

MINUTES OF THE MEETING
AGRICULTURE, LIVESTOCK & IRRIGATION COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

February 21, 1987

Rep. Duane W. Compton, Chairman of the Agriculture, Livestock & Irrigation Committee, called this meeting to order at 7:15 a.m. in Room 317 of the Capitol, Helena.

ROLL CALL

All committee members were present except Reps. Gene DeMars, Orval Ellison, and Paul Rapp-Svrcek who were excused. Tom Gomez, Researcher was present.

Bills to be heard were HB 837, HB 778 and HJR 38.

HOUSE BILL 837

Rep. Loren Jenkins, House District #13, was the sponsor of HB 837. It is an act to generally revise the provisions concerning filing financial statements; uniform commercial code secured transactions; requiring a monthly listing of financial statements; amends several sections, repeals section 30-9-422; and provides effective dates.

Rep. Jenkins explained this bill cleans up the sublease ag filing system and brings it into compliance with the federal 1985 Act. Section 1 adds the social security number to the information contained in the financial statement. This amendment extends to other types of collateral because it gives it unique identity so that a search may be more specific. It cleans up fee language, so it will be self-supporting. It will be paid out of the public revenue fund, part goes to the general revenue fund, part to the secretary of state for his actual costs. The central computerized system must be self-supporting. Counties can request information, and copies of documents from the director's office. Equipment dealers can check without having to request copies of all documents. Right now if you asked about loan changes and if there was a lien with John Deere Company, you would get just that back. It doesn't tell what the lien is on. Consequently your loan is tied up till you know what the lien is on. Upon request the filing officer shall furnish a report of what the lien is on for a uniform fee of 50 cents per page.

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Section 5 requires the secretary of state to comply with the central program. He shall provide a listing of all financial statements recorded on the system to each county clerk and recorder at least once each month; shall establish a facsimile system to receive and transmit exact copies of documents over a telephone. A county clerk and recorder may also establish such a system in his office. For the costs of transmitting to or receiving from the clerk and recorder a financing or continuation statement, assignment or amendment filed, or certificate issued, the clerk and recorder may collect a uniform fee of \$5 for each document copy transmitted to or received from the secretary of state. This fee is in addition to the filing fee collected by the secretary of state.

Subsection 6 requires the secretary of state to comply with the central program and distribute portions of the master list covering wheat and barley to registered wheat and barley buyers at least once each week during the months of August through March, and he shall distribute all other portions of the master list to registered buyers at least twice each month. This is so grain growers won't have their loans held up. A CCC loan could be held up for 40 days as it is. This will cut the time down to 10 days.

The federal farm program of 1985 required a central lien filing system and lien holders have to notify potential buyers there is a lien on that grain. It removes double jeopardy. A lien holder could not be paid if the money were paid to the producer who absconded with it. With a centralized computer system, an immediate reading can be taken. The USDA will no longer accept anything but a written centralized printout. Under this system you can get a CCC loan in a short time. Reports will be available twice a month for the months of April, May, June and July. The secretary of state will send all information to the clerk and recorder, and if they want to, they can record it at the local level. He hoped the committee would pass this out.

PROPONENTS

LARRY AKEY, Secretary of State, is a proponent of HB 837. He offered some amendments he would like the committee to consider. EXHIBIT #1. The intent of this bill is to improve the state centralized filing system adopted by the Federal Farm Program of 1985. There is much debate on that. It will facilitate operation of the system in favor of producers. The social security number will be attached and will be a unique identifier. It is to be included on commercial code financial statements also.

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The fee language is cleaned up. SB 729 fees pay for the lien filing. The agriculture system is paid for out of general funds, which makes for a problem. It is impossible to know which fund the money should be placed in, or to keep track of what each pays into the fund. The entire system needs to be self-supporting.

There is a problem with the mandatory system at the county clerk's level. Many of the clerks don't want the paper work and do not find any use for those filings in the county courthouse, they would prefer to rely on the secretary of state's system. Others in the grain producing areas want it in the county clerk's office. The secretary of state will send what information they already have on the system to them. Description of the equipment or collateral a lien covers will be included. HB 837 central filing system is the system that the USDA has certified as notice sent to registered buyers. Sections 1 and 3 of HB 837 become effective July 1, 1987.

OPPONENTS - None

QUESTIONS (OR DISCUSSION) FROM THE COMMITTEE

Rep. Jenkins explained to Rep. Corne' clerk and recorders weren't getting full records and the centralized system had only partial information because it didn't cover insurance and mechanic liens. It was necessary to go through two places to get complete information. The USDA changed filing requirements and now require a master sheet before giving out any loans.

Mr. Akey said overall the centralized filing system has worked very well. Montana was the first state in the nation to qualify on a filing system under the new filing regulations, and is referred to as a model. There have been some problems with counties not having the money to plug into this system. The amendment allows the clerks to request that information and it will be sent to them. Those that do not want it, won't get it.

Rep. Koehnke said no counties are plugged in to the direct access system. If sent once a week, wouldn't that be meaningless. Mr. Akey said those agriculture liens are perfected when sent to the secretary of state's office. Information to the clerks is only information. That is federal and state law. In order to be sure that you have full information about a lien, the centralized system should be checked. This doesn't do anything to perfect that lien. An

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individual can find out for whatever it costs. A search document costs \$7.00, copies cost 50 cents per page.

Rep. Corne' asked if it would be more efficient to computerize and use this technology than to go through mailing. Mr. Akey believes it is more efficient to use this kind of technology. Under SB 129 the state would have placed a terminal in each county office, but that was amended out. This bill envisions sending them a computer microfiche telefax and establishing a telephone network to move information back and forth. There would have to be a fax machine in county courthouses. He wants to amend out sections 4 and 5 because some clerks do not want to establish a fax in their offices.

Rep. Bachini had heard the centralized system is not working as it should with delays up to two weeks in some of the filings. What system does the secretary of state's office operate on? The fees it collects or is it funded by general fund money? Mr. Akey answered last fall they had some significant delays in getting information out to ASCS offices. The ASCS offices are now plugged into direct access and delays are down to two days. Fees cover the cost of the agriculture filings in the central computer system and go through the general fund for non-ag commercial filings. The central filing system needs to be self-supporting. A reasonable fee system will be established, and operate out of the state special revenue fund.

Rep. Patterson thought a company or dealer should be able to call a central number and not worry about having to go through the county. Then why do county clerks have a need for this? Mr. Akey advised some people are still used to going to the county courthouse for that information. Perhaps they haven't informed the people as well as they could. Some clerks still want to supply this information.

Rep. Giacometto stated under the Federal Privacy Act any time your social security number is used, you must sign a release form. Rep. Jenkins explained this is only for the secretary of state's office for identification and will not be sent out with any information about lien filing. Mr. Akey advised the federal farm bill requires that the social security number be included on all filings. It would be used only for search purposes.

Rep. Jenkins closed saying that SB 129 is current law. When this is killed you go back to the monthly written requirement

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and a CCC loan will not be available for a month. A clerk and recorder will get complete records that they have not been getting. Fort Benton does the loan searches for several counties on a centralized computer. If this bill is killed they will go by the current law.

EXECUTIVE SESSION

HOUSE BILL 837

Rep. Campbell moved HB 837 DO PASS. Rep. Hanson seconded the motion. Rep. Holliday moved adoption of the amendments. Rep. Campbell seconded the motion; and it failed with a 7-7 vote.

Rep. Giacometto could see a a lot of problems with this. The agriculture people haven't been heard from. Rep. Jenkins said this hasn't had time for anybody to know it is here. Some good points will be lost. Rep. Giacometto felt it had not had a fair hearing.

Rep. Bachini felt the same way. Rep. Jenkins said the clerks would accept a printout of the computer which is a monthly statement from the secretary of state's office. If they won't accept that computer readout which they have been using under current law, the secretary of state sends out a monthly full blown statement. Federal law has changed this in the middle of the stream. Mr. Akey advised the ASCS won't make proceeds of a loan available until a master list is received. It is sent out monthly except it will be sent out on a weekly basis in August. There is a balancing process going on in the secretary of state's office between the needs of the farmers and the needs of dealers or lenders. Counties don't want to pay for a centralized filing system, or for receiving information any oftener than they have to. The distribution of the master list could be changed if approved by the USDA. He doesn't think he could approve weekly distribution of that master list on his own. USDA would have to approve.

Rep. Holliday thought the committee should reconsider its action on the amendment. Rep. Bachini was in agreement with the clerk and recorders. If they want it they can request it. Rep. Holliday moved to reconsider the amendments; Rep. Hayne seconded the motion. The motion carried.

Rep. Campbell moved HB 837 DO PASS AS AMENDED; Rep. Hanson seconded the motion. The motion carried with Reps. Cody, Poff, Bachini, Giacometto, Patterson voting No.

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HOUSE BILL 778

Rep. Campbell moved HB 778 do pass; Rep. Bachini seconded the motion.

Rep. Koehnke didn't think it was necessary and that there is no money for it. There is information available and private consultants cost a little but can provide answers quickly. All this work could be done and nobody might ask for it and they have the expense of a hotline and compiling all the information.

Rep. Patterson moved the amendments; Rep. Giacometto seconded the motion. The motion was adopted with Rep. Campbell voting No.

Rep. Bachini thought farmers will not do this on their own since it is not mandatory. Rep. Giacometto said if the amendment is not adopted, it will be mandatory.

Motion for HB 778 DO PASS AS AMENDED carried with Reps. Koehnke, Cody, Bachini and Campbell voting No.

HOUSE BILL 779

Rep. Jenkins moved HB 779 DO PASS; Rep. Campbell seconded the motion and it was adopted. Reps. Cody, Ellison and DeMars were absent.

HOUSE BILL 804

Rep. Jenkins moved HB 804 DO PASS; Rep. Hanson seconded the motion. Rep. Giacometto moved adoption of the amendments; Rep. Campbell seconded the motion. Rep. Giacometto explained the amendment speaks to the sublessee performing the physical labor. Rep. Jenkins said state lands would allow a rancher to have time to replace his herd and keep his lease. The DSL is a trustee of state land for all the people. As long as in actual management of that land, he could sublease, so the management factor needed to be added.

Rep. Holliday made a substitute motion on (d) of the amendments that after "performing", strike "all" and insert "some of the"; Rep. Bachini seconded the motion and it was unanimously adopted.

