

PART IV

Values and Education in Relation to Capital Use and Productivity

- ▶ **Philosophical Values**
- ▶ **Socio-Psychological Values and Attitudes**
- ▶ **Facilitating Changes in Values and Attitudes**
- ▶ **Human Resource Investments**

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Values in the Solution of Credit Problems¹

THE PURPOSE of this chapter is to indicate how value studies can contribute to the solution of agriculture's credit problems. The method is historical and the approach is philosophic.

For purposes of clarity in presentation, it will be necessary to have a vocabulary. The discussion will be based also on various assumptions and distinctions not readily apparent in the vocabulary. The vocabulary and meanings attached to the words discussed are presented below.

Concept denotes either a word or a sentence which has a specifiable meaning.

A belief is the meaning of a concept about the nature of reality. This reality includes values. There are not only factual beliefs related to descriptive states of affairs, present or future, but also normative beliefs which include values in all senses that this word is used. In actual occurrence, beliefs include psychological imaging and symbolic expression, but these are not relative to the present discussion.

A fact is the meaning of a concept of "what is" or "what will be."

A fact concept is a word or sentence which has as its meaning an actual state of affairs, present or future.

A value or normative belief is the meaning of a concept of "what ought or ought not to be."

A value concept is a word or sentence which has as its meaning a state of affairs which ought to be or ought not to be.

An instrumental value is the meaning of a concept of "what ought or ought not to be" for which the "ought" is derived from a more basic value. For example, the concept "a man ought to have money" may be based on the more basic value concept that "a man ought to be able to provide food and shelter for his family."

A more basic value contrasts with an instrumental value in that it is a goal for the sake of which instrumental values are actualized. More basic values may ordinarily be actualized by means of a number of different instrumental values. In the example above, providing food and shelter for a man's family might be realized by other means than having money. It should be noted that an instrumental value detached from the more basic value with which it is connected may very well be tenuous in a sense.

An action is an attempt to establish or attain a specified condition.

A goal is a condition, not yet established or attained, which some entity is trying or could try to attain.

¹ The authors are indebted to Roy Gift, Dale Hathaway, Paul Hurrell, Richard Rudner, and Vernon Sorenson for constructive criticisms and suggestions.

A right action or goal is an action or goal determined to be the best in view of the factual and normative beliefs involved where "best" means "that which maximizes human interests and purposes as indicated by the value concepts involved."

A wrong action or goal is an action or goal other than the right action or goal. Good and bad are adjectives used to modify the word value according to whether the value under consideration is of the nature "what ought to be" or "what ought not to be."

Right and wrong are adjectives which will be used to modify the words "action" and "goal."

True and false are applied to sentences when they are supposed to express beliefs which do or do not conform to reality.

ASSUMPTIONS

It is assumed that (1) values can be known and that such knowledge exists; (2) values can be arranged in systematic structures; and (3) knowledge of values is not essentially different from scientific or empirical knowledge. Since these assumptions may shock those persons who ascribe to certain schools of thought or points of view having to do with the philosophy of science, these assumptions will be elaborated upon and clarified. These are matters which cannot be proven any more or less than the axioms of Euclid that the sum of two and two is four — or the law of variable proportions.

Values Can Be Known and Such Knowledge Exists

Let us start neither with physical science nor with metaphysical speculation. Let us start rather with the facts of human values and ask what is already known about them.

First, it is known that human values are real, but that they are not all of reality. Secondly, it is possible to have knowledge of values, although this knowledge is not a minor branch of physical science nor is it a non-naturalistic intuition of moral predicates. Scientists concerned with a study of values will do well to examine political, legal, and economic history. Such an examination makes it obvious that value concepts exist, are cognitively meaningful, and can be judged as good or bad. In other words, value concepts form a part — and an important part — of the world of our experience. As long as this part of our world is ignored, or exiled outside the province of reason, it will continue to be a source of disturbance and unrest.

Philosophers who have argued that value judgments are meaningless have tended to overlook the distinction between the content of a value belief and the attitude one has toward this content. Human beliefs may be described in terms of their contents, or in terms of the attitudes people have toward these contents. One believes, for example, that Chicago is west of New York. The factual content of this belief is Chicago's being west of New York. One's attitude toward the content of this belief may

be one of gladness or sadness, or indifference. In any case, the content is the same.

Those who hold that knowledge of values does not exist tend to define values in terms of the attitudes held toward the contents of value judgments. To say "charity is good" according to this view is translatable into "I approve charity; do likewise." A criticism of this point of view will be made when positivism is examined. The position taken here is that whether or not charity is good depends not on one's attitude toward charity, but upon the nature of the world as it ought to be or ought not to be — just as Chicago's being west of New York is independent of one's attitude toward this state of affairs. In other words, value judgments are not merely subjective but may be objective.²

The content of value judgments showing first how the knowledge of such structures is not essentially different from other knowledge is discussed below.

Value Concepts Can Be Arranged in Systematic Structures

The content of beliefs may be factual, formal, or normative. The descriptive sciences have impressively organized factual beliefs; the formal sciences (mathematics and logic) have done the same for formal beliefs; whereas normative beliefs have been largely neglected. However, there has been an encouraging increase in concern for normative beliefs and their organization. Writings like Edwards' Logic of Moral Discourse³ and Edel's Ethical Judgment⁴ take up the problem of structuring norms.

The problem of structuring beliefs of a normative type is not basically different from the problem of structuring factual or formal beliefs. In a science (be it factual or normative) the sentences which make it up are clearly stated, consistent with each other (i.e., contradictions are avoided), and can be applied fruitfully to the world of experience. If one departs from these criteria in normative matters, he leaves reason and enters areas of superstition, dogma, or blind intuition. Unfortunately, an over-emphasis of the difference between factual and normative matters has tended to cause men to do just this on normative matters.

