929 period was the result of higher wages and commodity prices as compared to the 1910-1914 level. Or in other words, because of higher levels of prices, more dollar exchange is necessary to trade goods.

Prices must be correspondingly higher at the present time to have the same exchange ratio between the farmer and industry or parity.

Note the cog wheel arrangement showing how farm income drives the economic machine. Net cash farm income was used in preparing the chart and the seven times turn checks with the use of gross farm income as compared to national income.

GEOMETRIC CHART PROJECTING AND SHOWING CONSTANT ANNUAL RECIPROCAL ACTION AND REACTION ("TRADE TURN") OF ACTUAL NATIONAL "CONSUMER TRADE" INCOME TO FARM INCOME

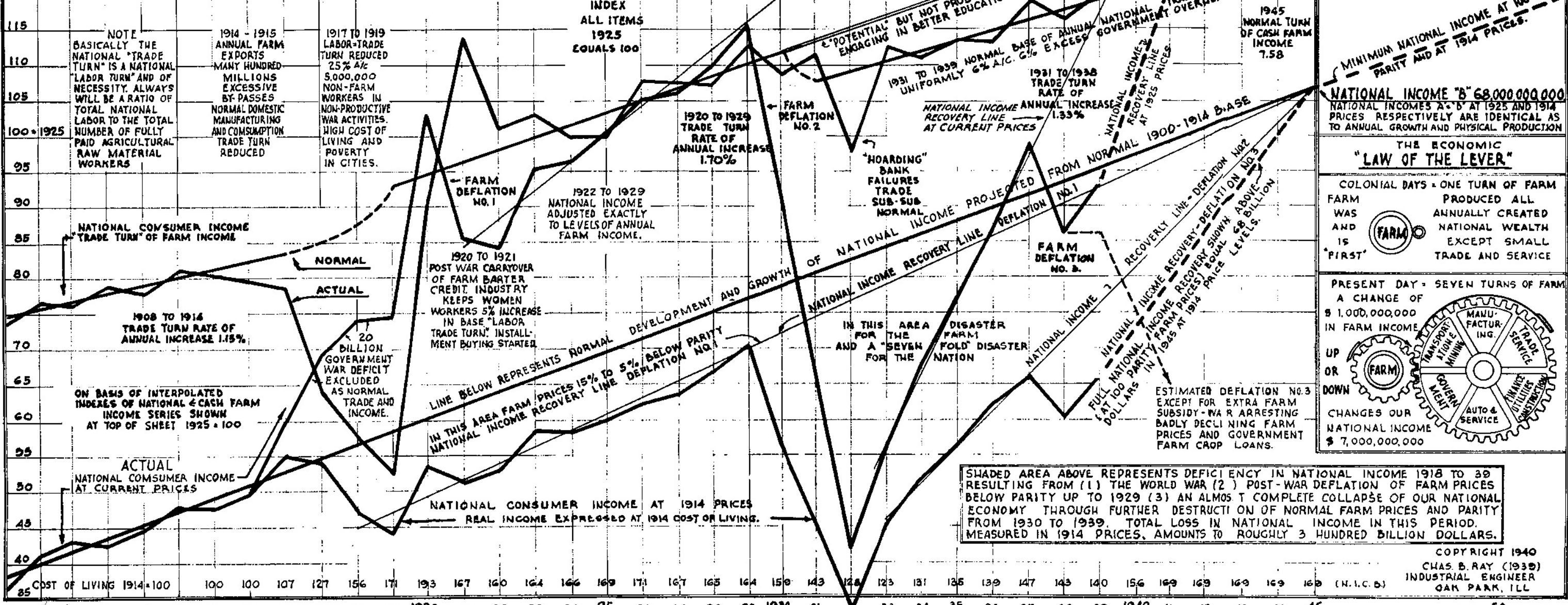
1910	11	12	13	14	15	16	17	18	19	1920	21	22	23	24	1925	26	27	28	29	1930	31	32	33	34	1935	36	37	38	39	1940	41	42	43	44	45											
FARM PRICES AT UNIFORMLY NORMAL PARITY 1909 TO 1914 = 100 RESULT-NATIONAL STABILITY										WAR INFLATION FARM FIRST INDUSTRY LATER										112	106	83	90	94	95	100	95	92	97	96	88	71	62	65	74	87	93	94	79	78	90	100	100	100	100	100
DEPT. OF AGRICULTURE ANNUAL CASH FARM INCOME SERIES NOT AVAILABLE PRIOR TO 1925										FIRST VIOLENT POST-WAR FARM DEFLATION. INDUSTRY LATER. FARM NEVER RECOVERED.										10.9	10.6	10.7	11.1	11.2	8.9	6.3	4.6	5.4	6.6	7.4	8.3	9.0	8.0	8.3	10.0	11.5	12.5	12.5	14.5	15.2						
6.6										1921 TO 1929 FARM PRICES 15% TO 5% BELOW NORMAL NATIONAL INCOME EQUALLY BELOW NORMAL										DEPT. OF AGRICULTURE ANNUAL GROSS FARM INCOME USED IN LIEU OF CASH FARM INCOME 1908 TO 1924										3.9	4.1	4.0	4.2	4.1	4.1	4.1	3.3	3.0	2.7	4.7	5.9	5.2	5.3	5.2	5.2	
76										76										76										76	79	78	81	80	79	78	64	58	53	91	114	101	103	100	100	
BASED ON DEPT. OF COMMERCE NATIONAL INCOME PRODUCED 1925 TO 1936										BASED ON N. I. C. B. REALIZED NATIONAL INCOME SERIES 1908 TO 1925										65	68	69	71	75	58	41	27	36	44	50	56	64	55	59	71	84	91	101	107	115						
26										26										26										26	26	27	29	29	30	36	43	45	45	64	53	52	59	59	62	

