**Minutes/notes from Parity Call of April 15, 2019**

Link to recording: <https://www.mediafire.com/file/4lfb348ttujz157/prg_4-15-19.mp3/file>

To bring us up-to-date on how labor has suffered since the 1960’s (when it became public policy to recommend to the farmer that he “go big or get out”) this 55 minute lecture called Late 20th Century Transformation of Work may prove useful. It’s a pretty good outline of major events impacting labor: <https://www.c-span.org/video/?454684-1/late-20th-century-transformation-work> which we might connect to what happened to farming.

Now to the notes/minutes, comments are highlighted in yellow, with the bulk of them coming at the end of “Why the Nation is in the Red.” I also added “extras at the very end, including two comments from Jefferson, and a comment on how the various elements of the coinage clause tie to the Commerce Clause.

**Definitions concerning parity concept**

Recap of “Chapter 1, the Economic Riddle and its solution” --- Wilken lays out the economic Riddle in this Chapter. He says the problem is that solutions have been obscured by theory and political philosophy. The riddle has to do with the fact that 1/3 of the population (at that time) were doing without the necessities of life and 2/3s were doing without things they would like to buy. Since there was enough money in circulation, and “the largest reservoir of credit any nation ever had” the focus needed to be on how do we “bring out the money” through means other than government spend and borrow activities. This focus had to be directed at how and why National overall prosperity starts with farm prosperity, and the importance of the mathematical relationships between gross national income and gross farm income. (I.e.: the relationship between gross annual factory payrolls and gross national annual income was 1 to 5, compared to gross annual farm income and gross annual national income: 1 to 7 - at that time, meaning gross farm income had the highest multiple of any sector in terms of gross national income). Since farmers, in the aggregate, were only being paid at 75% of parity, the nation was cheating itself out of income. There were 3 steps to prosperity; Parity prices, Parity tariffs and New industries.

\*\*\*\* I left this quote out by mistake: **“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 in the history of the world.”**

We start with Parity Prices, first of 3 segments, being on the 100 cent dollar. First we compare “historical record” on page 9 and how it corresponds to the “Exhibit” on Page 8. Look at the “parity range” of the 100 cent dollar in 1800 and 1926. Note that in Wilken’s first paragraph he points out that “the Exhibit/chart reveals that we have not had parity exchange value for goods and commodities except during limited and widely separated periods.” Which, says Wilken 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.

Now some definitions as discussed in previous calls, after which we look at what some “19th century thought-leaders” had to say. (terms/words to think about: Money, Credit, Parity, hundred-cent dollar, capital, wealth, primary bartering power/primary income, difference between bargaining and barter especially in terms of how price is established)

**Wealth**:

**RANDY:** wealth is a flow of energy that supports human life. And because “wealth” obeys the laws of physics, it rusts, rots and decays - and must be continually replaced.

\*\*\*\* I forgot to mention that in a previous call, Randy said that the flow of wealth we see now is due to the capital structure that has been built over generations of labor. (Although Randy gave that insight in response to a question about “democratic socialists” and other UBI-ers, it has significance when considering that Wilkin said in last sentence first paragraph that production of new wealth had by 1940 leveled off in America.)

**HENRY GEORGE**: Wealth is all materials things produced by labor for the satisfaction of human desire - but human qualities such as skill and mental acumen are not material and hence not wealth*. (it’s the 2nd part of George’s wealth concept that differs most with 19th century “thought leaders” and maybe NORM?)*

\*\*\*\*Randy says that mental exertion, etc become wealth WHEN they are put to use.

**Capital:**

**RANDY:** Capital is a build-up of energy that can be used to increase your productive capabilities. Capital is NOT money, although it is counted in terms of money. Capital is just a tool to increase or make more; to make things better; to produce better housing, clothes, etc. Capital is wealth because it is used to produce either more wealth or more capital.

**HENRY GEORGE:** **Capital** is wealth used in the process of production. Only the two primary factors, labor and land, are absolutely necessary to create wealth . . . Georgists say their most important objective in political economy is to *understand the distribution of wealth in society.* (Similar to NORM folks though via a different route)

NEXT, **the two types of income** as described by Wilken:

1. **Primary Bartering Power** also called **Primary Income**, which is created by the production and sale of the materials of new wealth. This type of income is made up of 1) the number of units produced and 2.) the price received per unit.
2. **Earned Income** derived from wages, interest, and profits.

**Parity**

**Parity** means giving value to money in the form of goods and commodities (or units of wealth) NOT in giving value to these essential things in terms of money.

This idea takes us deeper into the concept of money, in a few minutes.

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But first a contemporary thinker on **MONEY**: In the Chicago Plan Revisited youtube presentation, Michael Kumhoff defined money as “equity of the commonwealth” which more or less harkens back to my suggestion that the act of sovereign money creation is to provide a “public credit.” By combining that idea with Joseph Huber as quoted in my Climate Change book I came up with the following definition: a “public credit” is sovereign money placed in a “public account” for the completion of a duly authorized and achievable public project, based on the promise of the people to be productive and a promise to keep control of the quantity of money.” In other words, sovereign money is a social and economic compact between our government and the people. (A compact essentially broken by Hamilton’s financial plan despite significant opposition)

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**Now for a detour back to the 19th century;**

Definitions of terms/words related to the parity concept and the hundred cent dollar, as those terms were understood then. Some terms: labor v capital, exchange of day’s labor for day’s labor, two types of wealth, definition of money in the context of its function and purpose, price and price relationships within the context of a) commercial transactions, b) bargaining and barter and c) the law of supply and demand.