Rep. Jenkins moved HB 804 DO PASS AS AMENDED; the motion was seconded, and carried with Rep. Cody voting No, and Reps. Ellison, Rapp-Svrcek and DeMars absent.

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HOUSE JOINT RESOLUTION 36

Rep. Hanson moved HJR 36 DO PASS; Rep Jenkins seconded the motion and it was adopted with Rep. Cody voting No.

The committee returned to a hearing session.

HOUSE JOINT RESOLUTION 38

Rep. Ted Schye, House District #18, Glasgow, said this is a simple bill. He offered an amendment on page 1, line 25 to strike "programs" and insert "payments". HJR 38 urges the President and Congress to increase the price of all raw materials to parity levels in order to stabilize the American economy.

DEWEY FORSNESS, Wolf Point, handed out several exhibits. On EXHIBIT #1 the dotted line is an index of all prices received by farmers. EXHIBIT #2 is an article out of the World Book Encyclopedia. Since the 1920s the idea that the farmer should have a fair share of the national income has received much attention. The Agriculture Adjustment Act of 1933 introduced parity based on 1910-1914.

AL SMITH, Brockton, was a farmer until two years ago when the PCA called in a loan he had and he had to sell out. He presented a plan for an economic policy that will turn our nation onto the road of prosperity for farmers, laborers, businesses, bankers, and industries. See EXHIBITS #3 and #3A.

FERN CARLSON, Wolf Point, has 8 children. The three-point program will put our state in balance which means we will have the tax dollars to balance the budget that will pay for our needs. See her testimony, EXHIBIT #4.

AL VERSCHOOT supports HJR 38. He has been pushing for parity for years. If you listen to all these facts and figures, the answers are here. Before you find those answers you are going to have to forget about the policy you are on now. Names and theories of economics you can borrow and tax yourself into wealth. It is necessary to scrap that theory. Parity is the answer to your problems in this state of getting money for schools, etc. The present system is fine when you have an economy that is flourishing. Over \$1 trillion dollars have been printed with no basis for that debt other than the fact that it was just printed. Put a price on production and you would have had dollars of some value with the three-point program which based on three main points: Monetization of raw materials, monetization of labor, equity of trade. See EXHIBITS #5 and #5A.

REP. DUANE W. COMPTON, Chairman

AGRICULTURE, LIVESTOCK & IRRIGATION COMMITTEE

7:00 am

Date February 21, 1987

[illegible]

STANDING COMMITTEE REPORT

February 21 19 87

Mr. Speaker: We, the committee on AGRICULTURE, LIVESTOCK & IRRIGATION

report ~~HOUSE~~ JOINT RESOLUTION 38

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached

REP. DUANE W. COMPTON

Chairman

**URGES THAT LOAN RATES AND TARGET PRICES BE SET AT PARITY
TO HELP FARMERS**

Be Amended as Follows:

1. Page 1, line 25.
Following: "government"
Strike: "programs"
Insert: "payments"

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STANDING COMMITTEE REPORT

February 21 19 87

Mr. Speaker: We, the committee on HOUSE AGRICULTURE, LIVESTOCK AND IRRIGATION

report HOUSE BILL 837

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached

James H. Roper
Chairman

AMENDMENTS AS FOLLOWS

1. Page 6, line 13.

Following: "and"

Strike: "(10)"

Insert "(11)"

2. Page 11, line 19.

Following: line 18

Insert: "(10) The secretary of state shall, upon request of a clerk and recorder, mail a copy of a financing statement, continuation statement, assignment, amendment or termination covering collateral described in subsection (8) to the clerk and recorder in the county of the principal debtor's residence. The secretary of state shall mail the requested copies at least once each week. This subsection does not require the secretary of state to mail a copy of any document which does not specifically indicate the county of the principal debtor's residence on its face."

Renumber: subsequent subsections

3. Page 14, line 4.

Following: line 3

Strike: subsections (4) and (5) in their entirety

Renumber: subsequent subsections

hb837amd:ee

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color

STANDING COMMITTEE REPORT

February 21

19 37

r. Speaker: We, the committee on HOUSE AGRICULTURE LIVESTOCK AND IRRIGATION
report HOUSE BILL 778

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached

Chairman

AMENDMENTS AS FOLLOWS

1. Title, line 4.

Following: "TO"

Strike: "REQUIRE"

Insert: "ALLOW"

2. Page 2, line 17.

Following: "department"

Strike: "shall"

Insert: "may"

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EXHIBIT #1
DATE FEB 21, 1987
HB 837 - Rep. Langer
Jenkins

Amendments to HB 837:

1. Page 6, line 13.

Following: "and"

Strike: "(10)"

Insert "(11)"

2. Page 11, line 19.

Following: line 18

Insert: "(10) The secretary of state shall, upon request of a clerk and recorder, mail a copy of a financing statement, continuation statement, assignment, amendment or termination covering collateral described in subsection (8) to the clerk and recorder in the county of the principal debtor's residence. The secretary of state shall mail the requested copies at least once each week. This subsection does not require the secretary of state to mail a copy of any document which does not specifically indicate the county of the principal debtor's residence on its face."

Renumber: subsequent subsections

3. Page 14, line 4.

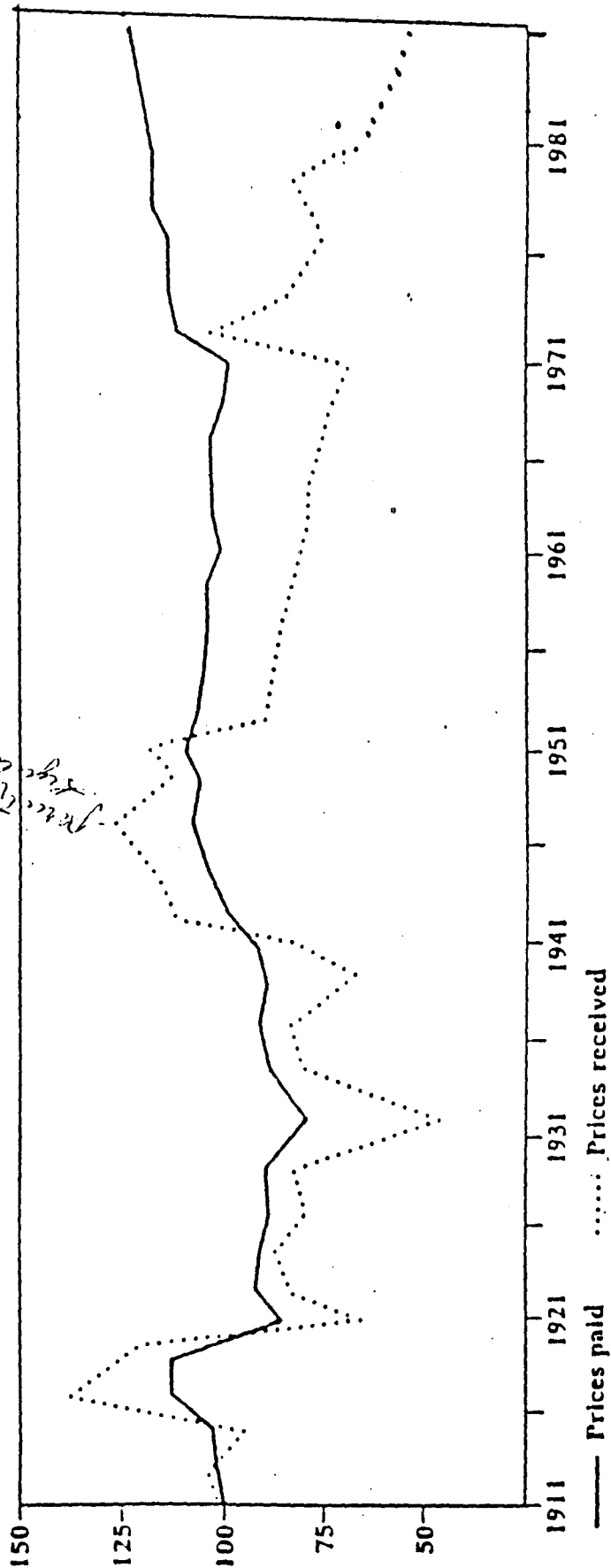
Following: line 3

Strike: subsections (4) and (5) in their entirety

Renumber: subsequent subsections

hb837amd:ee

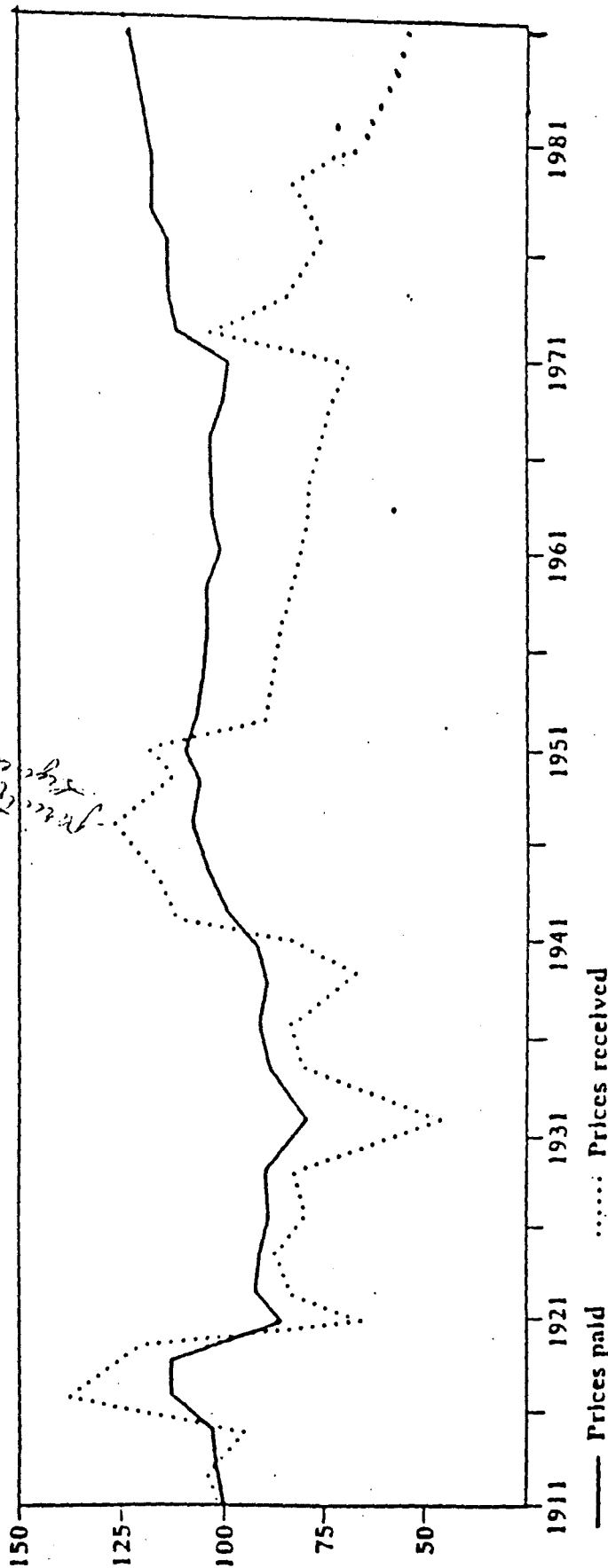
Figure 2-1
Index of Prices Paid and Prices Received by Farmers, 1910-1981
(1910-14 = 100)



Data from USDA, Agricultural Prices—Annual Summary, 1980.