NATIONAL INCOME "A" 115,000,000,000
 ALL INCOME FIGURES IN BILLIONS
 FARM PRICE PARITY 1914 & 25=100
 FARM PRODUCTION & CONSUMPTION
 PRIMARY CASH FARM INCOME
 NATIONAL "TRADE TURN" OF FARM ANNUAL INDEX OF "TURN" 1925=100
 PRIMARY GROSS FARM INCOME
 NATIONAL "TRADE TURN" OF FARM ANNUAL INDEX OF "TURN" 1925=100
 ACTUAL NAT. CONSUMER TRADE INCOME
 ACTUAL NAT. CONSUMER TRADE INCOME

NATIONAL LABOR OR TRADE TURN OF NECESSITY IS A FUNDAMENTAL ECONOMIC PRINCIPLE
 IN COLONIAL DAYS NATIONAL INCOME WAS ONE TURN OF FARM INCOME, WHICH ENCOMPASSED THE PRODUCTION OF FUEL (WOOD), MANUFACTURING AND TRANSPORTATION. IN EARLY PERIODS NATIONAL INCOME WAS APPROXIMATELY TWO TURNS OF FARM INCOME AND IN 1915 FOUR TURNS. DURING THE PAST THREE DECADES NATIONAL INCOME HAS INCREASED TO SIX AND THEN TO SEVEN TURNS OF CASH FARM INCOME. NATIONAL TRADE TURN OF FARM INCOME REPRESENTS DOLLAR EXPRESSION OR EQUIVALENT OF THE "LABOR" TURN. ANNUAL INCREASE IN NATIONAL LABOR TURN REPRESENTS POPULATION GROWTH (- TECHNOLOGICAL IMPROVEMENT ON THE FARM RELEASING SURPLUS RURAL WORKERS TO THE CITY) PLUS INDUSTRIAL TECHNOLOGICAL IMPROVEMENT.
 THE NATIONAL TRADE TURN BALANCES TO NORMAL OVER ANY TWO YEAR PERIOD, AT ANY PRICE LEVEL. BY 1930 TREMENDOUS MOVEMENT TO AND ABSORPTION OF RURAL POPULATION BY THE CITY STOPPED. THEREFORE, ANNUAL INCREASE IN TRADE TURN FROM 1931 TO 1939 WAS AT A LOWERED RATE COMPARED TO THE PREVIOUS DECADE. CURRENT ANNUAL INCREASE REFLECTS PURELY INDUSTRIAL TECHNOLOGICAL IMPROVEMENT RESULTING IN UNEMPLOYMENT.

