

**Austrian Institute for
Economic Research**
Vienna Austria

Application to the Ford Foundation, New York

Austrian Institute for
Economic Research

Hoher Markt 9
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APPLICATION TO THE FORD FOUNDATION, NEW YORK

for a grant to cover in part the costs of an
International Center for Comparative Systems Research
at the Austrian Institute for Economic Research

Vienna, February 14, 1969

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*) The officially attested English translation of the By-laws of the Austrian Institute for Economic Research had been attached to the letter of January 14, 1969 to Mr.Howard Swearer, Program Officer in Charge, The Ford Foundation, New York

Note: Enclosures II/2 to II/9 and III/3 will be forwarded by separate mail.

(I) Economic and Political Background of Research Project

For a long time, irreconcilable contradictions appeared to exist between market and planned economies, i.e. between capitalist and Communist socio-economic systems.

In its sharper forms, this antagonism has obviously disappeared: the Western industrial nations will be able to attain their ambitious economic and sociopolitical goals only if they include appropriate planning elements in their competitive, market-directed economies.

On the other hand, as their social and economic structures become more complex, the Eastern industrial states find themselves forced to adopt certain elements of the market economy in order to increase the efficiency of their central planning. To this end, economic reforms, of varied content and purpose, were long ago incorporated into the economic systems of all the Eastern European countries, including the Soviet Union.

The permanent scientific and technological revolution experienced in our age demands world-wide international division of labor and expansion of international trade. Not merely in the economic field, the industrialized countries in East and West face similar problems which suggest similar solutions or which can at best be coped with only by joint efforts, e.g. securing world peace, exploration of space, peaceful use of atomic energy, fighting air and water pollution, solving world-wide problems of communication, retarding explosive population growth, fighting the hunger in large parts of the world, and not least, supporting less developed countries in their struggle for independence.

In particular, the less developed countries would derive great benefits from the faithful co-operation of the highly developed industrial states in East and West.

Better mutual understanding between Eastern and Western industrial societies would render a valuable contribution toward reducing distrust existing on either side and in the longer run towards cutting down the costs of armament. In this way, also funds available for development aid would be increased.

Experts from East and West would be able to develop principles of a mixed-economy model and to establish guidelines for less developed countries for the optimal allocation of their resources.

The armed intervention of the Soviet Union in Czechoslovakia is only a temporary impediment to this process of liberalization and democratization in Eastern Europe.

The recent events in Czechoslovakia are particularly noteworthy because it was there that dedicated Communists and faithful friends of the Soviet Union attempted to transform a sterile planned economy into a socialist market economy and, at the same time, to humanize the Communist political system.

This promising development was interrupted by Soviet force. The Soviet Union feared, and in this fear was supported by other Warsaw Pact members, that the evolutionary process taking place in Czechoslovakia might spread to other Communist countries (eventually even to the Soviet Union itself) and endanger Soviet rule in Eastern Europe.

The lines of development outlined here impose a historical obligation on economists, sociologists, and political scientists to undertake an unprejudiced (non-dogmatic) analysis of the evolutionary process in East and West, including converging and diverging trends in various fields (economy, society, politics) giving due consideration to the particular historical and sociological conditions in the countries concerned.

Research on Eastern Europe (East research) among the Western European countries, and especially in the United States, has been an established discipline for years. The

same is true for Eastern Europe where research activities on Western Europe (West research) have been carried out for some time. Numerous scientists at universities and other institutions have dedicated their efforts to this work, which is often carried out at advanced academic levels, and literature on this subject has been growing rapidly.

Traditional East research in Western countries has suffered from the fact that Western scholars, despite their sincere efforts at impartiality, are inclined to approach the developments and problems of Communist countries in a manner that sometimes precludes a sufficient degree of objectivity and understanding of the historical, philosophical, and political conditions in these countries. As a consequence, they unintentionally form their judgements of the "East" on the basis of a biased "Western" viewpoint.

In the East, prejudices, ignorance, and misjudgement of the other side are even greater. The Soviet scientist and his colleagues in other Eastern countries are inclined, or even compelled, to interpret the evolution of Western society and economy within the framework of Communist ideology and the Soviet claim to power.

Another important point is that up until now East research and West research have developed independently and neither fed on nor stimulated one another.

In recent years the theoretical discipline of "Comparative Economic Systems Research" has developed alongside these solitary interpretations of Eastern and Western economies. This research offers a rather abstract presentation of institutions and planning instruments pertaining to various "pure types" of economic systems (e.g. the Soviet, Yugoslav, or French types; or market economies) and gives a more or less unconnected presentation of specific systems. This approach is not satisfactory, however.

What is missing is comprehensive, realistic, comparative East-West research, independent of governments and

organizations representing collective interests, which would be capable of reconciling the different approaches mentioned above and willing to emphasize the comparison of developments and structural elements (e.g. institutions, attitudes, planning instruments, consumption, investment, etc.) in Eastern and Western economic systems. On this basis, comparative studies would deal with clearly defined themes and not be restricted to the general and abstract. This new research concept would differ from the present empirical work being done at existing East research - West research institutes with respect to its emphasis on comparative problem analysis.

(II) The Austrian Institute for Economic Research

Founded on December 15, 1926 by Prof. Dr. Ludwig von Mises (since many years living in New York), the Austrian Institute for Economic Research is one of the oldest economic research institutions in Europe.

The Institute is a private non-profit organization of public utility serving the Austrian economy and the Austrian state on the basis of independence and impartiality (cf. enclosure II/1, By-laws).

It should be noted in particular, that during the past four decades, in an era of extreme political and economic turbulence (world-wide depression, two Austrian civil wars in the thirties, Nazi occupation, war and post-war disorders, occupation by the four allied forces from 1945 to 1955, 20 years of coalition governments which practiced strict partisanship in filling all important positions in administration and economy) and often under extremely adverse conditions the Institute has tenaciously defended and successfully preserved its principles of independence and impartiality (cf. enclosure II/2, Anniversary brochure "40 years Austrian Institute for Economic Research", pp. 5-10 and 49-50).

The President of the Institute and the other members of the Executive Board (15 in all) as well as the members of the Board of Trustees (about 100) are prominent personalities in the fields of economics (entrepreneurs and union leaders), administration, and science; they represent various political, social, and ideological groups.

However, once appointed, the Director of the Institute and his Deputy are, to a great extent, independent.

The financing of the Institute (the budget for fiscal year 1968 amounted to about \$ 400,000) comes from a variety of sources: membership dues (some 2,000 paying members),

sale of publications, payments received for special services as well as subsidies granted by the federal government, the National Bank, the municipality of Vienna, the economic associations of employers and employees, banks, insurance companies, savings banks, and co-operatives.

During the period between the two world wars, a number of renowned scientists, many of them now living in the United States, worked at the Institute: in addition to the founder of the Institute, Prof.Dr.Ludwig von Mises (New York), two directors of the Institute, namely Prof.Dr. Friedrich von Hayek (at present in Freiburg, West Germany) and Prof.Dr.Oskar Morgenstern (Princeton University, USA); others were Prof.Dr.Gottfried Haberler (Harvard University, USA), Prof.Dr.Fritz Machlup (Princeton University, USA), Prof.Dr.Gerhard Tintner (University of Southern California, USA) and the late Prof.Dr.Abraham Wald, whose last appointment was at Columbia University, USA.

