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# *Staff Paper*

The Spartan School of Institutional Economics  
at Michigan State University

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The Spartan School of Institutional Economics  
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# **The Spartan School of Institutional Economics at Michigan State University<sup>1</sup>**

By A. Allan Schmid

Heterodox scholarship at Michigan State University (MSU) was influenced by the institutional economics of John R. Commons at Wisconsin. But it was far from monolithic and had many other sources and originality of its own. A case can be made that the center of institutional economics moved across Lake Michigan from Madison to East Lansing and blossomed in the second half of the 20<sup>th</sup> century with such Wisconsin Ph.D.'s as Raleigh Barlowe, Warren Samuels, Allan Schmid, Harry Trebing, and others. Equally important in making MSU a center of institutional economics were scholars from other institutional backgrounds such as Paul Strassmann, economic development; Robert Solo, science and technology; James Shaffer, agricultural marketing and consumer behavior; Nicholas Mercurio, law and economics; and others.

Commons was in the Wisconsin Department of Economics, but one of his major disciples and collaborators was Kenneth Parsons of the Department of Agricultural Economics (Lampman, Baldwin et al. 1993). This close relationship between the Wisconsin Departments of Economics and Agricultural Economics was also the case at MSU. This mutual stimulation was reflected in the Spartan Group whose social and intellectual interaction will be noted below. This paper will concentrate on teaching, but it will be necessary to explore the research upon which it was based.<sup>i</sup> Teaching of institutional economics at MSU was notably concerned with content rather than preparing "horses for courses." Some of the faculty wrote books explicitly for the course taught and others made extensive use of their own articles and others, rather than using standard texts.

The large number of institutionalists at MSU was not a stable of protégés of an entrepreneurial superstar, but rather a group of independent scholars in two departments who nevertheless complemented each other. Circumstances allow the main actors to speak for themselves. If the complementarity of themes and ideas emerges, it is from the self-described facts and not from the selective interpretation of one author.

## **Department of Agricultural Economics**

The first Wisconsin Ph.D.'s who came to MSU with an institutional bent were agricultural economists and included Henry Larzalere (Ph.D. 1938) whose major professor was Asher Hobson. Larzalere recalls the influence of Commons who retired in 1933. Upon graduation, Larzalere worked a short time for Wisconsin Governor Phillip Fox LaFollette who won passage of the nation's first unemployment compensation act. Commons had earlier helped LaFollette's father, Robert, to a number of institutional innovations.<sup>ii</sup> Larzalere continued the Commons' tradition of contributing to the development of new institutions rather than being content to provide an efficiency apologia for existing private governance structures. He helped Michigan farmers form

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cooperatives. He taught land economics prior to Barlowe's arrival in 1948, but primarily taught agricultural marketing. One of his undergraduate students was Glenn Johnson (see below). Larzalere retired in 1977.

Other Wisconsin graduates included Raleigh Barlowe (Ph.D. 1945) who taught land economics in the tradition of Wisconsin's Richard Ely and George Wehrwein; Garland Wood (1958) who taught economic development; [a complement came from Cornell in the person of the late Orion (Cherry) Ulrey (Ph.D. 1934) who taught cooperation and worked abroad (a course in farmer cooperatives was taught as early as 1915 in the Department of Economics by the late Wilbur Hedrick) and George Motts who was at MSU from 1931 to 1960 and organized a horticultural auction to bring together small producers and retail stores;]<sup>iii</sup> the late Glynn McBride (Ph.D. 1954) working in marketing; and Dan Sturt (Ph.D. 1954) who organized a program in agricultural labor. Colletta Moser, Ph.D. 1971 from Wisconsin's Department of Economics taught an undergraduate course "Women and Work" and is an extension specialist in farm labor and community development. She was active in AAUP on campus. Moser was co-author with her former major professor of a text in labor economics (Reynolds, Masters et al. 1998).

Farm co-ops are like labor unions in the sense that they represent collective action that allows atomistic individuals to countervail against the market power of employers and farm input suppliers and output processors. Ulrey initiated the MSU Employees Credit Union in 1934 and served as its president for eight years. He also helped organize student housing cooperatives at MSU, and Ulrey House was named after him. Ulrey was an outspoken social critic in the tradition of Veblen, which made him *persona non grata* to the Chair of the MSU Board of Trustees who represented a conservative farm organization.

**Raleigh Barlowe** first worked for the Division of Land Economics, Bureau of Agricultural Economics of the U.S. Department of Agriculture in the field and in Washington. At the end of WW II (1948) he moved to MSU in a faculty position paid half by the university and half by the government, a common U.S.D.A. arrangement at that time to encourage collaborative research. He taught land economics. Barlowe also offered a special problems course in institutional economics in 1956 featuring the works of Veblen, Commons, J.M. Clark, Ayres, and Hamilton. Barlowe wrote a text for his undergraduate land economics course entitled, *Land Resource Economics: The Economics of Real Property*, first published in 1958 and the second edition in 1972 (Barlowe 1972). He also taught 'Advanced Land Economics' as well as "Land Problems and Policies" at the graduate level. Land policy in this case also included property rights in water and other natural resources. Agricultural economists have investigated land tenure institutions going back to the pioneering work of Richard Ely's, *Property and Contract* (1914).

**A. Allan Schmid** filled the position opened in Agricultural Economics when Barlowe moved to the Department of Resource Development at MSU in 1959. Schmid (Ph.D. 1959) went to Wisconsin because of the influence of Wisconsin grads Don Kanel and Kris Kristjanson who were on the faculty of agricultural economics at the University of Nebraska. He was also influenced by Clyde Mitchell, an iconoclastic researcher of farm policy who later left Nebraska under pressure from the state's conservative element. It was in Mitchell's course that Schmid was introduced to the thinking of Elmer Davis,

Charles M. Hardin, Jerome Frank, J. K. Galbraith, and Gunnar Myrdal among others. Schmid's major professor in Madison was Ray Penn. He was also influenced by Kenneth Parsons as well as Robert Clodius and Willard (Fritz) Mueller in industrial organization. He took courses from Martin Glaeser in public utilities, Selig Perlman in communism and socialism, Walter Morton in monetary policy, Edwin Witte in government and business (with Warren Samuels as his teaching assistant), W.R. Parks (political scientist) in government and agriculture, Karl Bogholt in the philosophy of John Dewey, and Jacob Beuscher in the Law School. Schmid's class notes from Perlman's course have been published (Schmid 1999).

Schmid inherited Barlowe's "Advanced Land Economics" in 1962 (AEC 810). He asked why natural resources were treated as a special case in economics. Changes in land use were often non-marginal in character, which did not fit neoclassical theory very well. What characteristics did they have that made collective action particularly important? Schmid noted that high exclusion costs and non-rivalry in consumption (marginal cost of another user = zero) were typical in environmental products. So he began to look at these features in other goods and began to focus the course on a series of goods characteristics including economies of scale, information and transaction costs, and etc. These were illustrated with a wide variety of goods and services including but not limited to natural resources. Thus, the title of the course changed to "Economics of Public Choice" in 1973 and finally "Institutional and Behavioral Economics" in 1992. His book, *Property, Power and Public Choice* (Schmid 1978) (second edition 1987) is used in the course.

While retaining his applied interest in resource economics, Schmid devotes himself to developing institutional economics theory. He is currently working on a book manuscript with the objective of developing an integrated conceptual framework useful for investigation of formal law as well as informal custom, and for contrasting the performance impact of alternative institutions as well as understanding the process of institutional change (evolution).

Schmid also taught an undergraduate version of institutional economics applied to problems of state and local government entitled "Community Economics." Students probably most remember the fundamental economic interdependencies illustrated by Isaiah Berlin's apt phrase, "Freedom for the pike is death for the minnow."

