Parity —
Is It The Answer? By C. Edward Harshbarger and Marvin Duncan

All is not well down on the farm. Net farm income has dwindled from an **alltime** high of $30 billion in 1973 to about $20 billion in 1977, which underscores the financial difficulties that many farmers are facing. Although the farm income picture has recently improved somewhat due to higher market prices and additional Government benefits, a number of farm operators are still struggling to put their financial affairs in order.

Several approaches can be used to solve a farm income problem. During the early months of 1978, for example, a group of protesting farmers advocated one particular solution that was very interesting: parity. In simple terms, these farmers were saying that the prices they receive for their products should change in step with changes in the prices of goods and services which they buy. Therefore, they said, a policy of parity prices was needed.

Although many people were introduced to parity for the first time as a result of the farm strike, the concept is not new. It has been an integral part of farm policymaking for a long time. During the post-World War I period, some observers saw a deteriorating relationship between agriculture and the **U.S.**economy and decided to examine the situation more closely. Government statisticians had been collecting data on the prices of farm products and other

commodities for a number of years, and the existence of these data, together with the studies that followed, ultimately led to the parity concept.

A person who contributed importantly to the development of parity was George Peek, a manufacturer of farm machinery. In 1922, Peek was disturbed about the growing inability of farmers to buy tractors and other production inputs, and thus he advanced the idea that the purchasing power of farmers needed to be protected through the prices they received for their products.' His idea was originally named "fair exchange value," and it basically meant that for each bushel, pound, or bale of whatever farmers sold on the market, they should be able to buy as many inputs and consumption items as they had done in an earlier period. Thus, the purchasing power of farm products would remain the same over time.

Not surprisingly, Peek's parity concept was popular with farmers. Moreover, parity quickly became a political issue during the farm protests of the **1920's** that ultimately produced the **McNary-Haugen** farm bills. In 1933,

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[1] A brief history on the evolution of parity can be found in John D. Black, *Parity. Parity, Parity* (New York: Da Capo Press, 1942), pp. 45-66.

Congress approved a farm program that **officially** adopted the parity concept and over the years it has continued as a permanent fixture in all new farm legislation. However, in recent years the idea has been more symbolic than real as a policy goal.

As a concept, parity connotes fairness and equality. But the concept also raises a number of legitimate questions. **For** example, are parity prices truly fair for farmers, consumers, and taxpayers alike? Are **100** per cent parity prices really comparable with similarly computed prices for earlier years? How would parity prices affect the future structure of agriculture, retail food prices, and Government outlays? From the debates in Congress and articles in newspapers, one can conclude that few people really understand the parity concept. Thus, the purposes of this article are twofold: to define parity in a meaningful way and to analyze its implications for agriculture and for the general economy.

HOW PARITY IS CALCULATED

Parity is an equity concept. To illustrate the concept: if the proceeds from the sale of 50 bushels of wheat were sufficient to purchase one ton of fertilizer during the **1910-14** base period; then with parity pricing, the same relationship should hold today. The U.S. Department of Agriculture (USDA) has attempted to quantify this equity concept of parity by comparing the ratio of price indexes at the present time to the ratio of the same indexes during the **1910-14** base period. Two measures of parity are commonly calculated and widely used—they are the parity ratio and parity prices for specific farm commodities.

The parity ratio is simply the ratio of the Index of Prices Received by Farmers to the Index of Prices Paid by Farmers for Commodities and Services, Interest, Taxes, and Farm Wages. Using January **1978** data, the calculation of the parity ratio is as follows:

$$\text{The Parity Ratio} = \frac{\text{The Index of Prices Received by Farmers}}{\text{The Index of Prices Paid by Farmers}}$$

$$65 \text{ per cent} = \frac{465 \text{ per cent [with 1910-14} = 100]}{710 \text{ per cent [with 1910-14} = 100]}$$

An adjusted parity ratio is also computed and published by USDA in Agricultural Prices. This adjusted ratio incorporates into the Index of Prices Received by Farmers supplementary income from Government farm programs. Consequently, whenever such supplementary income is being received by farmers the adjusted parity ratio is somewhat higher than the unadjusted parity ratio.

