# BRIEF HISTORY OF “PAR ECONOMY” CONCEPT

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## *1 PAR ECONOMY – Natural Law and Natural Rights*

A par economy is based on natural law.

In classical Greece, the philosopher Aristotle spoke of laws that varied from place to place, but what was “by nature” should be the same everywhere. The law of nature, like nature itself, is universal.

Also from ancient Greece, the concept of natural law also established the existence of natural rights. Natural rights were not dependent on the laws, customs, or beliefs of any culture or government, but were universal and inalienable, part of the intrinsic nature of man.

Parity economics (or par economy) is also based on natural rights – that nobody can profit at the expense of another. Charles Walters, Jr., said it this way: “It was understood...that parity is a requirement of any economy based on division of labor. To understand this, reason with us for a moment. If two individuals exchange the production accounted for by division of labor and one has a 10% advantage in each transaction, the favored party will have most of the money or property, and the second will be near bankrupt or bankrupt after the tenth transaction.”(1)

(1) Walters, Jr., Charles. P*arity: The Key to Prosperity Unlimited.* Kansas City, Missouri: Acres U.S.A., 1982. Reprinted, Charlotte, Michigan: National Organization for Raw Materials (NORM), p 37.

In sum: The most important aspect of the economy is the supply/production/harvest of raw materials and their exchange at the first point of sale for a fair price. A fair price is a price that pays for all the expenses required to bring the raw materials to market, including the supplier’s labor. This transaction is the basis for all the money needed to make all additional transactions possible without resorting to debt. The income to the raw materials supplier is spent into the economy for supplies and labor, and the result is a fair wage for labor in the manufacturing and service sector, and a fair profit for their business owners.

## *2 18th CENTURY – PHYSIOCRATS AND THE AMERICAN REVOLUTION – Natural Law and Natural Rights*

### The Physiocrats

The 18th century French physiocrats are credited with being the founders of political economy, the study of the natural laws governing the production and distribution of wealth.

They taught the laws of nature were God-given and unalterable - that all wealth originates from nature (land). As technology increases the efficiency of raw materials usage, trade and commerce are spun-off: “...commerce and industry (which is much more considerable than commerce) are but branches of agriculture,—the primary and indispensable source of the other two.”(2)

(2) Higgs, Henry. *The Physiocrats: Six Lectures on the French Economistes of the 18th Century.* First Edition: The Macmillan Company, 1897. Kitchener, Ontario: Batoche Books Limited, 2001, p 20.

They also believed that natural laws governed human interaction and advocated the natural rights of man. Society or a nation consisted of the individual persons within it, and the best social union was the agreement or contract between those persons.

### The American Revolution

The British Empire practiced mercantilism – a nation should export more than it imported, and pocket the resulting difference in a currency, usually gold. Therefore, its colonies were a source of cheap raw materials for the mother country and a captive export market for the finished products from England. The Physiocrats, however, believed that the wealth of a nation lay not in its stocks of gold and silver, but rather in the production from its land - agriculture.

Benjamin Franklin traveled to France where he personally spoke with Samuel Du Pont de Memours and others of the Physiocrats.(3)

(3) McElroy, Wendy. *"The Physiocrats",* The Future of Freedom Foundation, www.fff.org, December 1, 2010.

In his paper "Positions to be Examined" in 1769, Franklin pointed out that there were three ways in which a nation might become wealthy – and agriculture was the only honest way:

"*12 Finally, there seem to be but three Ways for a Nation to acquire Wealth.*

- *The first is by War as the Romans did in plundering their conquered Neighbours. This is Robbery.*
- *The second by Commerce which is generally Cheating.*
- *The third by Agriculture the only honest Way; wherein Man receives a real Increase of the Seed thrown into the Ground, in a kind of continual Miracle wrought by the Hand of God in his Favour, as a Reward for his innocent Life, and virtuous Industry."*(4)

(4) "Positions to be Examined, 4 April 1769," *Founders Online,* National Archives, https://founders.archives.gov/documents/Franklin/01-16-02-0048. [Original source: *The Papers of Benjamin Franklin,* vol. 16, *January 1 through December 31, 1769*, ed. William B. Willcox. New Haven and London: Yale University Press, 1972, pp. 107–109.]

In the Declaration of Independence, Thomas Jefferson writes of natural law and natural rights: "When in the Course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them...We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness."

A parity economy requires the price given to the raw material producer to be 'fair' – that is, 'fair' to all sectors of the economy: producers, manufacturers, servicers, retailers, owners. The fair price should allow the raw material producer to pay his costs, spending money to the other sectors: local merchants, tractor salesman, farm labor, local mechanics, etc. The fair price should ensure that all labor would have a 'fair wage' on which to lead a good life. The fair price should ensure that the business owners would have a 'fair profit' on which to invest in his business. In other words, the money would flow through the entire economy, **without the necessity of debt**.

