

# “Almost Wholly Negative”: The Ford Foundation’s Appraisal of the Virginia School

David M. Levy  
Center for Study of Public Choice  
George Mason University

Sandra J. Peart  
Jepson School of Leadership Studies  
University of Richmond

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## Abstract

In 1960 the Thomas Jefferson Center [TJC] of the University of Virginia applied for a “massive” grant from the Ford Foundation. Although James Buchanan, Warren Nutter and Ronald Coase had all received grants from Ford, Ford turned down their proposal because of the Center’s unified “point of view.” We report on correspondence and private discussions of the events. Following the submission of their proposal, Buchanan, Nutter and then President of UVA, Edgar Shannon met with representatives of the Ford Foundation, Tom Carroll and Kermit Gordon. Buchanan concluded that the “reaction of the Ford representatives must be considered to have been almost wholly negative.” The crux of the matter, in Gordon’s assessment was the TJC reflected “a single ‘point of view.’” As the conversation unfolded, it became clear to the UVA representatives that by this the Foundation officials meant a narrow ideological perspective, one in line with Chicago-style economics. Buchanan attempted to dispel this conclusion, arguing that the program was “sufficiently broad” to “encompass wide and divergent points of view.” Coase was particularly incensed by allegation of ideological narrowness since, as he explained, he had close ties to the Fabian Society. Despite the attempts of both Coase and Buchanan to defend their proposal, Ford officials turned down the application and the TJC never fully recovered.

(214 words)

## I Introduction

At the Thomas Jefferson Center [TJC] of the University of Virginia over fifty years ago, two future Nobel laureates in economic science discussed their contemporaries in relation to an economist from the older generation. James Buchanan later recalled this conversation in his introduction to the 1982 reprint of Frank Knight's 1947 *Freedom and Reform*:

I shall conclude by recalling a conversation with Professor Ronald H. Coase when he and I were colleagues at the University of Virginia, where Frank Knight had visited for an extended period. Coase and I were walking along Mr. Jefferson's Lawn, and we had been discussing famous economists. Ronald said something like the following to me. "I can think of almost any famous economist, like ———, ———, or ———," naming the obvious world-renowned figures in our discipline as evaluated from the perspective of the early 1960s, "and I can sort of imagine myself in their position of fame with a bit of luck, persistence, and effort. But I simply cannot imagine myself to be like Frank Knight. I guess that amounts to saying that Knight is a genius." I have always remembered that conversation because Coase put so well what so many of us feel when we think of the professor from whom we learned so much. (1982, pp. xiii-xiv)

Even as that conversation occurred, the TJC was collapsing. A "massive" funding proposal was rejected by the Ford Foundation in 1961; in 1963, the University of Virginia conducted a secret "Self Study Report" which reported that the scholars of the TJC who formed a "Virginia School" had a "particular" and disreputable viewpoint (Breit 1986, p. 9). Shortly thereafter, in 1964 the University refused to match an offer to Coase from the University of Chicago; and, most devastatingly, Buchanan resigned in 1967 when among other things the University turned down the economics department's recommendation to promote Gordon Tullock. Through the entrepreneurial ability of Charles Goetz, a student of both Buchanan and Coase, Buchanan and Tullock were reunited in 1969 at Virginia Tech with the founding of the Center for Study of Public Choice. In 1971 Mancur Olson and Christopher Clague introduced the term "Virginia School" into the open literature (Olson and Clague, 1971; Olson 1993) to describe the place of the Center in the wider landscape of academic economics.

In this paper, we examine the documents related to the failed proposal from the TJC to the Ford

Foundation. In addition to the formal correspondence, we include private accounts of meetings between representatives from UVA and the Ford Foundation, as well as private correspondence.

What Olson and Clague labeled as the Virginia School, the economics associated with Buchanan, Tullock and their colleagues, they interpreted as a branch of the Chicago School specializing in the intersection of economics and politics. Olson and Clague express this by their coinage “Chicago-Virginia schools” (1971, p. 761). There was, of course, a certain plausibility to the characterization since both Buchanan and Tullock, as well as the co-founder of the TJC, Warren Nutter, had deep Chicago connections and affinities. Moreover, like the most publicly prominent of the Chicago group ca. 1971, the Virginia group espoused classical liberal principles. But Olson and Clague did not include Coase in their account, perhaps because Coase fit less neatly into their characterization since his name was also associated with the London School of Economics.<sup>1</sup>

Not long after his final move to George Mason in 1983 Buchanan funded a lecture series, “Virginia Political Economy,” to provide documentary accounts by inside participants and outside observers. The first lecture (1985) was given by Dennis Mueller. Olson himself gave the ninth lecture (1993). Neither of these outside accounts mentioned Coase. On the contrary, Goetz’s 1991 inside account paid a good deal of attention to Coase. Moreover, Goetz discussed the tension between Coase and one of the central figures of the Chicago School, George Stigler, over the nature and significance of the “Coase theorem” (1991, pp. 9-10).

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<sup>1</sup>The connection between Knight and LSE was very deep. Susan Howson (2011) explores the lengthy correspondence between Knight and Lionel Robbins. Closer to Coase, we find this from Arnold Plant in his review of *Ethics of Competition*: “For the younger generation of economists, *Risk, Uncertainty and Profits* represents their first serious introduction to the main body of economic doctrine. They recollect that it was Frank Knight who on the other side of the Atlantic first called attention to the brilliance of that neglected sun Wicksteed shining in our firmament and who, at a later date, when our aroused respect showed signs of degenerating into hero-worship, took pains to discover the spots upon the sun.” Plant (1938, pp. 252-53). The compilers of *Ethics of Competition*—Milton Friedman, Homer Jones, George Stigler and Allen Wallis—thank Robbins for help in selecting the essays (Knight (1935) [1951], p. 7). Knight’s LSE reprint of *Risk, Uncertainty and Profits* discusses the collective action problem among economists (Levy and Peart 2014b).

Instead of accepting Olson and Clague's identification of Virginia and Chicago in the 1950-80 period, we argue that the Virginia group at this time was more faithful to an older Chicago tradition of the 1930s and 40s, a tradition associated with Frank Knight rather than (say) George Stigler. Although Stigler through the 1940s and the early 50s was an effective exponent of Knight's economics and vigorous critic of the alternative "new welfare economics," he had abandoned that by the time the TJC was founded (Levy and Peart 2008b). As such, our position is very much in line with Buchanan's distinction between "Old" and "New" Chicago (Buchanan 2010-12).

Having made this claim, we should say what we take the Knightian approach to be. Simply put, for Knight and those who follow in this tradition, the goals of a social group are endogenous to their discussion. A. K. Sen has explained this recently when he located Knight and Buchanan in the larger liberal tradition (Sen 1995, 2012, 2013; Peart and Levy 2008, 2014). Such an approach stands in contrast with the later Chicago School approach that takes the objectives of a group as exogenously determined. This is the customary approach in what might be considered an engineering approach to economics.

The documents we discuss are listed in Table I. First and foremost we include the proposal to the Ford Foundation. Ford Foundation documentation in the form of an Inter-Office Memo follows, and then we include a series of letters among the TJC participants and reflections on the meeting between the UVA representatives and the Ford Foundation officials. Much of the rest of the documentation consists of correspondence between representatives of the Center and the Ford Foundation. We close the document collection with Coase's recollection of his meeting with Ford Foundation officials.

Although an extract of the University of Virginia's 1963 "Self-Study Report" about the economics department is found in document collection at the Library of Congress, it contributes little to our understanding of the Ford Foundation funding and so we exclude it from our document collection. It does however echo themes we find in the Ford Foundation reaction, as does the later report from Paul

Samuelson concerning another Buchanan proposal to the Foundation We return to this below (p. 17n21).

Table I: Documents Reproduced in the Appendix

1. Thomas Jefferson Center for Studies in Political Economy. "Request for Financial Assistance." May 1960.
2. Ford Foundation, New York. Inter Office Memorandum. Marian Chamberlain to Kermit Gordon. 11 August 1960.
3. Warren Nutter to Ronald Coase. 31 August 1960.
4. James Buchanan to Ronald Coase. 1 September 1960.
5. [James Buchanan] "Memorandum of Conversation with Ford Foundation. 31 August 1960." 1 September 1960.
6. Ronald Coase to Kermit Gordon. 17 September 1960.
7. Ford Foundation. New York Inter-Office Memorandum. Oscar Harkavy to Kermit Gordon. 21 September 1960.
8. Kermit Gordon to Ronald Coase. 7 October 1960.
9. Ronald Coase to Kermit Gordon. 17 October 1960.
10. James Buchanan to Kermit Gordon. 17 October 1960.
11. Kermit Gordon to James Buchanan. 19 December 1960.
12. James Buchanan to Donald O'Connell. 30 January 1961.
13. James Buchanan to Donald O'Connell. 1 February 1961.
14. Ronald Coase to Donald O'Connell. 24 May 1961.
15. Ronald Coase. "Notes of my meeting with Mr. Kermit Gordon of the Ford Foundation on September 14<sup>th</sup> 1960." 20 October 1961.

## 2 The TJC Proposal to the Ford Foundation

In May 1960, the principals at the Thomas Jefferson Center submitted a request for a ten year grant in the amount of \$1.14 million to the Ford Foundation.<sup>2</sup> In the judgment of Kermit Gordon in a letter to Ronald Coase of 7 October 1960 (p. 30 below) that was a request for “massive support.” By today’s standards the proposal, which is reproduced below, is remarkable for its brevity. It is also remarkable for its emphasis, some forty years before this became fashionable in academia, on interdisciplinary connections. The aim of the Center is stated in the first paragraph of the proposal: “to promote enquiry into the problems of preserving and improving a free society.” Faculty and students were to be “drawn from the several social science disciplines”<sup>3</sup> and the Center was to focus on “political economy in its classical conception.”

Buchanan and his colleagues at the Center staked out a number of claims in the proposal. The phrases “preserving and improving” society and “political economy in its classical conception,” identified their approach with the methods and aims of economists in an older tradition of the eighteenth and nineteenth century. At the same time, the juxtaposition of “preserving” with “improving” left open the question as to whether they were essentially conservative in point of view, or reform-minded. As the drama associated with the proposal to the Ford Foundation unfolded, this question was the crux of the matter. Those who opposed the Center judged it to be on the conservative side of the spectrum, while Buchanan

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<sup>2</sup> The *TJC Annual Report for 1959* that accompanied the proposals lists the “Staff, Fellows, and Associates of the Center publications in this order: James M. Buchanan, Ronald H. Coase, Otto Davis, G. Warren Nutter, James R. Schlesinger, D. Rutledge Vining, Alexandre Kafka, Leland B. Yeager. Appendix C of the Proposal gives the Senior Staff as Buchanan, Nutter, Yeager, Coase, Kafka, Vining, and Schlesinger,

<sup>3</sup> The proposal provides no additional detail regarding disciplines. An undated planning document specifies, in addition to economics, “the related social sciences disciplines, notably political science, history, and philosophy.” “The Thomas Jefferson Center for Studies in Political Economy and Social Philosophy.” Small Special Collections, University of Virginia, President’s Papers 1960. Series II. Box 16,

and his colleagues were unhappy with that characterization.

In the proposal Buchanan and his colleagues claimed they hoped to create and sustain a research program at the Center that put scholars with different disciplinary and political viewpoints together. Thus they saw “a need in the scholarly community for a program of study directed towards major issues of policy in a free society, bringing to bear on those issues the analytical tools that have been and are being developed in the various social science disciplines.” They called for a methodological change in economics, an “inversion” of practice in the academy to reverse the fifty year tendency to increased narrowness and specialization. Instead they proposed to use “new methods of analysis” and “an understanding of both the economic and political systems and of their interconnections.” The proposal continues with a commitment to study four major sets of problems: “collective decision-making”; “the structure of economic organization”; “growth and development”; and “The political economy of national security.” They expressed hope also for the future extension into “the historical development of doctrines of political economy.” The proposal also contains a paragraph suggesting that the Center’s aim “is not narrowly parochial” and that “cooperative arrangements [be established] with many excellent scholars in smaller institutions.” Students, too, the proposal continues, would benefit from visiting other institutions and studying with non-Center faculty members.