Though widely used as a general barometer of agriculture's well being, the parity ratio is a measure of price relationships and nothing more. It does not measure farm income, farmer purchasing power, or farmer welfare. Because any index series must be predicated on a base period, the **1910-14** period was chosen as the base for the parity ratio because the relationship between agriculture and the rest of the economy seemed to be in proper balance then. If indeed this was true, Chart **1** shows that this standard has not been achieved at any time during the intervening years except during periods of war.

Parity prices are calculated for a wide range of individual agricultural commodities. These parity prices have often been used in the past to determine Government support prices for farm commodities—as is presently the case with milk: The parity price for a commodity was originally calculated in the following way. A "base price" for a commodity—the average

Chart 1
ANNUAL PARITY RATIOS FOR U.S. AGRICULTURE
(1910-14 = 100)
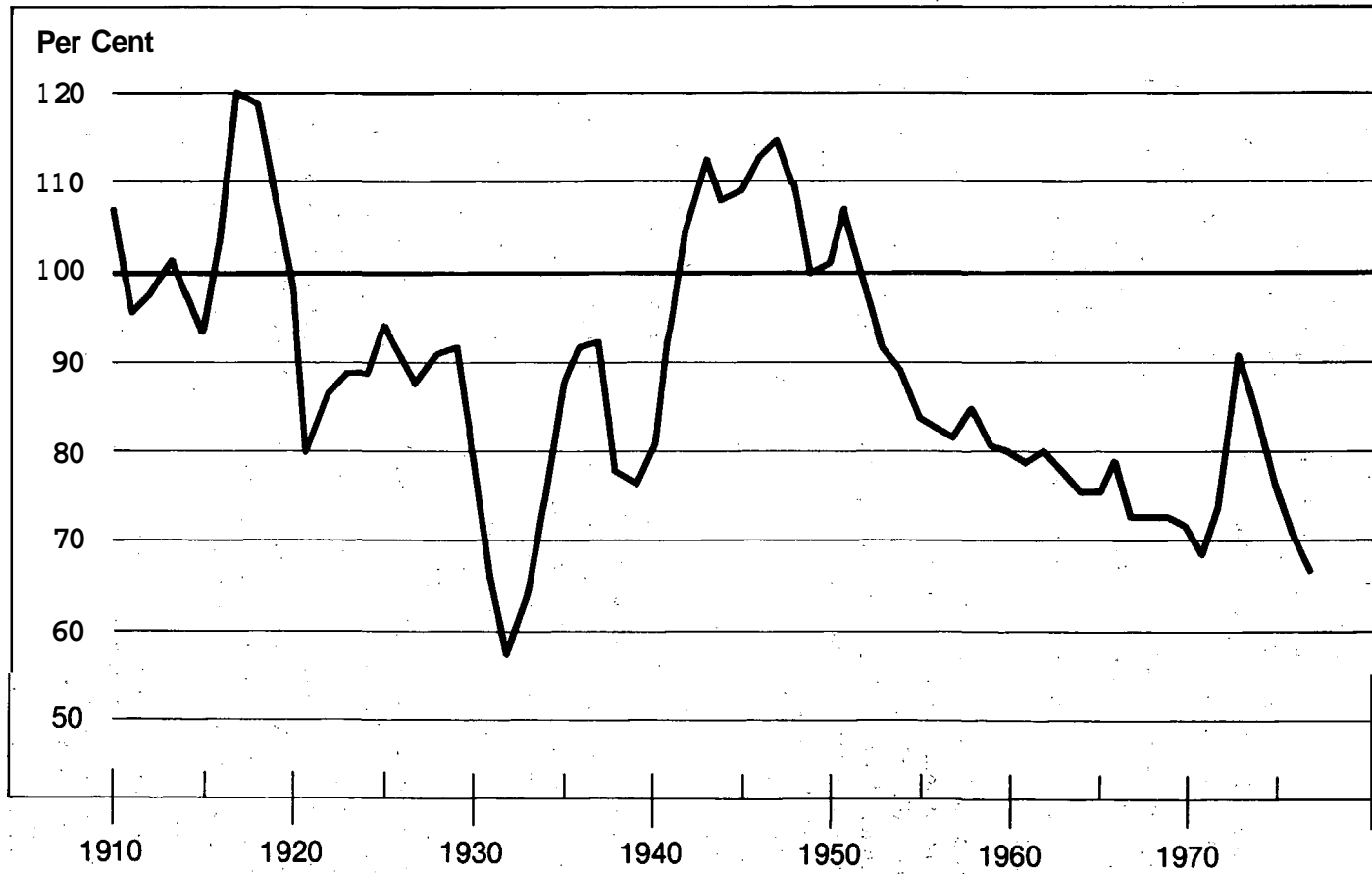
Per Cent