(starting with Lincoln quote on original title page “Labor is prior to and creates all capital”) **Lincoln’s Dec 3, 1861 annual message to Congress** where he addresses the “labored arguments” then being used to promote the replacement of popular government with “returning despotism”.

In my present position I could scarcely be justified were I to omit raising a warning voice against this approach of returning despotism.

It is not needed nor fitting here that a general argument should be made in favor of popular institutions, but there is one point, with its connections, not so hackneyed as most others, to which I ask a brief attention**. It is the effort to place capital on an equal footing with, if not above, labor in the structure of government**. It is assumed that labor is available only in connection with capital; that nobody labors unless somebody else, owning capital, somehow by the use of it induces him to labor. This assumed, it is next considered whether it is best that capital shall hire laborers, and thus induce them to work by their own consent, or buy them and drive them to it without their consent. Having proceeded so far, it is naturally concluded that all laborers are either hired laborers or what we call slaves. And further, it is assumed that whoever is once a hired laborer is fixed in that condition for life.

Now there is no such relation between capital and labor as assumed, nor is there any such thing as a free man being fixed for life in the condition of a hired laborer. Both these assumptions are false, and all inferences from them are groundless.

**Labor is prior to and independent of capital.** **Capital is only the fruit of labor, and could never have existed if labor had not first existed. Labor is the superior of capital, and deserves much the higher consideration.**

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Henry Carey: called the Founder of the American Economics System, Lincoln’s chief economic advisor, and a proponent of government issued money and the greenback. He also became an opponent of so-called “free” international trade and wrote a lot about both.

In his book 1851 *Harmony of Interests* Carey in effect refers to the concept of fair exchange: *Two systems are before the world. . . .One looks to giving the products of millions of acres of land and of labor of millions of men for the services of hundreds of thousands of distant men; the other system before the world looks to bringing the distant men to consume on the land the products of the land,* ***exchanging day’s labor for day’s labor.***

Online copy of Harmony of Interests: <https://archive.org/details/cu31924030185056/page/n4>

As an aside, in 1865 Carey published a book called *The Way to Outdo England Without Fighting Her: Letters to the Hon. Schuyler Colfax (speaker of the House of Representatives)*, the key being to issue our own money instead of borrowing it. Found here: <https://archive.org/details/waytooutdoengla00caregoog/page/n2> (Page 129: It is surely time that our railroad managers should awaken to the fact that their interests are so perfectly in harmony with those of the men who mine coal and make iron…)

\*\*Randy remarks that some years prior to *Harmony of Interests*, Carey had been a “free trader” – “until he did the math”

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EXHIBIT in our doc shows a huge bubble following the Civil War, the widest divergence between dollar value and commodity value occurring in 1896 when supposed Silverite Wm Jennings Bryan and newly anointed gold-bugger Wm McKinley duked it out for the Presidency. The value of the US dollar peaked at an all-time high of $2.35 and commodity value dipped to an all-time low of 46 cents. 4 major reasons for that bubble.

1. As part of a deliberate political choice, the US went from 4th to 1st place as the world’s leading industrial world power, in just three decades - from 1866 to 1896.
2. The Homestead Act of 1862 and another for the five public domain states in the South in 1866: intent was to open new land to small farmers, but both Acts were undermined by the money power and lands were opened for plunder by land barons, with whom the small producer was forced to compete.
3. Beginning in 1866, a series of legislative acts served to dramatically reduce the money supply, so dollars were increasingly harder to come by
4. Production also increased dramatically during those three decades.

EXAMPLE: The Great Dakota Boom, which took place roughly between 1878 and 1889, is one example of how quickly production increased. In just seven years – from 1880 to 1887, wheat production alone went from 3 million bushels to 60 million bushels in Dakota Territory. By comparison, that 60 million bushels was more than what Indiana and Illinois combined took fifty years to achieve.

EXAMPLE: By 1892: S. S. King, a Kansas Lawyer and Populist, wrote the following in *Of Bond Holders and Breadwinners: A Portrayal of Some Political Crimes Committed in the Name of Liberty* (<https://www.kansasmemory.org/item/208059/page/1> ) about the 21 producing states, using official census reports of 1890 – which excluded South and North Dakota as they had only become states in 1889.

QUOTE: Indiana, Illinois, Iowa, Nebraska, Louisiana, Mississippi, Alabama, Georgia, North Carolina, Kansas, Kentucky, Florida, Tennessee, Virginia, West Virginia, Missouri, Arkansas, South Carolina, Delaware, Maryland and Ohio, twenty one producing States forming the great body of the Union - a wonderland of diversified resources with six times as much land and twice as many people to cultivate it, were able to accumulate one-half as much wealth in the period named [1880-1890] as the nine manufacturing, bond-holding, banking, money-lending and railroad-owning States of Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, Pennsylvania and New Jersey . . . Their internal commerce already greater than that all the foreign commerce of the combined nations of the world.’

\*\*\*\*\*\*\*ON this topic SEE LOUCKS in *Extras* at end of these notes.\*\*\*\*\*\*\*

Back to page 8 of our doc Wilken writes in the 3rd sentence 1st paragraph: “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.” So by pulling in a bit of Randy here, it appears from the exhibit that much of the capital structure, or flow of wealth, that we depend upon today was built primarily by producers and labor from 1800 forward to and including the Great Depression.

\*\*\*Randy adds, that it depends on what you want to look at for turnover. What really has been accumulated is a continuing development of the knowledge used to say, make steel, etc. So the thing that is being developed here is the capacity to master the tools that are required to make an industrial economy function. And in reference to Shortage of income – this did not impact consumption.

\*\*\*Randy adds that Henry Carey was a “free” trader until he calculated the numbers which forced him to change his opinion.

Now for two well-known Populists, as a means of fleshing out the concepts of parity and the hundred cent dollar.

