

No. in enclosure *file copy* *1754*

Economy and Polity

The political, economic, and legal tactics of the struggle to shape the future organization of the economy; the projected distribution of values; and the consequences of modern developments to the citizen and his government.

Substantive outline of the research

I. A new analytic model of the economy

C A description of the value equilibrium today, going beyond the "market-model" to take in sociological, psychological, and political forces. This dynamic model will incorporate the various economic, propagandistic and ideological, and coercive tactics that play upon economic organization.

II. The analysis and description of contra-equilibrium forces in modern society.

III. The principal tactics of the struggle to redetermine the equilibrium.

IV. The predicted new equilibrium.

P V. Evaluation of the new equilibrium according to several moral systems (by a panel of distinguished civic leaders and by the staff)

VI. The prospects and means of improving IV in terms of the moral criticisms offered through V.

Procedural outline of the research

Y 1st stage: a conference of distinguished civic leaders and scholars to illuminate the many facets of the research and to gain consensus on the problems to be solved.

2nd stage: preliminary research to determine the existing state of knowledge on the subject; to systematize it according to the new theory; and to design the larger study. (Devoted mostly to I above)

3rd stage: research according to the plan of the second stage (Devoted mostly to II, III, IV above)

4th stage: evaluation by a civic panel and by the staff of the existing equilibrium and its predicted development (Devoted mostly to V and VI above)

Estimated Costs of the research

a. Preliminary conference at Stanford University (Stage I) \$8,000.00

b. Stage II. ^{half-time} ~~Full time~~ salary Director of Research, ¹⁵⁰⁰ ~~3000~~ summer and 2 ^{quarters} ~~quarters~~, beginning 1953, Political Scientist 7,200.00 4800

^{Full time summer & full time 2 qtrs}
Same for assistant director (lawyer or economist) 4,500.00
^{3000 2 quarters full time}

Research assistants (2), for same period 3,000.00

Overhead at 40% of salary payments 10,080.00

Total for a and b, which should be executed simultaneously \$32,780.00

c. Stage III. ^{1 June 4} ~~five~~ quarters) March 1954-June 1955 (Director of Research 7200
~~12,000.00~~

Assistant Director (full time, 5 qtrs) 7,500.00

Economist (or lawyer) " " 7,500.00

Research assistants (3 half-time) 4,500.00

Typist-clerk (2nd year only) 3,000.00

Contingencies and travel 3,000.00

Overhead 13,800.00

\$51,300.00

d. Stage IV
Panel (The civic leaders mentioned would preferably be actually taken on as research associates and consultants, whenever possible. Several would not be paid, but allowance should be made to reimburse five persons for six weeks of time at \$1200 plus their travel to and from Stanford University) This work would be performed at the end of the research period for Stage III.

Stipends 6,000.00

Travel 1,750.00

Publication of books and materials 5,000.00

(2 volumes)(It is expected that this sum will not necessarily be spent) \$12,750.00

Total for the whole research program for the 24 month period \$96,830.00

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May 27, 1953

MEMORANDUM TO: Mr. H. C. Cornuelle
Volker Fund

SUBJECT: An Annotated Bibliography of some relevant works:
research program on economy and polity.

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On the different values lying behind men's actions:

- A. Robert Michels, First Lectures in Political Sociology, translated by A. de Grazia. This work gives good theoretical and illustrative materials on the interdependence of economic and political and other value motives in the behavior of men. It is especially good as a critique of the theory of economic determinism.
- B. V. Pareto, Mind and Society. This extensive four volume study, written by great political economists of the early 20th Century, presents a traditional equilibrium theory and attempts to extend it from economics to all of society. In addition, Pareto has many accounts of the struggle among various values for state support.
- C. Leonard Doob, Plans of Men. A very broad survey of the many areas of life in which planning is of importance. A good exposition of the complicated consequences of so-called rational actions. Doob is a psychologist and expert on public opinion.
- D. Samuel Lubell, Future of American Politics. Lubell gives here a fine description of some of the major political forces that are playing upon the political parties and affecting their economic programs. One gets a good sense of the diversity of regional, national, social class pressures.
- E. Harold Lasswell and A. Kaplan, Power and Society. This is the best formal analysis of the basic values for which men strive. It can be applied equally well to several disciplines, including sociology, political science, psychology and economics. From their structure, with certain modifications, one can develop a comprehensive theory to explain human action.
- F. Robert A. Dahl and C. E. Lindblom, Politics, Economics and Welfare. A work, just off the press, that systematically analyzes political and economic theory in an integrated manner. A theory of the price system, hierarchy and leadership, democracy, and bargaining. A glance at this work, published by Harper and Brothers, will reveal well the newer theories and viewpoints that are causing a wholesale revision of political and economic theory.