SOURCE: Agricultural Statistics, U.S. Department of Agriculture, 1967, p. 508, and 1977, p. 458.

price for the 60 months from August 1909 to July 1914--was multiplied by the "parity index^V—the percentage change in the Index of Prices Paid by Farmers since 1910-14.[2] For example, the July 1949 parity price for wheat was calculated as follows:

The Parity Price = [The Base Price] x [The Parity Index (1910-14 = 100)]

$2.16 per bushel = ($0.884 per bushel) x (244 per cent)

The parity price is calculated in terms of prices received by farmers in the local markets in which they ordinarily sell.[3]

Over time, however, the original parity formula was regarded as increasingly dated. Thus, to better reflect current commodity prices in the formula, the Agricultural Act of 1948 provided that a "new parity" formula would be used beginning on January 1, 1950. The "new parity" formula incorporated only one major change from the old formula: an "adjusted base price" was calculated using a moving 10-year average of prices received. Thus, the average price for the commodity in question for the most recent 10-year period was divided by the average of the Index of Prices Received by Farmers for the same 10 preceding years to obtain the adjusted base price.

This new formula was phased into use over a number of years so that the adjustment from the "old parity" price to the "new parity" price was gradual in those cases in which the new formula resulted in lower prices than the old formula.' For many commodities the new parity price was lower, but for some it was higher. The parity price for wheat in 1950 — $2.20 per bushel under the old formula—declined to $2.13 under the new formula. But in the case of milk, the parity price rose from $3.98 to $4.31 per hundredweight with the new formula.

Parity prices for all farm commodities are now calculated using the same two-step formula. To illustrate, the parity price computation for corn based on January 1978 data is as follows:[5]

A) Adjusted Base Price = $\dfrac{\text{120-month (January 1968 - December 1977) Average of Prices Received by Farmers for Corn}[6]}{\text{Average Index of Prices Received by Farmers for the same 120-month period (1910-14 = 100)}}$

Adjusted Base Price = $\dfrac{\$1.88}{380}$ = $0.495 per bushel.

B) Parity Price = [Adjusted Base Price] x [The Parity Index (1910-14 = 100)]

Parity Price = ($0.495 per bushel) x (706 per cent) = $3.49 per bushel.

The Indexes of Prices Received and of Prices Paid by Farmers have also been periodically adjusted to more accurately reflect the current mix of products produced and of inputs used in farm production. Agricultural commodities have been added to the Index of Prices Received as they have become commerciaily important. Other products have been dropped from the index or combined under different

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2 The base prices for certain other commodities, such as tobacco and .some fruits and vegetables, were based on somewhat different time periods.

3 *Agricultural Prices,* U.S.Department of Agriculture, July 1949, pp. 23-25.

4 *Agricultural Prices,* January 1950, pp. 49-53.

5 *Agricultural Prices.* January 1978, pp.'25-26.