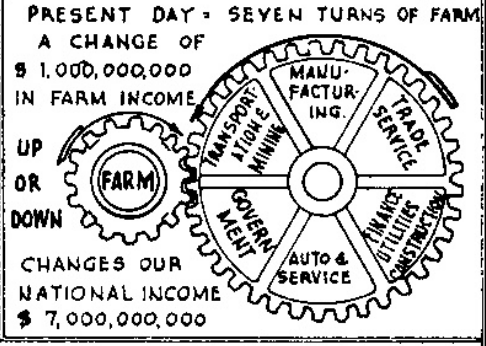
ECONOMIC LAW GOVERNING INFLATION AND DEFLATION
 INFLATION OR DEFLATION (EXCEPT BOGUS SCRIPT MONEY ISSUE) IS DUE TO A SIMPLE AND FUNDAMENTAL CAUSE. THE CURRENT PRICE LEVEL OF PRIMARY BASIC RAW MATERIALS DETERMINES THE TOTAL AMOUNT OF ANNUAL PRIMARY BARTER CREDIT (= PRIMARY BUYING POWER) IN THE NATION AND THE WORLD. EFFECTIVE DEMAND FOR AND CONSUMPTION OF PHYSICAL UNITS OF GOODS BY ALL WORKERS IN SOCIETY CANNOT EXCEED THE TOTAL COLLECTIVE ANNUAL BARTER CREDIT (= TOTAL BUYING POWER). THIS TOTAL AMOUNT WILL ALWAYS BE IN EXACT RATIO TO THE TOTAL AMOUNT OF ANNUAL PRIMARY RAW MATERIAL BARTER CREDIT. THEREFORE, WHAT IS COMMONLY KNOWN AS INFLATION OR DEFLATION WILL ALWAYS BE PRECEDED BY AND THE RESULT OF A SPECULATIVE RISE OR DECLINE IN LEVELS OF RAW MATERIAL PRICES. WITHOUT SUCH A RISE OR DECLINE IN RAW MATERIAL PRICES (PRIMARY EFFECTIVE WAGES AND DEMAND) INFLATION OR DEFLATION IN FINISHED GOODS PRICES CANNOT OCCUR.

IMPORTANT NOTE.
 ACTUAL ANNUAL NATIONAL "CONSUMER TRADE" INCOME SHOWN IN TABLES AND CHART REPRESENTS REGULARLY REPORTED ANNUAL NATIONAL INCOME LESS THE SUM TOTAL OF PRIVATE BUILDING CONSTRUCTION, BUSINESS CAPITAL LOSSES, GOVERNMENT DEFICITS AND WORK RELIEF WAGE INCOME DEDUCTED IN ALL YEARS.



NATIONAL INCOME "B" 68,000,000,000
 NATIONAL INCOMES "A" & "B" AT 1925 AND 1914 PRICES RESPECTIVELY ARE IDENTICAL AS TO ANNUAL GROWTH AND PHYSICAL PRODUCTION

THE ECONOMIC "LAW OF THE LEVER"
 COLONIAL DAYS - ONE TURN OF FARM FARM WAS AND IS "FIRST" PRODUCED ALL ANNUALLY CREATED NATIONAL WEALTH EXCEPT SMALL TRADE AND SERVICE



PRESENT DAY - SEVEN TURNS OF FARM
 A CHANGE OF \$ 1,000,000,000 IN FARM INCOME UP OR DOWN CHANGES OUR NATIONAL INCOME \$ 7,000,000,000