2. On the general theory of economic and social organization:

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- A. Max Weber, General Theory of Economic and Social Organization. This is a classic description of the structure of large-scale organizations that has influenced political science, anthropology, economics, and sociology. One of the objectives and requirements of the contemplated research program is to prepare a theory of organization - - whether political, economic, or social - - in terms that will be most useful for the assessment of the sources of present pressures and the future development.
 - B. A. F. Bentley, Process of Government. A classic American exposition of the theory that social, economic, and political decisions are the summation of the pressures of all interested groups.
 - C. David Truman, The Governmental Process. An execution of Bentley's design, bringing in latest studies from psychology and politics. An elaborate compendium of interest groups and their activities in the United States.
 - D. Robert Michels, Political Parties. A study of a large number of continental parties in the early 20th Century, from which the author inferred the famous theory of the iron law of oligarchy in all organizations, and described well the tendencies toward bureaucratic behavior in large-scale organizations.
 - E. Peter Drucker, The Modern Corporation. A study of the structure and external relationships of a giant American corporation.
 - F. Kenneth Arrow, On Models in Social Science. An article in Lasswell and Lerner, editors, The Policy Sciences. Arrow here analyzes the problems and uses of this kind of model constructing theory, that will be employed to a large extent in the design of the contemplated researches, particularly the second stage.

3. On the theory of instruments of power:

- A. Charles A. Merriam, Political Power. A general analysis of the means of control in the hands of the state, and especially of the manner in which the state uses its authority.
- B. Pendleton Herring, Public Administration and the Public Interest. How the administrative process in government has been developing in a very complicated fashion, involving the collaboration and struggle among all kinds of interest groups determining public policy.
- C. James Burnham, The Managerial Revolution. A famous theory about the rise to economic and political power of a non-owning, management group on grounds that it has the "know how" to cope with modern problems.

- D. Alfred de Grazia, Elements of Political Science. A systematic general presentation of the principles of political science, including a chapter on pressure groups and interest representation, and a final chapter on the problems of reconciling freedom and planning.
- E. Charles Beard, The Economic Basis of Politics. An historical demonstration of the extent to which the owning class in society wields always a great influence on the political structure and political decisions of the society.
- F. Jacob Viner, "Power vs. Plenty as Objectives of Foreign Policy in the 17th and 18th Centures," One World Politics (1948) 1. An economist shows how the government's concern for national power as well as for prosperity dictated many of the policies that were the basis for economic activity and organization in the early modern period.

4. On the pressures operating on economic organizations in the U.S.A.:

- A. F. A. von Hayek, The Road to Serfdom. An interpretation of modern socialistic and quasi-socialistic movements as invariably producing a loss of liberty. A strong defense of traditional laissez-faire in economic theory.
- B. Ludwig von Mises, Bureaucracy. In this and other works, a German economist contrasts the free enterprise system, assuming the absence of monopolistic and welfare state practices, with the bureaucratic state. Agrees strongly with von Hayek.
- C. Robert Brady, Business as a System of Power. An attack on big business, as producing not only monopolistic practices but also a plutocracy or control of the government by associations of large corporations. Compares American experience with the early stages of Fascism in Italy, Germany, and Japan. As with von Mises and von Hayek, Brady looks gloomily at the future of economic organization, both as to the efficiency of the economy and the mal-distribution of power.
- D. J. K. Galbraith, American Capitalism. He watches the same data as the three men just mentioned, but produces a wholly optimistic conclusion on the future of economic organization in America, feeling that oligopoly is counteracted by labor unions and buyers associations, thus precluding excessive power being in any one group.
- E. R. W. Davenport, editor, U.S.A., The Permanent Revolution. The Fortune Magazine philosophy of economic organization. Agrees to a considerable extent with Galbraith. American capitalism has changed from narrow capitalism to popular capitalism. Individualism is believed to be coming of age.
- F. E. S. Redford, Administration of National Economic Control. A handbook of all the various forms of controls laying in the hands of the many administrative agencies of government.

- G. Alfred de Grazia, Public and Republic. A study of changes in the idea of representative government, including in the second to last chapter an analysis of the representation of economic interests in government.

- H. Frank Tannenbaum, A Philosophy of Labor. Bureaucratic labor analyzed as a stable organizing force in modern America. This would agree with Galbraith.

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