

## **Economic Recovery—the effect of the accompanying “OPTION.”**

Investigation of the records of Presidential proclamations issued since 1938 reveals that the “economic emergency” regarding agriculture has never been terminated. That emergency was declared in the first section of the Agricultural Adjustment Act of 12 May 1933 and is still current law as codified at 7 USC §601. [Consult “notes” to that section.] Although the AAA was nullified, at least in part, by the Supreme Court in *U.S. v. Butler* (“Hoosac Mills decision,” 1936), particular sections of that Act declaring the emergency and specifying a portion of the compensation policy [7 USC §602], were “expressly affirmed and validated, and...reenacted without change” by Congress on 3 June 1937.

Curiously, §613 of the AAA, specifying the method for emergency termination (Presidential proclamation), was not identified as being among those sections “reenacted without change.” Nonetheless, 7 USC §613 is still codified in current law although *no termination statement by the President has yet been discovered*. It may be surprising to learn that the entire federal agricultural regulatory structure has been erected on this statutory basis but this contention has yet to be refuted. Treatment of agricultural producers as a “public utility” is based on emergency conditions prevailing during the early 1930s and, once declared and then reaffirmed, has simply never been ended.

In declaring that emergency Congress made a “taking” of private property (farmers’ marketing rights) in the national public interest when they stated:

“...the present acute economic emergency being in part the consequence of a severe and increasing disparity between the prices of agricultural and other commodities, which disparity has largely destroyed the purchasing power of farmers for industrial products, has broken down the orderly exchange of commodities, and has seriously impaired the agricultural assets supporting the national credit structure, it is hereby declared that *these conditions* in the basic industry of agriculture *have affected transactions in agricultural commodities with a national public interest...*”

[See: <http://nationalaglawcenter.org/assets/farmbills/1933.pdf>; emphasis added.]

Observing the 5th Amendment’s requirement to pay “just compensation” for private property (right to privately market the products of personal labor) taken in the national public interest, Congress enacted §602, a “declaration of policy.” The original compensation mechanism, the “processor tax,” was the precise subject of the Supreme Court’s 1936 nullification. In fact it was not until 1940 and later that emerging private research by Carl H. Wilken and the Raw Materials National Council, supported by the National Association of State Departments of Agriculture (NASDA), led Congress to a workable method for providing parity price regulation of agricultural markets. [See *Unforgiven*, by Charles Walters, and research by the National Organization for Raw Materials (NORM) at <http://www.normeconomics.org/>]

Although the recovery of balance between economic sectors through parity raw materials pricing was responsible for our nation’s exit from the 1930s depression and the adoption of those principles in national economic policy was the mechanism through which this nation was able to support our armies and our industrial expansion during WWII, it was also the safeguard to avoiding depression following that war. The “OPTION” presented here is a restatement of those policies which can be implemented today. *No action is required by Congress* as the statutory authority is still current law, awaiting only the determination by the President that economic fair dealing is better, both for the proper returns to individual labor and the economic health of the nation, than continually increasing the concentration of economic power in ever fewer hands.

There is no small amount of trepidation in recommending this “OPTION.” This is not due to the policies themselves, which are tried and have proven effective every time they've been properly implemented, but due to the method of their invocation. There is a growing tendency in our government and other social institutions to unsoundly resort to the authority of a single office to effect change. Usurpation leading to tyranny is closer today than at any time in our history. Leadership, statesmanship and consideration of the best interests of all our inhabitants are conspicuously scarce in what passes today as our republic’s political discourse.

We have an unsound money system: an unaccountable banking system creates private credit-money which, if it is to be used in service of the people, must be borrowed and the issuer paid an interest premium. This subverts what the Constitution specifies. A sound money system for the nation is not technically difficult to reestablish. Those parties who benefit personally and privately from the current operation of the Federal Reserve System are certainly in a position to disrupt or destroy any effort to abridge their privileged monopoly on “bad money;” witness the HSBC scandal. Unfortunately it is the only system available today as Congress has failed to provide sound money according to their fiduciary responsibility at Const., Art. I, Sect. 8, cl. 5.