Since the end of the Second World War, among others two Federal Ministers of Finance (the present minister was on the Institute's staff for 21 years!), one President of the National Bank, two State Secretaries, a number of top managers and directors in industry and banking, highranking officials from various ministries, and a number of university professors and lecturers have come from the Institute (cf. enclosure II/2, Professional careers of staff members in the anniversary brochure "40 years Austrian Institute for Economic Research 1927 - 1967").

The fact that the Executive Board and the Board of Trustees are composed of persons holding important positions in public life, and the fact that many long-time staff members are in key jobs in the administrative, economic, and scientific life of Austria, gives strong support to the Institute's positions, in many respects.

Internal organization of the Institute:

The Institute employs a staff of 70 (of whom 26 are university graduates) as well as a few external consultants.

On the basis of practical considerations, the Institute is divided into departments, sections, and subject areas; some highly qualified staff members have been assigned special duties (cross section analyses, expert judgement, etc.)

Departments exist (or are being set up) in the following areas of concentration: coordination of current business cycle analysis and short-term projection; medium and long-term projection; national accounting; industry and mining including investment surveys; agriculture and forestry; statistics and econometrics; comparative systems research (being developed).

The sections and subject areas include: monetary problems, capital market and credit; fiscal policy; prices and wages; labor market and social security; power industry; construction; trade and consumption; traffic and tourism; regional planning; foreign trade and balance of payments; international economics.

The work of the institute covers a rich variety of activities (cf. enclosure II/3, "Report on the General Meeting of 1968", pp.10-16), for example: Current observation and analysis of economic fluctuations in the various sectors of the Austrian economy with due consideration to international developments. For this purpose, the steady improvement of theoretical and empirical (statistical and econometrical) tools of business cycle research is pursued. Publication of monthly and quarterly reports on the economic situation including short-term projections (covering 12 to 18 months) which are updated in quarterly intervals.

Medium and long-term projections (which serve as informational guides for economic policy makers as well as for entrepreneurs and trade unions).

Structural and regional analyses of the Austrian economy.

Analyses of problems relating to Austrian economic policy.

International economic fluctuations and structural problems.

Further activities: Advisory service to the government, Institute expert participation in many working groups of Austrian ministries and of international bodies e.g. OECD and ECE; expert statements; lectures and seminars; participation in scientific meetings at home and abroad; professional education of staff members (newcomers).

The following publications are issued regularly or when the occasion so warrants:

"Monatsberichte" (Monthly Reports) including comprehensive "Statistische Übersichten" (Statistical Tables); 1969 is the 42nd year of publication! (cf. enclosure II/4)

"Beilagen" (Supplements) to the monthly reports, 84 issues since 1945 (cf. enclosure II/5)

"Sonderhefte" (Special Reports) 14 issues since 1945 (cf. enclosure II/6)

"Studien und Analysen" (Studies and Analyses) up to now 3 issues (cf. enclosure II/7)

"Vorträge und Aufsätze" (Lectures and Papers) up to now 25 issues (cf. enclosure II/8).

Various special publications: Austria and European Integration, Austrian Industry and the European Market, Chances and Limitations of a Productivity-oriented Wage Policy, etc. (cf. enclosure II/9, List of Publications from 1927 to 1967, and specimen copies of the various series.)

About 500 copies of the Institute's publications are regularly shipped to some 50 countries all over the world or are obtained by international organizations and foreign embassies and are esteemed as sources of authoritative information on the Austrian economy.

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In recent years, the idea developed of including East-West research on the basis of Comparative Systems Research into the Institute's program.

During the past few years, the Director of the Institute has systematically explored attitudes in Eastern and Western countries towards the plan of establishing an East-West research center in Vienna. The response was highly favorable. Almost unanimously it was felt that Vienna was probably the "best place in the world" for such an undertaking. Even in Moscow, where the Director of the Institute delivered a lecture in 1967 (upon invitation by the Presidium of the Academy of Sciences of the Soviet Union), people reacted open-minded and showed their interest in participation and co-operation.

We are convinced, that particularly the following reasons speak in favor of establishing an International Center for Comparative Systems Research in Vienna.

(a) Geographical and political location

Geographically, Austria is situated on the frontier between the contrasting economic and social systems. The country shares its borders about equally with NATO countries (Western Germany and Italy) and with members of the Warsaw Treaty (CSSR and Hungary); other neighbors are neutral Switzerland and bloc-free Yugoslavia. The distance from Vienna to the Eastern European capitals is shorter than from any other European metropolis. By car, Prague, Bratislava, Budapest, Laibach, and Agram can be reached within a few hours.

(b) Historical heritage

Austria stands for the free and democratic way of life and takes her place without question on the side of the West as far as political, social, and economic principles are concerned. At the same time, however, the country recognizes its strong relations with the peoples of Eastern Europe as a result of the common historical and cultural heritage as well as consanguineous and sentimental ties.

These ties were manifested when Austria admitted more than 100,000 Hungarian refugees after the uprising of 1956 had been suppressed, although shortly before (until the State Treaty of 1955) the country itself had suffered under difficult conditions.

Also, during the Czech crises in 1948 and 1968, Austria's friendship towards her neighbor in the north was confirmed in many ways, and the extent of scientific (particularly in the field of economics) and cultural co-operation, and mutual intellectual stimulance has never been as strong as it was in those days.

(c) Economic structure

Large parts of the Austrian economy are nationalized and the volume of trade with Eastern countries is relatively high. For these reasons, Austria is vitally interested not only in the intellectual study - free of prejudices and ideologies - of the two basically conflicting socio-economic systems, but also in constructive and practicable solutions. The experiences derived from the "Austrian model" would also be interesting and helpful for other countries in East and West. This may be particularly true for those Communist countries which at present are searching their way from centrally planned to market economies.

(d) Neutrality

Finally, Austria (Vienna) is favored by her state of "neutrality". Being a neutral state which does not belong to any military treaty organization and does not tolerate

any military bases within her territory, Austria seems to be highly qualified for international research activities of a kind which to a great extent require confidence and sympathetic understanding and are capable of promoting international understanding and peace.

Thanks to her neutrality, Austria already hosts the headquarters of IAEA (International Atomic Energy Agency) and of UNIDO (United Nations Industrial Development Organization). For many reasons, Vienna also would be the world's most suitable place for an International Center of Comparative Systems Research.

(III) Preparatory Work already Accomplished

During the past years, we did not restrict our efforts to pointing out Vienna's "comparative geographical advantages" as a place for comparative East-West research and to exploring the willingness of cooperation in Eastern and Western countries. We have also done some preparatory work and have created the basis upon which a research project of the kind described could be realized.

(1) We already have taken measures to build up an international research team, which at present includes 12 staff members; 9 scientists and 3 technical assistants.

Among the nine scientists are

four Austrian citizens (two of them born in Czechoslovakia and one in Hungary; they studied in their home-countries as well as in Austria, speak German, and have a reading knowledge of other Southeastern European languages);

three from Czechoslovakia (who came to Austria in connection with the events after August 21, 1968) and

one each from Poland and Western Germany.

Prof. Dr. Franz Plasil (a native of Czechoslovakia, Austrian citizen since 1948, on UN-assignments since 1950, at present employed with UNIDO in Vienna) now is consultant to the Institute and has been designated to assume important duties at the International Research Center in 1972.

The scientific direction and coordination of the work done at our East-West research department is administered by Dozent Dr. Peter Knirsch, from Western Germany. (Cf. enclosure III/1, Brief Curricula vitae on staff members and consultants.)