When the TJC proposal came to the Ford Foundation, the Foundation had a staff that embodied the consensus view of the economics profession.<sup>4</sup> The program articulated in the Foundation’s Gaither Report (Ford Foundation 1949) contrasted the new economics, that the Foundation intended to promote, with an old and “unrealistic” economics. The existence of a “school” was regarded as a sign of such outmoded and unrealistic thinking.<sup>5</sup> The report encouraged Foundation’s program officers “to give freely

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<sup>4</sup> This paragraph owes its existence to comments from Craufurd Goodwin when the paper was presented at Duke. Our thanks!

<sup>5</sup> Ford Foundation (1949, pp. 71-2): “In many instances theories which are highly plausible or which conveniently serve the interests of particular groups have had long acceptance without adequate efforts to verify them in real-life situations.



of their time” to applicants.<sup>6</sup> As it happened Kermit Gordon, the program officer with whom the TJC dealt held sufficient stature in the economics profession that he soon after joined James Tobin and Walter Heller on the Council of Economic Advisors.<sup>7</sup> Thus, the reaction of the Ford Foundation to the TJC was not simply the reaction of one foundation among many but instead reflected the discipline’s consensus.

Before turning in detail to the Ford Foundation’s official response to this proposal, as well as the related correspondence, we return to the ambiguity noted above, related to the location of the Center politically and ideologically. It was this aspect of the Center that provoked much of the discussion that followed. The commitment to “preserving and improving a free society” was interpreted by officials at the Ford Foundation as a commitment to conservative principles. Try as they might in the conversations that followed, the TJC faculty members were unable to shake that interpretation.<sup>8</sup> As we will see below, in their view, the enterprise was not conservative but rather one also committed to reform via discussion.<sup>9</sup>

Upon the receipt of the proposal, Kermit Gordon, Director of the Program in Economic Development and Administration at the Ford Foundation, asked Mariam Chamberlain, Assistant to the

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Dominant ‘schools’ of economic thought have from time to time constructed over-all ‘systems’ through the use of convenient but unrealistic abstractions, such as ‘other things being equal’ or the fiction of the ‘economic man,’ .... Classical economic theory, for example, was developed long before the enormous expansion of government in economic life, before the technological developments which had led to increased concentration of economic control, and before organized labor acquired its important position in our economic structure.”

<sup>6</sup> Ford Foundation (1949, pp. 126): “The Foundation will make almost as great a contribution by the advice that its officers are able to give out of their knowledge and experience as by the money it grants. The Trustees should therefore encourage the officers to give freely of their time as consultants to important institutions or enterprises.”

<sup>7</sup> A picture of the Tobin-Heller-Gordon Council is given in Bernstein (2004, pp. 43-4). Bernstein uses the adjective “wise” to describe Gordon. In a recent conversation Craufurd Goodwin compared Gordon’s reputation in the circles he traveled with that of Aaron Director in Chicago circles. In Samuelson’s judgment: “The CEA team of Heller, Tobin, and Gordon was the greatest ever. (I did help pick them.)” Samuelson and Barnett (2007, p. 159).

<sup>8</sup> The claim that the enterprise was conservative outlived the TJC; Goetz expressed his dissatisfaction with the label (Goetz 1991, p. 15).

<sup>9</sup> The planning document cited in note 3 above, however, does put things more narrowly: “The Center should be made up of scholars who start from the philosophical premise that the free society is worth maintaining and who sense the dangers to the free society, especially brought about by the ever increasing role of highly centralized authority.” It is perhaps worth emphasizing, however, that this statement was not part of what was submitted to the Ford Foundation.

Vice President, to prepare an Inter-Office Memorandum documenting previous Ford Foundation support for UVA professors of economics. Chamberlain's memo catalogued the University of Virginia record, noting that Vining, Forbes, Buchanan, Nutter, Howard [sic], Haynes [sic], Johnson and Laird had received support.<sup>10</sup> Her memo was, however, silent about Coase, perhaps because he had only recently joined the TJC.

Following the submission of their proposal, Buchanan, Nutter and then President of UVA, Edgar Shannon met with representatives of the Ford Foundation, Tom Carroll and Kermit Gordon.<sup>11</sup> Buchanan summarized his impressions of the 31 August meeting in a "Memorandum of Conversation with Ford Foundation" dated September 1, 1960:<sup>12</sup> "The reaction of the Ford representatives must be considered to have been almost wholly negative." Buchanan's summary continues to recount how the UVA representatives attempted to convince the Foundation representatives that the TJC was "unique," unlike any "comparable program in the country." Gordon then mentioned what may have been the crux of the matter: whether the TJC reflected "a single 'point of view.'" Buchanan attempted to dispel this conclusion, arguing that the program was "sufficiently broad" to "encompass wide and divergent points of view." Commonality existed in terms of "problems" examined as well as "an interest in the preservation of

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<sup>10</sup> "Forbes" is presumably John Douglas Forbes whose distinguished publications as an economic historian can be located in World Cat. The Ford Memo must have been prepared in haste. There is no dissertation listed in *ProQuest* by anyone with a surname of Howard at the University of Virginia in the relevant period. There is a *Case for a Competitive in American Ocean Shipping: A Critique of Government Subsidy Policy, 1936-1959* by Clinton Howard Whitehurst. His Research Monograph is listed in the 1959 Annual Report as is Haymes's Monograph. "Haynes" is surely Haymes whose dissertation is found in *ProQuest*. The 1959 TJC *Annual Report* lists Haymes's and Johnson's completed dissertations. Other completed dissertations are listed: Coldwell, Davis, Drerey, Hammel, Meibhurg, Morrison, and Prakas.

<sup>11</sup> Edgar Shannon, President of the University of Virginia (1959-1974), earned considerable acclaim for his 1952 *Tennyson and the Reviewers: A Study of His Literary Reputation and of the Influence of the Critics upon His Poetry, 1827-1851*. His Presidency spanned the campus unrest of the late 1960s. Thomas Carroll graduated from Berkeley and then Harvard Business School. He was Associate Dean of Harvard from 1939-42. After holding positions as Dean of two business schools, he became an Associate Director of the Ford Foundation in 1953. Before leaving to become President of George Washington University in 1961 he was Vice President of the Ford Foundation.

<sup>12</sup> Buchanan's summary was written, as he put it "while the memory of the conversation is fresh in mind." The full memorandum is reproduced in the Appendix. Presumably it was for private circulation.

the free society” and a “common political and philosophical base” but “wide and divergent points of view” characterized the faculty at the Center. Buchanan was also especially struck by Gordon’s statement that in his view, by contrast, “neither Yale nor Harvard” “reflect[ed] a point of view in their economics.”<sup>13</sup>

In all, the discussion reportedly lasted two hours. Buchanan, Nutter and President Shannon returned to UVA with the distinct sense that the Ford Foundation and especially Kermit Gordon remained unwilling to offer support in no small measure because of a perceived unity of conservative views at the Center.

### 3 The Aftermath: Correspondence

The first assessment of the meeting on record is a letter dated 31 August from Nutter to Coase. Nutter writes that he, Buchanan and Shannon “came away with a bad taste in our mouth.” He contrasted the claim by Gordon and Carroll at Ford that the Center had an ideological viewpoint with their assertion that other economics programs were “unbiased.” In response, Nutter was characteristically blunt:

We saw the Ford Foundation today, and we came away with a bad taste in our mouth – a very bad taste. We were shoved onto Kermit Gordon and Thomas Carroll. The official line was that the Foundation was now (?) in the midst of an agonizing reappraisal of the institutional support program, and our proposal hinged, of course, on the decision as to the future of such programs. It became clear, however, that Gordon had made up his mind. The most disturbing thing about our proposal is that the Center is tied up with a “point of view” whereas the Foundation supports national programs “of unbiased institutions, like Harvard and Yale.[”] (He really said this.) Aside from being left-wing, Gordon is thick-headed enough to believe what he says. Carroll, on the other hand, is pure politician, expressing concern solely over what people will think of the Foundation if it makes this decision or that.

Buchanan’s 1 September letter to Coase was both realistic and yet hopeful. He recorded his impression that “the Ford reaction, as expressed by Gordon, was almost wholly negative.” In Buchanan’s view, Gordon was entirely uninterested in the substance of the proposal: “He consistently refused to be

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<sup>13</sup> Nutter, citing his seven years on the faculty of Yale, “challenged” Gordon on this point. The question of “point of view” comes up in the controversy over Nutter’s research on the Soviet economy since Nutter was most skeptical of models of Soviet growth that were presumed to be without a point of view. Nutter’s original witness of the Soviet economy is published in Levy and Peart (2015).

even so much as curious, and any meat of the conversation had to be introduced by Shannon or Nutter, or me.” Like Nutter, Buchanan pointed to Gordon’s apparent concern with the issue of a “unified point of view” at UVA, as opposed to Gordon’s claim that there was no such unity at other, more respectable institutions. Gordon “raised the question about point of view,” Buchanan wrote, “and with a completely straight face said he considered neither Harvard or Yale to have a point of view. Warren really lit into him on this one.” Buchanan suggested to Coase that Gordon was entirely opposed to funding the UVA proposal but he wondered whether Carroll might be induced to provide support if the Foundation could be persuaded that it was in the Foundation’s interest to do so. Buchanan suggested that Coase might be “more effective” at convincing Carroll, and perhaps even Gordon, that the Foundation should support the Center. His portrait of Gordon in this correspondence is less than flattering:

He needs, first of all, to be convinced that it is to Ford’s interest to support us. Carroll almost sees this I think. If Gordon could also be made to see things this way, we might have some slight hope yet. Gordon is not very smart, in fact he is rather stupid. So it is difficult for conversation at a secondary level of meaning to reach him. Carroll was picking up the threads; Gordon was missing them all the way through the conversation. Somehow I feel that you would be much more effective with Gordon than we were.

Ultimately, of course, we need to get at the board. But how? Shannon gave fine support, and I got to know him a lot better on the ride up and back. We have no worries there, but he is, as we are, rather new at the game. I think we must keep pestering Ford almost continually over the next few years. If they turn this one down cold, we should have another one sitting in their laps immediately afterwards. The wheel that squeaks the loudest gets the grease; and all of us noticed that Ford seems much more interested in what people will think about their actions in giving money away than about the inherent qualities of any project.

Coase next wrote to Gordon to arrange for a meeting when he was passing through New York. That meeting, too, was by all accounts unsuccessful. Immediately after the 14 September meeting, Coase wrote to Kermit Gordon. This letter, dated 17 September, displays Coase’s “deep concern” with the treatment he received at the meeting. Near the outset of the letter, he wrote that “I need not conceal from you both that I was deeply depressed by our interview.” He was baffled by why a Center steeped in “the classical tradition” should “stand suspect and friendless”:

But it is sad to think that institutions which operate within the classical tradition from which our subject and your country sprang, should stand suspect and friendless at such a time as this. And it is tragic that a reference to “individual liberty” in the brochure of a Center named after Thomas Jefferson in the University he founded should raise doubts in your mind about its academic respectability.

Coase defended the hiring policy at UVA as one that “should enable the university to make an outstanding contribution to the development of political economy”:

As I indicated to you, I think the appointments policy of the University of Virginia has been a very proper one and should enable the university to make an outstanding contribution to the development of political economy. I wish more Universities had such a well-defined policy. It is true that, in the case of the University of Virginia, this has meant the appointment of economists who, broadly speaking, believe in the American political and economic system and wish to strengthen and improve it. If an institution making appointments of this kind cannot expect support from the Ford Foundation, it will make our task at the University of Virginia more difficult but also more important and more urgent.