The courses emphasized that human interdependence emanated from a range of inherent features of goods that were the basis of why one person's behavior affected others. It was formal and informal institutions that sorted out who had what opportunities and thus economic performance in terms of who gets what. Instead of the structure, conduct, performance framework of industrial organization, Schmid made the character (situation) of the good being produced explicit in a framework of Situation, Structure and Performance. Structure included many more institutional variables than market structure. The market is not a single entity, but rather alternative detailed market rules matter. The market and the law unavoidably form a nexus rather than being separate alternatives. Here the influence of Warren Samuels is evident as expressed in his article, "The Legal-Economic Nexus" (Samuels 1989).

Schmid also converted the AEC 811 "Land Problems and Policies" grad course first into "Property, Tenure and Land Policy" and then to a more general "Public Program Analysis" (benefit-cost) course taught between 1962 and 1991. He wrote a book for the

course entitled *Benefit-Cost Analysis: A Political Economy Approach* (Schmid 1989). Political economy meant that the methodology addressed how political judgments of Congress and administrators could be systematically incorporated into the ranking of publicly financed projects and regulation. This is in contrast to the more usual welfare economics stance that the analyst can independently establish what is efficient. Schmid questioned the assumption that distribution and production could be separated. Efficiency is not a single unique thing, but is derived from collective judgments of whose interests count. Schmid conceived of a regulatory budget and incorporated both regulations and spending projects into an integrated framework that was incorporated into a centralized review of regulations by the Systems Analysis Group (Corps of Engineers) of the Office of the Secretary of the Army and the Office of Management and Budget. Schmid spent 1968-69 with the Systems Analysis Group whose staff raised too many questions and was later abolished by Congress. See <http://www.thecre.com/ombpapers/>

Schmid's courses can be seen on the web at <http://msu.edu/course/aec/810/htm> and <http://msu.edu/course/prm/201/htm>. In his graduate course, he uses the Socratic method and borrowed the idea of the Journal File from Shaffer (see below). He maintains an institutional economics web page with working papers and institutional economics course outlines at various universities at <http://www.msu.edu/user/schmid/instecon.htm>

**James D. Shaffer** received his PhD. from the Department of Agricultural Economics at MSU in 1953. He evolved a theme of study he referred to as “institutions, behavior and performance.” In Shaffer's own words: “My Bachelors was in Political Science. I intended to go to law school and was admitted to the University of Michigan. For family reasons I decided to delay law school and started graduate work at MSU in Economics, thinking that law and economics were complementary. I had read enough even at that stage to believe it was a mistake to separate law, political science and economics. My graduate work was standard for that time with fields in trade, fiscal policy, theory, and agricultural economics. Along the way I managed to include several good courses in psychology. There were no courses identified as institutional economics although some courses in Industrial Organization had institutional economics content. My Ph.D. research involved developing methods for obtaining and using a flow of information about consumer food purchases to assist firms and farm groups to better target markets. From that I developed a strong interest in consumer behavior. I continued work on the large, well-funded project for several years after joining the faculty at MSU.

My fifty-year career at Michigan State focused on three areas, the economic performance of agricultural markets, agricultural and rural policy, and economic development of poor countries.<sup>iv</sup> The work I did was at a very practical level. My early interest in development was fanned by a program I participated in during the summer of 1947 studying the problems of economic reconstruction following WW II at several universities in Europe. Faced with the real problems in these areas it was obvious that the simplified models of economics were inadequate. More realistic ideas about behavior, organization, and constraints had to be used. As I went along I found ideas of those identified as institutional economists as well as many others who were simply

interested in dealing with practical problems useful.

Fortunately for me I developed both a personal and professional relationship with Al Schmid and Warren Samuels. We spent many years exchanging ideas about economics and many other things. When the Spartan Group was meeting I participated bringing practical ideas and skepticism to the discussions while learning from the others' large output of scholarly work that explored concepts in institutional economics.

My first venture in teaching a graduate course dealt with consumer behavior. In the course we explored ideas and literature about perception, learning, decision-making for individuals and organizations (including households), culture, as well as studies of consumer behavior done by businesses and others and asking about the implications of these ideas and findings for practical marketing, economic policy and the way we think about economics as a field of study. It was not necessary to spend much time discussing the utility of the concept of maximizing utility as a description of consumer behavior.

As the scope of my research and extension expanded more into economic development and policy, and as I was influenced by the work of my colleagues, the course evolved and I managed to get it renamed "Institutions, Behavior and Performance." (At the students' suggestion I tried "Shaffer's Course," but institutional rigidities prohibited it.) The course was a seminar and workshop. [Note: His question and discussion method was modeled after a suggestion of the psychologist, Carl Rogers, on "student centered teaching" (Rogers 1951).] Students were asked to develop what I called a Journal File [following a suggestion of C. Wright Mills in his Appendix on "On Intellectual Craftsmanship" (Mills 1959)]. In the Journal File students were encouraged to write themselves out developing ideas contributing to their own framework (paradigm) for understanding political economics and doing practical policy analysis. They were encouraged to look at a political economy as an evolutionary process, to consider institutions as formal and informal rules of political and economic life which constrain and facilitate behavior of participants, to consider behavior under uncertainty about situations, preferences and consequences of actions, and consider performance as outcomes which are payoffs for different participants, which in turn influences future institutions and behavior. The course was offered for about 25 years from the mid 1960's through 1991.

Most of what I wrote and used in the course was written for the course or as reports associated with research projects or workshops. Among my published articles used in the course were: "On Institutional Obsolescence and Innovation (Shaffer 1969)." and "On the Structure of Power in the United States Political Economy (Shaffer 1975)." His theoretical framework was laid out in "Food System Organization and Performance: Toward A Conceptual Framework. (Shaffer 1980).

Institutional economists tend to be actively involved in creating new institutions. Shaffer followed this tradition and reports, "I was Chair of the Michigan Railroad Advisory Council for several years while the problem of rail abandonment was a hot topic. I found a record of the Council meeting in 1976. As I recall the Council met for several years. Prior to the Council I served on an advisory committee dealing with rail problems in Michigan. They were both advisory to the Highway Department. Again I became involved because I had held extension sponsored workshops dealing with rail abandonment and rural development and was asked to join these advisory groups."



Shaffer found an interested audience among fruit growers who were developing associations for collective action. The associations promoted enactment of the Michigan Agricultural Marketing Act that gave accredited cooperative association exclusive bargaining authority with processors. The Act was challenged in the Michigan and U.S. Supreme Courts (Michigan Canners and Freezers Assoc. vs. Agricultural Marketing and Bargaining Board, 467 U.S. 461, 104 S.Ct. 2518). This was a classic case of property rights in a high exclusion cost good. The price negotiated by members would also be available to non-members who had not borne any of the organizing costs. The free-riding non-members reduced the effectiveness of the collective bargaining as is the case in labor negotiations as well. The U.S. Supreme Court ruled that the Act could not “interfere with a producer’s freedom to choose whether to bring his products to market himself or to sell them through a producers’ cooperative association.” This is another example of “Freedom for the pike is death for the minnow.” Shaffer describes his involvement, “The Michigan Agricultural Marketing and Bargaining Act was passed in 1972. I was the first Chairman of the Board established by the act, probably starting in late 1972 or ’73 and continued for about 10 years. The Michigan House and Senate passed a joint resolution saying nice things about my contribution to Michigan Agriculture in 1984, which I recall was a year after I quit as Chair. Contrary to accusations, I did not write the Bill. I did do quite a bit of extension work prior to the legislation discussing the possibility of legislation and some of the things to be considered. As I recall, I also had an opportunity to comment on an early draft, but I was not responsible for drafting the legislation. The legislation had some problems which might have been avoided had I had the opportunity to write the legislation. During this period I was active in national meetings dealing with marketing orders and agreements and in farmer bargaining legislation and the activities of these associations.”