At the moment, the scientific staff is working on topics which fit into the general research project (cf. enclosure III/2).

(2) At present, the institute is erecting a modern four-story building. The East-West research department will occupy an entire floor (about 30 offices) and will also have at its disposal the general facilities of the Institute (meeting and conference rooms, library, the computing center, kitchen, etc.). This new office building will cost some US \$ one and one quarter million and the funds have been made available exclusively by Austrian donors. The building frame is completed so that the structure will be ready for use by September, 1969. (Cf. enclosure III/3, Photographs of architect's model and of building frame.)

The fact that the International Center for Comparative Systems Research is housed in the new building of the Austrian Institute of Economic Research not only makes for considerable practical advantages, but also demonstrates optically the close connection between both institutions.

(3) As previously mentioned, during the past years and keeping in mind the East-West research projects planned, the Institute cultivated scientific contacts and personal relations in Western and Eastern countries. Long before August 21, 1968 various joint research projects were discussed with representatives of the Economic Institute of the Academy of Sciences in Prague (Prof. Ota Sik, at present at the University of Basle, Dr. Bedrich Levčík, at present with ECE in Geneva, et al.).

Since August 21, 1968, communication with Czechoslovakian scholars has been intensified. We have close contacts not only with representatives of the above mentioned Economics Institute of the Academy of Sciences (Dozent Ing. Kožušník, the Institute's Executive Director, and Dozent Kouba who holds an important coordinating function in Czech economic science), but also with leading figures at the Research Institute for Economic Planning, Prague (director Dozent Ing. Toman), at the Consumption Research Institute, Bratislava (director Prof. Hronsky) and at the Research Institute for Industrial Economics at the Prague School of Economics (director

Prof.Silhan). Directors Dozent Kožušník, Dozent Kouba, and Prof.Hronsky and their closest associates were our guests in Vienna during November and December 1968. Director Dozent Toman and his deputy will visit us in February 1969. Some members of the above institutes are already working at our Institute as guests.

All the above named persons are interested in co-operating with the Austrian Institute for Economic Research as closely as possible. As a result of discussions with these individuals the general concept of comparative systems research has become scientifically more attractive and politically more useful.

Our contacts are in no way limited to Czechoslovakia. They also include other Eastern European countries, especially Hungary and Yugoslavia. In the past years, a large number of economists from those countries have visited us, and in turn members of our Institute were guests in their countries. The Director of the Institute gave lectures e.g. in Budapest and Belgrade and discussed the issue of joint East-West research with competent scientists there. So it would not be difficult to find well-educated economists even in these countries who would be willing to participate in our International Comparative Systems Research Project.

We are eager, of course, to recruit also prominent scientists from Western countries where also a definite interest in comparative systems research is apparent. So, on the occasion of his visit to Vienna in November 1968, Prof.Tinbergen of Amsterdam spontaneously offered his services in the work of the International Center for Comparative Systems Research in Vienna.

But also in Austria some gifted economists showed their interest in comparative systems research and have expressed their willingness to take part in various research

projects, for example Dr.Fürst, Dr.Schebek, and Dr.Winter, now assistants at the Institute for Advanced Studies and Scientific Research in Vienna, which was co-founded by the Ford Foundation.

(IV) Project Description

Comparative systems research, i.e. the study of the structure and the partially converging and diverging evolutionary trends existing in the socio-economic systems of East and West (which result from economic, technological, social and political similarities and contrasts) is a fascinating and long-term challenge which can be mastered only by a step-by-step approach.

(a) Limitation to selected subjects

Consequently, our project will be consciously limited to certain problems which appear to be particularly instructive and promising in comparative analysis.

The plan of work (cf. enclosure IV/1) foresees general as well as specific areas of research.

In the first group (items 1 to 6), those general problems are explored which result from the confrontation of different economic systems:

The influence of social and economic goals on economic systems. Economic systems as manifestations of certain governing mechanisms (market or central planning). The influence of organizational structures on economic systems. Causes and patterns of economic dynamics in different systems. Technological progress and economic systems. Changing economic tools in different systems.

In the second group (items 7 to 13), those specific problems would be studied which are of vital importance in comparing economic systems: investment, consumption, economic incentives, position of enterprises, economic concentration and positions of power, the phenomenon of economic fluctuations in both systems, as well as trade and co-operation between different economic systems.

(b) Limitation to selected countries

With regard to the Eastern countries, our systems comparison will deal basically with Austria's neighbors i.e. Czechoslovakia, Yugoslavia, and Hungary. This selection was based not only on the advantages resulting from the proximity of these countries to Vienna but also on the specific economic, social, and political evolution going on there. Another fact in this selection was that up to now the development of those states has received relatively little attention in the Western world.

Czechoslovakia, Yugoslavia, and Hungary are at different levels of economic development and rather strong contrasts concerning the domestic political situations and the foreign relations of those countries are evident. However, in those countries the trend is most apparent, although to varying degrees, to make central planning more efficient by including market elements.

Naturally, developments in the Soviet Union, the political, military, and economic power center of the European Communist countries will also be recorded. Eventually the Soviet Union will also be included in our comparative analyses.

Among the Western countries, in addition to Austria, primarily those countries will be considered which - on the basis of size and structure - seem best suitable for a systems comparison with smaller socialist countries. In this connection we have mainly in mind countries like the Netherlands, Sweden, and Switzerland.

This selection does not exclude, however, that in the pursuit of specific subjects and comparative analyses other Western countries such as France, the United Kingdom, the German Federal Republic, and not least of all the United States, will be considered.

As a general rule, we want to preserve a certain degree of flexibility with respect to the selection of subjects and

regional coverage. We will not hesitate to temporarily postpone projects if we find ourselves making no progress, nor will we hesitate to include new projects into our work program if they appear promising and interesting.

Last but not least, the selection of subjects and countries will be determined by the availability of staff members and their knowledge and experience.

(c) Methodology

The work of the Center calls for empirical-statistical and theoretical research methods.

Realistic exploration of developing trends in East and West must be founded on reliable empirical-statistical data. Frequently, there will arise the necessity of processing empirical material in such a way that meaningful comparisons can be derived.

At the same time, theoretical concepts have to be developed which can serve as starting points for empirical analyses or which will be suggested by the results of such studies. Theoretical and empirical work is by necessity mutually dependent. In some cases purely theoretical work will also have to be performed in order to penetrate very complex inter-dependencies in a clear and logical manner.

As the work proceeds, presumably special studies on such methodological problems as they arise in the course of comparative systems research activities, will also have to be carried out.

(d) Personal composition of the research team and mode of work

Impartial comparative systems research can best be carried out by an international research team of highly qualified economists (supplemented by some sociologists and political scientists) from Western and Eastern countries.

These experts would not only be expected to be familiar with economic, social, and political conditions in their own countries, but they must also be able and willing to recognize and understand the fundamentally different socio-economic systems of other countries. This would, of course, be a necessity if they are to compare the various systems free of prejudice. There will be no room at the International Research Center for "proselytism", i.e. for people who try to force their opinions upon colleagues whose thinking is different.

For practical reasons, the research team will include three different groups:

(a) A staff of scholars from Western and Eastern countries who will work permanently at the Research Center.

This "nucleus" of the Research Center will guarantee the continuity of research activities. The duties of this group will not only include the execution of own studies, but also the coordination of the various research projects, the preparation of international symposia at which long-term plans and specific projects are discussed, the reviewing of manuscripts received for publication, and eventually the supervision of translation into other languages.