First up, Henry Loucks, in his 1895 revised edition of *The New Monetary System as advocated by the National Farmers Alliance and Industrial Union:* [*https://archive.org/details/newmonetarysyste00louc/page/n3*](https://archive.org/details/newmonetarysyste00louc/page/n3)

Chapter 3 discusses **“Supply and Demand”** (ME: The Populists were often told that overproduction was the cause of low prices. One of their favorite retorts was that the makers of clothes are underfed, while the makers of food are underclad. Loucks himself said America was suffering from under-consumption not overproduction.)

Loucks’ concluding sentences to chapter 3: We have shown that supply and demand as applied to products is not the sole cause of low or high prices; that the ability to buy is necessary to create a demand, and that to give ability to purchase, labor must receive a high price for its labor and the medium of exchange be sufficient to comply with the demand. When prices are high, there is an increasing demand. When low prices occur it shows that the demand is seriously impaired.

Chapter 4**: responsibility of government with respect to the Function and purpose of Money**: Neither gold, silver, nickel, copper or paper is money until the fiat of government (the sovereign power) is stamped upon it. When that is done it assumes a legal value regardless of its commodity value. . . .The Farmer’s Alliance together with twenty-one other farm and labor organizations, demand that the government shall make and issue the money the people need, *a full legal tender for all debts, public and private, and in sufficient volume to do the business of the country on a cash basis; ….that is, exchange the products of labor on a cash basis.* All charges for the use of money to exchange the products of labor is a tax on, and paid by, labor. A limited supply enables the usurer, who owns the money, to exact such rates for its use as to rob labor of its just reward. To be free labor must be emancipated from the power of money to oppress.

Chapter VI: **The only scientific basis for the proper supply of money.**

Lots of references given throughout Loucks’ book, this is only a sample of those provided in this chapter: from the United States Monetary Commission, page 15: *General prosperity and a general fall of prices never did and never can co-exist.* —

…....Loucks: Contraction of the currency can be accomplished in either one of two ways, viz.: by increasing the demand for its use, or decreasing the supply. The effect will be the same in either case. . . . So there could be a contraction as a result of increased demand for use due to the “inventive genius" of man devising new labor-saving appliances whereby one man can do the work of many. In other words, there would be more products to sell for money, increasing demand for it and this effectively causing a monetary contraction. Loucks asserts that The only scientific basis for proper supply of money is demand for use. The supply must keep pace with the volume of products to be exchanged, if we are to avoid contraction with its train of evils.

\*\*\*Randy adds that the “inventive genius” may also refer to “cheating and chiseling” by those who owned the money.

Chapter VIII. **The interplay between** **Prices, the money supply and fair exchange value**:

When the opposition (gold-buggers/money contractors) is forced to admit the proposition that the volume of money in circulation regulates the value of products to be exchanged, they meet us with the counter proposition that, while it is true that an increase in the volume of money would increase the price of what we have to sell, it would at the same time increase the price of what we have to buy, which, in the end would be no benefit to us but would upset our present financial system, which, they claim, is the very best in the world, in proof of which they assert (and it is true) that a dollar now will buy more of the necessities and luxuries than at any other time during the last thirty years. *They seemingly forget that there are two sides to the question; that it will require more of the products of labor to buy that dollar now. We are on the other side.*

Chapter IX **Price Stability needs a stable dollar** (the Exhibit on page 8 of our doc clearly shows that the value of the dollar was anything but stable during the Populist era, or for that matter for most of our history). Stability of prices can only be maintained when money and products to be exchanged increase in equal relative proportion. A money that appreciates in value is just as dishonest as a money that depreciates in value, and more injurious, in that it benefits the few, the creditors, and injures the many, the debtors. A money of changing value is and has been in all ages the harvest of moneychangers and speculators. It is impossible to have a stable money responding to the demands of trade as needed, based on anything uncertain in quantity and depending wholly upon chance or accident for discovery.

. . . . The first essential for an honest dollar is stability. Any change in the volume of currency *as compared with the demand for its use* causes instability and benefits one class in the community at the expense of another. . .The moneyed class understand this proposition thoroughly. Being creditors and shrewd they combine to protect their interest, which is that they may be paid in the dearest dollar. That is why England persists in a gold standard. She is the great creditor nation. . . .

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Next Nelson A. Dunning: *Philosophy of Price and Its Relationship to Domestic Currency,* 1887 : <https://archive.org/details/philosophyofpric00dunn/page/n4> And in hard copy.

Terms include: Wealth, Money, Price and price relationships, and the role of bargaining and barter within that context, plus the law of supply and demand as it relates to overproduction and the manner in which products are distributed.

First up – **wealth**, which Dunning says is divided into 2 classes: visible and invisible. Visible wealth includes MONEY, houses, merchandise, the desk and the chair, and so forth. Invisible wealth consists of physical or mental exertion stored up in the human body by nature as a means of self-preservation. The latter is the creator of the first, as all visible wealth (including money) is the production of the invisible. (Henry George did not recognize invisible wealth.)

**Money**. There is a common misconception or error of the commercial world, which error seems to have made way for many others: Money does not buy products – products always buy – or purchase – money.

Lots of examples, here are a few:

EX: The wagon-maker buys money from the farmer in exchange for his wagon. The farmer had already raised some surplus wheat to buy money which he uses to “purchase” the wagon. In the bargaining process, the wagon-maker who will sell our farmer a wagon “the cheapest” will purchase the farmer’s money. Dunning reminds that a bargain is nothing more than an agreement between two or more parties and has nothing to do with barter. (The farmer may need to use some of his left-over money to pays his debts, in which case what he is doing is simply making a delivery of what he had sold and agreed to deliver some time previous. Similarly the wagon maker may need to use some of the money he got from the farmer to pay his workmen who had already bought that money with their labor used to build the wagon.)

