

The Political Economy Of Public Organizations

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The search for a theory of public administration often takes on aspects of a quest for the Holy Grail or a hunt for the mythical unicorn. Public administration theory has meant variously: a search for "scientific principles"; broad ruminations on what phenomena are included within "the field"; and general orientations of students of the subject, both professional and academic.¹

Seldom has theory referred to systematic, empirically based explanations of a phenomenon; a system of related and proven propositions that answer the question "Why?" Though this article cannot begin to present such a theory, hopefully, it does more than issue another pious call for one. It is intended to set forth a framework with roots in organizational analysis that is simple but has enough heuristic power to make its application appealing to a wide range of students of public administration; that can pose questions for those areas still in need of exploration, and conceptually link them with those areas already well defined. A framework that can perform such an integrative role would represent a major step toward explanations of why individuals, groups, or organizations behave as they do in that part of the political system we have analytically abstracted and labeled public administration; and it would tell us something about how that behavior affects public policy. If we can better answer the "why" questions,

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■ A framework is offered for organizing efforts at systematic, empirical theory building in public administration. It uses as an empirical referent public organizations and their analytically defined policy sub-systems.

Public organizations are characterized as engaging in external political exchanges in order to secure legitimacy and basic "life-support." They are also viewed as engaging in external economic exchanges to secure low-cost raw materials, and means of production and distribution.

Internally public organizations can be analytically divided into polity and economy. Polity encompasses activities and behavior relating to the development and definition of agency purpose, including: cadre recruitment and socialization, monitoring the environment, and internal economy and harmonizing the two. Internal economy encompasses those phenomena and activities that relate to effective task accomplishment, including: division of work and responsibilities, allocation of resources, and maintenance of an incentive system.

Hopefully such a framework can unify the fractionated field and move us toward systematic empirical theory.

we can also answer better the "how to do it," or the "what should be done" questions that have been so important to the field in the past.

Needless to say, we feel no such framework currently exists. A consensus approach to theory building is needed that can integrate knowledge not only within the field, but from different disciplines; one that focuses on the study of *public* rather than general administration, and therefore has organic links to political science and policy analysis, as well as to organizational sociology.

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The Prior Question: Is There "Public" Administration?

After decades of debate, public administration theory is still mired down in debate over whether a meaningful distinction can be made between public and private administration. While granting that to understand the political system, it is necessary to understand public agencies, some argue that for those interested in administration-*qua*-administration, the distinction is counter-productive since it obscures important similarities. Others contend that even if the aim is to understand the political system, it is still possible to assume all administration is the same, and merely "plug in" variables and concepts borrowed from the study of private management.

Our position is that public organizations have distinctive characteristics which make it useful to study them in a separable but interrelated discipline. If we seek to understand public agencies and treat some aspect of them as dependent variables, we find that they are subject to a different set of constraints and pressures than private ones. Specific variables take on different weights in the public sector. If one treats public policies and the agencies that shape and execute them as *independent variables* affecting political effectiveness and legitimacy, he will need an understanding of public organizations quite different from that necessary to understand the effectiveness and legitimacy of private organizations.

A government is a system of rule, distinctive from nongovernmental institutions in that: (1) it ultimately rests upon coercion and a monopoly of force, and (2), if legitimate, it symbolically speaks for the society as a whole, or purports to do so. From these fundamental features flow definitions of membership, rights, expectations, and obligations in relation to the state and its agencies. Citizens and ruling elites both feel they have different "rights" and "expectations" with regard to the FBI than they have with General Motors.

The public organization is more dependent upon funds influenced by political processes or agents. The recipient of services is usually not the immediate funder²; and the taxpayer finds it hard to discern linkage between his taxes and any benefits accruing from organizational output. The price-utility relationship is lost, and political considerations not found in the marketplace result. When, for example, the British National Health Service decided to charge for prescriptions, the

issue was raised in the House of Commons.

Public administration is also distinctive in the crucial role played by public organizations in shaping and executing public policy, of visibly rewarding and depriving the name of society. Some organizations and their processes contribute to certain policy outcomes, and others facilitate different outcomes. Current concern over policy analysis calls for a theory of public rather than general administration; a theory that can be focused on the consequence of organizational structure and process for policy development and implementation. The abilities, problems, and limits of agencies in developing and carrying out policies are part of the process by which allegiances and regime support are shaped and effected.

These distinctive aspects of public organizations—symbolic significance, differences in funding, perceptions of "ownership" or rights and privileges, and resulting resource constraints—and the relationship of public organizations to public policy point to a potential unity and intellectual coherence in the field of public administration that will be useful for both analytical and normative purposes.

The Political Economy Approach

Granted that the phenomenon called public administration evokes some relatively distinctive concerns, can the previous approaches to the subject which have come from a variety of sources and disciplines be unified and integrated? Elsewhere we have reviewed and criticized such approaches.³ The political economy approach draws strongly upon the literature of "organizational analysis" or "complex organizations" (as contrasted with scientific management, bureaucratic analysis, or human relations approaches).