(b) Scholars from Western and Eastern countries to work temporarily at the Research Center (for some months, at most for 1 to 2 years). They will carry out specific and exactly defined projects on the basis of employment agreements.

As a rule; these scholars would be on leave from their home-institutions.

(c) Scholars performing specific research projects in their Western or Eastern native countries (at their own research institutes, universities, colleges, etc.) and coming only occasionally to the Vienna Research Center for working conferences.

The contributions of these "external" members will be discussed in detail prior to commencement of work and their studies will be made to fit into the general research project. As a rule, in such cases respective agreements will be concluded between the director of the International Research Center and the competent directors of the respective research institutes, universities or individual scholars.

So, Prof. Dr. Jan Tinbergen, Rotterdam, will carry out work on the contribution of welfare economics to comparative systems research (cf. enclosure III/2).

(e) Publication of research results

The results of research projects shall be made available in suitable form to scientifically, economically, and politically interested groups as well as to the general public.

At first, publication of a series "Contributions to Comparative Systems Research" is envisaged. The volumes of this series shall be published in irregular sequence and will include monographs as well as papers on various subjects of our work program.

Publication in different important languages (English, Russian, German, French) would correspond best to the character of an international research center. For financial reasons we presumably shall restrict ourselves, at least in the development period, to publishing our own contributions alternatively in German, English, or French, while the papers of Eastern European authors will also appear in the contributor's native language or in the language of the country in question, respectively. At any rate, contributions will be followed by summaries in English and Russian as well as in the languages of those countries which were the subject of the paper.

Aside from this publication series, mimeographed copies of recent results will be distributed at scientific meetings (in the conference languages) to a broader audience.

Moreover, the International Research Center will give relevant information on its research activities to government authorities, scientific and economic institutions as well as to mass communication media. Occasionally, the center itself will present interesting research results to the general public.

(f) Limitation to three years

As previously mentioned, comparative research on the development of the socio-economic systems in the East and West necessarily is a long-term project.

Although its justification and importance is beyond any question, under the prevailing world-wide political conditions this project is an experiment and risky venture.

For those reasons, our project shall be limited at first to a duration of three years.

After three years at the latest, experience will help to decide whether the project shows real chances of success and shall be continued, or whether the undertaking shall be terminated or postponed.

Until then, the International Center for Comparative Systems Research should have gathered enough substance, profile, reputation, and strength of position to break off the institutional ties to its "mother", the Austrian Institute for Economic Research, and to proceed as an independent institution.

(V) Legal Organization of the International Center for Comparative Systems Research

As in the case with the Austrian Institute for Economic Research, the International Center for Comparative Systems Research in Vienna will be a nonprofit scientific research organization of public utility independent from governments and associations representing collective interests - at which scientists from countries with different socio-economic systems (generally with the understanding of their governments and scientific institutions or universities) can cooperate permanently or for an agreed period on certain projects within the framework of comparative systems research.

The International Center for Comparative Systems Research is not intended as a refuge for emigrants; nevertheless, prominent scholars who were forced out of their homecountries will also be given the opportunity to work with the Center under certain conditions, e.g. renunciation from political activities.

The most important organs of the International Center are the Board of Trustees and the Executive Board.

The Board of Trustees shall include not more than 12 members; they should be both internationally renowned scientists in the field of comparative systems research from East and West, as well as representatives of those institutions raising the center's funds.

The President and the Vice-president are elected by the Board of Trustees.

The duties of the Board of Trustees include appointment and dismissal of the Executive Board, supervision of management, and scientific adviser to the Executive Board.

The Executive Board consists of the Director and his Deputy.

Once appointed, the Director and his Deputy are independent, and must be qualified to develop creative initiatives and be self-responsible in their decisions within given limits. However, with respect to the execution of management they are responsible to the Board of Trustees or the President, respectively.

The management principles of the Directors shall not be influenced by the favors or disfavours arising from current political conditions but shall be guided by the confidence, that in the long-run the International Research Center will be successful if the best efforts are made toward knowledge, impartiality, and mutual understanding.

In choosing the legal organization one must bear in mind that the "International Center for Comparative Systems Research" and the "Austrian Institute for Economic Research" differ in essential points: the former is a typical international institution and the field of its research is the comparison of different socio-economic systems. Representatives from East and West are present and funds are derived from international sources. The latter is, on the other hand, a specific Austrian institution and its activities center around problems of the Austrian economy; moreover, the organs are top representatives of Austria's economy, administration, and science, and funds are raised almost exclusively in Austria.

As a result of these basic differences the International Center for Comparative Systems Research and the Austrian Institute for Economic Research cannot from a legal point of view permanently exist as a joint institution.

Despite this, for various reasons it is considered advisable for the International Center for Comparative Systems Research to be originally constituted as an organizational, scientific and financially independent department of the Austrian Institute for Economic Research.

Such an institutional connection seems to be appropriate at least initially (perhaps for the first three years) since the Austrian Institute for Economic Research is well recognized as an independent and proven institution and enjoys a good reputation in East and West while the International Center for Comparative Systems Research will have to start from scratch in establishing itself.

Therefore, in its initial phase, the Director of the Austrian Institute for Economic Research shall also hold the office of Director of the International Center for Comparative Systems Research. He shall be assisted by the Deputy Director who at the same time is Scientific Director of the Center.

Aside from the joint top management, there will exist a close relationship between both institutions for ideological and material reasons.

Therefore, the offices of the International Center will be housed in the Institute's new building and occupy an entire floor. The Center will benefit from the general facilities of the Institute and staff members will be able to provide their experience and advise.

(VI) Financial Needs and Application for a Grant to the Ford Foundation

We take the liberty of presenting a detailed outline of our application for a grant from the Ford Foundation.

At first we should like to point out that the Austrian Institute for Economic Research, being the initiator of the International Center for Comparative Systems Research, will also contribute to the financing of the project to the best of its ability. We estimate our share at US \$ 200,000.

Contribution of the Austrian Institute for Economic Research

(1) In 1968 and 1969, the Institute received a once-only "development grant" from the Federal Government and the Austrian National Bank. This was used to initiate the establishment of the International Center for Comparative Systems Research: US \$ 90,000

(2) For a period of 3 years, the Institute will provide the International Center with modern offices (one floor of the new building), meeting and conference rooms, library, lounges, etc. free of charge. The estimated 3-year cost of these facilities to the Institute is about US \$ 50,000

(3) In recent years, the Director of the Institute has already devoted a considerable amount of time and effort to the establishment of an International Center for Comparative Systems Research. For the next 3 years, he will assume the duties of Director of the International Center without direct compensation, i.e. to the debit of his Institute. Moreover, experienced scholars of the Austrian Institute for Economic Research will advise and aid the International

Center without remuneration. These services
are valued at least

US \$ 60,000

Total contribution

US \$ 200,000

Contributions of various countries and
scientific institutions

The contributions of various countries and scientific institutions to the financing of the International Center for Comparative Systems Research and for the realization of its goals, would be impossible to estimate.

In Czechoslovakia, financial support is expected to be considerable if Czech research institutes and universities are given the opportunity of realizing their desire to play a major roll in comparative systems research. Similar trends are developing in other Eastern European countries searching for a path leading from a centrally planned economy to a new system which would include elements of a market economy.