² "Value judgments need not be, and are not all, in some incurable way, subjective. For in some cases when a man affirms that a thing is good, or that one thing is better than another, there are ways of finding out objectively whether what he is saying is true. . . There is in some cases evidence sufficient to determine that the assertions he has made are as a matter of fact justified and what he has said can be believed to be true." -- Frederick L. Will, "Values, objectivity, and democracy," in *Essays in Political Theory*, M. R. Konvitz and A. E. Murphy (eds.), Cornell University Press, Ithaca, N. Y., 1948, p. 276. Note the difference between this conception of objectivity and the conception which would make objectivity dependent on some religious criterion or natural law. In the latter case objectivity is outside the boundaries of evidence and justification while in the former it is defined in terms of evidence and justification.

³ Paul Edwards, *The Logic of Moral Discourse*, The Free Press of Glencoe, Illinois, 1955.

⁴ Abraham Edel, *Ethical Judgment, The Use of Science in Ethics*, The Free Press of Glencoe, Illinois, 1955.

Normative realism, the position taken here, is concerned with structuring normative beliefs in a reasonable fashion. This is why the study of law is so valuable. In systems of law, an objective set of norms is used which succeeds or fails publicly, and this public success or failure makes it possible to examine the structure of norms and the place of reason in its creation.

Knowledge of Values Is not Essentially Different
From Empirical or Scientific Knowledge

It becomes possible to understand this thesis only when people begin to take seriously the contents of normative beliefs. Men who imagine that reality is made up entirely of factual states of affairs or matters of fact which metaphysically correspond to the contents of factual beliefs are not likely to take seriously the contents of normative beliefs. It is only as one doubts the metaphysics of physical realism that he can take seriously the metaphysics of normative realism. If one takes seriously the reality of norms, then the problem of structuring norms is at least as important as the problem of structuring facts.

But people since the Middle Ages have been mistakenly persuaded that factual beliefs correspond to reality and are objective, whereas normative beliefs do not correspond to reality and are subjective. What does it mean to say that factual beliefs correspond to reality? For one thing, it means there is inter-subjective agreement about the facts. One's belief that Chicago is west of New York is objective because he can make predictions in terms of it, predictions which experience proves to be reliable.

Turning to normative beliefs, at first sight there appears to be no such agreement or possible verifiability. Yet in those areas in which men have worked out conceptual schemes to describe normative beliefs, one finds that there is inter-subjective agreement and possible verifiability. There is impressive agreement about normative reality, and there are predictions which are successfully confirmed in the area of law. In this area there is as much reason to believe that values are real as that facts are real.

The lawyer or jurist is not concerned primarily with the concepts or laws of the physical sciences. Rather, as a lawyer, his chief concern is with norms, and the subject of this concern is as real to him as is the physical world for the physical scientist.

But the most impressive argument for normative realism is that of common sense. The man on the street knows that his beliefs about values are about the real world. As a matter of fact, for most people the physical world has only a peripheral sort of reality. Of greater importance in the world of common sense are the worlds of religion, love, and politics. In other words, the worlds of religion, sex relations, and political activity are worlds which really concern the average man. Physicists can discover new laws, new elements, and new theories without

producing a ripple in the public mind unless values are involved. But let a religious leader conduct a crusade, some hero fall in love, or some politician advocate public ownership of the means of production, and the public mind may be stirred to its depth.

The problem is not one of creating an interest in norms, nor one of making the common man believe in their reality. Interest and belief already exist; the problem is one of structuring those beliefs in an intelligent way, that is, in such a way as to make them clearly understood and logically coherent.

Let us now turn to an examination of some philosophical positions which would hold either that knowledge of values is impossible or that such knowledge is essentially different from empirical or scientific knowledge. The philosophic positions to be examined are normative realism, logical positivism, and intuitionism.

The logical positivists have asserted that the meaning of a proposition is its mode of verification. This sort of meaning criterion has been taken to rule out normative judgments as being meaningless since they can be neither verified nor falsified.⁵ Such a meaning criterion may be compared to the value experience of the intuitionist who holds that the meaning of such terms as "right" and "good" are unanalyzable, non-natural, simple intuitions. Such intuitions, according to intuitionists, are as primitive in man's experience as sense-data and can hardly be explained by other concepts.⁶ But what is needed is neither a simple meaning criterion nor an unanalyzable value intuition. What is more useful is a systematic meaning context, whether this be the context of ethics or of science.

Too much stress, perhaps, has been placed on a discussion of ostensive definitions and reduction to a verification basis in the philosophy of science. What the scientist finds far more useful is a consideration of explanations and theory construction.⁷ Similarly, in ethics there has been too much emphasis on individual value intuitions and too little attention paid to the total context of ethical discussions. This context may be describable either in terms of one's personal morality, or a society's subjective morality, or that objective morality known as a legal system. In any one of these cases the meaning and validation of a particular value judgment is to be explicated by putting the individual statement

⁵In *Language, Truth, and Logic*, A. J. Ayer writes: "If ... I ... say, 'Stealing money is wrong,' I produce a sentence which has no factual meaning. ... I am merely expressing certain moral sentiments. ... We can now see why it is impossible to find a criterion for determining the validity of ethical judgments. It is not because they have an 'absolute' validity which is mysteriously independent of ordinary sense-experience, but because they have no objective validity whatsoever." Reprinted in O. A. Johnson, *Ethics: a Source Book*, Holt, Rinehart & Winston, Inc., New York, 1958, pp. 475-76.

⁶G. E. Moore in *Principia Ethica* writes, "... 'good' denotes a single and indefinable quality." A. G. Ewing in *The Definition Good*, The Macmillan Co., N. Y., 1947, p. 45 writes, "... 'goodness' cannot be defined wholly in non-ethical terms."