Organizational analysis has been most useful to us because it treats organizations as social systems—dynamic, adapting, and internally differentiated—eschews the search for a "one best" model of organization, and has been non-normative, or at least accompanied prescriptions for effectiveness, with contingency statements.⁴

Since it is a structural-functional approach, organizational analysis has tended to treat the full range of social system processes—recruitment and socialization, authority and control patterns, conflict and tension resolution, role conflict, goal adaptation, management processes, technology of task accomplishment, and adaptation to environ-

ment—as ongoing processes of an integrated social system. This breadth of approach, however, is also one of its limitations. Analysts alternately claim the greatest heuristic and analytic leverage lies in goals, communications, raw materials and technology, socialization, etc. There has been little agreement about what are the most important variables accounting for structure and change. The political economy framework, however, tries to overcome this weakness by focusing attention on precisely such key variables.

The phrase “political economy” has a long history and several different meanings. It once meant that relationship of government to the economy which promoted a competitive marketplace and thus produced efficient allocation of resources and production. Modern welfare economics uses the phrase in a normative sense to refer to the quest for that policy alternative benefiting most people at least cost. The late 1960's saw the development of a variety of techniques for analyzing policy options. We use the phrase descriptively as the interrelationship between structure of rule (polity) and a system for producing and exchanging goods and services (economy).

We suggest that just as nation-states vary in their political economies—their structure of rule authority, succession to high office, power and authority distribution, division of labor, incentive systems and modes of allocation of resources—so, too, do organizations. And political-economic variables are the major determinants of structure and change.

Throughout this article the term “political” will refer to matters of legitimacy and distribution of power as they affect the propriety of an agency's existence, its functional niche (in society, political system or policy sub-system),⁵ its collective institutional goals, the goals of the dominant elite faction (if they vary from institutionalized goals), major parameters of economy, and in some instances the means of task accomplishment (if the task is vague enough to raise value questions or if values change sufficiently to bring established means into question).⁶

“Economic” refers to the arrangement of the division of labor and allocation of resources for task accomplishment and maximization of efficiency; and the combination of factors affecting the cost of producing and delivering a given level of services or output.⁷ If goals are well-established and means routinized, an organization becomes

largely an administered device, an economy.

An organization's political economy can be analytically divided into internal and external aspects.⁸ Analysis of the external political economy focuses on the interaction of the organization and its environment.

External Political Environment: Structure and Interaction

Traditional and neo-classical writings in public administration have tended to treat both external political and economic factors as given, beyond the scope of public administration theory. For us they are central concerns in efforts to develop dynamic analyses because so many of the pressures for change occur in the external environment.

Public organizations exist in an immediate environment of users and suppliers, of interested and disinterested “others.” Together, the organization and its relevant others make up a policy subsystem; an arena of individuals, groups, and organizations affected by and interested in influencing, a policy for which the organization has prime responsibility and concern. These relevant others include a variety of actors in and out of government: interest groups, competing public organizations, legislative committees, control agencies. They may be competitive, hostile, overseeing, etc.; regardless, a policy subsystem shapes the conditions of existence for an agency.

An external political structure represents the distribution of sentiment and power resources among an agency's relevant others, i.e., opposition or support to the agency, its goals and programs. The distribution of sentiment and power is a reflection of: the dramaturgy or emotive element in the public organization's operations; its perceived expertise; the degree to which its impact is felt; the breadth (number of groups and individuals affected or interested) of its relevant others; the intensity of their interest; the resources they can bring to bear in exerting influence, and their ability and willingness to use resources.⁹

Sentiment distribution alone offers only a partial description of an agency's political environment. The power resources of actors, their willingness or ability to use them, and their skill in building coalitions also represent an important part of the equation. Some actors have intense interest but are relatively powerless, e.g., prisoners *vis-à-vis* the U.S. Bureau of Prisons; others have power resources but fail to use them because of political costs or internal conflicts over which

action to take. Thus, sentiment patterns are weighted by the power resources and capabilities of relevant others.

Nor do public organizations merely accept the existing sentiment and power distribution; they also manipulate it with varying degrees of success. Administrators try to routinize the controversial by obtaining an equilibrium of interests, by benignly institutionalizing their environments.¹⁰ The task is never complete, for the equilibrium can be upset by administrative error, changes in influence patterns and technology, or the suddenly negative attention of a latently powerful actor, e.g., the U.S. Tea Tasting Board's "discovery" and proposed abolition in 1970, or the CIA in the aftermath of the Bay of Pigs fiasco.

External political structures tend toward rigidity. Change does not come easily in a public organization or its policy subsystem either by dint of its manipulation or impingements of the environment. Goals and procedures may be frozen by conditional patterns of support and hostility. A press for change mobilizes opposition. The incentive system of public organizations seldom works for change. A change agent must generate issues, mobilize a coalition of forces, and gain the support of key proximal others in a policy subsystem. Though difficult, change does occur through interaction and political exchange. Political exchanges result from conscious efforts of: (1) external actors to affect a public organization's niche and related goals; or (2) an agency to manipulate its relevant others in order to alter its legitimacy and the order of magnitude of resources, and thus its overall goals and direction. The effects can thus alter niche, the general functional goals related to it, internal political patterns, processes of task accomplishment (if they involve legitimacy), and even survival.