Contribution from the Ford Foundation

We are fully aware of the fact that the Ford Foundation must contribute an extremely large share if this project is to be realized; for a period over three years, a grant amounting to US \$ 600,000 would be needed. *)

Since the establishment of the International Research Center will be realized step by step, we estimate the financial needs at US \$ 50,000 in 1969 (second half of year) and at US \$ 175,000 in 1970. In 1971 and 1972 (first half of year), when the International Research Center will be fully organized, amounts of US \$ 250,000 and US \$ 125,000 respectively, will be required.

The financial needs of the "normal year" 1971 are broken down in detail and briefly commented on as follows:

*) This sum does not include a grant of \$ 20,000 which the Ford Foundation, through the Institute of International Education, made available in December 1968 for the employment of certain scholars from Czechoslovakia and Poland.

(A) Personnel costs

(a) Permanent staff

1 scientific director (deputy director)	US \$ 13,000	
1 administrative director	7,000	
6 scholars, \$ 7,000 each	42,000	
1 secretary	3,500	
5 technical clerks (3 statisticians, 2 typists) \$ 2,500 each	12,500	US \$ 78,000

(b) Foreign guest scholars

8 scholars, \$ 8,000 each Housing allowance, \$ 1,000 each)	US \$ 72,000
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(c) Employers taxes, 15 percent of
(a) + (b) = US \$ 150,000

Social security contributions, 9 percent Children allowances fund, 6 percent	US \$ 22,500
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(B) Travel and conference expenses

(a) Travel expenses for scholars listed
under (A), (a) and (b)

(2 trips annually for 17 scholars, including the director, fare and per diem per trip US \$ 200 on the average)	US \$ 6,800
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(b) Travel expenses of external scholars
(2 trips annually for 8 scholars,
fare and per diem per trip
US \$ 200 on the average)

US \$ 3,200

(c) Meeting expenses
(travel expenses or allowances for
10 external participants; interpreters,
materials for 1 conference annually;
costs of 4 days and 3 nights \$ 400 per
participant; total \$ 4,000; overhead
costs \$ 1,000

US \$ 5,000

(C) Publications

Printing costs, if necessary translations, for 8 issues per year, \$ 4,000 each	US \$ 32,000
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(D) Library

Annual costs of building up a special library for comparative systems research	US \$ 5,000
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(E) Current operating costs

Lighting, heating, air-conditioning, telephone, supervision, maintenance, cleaning, insurance, etc.	US \$ 22,500
Total	US \$ 247,000

Brief comments:

In line with the generally experimental nature of our undertaking, the figures indicated above should be considered estimates.

Re (A): Personnel compensation: Salaries of permanent staff and of foreign guest scholars are averages and may deviate considerably in either direction.

The individual compensation arrangements present particular problems. It is to be assumed that scholars from Western and Eastern countries differ rather markedly in their expectations, based in part on the cost of living in their respective countries. On the other hand, extreme salary differentials within the International Center itself as well as between the Center and the Austrian Institute for Economic Research would be detrimental to the working atmosphere. Therefore, salaries at the International Center will be fixed by following the same guidelines which are practiced at the Austrian Institute (cf. enclosure VII/1).

At the Austrian Institute, the salary tables and advance payments distinguish between "economists" (qualified scholars) and "senior economists" (highly qualified scholars whose standing compares favorably with Austrian university lecturers and professors).

Salaries as shown in the table of the Institute are minimum compensations and extraordinary performance may be honored by higher rates. Therefore, the wage policy of the Institute leaves room for pragmatic and flexible adjustment to specific conditions and would, therefore, also meet the requirements of the International Center.

Re (B), (C), and (D): Travel and conference costs, as well as the costs of publications, and of the library are estimates and are therefore subject to modification (reduction or expansion) in the light of future experience.

Re (E): Current operating costs were estimated as the share in total operating costs of the building (AS 1,8 million = US \$ 69,000) which results from the ratio of the areas occupied by the International Center (512 square meters = 5509 sq.ft.) and the Austrian Institute for Economic Research (1058 sq.m. = 11,384 sq.ft.), respectively.

The financial management of the International Center shall be audited annually by representatives of the Ford Foundation and financial planning shall be adjusted to current requirements.

We perfectly understand that the Ford Foundation must first examine carefully the merits of our project with respect to financial support. On the other hand, we hope that it will be recognized that as a consequence of the events in Czechoslovakia time is of the essence.

Our Czech friends, renowned economists and prominent personalities in economic life who have visited us in recent months or will arrive in the coming weeks, want to arrange concrete projects with us and work out an arrangement for long-term co-operation. However, as long as the whole project lacks a financial basis we feel unable to comply with their requests.

Moreover, reaching an understanding only with Czech scholars is not sufficient. Although a relatively extensive consideration of Czech scholars ^{is} justified by the current developments occurring in that country, we nevertheless want to build up an international research team composed of representatives of different Eastern and Western countries.

The formulation of our plan of work has already shown us that, as a rule, satisfactory results will be achieved only if the various studies are planned and executed jointly by scholars from Eastern and Western countries. Therefore, we urgently need Western "counterparts" to our Eastern (initially overwhelmingly Czech) staff members. However, negotiations with Western scholars cannot be initiated before the financing of our project is assured.

In view of the facts at hand it seems advisable to plan our 3 year project during the period from mid-1969 to mid-1972.

However, this time-table can be followed only if a decision on the financing of the project can be made within the next few months.

The Austrian Institute for Economic Research requests that the Ford Foundation consider positively its application for a grant of US \$ 600,000 for a period over 3 years to assist the International Center for Comparative Systems Research at the Austrian Institute for Economic Research.

For the above mentioned reasons we at the same time beg you to consider this application at your earliest possible convenience.

Franz Nemschak
Director, Austrian Institute
for Economic Research

Vienna, February 14, 1969

Austrian Institute
for Economic Research
Project: Comparative Systems Research
Enclosure III/1

Brief Curricula Vitae on Director
and Scholars (Consultants)

Director of the Austrian Institute for Economic Research

Prof. Dr. Franz Nemschak

Born on July 27, 1907 in Graz, Austria. Austrian citizen.
Married. One son.

Education:

- 1927 - 1931 Study of law and political science at University
of Graz, at the same time holding jobs to earn
living. Degree of Doctor of Law in July 1931
- 1933 - 1937 Assistant at University of Graz; work on various
economic and sociological problems.

Professional career:

- 1926 - 1933 Department store employee (bookkeeper, correspon-
dent, salesman)
- 1937 - 1938 Secretary to socio-political organization
- 1939 Imprisoned by Gestapo (Nazi secret state police)
- 1940 - 1941 Legal economic adviser to steel company
- 1941 - 1943 Independent scientific writer and economist at
the Vienna Institute for Economic Research;
publications on the Turkish economy
- 1943 - 1945 Military service
- Since 1945 Director of the Austrian Institute for Economic
Research.

At the same time, Director of the economic
department of the Austrian ERP-Bureau at the

Federal Chancellery (from its foundation in 1949 until its dissolution at the end of 1953) as well as Managing Director of the Austrian Productivity Agency (1950 - 1952).

Member of Executive Board of the "Austrian Economic Society", Vice-president of the "Austrian Institute for Regional Planning", Presidium member of the "Austrian Society for Dietetics Research", member of Board of Trustees of the "Institute of Science and Art".

1959

Professional title of "Professor" in recognition of scientific achievement.

Chief editor of all Institute publications.

