Agricultural Parity, Trade Parity, and Monetary Reform:
Maintaining Purchasing Power over Time

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DEFINITIONS

—Purchasing power of money: the amount of goods and services that can be purchased with a unit of a nation's currency—a dollar, for example. Stated another way the purchasing power of money involves what a person can buy with what he/she earns.

—National income: the total net exchange value of current production from all six sectors (see the writings of Simon Kuznets; for example, 'The Concept of National Income' (https://www.nber.org/chapters/c4225.pdf). Each sector has a multiplier effect, meaning its earnings contribute to national income at a greater than one-to-one ratio. Agriculture has the highest multiplier.

—Parity:
From *The Merriam-Webster Dictionary*
1. the quality or state of being equal or equivalent
— *Women have fought for parity with men in the workplace*.
2a. equivalence of a commodity price expressed in one currency to its price expressed in another
— *The two currencies are approaching parity for the first time in decades*.
2b. equality of purchasing power established by law between different kinds of money at a given ratio
3. an equivalence between farmers' current purchasing power and their purchasing power at a selected base period maintained by government support of agricultural commodity prices

From *New York Times*: "… parity is the price calculated to give the farmer a fair return in relation to the things he must buy."

MAINTAINING PURCHASING POWER OVER TIME

In order to maintain stable purchasing power, three things must be in place:
1. Public sovereign money
2. Parity agriculture
3. Parity tariff

1. Public Sovereign Money

Money must be issued interest-free by the government in sufficient volume to do the business of the country on a cash basis. The American Monetary Institute and the Alliance for Just Money are dedicated to creating a public sovereign money system in the United States. History has shown that we can have this system if:
— the exclusive power to create the nation's money is returned to the U.S. government where it belongs
— banks become true intermediaries between depositors and borrowers and not be allowed to create money when they lend
— the U.S. government, for the benefit of all the people, carries out its constitutional duty: "**To coin Money**, *regulate the Value thereof*, and of foreign Coin, and fix the Standard of Weights and Measures." Properly structured tariffs are a Constitutional method for regulating the value of our money and of foreign coin.

2. Parity Agriculture

Parity agriculture is key to maintaining a stable purchasing power dollar (also called a par exchange economy). As has been mathematically proven by the National Organization of Raw Materials (NORM), when shortfalls in gross agricultural income occur, national income suffers. This is due to the multiplier effect of agriculture: for every dollar earned at the farm gate, the

nation earns $7. When money is invested into growing a crop the earnings from that crop must account for the cost of seed, technologies, machines, and fertilizers plus all the labor needed to plant, care for, and harvest the crop, as well as transport the crop to market. Every dollar spent on farming has a ripple effect allowing that money to give many more people jobs and income. Only when agriculture is able to earn a living wage can we achieve a stable purchasing dollar and economic balance across all sectors. Insufficient gross farm income destroys the balance and reduces national income. This forces over-reliance on debt and the movement of money to the financial sector which is non-productive. In turn, this causes declines in incomes of the productive workers.

History has also shown that if we have parity agriculture, farmers will receive a fair price for the commodities they produce and, for every dollar of gross agricultural income, seven more dollars are put into the rest of the economy. During the 1940s, the government was able to run this program at no cost to the public. From 1942 – 1952, when parity agriculture was U.S. policy and farmers did receive a fair price for their products, every dollar paid to farmers multiplied seven times throughout the economy, every year, for the eleven years it operated. Just as a public sovereign money solution is referred to in the Constitution ("To coin money"), so can the parity agriculture solution be considered to reside in the Constitution if Congress wants to use it ("regulate the Value Thereof").

Public Sovereign Money + Parity Agriculture: Implications for Domestic Policy

When the economy operates on a public sovereign money basis with parity agriculture, the possibilities for human betterment are endless. To name a few such possibilities:

—Welfare rolls will shrink as more people become employed (or employ themselves) in meaningful work.
— Crumbling infrastructure can be rebuilt without the need for new taxes.
— Government bureaucracies will shrink due to the reduced need for "make-work" jobs.
— Agriculture can get back to providing healthy, environmentally friendly, nutritionally abundant food for all.

Domestically, the nation will prosper and income will be distributed more equitably across all sectors as long as:
— Congress assumes its Constitutional responsibility to issue the nation's money, interest-free and in amounts sufficient to the carry on the nation's business on a public sovereign money basis, and
— Agriculture maintains parity with the other sectors of the economy

3. Parity Tariff or Purchasing Power Parity (PPP) in International Trade

Beyond public sovereign money and parity agriculture, there is a next step for achieving international harmony concerning fair trade: parity tariff. In order to maintain balance within the domestic economy, a system of equitable international trade must be adopted. Properly understood, a tariff is a monetary measure, not a trade measure.

Purchasing Power Parity (PPP) is a way to compare the purchasing power of currencies of different countries, using a "basket of goods" approach. PPP is said to be achieved when the currencies of different countries are in "equilibrium," meaning a specified basket of goods has the same exchange value between these countries. In order to protect our producers and make our products available in other countries, we must find a way to adjust the price of foreign products, which are measured in terms of foreign money, to the price of our products as measured in terms of our money. The difference in price between countries could be put into an on-demand account (escrowed) for the 'poorer' country to buy products from the 'richer' country.

Why Purchasing Power Differs Between Nations. Parity tariffs would be zero when the currencies between different countries are in equilibrium. But purchasing power varies between countries for a number of reasons, including the basic fact that each country is unique. Geography, available raw materials, infrastructure all vary a lot between countries. All of this affects the unique purchasing power of a nation's currency (money).

Here is an example to illustrate how the parity tariff could work to everyone's benefit. Let's assume the same species of avocados are grown in California and Mexico. A buyer/distributor buys them from Mexico at $.25 a pound and from California at $.40 a pound and sells them in Chicago at $.65 a pound. The distributor would pay the difference in costs, $.15 for every pound of avocados bought from Mexico, into a bank account that the Mexican government could use within a time limit to purchase goods from the United States. Using the difference in price for Mexican purchases of our products would protect the value of our money and promote mutually beneficial commerce.

CONTACTS

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