EXHIBIT #1
DATE Mar 21, 1987
HJR 38 - Rep.
T. J. DeLoe

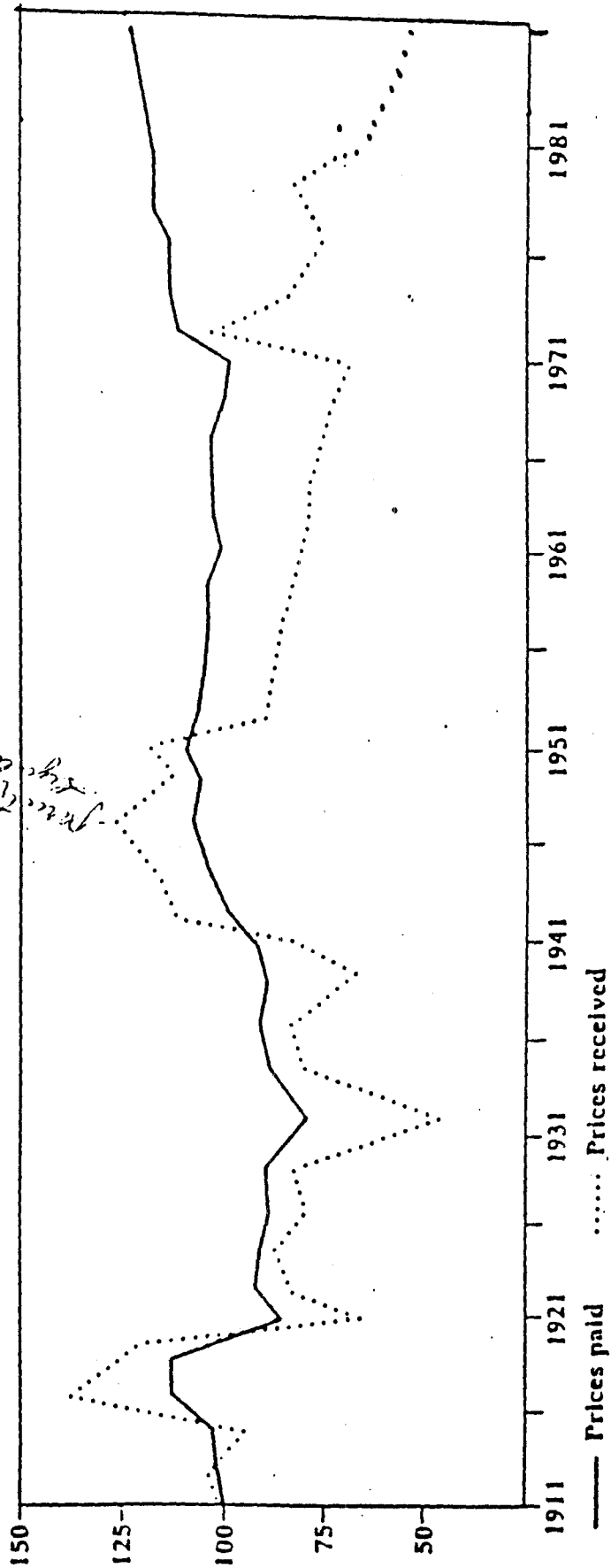
Figure 2-1
Index of Prices Paid and Prices Received by Farmers, 1910-1981
(1910-14 = 100)



Data from USDA, Agricultural Prices—Annual Summary, 1980.

#1
Feb 21, 1987
HJR 38-
Rep. T. L. Schuyler

Figure 2-1
Index of Prices Paid and Prices Received by Farmers, 1910-1981
(1910-14 = 100)



Data from USDA, Agricultural Prices—Annual Summary, 1980.

EXHIBIT #1
FILED Dec 21, 1981
HJR 33-12
D. (Snyder)

PARITY

its reflection. The same laws apply to the event and its image, and give the observer no clue by which to identify one or the other. Parity is conserved in all ordinary mechanical and electrical systems.

Physicists once believed that the conservation of parity was a natural law that applied to all events. But in 1956, two Chinese-born physicists, Tsung Dao Lee and Chen Ning Yang, suggested a number of experiments which proved otherwise. The experiments showed that parity was not conserved in a type of nuclear event called a *weak interaction*. An example of such an event is the emission of an electron by a radioactive nucleus.

The first such experiment was performed at the United States National Bureau of Standards by C. S. Wu of Columbia University and E. Ambler, R. W. Hayward, D. D. Hoppes, and R. P. Hudson of the Bureau who used atoms of the radioactive cobalt-60. The result of their experiment showed that parity conservation is not a universal law of nature.

CHEN NING YANG

PARITY, in economics, measures equality of purchasing power of two different currencies, or of the price of goods during two different periods. In the United States the word is usually applied to the price of certain farm products. The parity price for a particular farm product is that price which gives farmers the same purchasing power that they had during a specified period of time called the *base period*. The most commonly used base period is 1910 to 1914. So, if farmers could buy a pair of shoes in 1910 for the same price at which they sold two bushels of corn, they should also be able to do so today.

Since the 1920's, "agricultural equality"—the idea that the farmer should have a fair share of the national income—has received much attention. The Agricultural Adjustment Act of 1933 introduced parity as a method of measuring agricultural equality, and a program of price supports in order to achieve it. The law provided for an index of prices for things farmers sell, and one for things they buy. The *index number* of prices received for any particular year is found by mathematically comparing the sum of the prices of crops during that year with the sum of the prices of crops during the base period. The index number of prices paid is found the same way. If the index number of prices received equals the index number of prices paid, prices are "at parity."

In 1940, Congress introduced a change in computing parity. The Secretary of Agriculture now must use a "10-year moving average" in computing parity if it gives a higher support price than would be obtained by using the average of the period from 1910 to 1914.

Some persons criticize the parity program because it is based on a period in the past which may not be appropriate under present conditions. JOHN H. FREDERICK

PARK. Most parks are sections of land set aside for enjoyment by the public. Many parks are used for recreation and to allow visitors to relax in a natural environment. Some parks are used for cultural and educational events, sports, rallies, and festivals. Parks come in many sizes, from a tiny city park less than a block square to national parks containing vast areas of wilderness. Local, state or provincial, and national governments throughout the world administer park systems. Some parks are

privately owned and administered but administered for the public. Other parks are not open to the public.

Kinds of Parks. There are many kinds of parks. This article describes two main kinds: (1) urban parks, and (2) state, provincial, and national parks. For information on theme or amusement parks, see AMUSEMENT PARKS.

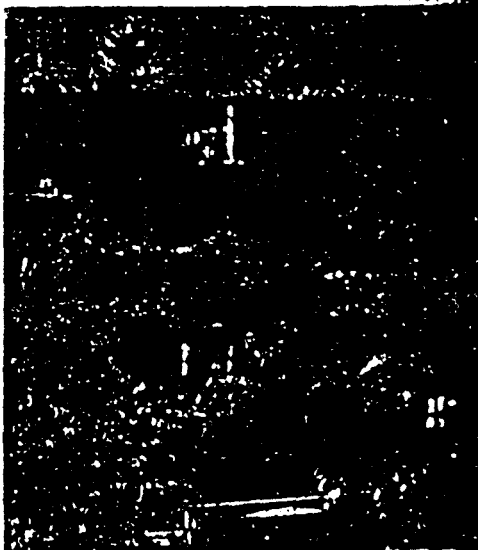
Urban Parks provide greenery and open space to add variety to city and town landscapes. Such parks are generally administered by local governments. Many urban parks have picnic areas, and trails for biking, horseback riding, jogging, and swimming. Some parks also have zoos and recreational facilities for basketball, tennis, and other sports. At the same time, visitors may swim, sail, or canoe. Some cities sponsor classes in such recreational activities as swimming, study and crafts.

In the United States and Canada, most cities have at least one large park and many small parks. Mount Park in Philadelphia is the world's largest park. It covers more than 4,000 acres (1,600 hectares) and includes a zoo, a theater, an outdoor amphitheater, and six colonial mansions open to the public.

State, Provincial, and National Parks serve a variety of purposes. For example, many national governments set aside land to preserve spectacular mountain scenery, dense forests, or unusual wildlife. Some parks contain geysers, glaciers, or interesting rock formations.

State, provincial, and national governments also serve areas for their historic value or for recreation. For example, some parks contain historic buildings, or ruins. Many parks offer camping facilities, trails, or skiing areas. Lakes in some parks provide opportunities for swimming and other water sports.

The United States has about 5,000 state parks and 63 national parks. Canada has about 1,200 provincial parks and 28 national parks. Its national parks include more land than any other national park system in the world.



Urban Parks contribute natural beauty, greenery, and open space to cities and towns. Queen Elizabeth Park, an urban park located in the center of Vancouver, B.C.

JOINT RESOLUTION NO. 38 INTRODUCED BY SCHYE, DRISCOLL, MANUEL, CODY

We are here to bring before you the plan of an economic policy that we find from our experience and research will turn our nation onto the road of prosperity for farmers, laborers, business, bankers, and industry. We have stated this briefly in this resolution that we wish you to consider in order to bring this plan to the attention of our U.S. Congress and President.