The 20 October 1961 memo that contains Coase’s reflections on his meeting with Gordon and the following correspondence is one of the most important documents in the controversy. We reprint his “Notes on my meeting with Mr Kermit Gordon of the Ford Foundation on September 14<sup>th</sup>, 1960” in the appendix, as the fifteenth and final entry. Coase begins his note by stressing the diversity he brought to the Center as an “Englishman” whose “personal relations with the English Socialists have always been excellent.”: “In England, although I am known as pro-American in foreign policy and anti-Socialist in home affairs, my point of view has always been treated with respect by those who held opposing views. Indeed, my personal relations with English Socialists have always been excellent and with one member of the Cabinet in the first Labour Government, I was on close personal terms. I was asked to give evidence on behalf of the Fabian Society to the Beveridge Committee on Broadcasting...”<sup>14</sup> Coase mentioned “these

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<sup>14</sup> Judging by the memo Oscar Harkavy wrote for Kermit Gordon, #7 in the documents in the Appendix, the officials of the Ford Foundation came away from the meeting thinking that Coase “considered support of all forms of government intervention in economic affairs, including minimum wage laws and federal regulations of the communications Industry as ‘un-American.’” It would seem odd that the Fabians would ask Coase to speak for them before the Beveridge Committee on the BBC’s monopoly position in British broadcasting if he had such views. The context of the Coase-Fabian agreement can be partially recovered from what has been published. Coase 1950; Fabian Society 1950, Coatman 1950. The Fabian Society pamphlet on this matter echoes a theme from the *Road of Serfdom*, e.g., Fabian Society (1950, p. 6): “The [present

facts to indicate that I am in the habit of presenting my views with moderation and respect for opposing views.” He hoped the meeting would clear up the Foundation’s “evident misunderstanding” about the unity of viewpoints at the Center.

Coase reportedly opened the conversation with his main point, that the work at the Center was not propagandist in nature but a “serious research programme”; Gordon responded that the Center was characterized by “a complete uniformity of the views” in the economics department at UVA. Gordon referred to Harvard as “a model” department.<sup>15</sup> Then Coase came to the crux of the matter: Gordon conflated the Center’s stated support for “individual liberty or the American Constitution as a cover for opposition to Government intervention in the economic system.” Gordon conflated the research program at UVA with that at Chicago: “Mr Gordon clearly did not have a high opinion of the work done at the University of Chicago. He instanced one member of the faculty of the University of Chicago who had told him that ‘if anything is profitable, it must be in the public interest’. I said that no-one at the University of Virginia would make such a statement.” All was to no avail: upon the conclusion of the meeting, Coase found himself “deep in gloom”: “I found Mr Gordon’s attitude terrifying. That night I could not sleep. I arose at 5 a.m. and began to draft my first letter. By 9 a.m., I had completed it.”<sup>16</sup>

We turn next to the other side of the correspondence. In an Inter-Office Memorandum dated 21 September, 1960, Oscar Harkavy detailed his impressions of the meeting to Kermit Gordon at the Ford Foundation.<sup>17</sup> He acknowledged Coase’s connections at LSE and remarked that the LSE had connections

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BBC monopoly] may be compared with what would arise if all publishers, all newspapers, or all theatres were to be subjected to centralized control.” The memo that Coase wrote for the Fabian Society Research Group as well as the Fabian’s evidence presented to the Beveridge Committee is now available, Levy and Peart 2014a.

<sup>15</sup> “Perhaps it was not ideal. . . . He said that he thought it would be better if Friedman were at Harvard rather than at Chicago. At this, I commented: ‘Perhaps they haven’t asked him’.”

<sup>16</sup> The letter to Kermit Gordon, discussed above, dated 17 September 1960.

<sup>17</sup> Oscar Harkavy was a professor of business administration at Syracuse before he came to Ford. He would head up Ford’s work on population control.

with the British Socialists. His account is at least partly consistent with that by Coase, sketched above. Harkavy stated that the “point of view” issue figured large in the conversation. In his recollection and in contrast with Coase’s description of the conversation summarized above, Coase is characterized as opposing “all forms of government intervention in economic affairs.”

Next followed Gordon’s letter to Coase, dated 7 October 1960, in which Gordon conveyed his sense that any university “is under an obligation to foster the competition of ideas by welcoming to its faculty able scholars of divergent views.” It was therefore appropriate, Gordon suggested, for the Foundation to inquire into “the university’s allegiance to the principle of freedom of inquiry” and the “coincidence of outlook” among UVA’s economics faculty.

#### 4 The Methodological Defense

In the correspondence that followed, Buchanan acknowledged *methodological* (though not ideological) unity at the TJC Center. His letter to Kermit Gordon of 17 October offers perhaps the clearest statement of the Knightian view that group goals are endogenous to discussion. We quote the central paragraph. First, Buchanan refers to a social welfare function approach in economics, a “social engineering” view in which goals are exogenous:

There seem to me to be two essential ways of approaching the study of problems of political, social, and economic organization. The first way is that of setting up independently certain criteria or goals for achievement and to examine existing and potential institutions in the light of their performance or expected performance in meeting these criteria. This approach, for purposes of exposition here, may be called the “social welfare function” or “social engineering” approach. It seems to characterize much of the current scholarship in the social sciences, and in economics especially.

The approach of the TJC differs from the social engineering approach in that it takes group goals to be endogenous to discussion:

The second approach is that which deliberately avoids the independent establishment of criteria for social organization (such as “efficiency,” “rapid growth”, etc.), and instead examines the behavior

of private individuals as they engage in the continuing search for institutional arrangements upon which they can reach substantial consensus or agreement.

The commitment to liberty is a requirement in that participation in the selection of goals is widespread.

Otherwise there is no reason to believe the two approaches differ as long as we take the will of the despot or his economic adviser as exogenously determined.<sup>18</sup>

It follows from this difference in approach itself that “individual liberty,” in the sense of individual participation in the choices of appropriate constraints on human action, will tend to assume a necessary, and hence more prominent, role in the second than in the first. It is also true that the second approach will normally tend to place more emphasis on market organization than the first, not because there is some pre-conceived dogma or creed in favor of this form of social order, but simply because it does represent one system upon which substantial consensus has been, and is, expressed.

On this principle one can easily appreciate why Buchanan would not tolerate dogmatists in the TJC. For dogmatists, goals are predetermined before discussion.

Buchanan’s final defense of the TJC’s non-ideological stance is deeply ironic. He writes to Gordon’s successor as program officer at the Ford Foundation on 1 February about an article that appeared in a Soviet economic publication comparing the views of his colleague at Virginia, Rutledge Vining, with that of Tjalling Koopmans.<sup>19</sup> Buchanan quotes the central point in the article, in which the approach by Vining is linked to that of Knight:

Several American specialists, among them Vining who is cited above, Professor Knight, etc. have also taken issue with Koopmans’ proposition that linear programming be examined as a possible method for “planning” the whole capitalist economy

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<sup>18</sup> This principle might be the foundation of Buchanan’s resistance to thinking of the economist as giving advice to the benevolent despot.

<sup>19</sup> Rutledge Vining’s name is found only in insider accounts of the TJC, e.g., Goetz 1991, pp. 7-8; Hartmut Kliemt 1994, p. 9. Vining’s defense of NBER practice as “hypothesis seeking” is discussed in Levy and Peart 2014.



Despite this testimony from Moscow, hardly a center of “free market” thinking, that there was indeed a substantive methodological separation between the TJC and the orthodox method in economics, Buchanan’s letter fell short of persuading the Ford Foundation to support the Center.

## 5 Conclusion

The context of Gordon’s reaction is the consensus that scientific knowledge is anonymous knowledge. As science does not hold a point of view neither ought the scientist.<sup>20</sup> We find concern for the point of view in all the critical documents related to the Center’s application for support.

When the Ford Foundation turned down the TJC proposal, it prefigured a series of events that would soon destroy the Center at UVA and, even as the Center struggled to remain viable, the issue of “point of view” loomed large.<sup>21</sup> Ironically, perhaps the closing of the Center contributed to the opposite of the Ford Foundation’s defense of diversity: it removed one highly unusual methodological approach

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<sup>20</sup>Till D ppe (2011, p. 26): “Modern knowledge is anonymous knowledge; it is not an expression or in any meaningful sense a witness to those who bring this knowledge about. The lived experience of coming to know, the curiosity and urge that awakens an interest in a question, the patience that is needed in order to go through every aspect, the disappointments on the way to answering it, and the joy of concluding while at the same time picking up other questions—everything that grants intellectual projects its weight for one’s personal life go unexpressed in the annals of truth.” D ppe quotes Stigler to good effect. Earlier Stigler (1966, p. 8) had asked what chemistry would be like if the molecules analyzed could talk, trade and lobby to get the chemist (also a molecule) to report an outcome more favorable to its interests. Although Stigler had by then ceased to be a Knightian, he had not lost an awareness of the collective action problem for economists posed by Knight (Levy and Peart 2014). Roy Weintraub helped us here.

<sup>21</sup> The 1963 secret “Self-Study Report” begins: “It is generally recognized that at the top professorial levels this Department is staffed by unquestionably capable men and that it enjoys a considerable repute in the profession. On the other hand, the Committee has received considerable adverse criticism of this Department by reason of its close association with a particular viewpoint; and we have been given to understand that the repute enjoyed is regarded by the vast majority of economists as of a distinctly unfavorable character.” (William Baroody Papers). In a letter of November 19, 1964 to the Ford Foundation, reporting on another Buchanan proposal, Paul Samuelson wrote this: “Buchanan is a person of strong ideological conviction. This is not merely my opinion; it is the opinion of most of our profession. There is nothing wrong with this. However, in the area of his research interest this leads, it seems to me after studying a sample of his writings, to a definite twist to his findings. I do not mean that he is consciously or even unconsciously unscientific. But rather his preconceptions are strong enough to serve as an inhibitor of conclusions that are basically repugnant to them. This does not mean that his research is doomed to be unfruitful. But it does mean that his readers have to regard him as ‘nominating’ rather than demonstrating theorems and ideas.” Paul A. Samuelson Papers at Duke University; Box 31, Ford Foundation 1955-1969.

from the economics landscape and thereby moved the profession somewhat closer to a monolithic approach to economic problems. We close by pointing to another irony related to the testimony from Moscow that Buchanan quoted in his letter to the Ford Foundation. Alone among specialists on the Soviet economy, Nutter at the TJC resisted the claim that economists model the Soviet economy as driven in service to the exogenous goal of growth maximization. He was unsuccessful in convincing his colleagues that other goals, endogenous to the Soviet system, drove its economic performance. The growth maximization goal was accepted almost uniformly by scholars of the social engineering view after 1960.<sup>22</sup>

Intolerance is found in all political guises. The market for the first Keynesian textbook, Lorie Tarshis's 1947 *Elements of Economics*, was destroyed by a political campaign conducted by non-liberal "individualists" who seemed particularly offended by Tarshis's view of the economist as a participant in a democratic discussion (Levy, Peart, Albert 2012). Tarshis tried again twenty years later in a textbook that received no attention whatsoever. In this book Tarshis presented a skeptical view of Soviet growth that was quite similar to Nutter's (Levy and Peart 2011).

