Birth of an Organization:  
The Economic Cooperation Administration  

By HERBERT A. SIMON  
Professor of Administration  
Carnegie Institute of Technology

On April 3, 1948, the United States Congress approved the Economic Cooperation Act. Some four months later, by the end of July, the Economic Cooperation Administration was a going concern, complete with organization chart, and had already accumulated a considerable body of experience in the administration of its foreign aid program. The following pages are concerned with some of the events that took place in the creation of the ECA and some of the lessons for organization theory that can be drawn from these events.

The account is not a "case" in the usual sense, much less an administrative history. In fact, it comes closer to being administrative autobiography than administrative history, since what I know of these events was gained largely from the vantage point of a position in the Organization and Management Division of the agency. While I have had some small opportunity to check the objectivity of my observations with persons who held positions in other parts of the agency at the same time, I am sure that they never saw exactly the same things that I saw, nor do I have any reason to believe that what I saw was the "reality." Indeed, one of the morals of the story I am about to tell is that in its formative stages the organization consisted largely of a series of pictures in the minds of different people. These several pictures were far from congruent with each other, and the process of organizing consisted in considerable measure in arriving at a single picture that was held more or less in common.1

First Steps

A good deal of the history of the agency during its period of mushroom growth can be read in the phone directories that were issued at frequent intervals, at first almost daily. The first directory, issued about April 15, lists 15 names. Since it does not include clerical personnel, we may assume that the total number of persons who arrived on the scene in the first week and a half was about 30. By April 22, the list contained 138 names including clerical personnel; by July 26, it contained 741 names, and the period of rapid growth was over.

The growth process was clearly one of cell-splitting. Within a few days after his appointment as administrator, Paul Hoffman had appointed to the agency, in addition to two personal assistants, a director of operations, Wayne C. Taylor; an acting controller, soon replaced by E. L. Kohler as controller; and a director of administration, Donald C. Stone. He also brought in three economists to review for him the substantive programs that had been developed before the agency was formally

1 The principal published sources against which my observations have been checked are:  
PCFA. President's Committee on Foreign Aid (Herter Committee). European Recovery and American Aid. November 7, 1947.  

These reports will be referred to by the initials indicated. The first two relate to the period prior to the enactment of the act, the second two to the first six months of ECA's existence.

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created. The senior member of this group was Richard M. Bissell, who had served as executive secretary to the President's Committee on Foreign Aid.

At this stage in the proceedings, on the program side of the agency the cell-splitting process was very slow, on the side of the machinery of organization, very rapid. There are two reasons for this discrepancy. First, there was already in existence in the State Department an "interim aid" unit that was administering the earlier assistance funds granted to Austria, France, Greece, Italy, and Trieste, that kept the supply "pipeline" filled in the early organizing period, and that was soon absorbed as a Procurement Transactions unit in ECA. Second, in this stage questions of mechanics were much clearer than questions of substance. It was clear that the agency would need rooms, telephone service, and other housekeeping services, and that it would have to be prepared to hire large numbers of personnel. Even the press relations function was not overlooked. It was much less clear how the agency would go about performing its function of administering foreign aid.

By the middle of April the director of administration had appointed a budget director, an organization and methods director, a personnel director, and an office services director. By the third week in April 65 per cent of the personnel were in these units and another 13 per cent in the Controller's Office, leaving 24 per cent (not including the State Department group) for all of the activities associated with the substantive program. By July 26 the personnel in the program units had increased from one-quarter of the total staff of the Washington office to one-half.

In mid-April, ECA resembled nothing so much as a manufacturing concern without a factory. An office desk or a telephone could be obtained in a matter of hours. In the new, partially finished building the agency occupied, interior partitions were being erected with amazing rapidity. But whatever product was emerging was being produced by the State Department group, which was operating with a minimum of contact and almost no direction from the new agency.

These observations are not intended critically. The course of events is completely understandable. Since there existed in Washington a clear conception of what an administrative agency looked like—that is to say, the skeleton of an abstract administrative agency—the framework could be erected. But since no conception existed, or at least no consensus, of ECA as an agency with a program to administer, the skeleton was not yet ready to be covered with flesh, blood, and nerves.

The Alternative Approaches

How then, did the program of the ECA, and the organization to implement that program, emerge? ECA, like all organisms, had a prenatal history. In fact, as it turned out, it had a large number of claimants to parenthood—more than could be accommodated.