Fortunately the parity policies available through the “OPTION” are a mitigating feature that reestablishes and maintains the relationship between 1) the work done producing all the components of our standard of living and 2) the value of our money. Provided the Federal Reserve begins curbing its QE3 debt injection in ratio to the new money paid into circulation through the parity “OPTION” (among other necessary safeguards), our money system will regain stability measured in purchasing power over time.

Proof of the parity pricing policy can be seen in our recent narrow and still unassured avoidance of a “fiscal cliff,” where capital flight from Wall St. into ag commodity futures generated some meager increase in earned National Income. This capital movement was accomplished through collusive regulatory avoidance of “open position limits” by swaps between large capital funds and large banks, effecting a run-up in commodity prices unrelated to fundamental conditions of supply or demand. Nonetheless, the Parity Ratio increased 22% from Jan. 2010 at 36 to 44 in Dec. 2012.

With domestic parity ag pricing, it must be noted that without a means to adjust the price of foreign products, measured in terms of foreign money, to the price of our products as measured in terms of our money, the world would seek to sell to us as the “high market.” Our policy must be firmly and consistently one of “Trade Equity.” We must pay *our price* for foreign products and we must buy only what we cannot make ourselves. This is the only sound path toward raising foreign incomes to parity with ours, at which point monetary value adjustments at our borders should adjust to near zero. What we might sell to the world could be sold at any price as we would already have earned the necessary income for *our solvency*, but we must not “dump” our excesses, nor seek to produce them beyond a reasonable cyclic strategic reserve. It is preferable to teach people to fish rather than give away fish but when hunger is extreme, fishing is not a teachable skill.

The “OPTION” is presented in its simplest form, without the critical adjunct policies noted above. It should be stated that the “non-gmo” provision on crop loans is consistent with the originally implemented policy via the maxim “that which is not inclusive is exclusive.” The original policy rightly did not anticipate the dangerous adulteration of our staple foods through the senselessness of corporate greed, the direct result of a corrupt money system corrupting our ability to deliver justice.

## OPTION

To bypass the “debt ceiling,” revive consumer demand, improve employment and exit the “liquidity trap,” while restoring the opportunity for national solvency:

1. Statutory authority for the President, through the Secretary of Agriculture, to pay (rather than borrow) money into circulation resides at 7 U.S.C. §602.

The emergency declared by the Agricultural Adjustment Act of 1933 and reenacted in 1937 (7 U.S.C. §601), confers authority on the executive (Secretary of Agriculture) to provide “just compensation,” according to the Constitution’s 5th Amendment, to agricultural producers for their loss, as a class, of marketing rights taken in the national public interest by the federal government under that emergency.

2. The requirement under 7 U.S.C. 602 is that the Secretary “regulate the markets...so as to establish, as the prices to farmers, parity prices,” regardless of any other farm legislation, as long as the emergency taking of marketing rights persists and market prices are below 100% parity.

USDA statistics indicate that the Parity Ratio, as of December, 2012, is 44, meaning the “farm dollar,” the current level of gross farm income, is *56% less than parity*. Every farm dollar is worth only 44¢.

3. The simplest method to “regulate the markets” is through 90% parity non-recourse loans, offered through Commodity Credit Corporation, on basic storable, non-gmo crops. This was the agricultural policy in operation from 1941 through 1951, although some other items were included at that time (“Steagall commodities”). Loans issued shall be called when the price in the marketplace reaches 100% parity, not a date certain.
4. By spending this purchasing power into circulation at the base of our economy for new wealth produced, consumer demand in all sectors (money in peoples’ pockets) is enlarged without new debt, production in all sectors is encouraged, employment in all sectors is expanded, taxable economic activity broadened and debt-paying ability increased overall.
5. Improvement in national economic activity would be measurable in 6 months’ time.
6. No action is required by Congress, they having already acted by declaring the emergency and conferring needed authority on the executive; the executive never having terminated the emergency and the markets persisting below parity price levels.
7. If resistance is forthcoming from the Federal Reserve system the appropriate purchasing power could be issued in United States Notes or equivalently denominated coinage (lawful money) of the United States.