The documents that follow are reproduced in their totality. Taken together, they reveal a study in frustration on the part of the TJC scholars, Buchanan, Nutter and Coase, and a failed attempt to convince the Ford officials that theirs was not so much an ideological narrowness as a methodological position. Try as they might, Buchanan, Nutter and Coase were unable to shake the impression held by Gordon and Carroll that the TJC was opposed to government intervention, pure and simple. Evidence that Coase had worked closely with the British Fabians to obtain a major intervention in broadcasting, statements by the TJC representatives about the difference between economists at Chicago and the TJC, and the ongoing attempts by Buchanan to describe the then very unusual methodology at the Center all proved insufficient

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<sup>22</sup> For evidence that notwithstanding empirical evidence to the contrary, the authors of best-selling economics textbooks accepted the hypothesis that the Soviets, who were apparently investing more resources than the US, were growing faster in the decades from 1960-80, see Levy and Peart 2008a, 2011.

to change that impression. In the end as at the beginning the Ford Foundation officials were unwilling to support the TJC. As the views of the program officers of the Ford Foundation reflected the emerging consensus of the economics profession, the allegation of a partial “point of view” would accompany the TJC to its destruction.

## Appendices: The Documents<sup>23</sup>

### I. Thomas Jefferson Center for Studies in Political Economy. “Request for Financial Assistance.” May 1960.<sup>24</sup>

Request for Financial Assistance  
Thomas Jefferson Center for Studies in Political Economy  
May 1960

#### Purpose and Organization of the Center

The Thomas Jefferson Center for Studies in Political Economy was founded in 1957 as an intellectual center to promote enquiry into the problems of preserving and improving a free society. It consists of a group of scholars, both students and faculty members, drawn from the several social science disciplines at the University of Virginia and other academic institutions. The Center sponsors a program of research and education with its main emphasis on the field of political economy in its classical conception. The nature of the Center and its work is described in the accompanying brochure (Appendix A).

During its first three years the Center has been developing an educational program designed to accomplish its objectives, both in training students and in promoting scholarly studies. A small group of graduate students trained under this program has already taken its place in the professional world, and a number of publications have emerged in the scholarly literature. Some of the achievements are to be found in the accompanying report for 1959 (Appendix B).

The success already achieved has made it clear that it would be desirable, and possible, to expand and develop the educational program that the Center is now conducting. This memorandum outlines the character of this proposed expanded program and the financial assistance required to bring it to fruition.

#### The Emerging Long-Range Program

From the experience of these formative years the regular staff of the Center has gained a clearer view of the kind of long-range program that the Center could most usefully sponsor. We believe that there is a need in the scholarly community for a program of study directed towards major issues of policy in a free society, bringing to bear on those issues the analytical tools that have been and are being developed in the various social science disciplines. This is in essence an inversion of the academic trend of the last fifty years towards greater specialization of skills and increasing emphasis on the technical aspects of each discipline. At the same time, we are not proposing an opposition of “integration” to “specialization,” or in any sense questioning the great value of technical

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<sup>23</sup> Unless otherwise indicated, the document is found in the William Baroody Papers of the Library of Congress, Box 79 Folder 10. The correspondence between the TJC participants and the officials of the Ford Foundation is also found in the Ford Foundation file D-234 held in the Rockefeller Archive Center. Generally speaking the Library of Congress versions are easier to read as they have not been reduced to microform and then regenerated.

<sup>24</sup> Found in the Small Special Collections at the University of Virginia, President’s Papers 1960 Series II Box 12. The version in the Ford Foundation D-234 is unreadable by us. The large appendices are not reproduced here. Appendix B is *The Thomas Jefferson Center for Studies in Political Economy for 1959*. Appendix C is Senior Staff of the Center, Appendix D is Visiting Professors and Post-Doctoral Fellows, Appendix E is Student Exchange Program. Appendix F is Publications of the Center.

achievements. But it is our firm conviction that the full potentialities of the rigor of thought imparted by the technical advances that have been made in the behavioral sciences in recent years can be realized only if the use of the new methods of analysis is not confined within narrow professional specialisms. Above all this is true in the study of political economy, which must be carried forward with an understanding of both the economic and political systems and of their interconnections.

We have in mind a program that would continually emphasize the common elements in all issues of political economy while concentrating the research and study of a particular scholar in one of the major groups of problems within the wide area of political economy. For the time being it is our intention to concentrate on the study of the following groups of problems: (1) The problems of collective decision-making; (2) The structure of economic organization; (3) The growth and development of an economic system; and (4) The political economy of national security.

Later it is hoped to extend the scope of our activities to include the study of the historical development of doctrines of political economy.

#### The Senior Research Staff

The senior staff of the Center is drawn from the current faculty at the University of Virginia. This staff now has members devoting themselves to research in each of the groups of problems already noted: Messrs. Buchanan and Vining in collective decision-making; Messrs. Coase and Yeager in economic organization; Messrs. Kafka and Nutter in growth and development; Mr. Schlesinger in the political economy of national security. We are planning to add a staff member with competence and interest in the field of historical analysis. Particulars of the present senior staff will be found in Appendix C.

In our long-range program we hope to establish a group of senior research associates composed of distinguished scholars throughout the world who are actively engaged in research in political economy. These research associates would come to the Center for short periods of collaborative work and consultation whenever the research in a particular field had reached such a point as to make this desirable. Just how far such cooperative research work with people in other institutions could go would be a matter to be decided on the basis of experience. Our aim is not narrowly parochial. We wish to encourage cooperative work whenever it seems likely to advance the study of political economy. It is our feeling that a particularly valuable contribution to academic work could be made by establishing cooperative arrangements with many excellent scholars in smaller institutions whose work suffers from the lack of the stimulus, sympathetic encouragement, and resources that are usually only to be found in the larger academic institutions. The success of the visiting professor and post-doctoral fellowship program sponsored by the Center in attracting outstanding scholars to carry out work in political economy at Virginia has led us to believe that it is well within our powers to expand the activities and to do so within a more closely defined program of study. A list of the visiting professors and post-doctoral fellows who have carried out their studies in recent years under the sponsorship of the Center is attached (Appendix D).

In addition to this collaborative effort of mature scholars, we should like to promote more exchange of students among institutions for short periods of time, so that they might take special work under particular professors. It is generally less expensive and more effective to move students than to move faculty, and we feel that the current system of tying a graduate student to a single University and faculty could be improved upon at virtually no additional cost, if institutions would agree on a moderate and reasonable exchange program. We have already taken steps to bring about a student exchange at the graduate level by an agreement with Merton College, Oxford (Appendix E), but it seems probable that the really substantial gains from such student exchange programs will accrue only if they are expanded much further.

#### Research Apprentices

It is our view that a significant contribution to the training of workers in the field of political economy and to the growth of our knowledge could be achieved by the institution of a program of research apprentices. We are therefore proposing to establish such a program. A selected group of graduate students, numbering perhaps fifteen in all, would be offered renewable fellowships on the condition that they became research apprentices attached to specified senior staff members and assigned to work in specific areas of research. Research training would begin in the first year of graduate work and continue through to completion of a dissertation, which would be a natural outgrowth of intensive study on a research project over a normal period of three years. The research apprenticeship would substitute for the usual course work in fields of specialization but would not obviate the need for the required course work in economic theory.

To serve as a focal point for the program, all faculty and students participating in it would meet regularly in a joint seminar on political economy in which the problems and achievements of the various projects would be discussed. Each apprentice would, of course, also work directly under the guidance of the senior staff member to whom he was assigned, and this work would be focussed on specific topics that lend themselves to treatment in research papers and ultimately a thesis and dissertation. The joint seminar would perform the function of emphasizing the common elements of research in political economy as well as the unique aspects of particular problems. It would provide a forum for the discussion of individual problems as well as keeping all researchers informed on the progress of all projects.

#### Publications

The Center has, from its beginning, actively sponsored publication of the results of research and study, and we expect to expand this activity. It has been our policy to distribute preliminary reports of individual research in the form of mimeographed research monographs, circulated for comment and information. We plan to extend this practice to provide a set of occasional papers for that neglected range of scholarly reports too long for a journal article but too short for a book. Two books of lectures given at the Center have been published by the Harvard Press, and we expect the Center to sponsor similar ventures on appropriate occasions. Finally, we plan to launch a series of translations of rare classics in the field of political economy now available only in foreign languages. Publications of the Center to date are given in Appendix F.

#### Requested Financial Aid

We would like to request sufficient financial-aid to support the outlined program for no fewer than ten years. The total requested sum is \$1,140,000, to be spent in not less than ten years. A provisional breakdown of the expected categories of expense is given in the table below.

1	Research apprenticeships and fellowships	\$500,000
2	Research and clerical assistance, research direction, research on special projects by senior staff on leave and during summer, and reimbursement for reduction of teaching load	410,000
3	Scholarly exchange and special projects by research associates	150,000
4	Student exchange program	40,000
5	Support of publications	30,000
6	Travel, supplies, and materials	10,000
	Total	\$1,140,000

2. Ford Foundation, New York. Inter Office Memorandum. Marian Chamberlain to Kermit Gordon.  
II August 1960.<sup>25</sup>

THE FORD FOUNDATION

New York Inter -Office Memorandum

Date: II August 1960

TO: Kermit Gordon

FROM: Marian K. Chamberlain

SUBJECT: UNIVERSITY OF VIRGINIA - FELLOWSHIPS

The University of Virginia has the following record in economics in the EDA fellowship program:<sup>26</sup>

	Nominations	Selections
	<i>Faculty</i>	
1956-57	Vining	Vining (#29/58)
1957-58	Forbes (#7/53)	--
1958-59	--	--
1959-60	Buchanan	Buchanan (#7/69)
1960-61	Nutter	Nutter (#5/76)
	<i>Dissertation</i>	
1956-57	--	--
1957-58	Howard	Howard (#30/53)
1958-59	Haynes (#45/82)	--
	Johnson (#63/82)	
1959-60	--	--
1960-61	Laird (#41/97)	--

<sup>25</sup> Ford Foundation D-234. We have not corrected the oddities we noticed above.

<sup>26</sup> There are two grants associated with Coase from Ford. PA# 56-216 Research on Political Economy of Radio and TV-Univ. of Buffalo. PA# 57-337 Fellowship Program in Economic Development and Administration 1957-1958 Univ of Buffalo. Perhaps 1960 technology did not allow searches across institutions.

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### 3. Warren Nutter to Ronald Coase. 31 August 1960.

August 31, 1960

Dear Ronald,

I really didn't expect any space at LSE, but thought it was worth a try. Thanks for your [trouble] – hope it was not too much.

We saw the Ford Foundation today, and we came away with a bad taste in our mouth – a very bad taste. We were shoved onto Kermit Gordon and Thomas Carroll. The official line was that the Foundation was now (?) in the midst of an agonizing reappraisal of the institutional support program, and our proposal hinged, of course, on the decision as to the future of such programs. It became clear, however, that Gordon had made up his mind. The most disturbing thing about our proposal is that the Center is tied up with a “point of view” whereas the Foundation supports national programs “of unbiased institutions, like Harvard and Yale. [“] (He really said this.) Aside from being left-wing, Gordon is thick-headed enough to believe what he says. Carroll, on the other hand, is pure politician, expressing concern solely over what people will think of the Foundation if it makes this decision or that.

Our prospects look very slim, but it would definitely help to have you talk with both Gordon and Carroll. Gordon said he would be delighted to see you around Sept 14, and for you to ring him up (perhaps it wouldn't hurt to drop a line before you leave, too) to arrange for a chat. It's all very loose, and you may do as best suits at the time. I suggest you phone up Jim before to get a more first hand account than I can give in this hurried note. Call collect.

Hope all has gone well. Sorry to hear that LSE is disintegrating.

Cordially,

Warren

P.S. Incidentally, this brush with the Ford Foundation definitely leaves me with the impression that a careful public investigation doing nothing more than making public the pattern of gifts by such places, might be useful.



#### 4. James Buchanan to Ronald Coase. I September 1960.

I September 1960

Professor Ronald Coase  
c.o Professor R. S. Edwards  
London School of Economics  
Houghton Street, Aldwych  
London, W. C. 2, England

Dear Ronald:

You will have probably received, or will receive, a letter from Warren, on this same subject, but I thought that it might be helpful if we combined our impressions. In any case, the main point of the message is that you should try to see Kermit Gordon, and possibly Tom Carroll, on your way back through New York on the 14th or so. We have alerted them to the fact that you will be passing through town.

