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 wrestled variously with the demand for "scientific principles"—breadth of examination of what phenomena are included within "the field," and general orientation of students of the subject, both professional and academic.

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洲 one another piece called for one.

It is proposed 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, 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 conscious 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-pro- ductive since it obscures important similarities. Others contend that even if the aim is to understand the political system, it is still possible to assess all administration as such, 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 separate 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 rules, distinctive from nongovernment arrangements in that (1) it usually rests upon coercion and a monopoly of force, and (2), if legitimate, it symbolically speaks for the society as a whole, or purposes 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 funder, and the taxpayer bears the burden to discern linkage between his taxes and any benefits accruing from organizational output. The price-quality relationship is lost, and political consideration not found in the marketplace cease. 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 swiftly rescuing and depaining the name of society. Some organizations and their processes contribute to certain policy outcomes, and others facilitate different outcomes. Content concern of 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 objectives, 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 organization—symbolic significance, differences in funding, perceptions of "ownership" of 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 discrete 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. The political economy approach draws strongly upon the literatures of "organizational analysis" or "complex organizations" (as contrasted with scientific management, bureauocratic analysis, or human relations approaches).

Organizational analysis has been most useful to us because it views organizations as social systems—dynamic, adapting, and internally differentiated—schema for the search for a "best" model of organization, and has been non-normative, or at least accompanied prescriptions for effectiveness, with contingency statements. 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, conflict and tension resolution, role conflict, goal adaptation, resource allocation, 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. Analysis alternates between the greater heuristic and analytic leverage that goals, communications, raw materials and technology, socialization, etc. These have been little attention 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 in the economy which它 promoted a competitive marketplace and then produced efficient allocation of resources and production. Modern welfare economists argue in a normative sense to refer to the quest for that policy alternative benefiting more people at least cost. The late 1960s saw the development of a variety of techniques for analyzing policy options. We use the phrase descriptively as the intersection between structure of state (polity) and a system for producing and exchanging goods and services (economy).

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

Throughout this article the term "political" will refer to matters of legitimacy and distribution of power: how they affect the propriety of an agency's existence, its functional niche (in society, political system or policy sub-system), its collective institutional goals, the goals of the dominant elite factions (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 value change sufficiently to bring established means into question). 2

"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 service or output. 3 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. 4 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 analysis because so many of the pressures for change occur in the external environment.

Public organizations exist in an immediate environment of costs 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 and support to the agency, its goals and programs. The distribution of sentiment and power is a reflection of the dramaturgy of conflict in the public space: the relationships, 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.

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 within the U.S. Bureau of Prisons, others have power resources but fail to use them because of political costs or internal conflicts over which

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action to take. Thus, sentiment patterns are
wzgarded by the power resources and capabilities
of referent others.19

The public organizations merely accept the
existing sentiment and power distribution; they
also manipulate it with varying degree of success.
Administration try to routinize the controversial
by obtaining an equilibrium of interests,
benignly institutionalizing their environment.19
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 latent powerful sector,
e.g., the U.S. Tax Fostering Board's 'discovery' and
proposed abolition in 1976, or the CIA in the
aftermath of the Bay of Pigs fiasco.

External political structures tend towards rigid-
ity. Change does not come easily in a public
organization or for policy subsystems by dint of
its manipulation or impingements of the envi-
riment. Goals and procedures may be frozen by
conditional patterns of support and hostility. A
press for change mobilizes opposition. The inex-
tensive 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 personnel others in a policy subsystem.

Though difficult, change does occur through inter-
action and political exchange. Political exchanges
retain four concurrent 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 inter-
actions 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 FHEW from tedious pursuit of
desegregation in the South to a diverse nationwide
approach of lower intensity, less inimical to the
growth of a fundamentalism in the South.20 But this
is the obvious. The more subtle and ongoing
source of interactions are the efforts by the
executive cadre 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.21 In this co-opting political interaction over
niche, or domain, agencies negotiate several dimensions in their sensitivity to political impinge-
ments 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 mean-
of-task accomplishments. But if goals are ambigu-
ous or multiple, an organization's elite may press
for one definition or another and, within the
boundaries of political feasibility, allocate resources
internally in pursuit of this choice (correctional
institutions: treatment or custody).

Surveillance. Some agencies effectively avoid
scrutiny by supersede and other external actors.
The CIA with its budget hidden in other depart-
ments' appropriations, is the most notable exam-
ple. But ambiguity of goals, hidden missions, or
simply overwhelming complexity of programs and
accounting information can hinder effective sur-
veillance and diminish effectiveness.

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 explicitly alter niche goals. If the agency
loses effectiveness, surveillance increases and au-
tonomy declines. A state fire marshal's office
charged with ensuring fire safety in schools,
institutions, and public buildings may rarely be
reviewed until a tragic fire occurs.