When we think of the external political interactions of an organization and its environment, most of us think of the obvious, such as the Nixon Administration's efforts to subtly shift the goals of the Civil Rights Division of Justice and the Office of Civil Rights for HEW from zealous pursuit of desegregation in the South to a diverse nationwide approach of lower intensity, less inimicable to the growth of Republicanism in the South.¹¹ But this is the obvious. The more subtle and on-going source of interactions are the efforts by the executive cadres of organizations to alter their own domain or that of their neighbors, and thus alleviate uncertainty. Domain may include claims

on future functional-level goals and the requisite resources to achieve them as well as those presently held.¹² In this on-going political interaction over niche or domain, agencies vary along several dimensions in their sensitivity to political impingements and capacity to manipulate.

Goals, Ambiguity and Clarity. Where goals are clearly defined and subject to surveillance, an agency like the Social Security Administration may be left little room for choice or maneuver in goals, program objectives, and perhaps even means of task accomplishment. But if goals are ambiguous or multiple, an organization's elite may press for one definition or another and, within the bounds of political feasibility, allocate resources internally in pursuit of this choice (correctional institutions: treatment or custody).

Surveillance. Some agencies effectively avoid scrutiny by superiors and other external actors. The CIA with its budget hidden in other departments' appropriations, is the most notable example. But ambiguity of goals, hidden missions, or simply overwhelming complexity of programs and accounting information also hinder effective surveillance and diminish sensitivity.

Centrality of Values. If a public organization is perceived to fulfill a central value of the political culture, its autonomy is enhanced as long as it does not drastically alter niche goals. If the agency loses effectiveness, surveillance increases and autonomy declines. A state fire marshal's office charged with ensuring fire safety in schools, institutions, and public buildings may hardly be reviewed until a tragic fire occurs.

Personnel and Funding Allocation. Not all agencies are equally subject to influence by external and superior actors in the matter of funds and personnel. Special, strategically placed allies like a chairman of an appropriations subcommittee can help or hurt them in terms of financial support. Or those operating on users fees, trust funds, or special funds may enjoy greater freedom from surveillance by superiors than those operating from general funds, though they are subject to special scrutiny from the clientele from which the revenues derive.

Public organizations have a relative lack of control over executive appointments. Central budget and personnel offices often have "position control" over personnel. But the nature and extent of this control varies. Some terms of appointment are long, and in the case of many boards they are staggered. Other agencies at the state level are

headed by elected officials, which gives them a strong base of autonomy.

The Structure of Support and an Established Feed-Back Loop. Autonomy increases if an organization offers a well-received product to efficacious clientele who are able to influence key, proximal others. They, in turn, enlarge the organization's share of resources and legitimacy. This requires the right balance of numbers, geographic dispersion, and of efficacy. Sometimes this means the establishment of advisory committees, propaganda aimed at relevant others, news media, and mass public, or even the actual organization of interest groups by the agency.

Political interactions and exchanges take place between an agency and relevant others at its boundary. Transactions involve such outputs as strategically timed withholding or providing of products or services, "leaks" to news media, providing of information to allies; and such inputs as interest group demands, demands of a chief executive, influence of an appropriation subcommittee chairman. Inputs or outputs are political rather than economic if they are of sufficient magnitude to alter niche, overall goals and direction, the order of magnitude of resources, or major economic parameters.

Economic Environments and Exchanges

An examination of a public organization's economic environment requires an analysis of costs and behavior necessary in obtaining factors of production and exchange of output at organizational boundaries. It means emphasizing what in the private sector would be called "industry structure," markets, and the elasticity of supply and demand. Special attention must be given to the degree of "industry concentration," the relationships among competitors, distinctive aspects of technology, supply of raw materials and labor, and "markets" or factors affecting the distribution network for outputs.

The industry structure of public organizations is generally ignored on the assumption that they have monopolistic or oligopolistic status. But many have competitors among other agencies and in the private sector as well. In addition, the supply and prices of the factors of production for public organizations are directly affected by events in the economy at large.

However, many phenomena which might be treated as economic in the private sector must be treated as political-economic in the public sector.

Demands are aggregated, filtered, and channeled through the budget process and an agency's policy subsystem, as questions about the legitimacy of spending public funds for certain purposes are raised and as its resource needs are thrown into competition with others. The process is pronounced in the United States with its strong separation of executive and legislative functions and its weak party system, but is also found elsewhere.

The lack of market controls for a public organization and the corresponding lack of efficiency incentives have led to elaborate accounting and budgeting controls in an effort to simulate market functions. Contract clearance, position control, independent audits, control of category transfers, competitive bidding, apportionments, cost-benefit analysis, and performance budgeting are devices for controlling cost and registering preferences. Often these are purely instrumental and economic in nature, but the analyst must be aware of their political ramifications as well.¹³

The cost curves of producing and delivering a public organization's product vary considerably and can become political in nature. The steep costs of putting in a new weapons system for deterrence or damage limitation may trigger a national debate over national priorities, the risks of attacks, etc. In contrast, political crises over school costs are slower to develop because they rise incrementally rather than in "lumps" that might mobilize opposition.