I would like to state a few basic facts that you no doubt are aware of but also some assertions on our part that we feel are pertinent to the plan in this resolution.

1. We know farmers are losing their lands, businesses are going bankrupt and banks are failing because raw material prices are too low to cover costs of production.

2. We know from statistics that farming and agri-business comprise about 75% of the nation's economy, with oil, mining, lumbering, fishing, etc. comprising the balance.

3. We then can understand ^{the impact} on the economy, on the people's welfare, and government's tax collections when the raw material producers do not get their fair price.

4. To counter this situation we are offering this plan of national economic prosperity:

a. That the United States Congress use its authority to again by law set all raw material prices at the market place at a par with each other based on the experience of the economy in the years from 1910-1914, or under the Steagall Amendment during the years from 1942-1953.

b. That labor as the prime mover in the actual production of raw materials be paid a wage on a par with his production.

c. That trade with foreign nations be based on goods for goods by holding all imports by tariff at the prevailing parity price within this nation, with any difference in price held in a Special Drawing Fund for that exporting nation which is credit for that nation to be used to buy American production.

In accordance with this program we wish to make these further observations;

- a. That the position of the U.S. Government in regard to pricing raw materials be that of a referee and not as a player in the game.
- b. That in regard to farm production we consider controls are necessary and that they be based on bushelage allotment against the acre.

From our studies and experience we find that we have a problem before us that goes deeply into our people's freedom and welfare and we have hereby expressed our thinking and ask you to do whatever you can to urge Congressional action.

FILED 3A
FEB 21 1987
HJR 38-15p T-1
Schoy

Let's turn our nation around.

Some of our leaders are saying we are in the midst of a strong economic recovery, this simply is not true.

The U.S. in 1985 became a debtor nation for the first time since 1914.

We haven't been able to balance a budget since 1969.

We have a federal budget deficit of approximately 200 billion dollars.

We have a foreign trade deficit that has increased from 40 billion dollars in 1982 to 70 in 1983, 120 in 1984, 150 in 1985, still increasing in 1986 to approximately 170 billion dollars. According to the U.S. Dept. of Labor each billion dollars of trade deficit causes approximately 30,000 American jobs lost. So we have approximately 5 million unemployed Americans caused by the current trade deficit. Our unemployment is so high, some say record keepers are changing the guidelines to hide the severity.

Our farm, business and bank failures are setting new records, unequalled since the Great Depression.

Experts are now predicting the stock market to crash in 1989.

How have we taken a nation that was, at the end of WW#2, (still under the Steagall Ammendment, legislated parity) the economic equal of the rest of the world combined, the most powerful economic force the world had ever known and brought her down to where she can't pay her bills, has approximately one million people living on the streets, has approximately 20 million going to bed hungry some time during the month, has approximately 35 million living in sub standard housing?

Really it is quite simple, it took a long time, but it was quite simple. It started in 1953 with the Aiken Farm Bill, 60 to 90% of sliding scale of parity, then later continuous gradual lowering of wages, coupled with inflation that further lowered your income, this together with unlimited access of cheap foreign goods to almost all of our markets.

Sounds pretty bleak doesn't it? It is until we can convenience enough of our people that the solution is...PARITY ECONOMICS!

Our founding fathers called for it in the constitution "Article 1 Sub Sec. 8 Sec. 5" congress shall have the power to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures.

Under the steagall Amendment which gave us a "Par" economy in 1950 you could buy a new car for less than 1000 bushels of wheat, it now takes over 4000 bushells of wheat to buy a comparable car.

Congress has given the power to coin money, or print, to the federal reserve, and has made no attempt to regulate the value thereof. To regulate the value of what money will buy which is only things, goods, and services, ie wheat and labor. To regulate the value of foreign coin you have to tariff up to your parity all foreign goods coming into our economy. To Install Parity economics in our country, we ask you to pass and support this joint resolution of the Senate and the House of Representatives of the State of Montana urging the President and the Congress of the United States to increase all raw material prices to Parity levels in order to stabilize the American economy.

DATE Feb. 21, 1987

HB #JR 38 - Rep. Ted Schye

This is not a farm program -

Mr Chairman Mon. Committee members

My name is Len Carlson a wife
of a former rancher ~~for 54 yrs + 20 yrs~~

I want you to hear that this 3 point
program; parity on raw materials,
minimum wage tied to parity & equity
of trade will put our state & Country
in balance - which means we will
have the taxes to balance the budget,
that will pay for our needs -

the 3 point Economic system is
not a boom or bust program. Other
economic systems are, in theory or trial
and error as we are experiencing.

this 3 point program is a true science
in other words it can be proven on a
black board. And do remember, since
our country's inception, 3 times parity
has been in & these are the times our
Country flourished.

I've listened to ^{you} Legislators ^{with discussion} consider
consolidations, in schools, county banks,
colleges, experiment stations & so on.

all to cut spending. I ~~have~~ hear you
have been hearing how tuff it is out
there from home, shortages of jobs, hungry

the 3 point program will do away with mass
unemployment because they will be able to have
a ~~proper~~ ^{proper} working wage & jobs will be created
people & so on & they want you to
do something ~~and~~

Is it better to find the real
problem & act on it rather than
apply band aids? or pay pats to
Pay Paul?

We have had people from Canada
ask us - why did you let parity
go? you had it - they want
us to get our act together because
they told us, no matter where
we set the wheat price they they
are going to be a little lower
so if we have a proper price
they will benefit.

Again I hear all this pain you
are contending with from lack of funds - & yet
there is a tried & proven way
to get the funds & have them
I urge you to go for it.

EXHIBIT # 5
DATE Feb 21, 1987
- HJR 38 Rep
Ted Schuyler

PROSPERITY WITHOUT DEBT

An Introduction To The Monetary
Policies of Parity Economics.

This booklet was prepared by the
Northeast Montana Chapter of the
National Organization for Raw
Materials. The purpose of this
booklet is to inform the public
about the options we have to
correct the economic problems
facing our country today.

50¢ each

INTRODUCTION

The men who analyzed, debated and wrote the powerful document that is our Constitution, established our country as a republic. In Article 4, Section 4, it states that "The United States shall guarantee to every state in this Union a republican form of government...". In our Pledge of Allegiance, we state our allegiance "...to the Republic for which it stands...". What is a republic and why is it important to know the difference between a republic and a democracy?

In a constitutional republic, the basic, inalienable rights of individuals are protected by law against the tides of changing opinion and prejudice. That is the purpose of the Constitution--to insure that the rights of individuals are protected and to spell-out the responsibilities and powers that we have given to the government.

In a democracy, the rights of individuals are also protected--to a point. Democracy, in modern times, means "majority rule". With majority rule, the rights of individuals are protected only to the point that the majority allows. In a true democracy, if the majority decided that only certain religions would be allowed to exist and all others would be brutally exterminated, then that is what would happen. In our Republic, under our Constitution, the right of Freedom of Religion is guaranteed to everyone under the First Amendment.

What will it be--Republic or Democracy? The Constitution insures certain rights to every citizen; however, as with any insurance policy, there is a premium to pay to keep it in effect. The premium for the "blessings of liberty" is responsible citizenship.

The first step in becoming responsible citizens is to become informed about our rights and responsibilities as citizens and about the rights and responsibilities we have given to the government. If we don't know what our rights are, we won't know when we have lost them. If we don't know what the responsibilities of the government are, then we won't know when the government isn't doing its job.

This booklet deals with an issue that affects all our lives, and that is the National Monetary Policy. Without a sound Monetary Policy, we cannot have a sound economy; and without a sound economy, we cannot have a strong, prosperous nation.

The Constitution, in Article 1, Section 8, Clause 5, states that "Congress shall have the power to coin money, regulate the value thereof, and of foreign coin, and fix the standards of weights and measures". This is a direct mandate to Congress to maintain a sound Monetary Policy. Regulation of the value of money means standardizing the value of money based on the exchange value of the commodities, goods and labor that money represents.

Congress has not regulated the value of money and we, the people, are partly to blame. The members of Congress are only our representatives. If we don't tell them what we want, then they won't know what we want them to do. If we don't know what we want, then we can't expect our representatives to know what we want. We must first become informed and then elect informed representatives.

Please read this booklet--it contains information about a Monetary Policy that works, and in fact, was law at one time. The information in this booklet can change your life and put our country back on the road to prosperity.

PARITY ECONOMICS--Not Just A Theory

Our country is facing one of the greatest economic crises in our history. More and more people are being put out of work completely or their hours are being cut back. Large and small businesses are failing in record numbers each month and farmers are being forced off their farms by the hundreds each month. We have a federal budget deficit of almost \$200 billion and a trade deficit of over \$100 billion. Current interest rates and cost-of-living figures only add more darkness to an already gloomy economic picture. However, by looking to the past for solutions, we can see that there is a way out of our problems.

Since 1900, there have been three periods in our history when our country enjoyed great prosperity--1910 to 1914; 1924 to 1926; 1942 to 1953. All three of these periods had one thing in common--a stable economy. The reason that the economy was stable was because three factors relating to the economy were fair-- a fair price for raw materials; a fair minimum wage for labor; and a fair trade policy with other nations.

The major difference between the three was the fact that during the 1942 to 1953 period, this fairness policy was achieved by laws enacted by Congress. The War Stabilization Act of 1942 and the Steagall Amendment to that Act were instrumental in providing our country with the prosperity that was needed to win World War II.

Men and women, by the hundreds, were leaving the country's farms to take defense plant jobs or to enter the military. Without a strong food-and-fiber industry, our nation could not hope to supply our soldiers, much less win the war. That is one reason why these laws were enacted--to make agriculture profitable enough to keep the farmers in business. But these laws weren't just "farm bills". The entire nation had to become more prosperous in order to provide the capital and goods to win the war. So, how could parity prices for food and fiber commodities help the entire nation become more prosperous?

Figures from the "Economic Report of the President of the United States" show that gross national farm income is equal to 1/7th of total gross national income. What that means, is that for every \$1 of farm income, \$7 of national income are generated. Nature does not have to be paid back for the products of the soil. Therefore, the 1/7th of national income that farm income represents is really the true profit of the national economy. That is how providing parity prices for agricultural and other raw materials products helps the entire nation to become more prosperous. That is also how the underpayment causes the entire nation to be underpaid. It doesn't take a war to create prosperity. Wars cause only death and destruction. Parity Economics is a means for providing prosperity anytime.

