VALUES, BELIEFS AND MYTHS IN AGRICULTURAL AND RURAL POLICY

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The elements common among values, beliefs and myths are their subjective nature, the absence of rigor and the fact that all can embrace enough truth to make them credible and enough error to make them dangerous. I shall therefore overlook any differences and treat them essentially as one.

Economics professes to be value free, objective in its approach and rigorous in method. Our discipline thus strives to be the antithesis of value, belief and myth. In our analyses we attempt to abstract from these unwieldy matters.

How much of the real world are we economists leaving out by setting aside those aspects of life that are not amenable to our method? Maybe most of it. At last year's National Public Policy Conference there was general agreement that Congress paid little attention to economic analyses when developing the Food Security Act of 1985. John Maynard Keynes attributed less importance to objective fact than to ideas. "Indeed," said he of ideas, "the world is ruled by little else."

Myths Provide Consensus

The body of proven and established factual economic truth is insufficient of itself to provide the basis for a successfully functioning economic, social and political system. Myths are needed to provide the consensus necessary for collective action.

Because this family of unproven tenets is so different from the format of the economics profession, we tend to reject all myths as bad. But this is a great error. I list a number of beliefs, values or myths, all outside the realm of rigor or proof, that contribute greatly to the well-being of the Republic.

One is a commitment to honesty, truth, trust and belief in something beyond ourselves which, while certainly not universal among us, is nevertheless sufficiently widespread to permit the successful functioning of the society. Belief in these values makes them valid; disbelief would make them worthless.

Another is belief in the efficacy of representative government, a self-fulfilling idea that, if eroded, would lead to anarchy. We approached that during the 1960s when the myth was weakened.

Yet another is the money illusion that expresses faith—sometimes unfounded—that a dollar borrowed can be repaid at some later time with a dollar of comparable worth. During the 1930s the expectation of an *increase* in the purchasing power of the dollar shattered this myth with disastrous results. During the '70s the anticipation of a *decrease* in the purchasing power of the dollar weakened the myth, also with hurtful consequences. The nation has a great stake in perpetuating the money illusion.

Worst-case scenarios, if widely propagated, can be self-fulfilling because they erode the trust, the confidence, the myths, if you will, that permit society to function successfully.

An Agricultural Myth

A myth that explains much agricultural legislation is agrarianism or agricultural fundamentalism, or the agricultural creed, or commitment to the family farm, call it what you will. This idea came from the French physiocrats of 250 years ago, led by Quesnay, who taught that land is the sole source of new wealth and that farmers were therefore the most worthy of citizens. The idea was powerfully advocated in the United States by Thomas Jefferson and took deep root in this country which had an abundance of land, a burgeoning population intent on settling the West, and a belief in entrepreneurship. The most crude form of this belief is that propagated during the '40s and '50s by Carl Wilkin of the upper midwest who taught that a dollar originating in or supplied to agriculture would multiply itself seven times as it worked its way through the economy.

Agricultural fundamentalism, in my judgment, was the prime mover behind the Food Security Act of 1985. The myth is embraced by many nonfarm people as well as by farmers, and, in my estimation, agriculture's legislative gains are not so much prizes won by political power as benefits conferred by an indulgent state.

This myth is eroding gradually as agriculture loses its uniqueness and enters the mainstream of economic, social and political life. But it is still powerful.

Ten Economic Myths

I come now to myths, beliefs and values, most of which are clearly in the economic field and have been demonstrated to be fallacious by reputable empirical studies as well as by economic theory. Each of these has an ingredient of truth sufficient to give it longevity. I list ten of these, a number that is not exhaustive but that has taken on certain status ever since the time of Moses. You will note that some of these myths are embraced by the political left and some by the political right, but I have not tried to categorize them so.

1. *The myth that economic life is a zero-sum game.* According to this myth, utility, like matter, can neither be created nor destroyed. There is just so much of it and if one person is better off, someone else must be worse off. If a middleman is seen to prosper, he must have exploited either the farmer, the consumer or both. By this myth all forms of trade are robbery. Belief in this myth leads to regulating virtually all forms of trade.

2. *The belief that to reward people equally is to treat them fairly.* Farm legislation generally endorses this myth because it makes administration less difficult. There are various kinds of wheat: hard red winter, hard spring, soft red winter, western white and durum. They have different uses. In total they may be in surplus but there may be a tight supply for one. Nevertheless we cut all acreages by the same percentage in accordance with the myth that to treat the wheat growers equally is to treat them fairly. It may be equal, but it is not equitable.