It is possible to identify at least six important approaches to the organization of ECA. To an important extent, the early administrative history of the agency can be written in terms of the rise and fall of these approaches and of the administrative units with which they were associated. Since they are not wholly mutually incompatible, and since no single one was clearly espoused by the statute creating ECA, the final structure that emerged made room for several of them. In the next paragraphs these six approaches are characterized.

The Commodity-Screening Approach. Considerable experience had been gained in the administration of foreign assistance through wartime aid programs, notably the FEA, and subsequently in the interim-aid programs. Here the chief human repositories of administrative memory were to be found in the export licensing unit in the Office of International Trade of the Commerce Department and in the interim-aid group in the State Department. In addition, there were in the Departments of Agriculture and Interior, among other places, a number of persons who had played important roles in these earlier programs.

The conception of foreign assistance inherited from this tradition was one of determining specific commodity needs of foreign countries and approving or disapproving individ-
ual shipments of specified quantities of commodities. The decisions involved were those needed for screening these individual transactions against program criteria—for example, the need of the country for the commodity to sustain its war effort or nutritional levels and the availability of commodities in scarce supply. Such a screening process called for two kinds of specialized knowledge: knowledge of needs or requirements and knowledge of availabilities. The former suggested some combination of commodity and area specialization in the agency, the latter pointed primarily toward commodity specialization.

The Balance of Trade Approach. The enactment of the Marshall Plan legislation had been preceded by considerable research activity both in Europe and in the United States. This research had been concerned primarily with the question of determining the magnitude of Europe's needs for American assistance.

The Committee of European Economic Cooperation, in response to Secretary-Marshall's original proposal, had drawn up such an estimate in the fall of 1947. Starting with estimates of the consumption requirements of the participating countries, the committee compared these with projected production levels, and arrived at estimates of the bill of goods that would have to be imported to maintain the proposed consumption levels, and then of the balance of payments picture that would result from the import program. The "dollar gap" thus arrived at provided a basis for the amount of American assistance requested. The CEEC report was reviewed and scaled down by a group of committees in this country. These revised estimates provided the basis for the EGA legislation and the subsequent appropriations.

In this picture of the foreign assistance program, individual commodity purchases played a very subordinate role. Once the aggregate figure for aid to each country was arrived at, it was of little importance whether a particular import was financed with EGA dollars or with dollars from the export trade.

This approach clearly derives from economic theory. The analysis of consumption needs and productive capacities follows the so-called "national income approach" that has had wide currency among professional economists in the last decade. The notion that the foreign assistance problem was one of making up a "dollar deficit" follows from the traditional balance of payments concept that has been central to international trade theory.

What both of these conceptions suggested from an organizational point of view, although in slightly variant forms, was the need for an agency that could arrive by economic analysis at over-all decisions on dollar amounts of foreign assistance to individual countries.

The European Cooperation Approach. Another set of organizational preconceptions was obtained by viewing the Marshall Plan as a means for bringing about a greater measure of international trade, economic cooperation, and rationalization of industry in Western Europe. This approach to the program was an essential element in the studies already mentioned and an integral part of State Department and congressional policy. Its organizational implications were: first, that the initiative for programming should rest upon the European countries acting cooperatively; second, that our relations with them under the program should be multilateral rather than bilateral, and that these relations should be channeled primarily through the Paris rather than the Washington office of EGA.

The Bilateral Pledge Approach. Somewhat different from the idea that the central aim of the program was to foster European cooperation was the idea that assistance should be conditioned on bilateral pledges between the individual participating countries and the United States. Since one element in the required agreement was the willingness of the participating country to engage in cooperative arrangements with the other countries, the two conceptions were certainly not in direct contradiction. Nevertheless, the bilateral agreements created the necessity for direct negotiation in cooperation with the State Department with individual countries, and, from an organizational point of view, weakened CEEC and

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1 A discussion of conceptions involved in commodity screening for export control will be found in HSC, pp. 68-45, 64-87.

2 The estimating procedures of PCFA and HSC are based squarely on the balance of trade approach.

3 HSC, pp. 21-56, 603-4; PCFA, pp. 4-6, 31-2.

4 HSC, pp. 869-77; PCFA, pp. 108, 273-7; ECA, Appendix I.
the Paris office of ECA as the primary channels of contact. The bilateral agreements also emphasized certain specifically American goals such as securing the continued availability of strategic materials.