During the 1942 to 1953 period, there were both war years and years of peace. Farm prices were maintained at relative parity for 10 years. But parity prices were discontinued at the end of 1948, because the Steagall Amendment was written in such a manner that parity prices would be stopped at the end of the second year after World War II ended.

During the years following World War II, the United States was helping the war-torn countries get back on their feet. We had assumed the largest portion of the Allies war debt. To pay this debt, we needed the prosperity that comes with parity. At the beginning of 1949, our economy was facing a major slump. To prevent that slump, Congress, acting on the advice of the House Banking and Finance Committee, extended the parity laws on a year-by-year basis. When we entered the Korean Conflict in 1950, the nation needed parity-generated prosperity to support our Armed Forces.

At the end of 1953, Congress discontinued the parity extensions. Since that year, without parity economics to provide earned prosperity, our nation has built up a total public and private debt of almost \$7 trillion.

"ALL NEW WEALTH COMES FROM THE SOIL"

This statement was made by Thomas Edison. He understood Parity Economics. This concept isn't new by any means. When Edison made his statement, he was merely re-stating what several economists had said as far back as the early 1700's.

Economics can be defined as "the science of the production, distribution and consumption of wealth. It is concerned with the activities of people in the process of earning a living and applying their incomes to the satisfaction of their wants". To provide stability and growth, any plan that deals with regulating the economy must balance the three segments of production, distribution and consumption. Parity Economics has been proven to provide the stability and growth that leads to prosperity by regulating the value of money and therefor balancing all three segments of the economy.

In their own way, our Founding Fathers understood the concepts of Parity Economics. They knew the ills of a non-parity economic system; England was exploiting the raw material wealth and labor force of the Colonies and sending back finished goods at a price differential; the Bank of England was regulating the value of the money in circulation--to England's advantage. To assure that these problems wouldn't happen when the Colonies united, the writers of the Constitution gave Congress the sole power to regulate the value of our money. Also, the third act of the First Congress was to pass a tariff law to prevent cheap foreign goods and de-based foreign currencies from determining the value of American money.

Most modern economies, such as we have in this country, are exchange economies. We use a medium of exchange, or money, to represent the real goods and services that we purchase. The money isn't the wealth. The goods and services that the money represents are the real wealth. We can't eat money, we can't wear money and we can't build a house out of money. That is why Congress must regulate the value of money in relation to the real wealth that it represents.

Real wealth moves through the stages of raw material-to finished goods-to-consumption in cycles. The new wealth created from raw material production each year is the beginning of the cycle. The income from all raw material production turns over and builds 5 times in the channels of trade before it is completely consumed. If raw material income drops \$1, then the national income will drop \$5. This turnover of income, or "trade turn", can be verified from figures found in the "Economic Report of the President of the United States".

Basically, the trade turn is a labor turn and is determined by the level of the division of labor within an economy. The trade turn is the ratio between the numbers of people employed in the production of raw materials and those employed in other areas. In our country, we have about 20 million workers involved in raw materials production and about 100 million total individuals employed. That is why we have an overall trade turn of 5. In the early years of our country, we had a trade turn of about 1.1, because 9 out of 10 working people were involved in agricultural or other raw materials production. Over the years, as technology made raw materials production more efficient, fewer people were required to work in the raw materials industries. This increased the division of labor, and thus increased the trade turn.

Efficient raw materials production, especially agricultural production, is responsible for an industrial economy. Without efficient raw materials production, fewer people would be freed of the necessity to provide their basic needs of food, shelter and clothing themselves, and therefor would not be free to follow other pursuits such as manufacturing, teaching, medicine, public service, etc. As technology progresses, agriculture is diminished in the number of people involved in farm production, but agriculture still has the same economic function to perform--the creation of new wealth.

DEMAND CREATES SUPPLY

A very simple illustration of how the economy should work and how it works now, can be shown by using a loaf of bread as an example. The demand for the production of a bushel of wheat is created by the primary demand for bread. This primary demand sets up a secondary demand from the farmer for other finished goods needed to produce the wheat, such as seed, fertilizer, equipment, fuel, etc. The primary and secondary demands create reciprocal markets, each dependent on the other. The price that the farmer paid for his production needs represent a cost to him, but is income to the non-farm people. Each and every step in the production of the bread is priced by non-farm people.

The non-farm, or urban people, started off the cycle when they demanded the bread so they could sustain life. They re-entered the cycle when they provided the secondary supplies needed by the farmer to produce the wheat. At this point, the urban people alone have set the selling price of the wheat, at least to the level of their price on the secondary supplies the farmer needed. The farmer has not set one cent of the selling price on the wheat or the bread.

The only cost that the farmer ever adds, over and above what the urban people have already put on it, is a return on his investment, risk, labor and profit. These are the same kinds of returns that the urban people have already included for themselves in their price on the secondary supplies which were sold to the farmer. Urban people should not allow anyone to put a lower price on the wheat than they, themselves have already put on it. To underpay the primary producer of raw materials means that there won't be enough earned money in circulation to consume the finished goods--in this case, the bread.

Now, let's put this example into dollars and cents. One bushel of wheat will make 70, one-pound loaves of bread. The average price for a loaf of bread in this country is 80¢. That is the price that supposedly pays for the production and processing of the bread, plus a profit, all through the entire economic cycle. Then the overall cost of production, plus profit, for the 70 loaves of bread is \$56.00. Using the trade turn of 5, we can divide the \$56.00 by the trade turn to determine the farmer's fair share of the production costs for the bushel of wheat that went into the 70 loaves of bread.

one bushel of wheat = 70 loaves of bread

70 loaves X 80¢ = \$56.00 (cost of production plus profit)

\$56.00 ÷ 5 = \$11.20 (fair price for one bushel of wheat)

In this example, the \$11.20 for a bushel of wheat is the price that must be earned by the farmer to assure a balanced economy. Anything less than the \$11.20 means that there won't be enough money in circulation to consume the 70 loaves of bread. Remember, nature doesn't have to be paid back for the new wealth that is created from the soil. However, the farmer does deserve a fair share of the cost of production of the new wealth.

Since our farmers aren't receiving \$11.20 for a bushel of wheat, it is obvious that they are being underpaid. This underpayment has been hidden from everyone in several ways. Subsidies to the farmer help to hide the ugly truth of underpayment, but the biggest means of hiding the truth is by making up the difference with borrowed money.

Using our example of the loaves of bread again, let's assume that wheat is selling for \$4.00 a bushel. That's a price that many farmers feel would be enough to meet their present needs. But would that price meet the needs of the economy?

Based on the formula we used on page 4, we can work backwards to find out how much money would have to be borrowed into circulation to keep the economy balanced with \$4.00 wheat. The price for a bushel of wheat multiplied times the trade turn tells us how much money is earned into circulation. The difference between the cost of production and the earned income is the amount of money that must be borrowed to make the economy look like it is in balance.

price of one bushel of wheat X trade turn = raw material earned income
 $\$4.00 \times 5 = \20.00
cost of production - earned income = borrowed income (debt injection)
 $\$56.00 - \$20.00 = \$36.00$

What does the \$36.00 difference represent? That is the amount of money that must be borrowed to pay the costs of production and consume the 70 loaves of bread. Even with \$4.00 wheat, money would have to be borrowed to keep the economy balanced. In this example, if wheat was going for \$11.20 a bushel, no money would have to be borrowed to prop up the economy. The example with the loaves of bread is only a small illustration of how the economy works now, but the same idea can be applied to the national economy in general.

The same type of example can be shown on a more personal level. You need to buy a new refrigerator. Your old one just gave up the ghost and you don't want your milk and eggs to spoil. The only problem is that your wages aren't high enough to allow you to keep enough money in your checking account to just write a check for \$600. To make up for this shortage of income, you use credit (borrowed money) to keep your personal economy going.

Currently, the total public and private debt in our country is almost \$7 trillion! That works out to be about \$30,000 of debt for every man, woman and child in our country! Is unmanageable debt the crippling legacy we want to leave our children, and their children and their children?

In the disparity (non-parity) economy we have now, money is created out of thin air with the stroke of a pen. This money is put into circulation when people and businesses are forced to borrow their operating capital as well as their expansion capital. In any stable economy, expansion capital must come out of profits or savings. When profit has to be borrowed, it isn't true profit--it has to be paid back with interest. In order to have enough money in circulation to pay the interest, someone else has to borrow money into circulation, compounding the problem.

Under Parity Economics, we would not be borrowing money into circulation, but earning money into circulation. The example with the loaves of bread showed us how money is earned into circulation. Earned money doesn't have to be paid back, because nature doesn't have to be paid back. There is a ready store of wealth in the soil for our use and the raw materials are free.

All Man adds to the value of the real wealth of the world is the value of his labor and labor adds only to the exchange value--the price-- of raw materials. To determine the fair exchange value for any finished goods, the initial cost for the production of the raw materials must be figured at a fair price.

We do not have to pay nature to acquire the new wealth from the soil. On an individual level, people exchange money for goods and services, and this keeps the economy moving. However, they are not generating any new wealth, they are simply shifting the existing wealth around. Raw materials production creates the only new wealth in any economy. This is wealth that was dormant until the labor of Man brought it forth from the soil.

In terms of our national economy, the profit made on the raw materials represents the entire national profit. By cheating the raw materials producers out of a fair profit by underpayment, we, as a nation, are cheating ourselves out of a fair profit.

One way that a nation can turn a profit is to conquer another nation through war, but there are only two ways that a nation can peacefully turn a profit. One way is to produce; to take raw materials and create wealth where none existed before. The other is to best another nation in trade, and to maintain a favorable balance of trade and payments. Since "trade" means an equal exchange, besting another nation in trade is not really "trade". The one way that a nation cannot turn a profit is by besting any segment of its own economy.

INCOME EQUALS PRODUCTION TIMES PRICE

All components of our economy are ultimately expressed as income or costs in the "Economic Report of the President of the United States". The total of the six components represents the national income. The six components are:

INCOME	COSTS
Income of unincorporated Enterprises	Compensation of employees (wages)
Income of farm proprietors	Net interest
Rental income of persons	
Corporate profits	

Income equals production multiplied times price. With low production, we have low income or with low price, we have low income. If we have low raw materials income, we have lower national income, because national income equals raw materials income times the trade turn of 5. For every \$1 that raw materials producers are underpaid, we lose \$5 of national income.