SHADED AREA ABOVE REPRESENTS DEFICIENCY IN NATIONAL INCOME 1918 TO 39 RESULTING FROM (1) THE WORLD WAR (2) POST-WAR DEFLATION OF FARM PRICES BELOW PARITY UP TO 1929 (3) AN ALMOST COMPLETE COLLAPSE OF OUR NATIONAL ECONOMY THROUGH FURTHER DESTRUCTION OF NORMAL FARM PRICES AND PARITY FROM 1930 TO 1939. TOTAL LOSS IN NATIONAL INCOME IN THIS PERIOD. MEASURED IN 1914 PRICES, AMOUNTS TO ROUGHLY 3 HUNDRED BILLION DOLLARS.

United States as a Business

A CONSOLIDATED TRADING STATEMENT OF THE UNITED STATES 1910-1940

The following table and chart is a statistical record of the operation of the United States as a business for the period 1910-1930. It was prepared by Charles B. Ray, Industrial Engineer, and is the complete proof of the definite mathematical relationship between all raw material income, farm income and national income.

A comparison of the two ratios as given show that both have been a slowly growing constant. For example, all raw material income had a turn of approximately 3.3 in 1910 and this has slowly advanced to approximately 4.5 at the present time.

The growth of the turn is the picture of our technological efficiency. As men are released from established industries, they are absorbed by the new industries which making new products also require dollar exchange to trade their products. Thus we have the picture of the trade turn of the raw material dollar slowly increasing in direct ratio to the increase of material products which are exchanged between the various groups.

It is also interesting to note the steady increase without recession during the 30-year period. The following treatise by Mr. Ray sets out further factors in regard to the statistical record.

NOTES ON ORIGIN OF NATIONAL CONSUMER INCOME, ACTUAL AND POTENTIAL, 1910 to 1947

NATIONAL CONSUMER INCOME or what is more properly termed "Standard of Living" of the United States in any year at any price level is **always the level of physical production of agricultural and mineral raw materials**. This production multiplied by the price of these raw commodities results in the sum total of **ANNUAL PRIMARY NATIONAL LABOR BARTER CREDIT**. This total Primary Labor Barter Credit is every year multiplied further in society by an immutable predeterminable **ANNUAL NATIONAL TRADE TURN**, which results in dollar expression as National Consumer Income.

ANNUAL NATIONAL LABOR or TRADE TURN of annual total raw material labor and income increases slowly but constantly each year on account of national technological improvement of the farm, mine and industry plus population growth. But population growth is a factor in this Trade Turn increase only if employed. **This full employment of population growth can only**

occur as a result of and in years of PARITY RAW MATERIAL PRICES with consequent normal increasing consumer demand and consequent increased raw material production of all kinds.

During the last decade, raw material parity prices have been anywhere from 35% to 5% below parity, and in 1940 are averaging 20% below parity. This means that none of the eight million increased population since 1929 have been or can be normally employed. In 1938-39 the total available "labor force" of the nation was around fifty million persons. **As raw material parity prices were 18% below normal, we had 18% of this potential labor force UNEMPLOYED, amounting to approximately nine million persons.**

This **NATIONAL LABOR TURN**, which as a **NATIONAL TRADE TURN** is expressed in dollars, is a "moving" mathematical or economic **CONSTANT**—in prosperity or in depression. **The ratio of the National Labor or Trade Turn to the total Raw Material Labor and Income having risen will never recede, hence can be pre-estimated or projected out at "normal."** The manner in which the National Labor Turn is compensated in the National Trade Turn at any level of prices or level of industrial or trade volume is clearly shown in the table below. The comparison selected is between the primary **RURAL-FARM Industry**, labor employment and income and the labor employment and income of basic **Manufacturing, Mining and Transportation**.