If we pass out $1,000 each in deficiency payments to two farmers, we profess to have treated them equally in spite of the fact that it is the marginal amount that keeps one solvent while to the other it goes, unspent, into a certificate of deposit.

One may recall Aesop's fable about the fox who invited the stork to dinner and served soup in a shallow plate. He could lap it up but the stork could only dip in the tip of his long bill. The two were served equally but not fairly.

We economists contribute to the myth by failing to apply to income the principle of diminishing utility.

As professors we often fail to recognize the individual attributes of utility. Small wonder, then, that the laity should be confused. Equality, the political watchword, is the invention of administrators who are unable to distinguish between the differing utilities of individuals. The distinction is easily made in the market.

If rewards were equal, incentives would be abolished and the mainspring of the economy would be broken. Equality, if pursued generally, would result in a dysfunctional economy.

3. *Myths about the supply and demand curves.* A popular myth holds that price can be set at any level without effect on the supply offered or taken. By this myth the support price can be high or low with no other consideration than whether the legislator favors or opposes farmers. Diagrammed in economic terms, the supply and

demand curves are superimposed on one another and are perpendicular to the base.

A related myth says the positions of these two curves are the same in the long run as in the short run and that analyses based on short-run behavior can be applied in the long run.

The grandfather of analytical errors is that mythical acrobat, the backward-bending supply curve. According to this idea, if the price is low farmers will produce more to maintain their incomes. There may be a few individual farmers, with unused resources and no alternatives, who behave this way, but as a generalization it is wholly false, unsupported by any professional empirical research. It is human nature to observe and generalize from the unusual.

The myth has wondrous flexibility. If supplies are abundant, the clamor is for higher prices so farmers won't need to produce so much. If supplies are short, the demand is for higher prices to encourage farmers to produce more.

4. *The fallacy of composition.* The error here is the idea that what applies for the individual necessarily applies for the group. We encourage the individual farmer to adopt new methods, thereby lowering his costs and increasing his profits. This is all well and good. What is forgotten by many people in research and extension is that if many farmers do this, the supply curve moves to the right, the price falls and the anticipated profits do not occur. Willard Cochrane calls this the treadmill, which it is. Legislators, who perceive this anomaly, support both horns of the dilemma, simultaneously voting for programs that increase farm production and those that decrease it.

Saving is prudent for the individual. But if all save, and save excessively, the country will be plunged into depression, as we learned during the 1930s. Paul Samuelson calls this "the paradox of thrift," an apt and truthful phrase.

Adam Smith, the founder of our faith, gave oxygen to the fallacy of composition when he wrote: "What is prudence in the conduct of every private family can scarcely be folly in that of a great Kingdom." With such prestige, this is a very durable myth.

5. *The myth that what follows is the result of what preceded.* This myth has such status that logicians have labeled it a classical fallacy. The phrase is *post hoc, ergo propter hoc* (after this and, therefore, because of this). If one of the political parties takes power from the other and farm prices fall thereafter, the disaster is attributed to the change. The Agricultural Acts of 1970 and 1973 were widely believed to be accountable for the farm prosperity of the decade. In reality that experience was primarily the result of other causes.

This myth is so flimsy that an analyst feels uncomfortable focusing on it. But it is one of the most powerful and persistent of all the farm myths.

6. *The egocentric myth.* Preoccupation of farm people with matters close at hand has led many to explain all events that affect farm people as having originated within agriculture. Macroeconomic factors are ignored. The myth is that the supply of farm products is the all-dominating force that determines price.

The price-support production-control legislation of the past half century is a manifestation of this myth and has strengthened it mightily. This is really a retrogression. The farm policy people of the late 19th century did not consider agriculture to be self-contained. They were of the opinion that the prices they received were in part the result of monetary policies, which was the case, and they took positions on such issues. The most potent events that have affected agriculture during the past sixty years—the Great Depression of the '30s, the euphoria of the '70s and the financial crunch of the '80s—were all primarily macro in nature. Macroeconomic affairs are the blind spot of agricultural policy. It was not always so.

7. *The myth that the economic system is perverse as regards farmers.* A sense of martyrdom is a precious possession. People will reach out for evidence to sustain it and will resent being deprived of it.