6 Both 120-month averages have been adjusted to allow for unredeemed loans and other supplemental payments resulting from price support operations.

product designations. The Index of Prices Paid has also been updated over time to include farm wages, taxes on farm real estate, and interest on farm real estate debt. The index numbers reported for each of the two indexes are weighted averages of the prices for the various index components. Consequently, it has been necessary to update the weighting of the index components a number of times since 1933. The two indexes presently reflect the relative importance of products and inputs from a 1971-73 sample period. Since January 1977, however, the Consumer Price Index **(CPI)** for Family Living has replaced the family living section of the Index of Prices Paid by Farmers.' Table 1 contains the components included in both the Indexes of Prices Received and Prices Paid by Farmers along with the weighting mechanisms developed from the most recent base period (1971-73).

WHAT PARITY IS AND ISN'T

The subject of parity has periodically caused lively debate. Central to these debates has been the question of what parity really is—in other words, what does the concept (and formula) actually measure? In theory, it should be relatively simple to reach agreement on this .question but, in reality, it has been impossible. For example, farm groups and their supporters have often clung to interpretations of parity that are at odds with the official definitions and generally accepted interpretations. Consequently, it is useful once again to review what parity is—and what it is not.

The parity price for a commodity is that price which would give a unit of that commodity the same relative purchasing power—in terms of goods and services bought by farmers—that it had during 1910-14—if,

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[7] *Agricultural Prices.* **January 31,** *1977,* **p. 44.**

and **only if,** everything else remained unchanged. In other words, parity assumes no geographic changes in'production patterns, no changes in farm **size,** and no technological changes that alter production processes or the productivity of resources over time.

But dramatic changes have occurred in agriculture since the 1910-14 base period. The resources used in production are **often** different and frequently more productive than they were during the base period. Additionally, the productivity of some crops has increased more rapidly than others. Table 2 indicates changes in yields per acre that have occurred since 1910 for some major crops. It is important to remember that the parity price formula **does not** explicitly account for these productivity changes in agriculture. Moreover, such changes **are not** accounted for implicitly by the parity price in any well defined or consistent manner.

The most serious criticism of the parity formula is that it does not account for the changes in agricultural productivity. And the changes have been substantial. Table 2 illustrates a 234 per cent increase in the average yield per acre for corn from 1910-14 to 1972-76. It must be recognized, of course, that the resource mix presently used in corn production has changed since the 1910-14 base period. More machine power and agricultural chemicals are used now, along with far less animal power and **manhours** of labor. Nonetheless, the vast changes in plant breeding, farm equipment design, chemical technology, and other production techniques have also combined to make the present resources more productive. What has happened in corn production is not unique. All of **U.S.** agriculture is more productive and efficient than in 1910-14.

The significance of these gains in productivity is lost in the parity formulations, however. Clearly, if productivity is increasing, the price that a farmer receives for his product

Table 1
COMMODITY GROUP WEIGHTS FOR FARM PRICE INDEXES

Relative Importance of Commodities in Indexes of Prices Received by Farmers

Relative Importance of Commodities in Indexes of Prices Paid by Farmers

Commodity Group	1971-73 Weights Per Cent	Commodity Group	1971-73 Weights* Per Cent
Food grains	7.2	Family living	30.4
Feed grains and hay	12.1	Food and tobacco	6.4
Cotton	2.9	Clothing	2.2
Tobacco	2.4	Housing	7.8
Oil-bearing crops	9.2	Autos and auto supplies	5.2
Fruit	4.5	Medical and health care	2.1
Commercial vegetables	4.1	Education, recreation,	
Potatoes, sweet potatoes,		and other	6.7
and dry edible beans	1.8		
		Production	57.6
		Feed	11.8
		Feeder livestock	11.7
All crops	44.2	Seed	1.8
		Fertilizer	4.2
Meat animals	37.2	Equipment and supplies	5.2
Dairy products	11.1	Motor supplies	2.2
Poultry and eggs	7.5	Motor vehicles	2.5
		Farm machinery	7.2
		Building and fencing materials	3.6
Livestock and livestock		Farm services and cash rent	7.4
products	55.8		
		Total commodities and services .	88.0
All farm products	100.0	Interest	4.0
		Taxes	2.8
		Wage rates	5.2
		Commodities-and services, interest,	
		taxes, and cash wage rates	100.0