⁷For reading on this topic, see Carl G. Hempel, "The theoretician's dilemma," *Minn. Studies in the Philosophy of Science*, Vol. II, pp. 37-98; and Carl G. Hempel, "Problems and changes in the empiricists' criterion of meaning," *Revue Internationale de Philosophie*, Jan., 1950, pp. 41-63, reprinted in Leonard Linsky, *Semantics*, University of Illinois Press, Urbana, 1952.

into a systematic context. Some believe that this would resolve the problem of the so-called dichotomy between value judgments and factual statements.⁸ Upon examination of such a context of ethical discourse, one would discover that the universe of discourse appropriate to ethical discussion can be judged in terms of the same criteria as those used in ordinary science.⁹ These criteria are consistency and clarity.

In his book on the Nature and Significance of Economic Science, Lionel Robbins defends the positivistic thesis that: "Economics deals with ascertainable facts; ethics with valuations and obligations. The two fields of enquiry are not on the same plane of discourse. Between the generalization of positive and normative studies there is a logical gulf fixed which no ingenuity can disguise and no juxtaposition in space or time bridge over."¹⁰

But, on the next page he states that, "All this is not to say that economists may not assume as postulates different judgments of value, and then on the assumption that these are valid enquire what judgment is to be passed upon particular proposals for action." Here, the economist seems to be dealing with valuations, for how could he otherwise assume them as postulates and apply them to actions? Nor is this the only way in which the economist "deals with" valuations. Robbins also states that economics "makes it possible for us to will with knowledge of what we are willing. It makes it possible for us to select a system of ends which are mutually consistent with each other,"¹¹ and that economics "enables us to see what sets of ends are compatible with each other and what are not, and upon what conditions such compatibility is dependent. And, indeed, it is just here that the possession of some such technique becomes quite indispensable if policy is to be rational."¹²

Robbins has presupposed the following: (1) Judgments of value may be assumed as postulates; (2) economists can deal with valuations; (3) it is possible to have a knowledge of what we are willing; (4) ends cannot only be known, but can be put into consistent or inconsistent systems; (5) sets of ends can be judged (and assumed to be judged cogitatively) to be compatible or incompatible with each other; (6) a technique for making sets of ends compatible is a prerequisite for rational policy making; and (7) policy can be rational.

If these presuppositions are accepted, it is difficult to understand why ethics and economics are not on the same plane of discourse. Nor is it possible to have a very clear idea of the presumed "logical gulf" which separates the two.

⁸ If the place of reason in ethics is the same as the place of reason in science, and both use the same method of validation, it is difficult to see why anyone should insist on a dichotomy.

⁹ Kenneth Boulding, *The Image*, The University of Michigan Press, Ann Arbor, Michigan, 1956, p. 11. "... although I shall argue that the process by which we obtain an image of values is not very different from the process whereby we obtain an image of fact, there is clearly a certain difference between them."

¹⁰ Lionel Robbins, *Nature and Significance of Economic Science*, Macmillan & Co., Ltd., London, 1935, p. 148.

¹¹ *Ibid.*, p. 152.

¹² Robbins, *op. cit.*, p. 154.

Perhaps the philosophy which has come closest to the sort of consideration of value recommended here is that of pragmatism. The pragmatist has been more willing than the positivist to attempt the sort of dialectic of purposes which ethics amounts to. This sort of ethics is in the mainstream of American philosophy and is to be found in such writings as George Santayana's *Life of Reason*,¹³ R. B. Perry's *General Theory of Value*,¹⁴ and M. R. Cohen's *Reason and Nature*.¹⁵ Using Dewey's pragmatism, however, one finds problems, for there are times when he loses the essential objectivity of both science and ethics in a kind of Wild-West Hegelianism. Dewey's philosophy "substitutes data for objects Objects are finalities; they are complete, finished . . . but data signify materials to serve; they are indications, evidence, signs, clues to and of something still to be reached; they are intermediate, not ultimate; means, not finalities."^{16,17} But unless data are taken to signify something other than further data which signify still further data, it is hard to see how one makes his knowledge actually apply to a real world.

In ethics, Dewey holds that one cannot distinguish between ends and means. This is at best misleading. While it is true that the same action may be in one situation a means and in another situation an end, this does not mean that one cannot distinguish objectively between the two. One may argue that there is really no distinction between premises and conclusions because the same proposition may be a premise in one argument and a conclusion in another argument. Although this is true, it is nevertheless the case that premises and conclusions are different, and different in objective ways.

There is, however, a basic inconsistency in Dewey's thoughts on this topic, for often he writes as if the good were the satisfaction of social interests. This notion of goodness that is experimentally determined as the intelligent satisfaction of human needs and desires is never, to our knowledge, a mere means-end in Dewey's philosophy. Thus this utilitarian conception of goodness is incompatible with his means-end continuum. What makes pragmatism unsatisfactory here is its reluctance to take seriously the possibility of achieving knowledge of things as they are. In much of Dewey's writing the objective world seems to fade away into a metaphysical monadology of situations, and the would-be scientist sinks into a subjective morass without objective footing.

¹³ George Santayana, *Life of Reason*, Charles Scribner's Sons, New York, 1954.

¹⁴ R. B. Perry, *General Theory of Value*, Harvard University Press, Cambridge, Mass., 1950.

¹⁵ M. R. Cohen, *Reason and Nature*, The Free Press of Glencoe, Illinois, 1953, revised edition.

¹⁶ John Dewey, "The quest for certainty," reprinted in *Classical American Philosophers*, M. H. Fisch (ed.), Appleton-Century-Crofts, Inc., 1951, pp. 348f.

¹⁷ The Wisconsin institutionalists are closely related to Dewey on this matter. See Kenneth H. Parsons, "The value problem in agricultural policy," *Agricultural Adjustment Problems in a Growing Economy*, Iowa State University Press, Ames, Iowa, 1958, pp. 285f. For a statement of the connection between John R. Commons and pragmatism, see Glenn L. Johnson, "Value problems in farm management," *Jour. Agr. Econ.*, June, 1960, p. 9. This same discussion points out a possible "identification" problem in the thinking of Dewey as reflected in the work of Parsons via Commons.