Many farm people think that the economic system is prejudiced against them. They think the system provides a chronic tendency to overproduce. They think they, as helpless individuals, confront concentrated economic power in the hands of those from whom they buy and to whom they sell. There is, as in most myths, a degree of truth in this belief, assiduously cultivated by farm leaders and legislators. Cited in support of this belief is the fact that farm people, on average, have lower incomes than do nonfarmers. Overlooked is the fact that per capita net worth of farm people is about four times as great as that of nonfarm people.

The chronic tendency to overproduce is more the result of high price supports and deficiency payments than of some malfunction of the economic system. And farmer cooperatives, intended to offset the concentrated power of those with whom the farmers deal, have achieved only modest gains. The middleman's profit must not be so great.

8. *The myth that the legislative forum is better than the market.* This is the idea that wealthy, powerful forces dominate the market and there the poor person counts for little. Dollars are decisive and they are possessed unequally, but in the legislative forum each person has a vote and so purportedly all are equal. According to this idea, moving an enterprise into the lawmaking forum means an augmentation of power for those who are weak.

Certainly there is an element of truth in this belief. I believe that the regulation of commodity futures trading has redressed the imbalance of power between the wealthy speculator and the local elevator. But close scrutiny does not permit generalization.

For half a century, the pro-government perception has been one of the most persuasive of the agricultural myths. Now it is experiencing the trauma of being demythologized. The huge payments going to large farming corporations, the disemployment of hired farm workers resulting from acreage cuts, the rigging of farm programs to the advantage of wealthy landowners and the disadvantage of tenants, the increased price of food to the urban poor and the short shrift given to rural development all demonstrate that the agricultural elite are at least as well able to obtain advantage in the public forum as in the market.

Presently those farm enterprises that have remained market-oriented—cattle, hogs, poultry, fruits, vegetables—are doing better than those that sought and obtained help in the halls of Congress.

9. *The myth that the economy can be self-regulating.* Lest we become overly persuaded by the argument that the market is the better forum, consider the myth advanced by the zealots for free enterprise—that the market is capable of governing itself without public interference, with no government-administered grades, no standards, no market reporting, no surveillance of trading. This myth is embraced by a vocal few. Excesses resulting from the indulgence of this myth led to sweeping mistrust of the market from which we are beginning to recover.

10. *A myth of our own: That the models we build are representative of the real world.* First of all, of necessity our models omit all non-quantifiable variables, some of which are decisive for agricultural behavior. The myth states that if you can't measure it, it doesn't exist. Many models assume linear relationships when most are, in fact, curvilinear. Beyond that, many of our models abstract from changes in the price level, changes in consumer behavior and changes in production in other countries. They frequently presume the continuation of relationships that prevailed in the past, which is unlikely to be true in a dynamic economy. They endeavor to impound important variables in *ceteris paribus*, or they disdain any concern for them, labeling them externalities or side effects. They often presume that technology is value neutral and structurally neutral, thereby ignoring the profound changes in rural America that result from the agricultural revolution we are experiencing.

This is not an argument to forego the use of models; it is a plea to be more circumspect in building them and more modest in what we claim in their behalf. It is a proposal that we examine the predictive experience of past models and that when we make, with the help of a model, some projection regarding the future, we make not just a point projection but also supply confidence limits that give a range of probability. With modern statistical methods, such limits can be drawn from the data used in the projection. This would add greatly to our modesty and would reduce the myth to more reasonable proportions. It would permit us to catch up with the skepticism about projections that already justifiably exists in the public mind.

Conclusion

The relationship between myth and policy is complex. In some areas useful myth supports successful governance. In another and very large area, economic doctrine strives to hold the lid on a Pandora's box filled with a warring assortment of values, beliefs and myths. The service done society by this policing action is very great.

Many a farm leader continues to quote, in support of his position, myths he knows to be untrue. He would perhaps prefer not to do so. But to forego weapons useful to his cause would be akin to engaging in unilateral disarmament; there is no assurance that his rival would follow suit. If we were to jettison all the myths that pull us in one direction and leave intact all those that pull us in the other, our balanced strength would be lost. There are myths of "the right" and of "the left." It is better that both sets survive than that one should be destroyed. The preferred event, of course, is the gradual erosion of both bodies of mythology through the process of economic education, which is the work of this conference.

But let us beware lest, in our zeal for total truth, we overthrow the myths we need for a workable society.