The Investment Bank Approach. The American government had also had experience, through the Export-Import Bank, in granting loans to other countries for capital improvements. The Economic Cooperation Act specifically provided that, of the 5.3 billions in aid to be extended in the first year, 1 billion be in the form of loans, and the Export-Import Bank be used as the machinery through which these loans were to be handled. This led to the conception that, at least with respect to the loan portion of the program, the problem was to determine whether individual projects for plant construction or other capital improvements were economically sound in the sense of having a good prospect of earning a return on the investment. The Congress itself was ambiguous (and probably intentionally so) in stating the criteria for approval of loans. Both the earning power of the investment and the ability of the country to repay, from a balance of payments point of view, were to be considered. The facts that the stated intention of Congress included the investment banking criteria, and perhaps more important that Mr. Taylor, the director of operations originally appointed by Mr. Hoffman, came to ECA from the Export-Import Bank, had important consequences for the organization of EGA during the first months.

The Policy-Administration Approach. Along with the extensive substantive planning that had been going on prior to the enactment of the law in April, thought had also been given, particularly in the Bureau of the Budget, to the way in which the program would be administered if it were enacted. Some of the broad issues were whether to put the activity in the State Department or to establish a new agency, and whether, if a new agency were established, it should be a corporation. These issues were decided by the Congress and not by the organizational planners, and we shall not consider them further here.

The Budget Bureau, however, had also constructed some tentative plans for the internal organization of the agency if one were created. Because the Budget Bureau did not have, and probably could not have had, a clear conception of the program, its plans shared many of the characteristics of the organization that developed early in April—great emphasis on machinery and little on production. If the name of the agency had been taken off the bureau's proposed organization chart, it would have been extremely difficult to determine whether the organization was to engage in foreign assistance, salt mining, or the practice of law. Provision was made for a bureau of policy coordination, a program bureau, a bureau of operations, and a controller. The first would be concerned with the broader aspects of European recovery, the second with the review of commodities lists, the third with actual procurement, and the fourth with documentation and accounting for funds.

The idea that one should deal with a complex problem—any problem—by first making broad decisions, then implementing these with more specific decisions, and then implementing these in turn is a familiar one in the literature of administration—and in books on "how to think." This plan mistook an analytic description of the governmental process for a list of the administrative units needed in carrying out a specific governmental program.

As a matter of fact certain elements that later emerged in the ECA organization can be identified with the units proposed by the Budget Bureau. But except in the case of the controller, this was a matter of coincidence and not planning, and as the organization was modified by gradual adaptation, the unit corresponding to policy coordination absorbed more and more of the functions of the program bureaus, and the program bureaus absorbed completely the bureau of operations. The reasons will perhaps become clear in the sequel.

The Development of Program Organization

Having surveyed some of the principal conceptions of the foreign assistance program that could be identified in Washington in April of 1948, we are ready to resume our story of the actual process of organization. As the
process of cell division continued, each of the program conceptions we have described found a concrete embodiment in one or more of the emerging organizational units.

The fate that each unit suffered tended to depend upon two things. Its fate depended, first, upon how simply and clearly its underlying conception of the program could actually be implemented. Each program conception provided a basis for an administrative organization only as it was further elaborated and spelled out in terms of concrete administrative activities, and as it led to a workable allocation of decision-making responsibilities. In the case of EGA, for example, a program conception could not be regarded as workable unless it could be elaborated into a decision-making process for allocating five billion dollars among the Western European nations and for translating these allocations into authorizations for the purchase of specific goods and services. Not all the approaches were capable of being implemented in this sense—several of them were simply not workable.

A unit’s fate depended, second, on the natural alliances it found with powerful Washington agencies surrounding the EGA that shared its conception of the agency program. To the extent that more than one program conception could be made workable, in the sense just described, such alliances might decide the outcome as between competing approaches.

What we are about to describe, then, is a power struggle in which ideas—in particular the conception of the program—played a major role both as weapons and as motives for empire-building. The conceptions were weapons because they could be used by the particular administrative units that represented them to advance their claims to a larger place in the program. They were motives for empire-building because the administrators of these units saw the broadening of the functions of their units as the principal means for implementing their conceptions of the program. I do not believe that this kind of power struggle was a peculiarity of ECA, but rather that a deeper analysis of the phenomenon of empire building in government and in business would show that these elements are always present and very often are of central importance. Because of the fluidity of the organization it is easier to identify them in the early history of ECA than in an agency that has already gone through a process of “natural selection.”