When one turns to the sort of analysis of value statements made by positivists, he finds at the basis of this discussion a failure to distinguish between ethical beliefs as such and attitudes held toward these beliefs. In any belief, one should be able to distinguish between the content of the belief and the attitude held toward this content. This is as true in ethics as it is in any descriptive science. The content of ethical beliefs are human purposes and interests. Such purposes and interests belong as much to the world of reality as the facts of chemistry, and the attitudes one has toward these interests and purposes should always be kept distinct from the purposes themselves. In terms of their essential naturalism, both pragmatism and positivism can be contrasted with Kantian formalism and intuitionism. However, pragmatists have been more willing than positivists to attempt the sort of dialectic of purposes which we have called ethics. On the other hand, the pragmatists have tended to lose the essential objectivity of both science and ethics, an objectivity basic for any knowledge.

DISTINCTIONS

In addition to the assumption presented and supported above, two distinctions will also be maintained in the following paragraphs. These distinctions are (1) between normative science (descriptive and analytical) and moralizing and (2) between factual and normative beliefs on one hand and science and ethics on the other.

When one examines existing systems of values, it is possible to be quite objective in the examination and to avoid the sort of moralizing and preaching which has characterized so much writing in ethics. That it is possible to be objective (at least in the sense of objectivity presented here) while discussing values should be obvious from the preceding discussion, and it should be clear that it is not at all necessary to confuse exhortation with normative science and analytical moral philosophy.

The distinction between factual and normative beliefs is a distinction between two sorts of objective reality. Factual beliefs are directed toward matters of fact, or states of affairs; normative beliefs are directed toward things as they ought to be, or ought not to be. In recognition of this distinction, there have been those who would hold that science concerned with the former must be methodologically distinguished from ethics concerned with the latter. The thesis presented in this chapter is that science and ethics, while concerned with different subject matters, are not methodologically distinguishable.¹⁸

¹⁸ Kurt Baier, *The Moral Point of View: A Rational Basis of Ethics*, Cornell University Press, Ithaca, N. Y., 1958; Abraham Edel, *Ethical Judgment, The Use of Science in Ethics*, The Free Press of Glencoe, Illinois, 1955; Paul Edwards, *The Logic of Moral Discourse*, The Free Press of Glencoe, Illinois, 1955; Oliver A. Johnson, *Ethics, A Source Book*, Holt, Rinehart & Winston, Inc., New York, 1958; E. H. Madden, *The Structure of Scientific Thought*, Houghton Mifflin Company, Boston, Mass., 1960; Stephen E. Toulmin, *Reason in Ethics*, Cambridge University Press, New York, 1950.

The discussion thus far has furnished a vocabulary, some assumptions that appear reasonable, and has informed the reader about certain distinctions which will be important in that which is to follow. The next step is to tie the philosophic discussions presented above to the problem-solving processes of society by considering certain aspects of the history of farm credit in the United States.

HISTORICAL SUMMARY

The history of farm credit problems and of steps taken to alleviate them furnishes some interesting examples of how values have been handled by society and agricultural economists. Solutions to past agricultural credit problems have ranged from (1) solutions based on the acceptance or rejection of alternative hypotheses about the nature of present or future reality, (2) through solutions obtained by changing reality to agree with "what ought to be," (3) to solutions based on choices among partially developed fact value concepts. Other interesting aspects of farm credit history in the United States include (1) the substantial role played by economists in the study of values as well as the study of facts in arriving at recommended "right" actions, (2) the few times, proportionately, that "explosive situations"¹⁹ have arisen in connection with the work of agricultural economists on questions of value, and of right and wrong actions with respect to credit, and (3) the large number of generally acceptable policy decisions which have been reached on such credit problems.

Examples will be drawn from the period 1870 to 1960. The "Green-back movement" (1874) symbolizes a major agrarian revolt against the economic disadvantages of farmers. One of the major disadvantages involved their credit institutions. Values formed in this period continue to color thinking on farm credit problems.

Land credit became an important issue at the end of the 19th century. The Country Life Commission was created in 1908, and the Federal Farm Loan Board was established in 1916 — partly as an outgrowth of the work of that commission. Further legislation was enacted in 1923 when the Agricultural Credit Act was passed. The depression of the 1930's drew further attention to other shortcomings of our farm credit institutions. In 1933 the Farm Credit Act established the Farm Credit Administration with production as well as land credit services. The Farm Security Administration had evolved out of its predecessor agencies by 1939. It and its predecessor agencies experimented with different possible solutions to the credit and resource problems of farm people not serviced by commercial or other governmental credit agencies. Also, various credit institutions have been set up to alleviate financial problems arising from disasters such as drought, floods, etc. Credit facilities to service farm cooperatives were established in 1933. In

¹⁹ The Iowa oleomargarine case is an example of what is meant by an "explosive situation."

addition, the storage of surplus farm products has been financed in a variety of ways. The nature and adequacy of credit institutions are discussed in detail in Part III.

Some Examples of Credit Problems Which Were Solved by "Getting the Facts"

Two subtypes of problems fall under this heading: First, there are problems of the form "if so and so ought to be, what is the best way of obtaining it," or "if so and so ought not to be, how is the best way to prevent it from being." Second, there are problems of the form "what or which best describes present or future reality." While many agricultural economists advocate that the work of agricultural economists should be restricted to answering questions of these two types, examples are difficult to find in the history of farm credit. And, those which are found are often of minor importance involving the operation of credit institutions to attain previously agreed upon goals or to carry out an action previously determined to be "right." Evidence of this may be found in Chapters 13 and 17.