In 1929 there were 7,910,000 (excludes 1,500,000 "unpaid" family workers) fully employed, normally producing farm workers, together with a minimum of 3,500,000 rural town workers (the vast majority being adult male workers) constituting **FARM-RURAL INDUSTRY**. **All are dependent on speculative farm prices and income for consumer buying power which is multiplied in exact ratio in the rest of society.**

Agriculture produced 100% cumulatively during all years from 1929 to 1939. For all practical purposes the nation consumed 95% of all farm production in these years even in 1932-33 at the bottom of the depression. Example—meat animals annually consumed (urban) and slaughtered under Federal Inspection 1928-29 = 12,682,000,000 pounds—**1932-33 = 12,665,000,000 pounds**. Price example—cattle 1928-29, \$9.13 per 100 pounds—**1932-33, \$3.84 per 100 pounds**, or 42% of the 1929 price. Net **NATIONAL CONSUMER INCOME** in 1932-33 was 45% of the 1928-29 figure.

These facts are stated to prove that the only stable factor in economics is the annual production and consumption of agricultural products. Irrational speculative agricultural prices convert this constant prime factor into an utterly unstable INCOME FACTOR and the whole of NATIONAL INCOME is leveled or ratioed to this violent speculative cycle.

In the table below we show 1929 actual number of FARM-RURAL workers (which was practically constant in all years) reduced by the Subnormal Annual Farm Parity Price Ratios in the years of the past decade. This represents the equivalent number of

these fully producing RURAL-FARM workers as expressing their relative annual buying power compared to 1929. Below is shown the corresponding actual number of fully employed and producing Wage Workers in Mining, Transportation and Manufacturing in all years. The absolute fact of the NATIONAL LABOR TURN as a constant corollary of the NATIONAL TRADE TURN is obvious from this simple compilation of the "end" figures for all years in the last decade—from the peak of prosperity 1929 to the bottom of the depression 1932 to recovery in 1937 and recession in 1938 and 1939.

(In Millions)	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	Avg.
Farm-Rural Workers (Actual)	11,410	11,410	11,410	11,410	11,410	11,410	11,410	11,410	11,410	11,410	11,410	11,410
Farm-Rural Workers (At "Parity")	11,410	10,500	8,450	7,300	7,650	8,800	10,400	11,080	11,200	9,350	9,250	9,600

Above is in equivalents of farm "Parity" buying power. Actual "efficient" workers were very nearly the same as in 1939.

Annual Farm Price Ratio	100	92	74	64	67	77	91	97	98	82	81	84
Physical Farm Production	100	100	106	99	96	93	92	94	108	103	106	100

(1932 to 1936 period of great farm drought)

(All worker figures in "full time" equivalents—Department of Commerce)

1930-38 panic years corrected to sub-normal levels.

Industrial Wage Workers	10,964	9,649	8,155	6,877	7,430	8,553	9,021	9,765	10,618	8,332	9,404	8,980
Index of Industrial Workers	100	88	74	63	68	78	82	89	97	80	86	82
Industrial Production	100	83	67	52	63	67	80	94	103	79	98	81

Manufacturing over-produced in years 1929-37 and in 1930-38 panic years corrected to sub-subnormal levels.

A Call for Unity Under Parity

There are no new physical frontiers for Americans to conquer except, perhaps, in some distant land or clime. We do not need to nor do we have any wish to debase ourselves by engaging in a mad scramble with others for "a place in the sun." We already have our place in the sun.

The frontiers which we must conquer lie in the fields of economic management and science. The only weapons which we require for conquest there are common sense and knowledge. And, of course, we must practice common honesty also.

The American people, those of both high and low degree, regardless of what business or profession they are engaged in, without respect to race, color or creed, must re-embrace and abide by the principles which guided the founding fathers in writing the Constitution of the United States.

Being wise and just men, our forebears conceived and passed on to us a system of government and a way

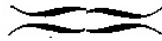
of life based upon the simple tenets of Christian faith, freedom and justice as expressed by the parity principle.

Because we have failed to maintain the system of exchanging goods and services which they devised, but have distorted it to give some privileges which are denied others, the basic principles of this precious heritage of ours are menaced from within and from without.