The commodity screening view of ECA’s program prevailed in the Procurement Transactions Division (the new name of the State Department interim aid group) and in two program units that were set up on a commodity basis: the Foods Division and the Industry Division. The Foods Division was largely under Agriculture Department influence, and all three of the units had close working relations with the Office of International Trade in the Department of Commerce. Commodity screening was also the prevalent conception in the ECA Controller’s Office.

The origins of the commodity screening approach have been traced back to the wartime aid programs. The workability of the conception rested largely on several provisions of the act itself. One of these required that the aid should not impair the fulfillment of vital needs of the American people. Crude oil was to be purchased, as far as possible, outside the United States; no meat was to be purchased in this country except horsemeat. Other clauses for the protection of the American economy related to wheat flour, farm machinery, fertilizers, agricultural commodities in ample supply, and surplus war assets. Private trade channels were to be used as far as possible in the procurement of supplies, and at least half the goods were to be shipped in American bottoms. Finally, it was required that commodities not be purchased outside the United States at prices higher (with certain adjustments) than the American price.

The effect of all these provisions was to require scrutiny of individual transactions. Within ECA, these clauses were administered largely by the Procurement Transactions group and (particularly the price provisions) by the Controller’s Office. Outside ECA, the Commerce, Agriculture, and Interior Departments were vitally concerned with these same provisions.

Paradoxically, these provisions also created a basic weakness in the commodity screening approach. The crucial decision in screening

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*IISC, pp. 698-730, 755-78; ECA, pp. 42-5.*
scarce commodities was not whether their purchase was financed from ECA funds, but whether they were to be exported from the United States. Hence, quotas of total shipments of each commodity had to be established, and these quotas had to be enforced through export licenses rather than through the approval of financing. As a consequence, the main responsibility had to devolve upon the Commerce and Agriculture Departments rather than upon ECA.9

The same weakness undermined the more naive, but strongly held, conception that the purpose of screening individual transactions was to conserve the American taxpayer's money by making sure that the European nations were using the funds only for "needed" items. Since 50 per cent of total European export dollars was being earned in the course of regular international trade and only 50 per cent was provided by ECA, if a transaction were disapproved the particular item in question could be procured instead with earned dollars, and another item substituted on the ECA list. However desirable the conservation of American funds, this goal could not be secured by decisions on individual transactions.

In the end, then, the ECA organization had to adapt itself to the facts that export licensing, not procurement transaction screening, was the effective means of control over individual transactions, and that screening could not be employed effectively to control the over-all European import program. The Controller's Office, with its auditing responsibilities and interest in the pricing provision, remained the only center of power for the commodity screening approach. This approach gradually disappeared from the conceptions of the programming divisions.

The balance of trade conception found its base—at first a very unstable base—in the economists who began to be brought into the agency, largely by Bissell and largely on a consulting basis. Mr. Hoffman and most of the senior personnel immediately associated with him were preoccupied in the early days with external problems. They had to work out relations with the State Department and negotiate the bilateral agreements; they had to develop instructions for the Paris office that was just coming into existence; and they had to prepare for the appropriations hearings on the Hill. (The appropriation bill was approved only on June 28.) This left the task of developing the programming procedures and of reviewing the second- and third-quarter programs of foreign assistance to the economists. And indeed, as nearly as I could observe, the actual program revision was the work of a few very able and energetic, very young, and very inconspicuous men who had participated in the interdepartmental committees reviewing the original CEEC proposal and who were now operating under Mr. Bissell. The exact size or identity of this group was not easy to determine, but it could not have consisted of more than a half-dozen professionals.

The European cooperation approach was easier to describe than to implement.10 In essence it required the strengthening of the organization through which this cooperation was to be planned by the European nations themselves—the OEEC, which was the successor to CEEC. Because the Paris office was clearly the appropriate unit for dealing with OEEC, and because the cooperation goals had little relevance for the day-to-day tasks of programming and financing assistance, this approach never had a strong organizational embodiment in the Washington office. The Fiscal and Trade Policy Division that later emerged had most concern with it, but the center of gravity was in its Paris counterpart.