Almost everyone has had experience with the techniques of belief formation by credit institutions in evaluating loans on real estate and durables. The beliefs which credit managers formulate about the condition of one's security, net worth, character (that is, one's system of values), earnings, and expenditures aid in solving the credit managers' problem as to whether or not to make a loan. (See, e.g., Chapter 25 and discussion by E. M. Norman.) Between such decisions and decisions on major policy questions is a continuum ranging from operational problems solved almost exclusively by obtaining answers to factual questions, through those involving answers to questions of policy in the initial absence of generally accepted answers to questions of value. Thus, the examples to be presented here are semi-operational in nature and do not involve major policy issues in farm credit.

At one time a farm credit problem arose for the Production Credit Associations (PCA's) and various cooperatives which were selling supplies and equipment to farmers. A substantial amount of production credit used by farmers is extended by farm supply houses. Overextensions of such credit often impaired PCA loans and produced financial troubles for farmers and farmers' supply cooperatives. It was agreed that it would be good to coordinate the extension of such credit and PCA loans. Note the objective nature of this consideration. The agreement did not simply amount to a group of people sharing the same attitude toward the world. The agreement was about the value of a world in which credit extension was coordinated with PCA loans. And the reality of such knowledge required no special value intuition. The question was one of predicting the outcome of various methods of bringing about this coordination. By 1960 at least two production credit districts had programs in effect for providing this coordination. One of these is known

as the reserve program; the other, as the guarantee program. In one instance, both the farmer and the cooperative provide a reserve against bad loans. In the other case, the cooperative guarantees the loan by co-signature. The first program is used most extensively in Michigan, but is proving only moderately workable. Consideration is being given to shifting to the guarantee program in order to increase workability.

**Some Examples of Credit Problems Involving Differences
Between Partially Developed Concepts About
"What Ought To Be" and "What Is or Can Be"**

These examples are of two types: those involving independent ends and means, and those involving interdependent ends and means. Both types involve the process of forming beliefs about values and facts; however, interdependent means and ends do not necessarily involve interdependent fact and value concepts.

In writing about the Federal Land Bank system in 1955, Murray Benedict stated: "The individual lender cannot afford to buy a mortgage on a farm halfway across a continent, which he probably has never seen and whose owner he does not know. Even when he does know the farmer and his security, the risk of going wrong on a single farm is too great. As a consequence, loan funds have often been very inadequate in many rural, capital-deficit areas, even when savings accumulated in other sections of the country were seeking an outlet. It was to overcome this difficulty, and to provide an orderly and safe channel for the transfer of such funds, that the Federal Land Bank system was created."²⁰ If Benedict's statements were considered out of context, one might conclude that here was a simple case of solving a problem with factual concepts. Under this supposition, the necessary belief concepts would involve predictions about how the Federal Land Bank system would serve to channel credit from lenders to borrowers. Actually, however, both value and factual concepts had to be created and clarified over the 15- to 20-year period involved. Once developed, these value and factual concepts became the basis for the compromise represented by the Federal Farm Act of 1916 between the "goods" and "bads" involved in view of what was possible. While fact and value concepts were developed and systematized simultaneously, there is little direct evidence that the values of the ends and means were interrelated. In some instances the "bads" involved consisted of giving up some "goods" as dictated by the nature of reality as revealed by beliefs. While this process of giving up one good to attain another within available means does establish an exchange value between the two, this is quite different from interdependence between means and ends or facts and values.

The history of farm credit involves several studies of the facts with

²⁰ Murray R. Benedict, *Can We Solve the Farm Problem? — An Analysis of Federal Aid to Agriculture*, The Twentieth Century Fund, New York, 1955, p. 124.

the hope of helping to find the best means of attaining a previously agreed upon set of values. One such study was entitled Risk Problems of the Production Credit Associations.²¹ This study was authorized by the members of the district Farm Credit Boards in 1950, and carried out by a committee of agricultural economists, general economists, and a research director, and included four heads of agricultural economics departments in land-grant colleges. The committee was to review and appraise. It reviewed, but limited its appraisal to "presenting for discussion and consideration certain methods of improving the ability of the PCA's to meet the risk inevitable in agricultural lending." The five methods included (1) strengthening PCA finances, (2) setting up a mutual loan insurance reserve, (3) setting up a group reserve for contingencies, (4) consolidation of production credit agencies of lending and discount, and (5) consolidation of the production (chattel) and mortgage (real estate) credit units of the Farm Credit Administration. This effort was discussed and supplemented with much informal study of the importance of spreading risks. Partially developed value concepts which had to be completed and clarified were also involved. These included the "goodness" of a self-supporting, independent link between borrowers and lenders. Congress passed the Farm Credit Act of 1956 upon the recommendation of the Federal Farm Credit Boards. This Act put method 4 into effect by providing for the merger of the Production Credit Corporation into the Federal Intermediate Credit Bank of each district. Numerous smaller steps have been taken to put method 1 into effect. Method 5 is still under discussion. Recently, representatives of the Farm Credit Administration approached agricultural economic researchers at Michigan State University with the request that they consider doing research on the advantages and disadvantages of a "one-stop credit program" to make coordinated production and mortgage credit available to farmers without separate visits to a Production Credit Association and a Federal Land Bank Association. Thus, method 5 may eventually be adopted. This idea was discussed previously by Diesslin in Chapter 13, Engberg in Chapter 15, and Tootell in Chapter 17.

The second type of problem involving differences between interdependent concepts about the values of means and ends is hard to illustrate. Consultation with members of the Michigan State University agricultural economics staff who have worked on credit problems failed to produce a clear-cut example of such problems. Similarly, an examination of a number of historical accounts dealing with agricultural credit problems and policies failed to produce clear-cut examples. The Wisconsin institutionalists who derived their ideas from John R. Commons hold that such problems are the type most generally encountered. Commons, in turn, based his ideas on the pragmatism of John Dewey and C. S. Pierce.²² Our inability to illustrate the case which the Wisconsin

²¹ F. F. Hill, William G. Murray, George H. Aull, R. J. Saulnier, E. L. Butz, and A. R. Gans, *Risk Problems of the Production Credit Association*, Preliminary draft for discussion purposes, subject to revision, December 31, 1950.