Numerous articles and lectures on problems of the Austrian economy.

Selected papers:

Concept for price, wage, and monetary reforms in Austria after World-War II (1947/48);

Austria's Investment Program (1950/52, Marshall-Plan);

Austria's way from rationing to a market economy (1949);

Austria's economic policy under conflicting principles of control and political ideologies (1953);

Austria and European integration (1960, 1961, 1963, 1964);

Longer-term economic growth and economic planning in Austria (1965);

Austria's position and challenge between the East and West (1967);

On occasion of a lecture in Moscow on May 29, 1967 ("Planning Elements in Capitalistic Economies", cf. enclosure III/1a) the author discussed the establishment of an East-West-Research Center in Vienna with Soviet experts.

Scientific Director

Dozent Diplom-Volkswirt Dr. Peter Knirsch

Born on December 23, 1928 in Mährisch Ostrau, CSR. West German citizen. Married. Two children.

- 1948 - 1953 Study of economics in Munich and Erlangen
Degree of Diplom-Volkswirt
- 1953 - 1954 Employment with accountant bureau
- 1954 - 1956 Supplementary studies at Eastern Europe Institute
of Free University of Berlin
- 1956 - 1960 Scholar at Eastern-Europe Institute, Berlin
- 1959 Degree of Dr. of Political Science; thesis:
"The economic thinking of Nikolaj I. Barcharin"
- 1960 - 1968 Assistant and lecturer at Free University of
Berlin
- 1967 - 1968 Advisory services to OECD, Paris
- 1968 Inauguration as academic lecturer of economics;
thesis: "Structures and patterns of central
economic planning".

Since Sept. 1968 Employment with Austrian Institute for
Economic Research

Five books and some 50 articles on economics, economic
structure and development, on the economic system and economic
policies in the Soviet Union and in other Communist countries
as well as on comparative analysis of economic systems.

Languages: German, English, Russian; reading knowledge of
French and Czech.

Diplom-Kaufmann Dr. Peter Feith

Born on May 29, 1935 in Vienna. Austrian citizen. Married.
One son.

1954 - 1959 Study at the Vienna School of Commerce.

1959 Degree of Diplom-Kaufmann.

1965 Degree of Doctor of Commercial Sciences; thesis:
"Yugoslavia's power industry with special regard
to electricity"

1960 - 1968 Employment in Austrian industry, in charge of
exports to Eastern Europe

Since April 1968 Employment with Austrian Institute for
Economic Research

Five articles on development of and reforms in the Yugoslav
economy.

Languages: German, Serbo-Croatian (attested interpreter to
court), English, Russian.

University-Professor Dr.Kazimierz Laski

Born on December 15, 1921 in Warsaw, Poland. No citizenship since November 1968. Married. Two children.

- 1945 - 1953 Study of political economy at Academy of Political Sciences in Warsaw
- 1952 Degree of Magister of Economics
- 1953 Doctor's degree; thesis: "Accumulation and consumption in the process of the industrialization of Communist Poland"
- 1954 Inauguration as academic lecturer
- 1960 - 1968 Professor at College of Planning and Statistics, Warsaw
- Chairman or member, respectively, of various scientific committees and working groups
- 1964 Guest professor at Institute of Advanced Studies and Scientific Research, Vienna
- 1965 - 1966 Polish representative to the "Industrial Development Committee" of UN, New York
- 1966 - 1967 Guest professor at Sorbonne University, Paris
- Since Dec.1968 Employment with Austrian Institute of Economic Research

Two books and about 50 articles on growth theory, market equilibrium, national income, efficiency of investment, and international trade.

Languages: Polish, German, French, English, Russian.

DDr. Nandor Nemeth

Born on February 11, 1926 in Zalaegerszeg, Hungary.
Austrian citizen. Married.

1944 - 1949 Study of law and political science at University
of Budapest.

1949 Degree of Doctor of Law; thesis: "Co-operative
stock shares".

1950 - 1956 Employment in business management

1957 - 1959 Study of law at University of Graz; degree of
Doctor of Law

1959 - 1961 Study of political science at University of Graz

1961 Degree of Doctor of Political Sciences; thesis:
"Planning of retail trade in centrally planned
economies".

1961 - 1963 Manager of international student dormitory

Since Jan. 1964 Employment with Austrian Institute for
Economic Research

Co-author of 4 monographs on Austrian national income. Article
on foreign trade relations of the Hungarian industry.

Languages: German, Hungarian, reading knowledge of Italian
and English.

Dipl.Ing.Vaclav Nešvera, CSc

Born on December 18, 1927 in Mojne, CSR. Citizen of CSSR.
Married. Two children.

- 1953 Graduation from college
- Until 1963 Employment with Institute for Technology and
 Economics of Mechanical Engineering
- 1958 Participation in drafting the concept of economic
 reforms
- 1962 - 1964 Head of funds department of the state commission
 for scientific and technological development (now
 Ministry of Technology)
- 1964 Degree of "Candidatus scientiarum" (PhD equivalent);
 thesis: "Development of technological foundations
 for metal processing industries"
- Since 1964 Head of funds and investment department at
 Research Institute for Economic Planning, consultant
 to the Ministries of Economic Planning and of
 Heavy Industries as well as to Tesla corporation
- From March 1969 on: Guest scholar at Austrian Institute for
 Economic Research

Post-graduate courses: Application of mathematical methods in
 economics (Prague, 1964)

 Financing of capital accumulation (Luxembourg,
 1964 - 1965)

 National policies and international economic
 order (Luxembourg, 1964 - 1965)

 Social impact of the new technology (Salzburg
 1967)

Numerous studies and publications on investment problems from
the macro-economic viewpoint, on technological development,
control and functioning of economic mechanisms, market
analyses, and information problems.

Languages: Czech, German, English, French, Russian.

Prof. Dipl. Ing. Dr. Franz Plasil

Born on March 28, 1912 in Budweis. Austrian citizen. Married. Three children.

- 1931 - 1935 Study at Prague School of Business
Degree of Dipl. Ing. and Dr. of Business Science
- 1935 - 1948 Leading industrial position in Prague
- 1948 - 1950 Economic adviser to business firms in Zurich and London .
- 1950 - 1967 Senior Economic Affairs officer with UN
Selected assignments:
- 1950 - 1962 Work with "Research and Planning Division" of ECE in Geneva
- 1962 - 1967 Work at Bureau of Technical Assistance Operations, UN-Headquarters, New York
1963. - 1964 Secretary General of Economic Union Burundi-Rwanda, Chief of UN-Mission at Bukavu, Congo
- 1966 - 1967 Economic Adviser to Government of Rwanda and Dean of Economics Faculty at University of Rwanda
- Since 1967 Assistant to Executive Director, UNIDO, Vienna
- 1945 - 1948 Professor of Economic Planning, Prague School of Business; visiting professor at St. Gall Business School and at universities of Basle, Geneva, Karlsruhe, Zurich, Torino, University of California, Berkeley, Columbia University, New York, State University of Butare, Rwanda
- Since April 1968 Consultant to Austrian Institute for Economic Research

Three books and numerous articles on economic planning and development policy.

Languages: German, Czech, French, English, Italian; reading knowledge of all Slav languages.

Dipl.Ing.Erika Schwödiauer, née Mory

Born on October 17, 1942 in Strbske Pleso, CSR.
Austrian citizen. Married.