A bit later Dunning asserts that money can only be utilized by the laborer, in his vocation, as a medium to obtain some product of labor he wants to use. To illustrate this, Dunning asks: can a man cut down a tree with a five dollar bill? No. he will first sell enough of his money to obtain an axe, and with that product of labor he will cut down the tree. So basically Dunning uses these and other examples to show that it is not money that does the purchasing, it is labor and the products of labor that are sold in order to purchase money. As Dunning reminds - there is always an obligation that precedes the payment of money. That obligation is either labor or its products, or the stipulated payment of money at some future time of one or both.

So Dunning is making the case that in its legitimate use, money has no purchasing power. Why? Well for the express reason that money is a creation of law (or as we might say, money is an abstract social power embodied in law as an unconditional means of payment). Also, says Dunning, money in its true sense is not a product of labor. Money never goes in advance. Labor takes the lead, money follows. Money is the incentive for all production. Destroy the fact that production will buy money, and to a large extent all surplus production will cease.

Again, Dunning emphasizes that money has no purchasing power due to the fact that the one function of money is to pay debts; it only levels up the difference in bargains.

\*\*\* Randy adds that he would modify the above a bit: what Dunning is really trying to point out is that the production of the commodities *puts the value In the money*, not the creation of money itself.

Back to Dunning: Neither can money be bartered for money because it has only the one function.

\*\*\*Randy remarks that that is not true anymore.

But products can be and often are bartered for each other, both parties to the transaction being benefitted. In the bartering process we see products exercising purchasing functions independent and exclusive of money. But on the other hand, money cannot perform its functions without the aid of products.

This is, Dunning says, why capital cannot employ labor. Labor employs capital always but does not employ money. It only employs some previous product of labor. (Lincoln: Labor is the superior of capital). From the monetary perspective laid out by Dunning, capital can only be SOLD for labor.

**Price and price relationships.** The value of money is correctly indicated by *the general range of prices.* And we notice that the price of one article—labor—governs all other prices in the normal condition of trade that the products of that labor come in direct contact with. The price of labor determines the price of B's wheat, and the price of his wheat determines the price of all his purchases.

The necessity of having a fair price, and to begin in the right place, is not only just, but important to the general welfare of mankind.

That place is with labor. When labor brings a good price, everything else does. But when labor is poorly and grudgingly paid, dull times overtake us and all business drags.

Later on Dunning says: What is known as the *conflict between capital and labor is not so much a conflict between other forms of capital and labor as it is between* *money and labor*. He says that the conflict between money and other forms of capital can be as severe as the conflict between money and labor, and in that conflict other forms of capital suffer fully as much as labor, the only difference being that they are better able to endure losses basically because these other forms of capital can be converted into money in order to pay wages and to meet other demands incident to industrial enterprises. . . . then Dunning points out that Money, in either shrinking or unduly increasing in volume, separates capital from labor. So in reality the angst and anger of society really should be directed not *against capital, but against the false financial system that permits the volume of money to either shrink or unduly increase.*

*The problem for labor is that it, unlike money, cannot be hoarded.* The day's labor unperformed is so much capital lost forever to the laborer, and to society. It being his only capital, his only means of existence, the laborer cannot wait on better times for better wages.

Absolute necessity forces him to dispose of it on any terms which the owners of money dictate.

Get rid of this false financial system and let labor and capital be put on equal terms, so that idle capital will be as unfruitful as idle labor, and the conflict between them will cease to be destructive. . . .

\*\*\*\*Note that Dunning is not saying as I think Michael Hudson does that price, (and monetary value?), involves the establishment of a price relationship *between* commodities. Dunning is saying that the *general range of prices* give value to money, similar to how Wilken defines parity, and that the price of one article – labor – governs all other prices in the normal conditions of trade.

**Price, says Dunning, is commercial value** and commercial value is established by the ability of the people to purchase. Further, the ability to purchase is greater or less as the volume of currency is increased or decreased. . . . However, *p****rice relationships***between all other things besides money are not affected by the volume of money, or by its increase or decrease.

\*\*\*\*Randy adds it’s the same thing Wilken says that you can have prosperity at any price level.

Exchange by barter unlike bargaining, can be as equitably affected under one volume of money, and under one range of prices, as another. But under a credit system where contracts aggregating a vast amount to pay money at future periods have been made, steadiness in prices becomes the all-important consideration, and that steadiness depends on the steadiness in the *quantitative relation* between money and all other things.

. . . The command, therefore, which commodities and services may have over money in the future, and which will find its expression in price, becomes a matter of vital importance. . .

\*\*\*My thought was to Tie this in to Wilken’s term for the first of two types of income: “primary Bartering Power” or primary income

*\*\*\*As an aside about the word barter, Michael Kumhoff said in his Chicago Plan Revisited presentation that economists who work in banking today erroneously conceptualize the activities of banking as being based on the loanable funds theory, or barter.*

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Back to Dunning re the problem with the law of supply and demand (and its corollary overproduction)

This (the law of supply and demand) is a dangerous doctrine, and from it emanates many destructive theories. . .

Here is an argument where too great a victory brings defeat, too much happiness brings distress and misery.

Let us examine the subject in that light. Does an overproduction of wheat and beef cause my neighbor to go hungry? Is an abundant supply of clothing the cause of his being ragged; or of boots and shoes the cause of his going barefoot?