100% production X 100% price = 100% income
 100% production X 90% price = 90% income
 90% production X 90% price = 81% income

If the price is too low for the initial producer, then that income moves through the channels of trade without generating adequate income for our exchange economy. If production is reduced to offset the failure to maintain the proper price level, then the physical production required to employ the labor force is destroyed, resulting in unemployment.

The income received on one side of the equation must stay at parity (balance with the costs on the other side, even in a static economy. Corporate profits, income from unincorporated enterprises, farm income and rental income have to maintain parity in order to pay wages and interest. On the other hand, wages and interest must not exceed the income side of the equation. Each of the sectors must advance at approximately the same rate.

To offset the underpayment on the income side of the equation, not only to agriculture, but to all of private enterprise, our economy has resorted to debt injection. This is no solution at all, because interest compounds on the debt. Interest more than doubles the debt in a decade. Capital debt cannot be created beyond narrow limits--when an economy tries to expand beyond what it has a right to borrow based on savings, then capital costs in the form of interest start running away from income.

A THREE PART PROGRAM

Parity Economics consists of a program that is based on three main points:

1. Monetization of raw materials.
2. Monetization of Labor.
3. Equity of Trade.

Each point of the program is important unto itself and deals with different sectors of the economy. Monetization of raw materials and equity of trade deal mostly with the production and distribution of wealth, while the monetization of labor deals more with the consumption of wealth. To make the program work, and keep the economy in balance, all three points must be dealt with on a collective basis--initiating only one or two parts of the program would cause an imbalance in the economy that could be worse than what we have today.

Parity Economics can be implemented by Congress accepting its Constitutional responsibility to regulate the value of our money and the value of foreign money in relation to our money. This can be done only if we, the people accept our responsibilities as citizens and become informed about our economy. Once we become informed, we will be able to elect representatives who will understand the economy. Then, and only then, will we be able to get Congress to pass laws that put our nation back on the road to prosperity.

Monetization of Raw Materials

Money--coins, currency and check-book money-- have no value unto themselves. Money only represents the goods and services which we exchange with each other to satisfy our needs and wants. We do not create new wealth by creating more money. New wealth comes from the raw materials that are produced each year. More money should not be put into circulation unless it represents the new wealth of the raw materials. Money that is not backed by something real is a false medium of exchange and distorts the economy. That is why we have laws against counterfeiters.

At one time in our country, money was backed by precious metals--gold and silver. In a way, this gave our money a standard exchange value. However, gold and silver are not easily accessible and are not found in any great supply. These metals were also used to manipulate the economy. By hoarding gold and silver, the money supply was decreased resulting in the need to put borrowed money into circulation. When there were discoveries of new deposits of gold and silver, the market was flooded, resulting in inflation. This manipulation caused a boom-and-bust type economy.

Monetization of raw materials simply means basing the exchange value of our money on raw materials. By doing that, we give money an exchange value that can be regulated by production. The production of raw materials is going on constantly and precedes the production of finished goods by at least six months. By having a stable supply of raw materials and basing the value of our money on raw materials, we can have a stable economy. If we were to have more production of raw materials than was required, this overage would be stored at the producers' expense. That's the same idea as putting money in a savings account.

Monetization of raw materials can be achieved by using the following steps to determine the parity prices for a few raw materials.

1. Determine a base period when the economy was at parity--1910 to 1914; 1924 to 1926; 1942 to 1953.
2. Use the consumer price index, commodity price index and other economic indicators to determine the percent difference between current prices and base year prices.
3. Add 100% to the price difference percent (add 100% because the base year was at 100% parity) and multiply this total price difference percent times the base year price for any commodity.
4. The result of this multiplication would be the current parity price for that commodity.

EXAMPLE:

Determine the parity price for corn in 1966 by using the base period of 1910-1914.

1. price of corn in 1910-1914 = 64.2¢ a bushel
2. percent difference (commodity index) for 1966 = 240% increase over,
1910-1914 period
3. multiplier (commodity index plus 100%) = 340%
4. $340\% \times 64.2¢ = \$2.18$ = parity price for corn in 1966.

EXAMPLE:

Determine the parity price for corn in 1966 using the base period of 1946-1950.

1. price of corn in 1946-1950 = \$1.54 a bushel
2. percent difference (commodity index) for 1966 = 43% increase over
1946-1950 price
3. multiplier (commodity index plus 100%) = 143%
4. $143\% \times \$1.54 = \2.20 = parity price for corn in 1966.

It can be seen from these examples that the base period used is not important as long as the base period was at parity. The commodity index must also be computed back to the same parity base period in order to be accurate. The 1946-1950 base period is the most recent period when we had 100% parity and peace. For that reason, 1946-1950 is considered to be the best base period for figuring today's parity prices.

Since 1953, the government has moved the base period for computing parity prices up every 10 years, which means that government parity prices do not reflect true parity. This has resulted in a rigged parity for the economy that helps hide the gross underpayment to our raw materials producers and ultimately to the entire economy.

Once the true parity prices for a few raw material commodities have been determined, these commodities would be monetized, and our money would be backed by something real. All commodities don't have to be monetized, although it would be fairly simple to do that. Only a few storable crops such as wheat, oats, corn, barley, soybeans, cotton and rice would need to be monetized. These crops represent 70-80 percent of harvested acres. Using these commodities as a base would allow the play of the market to function for minor commodities, keeping them very close to parity.

To have a true backing for our money, we would also have to monetize some of the non-food-and-fiber commodities such as petroleum, coal, lumber, iron, copper, lead and zinc.

Once these few commodities have been monetized, Congress would have to pass laws to maintain a parity economy. The laws to do this would, in effect, be very much like the minimum wage law. Remember, the raw materials are free. The price we put on them is mostly a labor cost.

Monetization of Labor

Most of the discussion up to this point has dealt with the production and distribution sectors of the economy. Without consumption, there would be no need for production and distribution. Demand creates supply. Demand means not only the need or want for goods and services, but also includes the means to acquire those goods and services. If the ability to acquire goods and services is not present in an economy, or is less than the supply, then the supply appears to be in surplus. With the ability to purchase goods and services in balance with the supply, there can be no surpluses.

Remember, raw materials production is the very beginning point of the economic cycle. Parity pricing for the raw materials makes the proper amount of money available in the economy--by way of the trade turn--to pay the labor costs of producing the finished product. Labor costs are the only true costs of production.

One reason that the Roman Empire fell is because slaves just didn't make enough money to consume production and keep their economy in balance. Slaves and underpaid labor cannot possibly consume enough goods and services to keep an economy in balance without resorting to borrowed income.

Some of the borrowed income which has taken the place of earned income in our economy takes the form of government subsidies, welfare, food stamps, unemployment compensation, etc. Those of us who are working and paying taxes are, in the long run, making up the difference for those workers who are being underpaid. It would cost us far less if those workers were paid a fair parity wage in the beginning. With the level of production we have in our country today, the minimum wage should be \$9.00 an hour.

Everyone would benefit. Taxes would be lower due to increased employment with more people sharing the tax burden. There would be less need for taxes, because fewer government relief programs would be needed. Even those people working for the minimum wage would benefit, because they would be earning enough honest income to live with more dignity. The only "product" that most people have to add to the economic cycle is their labor. Without that labor, we would not have finished products to consume. It's only fair that labor be paid their fair share of the production costs.

Most people would rather work for a fair wage than live on the handouts of welfare and unemployment. However, in the economy we have now, we have made it more profitable for unskilled people to not work. Can we really blame a family provider who could work for a minimum wage of \$3.35 an hour but is on Welfare? We as a society have made that choice for them, because we have made it possible to get more money on Welfare than they could make working for an unfair minimum wage. Shouldn't we give these people back the dignity they deserve and in the process, show ourselves to be a fair and just society?

Monetization of labor basically means setting a fair, parity minimum wage. Man's labor is the only thing that adds to the exchange value of raw materials and this added value helps determine the price for finished goods. The proper amount of money cannot be kept in circulation in the economy, and the economy cannot be balanced if the labor costs are not paid at parity with the raw materials.

A minimum wage of \$9.00 an hour would not create greatly increased costs to consumers or employers. Remember, because more people would be working and receiving a fair wage, more people would be sharing the tax burden. This means that one of the biggest costs to employers would be decreased--fewer employee taxes would have to be paid by employers. This means that the money that is being paid to the government now, could be paid to the employees who earned the money.

The \$9.00 an hour minimum wage is very close to what the 1986 parity wage should be, but to calculate what the parity minimum wage would be, we have to look back to the parity base periods. From the "Economic Report of the President of the United States", figures show that the price for a bushel of corn and the minimum wage were about equal in the base periods. This relationship did not vary, regardless of the parity base period used. The term "minimum wage" means the average wage that was needed to consume enough of the economy's production to keep the economy in balance. That is the minimum wage for any economy.

An easy way, then, to determine the parity minimum wage would be to tie the minimum wage to the parity price for a bushel of corn. By tying the minimum wage to the price for a bushel of corn, the three segments of the economy could be kept in balance.

EQUITY OF TRADE

Article 1, Section 8, Clause 5 of the Constitution requires Congress to regulate the value of our money and the value of "foreign coin". By monetizing raw materials and labor, Congress would be very close to regulating the value of our money; but remember, the third act of the First Congress was to pass a tariff law to prevent cheap foreign goods and debased foreign currencies from determining the value of our money. We are a trading nation and the goods and services that we import represent "foreign coin". Since we must regulate the value of our own money in terms of the goods and services that we produce in this country, we must also regulate the value of foreign money in terms of the goods and services that we import. We cannot keep our economy in balance unless we regulate all goods and services that are being moved through the channels of trade in this country.

Obviously, Congress cannot control the currencies of other nations. Regulating the value of foreign money means assuring a fair and equitable relationship between what American money can be exchanged for in this country and what "foreign coin" can be exchanged for in this country. Since money only represents the real goods that we need and want, a fair and equitable relationship must be set up between import and export goods. Regulation of "foreign coin" means regulation of foreign trade.

Presently, there are some people in our country who think that we must have "free" trade with other nations. They say that free trade is the only way to develop foreign markets and that we must have these markets to keep our country prosperous.