The cooperation approach had, however, a negative implication that influenced thinking about the Washington office. There was great temptation to establish "country desks" to specialize in the problems of the individual countries. Indeed, area units of this kind were contemplated in the Budget Bureau organization plan. They were to be located in the program bureau, which was to be a replica of the FEA organization—with an "areas" division and a "commodities" division. This conception was vulnerable to the attack, however, that it would foster bilateral relations with the individual countries rather than cooperation among them. These objections prevented

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*PCFA, p. 113; HSC, pp. 672-86; ECA1, pp. 14-18, 44.

**ECA1, pp. 5-13, 46.
country desks from sprouting as rapidly as they might have in the agency. They did not, in the long run, altogether prevent them from developing in subunits where specialized knowledge of the individual countries was needed for programming and arriving at balance of trade estimates.

As already mentioned, bilateral agreements with the cooperating nations were required by the act. Negotiation of the pledges was a high-level matter involving State Department leadership. In the ECA Washington office, only the Office of the General Counsel was deeply involved. Once the pledges had been signed, their implementation of necessity devolved largely on the Paris office and the EGA Special Missions in the cooperating countries. Hence the agreements never exerted an important influence upon the organization of the Washington office. (Again the Fiscal and Trade Policy Division, operating in close liaison with the Treasury Department, is a partial and minor exception.)

The investment bank approach found its main internal support in Mr. Taylor, and its external support in the Export-Import Bank. The conception was applicable, if at all, only to a small part of the agency's total program. Mr. Taylor's unit soon became isolated from the flow of day-to-day transactions in the agency and gradually withered on the vine. The rapid decline of this unit was easily visible in terms of size of staff, changes in titles (Mr. Taylor became "the assistant to the administrator"), and actual office locations.

The unit early established its claim as the loan approving authority in the agency, but a growing conflict developed between the investment criteria and the balance of payments criteria for loans. A crisis in the fall of 1948, resulting from the fact that a large proportion of the loan funds were still uncommitted, gave convincing evidence of the unworkability of the investment bank approach, and led to a resolution of the conflict in favor of the balance of trade approach. Since I was not an eyewitness to these events, I cannot describe them in detail.

What this all adds up to is that during the first two or even three months the entire operating portion of ECA consisted of three groups. The first, comprised of Mr. Hoffman and a few high-level aides, conducted the "international relations" of the agency, so to speak, with the Congress, with the State Department, with other federal departments, and with the participating nations. During this period they negotiated the bilateral agreements and saw the appropriation bill through the Congress. A second group, in Mr. Bissell's office, worked up a quarterly aid program and shaped up the programming procedures that were later accepted. A third group, inherited from the State Department, actually processed the requests for aid and kept the pipelines full. These three groups, together with their clerical support, could not have consisted of more than 75 persons, and probably fewer. During this period the rest of the agency was not so much "doing" as getting ready to do.

The Organization and Management Division

We have been describing an organization that grew and assumed a reasonably coherent form without apparently ever having been planned. I think this is a reasonable description of what happened, or at least a first approximation to such a description. What was the Organization and Management Division doing during this period to justify its existence?

During the early days it was extremely difficult to get more than a very fragmentary picture of what was going on or who was doing what. The operating personnel, each of whom conceived that he had a job to do and little time in which to get it done, did not want to spend their time talking to procedures specialists or reading organizational announcements. The O & M Division made a valiant effort to find out what the procedures actually were, and to record them, and I think they partly succeeded. If the division had any influence on the form that the organization took, it was by means of techniques that are not usually described in handbooks on methods work.

A small staff brought into the division early in April for the purpose of making organizational plans spent two feverish weeks trying to arrive at their own conceptions of the foreign assistance program and the organizational implications of those conceptions. For better or worse, the two conceptions that found greatest
acceptance in the division were the balance of trade approach and the European cooperation approach.

The first important attempt, made in the third week of April, to influence the organization in the direction of implementing these notions consisted of a mimeographed memorandum—"Basic Principles of ECA Organization"—circulated in draft form by the division on April 30. This memorandum largely ignored the proposed Budget Bureau plan, emphasized the balance of trade approach, and pointed to the weaknesses in the commodity screening and investment bank approaches. It stressed the need for strengthening the Paris office in order to foster multilateral rather than bilateral negotiations and warned against the dangers of "country desks."