To avoid disparity or inequity, the purchasing value of the money should remain constant over time. No deflation or inflation of the money supply. In our U.S. Constitution, the power to issue money and ensure its purchasing power was placed in the Congress: Article I, Section 8, Clause 5 - "The Congress shall have Power...To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures…". A lower-case 'coin' meant the Congress could mint coin or print paper currency. Both were sovereign money of the republic.

However, at the beginning of the new country, private banks were chartered by the new state legislatures. These private banks were given the privilege of printing their own private banknotes, as well as ledger-entry account money, to be given by the bank to the borrower when the loan contract was signed. This permitted the creation of 'bankmoney' alongside the government's sovereign money. The purchasing power of the money could no longer be controlled by the government. Throughout the 19th century, monetary inflations and deflations occurred. Farm prices would collapse, unemployment skyrocket, banks fail, profits disappear, bankruptcies declared, . The nation would suffer, but the bankers would reap rewards – loan interest, and collection of collateral when the loan could not be paid.

During the Civil War, Lincoln's Congress issued sovereign Greenback paper money. Spent to pay soldiers, buy raw materials, feed the Union troops, the Greenbacks maintained the Union. It became a beacon for the farmers and merchants. Lincoln understood the threat from the bankers: "I have two great enemies, the Southern Army in front of me and the bankers in the rear. Of the two, the one at my rear is my greatest foe."

After the Civil War, for the rest of the 19th century, various third party political parties were formed to call for the government's issuing of paper Greenbacks: the Greenback Party, the Farmer-Labor Party, etc. In the 1880's the Farmers' Alliance was formed in the mid-West and South. This was a broad national movement of farmers to create their own culture and economic demands. The movement became the Populist Party in the 1890's, but decided to join with the Democrats in the presidential election of 1896. This fusion failed, and the movement quickly faded.

### *3 1921 GEORGE PEEK*

George Peek (1873-1943) grew up on an Illinois farm, but chose after high school and one year of university to go into business. He became a business executive for the John Deere Plow Company in 1893, at the time the leading manufacturer of agricultural machinery in the world. In 1919, he left Deere and became president of the Moline Plow Company.

In 1921 there was a depression in the country. Since the U.S. was supplying the Allies food during World War 1, farmers were prosperous and were encouraged to expand, using bank loans. However, during a secret meeting of the Federal Reserve Board on May 18, 1920, the Board decided to raise interest rates at the same time the food prices to farmers were being reduced by the ending of the war. The result was a depression. The farm price index fell from 244 to 136. The price of wheat fell from $3 a bushel to $1.60 a bushel.

Peek, as a patriot, was deeply interested in the post-war depression and in farm economics. Recognizing the 19th century movements fighting to have farmers – the people feeding our nation - be paid fairly for their labor and production, he became a strong advocate of farm parity prices and lobbied for the McNary-Haugen Farm Relief Bill in the federal congress. This bill was the first attempt to raise domestic farm prices by national legislation.

Peek and the other farm leaders kept parity alive in the 1920s. The bill was twice passed by both houses of Congress, and both times vetoed by President Calvin Coolidge, who called the bill price fixing.

### *4 1930'S NEW DEAL FEDERAL FARM PROGRAM INCORPORATED PARITY*

The great depression of the 1930's saw the prices for raw material production plummet. In March 1933, the farmers faced the lowest agricultural prices since the 1890's. People were out of work and starving. Given the low prices for farm products, why couldn't these starving people afford food? When you have NO money, you cannot buy food. The food was available but not buyable without money.

The New Deal created a new agency – The Agricultural Adjustment Administration to oversee the implementation of the 1933 Agricultural Adjustment Act. The stated goal of the AAA bill was to restore farm purchasing power to the prewar 1909-14 level.

Some people in government believed the low farm prices were caused by the crop surpluses produced by the farmers. Using the AAA, they went about trying to boost agricultural prices by reducing surpluses: (1) the government paid people to slaughter livestock (2) the government paid farmers subsidies not to plant on part of their land. The money for the livestock slaughter and subsidies to the farmers was paid for by an exclusive tax on companies which processed farm products.

In January 6, 1936, the Supreme Court decided in United States v. Butler that the AAA was unconstitutional for levying this tax on the processors. The AAA of 1938 remedied this issue. The 1938 AAA law replaced the processor tax with financing done by the Federal Government from general tax revenues.