Free trade, in fact, causes our nation to be less prosperous. Free trade says that a worker in this country can live and work as cheaply as a worker in another country and that our production costs are as low as they are in another country. Free trade also says that we don't need to keep track of the money that goes out of this country. How can we regulate the value of our money if we don't know how much money is circulating outside this country?

We can keep our country prosperous by following the concepts presented in this booklet. By monetizing the raw materials, the new wealth gives backing to our money. By monetizing labor, the ability to consume the production is created and maintained. That is prosperity. We don't need the foreign markets to create and maintain prosperity. We do need the foreign markets because there are some goods and services which we are unable to produce ourselves.

When Abraham Lincoln was President, our country was in the process of expanding the railroad system. We needed steel for the rails. Some people wanted to import the steel from England because they thought that it would be cheaper. Others wanted to produce the steel in this country. President Lincoln had this to say, "I don't know much about building railroads or making steel, but it seems to me, if we buy the rails from England, we will have the rails and England will have the money. Taking that into consideration, we should probably make the rails ourselves, because then we will have both the rails and the money".

President Lincoln understood how our economy must work in order to have prosperity. Production creates wealth. Without the wealth that producing the rails created, we would have been sending our money out of this country without the real wealth needed to back that money. By importing goods that can be produced in this country, American jobs are destroyed. This decreases our productivity and increases the national debt through Welfare payments, subsidies, etc.

Cheaper is not better. Some business people feel that it's only good business to take advantage of a "good buy" to increase their profit margins. If they can't get the better of someone, then they aren't doing their job. That's why many companies have moved their factories to other countries. By exploiting the "cheap" labor of underdeveloped countries, and then selling the finished goods in this country at domestic prices, they are actually cheating everyone involved--from producer to consumer.

How long can our country survive these practices? If cheaper is better, does that mean that free is best? Why not just give everything away? That way, we could all work for nothing but have everything!

Simply put, Equity of Trade means trading our goods and services for another country's goods and services at a parity price. We don't need another country's money, and they don't need our money. It's the goods and services that we each need. By setting a parity relationship on the goods and services that are exchanged, the cheaters and stealers are taken out of the picture. Foreign-produced goods would not be allowed to enter this country without controls.

Because Equity of Trade is fair, underdeveloped countries would no longer have to starve their own people by exporting the wealth of their raw materials and labor at depressed prices. By paying our trading partners too little for their goods and services, we are taking away their trading power. If we take away their trading power, then we are actually destroying that market. We cannot help the other nations of the world by lowering our standard of living to theirs. We can help them only by treating them fairly as neighbors and raise their standard of living. There is no other way that world welfare can be wiped out.

Equity of Trade can be accomplished by developing a tariff system that requires importers of foreign goods to deposit matching funds into a Special Drawing Fund. These matching funds would be credited to an account for each exporting country. The funds in the SDF would then be used by each exporting country to trade for American goods at our parity prices. Under no circumstances, would the exporting nations be cheated out of their credit in the SDF by placing those funds in the U.S. Treasury.

The following is an example of how the Special Drawing Fund could work.

Example:

We have wheat to trade and Mexico has oil to trade. The parity relationship between wheat and oil is 2 bushels of wheat for 1 barrel of oil. This relationship has been established to be accurate for every parity base period.

In this example, the following parity prices will be used to make the arithmetic easy:

	<u>U.S.</u>	<u>Mexico</u>
price for a bushel of wheat	\$10.00	\$5.00
price for a barrel of oil	\$20.00	\$10.00

Mexico needs our wheat and we need their oil. A trade contract is drawn up that says for every barrel of oil that we import from Mexico, two bushels of wheat must be purchased from us by Mexico. This is how the Special Drawing Fund could work:

1. Mexican oil exporter sends a barrel of oil to U.S.
2. American oil importer pays Mexican exporter \$10-worth of Mexican currency and also pays \$10 duty on each barrel. The \$10 duty goes into SDF and is credited to Mexico's account. This \$10 is ear-marked for the purchase of wheat only.
3. Mexican oil exporter gets his domestic parity price for the oil and American oil importer gets his domestic parity price for the oil when he sells it in the U.S.
4. Mexican wheat importer buys one bushel of wheat for \$10 from his own pocket and buys a second bushel of wheat with the \$10 in the SDF. In effect, the second bushel of wheat doesn't cost the Mexican wheat importer anything, so he is getting two bushels of wheat for \$10. That is the price for wheat in Mexico.
5. Mexican wheat importer sells the wheat in Mexico for his domestic parity price.
6. American wheat exporter has been paid his domestic parity price of \$10 a bushel for the wheat.

In this example, it can be seen that both countries benefited. Each country has been paid the domestic parity price for the exported commodities and is able to sell the imported goods in each country for the domestic parity price. Neither country's economy has been exploited. No foreign money was brought into either country. Goods were traded for goods at fair, parity prices.

Equity of Trade stimulates world trade by assuring fair treatment to all trading nations. By the use of the Special Drawing Fund, each trading nation would be able to trade at parity. This would enable each country to develop their own domestic production without creating severe hardships for their people.

THE REALITY OF DISPARITY

So far in this booklet, we have used general examples of how Parity Economics can lead our country back to prosperity. Our economy must be viewed from a national standpoint to understand that no one person, no one county, no one state and no one country can have fair and just prosperity without everyone benefiting.

However, to show a specific example of how disparity (non-parity) economics has robbed us of the prosperity we deserve, an economic survey was conducted for Roosevelt County, Montana, for the year of 1979.

Roosevelt County is located in Northeastern Montana and has a population of about 10,000. Agriculture is the chief industry, with oil production being the second largest industry. A large portion of the Ft. Peck Indian Reservation occupies most of the land area of Roosevelt County, and A&S Industries, a tribal-owned manufacturer, employs a large number of people in Roosevelt County.

The following table will show that about \$100 million was required to run the economy of Roosevelt County in 1979.

EARNED INCOME *

<u>Commodity</u>	<u>1979 Production</u>	<u>Average Price At The Market</u>	<u>Value In Dollars</u>
Wheat	6,235,000 Bu.	\$ 3.23 Bu.	\$21,955,000.00
Barley	950,000 Bu.	1.54 Bu.	1,460,000.00
Beef	14,000,000 Lbs.	66.00 Cwt.	9,240,000.00
Hogs	5,420,000 Lbs.	40.00 Cwt.	2,168,000.00
Hay	70,000 Tons	51.00 Ton	3,883,000.00
Oil	1,075,000 Bbl.	11.20 Bbl.	12,040,000.00
TOTAL EARNED INCOME OF ROOSEVELT COUNTY IN 1979			= \$50,746,000.00

*sources of information--production and price figures obtained from Mont. Crop & Livestock Ag Statistics, Volume XVII, 1979, and Mont. Oil Journal.

BORROWED INCOME *

Net Increase in Mortgages (Mortgages Recorded Less Mortgage Satisfaction)	\$17,000,000.00
Contracts for Deed (Contracts Recorded Less Contract Satisfaction)	7,000,000.00
Government Grants	9,000,000.00
Subsidies--Revenue Sharing, BIA, Food Stamps, etc.	12,000,000.00
Increase In Bank Loans (All Banks, PCA, FHA)	\$9,000,000.00
Increase In Bank Deposits	-5,000,000.00
Net Increase In Bank Loans	4,000,000.00
TOTAL BORROWED INCOME FOR ROOSEVELT COUNTY IN 1979	= \$49,000,000.00

*sources of information-- Mortgage Book; Misc. Real Estate Book; Distribution of Federal Funds; Figures from all banks in Roosevelt County, FmHA & PCA Financial Statements, which these lenders are required by law to publish.

By adding the Total Earned Income and Total Borrowed Income, we can see that, in fact, almost \$100 million was needed to operate the public and private economy of Roosevelt County in 1979. What would have happened if there had not been any borrowed income? The County as a whole would have gone bankrupt. To hide that ugly fact, a debt almost equal to the earned income was created to keep the County solvent. But at what price?

Even at the "low" interest rate of 10%, the interest on \$49 million is \$4.9 million. This is 1986, and as a county, we have not been able to pay even one year's interest on the 1979 debt! Roosevelt County is not alone. Where do you think the national public and private debt of almost \$7 trillion came from?

How can this need to continually borrow income be prevented? The following table shows how paying parity prices for the raw material production in Roosevelt County in 1979 would have created prosperity.

EARNED INCOME ROOSEVELT COUNTY WOULD HAVE HAD WITH PARITY PRICES

Commodity	1979 Production	Parity Price	
		At The Market	Value In Dollars
Wheat	6,235,000 Bu.	\$ 9.24 Bu.	\$57,600,000.00
Barley	950,000 Bu.	5.14 Bu.	4,883,000.00
Beef	14,000,000 Lbs.	82.50 Cwt.	11,550,000.00
Hogs	5,420,000 Lbs.	82.50 Cwt.	4,471,000.00
Hay	70,000 Tons	84.00 Ton	5,880,000.00
Oil	1,075,000 Bbl.	18.50 Bbl.	19,887,000.00
TOTAL VALUE OF 1979 PRODUCTION WHEN PRICED AT PARITY = \$104,271,000.00			

*source of information-- parity price computation using 1926 as a base year = 100. commodity index for January, 1980 was 533% of 1926 price. 1926 wheat price was \$1.46; thus, $533 + 100 \times \$1.46 = \9.24 per bushel of wheat. All other computations carried out in the same manner.

With parity pricing in 1979, Roosevelt County would have had an excess of earned income! The County as a whole would have had prosperity beyond their needs. Perhaps some of the social problems that couldn't be taken care of due to lack of funds could have been dealt with. New parks and recreation facilities could have been created without revenue sharing money. Who knows? The possibilities with prosperity are unlimited!

IT'S UP TO THE PEOPLE

This booklet has briefly presented the concepts of Parity Economics. It has also shown some of the more obvious results of disparity economics. Parity Economics will not create a Utopia. What Parity Economics will create is a just, fair economic system in which everyone who is willing and able to work can reap the fruits of their labors, without having them taken away in the form of debt and taxes. With parity between the different sectors of the economy, it is more difficult for a bureaucratic government to enact laws, issue administrative rules and regulations, or make court decisions which revoke or abolish individual rights.