What, then, is treated as strictly an external economic exchange for a public organization? Economic exchanges are neither intended to nor do they actually affect niche, functional goals, order of magnitude of resources, or major economic parameters; rather they are designed merely to implement established goals and tasks, and are seen as legitimate by both the dominant coalition of an organization, its opposition, and by relevant others. Government agencies, for example, bargain over price and quality of certain elements of production, but do so without conscious effort to manipulate their environment politically.

Often economic considerations are ignored in the literature of public administration because of a failure to conceptualize public organizations as obtaining raw materials from an economic environment and processing or converting them into products offered to consumers.¹⁴ Even public organizations which we assume have highly charged political environments have established

some niche and carry on some "production" that no longer raises questions of legitimacy. For example, the Joint Chiefs of Staff produce "products" like advice to the Joint Staff, translation of policy into strategic orders, decisions on weapon systems and force level priorities that we normally fail to recognize as products. Many of the JCS's products resemble those of a private consulting firm. They are produced by collating information and beliefs (the raw materials) through "technologies" of debate, compromise, defined disagreement, suppression of the source of raw materials, delay in processing, ambiguous decisions, agreement not to disagree, and technical loyalty to the Administration but covert disloyalty. Some products like decisions on weapon systems have definite political effects, but many of them, like advice to the Joint Staff, no longer raise questions of legitimacy and are most meaningfully seen as economic¹⁵ because they are relatively routine. If public organizations are viewed as procurers and processors of raw materials, and offerers of products at their boundaries, then their external economic exchange (and internal economic structures) become more readily apparent.

General economic and manpower pictures can also affect a public organization. Full employment and inflationary economy make it more difficult for public organizations to recruit personnel because of their lower status and lag in pay scales. The costs of public organizations are closely tied to labor rates because they produce services rather than manufactured goods, and it is difficult for them to substitute machines for labor. As wages rise, public costs spiral. Workloads also respond to economic and manpower outlooks. Some workloads rise as the economy declines, e.g., welfare and unemployment insurance agencies; while that of others, like Selective Service, declines as unemployed men volunteer and lower draft calls result.

Broad and diffuse changes in demand are also economic and are so perceived by agencies, e.g., the increase in camping that has vastly changed the National Park Service. Similarly, technological changes are usually perceived as economic, though they may drastically alter an agency and its exchanges with its environment—Internal Revenue Service and computers; the Army and helicopters.

Public organizations seek to manipulate their economic as well as political environments. Competitive bidding and mass central purchasing are obvious examples; but cost-plus-fixed-fee con-

tracts, grants, loans, and leasing out of capital assets are all methods used to overcome hesitancy of contractors and suppliers.

Public agencies exist in a web of political and economic exchange structures that shape long-run functions and directions of change, as well as short-run interactions and concerns. Changes in societal values and the values of relevant others can alter an agency's functional goals and legitimacy, while cost factors and the pattern of "industry structure" affect its ability to accomplish task. Public administration must be able to analyze agencies' environments in order to predict change, and an understanding of public policy and changes in it calls for a political economy analysis of the organizations that are prime actors and relevant others in a policy subsystem.

Internal Political Structure and Process

The internal policy refers to the structure of authority and power and the dominant values, goals, and ethos institutionalized in that structure. The executive cadres of agencies may have their range of domain options more limited by statute and oversight than is true of private organizations. But because statutes are vague and extraordinarily complex, and because oversight is imperfect, there remains room for interpretation that marks the political function. Executive cadres also come to identify with the agency, its ethos and goals, and its long-range survival, growth, and status in a way that is more than merely utilitarian. Because public organizations are involved in pursuing commonwealth values, cadres are likely to see their agencies as embodying high purpose. This infusion of an instrumental structure with values that give it purpose other than task accomplishment (maintenance, survival, aggrandizement) provides another fundamental basis for political functions.¹⁶

Four major political functions of the executive cadre can be identified: (1) developing and defining agency mission, ethos, and priorities; (2) developing boundary-spanning units and positions to sense and adapt to environmental pressures and changes; (3) insuring recruitment and socialization of agency elite to maintain coherence and pursuit of goals; (4) overseeing the internal economy, harmonizing it with shifts in niche or goal properties.

The four polity functions are initiated and carried out by executive cadres to insure survival, growth, and adaptation. Sometimes they are less

than successful: goal consensus among cadre is seldom perfect; adequate boundary-spanning units are often not established; elites are improperly socialized; and internal economies are sometimes poorly monitored. To some extent the manner in which cadres perform these functions is dependent upon the shape of the internal political structure as it varies along several dimensions: (1) constitutions, (2) degree of goal consensus, (3) unity of authority, (4) patterns of subunit power, demand aggregation-articulation, and conflict resolution, and (5) patterns of leadership succession and cadre maintenance.

