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CHEAP FOOD POLICY – IT IS NOT A COINCIDENCE

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The rules and regulations that govern economic conditions in this nation do not just happen haphazardly. The policies are written with reason and forethought. It is in the best interest of each farmer and rancher to study thoroughly the economic policies that the agricultural sector operates under. Maybe we can then better understand what these policies mean and who they benefit. By understanding these policies we can better identify the problems we are facing. Also, by understanding who benefits, we can identify who influences the policy making decisions.

The cheap food policy of this nation is not a coincidence. Like other policies, the current 1977 Farm Bill was written with reason and forethought. We therefore need to study it thoroughly to see who might benefit from it. It is apparent that farmers and ranchers can only lose with this bill.

In any discussion of agricultural economics the term “parity” invariably comes to the front. What does it mean? Parity is a concept that was born in the 1930’s during the Great Depression. After the economic collapse, the government put together a committee to study the reasons for the depression. The committee’s study made it apparent that the collapse came when the greatest industry in the U.S. went broke. This industry was the same then as now, American agriculture. The committee recommended that agricultural prices should, in the future, be tied on an equal basis to other segments of the economy to prevent future economic imbalances and thus prevent future economic collapses.

The years 1910-1914 were selected as a based period to figure the parity ratio formula. This period was one when all segments of the economy were in balance. There was no inflation, and unemployment was minimal. The economy and the country were flourishing. By taking the costs of goods and services that it took to produce agricultural commodities, and at the same time taking the prices that agricultural commodities were bringing in the marketplace, a parity ratio formula was developed. Basically stated this parity ratio means that we

exchange the goods we produce for goods we need at an equity of price. Parity is simply an equity of trade. Another way is to trade goods for goods at equal value. When this is done all segments of the economy will be in balance or equilibrium with each other.

Consequently, let us begin our study of the cheap food policy and observe the imbalances it creates in the economic system.

First we must consider where our wealth comes from. Under our current system, we consider the paper dollar as our wealth. However, it is not our wealth—it is only our medium of exchange. Our real wealth is the goods and services in the economic system.

Therefore, let us consider the most basic type of economic system that exists. This is a barter system where you exchange goods for goods. Now ask yourself the question, where does new wealth come from in this system? There is no paper money, no banks to borrow from, and no printing presses. Where does the new wealth come from?

The only way you can obtain new wealth in a barter system is by bringing more barter material into the system. This new material has to come from the natural resources of the land. There are many sources of new barter material—timber, iron, minerals, fish, water, and oil are only a few. But many of these resources are depletable and are in danger of running out. God gave this earth one other source of barter material. The most basic material that is necessary to sustain all life and it is not depletable, but renewable each year. It is agricultural commodities, the source each year of new wealth in this economic system. We as farmers and ranchers must never forget this. We are the largest producers of real wealth each year, producing over 70% of the real materials, and the largest consumers, consuming over 30% of all manufactured goods and services.

With these concepts firmly in mind, let's put this into an economic system and see what happens.

All economic systems are composed of basic parts.

1. Government is the part of the system that writes the rules and regulations under which we operate.
2. Resources are the source of real wealth that comes into the system, whether it be human resources or natural resources.
3. The industrial structure converts the raw materials into manufactured goods to be used by the system. Human resources are used to provide the labor to make these conversions.
4. Banks handle and control the medium of exchange.
5. Federal Reserve System regulates the flow of paper money.

American farmers and ranchers bring their raw agricultural commodities into the system, which are sold in the marketplace. We

must first identify this market. Our grain is sold primarily to four grain corporations who handle about 90% of all grain exported from the U.S., and completely control and dominate the market price. These four corporations determine exactly what we get for our grain products.

Our cattle, sugar, and peanuts are sold to a few corporations who also determine the price. The fact is our prices are controlled by monopolistic and oligopolistic multinational conglomerate corporations and we sell our commodities to this structure at the price they want us to have: the cost of production or less.

At the same time we have to have manufactured goods with which to produce. We buy our tractors and equipment, our fuel and oil, and our chemicals and our fertilizer from a few corporations.