Personnel and Funding Allocation. Not all agen-
cies are equally subject to influence by external
and superior actors in the matter of funds and
personnel. Special, strategically placed roles like a
chairman of an appropriations subcommittee can
help or hurt them in terms of financial support. Or
does operating on user 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 committees from which
the revenues derive.

Public organizations have a relative lack of
control over executive appointments. Central bud-
get and personnel offices often have "pocket
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
heated by elected officials, which gives them a strong sense of autonomy.

The Structure of Support and an Established Feedback Loop. Autonomy incentives if an organization offers a well-received product to efficacious clientele who are able to influence key, proximal others. They, in turn, enhance 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 environments requires an analysis of outputs and behavior necessary in obtaining factors of production and exchange of output at organizational boundaries. It means understanding 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 noncompetitive or oligopolistic status. But many have competition 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 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 incentives 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 clearence, position control, independent audits, control of category transfers, competitive bidding, appropriations, 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.15

The cost causes 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 attack, etc., in contrast, political issues over school costs are shown to develop because they rise inconceivably rather than in “humps” that might mobilize opposition.

What, then, is treated as strictly an external economic exchange for a public organization? Economic exchanges are merely intended to not to do 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 consciousness of manipulating 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.16 Even public organizations which we assume have highly charged political environments have established

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some niches 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 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 more usefully seen as economic 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) becomes 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 unemployment men volunteer and lower draft calls result.

Broad and diffuse changes in demand at also economic and are no 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 contracts, 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 courses. Changes in sector 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 tasks. 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 structure 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-term 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, aggressiveness) provides another fundamental basis for political functions.

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 cohesion and pursuit of goals; (4) overseeing the internal economy, harmonizing it with shifts in niche and goal properties.

The four policy functions are initiated and carried out by executive cadres to insure survival, growth, and adaptation. Sometimes they are just...
than successful: goal consensus among cadres 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 among several dimensions: (1) constitutional, (2) degree of goal consensus, (3) unity of authority, (4) patterns of subunit power, demand aggregation, resolution, 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 political conceptions of legitimate purposes and of legitimate ways of wielding authority or pursuing of them. 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 policy tends to be fragile. For example, if its exchange system is solidly statute, it will find it difficult to survive a crisis requiring nearly 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 key stone of Selective Service's constitution historically was "local board autonomy." Tito established roles in hierarchical intersection over rates. Quiet but intense daily struggles occurred in operationalizing the norms that 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? Conventions specify the political foci of collective actions, i.e., the matters within or without its area of concern—domain, clientele groups, often they prevent adoption 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 superseded by outside actors) with its own Wouldimage. Factionalism arises 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 divergent.18

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 congeneric whim. 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 epiphenomenon 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-context others.

Internal policies 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 policy, 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 power, and the costs and benefits of expressing them. Some public organizations are obstructed 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.19

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Leadership Succession, Code Recruitment, and Socialization. The formal structure of the executive cadre, appointment powers and criteria for dismissal, promotions, and transfers are often set by an agency by external political forces. Still, some discussion 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 expressions of organizational elite as well as those of relevant others (custom, outside powers, are "saying to bring about drastic changes"). Succession patterns may take several forms: a "crown prince" system, with an appointed successor; a "stand-off" as someone becomes widely 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 such organizations. The State Department cadre is drawn heavily from "prestige" universities and socialized into a "genteel" culture, while the Department of Agriculture draws upon land-grant colleges and the military internally socializes academic, organizations find ways of being selective about cadre either in recruitment or socialization.

Public administration has not yet begun to provide the concepts and schemes 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 "social organization whose "problems" are focused on effective performance of the technical function." The main problem of persons fulfilling the cluster of roles in the internal economy are the "exigencies imposed by the nature of the technical task," 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 Outsourcing the Technological Core. Organizational jurisdictional and cost concerns are the technological core of external contingencies that would disrupt task accomplishment. They do so because they are established to accomplish tasks, and efficiency constraints are thrust upon them by security, goal achievement, budget constraint, or output evaluations. Efficiency efforts can bring about major changes, a possibility that lurks internal economy to both internal and external political concerns. The quest for efficiency lends itself 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 induce the raw material so as to better monitor it, control it, or cope with contingencies.

One means of cushioning the internal economy is to expand clientele. An agency that applies standard techniques to large populations may have considerable slack allowing room for putting in new technology or equipment, e.g., automation of a recording system a done with machinery designed for existing loud but future growth. The cushion slack may be a temptation to enemies or an embarrassment to the organization that mandates direct 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 ends. Classical public administration theories like Gulick and Urwick sought to discuss how work should be organized (purpose, process, dise...
tle, or else). Non-classics like Simon convincingly showed that their predecessors had no firm answers, but their work too was more directed at "how" to organize to achieve "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 treated 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.