'Weights used currently and for revisions starting January 1965.
SOURCE: U.S. Department of Agriculture.'

does not have to rise proportionately with the prices he pays for inputs in order to maintain his purchasing power. Stated differently, it is possible for resources to earn rates of return comparable to those in a base period with progressively lower parity price levels. Supporting this assertion, Professor B. H. Robinson of Clemson University notes:

Table 2
AVERAGE CROP YIELDS PER ACRE
1910-14, 1972-76"

	1910-14	1972-76	Per Cent Change
Corn (bushels/acre)	26.0	86.7	234
Wheat (bushels/acre)	14.3	30.6	114
Cotton (pounds/acre)	200.3	477.2	138
Soybeans (bushels/acre)	1924-28 11.9	26.6	124

'Soybean yields are for **1924-28** and **1972-76**.
SOURCE: U.S. Department of Agriculture.

If a total net farm income index is calculated using the **1910-14** period as a base, **. . .** one finds that as the gap between parity prices and market prices has. increased— (parity prices moving up and market prices moving down)—the index of total net farm income has also increased. The relationship suggests that other factors have changed and that the .official parity price calculations may be misleading.[8]

Furthermore, Professor Luther **Tweeten** of Oklahoma State University reports that:

[8] **Congressional Research Service, *Parity Prices for American Agriculture*. The Library of Congress, Washington, D.C., February 21, 1978, Appendix I, Statements by Dr. B. H. Robinson, Clemson University; and Dr. Luther Tweeten, Oklahoma State University.**

Adequate-size, well-managed farms now on the average require approximately 75 per cent of **1910-14** price parity to cover **all costs** of production including land at its current value and a rather generous return to the operator and family for labor, risk, management, and **equity.**[9]

Parity prices do not measure total farm purchasing power or farmers' economic welfare. For example, the **personal** income of farm people includes a substantial and increasing amount of nonfarm income. In fact, almost **60** per cent of the total earnings accruing to all U.S. farm people in **1976** came

[9] Ibid.

from off-farm sources.[10] Off-farm income is an increasingly important component of personal income for commercial farmers. as well as for part-time and small farmers. Farms with annual sales of $40,000-$99,999 received almost 30 per cent of their income from nonfarm sources and among the largest farms (those with annual sales of $100,000 or more) the figure was 19 per cent.

Farmers are correct in asserting that parity prices do not necessarily guarantee a profit to all producers. The cost structure of agriculture varies widely from one farm to the next as well as over time, depending upon the efficiency of the farm operation, the farmer's tenure in business, the size of the debt load that must be serviced, and weather conditions. Of course, when a farmer has little product to sell—as a result of drought or hail, for example––parity prices will not guarantee a profit. The other side of this argument is that the larger and more efficient the farm, the more beneficial parity pricing is likely to be. A small farmer may need prices substantially greater than parity to achieve an equality of income with a city counterpart having comparable education and business investment. On the other hand, the larger farmer will likely discover parity prices will yield an income substantially in excess of a city counterpart with comparable education and business investment."

On balance, parity pricing presently has serious problems in both interpretation and implementation. The formulations are becoming increasingly dated and can be seriously faulted for not accounting for changes in agricultural production patterns or technologi-

cal developments. Although parity prices probably have some modest validity as a general barometer of farm price relationships, they are subject to much misuse and misinterpretation. These problems often result in incorrect public policy formulation and further depreciate the limited usefulness remaining in the parity pricing concept.

