THE CONGRESSIONAL FRONT
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## THIS THING CALLED "PARITY."

For more than 10 years, parity for agriculture has been a household word. It has been oft proclaimed by Congress. It appears in scores of laws, bills, and resolutions. It is used frequently by the President in messages and speeches. It appears in resolutions sponsored by farm groups. It appeared in the contest between the President and Congress when the Executive vetoed the Bankhead bill to include all farm benefit payments in determining parity prices for farm products. It is, therefore, a live and growing issue with many implications and will bear some definition and analysis.

### HOW IT BEGAN

In the depressed period of 1932, when farm prices were disastrously low, farm leaders called on President-elect Roosevelt at Hyde Park before his inauguration and submitted proposals for farm legislation which were based on parity prices for farm products. The argument was substantially this: In the period from 1909 to 1914, the nation was serene, prosperous and happy. Things were in balance. The farmer received a fair share of the national income. It took a certain number of bushels of wheat or bales of cotton or pounds of tobacco or bushels of corn to buy a plow or binder, a suit of clothes or a certain quantity of food. If that balance could be maintained, it would mean continued prosperity all the way around. Suppose, therefore, in determining how much a bushel of wheat or corn or bale of cotton should bring in the market, it be fixed on the basis of this period. If farm machinery, food, clothing and other items which the farmer must buy went up, then the price of wheat, corn, cotton and other commodities should be raised to keep the balance. THUS PARITY IS AN EXCHANGE FORMULA. It is the formula by which the farmer exchanges the things he produces for the things he must buy so that he will be in the same relative position he was in back in the 5 year period from 1909 to 1914. (It should be noted that in some instances a different base period was used where it appeared to be more equitable.)

### HOW PARITY IS DETERMINED

To determine parity, farm experts used the following formula. They selected 22 food items, which the farmer must buy, 17 clothing items, 11 supply items such as coal, brooms, gasoline, 21 furniture and household items, 14 building material items and automobiles making a total of 86 items which are essential to a farmers living. In addition, they selected 12 feed items for livestock, 22 machinery items, 3 motor vehicle items, 19 building material items, 16 equipment items and 7 seed items. This makes a total of 86 items entering into farm living expense and 88 items entering into the production of farm commodities. From the cost of these items on any certain day, an index was prepared. If the aggregate cost was the same as in 1909-1914, the index number would be taken at 100. If the cost was less, the index would be below 100. If it was more, it would be over 100. Now to determine what the parity price of wheat is on April 1, 1943, the cost to the farmer of the 174 items mentioned above is figured and compared with 1909-1914. Let us assume that it was 160, meaning that it was 60 points higher than in 1909-1914. The price of wheat in the 1909-1914 period was 88.4¢ per bushel. By multiplying 88.4¢ by 160, the result is $1.41, meaning that the fair exchange price of wheat on April 1st should be $1.41 per bushel. The same method is used for corn, rice, cotton and other commodities.

### A NEW FACTOR ENTERS

In late 1942, when the question again arose over placing price ceilings on farm commodities, farmers indicated that it was only fair to give them parity prices (meaning fair exchange prices) or the price which prevailed between January and September 1942, whichever was the higher of the two. This was accordingly written into the price control enactments in late 1942. Thereafter, the President issued an order stabilizing prices, wages and salaries in which he provided that in determining parity prices for the purpose of imposing a price ceiling on farm products, such benefit payments as were paid to farmers out of the Federal Treasury for soil building practices and for other purposes should be included. In other words, if the parity price on corn was $1.00 and the farmer had received the equivalent of 10¢ a bushel for reduced acreage or soil building practices and another 9¢ a bushel in the form of parity payments out of the Treasury, the price ceiling would be $1.00 less 10¢ less 9¢ or 81¢. It was over the inclusion of this 19¢ that the storm broke. The Bankhead bill provided that this 19¢ should not be included. The President said it should. Thus the President vetoed this bill and it was returned to Congress where it now reposes in the Senate Committee on Agriculture. It is still unfinished business and so is the whole issue of parity since the present policy appears to be to disregard parity in the open market and supplement farm incomes by the payment of subsidies or incentive payments for the production of food.