As we had more or less anticipated, the Ford reaction, as expressed by Gordon, was almost wholly negative. His strategy was to make us think that he considered the application as simply another grant for fluid research and graduate student funds, and said that this was all tied up with Ford policy about making such grants, about the difficulty of discriminating among institutions, etc. He consistently refused to be even so much as curious, and any meat of the conversation had to be introduced by Shannon or Nutter, or me. As a matter of fact, we had as well never been there but for Tom Carroll. He is much more perceptive, and after two or three go rounds seemed to get the picture, at least in his political sort of way. Our only real hope now lies with Carroll. Gordon will certainly vote negatively in a very active manner. He raised the question about point of view, and with a completely straight face said he considered neither Harvard or Yale to have a point of view. Warren really lit into him on this one, somewhat more directly than I would have done, perhaps, but I think it shook him up a bit. Gordon is impressed with your work, and you may have a better chance to getting to him than we could.

He needs, first of all, to be convinced that it is to Ford's interest to support us. Carroll almost sees this I think. If Gordon could also be made to see things this way, we might have some slight hope yet. Gordon is not very smart, in fact he is rather stupid. So it is difficult for conversation at a secondary level of meaning to reach him. Carroll was picking up the threads; Gordon was missing them all the way through the conversation. Somehow I feel that you would be much more effective with Gordon than we were.

Ultimately, of course, we need to get at the board. But how? Shannon gave fine support, and I got to know him a lot better on the ride up and back. We have no worries there, but he is, as we are, rather new at the game. I think we must keep pestering Ford almost continually over the next few years. If they turn this one down cold, we should have another one sitting in their laps immediately afterwards. The wheel that squeaks the loudest gets the grease; and all of us noticed that Ford seems much more interested in what people will think about their actions in giving money away than about the inherent qualities of any project.

So, the best of luck. Warren may get the chance to see you and chat about all of this directly. If so, you will be better filled in.

We shall look forward to seeing you in about two weeks.

Sincerely,

Jim Buchanan

5. [James Buchanan] "Memorandum of Conversation with Ford Foundation. 31 August 1960." 1 September 1960.

1 September 1960

Memorandum of Conversation with Ford Foundation, 31 August 1960

This memorandum records my impressions and reactions gained from conversations in New York on 31 August among President Edgar F. Shannon, Professor James M. Buchanan, and Professor Warren Nutter of the University of Virginia on the one hand, and Mr. Tom Carroll and Mr. Kermit Gordon as representatives of the Ford Foundation on the other hand. This conversation and discussion was in relation to an application for financial assistance made by the Thomas Jefferson Center for Studies in Political Economy.

The reaction of the Ford representatives must be considered to have been almost wholly negative. At the outset of the discussion Mr. Gordon stated that any application of this nature must of necessity be considered along with general policy of the foundation. In particular he said that the foundation was now tending to move more in the direction of research and graduate student assistance made on the basis of national competitions and less in the direction of fluid grants to particular institutions. He mentioned especially the difficulty of discriminating among separate institutions when fluid grants were made. President Shannon gave a general discussion of the background and interest of the University of Virginia in the project proposed and noted especially the unique position of Virginia in evaluating the institutions of the free society. Mr. Buchanan then raised the point that this application was not considered one for fluid research and graduate student support through the department of economics and that we felt there would be little point in making such an application if this were the case.

At about this point Mr. Carroll of the Foundation joined the group. Mr. Buchanan went on to argue that the approach, the general problem of orientation at Virginia as expressed in the application, was in fact unique, that there was no other comparable program in the country, that the Thomas Jefferson Center was a going concern, that it had been supported, and that we needed some continuity assured in order for the program to be developed. Mr. Carroll of the Foundation then largely assumed control of the discussion, alluding to the successful efforts of members of the department of economics at Virginia in securing personal research fellowships and grants from Ford. Mr. Gordon of the Foundation mentioned the possibility of travel grants, saying that although this aspect of Ford's program was not publicized and that we should be informed of it should we want to bring scholars with associated interests to the Center from other points in the world. Mr. Nutter of the Center joined the conversation at about this time.

Mr. Gordon of the Foundation then specifically asked the question whether or not we considered our program to reflect a single "point of view." Mr. Buchanan replied that we conceived our program in sufficiently broad terms to encompass wide and divergent points of view that related only to a framework of interest in a common set of problems and to a common political and philosophical base, namely, an interest in the preservation of the free society (of course, he did not state this as clearly as he perhaps should have). The specific issue of "point of view" was discussed at some further length. Mr. Gordon of the Foundation, when asked to give examples of economics departments without a "point of view," with apparent sincerity said that he considered neither Yale nor Harvard to reflect a point of view in their departments of economics. Mr. Nutter of the Center, citing his experience of seven years on the faculty of Yale, openly challenged Mr. Gordon on this point, and Mr. Gordon reflected apparent surprise that anyone should so charge the Yale and Harvard departments with being biased toward a particular "point of view." This, in fact, was a surprising performance on the part of Mr. Gordon of the Foundation. He is either incredibly naive or assumes others to be so.

By contrast, after this conversation went on for some minutes, Mr. Carroll of the Foundation seemed quite fully to sense the secondary levels of meaning that were implicit in the remarks of Mr. Buchanan, Mr. Gordon and Mr. Nutter and made some point about the fact that the Ford Foundation, being a national foundation, could not in fact promote a "point of view." He contrasted this with the Earhart Foundation, a small foundation which could in fact promote a "point of view" and support people reflecting this "point of view." Mr. Buchanan responded to Mr. Carroll's comment by saying that, precisely because Ford was a national foundation and because we at Virginia recognize this, it seemed appropriate for us to approach Ford. He stated that it seemed inconceivable that Ford would not be interested in supporting a program of this nature and more so that it should deny support solely because of "point of view." Although not explicitly stated by anyone in the group, there was a consensus, at least among our Virginia representatives in the post-mortem after the discussion, that at this stage of the conversation Mr. Carroll of the Foundation seemed in fact to sense the possible potentiality of Ford's interest in providing us with some support.

At this point, however, Mr. Carroll retired from the conversation and Mr. Gordon attempted again to return the conversation to the point that our application was not in fact divorced from general policy about fluid grants versus national competition awards as he had stated at the very beginning. The conversation ended on this general note with the commitment on the part of Mr. Gordon to communicate with President Shannon some time between now and the first of the year.

In discussions after the meeting with the Ford representatives, President Shannon, and Professors Buchanan and Nutter concurred in their reactions that the Ford Foundation representatives seemed to be much more interested in maintaining an image of Ford and to be more worried about what people would think about various actions or various grants being made by Ford than they were in the inherent qualities of any particular project. They did not raise questions about the qualities of our project. Not one question was raised in the two-hour discussion about the merit of the project or the individual competence of the scholars concerned. This in itself is perhaps a reflection upon the processes of the Ford Foundation. It was agreed that President Shannon will communicate with President Heald, thanking him for the opportunity to present our case and regretting that President Heald himself could not be present and implying that we plan to seek alternative sources of support.

Later reflection and discussion with President Shannon on return from New York suggests that, due to the preoccupation of the Ford representatives with the image that the foundation presents rather than with the qualities of the projects, Ford is clearly open to exploitation by those who bother them most. I think it is or should be considered policy to keep an application on file at Ford at all times. If they refuse this one then we should, I think, have alternative proposals ready, proposals which move more directly in the nature of specific projects and less in the nature of general projects such as the one herein discussed. Later reflection also indicates that one major response to the Ford strategy was omitted. Up until the conversation yesterday, it had been generally understood that Ford desired to be wholesalers rather than retailers, whereas Gordon's comments seemed to indicate that wholesale should have been pointed up, but I for one did not think of this in the course of the conversation. Had the conversation taken a more direct turn, of course many other points could have been made. Many comparative grants could have been analyzed in terms of their value relative to our own, but we were simply allowed no opportunity to present the merits of the application itself.

I am recording these notes for our files while the memory of the conversation is fresh in mind. I am sure that longer reflection on the conversation will reveal still other points that we should have made.

It was suggested that perhaps Mr. Gordon would like to talk with Mr. Coase upon his return to New York on 14 September. This has been suggested to Mr. Coase, and presumably this will be the next stage in our negotiations with the Ford Foundation.

Director \_\_\_\_\_ Center \_\_\_\_\_

## 6. Ronald Coase to Kermit Gordon. 17 September 1960.

September 17th, 1960

Dear Dr. Gordon:

I greatly appreciated your courtesy in seeing me and discussing the application of the University of Virginia for funds to support and expand the work of the Thomas Jefferson Center for Studies in Political Economy. Much as I disagreed with your point of view, I came away completely convinced of your sincerity and I can only hope that you believe in mine.

I need not conceal from you that I was deeply depressed by our interview. This was not so much because you indicated that, in your view, the Ford Foundation should not give the University of Virginia the support for which it asked but rather because you made it clear that the crucial reason why the decision must go this way is the political outlook of the faculty of the economics department and this without regard to their competence as economists or the character of their research program. If the University of Virginia would appoint some Socialists or near Socialists to its economics faculty, it would at least become eligible for consideration by the Ford Foundation.

I do not question the right of the Ford Foundation to do this. I can hardly claim the right to take account of a person's point of view when considering possible appointments to the University faculty and deny a similar right to the Ford Foundation in allocating its funds. Let our consciences be our guide. But it is sad to think that institutions which operate within the classical tradition from which our subject and your country sprang, should stand suspect and friendless at such a time as this. And it is tragic that a reference to "individual liberty" in the brochure of a Center named after Thomas Jefferson in the University he founded should raise doubts in your mind about its academic respectability.

As I indicated to you, I think the appointments policy of the University of Virginia has been a very proper one and should enable the university to make an outstanding contribution to the development of political economy. I wish more Universities had such a well-defined policy. It is true that, in the case of the University of Virginia, this has meant the appointment of economists who, broadly speaking, believe in the American political and economic system and wish to strengthen and improve it. If an institution making appointments of this kind cannot expect support from the Ford Foundation, it will make our task at the University of Virginia more difficult but also more important and more urgent.

There are, of course, many other points raised in our discussion about which I would like to write at length. But I am sure it would all be in vain. My overwhelming impression is of a gulf between us which I shall endeavour with my work to bridge.

With personal regards,

Yours sincerely,

7. Ford Foundation. New York Inter-Office Memorandum. Oscar Harkavy to Kermit Gordon. 21 September 1960.<sup>27</sup>

THE FORD FOUNDATION  
*New York Inter-Office Memorandum*

TO: Mr. Kermit Gordon DATE 21 September 1960  
FROM: Oscar Harkavy  
SUBJECT: Meeting with Ronald Coase

I sat in on a large part of a meeting between Professor Ronald Coase of the University of Virginia and Kermit Gordon on 14 September. The following represents my recollection of the major points raised in this meeting.

Coase stated that he wished to discuss two questions:

- 1) the application for general support for work in economics by the University of Virginia, and
- 2) possible renewal of the Foundation's grant to Coase on his work on the political economy of the radio and television industry.

The bulk of the conversation was taken up with a discussion of the first point. Coase was aware of a previous meeting involving Chancellor [sic] Shannon and Professors Buchanan and Nutter, and Messrs. Carroll and Gordon, at which the question was raised as to whether the proposed Thomas Jefferson Center would adhere to a particular point of view in its research. In the course of extensive discussion Coase stated that because Virginia has a small Department of Economics, it cannot be expected to have faculty members with wide divergence of outlook. He stated that it is a fact that the Virginia faculty consists of "pupils of" or "pupils of pupils of Cannan and Knight." Members of the Virginia faculty have done their graduate study either at the London School or at the University of Chicago. Coase said, however, that if Gordon could suggest an economist with a different approach who would be willing to come to Virginia and whom Virginia would be willing to have, the Department would be happy to give him an appointment provided it had the funds. Gordon declined this invitation but emphasized the value of a free interchange of ideas among colleagues in a given department. He suggested that Milton Friedman's contribution would undoubtedly be enhanced if he were a member of the Harvard, rather than the Chicago, Economics Department.