Constitutions. The constitution (written or unwritten) of any social group consists of the basic norms involving the ends and means of power—conceptions of legitimate purposes and of legitimate ways of wielding authority in pursuit of them.¹⁷ They determine the types of incentive exchanges existing or possible for an organization, i.e., time, energy, and commitment it can expect from different members and what rewards they expect. If norms of exchange are weak or non-binding, an organization's polity tends to be fragile. For example, if its exchange system is solidly utilitarian, it will find it difficult to survive a crisis requiring near total commitment of its cadre, unless utilitarian rewards can be made extraordinarily high.

Constitutional norms also indicate the range of discretion and decision responsibilities for organizational elite and mass. For example, the keystone of Selective Service's constitution historically was "local board autonomy." This established roles in hierarchical interaction over cases. Quiet but intense daily struggles occurred in operationalizing the norms, but always within constitutional parameters. Such norms also set parameters for the relationships between an organization and its relevant others. To whom is it responsible or responsive, and under what conditions? Is the Corps of Engineers more responsive to presidential policy guidelines on ecology or congressional demands for pork barrel projects?¹⁸

Constitutions specify the political foci of collective actions, i.e., the matters within or without its area of concern—domain, clientele groups. Often they prevent adaption of a new assigned function because of inability to give the proper attention.

Goal Consensus. Few public organizations have total cadre unity over purpose and general direction; moreover, they are often vulnerable to

divisiveness from external political influences. But usually there is a prevailing coalition (perhaps supported by outside actors) with its own *Weltanschauung*. Factionalism crises arise from sources like empire building by units, ambiguity of statutory mandate, influences of external actors, lack of cadre homogeneity, operations that must span wide areas, and tasks that are complex, vague, or diverse.¹⁹

Unity of Authority. Some organizations have goal consensus but a splintered authority structure; not all have a singular head and a unitary chain of command. Most obviously, boards and commissions are structures fostering factionalism, coalition patterns, and pursuit of multiple goals. Other organizations represent a conglomeration of functions thrown together by fate and congressional whimsy. A federated authority pattern often results.

Patterns of Sub-Unit Power, Demand Aggregation-Articulation, and Conflict Resolution. Because they are usually responsible for different goals or phases of task accomplishment, sub-units develop differing interests, and their power capabilities differ because of: their essentiality to accomplishment of overall goals, or epitomization of organizational mission; their access to and influence over information and communications (internal and external); or the support they marshal from the general public or powerful in-contact others.

Internal politics differ in the way demands of sub-units, lower-level membership, or elite factions are patterned. Many of the demands themselves are of an instrumental or economic nature, but the particular *patterns* followed are a reflection of internal polity, for they shape direction, goals, and functional niche. The patterns determine responsiveness to change, vulnerability to pressures, indeed survival capacity. Patterns are shaped by sub-group identity and cohesion, perceived grievances, and the costs and benefits of expressing them. Some public organizations are unionized and face strike threats, others have elaborate employee associations that lobby, a few have lower-level members that are so dispersed and fractionated in their interests that scarcely any demand pattern emerges, and in still others the costs of expressing demands or grievances are so great as to militate against pattern emergence. The inability of an organization to handle demands and resolve conflict at lower levels vitally affects its direction and existence.²⁰

Leadership Succession, Cadre Recruitment, and Socialization. The formal structure of the executive cadre, appointment power and criteria for dismissal, promotion, and transfer are often set for an agency by external political forces. Still, some discretion remains. What appears to be the external imposition of a procurator is often an established pattern that also reflects internal forces. Appointments of political executives must satisfy expectations of organizational elite as well as those of relevant others (unless outside powers are trying to bring about drastic change). Succession patterns may take several forms: a "crown prince" system with an anointed successor; a "stand-off" or consensus successor wearily agreed upon by intensely conflicting factions; a "new majority" and clandestine coups; or a discontented sovereign outside the organization may send a procurator.

Public organizations do not merely tap into civil service pools for cadre. Cadre recruitment and socialization follows definite patterns in each organization. The State Department cadre is drawn heavily from "prestige" universities and socialized into a "gentlemen's club," while the Department of Agriculture draws upon land-grant colleges, and the military intensely socialize in academies. Organizations find ways of being selective about cadre either in recruitment or socialization.²¹

Public administration has not yet begun to provide the concepts and schemas for analyzing the rich variations in internal politics of organizations—the widely varying ways in which the authority relating to overall goals and directions of an agency is organized.

Internal Economy

At the heart of every organization is a "sub-organization whose 'problems' are focused upon effective performance of the technical function." The main concern of persons filling the cluster of roles in the internal economy are: the "exigencies imposed by the nature of the technical task";²² problems growing out of the nature of the raw materials to be processed; the division of work and responsibilities so that the cooperation required for task accomplishment is forthcoming; and allocating resources and maintaining an incentive system to efficiently accomplish tasks. Public organizations, like private, must coordinate behavior and allocate resources in order to produce an output which satisfies relevant others.

It is the internal economy in which the broader

technological aspects of the organization are concentrated, where instrumental and efficiency norms take precedence over legitimacy. In this realm, role incumbents are likely to see problems of overall direction and survival as "someone else's business."