The first two sections of the AAA are still active in U.S. code – the first declaring an emergency, and the second declaring the policy of parity pricing:

(1) Act June 3, 1937, ch. 296, §§ 1, 2, 50 Stat. 246, provided as follows: "The following provisions of the Agricultural Adjustment Act, as amended, not having been intended for the control of the production of agricultural commodities, and having been intended to be effective irrespective of the validity of any other provision of that Act are expressly affirmed and validated, and are reenacted without change except as provided in section 2: "Section 1 (relating to the declaration of emergency...):"
***https://www.law.cornell.edu/uscode/text/7/601***

(2) Section 602 included 'parity prices': "Through the exercise of the powers conferred upon the Secretary of Agriculture under this chapter, to establish and maintain such orderly marketing conditions for agricultural commodities in interstate commerce as will establish, as the prices to farmers, parity prices as defined by section 1301(a)(1) of this title." ***https://www.law.cornell.edu/uscode/text/7/602***

Therefore, under this active emergency power, the Secretary of Agriculture is still obligated to institute parity prices, because the emergency has not been ended.

### *5 1937 RAW MATERIALS NATIONAL COUNCIL*

The AAA national law boosted farm price with a parity price, but also took acres out of production. The belief was that restricting production would help raise the commodity price. People were elected in townships and counties to do the work of counting the acres being retired by the AAA. Carl Wilken, head of Progressive Farmers of Iowa, got one of these jobs. The restriction of production did not cause price increases, but instead caused a lack of feed for cattle. Farmers shot and buried their cattle, so they would not starve to death. Simultaneously, twelve million people were out of work and many starving for lack of purchasing power (money).

Wilken said, "I decided that I was going to find out just what brought it all about."(5)

> (5) Walters, Charles. *Unforgiven: The American Economic System Sold for Debt and War.* AcresUSA.com, revised second edition, 2003, p.156.

In 1936, Wilken and others signed articles of incorporation for the Raw Materials National Council, an organization seeking funds for the research. The project attracted professionals with experience and skills necessary to find proof of what was going on with the economy.

- Charles B. Ray was an engineer at Sears & Roebuck, a scientist who realized economics had to work according to the principles of physical science. He used the Physiocrat economic law: to function at full capacity, an economy required equitable labor wage (price). No laborer could be cheated. Abraham Lincoln said the same thing with the words, "Labor is prior to, and ...the superior of capital." The production of raw materials and manufactured goods are wealth. Money is not wealth, but only the means to exchange wealth. Money is used to distribute wealth among the citizens.

- J. Carson Adkerson was an engineer and president of the American Manganese Association. Manganese is a strategic mineral, with no known substitute, needed for steel production. Modern war and industrial life is impossible without this mineral, just as life is impossible without food. Adkerson had studied why American manganese deposits were not being developed, while imports came from foreign sources controlled by a U.S. steel cartel.
- Dr. John Lee Coulter (PhD, Wisconsin) was a professional economist with a long history of college teaching, had been Dean of West Virginia College of Agriculture and President of North Dakota A&M (now called North Dakota State University). Coulter was part of the editorial staff of the Quarterly Journal of American Statistics Association and the American Economic Review. Wilken called him 'my teacher'.

The researchers did a factual analysis of the economic record of the United States, using government statistics kept by federal bureaus, such as the USDA Agricultural Yearbook, U.S. Bureau of Mines, and U.S. Department of Commerce. In these records, they found evidence that raw materials production is the foundation of the national economy. This raw materials production had to be priced fairly (parity pricing) or the national income (which includes all sectors of the economy) would be crippled.

The "First Congress of Industry and Raw Materials", sponsored by the Raw Materials National Council, was held November 14-16, 1938, in Sioux City, Iowa. Wilken had researched the economic statistics for two years and had identified conclusions that flowed logically from the record. In the meeting, Wilken presented these findings in his talk, titled "Pareconomy – The Way to Prosperity." Congressman Harrington of Iowa also inserted this talk into the Congressional Record on May 4, 1939.

Here are a few of Wilken's conclusions:

**Production and Price**

- The process of creating wealth starts with the production of raw materials,—the products of the ground. Manufacturing, transportation, and other functions of business and capital represent only services which could not be performed at all if the raw materials were not first produced.
- ...the number of units of raw materials produced times the price received per unit equals the new dollar income created during each production cycle or year; the turnover of these dollars in the channels of trade determines the wages of labor and the collective income of the nation.
- If the price received per unit drops below the parity price, the national income will not satisfy the needs of the nation, without debt. With this understanding , it makes it possible for a few men, who control the speculative markets of the world, to bring depression upon a nation of 130,000,000 people and force them to exist by borrowing…

**Relationship of Gross Farm Income to National Income**

- The relationship of agricultural income to factory payrolls (the best index to the state of industry) and national income averages for all practical purposes 1 – 1 – 7. Meaning that each one dollar of gross farm income creates one dollar of factory payrolls and seven dollars of national income or business in the United States.