Work questioning the value of the advertising of farm products caused a strong reaction from certain vested interests. “The executive director of the Michigan Press Association demanded that I be dismissed because anyone who would raise such questions must be at least a misinformed economist if not a communist. The Dean, I was told, was a strong defender of his faculty in this case.”

While Shaffer was on sabbatical leave in 1988, Schmid taught his course and emphasized even more the behavioral and cognitive dimensions that then fed back into Schmid’s own course. Shaffer emphasized that behavior was learned and reinforced by feedback from the environment. His attention to behavioral economics predated the current growing interest represented by faculty positions in the subject at Harvard and MIT. Shaffer’s course was always changing as he added new materials from his wide reading each year. <http://www.msu.edu/user/schmid/shaffer-809.htm>

He searched for new institutions to solve the chronic low incomes and oversupply in agriculture. He came up with the idea of universal forward contracts wherein the price would be known before the crops were planted (Shaffer 1990). Shaffer was named a Fellow of the American Agricultural Economics Association and also honored with a special retrospective session at its annual meetings in 2000. At the time of his retirement in 1997 he presented his lifetime musings in a departmental seminar with the subtitle “Observations From Over The Hill.” <http://www.msu.edu/user/schmid/shaffer2.htm> Shaffer as much as anyone combined ideas and action, university and government.

**John Staatz** (MSU Ph.D 1984, student of Shaffer) has made a contribution to the theory of cooperatives (Staatz 1987) (Staatz 1989). He is co-director of the Food Security Project and played a major role in developing a market information system in Mali. He co-teaches a graduate seminar in economic development (Eicher and Staatz 1990). He also teaches a professional practice course developing skills in applied economic analysis. He and Roy Black offered a graduate course in “Information Economics” for the first time in 2001.

#### **Others.**

Agricultural economics at MSU until 1949 was a section within the Department of Economics, College of Arts and Science (Hill 1972). The section was lead by Clifford Hardin who later became Secretary of Agriculture. Agricultural economists in the Economics Department averaged about ten between 1927 and 1946.<sup>v</sup> The number had grown to 19 in 1949.<sup>vi</sup> It was then separated and combined with the Department of Farm Management (founded in 1928) to become the Department of Agricultural Economics in the College of Agriculture. The first chair was the late Thomas Cowden. Subsequent chairs such as the late Larry Boger, Harold Riley, Larry Connor, Les Manderscheid, and Larry Hamm explicitly strove to maintain pluralism in the Department. Several departmental planning documents point toward achieving racial, gender, and intellectual diversity.<sup>vii</sup> Warren Samuels suggests that a part of the answer to the question of why institutional economics grew at MSU is that “hiring of specialists who happened to be heterodox, when specialists often were antagonistic to conservative mainstream economics, and when specialized fields were haven for maverick, deviant and dissident folks.” The scholars mentioned below were not necessarily maverick, deviant dissidents, but were arguably sympathetic and complementary to diverse points of view, if not explicitly institutionalist.

The early intellectual leaders in the Department of Agricultural Economics believed that a broad training was important for applied analysts. The late **Lawrence Witt**, a Wisconsin undergraduate and master’s student (Ph.D., Iowa State 1941), came to MSU in 1947 when agricultural economics was a part of the Department of Economics. When the Agricultural Economics Department was formed, he taught a graduate level “Introduction to Agricultural Economics” that exposed students to different schools of thought and an understanding of the major institutions of agriculture.<sup>viii</sup> This included links among land grant university research, extension, and the U.S. Department of Agriculture programs. Ph.D. students in agricultural economics were required to pass a field exam in “General Agricultural Economics” as well as their major and minor fields and economic theory in the Department of Economics. The preparation of applied economists at MSU included much more than general equilibrium economic theory. It added marketing (which is more than industrial organization), management, and policy (institutions). This facilitated a pluralistic approach to economics.<sup>ix</sup> Some regarded this as a strength of MSU grads and others a weakness. The general field exam was abolished in 1998. Some few other departments copied the MSU general field requirement, but it was never widespread as specialization proved more popular.

Witt’s own career is representative of the kind of applied work that he wanted MSU students to be able to do. He was advisor to George McGovern in the Kennedy White House and helped develop the Food for Peace Program. He served as consultant to

the Food and Agricultural Organization of the United Nations, the Agricultural Colleges of Colombia, the University of Ankara, Turkey, the Economic Research Service of the USDA, Committee for Economic Development, and the Inter-American Bank. Witt, Glenn Johnson and others set the department on a path of international service. International commitments were possible in the MSU environment guided by the world vision of President John Hannah. Many other departments in the nation needed special permission to travel out of state, let alone abroad. Larry Hamm offers the hypothesis that the existence of an internationally oriented (and oligopolistic) auto industry in the state provided both a worldview (and resources) from which the department and university benefited.<sup>x</sup>

**Glenn L. Johnson** (Chicago 1949) with his Chicago background was one of the national leaders in developing agricultural production economics. At the same time that he emphasized micro-theory, he understood that farm management was multi-disciplinary and not simply sub-field of economics (Johnson, Halter et al. 1961) (Johnson 1997).<sup>xi</sup> He received a M.Sc. in economics in 1942 from MSU and recalls the lack of mathematics and statistics in course offerings. But, there was breadth in those interested in public policy such as Henry Larzalere, Herman Wyngarden, Everett Hagen (Hagen 1962), and Harald S. Patten “author of *Grain Growers’ Cooperation in Western Canada*, [who] served as professor of economics until his death in 1945, although he was in Washington during many of his sixteen years to assist governmental agencies concerned with depression recovery and war mobilization Kuhn 1955, 380.”<sup>xii</sup> Johnson’s first job was in Washington working with O.C. Stine, a Wisconsin graduate, in the Bureau of Agricultural Economics, U.S.D.A.

Johnson, Witt and Hathaway were in fundamental agreement on the breadth of the agricultural economics Ph.D. requirements. Johnson taught the graduate “Research Methodology” course using his book, *Research Methodology for Economists: Philosophy and Practice* (Johnson 1986). He placed pragmatism on an equal footing with other philosophies guiding inquiry. The complementarity of institutionalists at MSU is illustrated by Warren Samuels’ chapter on methodology in Johnson’s festschrift volume (Samuels 1997). Johnson often referred to his appreciation for his teacher, Frank Knight.<sup>xiii</sup> Johnson spent a sabbatical studying philosophical value theory at the University of Cambridge (Johnson and Zerby 1973). He was active in his local Lutheran Church and contributed to its exploration of the relationship of science and religion.

Among many international activities, Johnson headed a major rural development project in Nigeria in the 1960’s. The work continued with the Consortium for the Study of Nigerian Rural Development, 1969-85. He also headed a Korean Agricultural Sector Analysis project running simulations of the consequences of alternative policies, 1971-85. He distinguishes between econometric models and simulations, arguing for the policy utility of the latter.

In his production economics research and teaching, Johnson made a major contribution to the theory of investment and disinvestments. He developed the idea of “fixed assets” to explain why agriculture was in a constant state of disequilibrium (Johnson 1962) and (Schmid 1997) Chapter 5. He developed this idea prior to Williamson’s analysis of specific assets (Williamson 1975). Whereas Williamson used the idea of specific assets (and transactions costs) to show that firms would choose an efficient form of private governance, Johnson emphasized that farmers would keep on

producing even when returns did not cover acquisition prices as long as the marginal value product was greater than variable costs plus salvage value of capital assets. These assets could be specific to the production of a particular farm product or to the agricultural industry (rather than to a particular set of transacting parties) and became fixed in production (did not exit) under the above conditions. So while Williamson's theory gave a rationale for the best of all possible worlds, Johnson saw a troublesome "overproduction trap (Johnson 1986)." Williamson argued that if left alone, firms would negotiate private arrangements that would protect against losses to specific assets caused by the opportunistic behavior of trading partners. Johnson argued that without collective action, farm firms making their best choices at the margin could not escape continuing asset losses as each wave of technological change became fixed in the agricultural sector. Institutional, human, and resource changes could cause the same problem. "Decisions by consenting individuals will not necessarily produce the best of all possible results in the face of transaction costs (imperfect information)." Market clearance brings huge and painful losses. Johnson's point is somewhat like Keynes' idea of an equilibrium at less than full employment (less than that necessary to avoid widespread and chronic asset losses). He agreed with Arrow, "Judging the desirability of what the market does is not within the domain of economic theory. That judgment has to come from an understanding of the interdependence of perspectives from markets, science, government and religion."<sup>xiv</sup> This is indeed a theme consistent with institutionalist thought.