But, working together, one for all and all for one, like the Three Musketeers, Capital, Industry and Labor can transform the United States into a nation of permanently prosperous and happy people.

By means of economic unity and equal justice, expressed through the principle of parity, our society, our civilization, our way of life can be made secure from the storms of alien philosophies that now beat against the citadels of our nationhood.

Americans, we of the Raw Materials National Council, believe that you can and will do the things that must be done! We salute you and wish you godspeed in the doing!



"The great end of life is not knowledge but action."—Huxley.

All that has been set forth in these pages will have no value whatever if it does not inspire action.

It is your country, your business, your welfare that are at stake.

It is our mission to impart knowledge. Action depends upon you—you and your fellows.

We shall all rise together in triumph over adversity or we shall all sink together in the oblivion of collective debt.

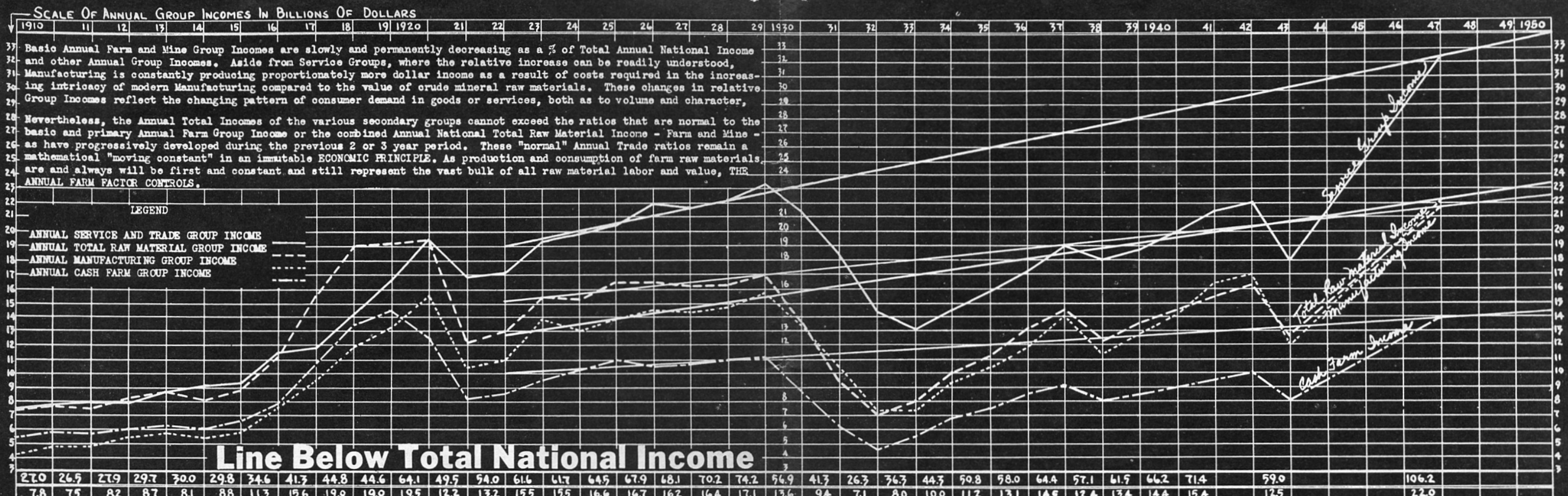
"Awake, arise or be forever fallen!"

The facts concerning parity prices, parity tariffs and the opportunities for new enterprise, as set forth herein, should be placed in the hands of every responsible leader of government, business, agriculture, finance, and labor.

The American people must be made "Parity Conscious"—and no time should be lost doing it.

You can contribute materially to the collective effort which must be made by aiding us to achieve the widest distribution of this brochure and other material which we develop from time to time.

Order a supply of these brochures today — now — and place them in the hands of your friends. Price, ~~\$1.00~~ single copies. Prices quoted for larger quantities on request.



Line Below Total National Income

Line Above Total Raw Material Income in Billions
Line Below National Trade Turn of Total Raw Material Income