Certainly not. In all these cases the supply is abundant, and the demand most urgent, yet the supply is not lessened nor the demand satisfied. Why? Because there is a want of ability to purchase. It is plain that there can be no real overproduction unless a large surplus remains after all the people have been fully supplied with the necessaries and comforts of life. The public cannot overtrade by distributing each year's productions among those who really need them to use.

We must look, therefore, for the real cause of these calamities, not in overproduction, but **in the power that governs the distribution of the products**. It does not matter how urgent the demand or abundant the supply, there must be some ability to purchase, or the demand is not satisfied. How then, can it be truthfully said that supply and demand are the sole arbiters of price?

. . . There can be no price without a purchaser; no purchaser without the necessary ability to purchase. Therefore it must follow that the ability to purchase, in all cases, absolutely establishes the commercial value or price. [There may be isolated instances that prove the exception to the rule but these are self-correcting]

Let me illustrate this point—that supply and demand do not make the price. Mr. A has a good dinner to sell. Mr. B is hungry. Mr. A has the supply, and Mr. B has the demand. In this case what establishes the price of the dinner; its original cost to Mr. A, or Mr. B's hungry stomach? Neither. The commercial value is finally and fully fixed by the contents of Mr. B's pocket- book.

It should always be remembered that price knows no original cost, no matter how much a bushel of wheat costs in production, its commercial value is made without any regard to it. The idea that cost of production enters into price is all wrong. Price is what it will sell for and nothing else . . .

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HENCE the need for parity, reinforced by Loucks’ example of what was happening in 1919 as explained in his little book called *Our Daily Bread Must be Freed from the Greed of Monopoly*, available in paperback:

In this segment Loucks is talking about how the tariff had long been used as a political football and this always ended with the cost of living continuing to go up:

“Labor organized and struck for higher wages, and just as they succeeded the cost of production increased, and the cost of living went higher, an endless chain with each change growing worse. The iron law of wage was asserting itself. *It was not the number of dollars a month that you received that controlled, but the amount of the things you needed in exchange for the dollar.”*

Loucks continues that the tariff was again revised under Taft, who needed to also appease the Industrial East. Loucks writes that this revision practically duplicated the policy of trying to reduce the cost of living at the expense of agriculture by placing raw farm products on the free list and protecting manufactured products.

Then later, after quoting from an article appearing in the *Argus Leader*, July 1, 1915:

Quoting the *Argus Leader*: “the buying of food and food products for belligerents of Europe is centralized in the hands of a bunch of Wall Street financiers. The latter have the art of deceiving the American public well in hand.”

Loucks says: I want to thank the *Argus Leader* for this polite way of referring to the Pirates of Wall Street. I have shown the effects on our markets by Canada complying with the tariff conditions, a drop of 9 cents per bushel in the price of wheat. I have referred to the use of one of the minor exporting nations, Argentina. When our speculators wanted to boost the prices of farm products, other than wheat, under authority given the president as a war measure. The Food Administration placed an embargo on the importation of farm products. This gave the speculators a perfect monopoly of the home trade. . . .Then when they wanted to force prices down, the raising of the embargo was promptly suggested and on the mere rumors of a prospective importation of a comparatively few bushels of corn the price of corn was forced down 17 cents a bushel. The same kind of rumors are good for another 40 or 50 cents per bushel decline.

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Return to the last paragraph of the first segment on the 100 cent dollar in the Chapter on Parity Prices in our document, where Wilken is talking about how to determine parity prices. Last sentence of first paragraph: Production of wealth has leveled off in America (as of 1941) hence there is no relief from permanent depression except to bring prices of commodities and industrial goods into balance by the use of a commodity index pricing system.” Next paragraph Wilken says “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 index or the 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 on 1910-1914 and 1922-1929.

\*\*\*\*I messed this up on the call. Randy corrected by saying that you take the index plus the base period and multiply that times the price of the commodity *in the base period.* I also asked about commodity indexes – what index might we use now. Randy says, basically we are stuck, but we could --- with enough help calculate it out and dollars to do the research. Randy adds that even with the USDA”s own cheating numbers, parity price comes out at 31: farmers are paid 31 cents for every dollar they deliver into the economy: try and come up with a business plan that takes that into account. Randy concludes: Until someone comes up with a cogent argument to challenge USDA numbers, WHY BOTHER? (Let’s just go with those for now)

For our further edification I thought this entire segment from **Walters *Raw Materials Economics***, page 70-71 was worth including:

George Peek came up with the following calculations. In terms of a 1910-1914 index. Corn sold at 64.2 cents a bushel. Wheat came to 88.4 cents a bushel. To compute true parity prices for any year, all one had to do was take the 1910-1914 figures and multiply times an average of the things a farmer had to buy. The government has commodity indexes, processed food indexes and the like. We know how these have increased. Simply take that figure and multiply. For instance, it is now generally agreed that the big bull market in stocks peaked in 1966 in terms of stable dollars. At that precise point the commodity index stood at 240%. Thus the multiplier became 340 for that year since you have to add the base period of “100”. This meant that corn parity for that year should have read this way: 64.2 cents x 340% - $2.18. Wheat: 88.4 x 340% = $3.00 total income in 1910-1914 averaged $33 billion per year. The industrial wage was 23 cents an hour. It took several hours of wages to buy the equivalent of a bushel of wheat in those days. It took 25 minutes to pay for that bushel in terms of the national wage average. At a $10.00 national wage average, a bushel of wheat would be worth approximately 10 minutes, illustrating that the individual wage is also below parity.

That seems simple enough, assuming that we have accurate figures in how the rest of the economy has fared. Would it be possible to move the base period a little closer to modern times – just to satisfy the doubters?