Coase pointed out that at the London School, where he did his work, the faculty favored the classical economic analysis but in his day tended to be "Socialists," in terms of British politics. He noted that most academic economists and other social scientists in the U.S. espouse a "mildly Labour" point of view.

At first he asserted that the statement of purpose in the brochure on the Jefferson Center referring in a defense of individual liberty was something that every economist and every American, for that matter, could enthusiastically embrace. Later on in the discussion, however, Coase (an Englishman) followed another line of argument. He alleged that only at such places as LSE, Virginia and Chicago is the "American" point of view upheld, while most other economists and social scientists oppose this point of view. As the discussion progressed it became apparent that Coase considered support of all forms of government intervention in economic affairs, including minimum wage laws and federal regulation of the communications industry, as "un-American." He recounted that after his testimony before the FCC in which he suggested that the Commission abandon its practice of licensing television stations "in the public interest," and substitute an "auction" process of awarding licenses, one of the

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<sup>27</sup> Ford Foundation D-234.

commissioners asked him if he was “spoofing.” Coase recalls that he told the Commissioner that he was quite serious and that he was surprised that the Commissioner would find amusing his advocacy of an “American” point of view on this procedure.

In requesting consideration for an additional grant for his work on the political economy of the broadcasting Industry, Coase pointed out that the project is taking him many more years than he originally contemplated. I noted that the foundations are often reluctant to continue indefinitely support for particular research projects and mentioned the possible relevance of the Foundation’s interest in a continuing survey of government regulatory agencies. At this point I left the meeting.

8. Kermit Gordon to Ronald Coase. 7 October 1960.

The Ford Foundation  
477 Madison Avenue  
New York 22, New York

Program of Economic  
Development and Administration

7 October 1960

Mr. Ronald H. Coase  
Department of Economics  
Rouss Hall  
University of Virginia  
Charlottesville, Virginia

Dear Mr. Coase:

I shall not pretend that I was pleased to read your letter of September 17. You have chosen, for what reason I do not know, to misrepresent most shockingly the views which I expressed to you in our meeting on September 14. To ascribe to me, even by implication, the view that the University of Virginia should appoint “some Socialists or near Socialists to the economics faculty”, is an unfounded and irresponsible utterance.

In order that your letter shall not be permitted to stand unchallenged in the files of Ford Foundation as an account of our meeting, I shall set forth below what I believe to be an accurate summary of my personal position as I tried to make it clear in that meeting:

In my view, the university fulfills its mission in a democracy only if it cherishes, fosters, and defends freedom of inquiry. This means to me that the university is under an obligation to foster the competition of ideas by welcoming to its faculty able scholars of divergent views. The university impoverishes itself, and impairs its usefulness to a free society, if it commits itself to one side of a controversial issue and appoints to its faculty only persons who are similarly committed. Though I conveyed these thoughts to you in our meeting, I did not advance them as original sentiments; the underlying ideas were uttered more eloquently by John Milton, John Stuart Mill and Thomas Jefferson.

When a university requests of a foundation massive support, particularly for its general program in political economy, it seems to me appropriate to inquire, among other things, into the university's allegiance to the principle of freedom of inquiry. In view of the apparent coincidence of outlook of the members of its Economics Department, it seemed particularly important to raise this question with the University of Virginia. In all candor, I must say that I found your answers disquieting.

You are free, of course, to dismiss my concerns with freedom of inquiry—as you seem to do in your letter — as simply a façade to conceal hostility to your creed. Other than to say that you are in error, I shall not attempt to dissuade you. Perhaps, on reflection, you will admit the possibility, that there may be persons, who, esteeming freedom of enterprise, believe nevertheless that its survival requires that it be constantly submitted to the competition of ideas.

Sincerely yours,

Kermit Gordon  
Director

## 9. Ronald Coase to Kermit Gordon. 17 October 1960.

October 17, 1960

Mr. Kermit Gordon,  
 Director Program in Economic Development  
 and Administration  
 The Ford Foundation  
 477 Madison Avenue  
 New York 22, New York

Dear Mr. Gordon:

Thank you for your letter of October 7th. I think it is extremely useful for you to have set down your views with such clarity and with a frankness which leaves little room for misinterpretation and none for misrepresentation.

You maintain that my ascribing to you the view that the University of Virginia should appoint some Socialists or near Socialists to its economic faculty was "an unfounded and irresponsible utterance." I do not wish to discuss whether my statement was irresponsible or not. The question of irresponsibility relates to the effects which knowledge of my statement might have on others. It has nothing to do with its truth. It might, for example, be true that the President took a certain action because he thought it would affect the outcome of a foreign election. But it might be highly irresponsible to say so. I can well understand why, as a high official of the Ford Foundation, you may have considered my statement to be irresponsible. But being a university scholar and not an official of the Ford Foundation you must forgive me if I confine myself to the question of whether my statement was true.

You are anxious that my letter should not stand unchallenged in the files of the Ford Foundation as an account of our meeting. Of course, my letter did not purport to give such an account and your letter does not do this either. Whether the impression I derived from your remarks was unfounded or not has to be judged not simply by considering what you said but also by considering what I said at our meeting.

You refer in your letter to the "apparent coincidence of outlook" of the members of the Economics Department of the University of Virginia. You certainly did mention this at our meeting. And I pointed out in reply (and I understand my colleagues did too at their meeting with you) that we were similar in that at most of us worked within the classical tradition but that this did not mean that there were not wide divergencies of opinion as between different members of the department on questions of economic policy and on questions of analysis as well. I mentioned to you that discussion following the presentation of a paper served to demonstrate the extraordinary degree of difference as between our views. We were alike, as I said in my letter, in that, broadly speaking, we believed in the American political and economic systems. As you still persisted in your opinion after I had explained this, I agreed that there were viewpoints not represented in the economics department of the University of Virginia. I was, of course, thinking of persons with Socialist or near Socialist views and I assumed that you were too. You will remember that when I asked you to suggest the names of people that you thought we ought to employ, you declined the invitation. The one name you mentioned was Lindblom of Yale and I indicated to you that in my opinion he was a person who would merit serious consideration for an appointment at the University of Virginia. I think I should ask, if you did not mean me to infer that the University of Virginia should employ some Socialists or near Socialists, who was it that you thought we ought to employ? The reasons which led me to my conclusion are surely weighty. There is, first of all, the fact that it is Socialist and near Socialist views which are not represented on the faculty of the economics department. Furthermore, it is the only conclusion which is consistent with your main position. It seems to me untenable for you to urge that freedom of enterprise should be submitted to the competition of ideas at the University of Virginia through a change in its appointments policy and at the same time to deny that you are advocating the appointment of those who are opposed to freedom of enterprise. Indeed, leaving aside what was said



at our meeting, is not the same conclusion to be drawn from your letter? You make the grave charge that I had “chosen to misrepresent” your views. I would ask – what other conclusion could I have reached?

Upon receipt of your letter I took the liberty of showing it (and a copy of my letter) to Professor Buchanan. Professor Buchanan will be writing to you concerning your belief that members of the Economics Department at the University of Virginia have a “creed” or are “committed” to a particular view. Consequently I need not discuss this belief of yours except to say that it is wrong. I would, however, like to add that, in so far as I have understood your views, I do not think you have faced up to the problems involved in devising social arrangements within the context of which thought, discussion and debate are to take place. I do not need to set out my own position here as I will be discussing the problem in detail in my book on broadcasting. It is a great merit of the program submitted to the Ford Foundation by the University of Virginia that it faces up to these problems in an honest manner. My feeling on this whole matter is that we are in the position of the Romans of old, condemned by the Ford Foundation, in Gibbon’s words, “for imaginary vices and real virtues.”

Sincerely yours,

Ronald H. Coase

## 10. James Buchanan to Kermit Gordon. 17 October 1960.

17 October 1960

Mr. Kermit Gordon, Director  
Program in Economic Development  
and Administration  
The Ford Foundation  
477 Madison Avenue  
New York 22, New York

Dear Mr. Gordon:

My colleague, Professor Ronald Coase, has shown to me your letter of 7 October, along with a copy of his earlier letter to you. I can only express my surprise and shock at the implication contained in your letter to Professor Coase. You imply that our program in Political Economy here at Virginia represents an attempt to stifle, or at least to discourage, freedom of inquiry. If this does reflect your own, or the foundation's conception of our program, I feel that it is grossly mistaken. And I feel under an obligation to attempt, as best I can, to modify your impression.

"Freedom of inquiry" is, of course, a concept, a notion, an ideal, that is at once meaningful yet difficult to define precisely. Reasonable men will continue to differ on its precise content and characteristics. Each of us must, I think, finally adopt some subjectively-determined criteria for judging whether or not a specific person, institution, or program measures up to his requirements in this respect. In my view, the essential content of the inquiring spirit or atmosphere lies in the explicit acceptance of what may be called scientific morality. By this I mean a willingness to search for and to accept truth, regardless of where it may lead us, and to accept all currently-established truths as, in one sense, relative and subject to modification upon the progressive development of new ideas. This spirit can be upheld by the individual scholar working in a small college, by a small group of scholars in a program such as our own, or by a large institution combining the talents of many scholars. I do not think that my conception of freedom of inquiry is empty, or that it is irrelevant to the issues in question.

Your letter appears to impute to those of us working here a "creed" or "dogma". Quite frankly, I do not understand your meaning in this respect. I should greatly appreciate your pointing out to me the basis for what I am sure must be a sincerely held opinion on your part. That doctrinaire supporters of "free enterprise" do exist is certain. None of these exist on our staff; this is equally certain. I should not recommend the appointment of anyone that I considered to be doctrinaire on *any* subject, be this free enterprise, Christianity, or monogamy. And it is precisely because I have recognized the likelihood of "guilt by association" that I have consistently refused invitations to become closely associated with admittedly doctrinaire organizations and to contribute to doctrinaire publications. This also explains, in part, my initial interest in seeking support for our program from the Ford Foundation, and my continuing surprise at your response. I think that, in all honesty, you have tended to "label" us in your own thinking without giving us a "fair" hearing.

There seem to me to be two essential ways of approaching the study of problems of political, social, and economic organization. The first way is that of setting up independently certain criteria or goals for achievement and to examine existing and potential institutions in the light of their performance or expected performance in meeting these criteria. This approach, for purposes of exposition here, may be called the "social welfare function" or "social engineering" approach. It seems to characterize much of the current scholarship in the social sciences, and in

economics especially. The second approach is that which deliberately avoids the independent establishment of criteria for social organization (such as “efficiency,” “rapid growth”, etc.), and instead examines the behavior of private individuals as they engage in the continuing search for institutional arrangements upon which they can reach substantial consensus or agreement. It follows from this difference in approach itself that “individual liberty,” in the sense of individual participation in the choices of appropriate constraints on human action, will tend to assume a necessary, and hence more prominent, role in the second than in the first. It is also true that the second approach will normally tend to place more emphasis on market organization than the first, not because there is some pre-conceived dogma or creed in favor of this form of social order, but simply because it does represent one system upon which substantial consensus has been, and is, expressed.

In planning for and in implementing the program here at Virginia, we have emphasized the second approach. We have called it Political Economy, in keeping with what seems to us to have been the classical tradition. Both approaches to social problems are, of course, appropriate, and in many cases, they tend to coincide and merge one with the other. The same tools of analysis will be employed on many occasions. The difference in emphasis is, however, important, even if subtle in any specific context. I consider our emphasis on the second approach to be unique, as opposed to a contrasting emphasis in almost all of the other leading institutions in the country. I appreciate the fact that you appear to sense this differentiation in our program, although I think that you have seriously misinterpreted its essential distinguishing characteristics.