Buffering and Nourishing the Technological Core. Organizational politics seek to protect and insulate the technological core from external contingencies that would disrupt task accomplishment. They do so because they are established to accomplish tasks, and efficiency concerns are thrust upon them by scarcity, goal achievement drives, budget constraints, or output evaluations. Efficiency efforts can bring about major changes, a possibility that links internal economy to both internal and external political concerns. The quest for efficiency leads to efforts to buffer out disruptions of constant and routine affairs by smoothing input and output flows, or by forecasting fluctuations and scheduling adjustments.

Buffering can be done in some organizations by "stockpiling," preventive maintenance, or an extension of organizational jurisdiction and operations to encompass crucial contingencies. An example of the latter is public organizations like narcotic rehabilitation centers which seek to change people. Often they seek to induct the raw material so as to better monitor it, control it, or cope with contingencies.

One means of nourishing the internal economy is to expand clientele. An agency that applies standard techniques to large populations may have considerable slack resulting from putting in new technology or equipment, e.g., automation of a records system is done with machinery designed for existing load *plus* future growth. The resulting slack may be a temptation to enemies or an embarrassment to the organization that motivates client expansion. Sometimes slack is handled by diversification of functions to avoid charges of waste.

Not all agencies can protect their technological core. To the extent they cannot, they lose economies of scale, lose advantages of specialization, incur high coordination costs, and run risks of collecting bad accounting information.

Task Structures. Structure within the internal economy refers to the patterned interaction of sub-units and roles in accomplishment of organizational tasks. Classical public administration theorists like Gulick and Urwick sought to discuss how work should be organized (purpose, process, clien-

tele, or area). Neo-classicists like Simon convincingly showed that their predecessors had no firm answers, but their work too was more directed at "how" to organize to obtain "correct" decisions than it was at explaining "why" task structures follow the patterns they do.

To the extent that norms of efficient task accomplishment prevail, (a matter to be settled empirically in each case) the basic dimensions of hierarchy and coordination in an agency's internal economy are laid down primarily by raw materials, technologies, and task dimensions.²³

Within the basic dimensions, however, task structure is further elaborated by: (1) the variety of "products" offered by the organization (the Department of Commerce offers everything from commercial statistics to weather forecasts); (2) the scope of operations necessary to deliver a product (in order to develop the Tennessee River and its tributaries, TVA must do everything from build dams to produce fertilizer); (3) the degree of geographic dispersion (TVA and the Corps of Engineers have similar scopes of operations and products to deliver, but the Corps is much more geographically dispersed); and (4) by the particular nature of role interdependencies requiring role clustering at different hierarchical levels in order to reduce coordination costs.

The internal economy is thus an arrangement of authority and power, but on the level of instrumentality and efficiency rather than on the level of legitimacy and survival—the economic aspects of authority rather than the political. One affects the other and the two power structures may be one and the same, with role incumbents merely acting out different facets of their multidimensional roles. But they *do* make the distinction and it is observable in their behavior. Nor is it a distinction confined to certain types of political systems. Both parliamentary and revolutionary regimes, for example, may recognize the distinction between political and technical functions, e.g., the Red Army.

Resource Allocation and Incentive Systems. Budgets and accounting systems are means of allocating resources within the internal economy. They are vital mechanisms for maintaining the level of activity and types of cooperation necessary for efficient task accomplishment.²⁴ Accounting systems record variable data which communicate trends in efficiency, effectiveness, inter-unit comparison, etc., to organization elite concerned with internal economy.²⁵ For example, a

new division assigned a crucial function for the first time may incur unexpectedly heavy costs, indicating a need for change in task structure or drastic upward revision of appropriation requests. Resource allocation needs to be looked at as a key part of internal economy: a compounded function of traditional rules, intergroup bargains, mechanics for deciding economy conflicts, and elite perception of new areas for opportunity.

Within the internal economy, incentives are allocated to motivate performance. They may be symbolic, monetary, or nonmonetary (status, interpersonal), and vary not only in the "needs" they fulfill but in their delivery rate, tangibility, divisibility, and pervasiveness. Organizations have different stocks of incentives to draw on: the Peace Corps uses psychic incentives; the Post Office, monetary and security; and Selective Service uses symbolic and psychic incentives. A major organizational change often entails a change in the incentive system.

In the rush to study "politics" of bureaucracy, political scientists have left analysis of internal economy to business administration, organization analysts studying the private sector, or Bureaus of Public Administration (viewed by universities as community service agencies). But the subject requires more serious attention in broader perspectives. Alterations in internal economy can be a major source of change, setting off an internal polity struggle or fundamentally altering an organization's relation to its environment.

Is the Approach Useful?

The political economy approach can only become a true paradigm for empirical theory building if it can (1) help unify the fractionated fields that are related to public administration, (2) contribute to traditional and emerging concerns of scholars in those fields, and (3) at the same time merge the strengths and move beyond the weaknesses of each. In conclusion, let us briefly indicate how our framework might contribute to these goals.