The answer is YES, provided, however that a year was selected in which there was relative balance in the exchange equation between rural and industrial America. The year 1926 could be used as a fair base period equal to “100.” An even better one is 1946-1950 equals “100”. During the 1946-1950 period, farm prices averaged – all things considered – at 99.5% parity. Corn averaged $1.54 a bushel and wheat averaged $2.01 a bushel. If you follow through on what we’ve illustrated, you’ll find that the consumer price index adjusted 43% upward between 1946-1950 and 1966, the point of reference cited earlier. So if you multiply $1.54 corn times 143% (the 43% increase plus the base of “100”), then you get $2.20 corn. Wheat on the same general basis comes to $2.87. this is a penny or two different from a 1910-1914 projection, but that difference is certainly not staggering.

One may ask, this is the way it works, what’s the big hang-up about using this yardstick for farm prices? The answer is not as simple as it might be. The parity idea started getting clouded in the very beginning. . . .

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Which brings us to “Parity Price Not Price Fixing” on page 9.

Bottom Line – Parity is all about price balancing. There can be *no price fixing since farm parity price (along with cost of living) is determined by movements in the commodity index.* (well, maybe not now, must clarify this more) Example given by Wilken was for 1929-1932 when farm prices led the way down, with a much smaller decline in non-industrial goods and cost-of-living, while in the “recovery period” to 1937, farm prices led the way up, again with a much smaller uptick in retail goods and clothing goods as well as cost-of-living. During this uptick both cash farm income and national income almost doubled! Which Wilkens remarks are typical movements.

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Last: Why the Nation is in the red,

We have been underpaying farmers, and cheating ourselves by doing so: “Increase the bank clearings if those communities listed an additional $1.5 billion annually by means of parity prices and their unemployed will go off the relief roles in no time.. . . Arithmetic is an exact science and no amount of theory can disprove the record of what has transpired in the clearing houses of the 3 cities cited as examples. Pages could be filed with comparable records of what has transpired in every city in the land. Parity or lack of parity is accurately reflected in the total business done by each community and by all communities in the nation.

\*\*\*\*I added info about the Panic of 1921, which threw 5 million people out of work and marked the beginning of the farm depression, due to the sudden increase of rediscount rates which was a private decision made by the Fed Board and a handful of Congressman. Rate went from 2% in May to over 9% eight months later (and was much higher in some rural districts.) Farm incomes were sliced in half almost overnite. HALF of all rural banks failed between 1920 and 1929. (1921 was the start of the farm depression, which spurred farms to increase production, and of course the 1920s were the Roaring 20’s marked by an upsurge of consumerism)

\*\*\*\*I ask about the upswing in farm prices in the recovery period from 1932 to 1937, if that was due to FDR putting something like a minimum wage for farmers in place in 1935 and 36 (which I thought I had read about somewhere.) Randy says no, the upswing was due to the make-work programs like the CCC and the WPA working its way through the economy improving cash flow of the people. Randy then mentions that the suicide call centers have in recent years had to be expanded because of farm suicides, and there is more coming because of the number of non-performing loans in the farm credit system right now is as high as it’s been since the 1980s

\*\*\*Steven asks if anyone has heard anything about Ben Gisin, who was a wonderful “Fed watcher”. Randy hasn’t heard anything from or about him. In one of his articles Gisin talked about NORM having developed what he called a “cash flow analysis” of the U.S. economy - but of course In a cash flow analysis depends on having cash to flow.

\*\*\*Geri asks, about Kuznets, who has more or less been marginalized, Randy answers that Kuznets did not come up with an “equation” but rather an “analytical sorting box” and the observation he started with was the necessities of life are the important productive items of an economy. If you’re not producing food, water, clothing, shelter, sewage, transportation, etc, etc then you are not doing right by your community, and so let us look at the production of those times and what it takes to get those produced, distributed and consumed. Let us analyze the economy on those terms. That is why Kuznets eliminated finance because it “doesn’t lay a rail” so to speak. He did consider services, but not finance and insurance. Kuznets is where the Wilken Team started and he did win the Noble Prize for his work. That is what Wilken used for his calculations.

\*\*\*Randy adds to Geri’s statement that beginning in the mid-1890s gold was being added into circulation, giving rise to the so-called “golden age of Agriculture” of the first decade and a half of the 20th century and then in 1913-14 just prior to the Fed gold was disappearing across the world.

\*\*\*Randy adds that the same thing was happening in 1920-21 – the British after WWI were trying to maintain the pound sterling on a gold basis but they had so much debt they couldn’t do it any longer forcing them to devalue the pound.

\*\*\*\*Geri asks about how Hudson can define money as debt. Randy says he can do it – because you could say money is a debt because it is issued by the community in lieu of wealth – money is a claim on wealth. Geri replies that she looks at it as a “public credit” and not debt. Randy says the community owes it. Geri says it is a social and economic compact between the community and the government.

\*\*\*Randy explains bank clearings as taking place in a (designated?) clearing house where the accounts are balanced, every day. Randy describes what a clearing house does: it is where the accounts are balanced. So all the activity during the day of all the patrons who have deposits in their bank that may have gone to the neighboring town or even far as Indianapolis or Chicago and written a check against their account in their bank - then those other banks have to send the check drawn on the Coldwater Bank to the Clearing House where the accounts are balanced. Steven remarks that that is what happens at the Fed. Randy replies that it happens at all levels of banking and adds: that is really what the Federal Reserve provides, it acts in the capacity of a clearing house balancing accounts across the nation.

\*\*\*\*Randy explains about commercial paper, which are 1 signature purchases and banker’s acceptances, which are 2 signature purchases – both are like checks – it was checks before people had checking accounts, and it was how business got done – you had a pile of money in your account at the commercial bank and you went down to the stock exchange or the Comex or wherever it was to buy lumber to make furniture or whatever. You go in to bid on a pack of lumber and when you make the exchange with the timber man you just write the details of the exchange on a piece of paper and hand it to him. That’s commercial paper that the lumber man takes to his own bank and it’s up to the Clearing House to settle up the accounts. That’s commercial business, it’s how it works.