- ...means that the farm problem and the question of a price for raw materials is the number one problem of every farmer, laborer and business man in the United States.
- If the price for corn and other products had been the same in 1932 as in 1928 it would have been impossible to have a depression, unemployment and hunger. We had the wealth, but allowed someone else to fix the price of that wealth.

**Surplus**

- The parity price level is the point of continual maximum consumption. Under our present system of operation at less than parity prices, we are fighting two surpluses, that of underconsumption and the natural surplus of seasonal production.

**Foreign Trade**

- Tariffs do not materially hinder imports and exports. If we were to protect our American market up to the parity level, the demand for foreign products would actually be increased because of the added purchasing power and consumptive demand in the United States.

### *6 COUNCIL EDUCATES STATE COMMISSIONERS & SECRETARIES OF AGRICULTURE*

After Pearl Harbor, Wilken was in Congressional committees talking farm parity. He hammered home that, without parity prices for agriculture, production times price would not generate the income necessary to pay for the war. By 1941 Wilken published his booklet, *Prosperity Is Within Our Grasp,* containing the results of the statistical study of the U.S. economy. The booklet contained the national income equation or balance sheet. The national income included raw materials production times price, plus earned income (wages, interest, fees, and profit) . The national disbursements included all the costs of operating the government, the costs of producing raw materials, and the costs of processing, distributing, servicing, selling of the goods and services derived from these raw materials.

A copy of *Prosperity Is Within Our Grasp* was sent to all 48 members of the National Association of State Departments of Agriculture (NASDA). The members were commissioners, secretaries, or directors of state agriculture. They were elected or appointed at the state level and were closely tied to state politicians. Wilken and the Council worked to educate the members about the real workings of the economy: "In 1940 our gross farm income was $11 billion as compared to $13.9 billion in 1929. The national income was $81.6 billion compared to $87.8 billion in 1929. And we still had 85 million people out of work. And we still talked about surpluses."(6)

(6) Walters, Charles. *Unforgiven: The American Economic System Sold for Debt and War.* AcresUSA.com, revised second edition, 2003, p. 222.

NASDA had prestige in the national Congress. In 1941-42, several NASDA meetings were attended by 100-125 members of Congress. The state organization brought together a loose coalition of 13 farm groups, to invite support for the parity price teaching, and did not take political sides. "Working with Wilken, Ray and Coulter, the state commissioners, secretaries and directors of agriculture, by 1941, had convinced most of Congress that full parity was a requirement for private enterprise…" (7)

(7) Walters, Charles. *Unforgiven: The American Economic System Sold for Debt and War.* AcresUSA.com, revised second edition, 2003, p. 221.

"Before committee after committee Wilken recited the raw materials equation – the observed fact that, under existing state of the arts, national income moves on a direct ratio to farm income. Always, he reminded that Congress had the authority to regulate the value of the dollar until the idea fairly spilled over and inundated both chambers."(8)

(8) Walters, Charles. *Unforgiven: The American Economic System Sold for Debt and War.* AcresUSA.com, revised second edition, 2003, p. 224.

## *7 WORLD WAR II: PARITY PRICES AND THE STEAGALL AMENDMENT*

"***[Congress]*** passed legislation, approved on May 26, 1941 to raise the loan rates of cotton, corn, wheat, rice, and tobacco... up to 85 percent of parity. The loan rates were available on the 1941 crop…

"Legislation raising the loan rates for basic commodities was followed by the 'Steagall Amendment' on July 1, 1941. This Amendment directed the Secretary to support at not less than 85 percent of parity the prices of those nonbasic commodities for which he found it necessary to ask for an increase in production…"(9)

(9) Rasmussen, Wayne D.; Baker, Gladys L.; and Ward, James S. *A Short History of Agricultural Adjustment, 1933-75*. Washington D.C., March 1976. National Economic Analysis Division. Economic Research Service. U.S. Department of Agriculture. Agriculture Information Bulletin No. 391, pp. 8-9.

By a law approved on October 2, 1942, the rate of support was raised to not less than 90 percent of parity for corn, cotton, rice, tobacco, and wheat, and for the Steagall nonbasic commodities, for a period of two years after the first of January 'following the time when the President proclaims an end of hostilities.'

Parity prices for farm commodities, based on the period 1910-1914, would continue through the war and for two years after the war.

"Current economic thinking, dominated by the vastness of our industrial expansion, has apparently forgotten that new wealth in the form of raw materials has been the beginning of the economic cycle since the days of creation." (10)

*(10) Wilken, Carl H. All New Wealth Comes From the Soil: The Production of Raw Materials or New Wealth is the Primary Source of Earned National Income, Consumer markets and Earned Operating Profit. Washington, D.C.: Raw Materials National Council, 1957. 50th Anniversary Reprint, Charlotte, Michigan: National Organization for Raw Materials (NORM), p 1.*