No attempt was made to secure formal approval of the principles embodied in the memorandum, thus avoiding a tedious and probably interminable process of obtaining agreement. The memorandum was formulated as a set of underlying assumptions and their organizational implications, rather than as an organizational blueprint or a compendium of functional descriptions.

The idea behind the document was that a relatively brief draft memorandum of some two thousand words might gain some circulation in the agency, that it might actually be read by a few influential people, and that a few of the central concepts might be absorbed and influence future thinking about organization. I found some evidence in later contacts around the agency that the document did not pass unobserved, but it would be impossible to assess precisely what influence it had.

At about the same time, the O & M Division found that the Personnel Division was depending upon it to provide descriptions of positions so that jobs could be classified and appointments authorized in the various units. This put the O & M Division in a highly strategic position to influence the rate of growth of the units. Until a unit could describe its functions to O & M and get some measure of agreement as to the role it was to play in the structure, it found itself up against an impenetrable wall of red tape (or perhaps "red feathers" would be a better metaphor) in attempting to secure approval of its appointments. To be sure, personnel could be retained by a determined unit chief on a consulting basis, but the lack of a table of organization made a unit's position very uncertain and exercised a definite check on expansion. This procedure made possible in the early weeks an effective delaying action against the establishment of country desks and the multiplication of statistical units.

Undoubtedly the unit that fared worst in the situation was that under the director of operations, since the O & M analysts found themselves unable to reconcile Mr. Taylor's conception of his task with the over-all pattern that was emerging in the agency. While I think the fate of that unit would have been the same in the long run in any event, the halt in its expansion during these critical weeks gave Mr. Bissell and his assistants time to organize their activities into some kind of coherent pattern.

A happy accident gave the O & M Division its third tool. In the appropriations hearings Mr. Hoffman was asked by Congressman Taber to state the maximum number of persons he would need in the Washington office of the agency. There was very little but air from which to draw the number, but Mr. Hoffman drew 600. I have always felt, although I know of no solid way of defending the figure, that this was a very good number. Good or bad, having stated the number, Mr. Hoffman had to live with it. He also had in his hands a means for countering the inevitable requests of the Washington units for more and still more personnel as the cell splitting process went on.

When, early in June, the personnel "needs" stated by the heads of individual units were added up, the total was found to exceed 600 by a considerable margin and a process of personnel allocation had to be undertaken. At this point the deputy administrator turned to the O & M Division for help in arriving at a balanced table of organization; a series of hearings were held with the heads of individual units to determine personnel ceilings; and staff from the O & M Division participated in those hearings.

Of course in the end the ceiling had to bulge. By the end of July, the Washington staff exceeded 700. But the agency as it finally evolved was certainly spectacularly smaller than any federal agency carrying out a task of compar-
able magnitude, and the sudden reduction in its rate of growth by the end of July can only be attributed to the ceilings.

On July 26 the first official organization chart of the Washington office of the EGA was reproduced. The chart did not create new organizational arrangements, but ratified and gave solidity to the patterns that had tentatively emerged. From the beginning of August on, it provided a set of historical boundaries in terms of which new claims for territory had to be argued.

It should be reasonably clear from the recital of these events that the views of the O & M Division were by no means the predominant influence on the form that the EGA organization finally took. That final form embodied in large part the views expressed in the "Basic Principles" memorandum circulated on April 30, but the relationship was in only small part causal. The memorandum represented less an influence on organization than a rather accurate forecast of the mold into which the organization would be forced by the requirements of its tasks and goals—the conditions of "workability."

The Aftermath

A n organization chart reproduced in ECA's Second Report to Congress depicts the structure of the Washington office as it existed on December 1, 1948. That chart shows the focus of program activities to lie in the office of the assistant deputy administrator for program, Mr. Bissell. Under him, the balance of trade approach was implemented by the Program Coordination Division, assisted by the Foods, Industry, and Fiscal and Trade Policy Divisions. Provisions of the law unrelated to the central programming functions were being handled by China, Korea, Strategic Materials, and Transportation Divisions and the Office of Labor Advisers. The Office of the Controller was performing auditing functions, and a Statistics and Reports Division was "auditing" the effect of the program on the European economy.