Johnson was a Fellow of the American Agricultural Economics Association and a past president of the International Association of Agricultural Economists. Johnson retired in 1988.

The Department of Agricultural Economics was pre-eminent in the field of agricultural policy, and faculty included **Dale Hathaway** (DPA Harvard 1952) whose seminal work, *Government and Agriculture*, was used in his graduate course (Hathaway 1963). Hathaway had a command of data on the agricultural economy like no other (somewhat in the tradition of Wesley Mitchell and Simon Kuznets). He was on the staff of the Council of Economic Advisors. In many roles, he advised the government on trade policy. Hathaway today is director of the National Center for Food and Agricultural Policy, once a part of Resources for the Future and currently independent. Edward Rossmiller, a former MSU grad and faculty member, was also one-time director of the Center and on the staff of the FAO in Rome.

Several other members of the Dept. of Agricultural Economics were sympathetic to institutional economics and were part of its community of interest. **James Bonnen** (Harvard 1964) specialized in agricultural policy and data and was a Fellow of the American Agricultural Economics Association, American Association for the Advancement of Science, and the American Statistical Association. He wrote definitive articles on science policy, research institutions and organizations of agriculture (Bonnen 1988) (Bonnen 1987). Bonnen was a member of the President's Advisory Commission on Rural Poverty whose 1967 landmark report was entitled *The People Left Behind*. He was Senior Staff Economist, President's Council of Economic Advisors, 1963-65, and was Executive Director, The President's Reorganization Project for the Federal Statistical System 1978-79. He joined the MSU faculty in 1954 and retired in 1996.

Others whose work was (and is) complementary to institutionalist themes were Eileen van Ravenswaay (Ph.D Carnegie-Mellon, 1980) working in ecological economics

and food safety (van Ravenswaay 2000), Sandra Batie (University of Washington 1967) (Batie and Ervin 2001) working in environmental economics and agricultural policy, Lindon Robison (Texas A&M 1975) working on social capital (Robison and Schmid 1994), David Schweikhardt (MSU, 1989) a student of Bonnen's who teaches AEC 817 "Political Economy of Agricultural and Trade Policy" (Schweikhardt and Browne 2001) (Bonnen and Schweikhardt 1998), Lynn Harvey an extension specialist in public finance and state and local government (Harvey 1994) and a Ph.D. (1989) student of Shaffer, Patricia Norris (Virginia Polytechnic Institute 1988) in resource economics, Christopher Peterson in strategic management,<sup>xv</sup> and Larry Hamm, a Wisconsin masters student, working in dairy marketing and policy, a Ph.D. (1981) student of Shaffer. Hamm was department chair from 1990-2002.

The Department was a leader in researching the development of agriculture in Africa and elsewhere. Carl Eicher followed Johnson as director of the Economic Development Institute in Nigeria and developed an internationally recognized program in Africa and agricultural research institutions (Eicher 1982). Eicher led an U.S. Agency for International Development funded Alternative Rural Development Strategies Project that evolved into the Food Security project. This 15 year-old project is directed by Michael Weber (MSU Ph.D. 1976) (Jayne, Yamano et al. 2001) and John Staatz noted above. Many Ph.D. students who had been in the Peace Corps came to MSU to study economic development and appreciated institutionalist courses.

### **Department of Economics**

Two institutional economists in MSU's Department of Economics played key roles in the formation and leadership of the Association for Evolutionary Economics (AFEE). Harry Trebing was a member of the Wardman group that founded the Association and he later served as its president. Warren Samuels was the editor of the Association's journal, *The Journal of Economic Issues* (JEI) from 1971-1981. Both men received the Association's Veblen-Commons Award. Samuels was also president of the Association for Social Economics.

Before relating the work of Trebing and Samuels, the foundation of the modern Department of Economics can be noted. Wilbur O. Hedrick after some training in Europe became assistant professor of history and political economy in 1893 teaching economics, American constitutional history, English history, civil government, logic, psychology, and ethics (Kuhn 1955) 183. Hedrick founded a cooperative bookstore in 1897 and helped form cooperative student housing (357). Sociology and economics were separated in 1916. Economics was transformed from a minor field to a major in 1922 during the college presidency of David Friday, "an economist of national repute who possessed a special competence in agricultural economics (Kuhn 1955) 278-81."<sup>xvi</sup> The number of courses increased and the faculty doubled from three to six. Michigan Agricultural College graduated its first Ph.D. in 1925. "Sociology was the eighth department in the College and the first in liberal arts to receive authority to confer the Ph.D.; economics and education followed shortly (296)." Economics at MSU like at

other American universities began embedded in social sciences broadly considered and moved toward specialization (Parrish 1967).

**Harry M. Trebing** is one of the country's foremost specialists in public utility regulation. His contributions are assessed in (Samuels and Miller 2002). In Trebing's own words, "I was introduced to institutional economics at the University of Maryland (MA, Economics, 1952) by Allan G. Gruchy, Dudley Dillard, and Eli Clemens. I continued my studies in institutionalism at the University of Wisconsin (Ph.D. economics, 1958), working with Martin G. Glaeser, Edwin E. Witte, and Selig Perlman. I was president of the John R. Commons Club at Wisconsin, and we invited a number of distinguished institutionalists to come to the campus. (These included such people as Rexford G. Tugwell, et al. The only person who declined our invitation was J.M. Clark, who stated that he was not an institutionalist!)

I worked as a member of the original Wardman Group, which created AFEE. We worked on the bylaws and sought to define the concept of evolutionary economics to embrace institutionalism. As Secretary-Treasurer of AFEE, I worked closely with Ben Seligman while he was Editor of the JEL. In addition, I was the person who suggested that AFEE establish the annual Veblen-Commons Award.

My teaching focused on the industrial organization sequence where duties were shared with Walter Adams. I had primary responsibility for Econ 821C "Economics of Public Utility Regulation", and I taught Econ 821A "Industrial Organization Theory" on an as-needed basis. Walter taught 821B "Anti-Trust." I also taught the undergraduate equivalent of these courses. The themes that I stressed involved the interrelationship between market structure, corporate behavior and strategies, and the strengths and weaknesses of government attempts at regulation (Trebing 1998). The dimensions of market failure and market power were also unifying themes (Trebing 2001) (Trebing 2001). I taught these courses over the period 1966-1991.

At the same time, I founded the Institute of Public Utilities at MSU and served as its first Director; I also served as Administrator of all of the educational programs for the state and federal public utility regulatory agencies. The latter involved close collaboration with the National Association of Regulatory Utility Commissions. Designing programs and conferences for NARUC and the Institute, as well as for individual state utility commissions, permitted me to integrate economics, law, and technological change into a coherent, institutionalist framework. Between 8,000 and 10,000 federal, state, and foreign regulators attended these programs and conferences during my tenure. They included commissioners, attorneys general, engineers, statisticians, and economic analysts. Foreign representatives included regulators from diverse regulatory climates, including Japan, Taiwan, Spain, South America, Africa, Europe, and the Middle East.