Each of the traditional concerns of public administration dealt with a key aspect of organizational political economies, but in a piecemeal and normative fashion and without conscious conceptual distinction between political and economic matters. Scientific management was, and a substantial part of the field today remains, concerned with structuring the task environment for

efficiency—a matter of internal economy. Students of budgeting from the Taft Commission of 1912 to the PPBS of today have placed most of their emphasis on budgeting as a surrogate market mechanism. Only recently have the political aspects of the subject been acknowledged or effort made to sort out whether “reforms” are having political or economic effects. Similarly, personnel administration has gone through one trend after another from the great civil service reform to the more recent “decentralization” moves. Always students of public administration played more of a participant role than one of analytical observer, and seldom did they differentiate between political and economic matters. What has been most lacking is a focus upon an empirical entity—the public organization as a key actor in a policy subsystem.

Even if the American students of public administration become less reform-minded and interventionist, this seems unlikely to hold for persons studying “developing administrative systems.” Many of these persons are taking up these concerns with fresh zeal. But it would be unfortunate if the same pitfalls experienced by the field in America were to be repeated. To avoid past mistakes these subjects must be approached in a broader and less normative way. The concerns of “interventionist-practitioners” are spotlighted by our framework as internal economy matters. An effort by them to apply the framework objectively can result in dividends. Their work will be better informed of the interaction between political and economic variables, and assuming the framework aids theory development, and advances toward answers to “why” questions, there will also be better answers to the “how to” questions. The unintended consequences of the many reforms or counter-reforms, and the political-economic costs and benefits that ensue would be made clearer.²⁶

The framework could also be useful in a new concern bordering the field of public administration—policy analysis. Recent efforts have focused on systemic inputs; but this focus has left the field considerably short of explaining why certain policies take the particular patterns they do. This “input” approach of Dye and others has tended to show high correlations between economic development variables and policy outputs in certain areas; but low correlations between the outputs and so-called political variables.²⁷ The results are provocative but explain little, for the research has defined politics too narrowly (voter participation,

party competition, degree of malapportionment). The entire realm of interplay in policy making between public organizations and their relevant others has remained untapped. Policy is made at the nexus of politics (particularly micro-politics) and economics. Economic development merely provides the resource backdrop for such policy making. A more thorough analysis must penetrate the organizational and policy context in which policy is made, and the political economy framework could prove useful.

The framework may also make a contribution in political analysis of regimes. Such analysis has sought to find out who is behind certain policy and government action. The answer in more cases than has heretofore been acknowledged is not necessarily a power elite, voters, or a consensual outcome of plural elite struggle, but an organization and its particular political economy needs; or an individual actor playing a role defined by his organizational membership, his organization's processes, or its place in a policy subsystem. Policy then, is as much, or more a product of the political economy of conversion structures within the interstices of the system's “black box”—as it is of pressures or inputs from outside.

Analysis has seen actions of government as a chess game with pieces moved by “outside forces,” i.e., “the people,” “the power elite,” or a squabbling team of plural elites. But perhaps we need to think of them moving as a result of “internal forces,” as though each piece has a set of wheels, internal motor, sensory devices, miniature computer and guidance system. That is to say, it may be moved by outside forces or players, but it also moves in response to its own environment reading and its own internal dynamics. Imagine also that each piece's ability to “read” environment responsively, and its repertory of responses, are limited and conditioned by political and economic factors.²⁸

To carry things further, picture all of the above conditions plus the fact that as observers we can see only one game board, but that each piece is playing in several other unseen games; and further that the game boards overlap in a variety of ways. Accordingly, the visible self-directed piece, unbeknownst to us, is moving in several games at once, playing out strategies dictated by differing locations on each game board. A particular organizational move may be a function of simultaneous calculations in several different games.²⁹ The visible move may or may not be a conscious,

coordinated synthesis of the different game strategies. Thus, public organizations are not merely important actors in a policy process; often their goals, myths, processes, procedures, or domain consciousness in effect "make" policy.

Utilization of the political economy framework could be not only a serious step toward developing a systematic empirical theory of public administration, but could also contribute to development of important areas of study in both political science and sociology. It would be a useful enterprise, however, if it contributed to any one of these goals.