THE IMPACT OF PARITY PRICING

Circumstances this past winter forced public policymakers to seriously consider—for the first time since the early 1950's—the implications of legislation providing farmers with 100 per cent of parity. According to some proposals, farmers who elected to idle up to half of planted acreage would be guaranteed 100 per cent of parity. Under other proposals, this guarantee would have been mandated and accompanied by compulsory quotas and production controls. On the surface, the proposals seem so appealing that people may be tempted to forego thoughtful analysis. This would be a serious mistake. For despite the intuitive appeal, these proposals carry the seeds of serious future problems for both farmers and consumers.

Admittedly, a policy providing a guarantee of 100 per cent of parity would have an immediate and substantial impact on both gross and net farm income. Cash receipts could increase by over $40 billion and realized net farm income might rise as much as $20 billion above current levels by 1982-83. However, most of this increase in income would go to a small number of larger farmers. In 1976, less than 6 per cent of the nation's farms received 60 per cent of the cash receipts from farming, 39 per cent of the realized net income, and 36 per cent of the direct Government payments.

The USDA estimates that if target prices were raised to 100 per cent of parity, about $15 billion in Government payments would be

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10 *Agricultural Outlook,* U.S. Department of Agriculture, Washington, D.C., September 1977, pp. 16-21.
11 Luther Tweeten, *Foundations of Farm Policy* (Lincoln: University of Nebraska Press, 1970), pp. 163-67.

required for just corn, wheat, and cotton.[12] If the 6 per cent of farms with sales over $100,000 received the same 36 per cent of direct Government payments under a 100 per cent parity regime, the average payment per farm would be $35,300. The 2 million farms with sales under $20,000 would receive 24 per cent of the payments, or $1,773 per farm. The fact remains, therefore, that 100 per cent of parity will not solve the income problems of most American farmers because they do not market enough to benefit from either greatly higher product prices or target prices.

The National Economy

The farm economy is only one part—albeit an important one—of the national economy. Thus, farm policy must be analyzed in the context of its impact on national economy. Parity pricing for farm products would have unfortunate short-term and long-term effects on the national economy. The USDA estimates that retail food prices would rise about 20 per cent during the first year of parity pricing and after that would return to a lower rate of increase, but nonetheless would increase each year as parity prices and various marketing costs rose. The impact of higher food prices would likely reduce the real gross national product growth rate and raise the rate of price inflation from what they otherwise would be by about half a per cent per year in 1978 and 1979. Unemployment would likely rise modestly with parity pricing as well, up by about half a per cent by the end of 1979.[13] While food consumption would decline somewhat, the consumption of red meats would be reduced to

the lowest level since the mid-1960's. Similar projections are made by Data Resources, Inc.—an economic forecasting firm.[14] Their model results indicate that, for the years 1978-80, full parity pricing would result in a CPI increase of 8 per cent over the forecast base, employment cuts of 800,000 with an unemployment increase of 0.6 per cent, and a reduction in real disposable income of $22 billion.

Export Markets

U.S. farmers have enjoyed remarkable growth in export sales for their products during recent years. Indeed, about one-third of the harvested acres in the United States have been used to supply this market. Parity pricing would bring about marked declines in agricultural export volumes for most important agricultural exports—as much as 13 per cent in each of the first two years of parity pricing, according to USDA estimates. Although volume would decrease at first, it would begin to recover within five years, assuming that production adjustments in other parts of the world would take place within that time. Consequently, after 1982 U.S. farmers would begin once again to share in increases in world agricultural trade. The USDA estimates that the value of U.S. agricultural exports would likely increase by as much as $10 billion over the current level by 1982-83.[15] However, most experts are not so sanguine about the effect of parity pricing on export markets.[16] Dr. D. Gale Johnson, at the University of Chicago, sums up the concern shared by others when he notes: "It

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[12] Congressional Research Service, pp. 22-24.