- 1961 - 1966 Studies at Bratislava School of Economics
1966 Degree of Dipl.Ing.; thesis: "Estimation of consumption functions for selected commodity groups in Slovakia".
1965 - 1966 Assistant at Research Institute for Economic Cybernetics of Bratislava School of Economics
1966 - 1968 Post-graduate studies at Vienna Institute for Advanced Studies and Scientific Research. Final paper: "Optimal programming of capital accumulation in three-sector models"

Since Sept.1968 Employment with Austrian Institute for Economic Research

Languages: Slovakian, German, Czech, Hungarian, Russian, English; reading knowledge of Polish and French.

Dozent Dipl.Ing.Jiří Sláma, CSc

Born on December 9, 1929 in Brünn, CSR. Citizen of CSSR.
Married. Two children.

- 1953 Graduation from college, since then scholar at
Prague School of Economics
- 1960 Degree of "Candidatus scientiarum" (PhD equivalent);
thesis: "Reducing production costs in chemical
industry"
- Since 1961 . Lecturer of industrial economics; thesis:
"Efficiency of industrial production"
- 1958 - 1962 Dean of Faculty of Production Economics
- Since 1965 Head of department at Research Institute for
Industrial Economics at Prague School of
Economics
- Since Jan.1969 Guest scholar at Austrian Institute for
Economic Research

Numerous publications (of which 4 books) in the following
areas: pattern of industrial production, technical and
scientific progress, problems related to mechanism of
function and control.

Languages: Czech, German, Russian; reading knowledge of Polish.

Diplom-Kaufmann Dr. Jan Stankovsky

Born on December 10, 1934 in Brünn, CSR. Austrian citizen.
Married. Three children.

- 1954 - 1955 Study of psychology at University of Brünn
1955 - 1961 Studies at Vienna School of Commerce
1958 Degree of Diplom-Kaufmann
1961 Doctor's degree; thesis: "The foreign trade
regime of the Eastern bloc countries"
1960 - 1964 Employment with export department of Austrian
industrial company
1964 - 1966 Official expert on economic policy at Federal
Chancellery

Since Oct. 1966 Employment with Austrian Institute for
Economic Research

Various articles on Austria's trade with Eastern countries and
on East-West trade relations.

Languages: German, Czech, English, Russian; reading knowledge
of French.

Prof. Dr. Jan Tinbergen

Born in 1903 in The Hague, Netherlands

1931 Private lecturer in Amsterdam

Since 1933 Professor at Rotterdam School of Economics

1945 - 1955 Director of Central Planning Bureau of the Dutch government

Significant contributions to the application of scientific methods in the planning of economic policy.

Adviser to international organisations as well as to governments of less developed countries. Contributions to development planning.

Several honorary doctorates.

Books and articles include the fields of empirical business cycle research, econometrics, theory of economic policy, international relations, economic development, and economic systems.

Austrian Institute for
Economic Research

Project: Comparative Systems Research

Enclosure III/2
Research Projects in Progress

(a) Permanent staff

Peter Knirsch:

On the hypothesis of economic convergence
(Compilation of material; critical comments)

Compilation of articles and monographs from Western and Eastern European countries related to the hypothesis of economic convergence, followed by critical review.

Peter Feith:

Position of firms in different economic systems,
first to be explored on the basis of the Austrian and Yugoslav examples.
(Empirical and theoretical study related to research area 10)

The following basic problems are to be studied for the "East" as well as for "West":

Along which principles do firms select their management staff?

To which extent is the management autonomous (i.e. which are the sectors of independent decision-making and in which sectors do outside influence become effective - by the state, by banks, trusts, etc.)?

To which extent and in which sense does the management carry responsibility and what risks are involved (material losses, loss of position)?

Which incentives are offered to the management, which for clerks and workers? (This is closely related to the problem of finding appropriate measures of business success)?

Which rights do workers have in the area of joint decision-making and how are such rights related to duties of management?

Upon which data does the management base decisions (state plans, market prices and market situation, etc.)?

What are the firms' contributions to the development of central plans?

In which way are the firms' decisions related to decisions on other levels (branch, region, total economy)?

(Such problems are being discussed under the name of "multi-level planning"; this also includes co-ordination within business trusts.)

To which extent is planning practiced by big Western enterprises? Are there any analogies observed to socialist countries?

To which extent does modern computer and information technology exert its influence on methods of planning, co-ordination, and business administration?

In exploring most of the above mentioned problems, different types of enterprises have to be distinguished (e.g. in Austria: nationalized industries, firms in the property of banks or of foreign corporations, etc.)

Nandor Nemeth and Erika Schwödiauer:

Comparison of production functions for Austria, Czechoslovakia,
and Hungary

(Empirical-econometric and theoretical-methodological study
related to research area 4)

On the one hand, this study shall analyze the growth of productive capacities in Austria, Czechoslovakia, and Hungary, on the other hand the resulting shifts of final demand and their repercussions on the patterns of production are to be explored.

At its first stage, the model will include projections of supply, the distribution of supply over the final demand sectors, and the transformation of final demand into the primary factors of production.

For the purpose of formulating a growth hypothesis of potential supply, estimation of production functions or of their surrogates broken down by individual industries as well as the estimation of macro-economic production functions is proposed. To this end, time-series on capital stock and labor input as well as assumptions on partial elasticities of production are required.

On the basis of the input-output matrix being developed at present, estimates of the composition of final demand by various sectors (private consumption, investment, exports) as well as the construction of an investment matrix and experimental studies on investment functions for producing sectors are envisaged.

The analysis of production patterns shall be executed simultaneously in Austria and in Czechoslovakia and somewhat later also in Hungary, and shall be supplemented by monthly working conferences of the research groups. At these meetings, theoretical and methodological problems will be discussed. The completion of the separate country analysis will be followed by comparisons of structural effects, of the

factors of production, and of the levels of technical progress.

This study shall be a joint research project to be executed by two economists (econometricians) of the Austrian Institute for Economic Research and by adequately qualified economists (econometricians) from Czechoslovakia and Hungary.

Jan Stankovsky:

Impacts of economic fluctuations on East-West trade
(Quantitative-statistical study related to research area 13)

Study of the dependence of East-West trade on business cycle fluctuations and illustrated by the foreign trade of the OECD members and of Eastern European countries. Impacts of overall and of peculiar fluctuations on volume and pattern of East-West trade. Influence of price fluctuations and market conditions. Repercussions of cyclical fluctuations on purchasing power of Eastern European countries and on Western export loans. Reactive ability of Eastern trade organizations to business cycle fluctuations. Economic fluctuations in Eastern European countries and their impact on East-West trade.

(b) Foreign guest scholars

Jindřich Jiří Kosta and Jiří Sláma:

Technical progress in Czechoslovakia and Austria

(Empirical and theoretical study related to research area 5)

At first, data and information on extent and efficiency of technical progress in both countries are compiled, compared, and illustrated by specific examples. Subsequently, the impacts of technical progress originating from the particular economic system shall be explored. To this end, at first public policies in the areas of science and education, the institutional framework, the instruments of economic policy, investment and investment financing as well as attitudes of managers and of executive personnel will be analyzed. Finally, the influence of technical progress on the economic systems of both countries will be described.

Kazimierz Laski:

The theory of growth in socialist and capitalist economies
(Theoretical study related to research area 4)

The theory of growth in a socialist economy is different from that in a capitalist economy: for the latter, the element of effective demand is of paramount importance, while for the former the conditions of supply are decisive. The laissez-faire economy is threatened by insufficient utilization of means of production and full employment has to be secured by appropriate government action.