Since my retirement in 1992, I have continued as a Professor Emeritus of Economics and Senior Fellow with the Institute of Public Utilities. I write and lecture on different topics pertaining to the problems faced by public utility industries in a changing climate. My principal focus is on the shortcomings of deregulation, and the superiority of the institutionalist approach to the neoclassical approach in examining the consequences of deregulation." Trebing continues to render public service, including being a member of the Michigan Utility Consumer Participation Board.

Trebing in his remarks above mentions his colleague Walter Adams, one of the nation's preeminent scholars of industrial organization that has always been a complementary theme to institutional economics (Adams and Brock 2001) and (Adams and Brock 1991). Adams (Yale 1947) was well aware of the interrelationship between economic and political power (Adams and Brock 1999). Adams came to MSU in 1947 where he died in 1998. Another IO person who was once on the MSU faculty was Joel Dirlam (Dirlam and Kahn 1970). Another in the same vein in agricultural economics was Ronald Cotterill (Wisconsin 1977) who moved to the University of Connecticut in 1981 and established The Food Marketing Policy Center.

<<http://www.sp.uconn.edu/~cotteril/FMktC1.html>

**Warren J. Samuels** claims that he has enjoyed doing economics so much that he hesitates to refer to it as work or a career, "so much for the marginal disutility of labor." His institutional credentials run deep. As an undergraduate at the University of Miami, he studied with A. J. Noetzel, one of J. R. Commons last doctoral students. This had something to do with Samuels going to Wisconsin for his Ph.D. awarded in 1957. He states, "I was much influenced by Edwin Witte's down-to-earth but deep approach to the economic role of government; Harold Groves's philosophical approach to questions of public finance; Selig Perlman's perceptive and personal approach to questions of capitalism, socialism, and social reform; Walter A. Morton's direct, non-ideological, and even somewhat cynical approach to questions of theory and policy; and Martin Glaeser's and Kenneth Parsons's diverse approaches to Commons (Samuels 1995)."

Samuels wrote the following about what institutionalism meant to him and is included here because it sums up what many Spartan institutionalists could embrace (Samuels 1995):

1. A willingness to dissent and to proceed differently and perhaps alone.
2. An evolutionary and holistic conception of the economy.
3. A matter-of-fact, rather than a metaphysical teleological, orthodox, and/or doctrinaire, approach to doing economics, while appreciating the socially constructed nature of putative facts.
4. The centrality of the problem of the organization and control of the economic system and therein the crucial importance of the human belief system, selective perception, hypocrisy, and the legal-economic nexus.
5. The recognition of the hermeneutic character of language and belief, including the importance of interpretation in contrast with absolutist claims of fact and truth.
6. Social constructivism and the importance of the complex processes of working things out.
7. The importance of institutions in generating economic performance, especially of legal institutions informing and channeling the operation of markets.
8. The serious limits of the neoclassical strategy of seeking to produce unique determinate optimum equilibrium solutions.
9. The importance of technology concerning substance, consequences, and interrelations with social structure and process.

Samuels' research and teaching focused on the history of economic thought and the economic role of government. His history of economic thought course taught students to "think in terms of multiple paradigms or different schools...(Samuels 1996) 39." He assembled a large private library of 16,000 works in history of thought and other topics of interest. For 21 years he has published an annual series of *Research in the History of Economic Thought and Methodology* and has co-edited with Malcolm Rutherford two collections of the work of Commons and a ten-volume collection of institutional economics.

In his grad course "Economic Role of Government" (which might have been titled law and economics), he challenged students by arguing that "the idea of laissez faire has almost no analytical or policy-analysis value" and "The idea of an autonomous optimally function economic system is purely a conceptual (and ideological/metaphysical construct (Samuels 1996) (40)." In addition to history of thought and the role of government Samuels taught public expenditure theory, about two-thirds undergraduate and one-third grad and macroeconomics for MBA students (1991-97). He also taught from time to time courses in comparative systems, radical political economy and public utility economics substituting for Harry Trebing. After his retirement in 1998, he has returned each fall to teach EC 819 "Economic Role of Government."  
<http://www.msu.edu/user/schmid/samuels.htm>

One of Samuels' canonical ideas was that cost is not a natural phenomenon, but rather socially constructed by the institutions that make one individual or group's interests a cost to another. This theme was elaborated in a chapter (Samuels and Schmid 1997) entitled, "Cost As A Concept in Economics." Samuels with Geoffrey Hodgson and Marc Tool edited a two-volume *Elgar Companion to Institutional and Evolutionary Economics* (Hodgson, Samuels et al. 1994). Samuels' own collected works up to 1992 were reprinted by Macmillan and New York University Press in five volumes (Samuels 1992).

Samuels was a leader in the founding and operation of both *History of Political Economy* and the History of Economics Society. He was president of the Association for Social Economics and served on the editorial board of many journals.

The next generation of economics professors who taught history of thought at MSU is represented by Jeff Biddle. Biddle has written a number of articles on Commons and Mitchell among others (Biddle 1990) (Biddle 1999).

**Robert A. Solo** contributed to institutional thought topics ranging from macroeconomics, methodology, and organizational behavior to science policy. He earned his Ph.D from Cornell in 1954 and was a faculty member at several universities before coming to MSU in 1966. His career themes in his own words:

"1. *Critique and development of Keynesian Expenditure Theory and Policy:* In 1941, I wrote a masters dissertation at American University as a novel analysis and critique of the theory and practice of Keynesian control of aggregate spending and developed and proposed basic new policies to achieve the requisite control without acquiring the burden of an interest-bearing public debt. The argument was reiterated in various of my publications but specifically "A Modest Proposal for a New Technique of Non-Diversionsary Public Spending (Solo 1994)." (Note: Solo shared this interest in zero-interest public debt with his colleague Allan Schmid (Schmid 1984).)



2. *An epistemological explanation and critique of the self conceptualizations, aims, rules and constraints that constitute the framework of thought, theory and method in economic thought and practice in relation to the philosophy of science:* In 1947, I wrote an abortive doctoral dissertation titled, *Essence, Evaluation and Social Technology* at the London School of Economics asserting that the grand theories, generalizations or laws of economics and of the other social sciences are necessarily of the order of ‘essences’ whose credibility (or truth) cannot be falsified by a specific failure of prediction as allegedly the case with physics, but rather than economics should be considered a social technology where the credibility of empirical statement must rest on time-variable judgments of evidence pro and con, and where value statements are inescapable and must be acknowledged and accommodated to. It argues that the mathematization of the language of economics in imitation of physics has been a wrong turning for the discipline. My supervisor (Lionel Robbins) was violently of another opinion. An abbreviated but further developed version of this thesis was published as *The Philosophy of Science and Economics* (Solo 1991). (Note: Solo was caught between the conflicting views of co-supervisors Robbins and Karl Popper, and the thesis was never accepted.)

3. *Explanation, critical analysis and evaluation or organization, of policy and of practice in ‘pure’ (academic) science, research and development, and the promotion of technological advance. In sum, I created and introduced into economic discourse, at least in the United States, an economics of science, R & D and technological advance with these understood as socio-economic-political entities and phenomena.* In 1954, I wrote a doctoral dissertation at Cornell University on the establishment during World War I of a synthetic rubber industry in the United States, under governmental aegis, going back to the scientific roots and carried through to the sale of the plants to private enterprise (Solo 1954).

4. *Explained the multi-faceted formation of ideologies and their evolution and transformation as context and determinant of individual choice and organizational behavior and, with reference to the work of Michel Foucault, Thomas Kuhn and Jean Piaget, introduced cognitive structure as a sometimes critical variable in the analysis of economic events and phenomena.*

I don’t remember the titles of special courses or seminars that I offered. But in general, I taught under the regular course titles, Industrial Organization, Comparative Systems, Public Finance, and Economic Development, but for every course I wrote my own text book and taught as I thought, which was always heterodox. When I taught price theory, for example, I used my own still unpublished 335 page book titled *Price Theory in Perspective* as both a development of and a challenge to neo-classical thought.