I look upon the difference in approach here as being fundamentally methodological rather than ideological. I can, however, appreciate and understand the ideological interpretation that you, and perhaps others, have placed, and will place, on the distinction. The adjectives “methodological” and “ideological” can never be wholly differentiated in the social sciences. Despite this, I think that we must try to keep such a distinction always in mind. If we do not, the social sciences have no right to survive.

The emphasis in research and scholarship here is on the second approach, Political Economy. This emphasis is by no means exclusive, and I am not even sure that any of my colleagues would fully agree with the way that I have interpreted the program in this letter. No program emphasis could be, or should be, “either-or.” The emphasis is, however, readily acknowledged, and we made no attempt to gloss over or to conceal this in our original application materials submitted to the foundation.

How does this affect the development of a critical intelligence in our students, the single most important and essential characteristic of productive research scholars and university teachers? It seems to me that no program, no educational institution, however large it may be, can possibly provide the student with an exposure to all conceivable approaches to his subject matter, even within one discipline. Some restriction on the number of alternatives is, therefore, necessary at the outset. The larger the staff of a program the more divergent can be the separate views and approaches to the problems analyzed. This advantage is, to some extent, surely offset by the greater degree of coordination and effective communication among the members of a small staff. For a small staff, the practical issue resolves to that of choosing between allowing the student to be exposed to a more limited range of views or approaches, effectively presented by competent scholars, and allowing him to be exposed to a somewhat more divergent set, less effectively presented by less competent scholars operating in greater independence of each other. I think that the advantage of coordinated scholarly effort must be recognized by everyone.

The real issue seems to me to lie in whether or not the student is to be exposed to reflective and critical minds at work, whether or not he is to be allowed to observe the process of mutual criticism, argument, and discussion that can, on occasion, lead to genuine agreement. In order for this process to take place in a single program, effective cross-communication among participating scholars must first be established. And far from inhibiting the spirit of active and critical inquiry, I should submit that our program, by encouraging such discussion and communication, is much to be preferred to those programs which include scholars of such diametrically opposed approaches to social issues that communication is effectively forestalled at the outset. In the latter type programs,

“debate” soon replaces “discussion”, and the student will tend to be encouraged to “take sides” among competing adversaries or enemies, not to reach reasoned positions on the basis of critical discussion.

Within the broad confines of our emphasis on Political Economy, as I interpret this emphasis, members of our staff differ widely on separate issues, large and small, economic and non-economic. We have atheists, Christians, and Jews. We have Democrats, Republicans, and Independents. We have equalitarians and non-equalitarians. We have radicals and conservatives. On any particular issue or set of issues of economic policy that you might choose, there would certainly arise a sharp difference of opinion among us.

And it is precisely because we constitute a relatively small group, because we cannot effectively present all of the approaches to policy questions, that our program of visiting professors, scholars, lecturers, and research fellows is especially important. Since we have inaugurated this program we have had economists, philosophers, political scientists, lawyers. We have had Communists, Socialists, Liberals, Conservatives, and Reactionaries, We have had Americans, British, Swedes, Frenchmen, Italians, and Poles.

I feel that we have organized here a competent staff which compares favorably with other institutions in the country within our size range. This competence has been established by the decisions of the editors of scholarly publications and by the judges of the various national fellowship competitions. The Ford Foundation may not choose to recognize this competence, and it may not choose to provide financial support to the program emphasis represented. I should like to think, however, that we are to be evaluated on the basis of our competence and the appropriateness of the program itself, and that you recognize our own right, as responsible members of the faculty of an honorable university, to determine whether or not we are, through design or otherwise, smothering freedom of inquiry.

I have made here, and I shall make, no apologies for organizing the program here at Virginia. In so far as any one person is responsible for what has been essentially a group effort, I am that person. Mistakes have, of course, been made, and others will be made as the program develops. And many things are not subject to control, nor would we desire to control them if they were. But I categorically refuse to acknowledge or to believe that a program such as ours, one that is unique only in its examination of the search of free men for consensus on social issues and which assumes that individuals are free to discuss all issues openly and fully, violates in even the slightest way the Jeffersonian spirit or, as a matter of fact, runs counter to the expressed objectives of the Ford Foundation.

I do apologize for the length of this letter. The subject matter is very important to me, as I am sure you can appreciate, and I have considered it essential to explain to you my own position in some detail. I can only hope that I have partially succeeded.

Sincerely yours.

James M. Buchanan  
 Chairman, James Wilson  
 Department of Economics  
 and  
 Director, Thomas Jefferson  
 Center for Studies in  
 Political Economy

Gb

II. Kermit Gordon to James Buchanan. 19 December 1960.

THE FORD FOUNDATION  
477 MADISON AVENUE  
NEW YORK 22, N. Y

PROGRAM IN ECONOMIC  
DEVELOPMENT AND ADMINISTRATION

19 December 1960

Professor James M. Buchanan, Director  
Thomas Jefferson Center for Studies  
in Political Economy  
University of Virginia  
Charlottesville, Virginia

Dear Professor Buchanan:

This is a belated acknowledgment of your thoughtful letter of October 17. I have reflected at some length on your statement of your position and I find in it much with which I would agree. I appreciate the effort which you were willing to devote to the framing of a clear exposition of your views.

I must dissent, however, from your statement that my letter of October 7 to Professor Coase implies that your program represents an attempt to "stifle" freedom of inquiry. No such implication was intended, nor do I think that a careful reading of my letter would suggest that I had reached any settled conclusions whatever about your program. While Professor Coase's replies to my questions, were, as I said, disquieting, I did not and do not regard Professor Coase's views as necessarily representing the official position of the Thomas Jefferson Center.

When I received Professor Coase's letter of September 17, I decided that the proper response to Professor Coase's imputation to me of personal bias was to withdraw from further association with the University of Virginia proposal. My request to be relieved of program director responsibility in connection with this proposal was approved on October 5, and Mr. Donald W. O'Connell of the staff of this Program was asked to assume such responsibilities as I would normally exercise with respect to this matter. You may expect to hear from Mr. O'Connell when he decides how he wishes to proceed.

Sincerely yours,  
Kermit Gordon  
Director

## 12. James Buchanan to Donald O'Connell. 30 January 1961.

30 January 1961

Mr. Donald W. O'Connell  
 Program Associate  
 The Ford Foundation  
 477 Madison Avenue  
 New York 22, New York

Dear Mr. O'Connell:

I was pleased to receive your letter of 24 January. Your letter, along with President Shannon's report of his visit with you, has encouraged me to believe that the application of the Thomas Jefferson Center is, at last, to receive relevant consideration.

I shall be happy to try to answer the specific questions raised in your letter.

Formal, and orthodox, graduate degree programs have existed in Economics and the related social sciences at the University of Virginia for many years. It is not intended that these programs be replaced in any way by the current or the projected program of the Thomas Jefferson Center for Studies in Political Economy. If a prospective graduate student chooses to come to the University of Virginia and to undertake a wholly orthodox degree program, we feel that such a program should be available to him. Students not formally participating in the program of the Center are, of course, invited to attend lectures, seminars, and other activities sponsored by the Center as they might desire.

The Center to a large extent represents an emphasis within the structure of existing formal programs, an emphasis that broadens and enriches existing offerings. It is, and will continue to be, essentially a voluntary program. Changes in the formal structure will, of course, be made to meet more fully the needs emerging from a change in emphasis. But, as we now see the problem, the first and primary aim of the Center is that of generating a genuine "community of discourse" among graduate students and senior research scholars. Once this common interest in, and approach to, issues of basic social policy is developed, formal programs may be reviewed for possible needed changes and modifications.

Technical competence in Economics is deemed to be essential for all students proposing to work in Political Economy. All graduate students associated with the Center are required to take course work in Price and Value Theory, Macro-Economic Theory, and Monetary Theory. Technical competence in philosophy and the behavioral sciences is not at the present time formally required in terms of course offerings. Instead, the student is expected and encouraged to take part in an overall program that will insure his seeking out the basic philosophical and behavioral science competence that he might need for his particular research interest.

Basic mathematical competence is considered essential. For those students who have not completed mathematics through the calculus in their undergraduate programs, a year's course in mathematics for social scientists is required. As college curricula become more rigorous over the next few years, and as these curricula include more basic mathematics, this special course should be needed by fewer and fewer students. No specialization in mathematics beyond this basic work is required.

The program of the Center is not directly connected with the undergraduate tutorial program for honors work in Economics. We have found, however, that the seminars, lectures and other activities sponsored by the Center are well attended by students participating in the undergraduate honors programs, and these students have been encouraged in their participation.

You inquire about the principal innovational features of the apprenticeship program that is proposed in the application. This program, which is only one part of the Center's total program, is related to the research workshop idea that has been tried by other universities, but we consider it to represent a more productive application of the idea of cooperative and coordinated research. The apprentices, along with their advisers, will be engaged in a genuine exploration of the workings of existing social institutions. The particular institutions chosen for analysis may encompass wide variation; the common element in the program is the approach to analysis not the subject of analysis. What we are trying to do, and what we propose to continue to do, is to try to encourage graduate students to look upon the problems of social policy with a somewhat more extended horizon than seems normally to be the case. Such explicit objectives as "efficiency," "stability," "rapid growth," etc. for social institutions become considerably less important in our emphasis than in comparable programs of graduate study and research. We want our students to ask, first of all, how do existing social institutions work? Secondly, are they working "well" or "badly," and, if this can be answered, what criteria are used? Are these criteria acceptable? To what extent can a society of free people be conceived to choose the modified set of constraints that might lead to "improvement," again measured in terms of specific criteria?

The interdisciplinary aspects of the apprenticeship program will arise, not only in seminar participation, but in the deliberate efforts that will be made to encourage research fellows to broaden the basis of their examination of social institutions. As this is done early in the research experience of the fellows, the need for essential competence in the related fields of study will become apparent and the particular projects will be carried forward in the context of a continuing exploration of relevantly related work.

To me the unique features of the program that we have developed at the Center, and that we hope to expand, are readily apparent. Yet these features are difficult to describe. Rather than repeat further discussion in this letter, may I refer you to paragraphs 4 and 5 of my letter to Mr. Gordon, dated 17 October. I should like to emphasize here, however, that we are not proposing simply more research on familiar and long-sterile topics in Economics or related social sciences. Nor are we simply proposing another program of graduate instruction. I believe, quite sincerely, that we are attempting a basic modification of approach, of outlook, of method, on vital issues confronting our society and that we can make a significant contribution to scholarship.

I hope that my attempts to answer some of your questions have been successful. If you have further questions, please write to me again. Or, perhaps, you would like to visit Virginia.

Sincerely yours,

James M. Buchanan,  
Director

cc: Mr. Edgar F. Shannon, Jr.,  
President University of Virginia

### I3. James Buchanan to Donald O'Connell. I February 1961.

I February 1961

Mr. Donald W. O'Connell  
 Program Associate  
 The Ford Foundation  
 477 Madison Avenue  
 New York 22, New York

Dear Mr. O'Connell:

This letter may be considered an addendum to my letter dated 30 January. It is prompted by the fact that a recent reference to the work of a member of the senior staff here by Soviet economists has just come to my attention. This reference, reproduced below, provides, I think, some useful external evidence for the fact that the approach that we are hoping to promote through the Thomas Jefferson Center here is, in fact, different from the main tradition of current American scholarship in Economics.

The following quotation is taken directly from "American Linear Economics — A Soviet View" by Paul Henze, ORO, Johns Hopkins. Hectographed. In this piece, Henze translates the review of two American books; the review appeared in *Mirovaya ekonomikai mezhdanarodyne otnosheniya* #7.

