



## Chamber of Commerce of the United States

ECONOMIC ANALYSIS AND STUDY  
 CARL H. MADDEN, CHIEF ECONOMIST

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 WASHINGTON, D.C. 20006

May 7, 1971

Mr. Norman G. Kurland  
 Executive Director  
 Institute for the Study  
 of Economic Systems  
 2027 Massachusetts Avenue, N. W.  
 Washington, D. C. 20036

Dear Mr. Kurland:

This is a belated acknowledgment of your kindness in sending me on March 4, at the suggestion of Mrs. Earl Hubbard of the Committee for New Worlds, the material on the Kelso-Adler-Hetter proposals.

It was valuable to learn from your letter, too, that Allen Whitfield is one of the most ardent supporters.

You may be interested in seeing the enclosed paper which was delivered recently, and which -- as you can plainly see -- draws heavily on some of the thinking of your viewpoint.

The "Two Factor Theory" of economic value, I must admit, seems to me to have some difficulties; however, these difficulties seem to me to be unimportant in an appraisal of the astuteness of your diagnosis or the general thrust of your proposals.

Perhaps Frank Knight of the University of Chicago is our best analyst of basic philosophical and conceptual ideas in modern economic theory. Knight argues somewhere in his writings that all factors of production are capital, yielding streams of services in the future which, discounted to present value, measure wealth of such capital; and that prohibition against slavery prevents such capitalization of the value of human service. This concept seems to me to have been ineffectually explored by modern economists, and yet, were I to have the capability and time to pursue the theory precisely and carefully, this would be the starting point for me.

Your insight into the nature of wealth, however, seems more important than the correctness or incorrectness of the theory, since at

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best any economic theory analyzing value which stems from the modern economic tradition is a mixture of metaphysics, ideology, and ethics.

However, since such observations apply equally to communism as well as capitalism, I suppose that economic theory, like theology, is sadly in need of reconstruction in recognition of the discoveries of modern science when viewed as metaphysics, including the metaphysical implications of ecology.

Your views and your proposals illuminated a path by means of which our society could escape its 19th Century preoccupation with conflict, and I surely hope that more businessmen come to understand your position.

Cordially,

*Carl H. Madden*  
Carl H. Madden

Enclosure: NDP Paper

# Chamber of Commerce of the United States of America

Washington, D.C. 20006

January 24, 1972

Mr. Peter M. Flanigan  
Assistant to the President  
Executive Office of the President  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear Peter:

To me, current labor relations have a nineteenth century quality of Darwinian competition and truculent resistance to change. Peter Peterson's account of the Japanese system, contained in his chart book, suggests a workable alternative, suitable to the Japanese culture but not for us.

Louis O. Kelso and Mortimer Adler have for many years proposed another alternative that seems to me to have more merit for our culture.

I can't say that I am completely convinced about the Kelso plan, because I lack sufficient competence in the different fields that it encompasses.

Yet, I believe that this approach deserves a great deal more serious study than it has received.

It should be taken seriously, the way Peterson began to take seriously the issue of technology when he looked into our balance of payments problem.

Some big corporations are looking at the Kelso plan as a way to get more participation by foreign nationals in their own operations abroad, in order to reduce the risk of expropriation. Now comes the Puerto Rican experiment.

Everybody wants labor law reform, or something, to cope with the impasse of the powerful unions and the big corporations.

It just may be that a new way of looking at the problem, such as Kelso is proposing, could lead to some solution to the impasse.

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Is there some way you can get some bright young men in the White House to bird dog this Puerto Rican approach?

The enclosed paper gives my own explanation of why something like the Kelso Plan does deserve study.

If you are interested, I can get more material for you.

Cordially,

Carl H. Madden  
Chief Economist

Enclosures

bcc: Norman Kurland

*P.S. Please excuse me for not following up your call  
Congratulations on your work in Puerto Rico.  
I hope this letter will stimulate further thought  
in the Nixon Administration. Best regards.  
Carl*