We could go on with the goods we need to produce with, but the fact remains that the prices we pay for these goods are set by the same monopolistic and oligopolistic corporate structures. Furthermore, the prices we pay for these goods is not the cost of production or less, but in many cases is "parity plus".

American Agriculture is the most efficient on the face of this earth. We sell at "cost or less". The corporate structure is one of the most inefficient units of production and we buy from them at "parity plus".

This allows for an actual flow of media or paper into the hands of the corporates. (But we always said it was the "middleman" making all the profit.) What does this corporate structure then do with all these profits? The profits are deposited into their parent corporate banks. It is said that 1% of the corporate banks control 96% of all the capital or wealth in this nation. This seems reasonable, since they are the only ones who could generate any capital or make any profits for the last 25 years.

This now brings us back to our real wealth part of the structure. Since the farmers and ranchers cannot make a profit, they have to deficit spend, mortgage their land, and borrow the money they lost back from the banks they lost it to. At the same time the farmers and ranchers, because they made no profits, pay no income taxes. The government has now lost the biggest tax base it has to work with. Consequently, the government loses its income and also has to deficit spend.

This year government spent \$60.3 billion more than it received, so government has to borrow. The way the government borrows is simple. Working with the Treasury Department and the Federal Reserve, the government issues treasury bills and treasury notes. These are nothing more than federal securities or mortgages against this nation just like the farmer has mortgages against his land.

These federal securities are then sold, and the only group that has money to buy them is the same corporate bands who make the

profits. The government now has the money it needs to operate with and the American people have to pay this interest. Inflation goes on and some day we will also have to pay the principal. The total public and private debt owed to these banks is now said to be about \$4 trillion. At a very conservative 6% interest rate, the interest alone on this debt, paid to banks, is over \$240 billion. This is a very large profit and the banks do absolutely nothing to provide the real wealth into the economic system. All they do is handle and loan the paper. All they were ever supposed to do was to store the profits for the people.

We still have a basic problem in this system, however. Farmers and ranchers, with the rest of the people, have not made a profit. We are working at less than the cost of production. The government solves this problem by then giving deficiency payment, disaster payments, subsidies, loans, food stamps, and other forms of welfare. We have become dependent upon our own government and our large banks for our very existence. This is not right. We are the people who produce the real wealth. We also produce the most basic commodity essential to life and are the most efficient unit of production that exists on the face of this earth.

Let us now analyze what would happen if our commodities were priced at parity, and we exchanged our goods for the goods we consume at equal values. American agriculture is the most efficient, and we would therefore generate more profits than the inefficient corporate structure. There would then be an actual flow of paper from the corporate structure back to the people. The corporate structure would then have to borrow some money and that would come from its parent corporate banks. The people are now generating a profit and a tax base is established. Huge amounts of taxes would be paid into the government. The government would no longer need the securities and these securities could be burned.

This will stop the inflationary cycle and stop the devaluation of the dollar. It will also balance the trade deficit which was \$4.5 billion in February 1978. It will stop the growth of the national debt and in time will pay it off. In order for this economic and monetary system to survive, we will have to reverse the flow of paper. The cheap food policy of this nation has got to be changed. The stranglehold of the monopolistic corporate structure has got to be eliminated in our marketplace so we can exchange our goods for their goods at an equity of price.

Above all we must realize once and for all that our medium (paper dollars) is not our wealth. It is only a medium of exchange. The real wealth in our system is our human and natural resources. When we can achieve a fair price for our goods, the wealth will be transferred back into the hands of the people as the Constitution of the United States says it should be. Then, and only then, can this nation get back onto the road to recovery.

American agriculture holds the key to this recovery in their hands. We are the greatest producer of wealth and the greatest consumer of manufactured goods. If we cannot achieve a fair price all we need to do is not buy those manufactured goods at these inflated prices, not sell our products at less than equal prices, and, if there are no buyers for our products at a fair price, then reduce production until a fair price can be obtained.

PART VI

Policy Workshop Reports