[13] "Analysis of American Agricultural Movement Proposal," *Issue Briefing Paper*, prepared by Economics, Statistics, and Cooperative Services, U.S. Department of Agriculture, Washington, D.C., March 3, 1978.

[14] Congressional Research Service, Appendix I, Statement by Otto Eckstein, President of Data Resources, Inc.

[15] USDA *Issue Briefing Paper*. pp. 8-11.

[16] Congressional Research Service, pp. 38-39 and Appendix I.

is simply wrong to assume that we could retain our export markets—if our export prices reflected **100** per cent of parity." An added complication for U.S. farmers is likely. Prohibiting the entry of agricultural products into the United States at less than **100** per cent of parity prices——quivalent to the European Economic Community's variable levies—would no doubt result in a proliferation of trade barriers against U.S. agricultural exports.

Land Values

Parity pricing for farm commodities—with sharply higher farm earnings—would result in returns being earned by farmland in excess of those needed to keep land in production. Depending on the commodity in question and the production quotas established, some land owners would fare much better than others. Little imagination is required to describe the outcome of such a situation. Farmland prices would rise rapidly as the increased earnings are bid into the value of farmland. The USDA suggests that with **100** per cent of parity, land values could increase as much as 12 to **14.5** per cent per year over the next five years.[17] These rates are well in excess of the'historical rates of increase in farmland values—the rate of price inflation plus **1** or 2 per cent. Thus, a disturbing cycle could be set in motion in which higher land prices mean higher production costs, necessitating still higher farm product prices. Furthermore, recent experience suggests that farmland values would increase at rates greater than those projected by the USDA. Land values increased at a **13** per cent or greater rate in several major agricultural states last year, despite problems with drought and depressed farm prices."

Clearly, parity pricing would yield

substantial windfall gains to present land holders as farmers and nonfarm investors bid up the price of farmland. Tenant farmers would benefit immediately from parity pricing as well, but over time would lose much of that benefit as rental rates for farmland (both share and cash) increased to provide landlords a market return on the rapidly increasing value of farmland. Just over half of the nation's current crop acreage is tenant farmed. Separation of ownership and operation of farmland would likely increase as high land prices make it increasingly difficult for new entrants and tenant farmers to purchase farmland. Dr. Tweeten sums up the problem in this way: "The benefits (of land appreciation as a result of parity pricing) would be received by landowners, many of whom are wealthy. The result would be substantial transfer of wealth from low-income consumers and taxpayers to high-income landowners."[19]

Output, Farm Size, and Individual Freedom

Any policy that pegs prices at artificially high levels will ultimately have a significant impact on the levels of production and consumption as well as on the structure of the industry. If farm prices were raised to parity levels through Government edict, producers would be encouraged to increase output even though supplies are already burdensome. Furthermore, the quantities demanded by consumers at home and abroad would decline as prices go up, thereby exacerbating the imbalance between market supplies and demand. Left alone, stockpiles would obviously grow by large

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[17] USDA *Issue Briefing Paper,* pp. 12-17.

[18] *Farm Real Estate Developments.* Economics, Statistics, and Cooperative Services, the U.S. Department of Agriculture, Washington, D.C.. March 1978.

[19] Congressional Research Service, Appendix I, Statement by Professor Luther Tweeten, Oklahoma State University.

amounts. The solution to this problem is equally obvious: restrictions on production would have to be imposed.

The USDA estimates that nearly 75 million acres of cropland would need to be idled by 1982 to bring supplies in line with expected demand at parity prices.[20] This reduction would be about 27 per cent of the 275 million acres planted in wheat, feed grains, cotton, and soybeans in 1977. Although part of this adjustment reflects the need to correct the burdensome supply situation that presently exists, most of the land would have to be removed from production because of the new price levels. If the USDA's figures are accurate, planted wheat acreage in 1982 would fall to about 45 million acres from the 75 million acres planted in 1977. Feed grain and cotton acreage would also have to drop sharply — perhaps 20 and 60 per cent, respectively — to support parity prices. However, soybean acreage would not have to fall much below the 1977 level of 60 million acres to sustain prices at 100 per cent of parity.