Several American specialists, among them Vining who is cited above, Professor Knight, etc., have also taken issue with Koopmans' proposition that linear programming be examined as a possible method for "planning" the whole capitalist economy. Vining, taking exception to Koopmans, has written:

"The concept of the optimal distribution or effective utilization of the labor force and the equipping of society makes sense only when the following conditions are present: the whole society must represent an aggregation of people with one and the same aim; it is necessary to postulate the presence of a certain will or decision maker who would control the activity of society in the direction of the goal indicated."

Vining was forced to recognize that under capitalism such conditions do not exist. For this reason, he concludes, no operational content can be ascribed to the idea of "the effective utilization of the resources of society". "No decision maker exists who would determine the distribution of the population of a country or the allocation of the national product".

When it is recognized that the translation of Vining's work from English into Russian and the translation of this back into English must create some modifications on the original, and when it is also recognized that the Soviet reviewers are seeking to find fault with the works of Koopmans and others whom they are reviewing, it remains nevertheless true that they have, quite acutely, picked up the rather significant difference of approach between Vining on the one hand and what might be called the "orthodox" current American approach on the other.

The approach taken by Vining represents that taken by most members of the senior staff of the Thomas Jefferson Center. We feel that it does, indeed, reflect a fundamental methodological position that is deserving of serious consideration. It cannot be emphasized too strongly that this position does not preclude consideration of



alternative social institutions and arrangements. The emphasis is, however, on the operation of alternative institutional structures, and upon criteria for organizing and modifying these structures, rather than upon the achievement of externally-specified objectives. Although we remain tolerant of those who might disagree, we feel that this broader approach is the only one that is methodologically consistent for the student of social policy who works within the framework of Western democratic social and political institutions.

Sincerely yours,

James M. Buchanan  
Director

cc: Mr. Edgar F. Shannon, Jr., President  
University of Virginia

14. Ronald Coase to Donald O'Connell. 24 May 1961.<sup>28</sup>

University of Virginia  
James Wilson Department of Economics  
University Station  
Charlottesville, Virginia

May 24, 1961

Mr. D. W. O'Connell  
Ford Foundation  
477 Madison Ave  
New York 22, New York

Dear Mr. O'Connell:

I thought you might be interested to see the enclosed article "The Problem of Social Cost." It illustrates the kind of approach to problems of economic policy which we are developing here at the University of Virginia. It will suggest to you the type of research on which I had hoped to engage the graduate students as part of the program of the Thomas Jefferson Center but which has been made impossible for the time being by the failure to secure foundation support.

Yours sincerely,

Ronald Coase

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<sup>28</sup> Ford Foundation D-234. This is handwritten with light pencil. The information lost in microfilming makes it very difficult to read.

**15. Ronald Coase. "Notes of my meeting with Mr. Kermit Gordon of the Ford Foundation on September 14<sup>th</sup> 1960." 20 October 1961.**

*Notes on my meeting with Mr Kermit Gordon of the Ford Foundation on September 14th, 1960.*

In reading my notes on this meeting with Mr Gordon (and the correspondence which followed), it is important to know that I am an Englishman and that I had been on the faculty of the University of Virginia for only one year. In England, although I am known as pro-American in foreign policy and anti-Socialist in home affairs, my point of view has always been treated with respect by those who held opposing views. Indeed, my personal relations with English Socialists have always been excellent and with one member of the Cabinet in the first Labour Government, I was on close personal terms. I was asked to give evidence on behalf of the Fabian Society to the Beveridge Committee on Broadcasting, and although I refused on the grounds that I was not a Socialist (this was countered by saying that there was not a specifically Socialist point of view on broadcasting), I did in fact prepare the first memorandum considered by the Fabian Society Committee on broadcasting and which was the basis from which their discussions proceeded. I mention these facts to indicate both that I have been used to my point of view being treated as one which could be held by an honest man and that I am in the habit of presenting my views with moderation and respect for opposing views (since otherwise I could never have maintained friendly relations with people with such diametrically opposed views).

It was, I suppose, because of my background that, after receiving the letters from Messrs. Buchanan and Nutter, I went to the Ford Foundation with the feeling that my observations on the situation in Virginia would be of great interest to the officials of the Ford Foundation and with some confidence that I would be able to clear up what was an evident misunderstanding of what was being done at Virginia. Looking back, a year later, I suppose it was rather absurd for me to imagine that I would be able to accomplish what the President of the University, the Chairman of the Economics Department and another colleague who had been acting Chairman, had failed to do. But, at any rate, I did not feel that way at the time. The result was that the character of the discussion was not at all what I had anticipated. Here I should perhaps mention that the meeting lasted about an hour and a half, and that Mr Harkavy was present with Mr Gordon during the first part of the meeting (perhaps an hour). I cannot, of course, remember all that took place at the meeting nor can I always be sure of the exact words that were used.

I opened by coming directly to the point I wanted to make and I explained that the work the Thomas Jefferson Center wanted to sponsor was not of a propagandist character but was a serious research programme. Either immediately or shortly afterwards, Mr Gordon referred to the complete uniformity of the views held by the economics faculty at the University of Virginia. I said that Mr Gordon was under a misapprehension and told him of the wide divergence of views expressed when someone presented a paper. But Mr Gordon was unimpressed. I countered by asking him whom he thought we should appoint. He replied that he did not intend to help us with our appointments. At about the same stage of the discussion, I said that I did not see how we could add faculty with these different views if the Ford Foundation was going to deny us the money with which to do it. Mr Gordon did say that the denial of our request might be the result of certain general policy considerations but in fact almost the whole one and a half hours was devoted to staffing questions and I formed the firm impression that unless the present staffing policy was changed, the University of Virginia would not be eligible for assistance from the Ford Foundation for a programme of the kind put forward by the Thomas Jefferson Center.

It became apparent that the kind of department of economics which Mr Gordon regarded as a model was that found at Harvard. Perhaps it was not ideal ÷ Mr Gordon agreed that there was a dominant group there and at one point seemed to be implying that it would be desirable to strengthen the non-dominant group. He said that he thought it would be better if Friedman were at Harvard rather than at Chicago. At this, I commented: "Perhaps they haven't asked him". Mr Gordon clearly did not have a high opinion of the work done at the University of Chicago. He instanced one member of the faculty of the University of Chicago who had told him that "if anything is

profitable, it must be in the public interest". I said that no-one at the University of Virginia would make such a statement. I also referred to the magnificent technical training in economics which students received at the University of Chicago but Mr Gordon brushed this aside.

In connection with the question of dominant views, I remember referring at a relatively early stage to what was to me a very strange phenomenon, namely the hostility of many American social scientists to American institutions—they seemed to me to be anti-American—and I referred to a conversation I had had with Lord Robbins that Summer about this (he had spent part of the Summer in the United States and I had seen him after his return). I said that Lord Robbins had thought a sociologist should investigate the question, although I did not think much of this idea. At this point I remember Mr Harkavy saying that things were changing and that academics were not as anti-business as they had been. This, of course, was not my point and I wish, in view of how the discussion developed later, that I had remarked on it. For, at a later stage, Mr Gordon pointed to the statement in the brochure of the Thomas Jefferson Center, in which it said that the Center encouraged scholars who believed in individual liberty, as being particularly objectionable. I remember being bowled over by this and I do not now recall what I said. But Mr Harkavy intervened and attempted to rescue, as I thought, Mr Gordon from an impossible position, by saying that the statement could be interpreted to mean that the Center would not support anyone who believed, for example, in minimum wage legislation. I said that it didn't refer to such matters but meant, broadly speaking, scholars who believed in the American Constitution. It seemed to me, and I sensed this without it ever being said explicitly, that Mr Gordon regarded a belief in individual liberty or the American Constitution as a cover for opposition to Government intervention in the economic system (or at any rate thought that this was so at the University of Virginia).

But, of course, the great part of the discussion was concerned with the views of the faculty in the economics department of the University of Virginia. It was never made clear exactly who we ought to appoint except that they were obviously people who were opposed to or highly critical of a private enterprise system— people I would term Socialists or near Socialists (I had never thought that Mr Gordon was suggesting that the University of Virginia would have to appoint Communists in order to become eligible for Ford Foundation support). Only one name was ever mentioned. Mr Gordon enquired whether we would appoint someone like Lindblom of Yale and I said that I thought he would merit serious consideration. I had met Mr Lindblom both in London and at Yale and had had amiable discussions with him.

I said to Mr Gordon that I did not like education conducted by means of dog-fights between faculty members. Such debates, in which there was usually no meeting of the minds, seemed to me a poor form of education, likely to encourage students to engage in flashy argumentation rather than to lead them to undertake works of solid scholarship. How far I elaborated my views I cannot now remember but at any rate Mr Gordon indicated that he disagreed with me. I said that it did not seem to me to matter that one institution was different from another in the views held by its faculty. Indeed I saw some merit in the situation. But Mr Gordon did not agree with this and, in the light of what he said earlier, I gathered that he thought that all economics departments should model themselves on Harvard.

Before Mr Harkavy left the meeting, I mentioned that the grant I had received from the Ford Foundation for my study of the political economy of broadcasting was likely to be used up soon and that I would want to apply for a further grant. Mr Harkavy said that he understood that there were good reasons why a project might take longer to complete than had been anticipated but he referred to "the boredom of boards" and implied that the board of the Ford Foundation might well have lost interest in my project. As I might therefore have to rely on Mr Gordon to rekindle the interest of the board, the effect of this disclosure was to make me feel that it was doubtful whether I would receive a further grant. Later (and after Mr Harkavy's departure, if I remember rightly), Mr Gordon did refer to a project which the Ford Foundation had under consideration for a study of the regulatory agencies and enquired about my interest. I said that I did not wish to devote myself to a study of the Federal Communications Commission indefinitely and that when I had finished my present project I wanted to move on to other problems. Mr Gordon

said something to the effect that it would be a pity if my specialized knowledge should go to waste.

Mr Gordon was courteous in manner but at all times I felt that I was speaking to someone whose mind was made up. Never once, as I recall it, did Mr Gordon make any enquiry about the research that was being conducted at the University of Virginia. Whatever I said was met by uncomprehending hostility. I was certain when I left Mr Gordon's room that the request by the University of Virginia would be rejected. I was deep in gloom: and only in small part because our request was going to be denied. The main source of my gloom was the realisation that in the United States a high official of one of the most important foundations in the country could manifest such disrespect for a group of scholars engaged in the study of the problems of a free society and could find in the expression of a belief in individual liberty and the kind of society envisioned in the American Constitution a cause for suspicion of their honesty and their sense. I do not know how an American would have felt about this. But, as a foreigner who believes that the existence of a decent and civilized world, now in mortal danger, depends on the faith of Americans in their own society and their will to defend it, I found Mr Gordon's attitude terrifying. That night I could not sleep. I arose at 5 a.m. and began to draft my first letter. By 9 a.m., I had completed it.

October 20<sup>th</sup>, 1961

Ronald H. Coase

## Bibliography

### *Archives*

The documents we reproduce are found in three major holdings. First, the most important Nutter's collection of TJC documents is in the William J. Baroody Papers at the Library of Congress. <http://memory.loc.gov/service/mss/eadxmlmss/eadpdfmss/2008/ms008097.pdf> "Nutter" is a search term in the finding aid. However, all the documents we quote from the Baroody Papers are found in Box 79 Folder 10 gathered together in an internal unnumbered and unmarked white folder. Second, the Ford Foundation File D-234 has the TJC proposal as seen by the representatives of the Ford Foundation. Ford Foundation records are now in the custody of the Rockefeller Archive Center. Third, the Small Special Collections at the University of Virginia, Edgar Shannon Presidential Papers.

Paul Samuelson's report to the Ford Foundation is found in Paul A. Samuelson Papers at Duke University; Box 31, Ford Foundation 1955-1969. Ronald Coase's memo to the Fabian Society is found at the London School of Economics Archives, Fabian Society K 40/3.

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