²² Kenneth H. Parsons, "The value problem in agricultural policy," *Agricultural Adjust-*

institutionalists feel is most frequently encountered certainly raises questions about the generality of that case. However, this failure to find a clear-cut example of the kind of problem represented by the case should not indicate that the institutional point of view is without merit. The difficulty may be that the recorded history of the solution of agricultural credit problems is not detailed enough to reveal the interdependence by the value of means and ends held to be general by the Dewey pragmatists. Or, the difficulty may be that experiencing "what ought to be" and "what is or can be" simultaneously makes us believe that we cannot separate them in conceptualizing. The simultaneous occurrence of facts and values does not necessitate the interdependence of concepts of fact and concepts of value²³ any more than the simultaneous existence of shapes and colors makes it impossible to distinguish them intellectually.

Some Examples of Conflicting Value Concepts in the History of Farm Credit Policy

The examples to be examined here come largely from the history of the Farmers Home Administration and its predecessor agencies, though there is at least one important problem of conflicting value concepts in the history of the Farm Credit Administration. The work of these two credit agencies are discussed in Chapters 11, 13, 14, and 17.

F. F. Hill, in carrying out the policies of W. I. Meyers, his administrative predecessor, felt that the Farm Credit Administration "ought to serve the credit needs of farmers" and "ought not to be used as a means of furthering other governmental programs." Secretary Wallace did not agree, and the Farm Credit Administration was placed in the U. S. Department of Agriculture. Hill and Wallace continued to disagree as to what ought to be. Hill was forced to resign in 1939, and A. G. Black was appointed to replace him. However, this agency was never really used as a means for carrying out the crop adjustment programs of the late 30's and early 40's largely as a result of the power possessed by the major farm organizations to back up the value position of those favoring a more independent credit agency. Wallace's value system, given the distribution of political, bureaucratic, and lobby powers, was less workable than Hill's. Hill's system stood the pragmatic test.²⁴

ment Problems in a Growing Economy, Heady, *et al.* (eds.), Iowa State University Press, Ames, Iowa, 1958. Some of the connections between pragmatism and institutionalism are found in J. R. Commons, *Institutional Economics — Its Place in Political Economy*, Macmillan & Co., Ltd., London, 1934, pp. 154-55 and 647.

²³This contrasts with Boulding, *op. cit.*, p. 12, who writes, "One of the most important propositions of this theory is that the value scales of any individual or organization are, *perhaps* [italics added] the most important single element determining the effect of the messages it receives on its image of the world." We would more than emphasize the "perhaps"; instead, we would probably omit the sentence.

²⁴M. R. Benedict, *op. cit.*, pp. 392f.

As indicated above, the Farm Security (later Farmers Home) Administration has encountered repeated problems of a value versus value nature.²⁵ The predecessor agency to the Farm Security Administration was the Resettlement Administration. It had grown up, in turn, out of the rural rehabilitation work of the Federal Emergency Relief Administration. This chain of agencies handled a whole series of problems defined by the dynamic, almost everchanging value and factual concepts held concerning rural poverty through the Great Depression, World War II, Korean, and postwar periods. Also, this chain of agencies has been experimental and has often been deeply involved in value systems which have failed to meet the criteria of consistency and clarity.²⁶

The rehabilitation programs of these agencies have been criticized sharply for being too paternalistic, and for interfering with the freedom of individual farmers. Others have praised these programs for providing low interest credit to those whose incomes were unacceptably low, along with enough supervision and managerial "know-how" to raise incomes and insure repayment. Over the years, persons and agencies have come to attach less negative value to the increments of paternalism, subsidy, and restrictions on freedom in such credit programs, and have come to attach more positive value to increases in income and economic independence produced by such programs, while at the same time insisting that such programs be confined only to those needing substantial aid. It now appears that such programs will remain part of our governmental credit policy about as long as we have rural poverty arising from lack of control over enough resources to produce an acceptable standard of living.

Other value conflicts encountered by this chain of agencies have been settled by complete or partial abandonment of the values they pursued. Agricultural fundamentalists and others attached great value to farms, farmers, and farm life. At first these values led to resettlement activities designed to establish landless farmers and wage workers in permanent homes on the land. These efforts were often corporate, collective, and/or cooperative in nature. Soon, such resettlement became inconsistent with such widely held values as efficiency (which called for the transfer of people out of agriculture), the desirability of technological advance, and the desire to keep up with rising nonfarm levels of living. This called for larger more productive farms instead of subsistence farms, the desire on the part of the individuals involved to own and control their land and machinery, and a desire for freedom from group and governmental controls. With the passage of time, these competing values won out over the values attached to farms, farmers, and farm life as attainable through the Farm Security Administration resettlement activities. In 1946 the Farm Security Administration was replaced by the Farmers Home Administration which eliminated all community projects.

²⁵*Ibid.*, pp. 356-64.

²⁶*Ibid.*, p. 363.

In the case of the resettlement activities, the desire for more freedom to conduct individual affairs prevailed in conflict with some of the values included under agricultural fundamentalism and with other values. In the case of supervised subsidized credit for low-income farmers, this same desire for freedom to conduct individual affairs failed to prevail in competition with the value of income increments derivable from supervised and subsidized public credit.