While in a capitalist economy the distribution of the national product to a large extent influences the choice between present and future consumption, this choice has to be made directly as a decision of economic policy in a socialist economy. This decision cannot be made on the basis of purely economic considerations, it is in the last resort the result of a political compromise. From this follows inter alia that the so-called golden rule of accumulation (which theoretically guarantees maximum consumption in the long run) is of very limited importance.

After the decision concerning the rate of growth has been made, a certain rate of interest appropriate to this growth rate can be found, and this rate of interest plays a decisive role in the determination of the most efficient forms of investment (choice of methods of production). The methods used to calculate the efficiency of investments differ in socialism and in capitalism, but in both systems there is a wide discrepancy between the theoretical solutions offered by economists and the methods of efficiency calculation used in practice.

Václav Nešvera:

Comparative analysis of investment policies in Czechoslovakia and Austria

(Empirical-statistical and theoretical-methodological study related to research area 7)

Introduction

Setting of problem and aim of study. Methodological procedure.

Empirical analysis

This section shall analyze the motives of the investment policy practiced up to the present and examine the resulting effects.

(1) Development during the postwar period with respect to: intensity of investment, distribution of investment over branches, impact of investment policy on growth rate and pattern of production, on consumption and standard of living; capacity, income, and substitution effects of investment.

(2) Present tasks of investment policy: tasks depending on growth policy (structural shifts, regional problems, external factors, sources of growth, and growth requirements).

Tasks which follow from the conditions of economic equilibrium.

(3) Preconditions and tasks of future investment policies. Review of the plans set up by economic authorities.

Systems analysis

This section shall present a comparative analysis of planning and realization of investment programs in both countries, and shall center around the conditions, under which decisions on investment projects are made (central

vs. decentralized planning, centrally planned vs. market economy).

(1) Conditions of decision-making; historical development; specific conditions in the fields of planning, financing, and investment realization.

(2) Application of theoretical analysis: institutional conditions of investment policy. Analysis of investment behavior.

(3) Direction of future development. Principles of economic reforms.

Summary

Impact of economic system on economic reality.

Note

The results of this study as well as the general method employed shall be applied also to other Eastern and Western countries.

(c) External scholars

Jan Tinbergen, Rotterdam:

The contribution of welfare economics to comparative systems research

(Theoretical study related to areas of general research)

This study deals with the question of what welfare economics could contribute to comparative systems research. Welfare economics explores the following wellknown problem: which conditions must be satisfied in order to achieve maximum social utility under the restrictions of the volume of productive resources available and of certain laws of production. This problem can be formulated not only under static but also under dynamic considerations (maximization of social utility over time).

Pareto believed that free exchange economies necessarily would generate the optimum, but he failed to realize that the laws of production assumed are not generally valid. As soon as phenomena like non-divisibility and external effects are introduced, the necessity of certain central organs can be demonstrated. So the general result is arrived at, that mixed systems are preferable to an unrestrictedly free economy.

However, results do not only depend on the laws of production but also on the definition of social utility, e.g. on the weight which is assigned to more equal distributions of income, on positive or negative attitudes toward private ownership of productive resources, etc. One does not need, however, to include a priori the valuation of private ownership into the utility function. In this case the influences exerted will determine whether this factor will show up among the institutions included in the optimum.

In addition, various partial problems also shall be investigated. So, for instance, the problem whether there would exist at all a group of institutions which would meet the optimum conditions. Furthermore, the question should be examined how the functioning costs of the various possible institutions could be introduced a priori into the analysis.

Austrian Institute for
Economic Research

Project: Comparative Systems Research

Enclosure IV/1
Plan of Work

(A) Areas of general research

(1) The influence of social and economic goals on economic systems

Importance of objectives in different economic systems. Influence of social attitudes and ideologies. Revealed preferences. Analogies and discrepancies between objectives. Rationalizing social and economic goals.

(2) Economic systems as manifestations of certain governing mechanisms (market or central planning)

Market economies and centrally planned economies under the viewpoint of theoretical models of co-ordination. All real systems are mixed-type economies. For structural and institutional reasons, co-ordination through the market mechanism is applicable only to a limited extent; it is supplemented and modified by monopolies and state interference. On the other hand, also centrally planned systems include market elements; certain parts of the economy cannot be covered by central planning. Role of prices in planned and unplanned sectors. Possibilities of combining purposively market and planning elements in economic co-ordination.

(3) The influence of organizational structures on economic systems

Classification and analysis of empirical organizational systems. Why in different social and economic sectors different organizational systems are applied. Changing organizational structures in different economic systems. Possibilities of optimizing organizational structures.

(4) Causes and patterns of economic dynamics in different systems

Causes and comparative level of real economic growth in different systems. Methodological difficulties of comparative analysis. Growth differentials between the different systems in the light of growth theory. Causes of changes in economic systems. Influence of economic growth on development of systems. Pattern of changes occurring in different economic systems.

(5) Technical progress and economic systems

Influence of different socio-economic systems on public and industrial research and development on the one hand, and on dissemination of new technologies on the other. Extent and efficiency of promoting technical progress in both systems. Correlations between technical progress and investment or methods of investment financing, respectively, in both systems. Correlations between private consumption and technical progress in both systems. Repercussions of technical progress on methods and techniques of economic policy, in particular on planning techniques (e.g. use of electronic computers) as well as on pattern and development of social systems.

(6) Changing economic tools in different systems

Description and comparison of policy instruments in both systems. Necessity of indirect economic control in centrally planned systems. Indispensability of concerted economic policy in predominantly market-oriented systems. Reasons for this course of development and its consequences for the socio-economic systems in the East and West. Possibilities of and ways toward optimal choice of policy instruments.

(B) Areas of specific research

(7) Investment decisions in different economic systems

Central (state) versus decentralized (state or private) investment planning. Efficiency measurement and applicative realizations. Impact of methods and sources of financing. Importance of investment policies. Instruments and problems of investment control by the state.

(8) Consumption and economic systems

Longer-term development of standard of living and level of consumption in countries subjected to different economic systems. Impact of systems on level and pattern of consumption. Repercussions of consumption development on systems.

(9) Role of economic incentives in different economic systems

Personal and common-interest motives in economic activities. Material and ideological incentives. Influence of income and property policies on the efficiency of systems. Social and political repercussions of different types of incentives.

(10) Position of enterprises in different economic systems

State control and extent of independent decision-making in different systems. Control of entrepreneurial decisions by economic policy. Growing influence of managers and technocrats. Role of private and communal property in productive resources. Participation of employees in management functions. Mitigating conflicting interests of labor and capital.

(11) Concentration and economic power in different systems

Identification of economic, technological, and system-dependent factors of influence. Trend toward partial concentration of control (monopolies) and repercussions on political power. Possibilities of limiting partial concentration of economic power in both systems.

(12) The phenomenon of economic fluctuations

Economic fluctuations in capitalist and socialist countries. Causes originating from the particular system. Theoretical approaches toward explaining economic fluctuations. Business cycle control in different systems. Economic fluctuations and system modification.

(13) Trade and co-operation between different economic systems

Quantitative and qualitative importance of economic relations between Communist and capitalist countries, in particular with respect to East-West trade. Economic and political determinants. Interdependencies between different systems and East-West trade. Possibilities of co-operation between different systems. Ideological and political implications.