\*\*\*Joe asks whether that would be the same as what Geri was talking about the rural banks failing. Randy says if the bank becomes unstable and can’t cover its loan portfolio with reserves or the deposits on hand or their own investments then the bank examiners comes along and squeeze them dry.

(See full discussion about Clearing Houses, around hour one, 55 minutes)

\*\*\* As an aside, and back to Kumhoff, when he was talking about how the “blogosphere” incorrectly says that accumulating interest creates debt overload. I thought perhaps he MIGHT be unwittingly “divining” what Wilken says about “Bringing Out the Money.” This is what Kumhoff said, mostly in his own exact words:

Debt does not go up automatically because we have to service the system, due to the growing interest overhang.

Quote: You MUST NOT confuse the token that is used to settle debt – which is money – with the debt itself.

The money just circulates throughout the economy all the time and can be used to settle many, many debts in a week. So the QUANTITY of money has nothing PER SE to do with the debt having to go up AUTOMATICALLY as a feature of the design of the present financial system.

So we do observe that debt goes up all the time, but that is not PER SE connected to the present system. The question of why the debt goes up is very multifaceted and is not connected PER SE to the present system.

And he adds:

A lot of things are money. Today virtually all money is bank deposits and only a tiny amount is money created by government.

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Some extras:

Thomas Jeffferson: Excerpt, January 24, 1786 response to questions posed by Monsieur De Meusnier: *Those who talk of the bankruptcy of the U. S. are of two descriptions. 1. Strangers who do not understand the nature & history of our paper money. 2. Holders of that paper-money who do not wish that the world should understand it. Thus when, in March 1780. the paper money being so far depreciated that 40 dollars of it would purchase only 1. silver dollar, Congress endeavored to arrest the progress of that depreciation by declaring they would emit no more, and would redeem what was in circulation at the rate of one dollar of silver for 40 of paper; this was called by the brokers in paper money, a bankruptcy.*

*Yet these very people had only given one dollar’s worth of provisions, of manufactures, or perhaps of silver for their forty dollars, & were displeased that they could not in a moment multiply their silver into 40.*

*N.B. The whole of this set of communications can be read here :* <http://oll.libertyfund.org/?option=com_staticxt&staticfile=show.php%3Ftitle=802&chapter=86603&layout=html&Itemid=27>

1815 to Gallatin: *The treasury, lacking confidence in the country, delivered itself bound hand and foot to bold and bankrupt adventurers and bankers pretending to have money, whom it could have crushed at any moment…These jugglers were at the feet of government. For it was not, any confidence in their frothy bubbles, but the lack of all other money, which induced…people to take their paper…****We are now without any common measure of value of property,*** *and private fortunes are up or down at the will of the worst of our citizens…As little seems to be known of the principles of political economy as if nothing had ever been written or practiced on the subject.*

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Referring to S. S. King’s missive Of Bondholders and Breadwinners and the 21 producing states v the 9 bond-holding, etc states that including PA, Henry Loucks writes this in his textbook *The New Monetary System*:

. . .. In the accumulation of wealth, on an average, one man in Massachusetts equals 812 in the West and South. Add the three states of Kansas, Kentucky and Florida, and compare with the great state of Pennsylvania, and we find fourteen times the land, in 1880 about four times the labor (population) and twice the capital (assessed value)—112 times the factors for the production of wealth in the twelve states as compared with Pennsylvania.

On an average, one man in Pennsylvania equals 112 in the West and South in the accumulation of wealth.

Do all of its citizens share in this prosperity? No; the condition of labor is much worse there than in the produce district. Our plan of protection protects the manufacturer but gives no protection to the laborer.

The manufacturers receive the benefit. But how about the condition of labor in Pennsylvania.? Prof. Joseph R. Buchanan states that in a recent conversation with a special agent of the National Bureau of Labor Statistics, who had just returned from an official investigation of labor in Pennsylvania, the latter said; “Show me a place in Russia where the people are miserable and starving and I will match it-in Pennsylvania—show me a community in Europe where the people have lost all hope and are only waiting for death to relieve them from their sufferings and I will match it in Pennsylvania.” With the increase of wealth in the hands of the few the condition of labor becomes infinitely worse. . . .

. . . .It is the knowledge of these facts that is causing the wide-spread dissatisfaction in the West and South. Aye, even in the nine North Atlantic states laborers are beginning to be aroused to the necessity of organization for protection, for as wealth concentrates, poverty, immorality and crime increase.

From these same census reports we find that there are twice as many paupers per capita in the nine favored states as there arc in the twenty-one, one and a half times as many prisoners in the county jails; and, sadder than all else for the future of our country, there are three times as many children in the reformatory schools in the favored states as in the West and South. . . .

….... In Massachusetts the mortgage indebtedness increased in the ten years from 1880 to 1890, 168 per cent, while the population increased 25 per cent. The mortgage indebtedness incurred in the ten years was $508, 455, 550. The mortgage indebtedness remaining in force, January 1st, 1890 was $323,277,688. The per capita indebtedness of Massachusetts is second only to that of Kansas, being $144 (?)

…..... One more comparison will do for a fair demonstration that where wealth accumulates the average condition of the people deteriorates.