The impact of these policies on livestock production should also be acknowledged. The cattle industry, which has recorded relatively few profits since 1973, is now nearing the completion of a liquidation program that has reduced inventory numbers by 16 million head during the past three years. If grain prices were to suddenly go to 100 per cent of parity levels, feed costs would soar and force cattle feeders to curtail their feeding programs. Ranchers would discover that herd sizes would require further liquidation. The hog industry would also be faced with a similar situation. Although these production adjustments would push livestock prices to profitable levels over time, the hardships suffered in the short run would be severe.

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[20] *USDA Issue Briefing Paper, see* **footnote 13.**

Will farmers make these adjustments voluntarily? Livestock producers will have little choice but to do so because of the price-cost squeeze resulting from parity grain prices. If earlier programs are any indication, crop farmers will voluntarily idle some of their land in return for certain economic considerations. But it is unlikely that they will, on their own, set aside 75 million acres for 100 per cent of parity. At these price levels, the temptation to expand output would be too difficult to resist. Thus, a mandatory form of controls would be required to reduce output to desired levels. Several alternatives are available, including production quotas, marketing certificates, and acreage restrictions, but inevitably most producers would be giving up some of their decisionmaking prerogatives.

In the final analysis, the parity concept contains a number of paradoxes, not the least of which pertains to the structure of U.S. agriculture. While claims are made that parity prices will preserve family farming, the truth is that they will probably have the opposite effect. Why? Because parity prices would be tantamount to guaranteed profits for many farmers, especially the more efficient ones, and, in this situation, these operators — together with nonfarm investors — would move very quickly to buy up land. Although the number of part-time farm operations could increase, most of the small- and medium–sized farms would ultimately disappear, since they would be at a competitive disadvantage in bidding for resources.

CONCLUSION

Parity, with its connotations of fairness and equality, has considerable appeal as a precept of farm policy, but as a working tool, it has many shortcomings. The base period 1910-14 is so remote that it no longer has much value as an economic barometer for agriculture. Also,

too many things have changed over the past 60 years for agriculture to rely upon a 'fixed formula that totally ignores so many important developments.

Yet parity is not likely to disappear from farm policy jargon. Therefore, if parity is to be more than a symbol in farm policy, some changes must be' made. For example, the practice of expressing parity in terms of prices is often criticized. Several researchers have suggested that income parity would be more meaningful. While there are several potential problems associated with this approach, an income standard that compares rates of return on resources used in agriculture with the earnings of similarly employed resources outside of agriculture is likely to be more representative of farmers' economic well-being than parity prices. Resources that fail to generate adequate earnings in one activity should be shifted to 'those areas where the income potential is higher. Adopting a parity standard that recognizes the basic fundamentals of a market economy would be a positive step in farm policymaking.

Though the advocates of parity prices have good intentions, it is clear that farm policy cannot--or at least should not—be formulated on the basis of a few statistics and simplistic formulas. Agriculture is much too complex to have all of its ills cured by a single prescription. Professor Harold F. Breimyer has issued a useful warning about the proper role of parity as a policy goal. He states that, "To build a farm program on it [parity] in mechanical fashion would be to disregard all that has been learned since 1933 about how carefully farm programs must be tailored to circumstances of any given time."[21] The lessons from the past should not be forgotten. In the 1950's and 1960's, farm prices were supported at artificially high levels, with the result that too many resources were committed to the production of too much food. The stockpiles were finally reduced in time, but only at substantial'cost to taxpayers. If policymakers and farm leaders become enamored once more with the idea of solving the farm income problem with parity prices, the mistakes of the past are destined to be repeated.

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[21] Harold F. Breimyer, "Parity—That Word Again," *Economic and Marketing Information for Missouri Agriculture, University of Missouri-Columbia, Vol. 21, No. 2, February 1978,* p. 4.