With the basic dimensions however, task structure is further elaborated by: (1) the variety of "producers" oriented 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 classifying 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. War 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 Interorganizational 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. Accounting systems record variable data which communicate trends in efficiency, effectiveness, interunit composition, etc., to organization, elite concerned with internal economy. In a village, 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 complicated function of traditional rules, intergroup bargains, mechanics for deciding economy conflicts, and elite perception of new area for opportunity. Within the internal economy, incentives are allocated to motivate performance. They may be symbolic, monetary, or nonexistent (status, interpersonal), and vary not only in the "needs" they fulfill but in their delivery rate, tangibility, divisibility, and permanence. Organizations have different stocks of incentives to draw on the Police 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 test to study "politics" of bureaucracy, political scientists have left analysis of internal economy to business administration, organization analysis studying the private sector, or Bureau of Public Administration (studied 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, seeing that an internal policy 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 fragmented fields that are related to public administration, (2) contribute to traditional and emerging concerns of scholars in these fields, and (3) as the same time integrate 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 restructuring the task environment for
Public Organizations

Efficiency—a matter of internal economy. Students of budgeting from the Tafel Commission of 1912 to the PPB 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 "effects" are having political or economic effects. Similarly, personnel administration has gone through a 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 interventionistic, 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 objectives can result in dividends. Their work will be better informed of the intersection between political and economic variables, and assuming the framework idea 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 event would be made clearer.

The framework could also be useful in a new concern: focusing the field of public administration—policy analysis. Recent efforts have focused on systemic inputs, but that focus has left the field considerably short of explaining why certain policies take the particular patterns they do. This "input" approach of Dyre 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. The results are provocative but explain little, for the research has defined policies too narrowly (voter participation, party competition, degree of multiplication).

The entire realm of interplay in policy making between public organizations and their relevant others has remained unstaged. 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 states than has herefore been acknowledged is not necessarily a power elite, voters, or a consequential 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 determination is as much, or more, a product of the political economy of conversion structures within the intricacies 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 repertoire of responses, are limited and conditioned by political and economic factors.

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, unknown 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. 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 is the "make" policy.

Utilization of the political economy framework could be not only a serious step toward developing a systematic enterprise 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

collective field should be uncomfortably familiar to students of public administration. See p. 38.

2. Some public organizations such as the Peace Corps are funded by customers, but there are still differential costs and benefits, and thus are subject to political constraints.


4. Pearson among the contributions to the literature of organization analysis are the works of Yves, Selznick and his students upon whom we draw frequently. Representatives of this "radical" approach are the works of Alice Gould and Peter Blau and their students.

5. The concept of "niche" is borrowed from studies of basic communities in which each organism has a niche in an independent and symbiotic relationship. Similar and more interacting is the concept of "inform." See St. Lewin and Paul White, "Exchange as a Conceptual Framework for the Study of Stereotypical Relationships," Administrative Science Quarterly, Vol. V (March 1957), pp. 466-469.

6. Even the public policies with lower rhetorics can become political of values, public and without the organization are affected by the discretion they are more, but the research of a Roger C. may define values, or a long-established pattern of task accomplishment may not alter the changed environmental values.

7. More than a few economists' will be unhappy with our definition. Modern economic analysts tend to focus on maximization and result allocation. Our definition includes them, but focuses on the structure of the economy, the context and limits of differentiation and coordination.

8. If our framework focused solely on internal political economy the goal of "organizational administration" or "organizational capacity" might suffice, but it is also important to describe the structure of the external economic environment.


10. For example, see Keith J. Snowdon, Selective Evolution and a Changing America (Columbia, Ohio: Case W. Moffit, 1969), chapter 7.


12. Levine and White, op. cit.


15. The JCS appears in a highly competitive milieu. Thori- logy depends on an occasional product accept- ance. They not only act as a "centralizing arm," but also as a "coalition of normally competing firms." Each mem- ber takes the chairmanship role as representa- tive of his service as well as a collegial group. Examples found are as early as 1959.


17. In public organization, collective social analysis begins with states, promulgated regulations, and various memoranda. Also requiring are documents describing the organization to outsiders or new members, histories written by petticoets, or situations in which there has been a violent social or constitutional form, conflict, or social welfare of resources.


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23. For a discussion of the type of technologies see Thompson, op. cit.
24. They may also be used in policy 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 positively to influence future policies or 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 "planted" for other social groups. See Fred W. Riggs, "Organizations and International Development" (Bloomington, Ind.: Center for Political and Administrative Development, 1969).
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