For the produce district, as per our first comparison, the per capita indebtedness as given is; Nebraska, $126; Iowa, $104; Illinois, $100; Indiana, $51; Alabama, $26; or an average for the five states (the other four are not given) of $41. For the wealth district we will compare five states also, viz; Pennsylvania, $117; Massachusetts, $144; Connecticut, $107; Rhode Island, $106; Vermont, $84; or an average of $111 for the wealth district, as compared with $41 for the produce district.

It is very clear that whilst in accumulation of wealth one person in the nine North Atlantic states equals twenty in the West and South, the distribution there is very unequal. The average indebtedness is nearly three times as great. In proportion as wealth accumulates in the hands of the few, debt, misery, poverty, and degradation overtake the many. What is the remedy pro- posed by organized labor.? Wipe out the special privileges as rapidly as possible, and then embodying the principles of the Initiative and Referendum into law, prevent the granting of similar privileges in the future by leaving the veto power in the hands of the people.

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Another window into Populist knowledge of history, from Francis Schulte, publisher of *The Little Statesman* in 1895, available in hard copy:

“Legal tender paper money is usually issued in times of war when gold and silver are hoarded or exported from the country, and as a consequence, such legal tender is put to the severest possible tests, those of impelled government, disturbed industry, and impeded foreign trade. Nevertheless, history abounds with instances to prove the entire sufficiency of this kind of money.

In 1156, the Republic of Venice established a system of paper credits which served as the principal circulating medium of that country until 1797. This money was always at par and frequently at a premium. In 1770 the Russian government issued its own notes which sustained the government through 2 wars and commanded a premium over coin. In 1797 to 1823 England issued $225 million dollars of full legal tender paper with which to carry on a war against Napolean. In his Political Economy, John S. Mill says of these notes: “After they were made a legal tender they never depreciated at all.”

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Also from Schulte - **January 1896. Excerpt from Foreword of The Little Statesman.**  Note that other than being a fairly well-known late nineteenth century publisher based in Chicago, little is known about Francis J. Schulte. He did however leave behind an important legacy when he published *The Little Statesman* copyrighted 1895. In the forward, dated January 1896, we find these words: *Money is the public credit, stamped or imprinted upon, or represented by, metal, paper, or any other convenient substance recognized by law or usage, and employed as a medium of exchange and a measure of value. Money is money only so long and in so far as it represents the public credit. Moses, as well as the early fathers of the Christian Church, undoubtedly adopted this view of money when they denounced usury, which is the device whereby the drones in humanity's bee-hive, monopolizing the public credit, have in all ages exacted tribute from the workers. The right to issue money is a sovereign right and should be jealously guarded by a sovereign people.*

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There is another book by Loucks worth looking into: Loucks" 1916 book "The Great Conspiracy of the House of Morgan”: <http://www.yamaguchy.com/library/loucks/loucks_index.html>  (hard copy also on Amazon)

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From *Exodus from Poverty* by Amos Norton Craft D.D. PhD, 1914

Chapter Price and Scarcity in the Present Economic System, subsection The Cause of Poverty

Can two men, all things being equal, get much from each other while struggling to give little? Will not both remain in a state of poverty even though surrounded by inexhaustible bounties of nature? Is not the effect the same when men are a multitude?

The attempt to attain wealth under the principle of giving little defeats the aim. It establishes competition and economic anarchy produces concentration, as men plus machinery become; unequal factors; and evolves a system perfectly adjusted to scarcity and its perpetuation from which there is no escape for the majority as long as that principle survives.

The microbe of poverty lurks in the principle, that each unit of society shall give as little as possible to collective society, in all matters pertaining to the production and distribution of the means of existence.

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An article from *Economic Review 2013*, wrote this about Robert Owen, quote:

In 1935, at age 79, he lent his name to the forewords of two of the many monetary treatises of the period that criticized Fed policy. In these, he offered many of the arguments he had made during the debates leading up to the Federal Reserve Act and during the political backlash from the deflation of 1920-21. He concluded one of the forewords with this summary:

“It should be obvious that when the records of our government disclose that the value of the dollar can be doubled or cut in half in the course of two or three years, there is something radically wrong with our monetary structure, and our laws which permit such a violent variation in the purchasing power of money. Such fluctuations make it impossible for the most prudent of businessmen to make dependable contracts extending over a period of time, and leave the people defenseless against depressions” (Owen 1935a). ….

….. As an elderly Owen wrote in 1935, “there could be no subject of more supreme importance to the people of the United States than an understanding of money and its power to control our economic destiny. Civilization itself depends upon money, without which man would be reduced to savage life and barter.”

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Connecting the commerce clause to the coinage clause: Article I, Section 8, Clause 5 of the U.S. Constitution authorizes Congress “to coin Money, regulate the Value thereof, and of foreign Coin, and to fix the Standard of Weights and Measures.” Per Constitutional Law expert Robert Natelson, the existing legal tradition considered these particular powers to be part of commercial regulation. This is my paraphrasing of Natelson’s two law Review articles (one called *Tempering the Commerce* Power and the other called the *Legal Meaning of “Commerce” in the Commerce Clause*), this from my article *American Dreams Destroyed by Debt*:

The Constitution grants Congress an express power to govern the traditional “Law Merchant” through the Commerce Clause. As explained by Natelson, this express power as originally intended did NOT include all gainful economic activities. Rather, for the founding generation, “Commerce” embraced the actions of merchants, factors (commodity brokers), carriers, traffickers with foreign nations, and consignees. Commerce benefited agriculture and manufacture by circulating their products, but “Commerce” did not include agriculture or manufacture – or land use. . . Nor did it include activities that merely “substantially affected” commerce. And yet, today, land use rules anchored by an expanded definition of commerce will govern the outcome of the New Jersey homeowners fighting the establishment of a pipeline in their community – pretty much sealing the fate of not just those homeowners, but millions like them across the United States.