But I did, for a time, achieve one curriculum change that indeed made space for the development of another order of heterodox thought. I introduced a new field of studies offered jointly by the Department of Economics and the Department of Management titled “Organization and Control in the Political Economy” taking into account the political/market interface, but also and especially geared to understanding massive modern corporate organization as the key agent in the modern economy, in contrast to the economic man of neoclassical theory. As a primary text for the new field of study I published *The Political Authority and the Market System* (Solo 1974).”

Solo had earlier published *Economic Organization and Social Systems* (Solo 1967) and reprinted in 2002. He felt that these works together “can serve as a new paradigm replacing neoclassical economics.” Solo, like many institutionalists, gave attention to behavioral economics as evidenced by a chapter entitled, “Economic Revolution as a Revolution in Cognition” in the aforementioned book. Solo retired in 1992 and continues to write.

**W. Paul Strassmann** is best known for his work on entrepreneurship and technology in manufacturing and technology (Strassmann 1968) (Strassmann 1978) and economic development, and perhaps for his satirical wit.<sup>xvii</sup> In his own voice:

“I came to MSU in 1956 with good institutionalist credentials: C.E. Ayres at Texas; Joseph Dorfman, Karl Polanyi, Ragnar Nurkse, and Carter Goodrich at Columbia; Dudley Dillard and Alan Gruchy at Maryland. My doctoral dissertation compared the work of Thorstein Veblen and Joseph Schumpeter, finding both partly right and partly wrong.

Apart from three sections of Principles in the four-course load at MSU, I was expected to teach intermediate courses in macroeconomics, history of thought, European recovery, and economic development. The last had been a course in US economic history, but I changed it to one about “underdeveloped countries,” as they were then called. The first textbooks were appearing and I used one by W. Arthur Lewis. In the 1950s doctrinaire mathematical general equilibrium fanatics were minor irritants mainly confined to the University of Chicago. Most economists at MSU and elsewhere were a heterogeneous lot solving problems in a partial equilibrium way. We institutionalists thought our mission was to put some depth and structure into all that busywork. For one thing, technology was ignored by everyone as exogenous. For another, cultural factors and emotional conditioning were ignored in the role of tastes and property distribution. We stressed that objective functioning efficiency, not relativistic subjective utility, should determine policy. With some engineering background, many of us actually knew more mathematics than the average, so we liked Harrod-Domar growth models.

Until 1960 I continued dissertation-follow-up research on manufacturing technology in American economic history and produced a book (Strassmann 1959) and a few articles. One (1962) suggested that consumption could have positive externalities as well as the negative ones that Veblen pondered in *The Theory of the Leisure Class*. Connoisseurs reinforce one another’s enjoyment of goods by exchanging views. The arts are best for that. Ayres didn’t think that this addition was needed.

My Columbia MA (1950) had compared organization of the US and Mexican construction industries, so moving into the burgeoning development field was not all that surprising. The field hadn’t existed before, but my stress had been on international trade, economic geography, and economic history – the three pillars of development. We soon had a second-term undergraduate development course that focused on policy. Three other courses specialized on Asia, Africa, and Latin America. Around 1960 the time had come for graduate courses. I was in charge of organizing a year-long sequence. The first term stressed economic institutions; the second, growth models or secular change -- capital formation and population; and the third, fairly short-run policies. The syllabus for the first course had a very institutionalist introduction:

“The less developed a society is, the greater is not only poverty but economic misinformation, uncertainty, insecurity, and fantasy. Rigid (hence intermittently unstable) economic institutions are the result. Economic development is a contest between forces tending to perpetuate rigidities, often in disguised form, and forces that raise flexibility and productivity. The process is complex and the outcome uncertain, but at its center are incentives to produce and to accept information and the management of uncertainty.”

Within that framework, behavior in non-industrial societies, modernizing the labor force, urbanization, entrepreneurship, market institutions, and government planning were discussed. After I retired in 1995, MSU went to a semester system and neither of the resulting courses had such an institutional framework. Moreover, graduate students now are mostly Asians who are not as taken by such issues as were the do-gooder Peace Corps of past years.

Of the students who wrote dissertations with me, about half were American and half foreign. Some used American data, but most used foreign data -- usually collected by fieldwork, and one was an American-Mexican comparison. Dilmus James, who wrote about capital formation with used equipment, became President of the Association for Evolutionary Economics. Ridha Ferchou developed a stock-user matrix for housing analysis and became Director of the Tunisian School of Business and Minister of Education.

My research moved from the analysis of technological change in manufacturing to that in construction. Funding agencies were especially interested in employment effects. Once I organized a meeting in Geneva on the spread of computers and automation in poor countries. I spent some years on the rise and characteristics of large international construction contractors of a dozen countries. With fieldwork I mainly investigated housing issues such as the role of self-help, industrial prefabrication, turnover of old housing, residential mobility, home-based enterprises, density of settlement, land prices, and housing indicators. Such research was funded by the Ford Foundation, the World Bank, the Agency for International Development, the International Labor Organization, and others. It led to seven books, over a hundred papers, and to participation in some thirty-two international conferences. Much of the work was a blend of institutional and conventional economic techniques.

Occasionally I would write a general article on this or that topic, inevitably showing my institutionalist Dewey-Veblen perspective. Most likely, however, I was more conservative than my institutionalist colleagues. Contrary to Veblen, I had found that American innovative manufacturing entrepreneurs in the nineteenth century were creative, not just parasitic on inventors. Schumpeter, however, overstated their heroic risk taking. Fieldwork in Mexico had shown me that private enterprises were more reliable and efficient than public firms that were supposed to be yardsticks. Much propaganda from the likes of the National Association of Manufacturers irritatingly turned out to be true after all! For Warren Samuels' *The Chicago School of Political Economy*, I wrote “Development Economics from a Chicago Perspective, (Strassmann 1976)” reviewing works of Jacob Viner, Larry Sjastaad, Arnold Harberger, Milton Friedman, and others. Unlike Samuels' other contributors, I did not disagree with the Chicago preference of markets over planning. I merely thought that productive market behavior was not instinctive and automatic but was something that had to be learned in a

proper institutional framework. Joseph Stiglitz's keynote address to the 2000 World Conference on Development Economics suggests that this view has come to prevail."

**Steve Woodbury** (Wisconsin 1981) like many labor economists is a non-self-conscious institutionalist. Woodbury puts it this way:

"Apart from a couple of papers in JEI (Woodbury 1993) (Woodbury 1987), it isn't clear that what I do would be classified as institutional economics. Although I would like to think that I am a follower (or practitioner) of the Wisconsin Idea and of "looking and seeing," this doesn't seem to be "institutional economics" as defined by the reigning Institutionalists. (Note: In the above articles, Woodbury explores the role of culture in human capital and the role of power in labor markets.)

The paper on "Economics, Economists, and Public Policy" (Woodbury 2000) was my presidential address to the Midwest Economics Association, and admonishes economists for being too academic and not getting into the world and working on problems that matter. Several projects I have worked on and am working on make use of randomized trials to evaluate the effects of job search assistance or a reemployment bonus. A project that I finished last year used random audits of denied unemployment insurance claims in five pilot states to assess the accuracy of benefit denials. (It turns out that 10 to 15 percent of all benefit denials are wrongful, and the Labor Department is implementing a national program to track the extent of wrongful denials.)