Examination of the two cases makes it clear that in both instances compromises among the "goods" and "bads" were involved in determining the eventual course of action. Further, it is clear that it was not the totalities of freedom, all of the values of agricultural fundamentalism, or of all income which were balanced against each other. Instead, only the incremental changes involved in going from one course of action to another were weighed against each other. This balancing of incremental attainments and losses against each other in view of what is possible does not necessarily imply that the "goods" (ends, or what ought to be) against the "bads" (losses, or what ought not to be) are interdependent as argued by Dewey. To so argue would be the same as arguing that because iso-value product and iso-cost lines jointly determine the maximum profit point (which, incidentally, defines a "right" action) and establish the marginal value productivities at that point as the relevant values, the iso-value product lines (the structure of goods) are dependent on the iso-cost lines (the structure of bads or means). Alfred Marshall saw this much more clearly than John Dewey.²⁷

Social Scientists Have Played Major Roles in Studying Values as a Basis for Right Actions

The list of trained agricultural economists who have dealt with the values involved in credit problems is long and respectable. Of the seven Farm Credit Administration Governors to date, at least six are or were primarily agricultural economists. The list includes W. I. Meyers, F. F. Hill, A. G. Black, C. R. Arnold, I. W. Duggan, and R. B. Tootell, the present governor. Besides providing these governors, the agricultural economics profession has provided subordinate administrators, research workers, and appraisers to the Farm Credit Administration and other governmental credit agencies.

When one considers private agencies providing credit services to agriculture, the discipline is as well represented, e.g., the president of the Bank of America is an agricultural economist. Other agricultural economists serve in responsible positions in private credit institutions. Several agricultural economics departments regularly sponsor banker clinics with the express purpose of helping private banks service, and recognize opportunities for servicing, farmers. The Agricultural

²⁷ Compare, for instance, John Dewey, "The continuum of ends-means," *Ethical Theories*, A. I. Melden (ed.), Prentice-Hall, Inc., New York, 1950, pp. 360ff, with Alfred Marshall, *Principles of Economics*, 8th ed., Macmillan & Co., Ltd., London, p. 348.

Commission of the American Banker's Association has five advisors, at least four of whom are academic agricultural economists or farm management men.²⁸ Within the Federal Reserve system, most if not all of the district banks have competent agricultural economists on their staffs. Still further, agricultural economists from land-grant colleges and private universities serve as consultants to both private and public credit institutions. Members of Congress contemplating new farm credit legislation have been served repeatedly by agricultural economists from both state and privately endowed universities and colleges.

It is instructive to look at the Journal of Farm Economics for the 1931-36 period when credit problems were numerous and our credit institutions were in a state of flux. In this six-year period, 29 articles on farm credit, debts, mortgages, and related matters appeared in the Journal. Since the volumes were smaller in those days than the 1958 proceedings issue, a substantial proportion of the Journal's space was devoted to agricultural credit problems. These articles included (1) reports on the operation of the Federal Intermediate Credit Banks, the Federal Land Banks, and the Agricultural Credit Corporation; and (2) empirical information on mortgage debt, foreclosures, and farm debt adjustment.

In this period the writings of agricultural economists aided in the administration of the credit programs. In these articles, little attention was given to the restrictions of positivism, non-Pareto-better adjustments were not avoided, and the lack of interpersonally valid welfare measures were not mentioned. Agricultural economists were too busy amassing facts, developing value concepts, defining problems, ascertaining "right" actions, and executing those actions to let such restrictions limit their range of attack on the major credit issues of their day.²⁹

Relatively Few "Explosive" Situations Have Arisen in Connection With the Work of Agricultural Economists on Values

While it is accurate to state that relatively few "explosive" situations have developed around agricultural economists working with the value aspects of credit problems, tensions and conflict have often been high in connection with operations of the FSA (FHA now), REA, and when the purposes of FCA have been questioned. In a few instances agricultural economists have "stood up to be counted" and then were beaten on value questions. The F. F. Hill-Wallace disagreement is a case in point. However, the history is mainly one of farm leaders, legislators, administrators (many of whom were agricultural economists), legal advisors, and agricultural economists doing an immense amount of homework on

²⁸ Agricultural Commission, Intermediate-Term Bank Credit for Farmers, 12 East 36 Street, New York 16, N. Y., inside front cover.

²⁹ The actions of these early fruitful workers' time were inconsistent with the positivistic restrictions present-day agricultural economists often impose on themselves.

fact and value concepts as a basis for right actions. The evidence in recorded history is that these often succeeded in developing value and fact concepts which were consistent and understandable. In those instances in which value tensions and conflicts did build up to critical levels, there is evidence of inconsistent value or belief structures, vague value and factual concepts, unacceptable values, or inaccurate factual beliefs. In many instances, this inconsistency, vagueness, and inapplicability was worked out before strong positions were developed. After these difficulties were eliminated, the strong positions which were developed usually led to solutions which have produced acceptable (right) actions rather than to explosions.

A High Proportion of the Policy Decisions Reached on Credit Problems Have Been Satisfactory and Have Met the Criteria of Rationality (Logic, Clarity, and Applicability)

This symposium, with its purposes of defining credit problems and outlining research work (cf. Chapter 27), should not prevent one from recognizing that past work on credit problems has been good in the sense that applicable, understandable, and moderately consistent actions have been recommended and adopted. The solutions have been effective in that they have been expressed in terms of institutional arrangements which have, in turn, accomplished what public decision-making units have intended to accomplish. This record of success cannot be ignored by those of us who face the farm credit and capital problems of American agriculture in the 60's (cf. Parts I and II). As the general procedures followed in the past have accomplished results which speak well for the procedures, they are worth summarizing.

