the sales receipts, with both variables expressed in natural logarithmic values. 9/ The nonlinear specification gives a closer fit to observed data than the linear function.

The 80-percent increase in the index of prices received by farmers between 1969 and 1974 implies that $1 worth of agricultural products sold in 1974 carried a price tag of $0.56 in 1969. The cumulative distribution of farm numbers by sales class in 1974, therefore, was transformed into a comparable sales distribution in 1969 constant dollars by multiplying 0.56 by the sales value associated with each observation on the current dollar sales distribution. 10/ Based on the estimated polynomial functions of the two sales distributions, predicted cumulative distributions of 1974 farm numbers (both in 1974 current dollars and 1969 constant dollars) are shown in figure 6 and columns 5 and 6 in

9/ The Pareto law of income distribution asserts that "the logarithm of the percentage of units with an income in excess of some value is a negatively sloped linear function of the logarithm of that value" (15). Mathematically, it has the form:

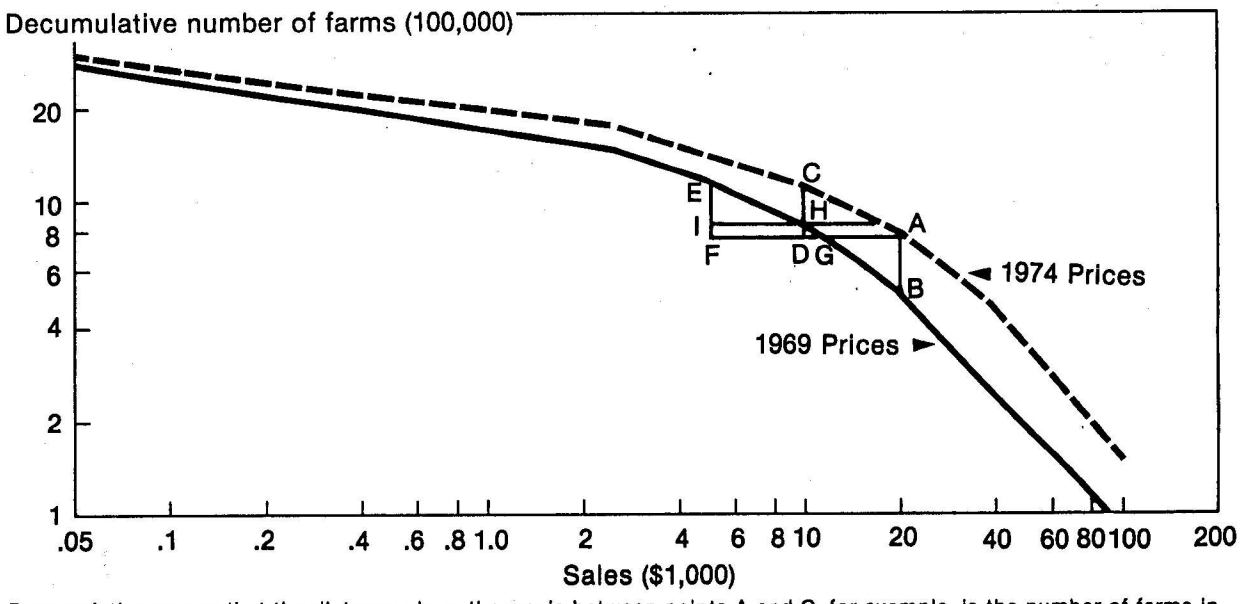
$$P(y) = A\,Y^{-\alpha}$$

$P(y)$ = percentage of units with income in excess of Y,
Y = income level
A, α = parameters of the distribution

10/ This approach implicitly assumes that farms within a sales class are uniformly distributed.

Figure 6

1974 Farm Numbers in 1974 and 1969 Farm Prices



Decumulative means that the distance along the y-axis between points A and C, for example, is the number of farms in the sales class of $10,000 to $19,999.