Regarding teaching, I have tried in both undergraduate and graduate courses to take policy issues and government programs as a starting point, then try to show that economics can be useful (sometimes) in understanding programs and designing better ones. It has been a difficult way to go, especially at the undergraduate level, because it means putting together my own materials rather than relying on one or another textbook and/or text supplements. Also, it has never been clear to me that more than a handful of the students (or my colleagues, for that matter) understand what I am trying to do or how it differs from a graduate student teaching from a garden-variety text." A recent syllabus from the undergraduate labor course that Woodbury teaches regularly can be seen at <http://www.msu.edu/user/schmid/instecon/courses/woodbury.htm>

**Nicholas Mercuro** is the newest institutionalist to join the MSU faculty (1997). He is a former student of Samuels (Ph.D. 1977) and coauthor with him (Samuels and Mercuro 1979) and (Mercuro and Samuels 1999). Mercuro works in environmental economics and surveys schools of thought in law and economics. He argues in his book with another MSU grad, Steven Medema, *Economics and the Law: From Posner to Post-Modernism*, that there is a distinct institutional school of law and economics (Mercuro and Medema 1997). Mercuro's appointment at MSU allows him to teach wherever he pleases and that pleasure has manifested itself in the undergraduate James Madison College where he has taught the economics of "Legal Relationships in Comparative Perspective" and a course in law and economics in MSU's Detroit College of Law. He also does work in environmental economics (Mercuro 1997). For his vita see <http://www.msu.edu/user/mercuro/vita.htm>

Others on the economics faculty with complementary interests to the institutionalists were Milton Taylor (1954 Wisconsin Ph.D. under Harold Groves) in public finance, Subbiah Kannappan in labor and economic development, Charles Larrowe in labor

economics, and Daniel Fusfeld (Ph.D. Columbia 1953) in political economy (Fusfeld 1999) at MSU 1956-60. Samuels and Schmid contributed to Fusfeld's festschrift entitled *Borderlands of Economics* (Fusfeld, Aslanbeigui et al. 1997). The Department had a pluralist balance of institutionalists and neoclassicals until most of the above group retired. Still, the Department is today one of the few that require its Ph.D. students to take history of economic thought.

### **The Spartan Group**

Collaboration and mutual stimulation were a hallmark of the institutional economics faculty at MSU. Samuels, Schmid and Shaffer wrote a number of papers together (Samuels, Schmid et al. 1994) and with Woodbury (Samuels, Schmid et al. 1984). The collaboration perhaps reached its peak with the Spartan Group that met periodically in each other's homes to discuss a paper in draft by one of the members or on a topic or article of mutual interest. Members of the group included Samuels, Schmid, Shaffer, Solo, and Woodbury. Dan Saks (Ph.D. Princeton 1953) was a member for a few years before he left for Vanderbilt in 1982. It was by coincidence that the last names of all but one member began with the letter "S" and earned their bread from State. The group was active for over a decade from about 1982 to 1997. Each host prepared refreshment for the group, but the fare became lighter with less use of spirits (but no less spirited) as the group grew older.

### **Reproduction**

Historians familiar with the founders of institutionalism assert that they did not reproduce themselves, which contributed to the decline of institutionalism after World War II (Morgan and Rutherford 1998) (Samuels 1998).<sup>xviii</sup> The Spartan School may yet prove to be an exception. With the variety of institutionalist perspectives and applications to draw upon, MSU students had a richer diet than that available at most other universities. Students in Agricultural Economics made more use of institutional courses in economics than economics students used courses in other departments. That might be expected given the dominance of the neoclassical paradigm in economics. When students are being trained to teach standard courses ("horses for courses"), they do not have time to explore alternative paradigms. Students in the Department of Economics were not encouraged to reach out. Some of the outstanding MSU students who carry on the institutional perspective include: Phillip Wandschneider, Washington State University (Wandschneider 1986); George McDowell, Virginia Polytechnic Institute (McDowell 2001); Josef Broder, University of Georgia (Broder 1981); David Schweikhardt, Michigan State University; Steven Medema, University of Denver (Medema 1998); Nicholas Mercuro, University of New Orleans who returned to MSU's faculty in 1997 (see above); Larry Hamm, Michigan State University; Alfredo Cadenas, Autonomous University of Madrid (Cadenas 1989); Jouni Pavola, University of East Anglia (Paavola and Samuels 1996); John Staatz, Michigan State University; Dilmus James, University of Texas El Paso and former president of AFEE; Wesley Peterson, University of Nebraska (Peterson 2001), Thomas Jayne, MSU Food Security Project (Jayne, Yamano et al. 2001), Steve Cooke, University of Idaho; Keith Bryant, Cornell;

Hugh Spall, Central Washington University (Spall 1978); James Sterns, University of Florida; Rodney Stevenson, University of Wisconsin and former president of AFEE (Stevenson 2002); and Judith Stallmann, Texas A & M (Stallmann and Schmid 1987). Like students of Commons, many MSU grads were specialists, such as Ronald Faas, Washington State, and Phillip Favero, University of Maryland, who were both awarded an Outstanding Extension Award by the Farm Foundation in 1999 for their public policy work.

Graduates were also leaders in government and business as illustrated by Gary Seevers who was a member of the Commodity Futures Trading Commission and a member of the President's Council of Economic Advisors and later a partner with Goldman Sachs. Charles Reimenschnieder was Chief of Staff of the Senate Agriculture Committee and the FAO Representative for North America. Lynn Daft was President Kennedy's Special Assistant for Agriculture. Michel Petit was head of the agricultural section of the World Bank and professor l'INA Paris Grignon, France. Douglas Headly was head of Agriculture Canada and a major figure in formation of agricultural policy in Canada. Jerry Trant replaced John Hannah as head of the World Food Board. Werner Kiene played a major role in the World Food Program of the Food and Agricultural Organization of the United Nations. Robert Loube was a member of the Federal Communications Task Force on Universal Service.

### **Troublemakers with Unsafe Ideas**

Institutional economists at MSU, as elsewhere, created problems for administrators because of what was occasionally seen as unsafe ideas that irritated powerful clients (Bronfrenbrenner 1985) 14. Samuels observes that status emulation led many to the judgment that "nothing should be associated with economics that would render it suspect either as science or in the world of affairs (Samuels 1998) 183." Unsafe ideas cost one MSU institutionalist approval of his thesis. Several in Agricultural Economics ran afoul of "the suspect status of anything smacking of support for labor unionism and 'socialism'." Mention has already been made above of several calls for dismissal of faculty. Fortunately, the MSU administrators supported academic freedom.

Several programs also came under attack. The Rural Manpower Center in the Department of Agricultural Economics under the leadership of Dan Sturt brought in Cesar Chavez who organized migrant workers in California agriculture. Several legislators objected and tried to kill the whole program, but the educational value of diverse opinions was defended by Dean Cowden. While some attacked, there was also political and monetary support for problem solving analysis and outreach. Several institutionally oriented economists including Charles Killingsworth (Wisconsin 1947) were active in the School of Labor and Industrial Relations. An earlier version of the school was seen as too pro-labor by the Michigan Chamber of Commerce who tried to kill the program. MSU President John Hannah saved it.

While reference has been made to vested interests calling for dismissal of faculty and cancellation of programs, there was also positive feedback from the broader environment that affected the evolution of programs. For example, Elton Smith, long-time President of the Michigan Farm Bureau, understood that a university was a place for exploration of ideas even when he objected to some of the specific ones. The evolution

of institutional thought is not simply inside the brains of faculty, but is interdependent with its environment. Periodic supper seminars involving staff of the Farm Bureau and agricultural economics faculty kept open the lines of communication and education. (years?) MSU being in the state capital facilitated interaction among faculty, politicians, and interest groups. Institutional economists are useful problem solvers and this was appreciated by citizen groups and thus by university administrators.