Nothing good ever comes easy. No single person or group will ever create the changes needed to make Parity Economics a reality. Change for the better requires an informed, active public. Change for the worse, or no change, doesn't require anything but apathy.

When our Founding Fathers wrote our Constitution, they had a dream of a prosperous, self-ruled nation. No where else in this world had there ever been such a nation. They knew that the common good of a nation required the active participation of the citizens of that nation. That is why we have a constitutional Republic.

It is time for all of us citizens to reunite for the common good. We cannot expect to change our country for the better without becoming informed and active. Only by uniting for the common good can we achieve the changes needed to "...secure the blessings of liberty to ourselves and our posterity..."

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For more copies of this booklet or
further information about Parity
Economics, please write to:

Northeast Montana N.O.R.M.
P.O. Box 97
Wolf Point, Montana 59201

CHART D

NESA: The National Economic Stability Act

There are three ways to finance the businesses of our National Economy; from earned income, debt expansion and or gross savings (see chart A and B). Ideally, financing would come from gross savings and earned income, but with our present debt load it's easy to see how inadequate these funds are.

A major portion of the new debt created annually to finance business operations is, in fact, used to pay the interest on the existing excessive debt. This direction will lead to even greater burdens on our economy and cannot be reversed unless we find ways to increase our national income and gross savings.

Why has this happened? A significant contributing factor has been the underpayment for the production of the agricultural industry. The most efficient and least costly means of financing our economy occurs when raw materials prices, (especially agriculture, which constitutes about 70% of all raw material production), are in balance with the prices of other goods and services.

This price balance situation has occurred for several periods of time during the overall period of 1910 to 1952. The most recent period was 1942 to 1952.

In recent United States history, all periods of national economic prosperity have occurred when Gross Farm Income has equalled one-seventh of the National Income. Since about 1953, which marked the beginning of decline of the last period of balance, a large portion of the economy has been financed by debt expansion. This is clearly shown in Chart C. Since around 1960, this debt expansion has accelerated at a frightening pace! Agriculture's imbalance with the rest of the economy became more severe as each year passed and there is no relief in sight.

Chart D details the imbalance between Gross Farm Income and National Income. The Gross Farm Income x 7 (multiplied by 7) line should fall on the National Income line. The difference of \$281 billion (what 1984 farm income was vs. what it should have been) multiplied times a generally accepted multiplier factor of 7 would produce \$1,967 billion of additional net income

throughout the various sectors of the economy. If we subtract the new debt for 1984 of \$1100 billion from the increased income of \$1,967 billion, there is a balance of \$867 billion. This could be used to pay down old debt. Additionally, the tax revenue from National Income is about 20%. This would produce \$397.4 billion dollars of tax revenue on the additional income.

Also, the \$287 billion of new Gross Farm Income could, theoretically, in one year retire the approximately \$220 billion agricultural sector deficit and allow this sector to pay into the tax base again.

This national economic direction would significantly add to the existing number of solvent banks and other businesses operating in this country. Solvent businesses mean more goods and services being required, resulting in more jobs, more earned income, more tax revenue, less business debt and less government deficit spending.

These positive results are within our grasp if we enact the National Economic Stability Act (NESA). This program will bring the agricultural sector in line with the rest of the economy and set the gears in motion to make our economy truly prosperous once again.

NORM
NATIONAL ORGANIZATION OF RAW MATERIALS

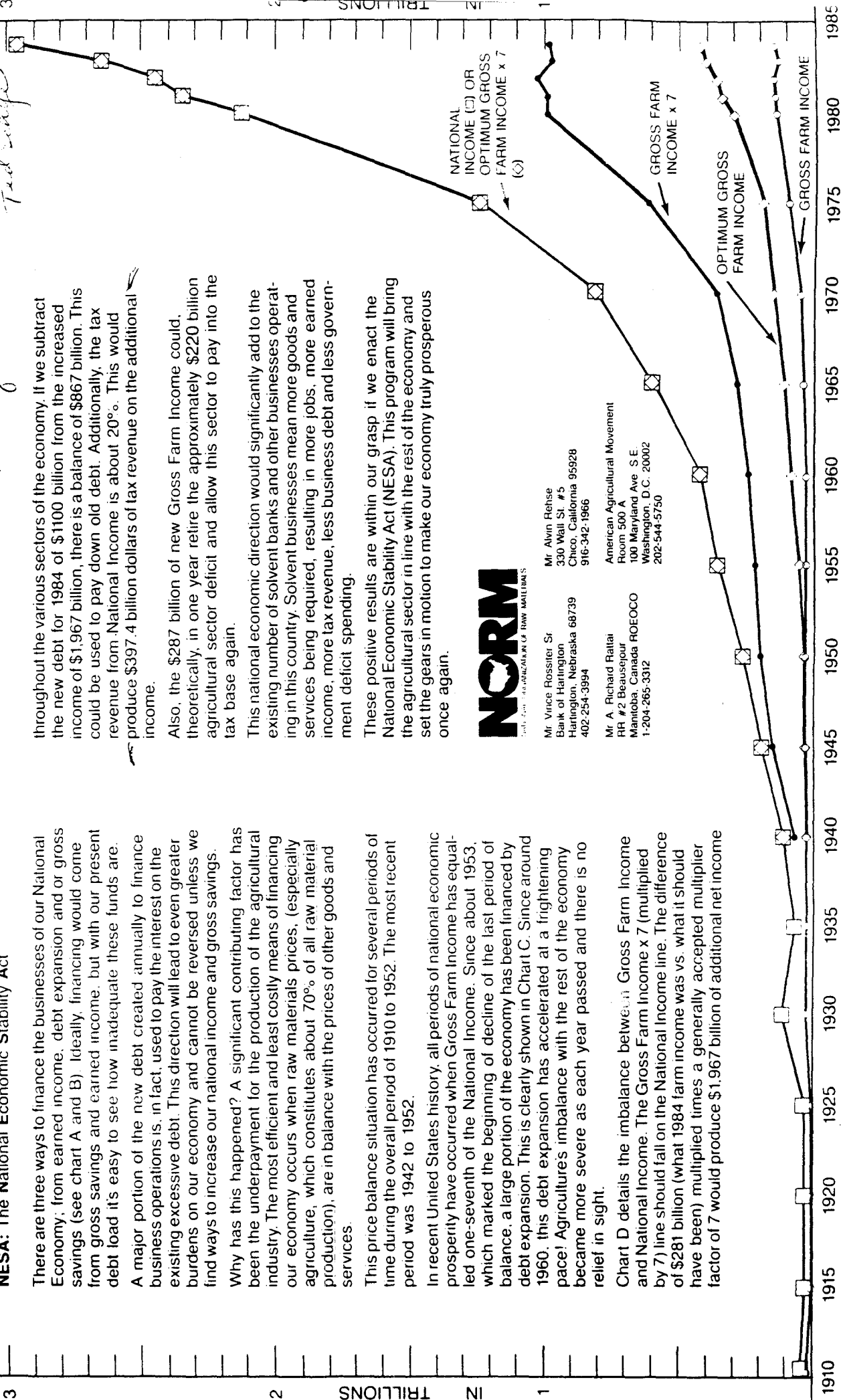
Mr. Vince Rossiter Sr.
Bank of Harrington
Harrington, Nebraska 68739
402-254-3394

Mr. A. Richard Rattai
RR #2 Beausejour
Manitoba, Canada ROEOCO
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Mr. Alvin Renise
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Chico, California 95928
916-342-1966

American Agricultural Movement
Room 500 A
100 Maryland Ave. S.E.
Washington, D.C. 20002
202-544-5750

5A
Jan. Feb. 21, 1987
HARRINGTON
-Ted Sledge



VISITORS' REGISTER

COMMITTEEBILL NO. HJR 38DATE Feb. 21, 1987SPONSOR Schye

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Helen Waller	Self	✓	
Alverschmidt	Self	✓	
Kay Norenburg	WIFE	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

DATE Feb. 21, 1947

HE-HJR 38-Rep. Del Schye

H.J.R. 38

My name is Helen Haller, a farmer-rancher from McCone County.

I support H.J.R. 38 which would generate the value of agricultural products needed to pay the cost of production.

About 10 years ago when wheat was \$5.00 a bushel & calves were \$1.00 a pound, farmers & ranchers paid income tax. A topic of discussion at that time was how to deal with the Surplus in the State Treasury!

Placing fair value on raw materials is essential to the economic stability of our communities, state & nation.

I urge you to support H.J.R. 38

VISITORS' REGISTER

COMMITTEE

BILL NO. HA 837

DATE Feb. 21, 1987

SPONSOR Jenkins

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MINUTES OF THE MEETING
AGRICULTURE, LIVESTOCK & IRRIGATION COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

March 4, 1987

Rep. Duane W. Compton, Chairman, called this committee hearing to order at 1:00 p.m. in room 317 of the Capitol, Helena.

ROLL CALL

Reps. Loren Jenkins and Gay Holliday were excused; all other members were present. Lois Menzies was acting researcher for this meeting.

Bills to be heard were SB 348 and SB 238.

SENATE BILL 348

Senator Pete Story, Senate District #45, sponsor of SB 348, told the committee this is an act to provide a charge of 3 cents an acre or a minimum charge of \$3 on forest land, to be collected with fire protection district assessments for use in state fire suppression; amends 76-13-201, and provides an effective date and a retroactive applicability date.

This act changes the fee assessment for fire protection from \$14 to \$17. People who have land within one-half mile of the forest are getting fire protection for 17 cents an acre; this would increase the cost to 20 cents. It does not increase the amount of money that the department of state lands spends. It will supplement general fund money, but that will not yet pay quite all of the costs, but more of the general fund money can be supplanted for other purposes. This was a committee bill requested by the subcommittee on natural resources.

Sen. Story asked to carry this bill because it will cost him more than anyone else on that side. His lands will pay about another \$180 into the kitty. This money for those in fire districts pays towards fire protection - fire trucks, etc. This doesn't necessarily save your shack up in the mountains, but it keeps the feds from suing you for putting out the rest of the fire that you caused up there. That is why landowners would rather pay some money in taxes than pay a \$2 million fire suppression bill.

Those on the committee that know how we are going to balance the budget 43 days from now, maybe you don't need to have

VISITORS' REGISTER

COMMITTEE

BILL NO. HR 837

DATE Feb. 21, 1987

SPONSOR Jenkins

[illegible]

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PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.