General Procedures Followed in the Past:

1. Both factual and normative belief structures have been studied and developed by those persons (including agricultural economists) working on credit policies and programs for American agriculture.
2. Right actions have been ascertained as a compromise among the "goods" and "bads" within value structures in view of what was possible as revealed by factual beliefs about the nature of present and future reality.
3. Workers seem to have been able to avoid what Bentham feared when he wrote that attempts to work with values consist "in so many contrivances for avoiding the obligation of appealing to any external standard, and for prevailing upon" another to accept one's "sentiment or opinion as a reason in itself."
4. On many occasions, workers have had grave doubts about the reliability of their beliefs concerning the nature of present and future reality. Similarly, doubts appear to have been present concerning the clearness and consistency of value structures or normative beliefs. These doubts have led to humility on the part of legislators, administrators, and researchers; a humility which has led, in turn, to flexibility of opinion concerning the rightness or wrongness of different possible actions. There has been a willingness to experiment, re-examine, and reformulate. This flexibility and willingness (this recognition of a human tendency to err

with respect to both factual and value beliefs) has probably prevented individuals from taking positions not changeable except by socio-politic explosion.

5. Workers from the social science disciplines, particularly agricultural economics, have participated in all of the above-described procedures rather than confining their activities to particular areas such as those prescribed by (a) positivism, (b) conditional normativism (including modern welfare economics), and (c) "pure" normativism. There is little evidence that those who worked with values have suffered more professionally, or have been less productive, than those who have avoided the study of values. Rather, the reverse seems to be true.

6. Non-Pareto-better adjustments have been agreed upon and carried out repeatedly.³⁰

7. Despite the difficulties encountered by many in conceiving of a "least common denominator of ability to attain more basic values which is neutral with respect to those more basic values," choices have been made repeatedly among alternative courses of action involving such divergent values as income, security, freedom from government control, equality of property ownership, equality in access to credit, and the rights of private property.

8. Increments and decrements in the degree to which valued situations are or would be attained have been frequently considered; complete attainment or abandonment of a value or set of values has seldom occurred.

9. Public actions have been determined by a rough sort of maximizing of the difference between "goods" and "bads," or of the ratio between "goods" and "bads." Thus, these actions would tend to be "right" as the term is used herein. This meaning of right is consistent with what the economist generally means by efficient so long as the concept of efficiency is left general and not restricted to mean the maximization of utility in the Benthamite sense.

SUGGESTED PROCEDURES IN STUDYING CREDIT PROBLEMS

The analysis of values and the historical situations which have been examined suggest several methodological procedures.

1. In defining problems and making policy decisions about farm credit, it is important to recognize that two broad kinds of knowledge are important. Not only is it necessary to have factual beliefs of the sort gained by historical, economic, and sociological investigations, but it is also important to have knowledge of the personal and social values involved in the decision.

2. In acquiring this latter sort of knowledge, one cannot necessarily assume that decision-makers (legislators, administrators, voters, and customers) are aware of even their own personal values, not to mention less personal values which may be involved. Decisions are more likely to be right if based on carefully developed logical and clear values than on what people conceive the important interests to be in the early stages of problem perception and solution. In other words, the policy-maker must not assume that a description of initial values is a description of a generally acceptable value structure. The latter would be those values the people would express if they were in a position to know the sets of consistent and clear value concepts involved in a set of contemplated

³⁰ An interesting connection between Kant's categorical imperative and modern welfare economics is pointed out by G. I. Trant, "Ethical systems and agricultural policy," *Canad. Jour. Agr. Econ.*, Vol. 7, 1959, pp. 75f.

social actions. Just as lawyers are consulted to determine legal interests because they know, and laymen do not know, the law which defines these interests, so is the organized research of economists, sociologists, and others needed to help develop value concepts.

3. It is recommended that the criteria of logical consistency and understandability (clarity) be used as criteria in formulating value, as well as factual, beliefs.

4. Just as it was recommended that logical consistency and understandability be used as criteria in formulating value and factual beliefs, so it is recommended that workability and efficiency be used as criteria in selecting "right" actions.

5. There is a need within the social disciplines for collaboration with philosophers whose chief concern is the meaning of crucial terms, as well as with those whose chief concern is empirical hypotheses and laws. Any branch of knowledge, theoretical or practical, can advance only as far as its basic concepts allow it to advance. One wonders whether, for example, agricultural fundamentalists always have a clear understanding of the nature of the value system they advocate. Often one has the impression that the high value given to the family farm is unrealistic in view of the facts, and that a clearer understanding of the actual value of such an institution would change their point of view.

6. In attempting to understand problems of credit as they relate to farmers, it is important to consider the historical, economic, sociological, and moral contexts within which these problems occur. Much is to be said for very close participation in the work of the decision-making units encountering the problems. Though such participation is sometimes regarded as interfering with objectivity, it must also be recognized that such participation may be the only source of experience with the complex, interrelated values involved in many problems.

7. While we have been unable to reject any commonly advocated approach to the study of facts and values as having been useless in the solution of credit problems, we have also been unable to find any single approach capable of accomplishing all that the others have accomplished.³¹

8. In determining right actions on the basis of (a) the "goods" and "bads" involved in a problem and (b) what is possible, it is recommended that the maximizing procedure of economists be used extensively. Right actions and efficiency are very closely related concepts.

9. In using the maximizing procedures of economists, it is recommended that no distinctions be attempted between economic and noneconomic values, or between economic and noneconomic efficiency, or between economic and noneconomic "right actions."³²

10. It is a mistake to omit the pragmatic (workability) dimension

³¹ F. H. Knight, *On the History and Method of Economics*, The University of Chicago Press, Chicago, Ill., 1956.

³² Glenn Johnson and Joel Smith, "Social costs of agricultural adjustment — with particular emphasis on labor mobility," *Problems and Policies of American Agriculture*, Iowa State University Press, Ames, Iowa, 1959, p. 259.

when formulating credit policies. No matter how clearly understood or how factually wise and normatively adequate policies may be, if they do not actually solve the problems for which they were created, they are of no value.

11. Because of the high probability of developing false beliefs (both factual and normative), humility is in order with respect to both value and factual concepts developed in the study of credit problems. Humility is demanded by the values of science, most religions, and of society in general, and is generally an imperative.