### **Conclusion**

A reading of the above biographies illustrates some of the major themes emphasized in institutional economics (echoing and rephrasing the themes that Samuels noted above as defining institutionalism for him):

1. Evolution and role of learning: Samuels, Schmid, Shaffer, Strassmann.
2. Cognitive science and role of beliefs: Shaffer, Solo, Schmid, Samuels.
3. Disequilibria: Samuels, Schmid, Johnson.
4. Property rights: Many, if not all.
5. Less apologia for current institutions as efficient; rather active in imagining new institutions and helping others establish them: Larzalere, Ulrey, Shaffer, Schmid, Harvey, Hamm, Weber.
6. Land and public utilities: Barlowe, Schmid, Trebing, Batie, Mercurio, Norris.
7. Industrial organization and market organization: Shaffer, Adams, Trebing, Schmid, Solo.
8. Sense of history of thought and economy: Samuels, Schmid, Barlowe.
9. Technology and science policy: Solo, Strassmann, Schmid, Bonnen.
10. Methodology: Samuels, Solo, Schmid, Johnson.
11. Law and economics: Samuels, Mercurio, Schmid,.
12. Power, class, gender, poverty, income distribution: Samuels, Schmid, Shaffer, Moser, Bonnen, Strassmann.
13. Labor—not an ordinary commodity: Woodbury, Kannappan, Moser, Sturt.
14. Troublemakers and unsafe ideas: Many.

Warren Samuels (Samuels 2000) (312) has argued, “Institutionalism is heterogeneous. There is no single school of thought at the level of particular doctrines—though there is a common orientation or set of coordinate themes.” And he implies that it is a good thing too. The history of heterodox thinking and teaching at MSU supports his contention. It benefited from lines of thought rooted in Commons, Ayres, (others) which evolved in the hands of this group of faculty who enjoyed the stimulation of each other’s thoughts. It remains for others to judge whether it constituted a vital center of institutional economics unrivaled in the world during the last half of the 20<sup>th</sup> century.

The evidence suggests that there was heterodoxy within institutionalism at MSU. It was not a doctrinaire place, and the Department of Agricultural Economics is still pluralistic. This may have been a strength in the training of good economists, but it is probably a weakness in terms of the history of thought despite the considerable body of work of MSU’s faculty. MSU’s lack of brand identity may prevent its being known as a distinctive Spartan School of Institutional Economics.

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## Endnotes

<sup>i</sup> All of the autobiographical direct quotes were provided to the author during the fall, 2001. Details on agricultural economics courses can be found at <http://www.aec.msu.edu/agecon/history/teaching.htm#grad1> The longevity of institutional economists was noted by Oliver Williamson referring to such as Ronald Coase and Douglass North. The same could be said of those at MSU, with all of those referenced here still living at the end of 2001, save four. Oliver Williamson, unpublished speech to the annual meeting of the American Agricultural Economics Association, Toronto, Canada, July 27, 1997, as recalled by A. Allan Schmid.

<sup>ii</sup> Henry Larzalere, conversation with the author, December 26, 2001.

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<sup>iii</sup> Larzalere, Ulrey, and Motts made contributions to institutional change and new organizations more than to institutional theory.

<sup>iv</sup> Shaffer and several colleagues obtained funding for a Latin American Market Planning Center to research the role of marketing in economic development. “The long-held belief that effective marketing systems will evolve automatically is at best dubious. Since it is widely recognized that farmers and industrialists must be educated, motivated, assisted and sometime subsidized to encourage the necessary innovation to promote development, there is no apparent reason to expect market intermediaries (or more accurately, marketing system firms) to be any different. In fact, our evidence suggests that at some stage public agency efforts to stimulate markets may become crucial to development Harrison, K., D. Henley, et al. (1974). *Improving Food Marketing Systems In Developing Countries: Experiences From Latin America*. East Lansing, Latin American Studies Center, Michigan State University: 135..”

<sup>v</sup> MSU was a latecomer to the granting of the Ph.D. in agricultural economics with three degrees being granted between 1927 and 1930 Gans, A. R., O. Vopelius, et al. (1930). "Candidates for the Doctors's Degree in Agricultural Economics in American Universities and Colleges, 1929-30." *Journal of Farm Economics* 12(1): 498-22.. The leading universities were Cornell, Minnesota, Wisconsin and Harvard.

<sup>vi</sup> The Department has averaged about 38 tenure-stream faculty from the late 1970's to the present.

<sup>vii</sup> An external review team commented, “There is, however, adequate intellectual tension among faculty members to stimulate thought and discussion.” Final Report of External Review Team, October 21, 1986.

<sup>viii</sup> In 1965 the course was entitled “Emergence, Concepts, and Setting of Agricultural Economics.” The course description: “Historical and institutional development of agricultural economics. Central concepts and interrelations of sub-fields. Political-economic setting of agriculture and the role of agricultural economists.”

<sup>ix</sup> “A prevailing principle guiding evaluation and restructuring of the Ph.D. program was the desire by faculty to retain much of the flexibility in structure and opportunity that has characterized the Michigan State University Agricultural Economics program. The MSU philosophy has been to encourage the student, major professor and guidance committee to design a program unique to that students' needs and preferences with overall expectation that students gain exposure to the full scope of the field.” “It is recognized that competence in Agricultural Economics requires firsthand knowledge of and experience with technologies, institutions, business and people involved in agricultural and/or natural resources. Additional courses or experience may be required by the guidance committee to remedy deficiencies in such knowledge.” Materials prepared for the Comprehensive Review of the Department of Agricultural Economics, Sept. 8-11, 1986. Graduate enrollment was 78 in 1960, peaked in 1975 at 126 and was 89 in 1986, about 60 percent domestic and 40 percent foreign. There were 73 in 2001.

For a description of the agricultural economics undergraduate and graduate course program at MSU, see Connor, L. J. (1973). "Michigan State's Curricula in Agricultural Economics." *American Journal of Agricultural Economics* 55(4): 752-4.. This journal issue contains descriptions of other departments for comparison.

<sup>x</sup> Larry Hamm, conversation with the author, January 7, 2002.

<sup>xi</sup> Johnson also understood that decisions of the typical farm firm with the family and several generations constituted a variety of public choice.

<sup>xii</sup> Glenn L. Johnson, conversation with the author, January 29, 2002.

<sup>xiii</sup> Johnson points out that Knight's book, *Risk, Uncertainty and Profit*, provided a place for management in economics theory that had been ignored before. Reductionist (deterministic) models had no place for management where learning (rather than perfect knowledge) is appropriate.

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<sup>xiv</sup> Glenn L. Johnson, conversation with the author, January 29, 2002.

<sup>xv</sup> Peterson with Schmid taught an experimental AEC 800, Foundations of Agricultural Economics, 1997-99. It was designed as a basic theory course for master's students seeking a career in business management. It combined theory of the firm with institutional economics and organization theory.

<sup>xvi</sup> David Friday's tenure as president was limited to one year before he left for the New School For Social Research. "Friday had not satisfied the farm groups which brought him here to reorient extension and experimental work from production to marketing. Believing that agricultural prices were governed by international marketing conditions, he told farm audiences that little could be accomplished by efforts to replace the middleman with cooperatives Kuhn, M. (1955). Michigan State: The First Hundred Years. East Lansing, Michigan State University Press. 284."

<sup>xvii</sup> Strassmann in his review of the Spartan Group section of this paper suggested, "why not drop mentioning that people's names begin with "S." Truly, so what? I'm also Leo the Lion in the Zodiac. What are you? Moreover, give a hint that it must strike some readers as ironic that we are associated with a university that has "Spartan" as an identity. Don't most people associate Sparta with extreme rigid doctrinaire militarism, the very opposite of what institutionalists stand for? Can an institutionalist really be proud to be labeled a 'Spartan'? Why not PruSSian? Or just plain SS? Insitutionalists of all people should show a sense of history and language."

<sup>xviii</sup> Warren Samuels (1998, 192) offers the judgment that "There was only one Commons and as time passed he did not reproduce himself." This author would like to be on record as predicting that when enough time has elapsed to put Commons and Samuels in perspective, it will be seen that Commons was more than reproduced in Samuels.