Notes

1. Martin Landau, "Sociology and the Study of Formal Organization," in CAG Special Series No. 8, Washington, D.C., 1966. His description of a preparadigmatic field should be uncomfortably familiar to students of public administration. See p. 38.
2. Some public organizations such as the Post Office are funded by customers, but there are still differential costs and benefits, and rates are subject to political constraints.
3. Wamsley and Zald, *The Political Economy of Public Organizations: A Critique and Approach to the Study of Public Administration*, forthcoming. Previous work on our framework can be found in Mayer N. Zald, *Organizational Change: The Political Economy of the YMCA* (Chicago: University of Chicago Press, 1970), and in his essay "Political Economy: A Framework for Comparative Analysis," in Mayer N. Zald (ed.), *Power in Organizations* (Nashville: Vanderbilt University Press, 1970), pp. 221-261.
4. Prominent among the contributors to the literature of organization analysis are the works of Philip Selznick and his students upon whom we draw heavily. Representative of other "strands" are the works of Alvin Gouldner and Peter Blau and their students.
5. The concept of niche is borrowed from studies of biotic communities in which each organism has a niche in an interdependent and symbiotic relationship. Similar and used interchangeably is the concept of "domain." See Sol Levine and Paul White, "Exchange as a Conceptual Framework for the Study of Interorganizational Relationships," *Administrative Science Quarterly*, Vol. V (March 1957), pp. 444-463.
6. Even tasks performed by lower functionaries can become political if values within and without the organization are affected by the discretion they wield. Performance of a vague task may define values, or a long-established pattern of task accomplishment may run afoul of changed environmental values.
7. More than a few economists will be unhappy with our definition. Modern analytic economics tend to focus on maximization and resource allocation. Our definition includes them, but focuses on the structure of the economy, the extent and limits of differentiation and coordination.
8. If our framework focused solely on *internal* political economy the phrase "political-administration" or "political-managerial" might suffice, but it is also important to describe the structure of the *external* economic environment.
9. Rourke, *Bureaucracy, Politics and Public Policy* (Boston: Little Brown, 1969), chapters 2, 3, and 4.
10. For example, see Gary L. Wamsley, *Selective Service and a Changing America* (Columbus, Ohio: Chas. E. Merrill, 1969), chapter 7.
11. See L. E. Panetta and P. Gall, *Bring Us Together: The Nixon Team and Civil Rights Retreat* (New York: Lippincott, 1971).
12. Levine and White, *op. cit.*
13. Aaron Wildavsky, "The Political Economy of Efficiency, Cost Benefit Analysis, Systems Analysis, and Program Budgeting," *Public Administration Review*, Vol. XXVI (1966). For examples of accounting becoming "political," see Thomas J. Anton, *The Politics of State Expenditure in Illinois* (Urbana: University of Illinois Press, 1966), pp. 46-47, 69-70, 203-204.
14. See Charles Perrow, "A Framework for the Comparative Analysis of Organizations," *American Sociological Review*, Vol. XXVI (1961).
15. The JCS operate in a highly competitive milieu. Their legitimacy depends on an occasional product acceptance. They not only act as a "consulting firm" but a "coalition of normally competing firms." Each member (except the chairman) plays a role as representative of his service as well as a collegial role. Example based on analysis as of early 1960's.
16. Selznick, *Leadership in Administration* (New York: Harper & Row, 1957).
17. In public organizations, constitutional analysis begins with statutes, promulgated regulations, and various memoranda. Also revealing are: documents describing the organization to outsiders or new members; histories written by members; or situations in which there has been a violation of a constitutional norm, conflict, or withdrawal of resources.
18. Arthur Maas, *Muddy Waters: The Army Engineers and the Nation's Rivers* (Cambridge: Harvard University Press, 1951), p. 63.
19. See Anthony Downs, *Inside Bureaucracy* (Boston: Little Brown, 1967), pp. 224-226.
20. Public administration theory lacks a typology of conflict resolving mechanisms within agencies paralleling knowledge of those in the society and legislative arenas. A good beginning, though not applied directly to public organizations, is found in James D. Thompson, "Organizational Management of Conflict," *Administrative Science Quarterly*, Vol. 4, No. 4 (1960), pp. 389-402.
21. See Harold Seidman, *Politics, Position and Power* (New York: Oxford University Press, 1970), pp. 113-114.
22. James D. Thompson, *Organizations in Action* (New York: McGraw-Hill, 1967), p. 10. This section draws on Thompson and Charles Perrow, *op. cit.*

23. For a discussion of the types of technologies see Thompson, *op. cit.*
24. They may also be used in polity struggles to reward and punish and bring about change. Here we single out their economic importance.
25. They also transmit information that may be used politically to cadre factions and other actors in the policy subsystem.
26. But caution is needed in applying organizational analysis to societies with quasi-organizations or in which organizations are "fronts" for other social groups. See Fred W. Riggs, "Organization Theory and International Development" (Bloomington, Ind.: Carnegie Seminar on Political and Administration Development, 1969).
27. Thomas R. Dye, *Politics, Economics and Public-Policy Outcome in the American States* (Chicago: Rand-McNally, 1966).
28. Graham T. Allison, "Conceptual Models and the Cuban Missile Crisis," *American Political Science Review*, Vol. LXII (September 1969), pp. 689-718.
29. Norton E. Long, "Local Community as an Ecology of Games," *American Journal of Sociology*, Vol. 64, pp. 251-261.

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Political economy is the study of production and trade and their relations with law, custom and government; and with the distribution of national income and wealth. As a discipline, political economy originated in moral philosophy, in the 18th century, to explore the administration of states' wealth, with "political" signifying the Greek word polity and "economy" signifying the Greek word "okonomie" (household management). The earliest works of political economy are usually attributed to the British. This volume examines the major trends in public finance in developed capitalist countries since the oil crisis of 1973. That year's oil shock quickly became an economic crisis, putting an end to a period of very high growth rates and an era of easy finance. Tax protests and growing welfare costs often led to rising debt levels. The change to floating exchange rates put more power in the hand of markets, which corresponded with a growing influence of neo-liberal thinking. These developments placed state finances under considerable pressure, and leading scholars here examine how the wealth