The other important boxes on the chart correspond to the usual housekeeping units—administrative services, personnel, O & M, budget, security, and information. Mr. Taylor had become assistant to the administrator, with a small staff. The Procurement Transactions Division had dwindled to a small Program Methods Control Staff attached to Mr. Bissell's office. A total of 770 persons was employed in the Washington office, 290 in the Paris office, and 1,127 in the country missions.

The initial July 26 organization chart differed in only minor details from the chart of December 1. In less than four months, during which it was already in operation, the agency had attained virtually its final form. That form was one dictated by and predictable from: (1) the relative political support for differing conceptions of the agency task; (2) the identifications and conceptions of the other government agencies surrounding EGA; and (3) the appropriateness of the structure for implementing that conception of the agency's task which prevailed.

But while the form was predictable it was certainly not planned. The processes of cell multiplication and the power struggles within and around the agency were the main processes through which this rapid adaptation and evolution of an effective organization took place.

What this suggests is an exceedingly close analogy between the development the agency went through in attaining an effective organization and the processes an individual goes through in solving a complex problem. The world in all its complexity cannot be grasped in a single picture. Problem-solving involves the invention and testing of a whole series of simplified approximations, each of which provides a partial representation of the total complex problem. The problem is solved when a "picture" of the situation has been evolved which, though still a simplification of the real situation, is sufficiently realistic and sufficiently comprehensive to provide a reasonable approximation.

Each of the "approaches" I have described was such a simplified picture of the complex governmental problem with which ECA had to cope. The organization that evolved represented an oversimplification of the task—an overemphasis of certain of its aspects, a relative neglect of others. But it represented an oversimplification that did encompass the central features of the task and the requisite political emphases, and did so relatively effectively.
In this sense, the organization structure of ECA can be regarded as a reflection of the way in which the foreign assistance problem was structured by human minds endeavoring to grapple with its complexity. Each organizational unit can be roughly equated with some identifiable element in one of the competing conceptualizations of the problem. The Program Coordination Division and the other programming divisions under Mr. Bissell can be equated with the parts of the balance of trade conception. The gradually changing functions of the Foods and Industry Divisions, and their eventual subordination to program coordination and export licensing, can be equated with the gradual victory of balance of trade over commodity screening. The disappearance of Procurement Transactions was a disappearance of the policy-administration conception. No loan division emerged from Mr. Taylor's efforts because the investment bank concept could not be translated into a workable plan of organization. The examples can be multiplied, and several others have been cited earlier.

The proposition that an organization changes with changes in its task and its environment is not new. It has been verified in many instances—for example in the fine analysis by Gaus and Wolcott of the history of the United States Department of Agriculture. When we see these processes in the large, however, we see them only in equilibrium. They are seemingly inexorable adaptations of an organization to its political and technological environment.

When we observe these same processes in the short run, and particularly at a moment of large and rapid shift, we recognize that environmental forces mold organizations through the mediation of human minds. The process is a learning process in which growing insights and successive restructurings of the problem as it appears to the humans dealing with it reflect themselves in the structural elements of the organization itself.

This view has important implications for the process of governmental reorganization. First, it adds weight to the proposition, if more weight is needed, that reorganization can seldom affect efficiency without affecting program goals. When we change the organization, we change the picture that the people in it have of the concrete tasks to be done and the concrete goals to be achieved—their concept of the program. When we change the concept of the program we change the relative emphasis that the various parts of the complex whole will receive, we alter allocations of resources and relative priorities among goals.

The first Hoover Commission insisted on denying this proposition. It asserted that government could be reorganized to achieve efficiency without affecting the goals achieved. The political pressures evoked by the submission of the reorganization proposals to Congress show that this assertion was far from universally accepted. It is to be hoped that the new Hoover Commission will have a more sophisticated understanding of the consequences of reorganization.

Second, the view set forth here casts some light, perhaps, on the significance of formal organization. Plans of organization affect behavior in at least two ways. First, when they are officially approved, they draw force from the motivations of legitimacy—employees feel that they ought to observe the plans because they accept the system of authority that approved them. Second, we have seen here that plans may influence behavior because they provide employees with a conceptual scheme of the agency's program, a scheme that serves as a framework for decision and action. If the scheme is "workable"—if it translates the agency's complex problem into terms that are clear and understandable to the persons who have to solve it, if it leads to a relatively simple division of activities and is helpful as a guide to decision—then its workability will be a powerful force towards its acceptance.