

The Spartan School of Institutional Economics at Michigan State University and the Department of Agricultural, Food, and Resource Economics¹

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 20th 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.¹ 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 (now AFRE)

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

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innovations.ⁱⁱ 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 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 [Wilber 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;]ⁱⁱⁱ 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. A capstone of his work was published in 2013 "Land Resource Management: Economic Foundations and New Directions" with co-authors Soji Adelaja and Paul Babladelis. 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 taught at MSU for 47 years and 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. An update is *Conflict and Cooperation* (2004) still used by Professor [David Schweikhardt](#). Schweikhardt earned a law degree and combines law and economics in the tradition of John R. Commons. Schweikhardt was a Ph.D. student of Professor [James Bonnen](#) who did pioneering work in agricultural policy and politics.

While retaining his applied interest in resource economics, Schmid devoted himself to developing institutional economics theory. His *Conflict and Cooperation* had 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 course is no longer taught.

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. Schmid’s 810 course materials can be seen on the web [here](#) and [here](#). In his graduate course, he used 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. He also for several years wrote a blog entitled [The Troublesome Economist](#). [Schmid was named the Inaugural Fellow of the Institutional and Behavioral Economics Section of the AAEA in 2010.](#)

Several in the AFRE Department, including Johnson, were interested in methodology and philosophy. Philosopher [Paul Thompson](#) has a joint /AFRE and Philosophy appointment, see (Schmid and Thompson, 1999).

[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.^{iv} 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 Cannery 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. See his 809 course materials [here](#).

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](#)." See [here also](#). Shaffer as much as anyone combined ideas and action, university and government.

[John Staatz](#) (MSU Ph.D 1984, student of Shaffer and Harold Riley) made contributions early in his career to the theory of cooperatives (Staatz 1987) (Staatz 1989). This work focused on cooperatives as coalitions of actors having sometimes divergent views; he analyzed the importance of the rules of the game governing the co-ops in bringing about collective action even though members' interests sometimes diverged. Much of his later teaching, research and outreach applied ideas from institutional economics to issues of agricultural development and policy in Sub-Saharan Africa. He taught graduate courses in agriculture in economic development, the organization and performance of agricultural markets (with Mike Weber), information economics and institutions in agriculture and natural resources (with Roy Black) and professional practice in agricultural economics. In all those courses, he incorporated concepts from institutional economics. He was Co-Director with Mike Weber of the Food Security II and III Cooperative Agreements. His research and outreach work with graduate students and colleagues focused on application of those ideas to creating new structures and organizations to facilitate improved decision making by public and private decision makers in agri-food systems in Africa. These included contributing to: (a) the design and implementation of agricultural market information systems across West Africa, (b) the creation of a subsector economics unit in Mali's national agricultural research system, (c) the design and implementation of Mali's first undergraduate degree program in agricultural economics, and (d) the launching of an ongoing annual agricultural market outlook conference in West Africa. Staatz joined the Department in 1983 and retired in 2011, but has continued working on a part-time basis on projects in West Africa and specifically in Mali.

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 led [by Clifford Hardin](#) who later became Secretary of Agriculture. Agricultural economists in the Economics Department averaged about ten between 1927 and 1946.^v The number had grown to 19 in 1949.^{vi} 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.^{vii} 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.^{viii} 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.^{ix} 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.^x

[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).^{xi} 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.”^{xii} 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.^{xiii} 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.”^{xiv} 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. [Harold Riley](#) (1954 MSU) taught in the area of agricultural marketing using an industrial organization approach, led many large international marketing system research projects and mentored many graduate students. Riley’s graduate course and applied research introduced many people to industrial organization and applied subsector analysis, with a pragmatic look at how alternative rules and other institutional arrangements influence market performance. He worked in the Department for 37 years, retiring in 1990.

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, also [Al House](#), [Mark Skidmore](#), and [Eric Scorsone](#) (2008) in similar work, [Patricia Norris](#) (Virginia Polytechnic Institute 1988) in resource economics, Christopher Peterson in strategic management,^{xv} (Peterson and Schmid taught a Master’s level course in organization and management), [Brent Ross](#) in work on new institutional economics and

the use of alternative governance and marketing structures (i.e. contracting, direct marketing) in the food chain, 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 and food systems in Latin America, Africa and elsewhere. The work Johnson led on sector agricultural analysis in Nigeria and Korea was noted earlier. Work in South and Central America on food aid, food marketing and food system coordination and performance was pioneered by Larry Witt, Harold Riley, James Shaffer, Michael Weber and Kelly Harrison. [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 first worked was on rural employment and rural economies in Africa. He later led an U.S. Agency for International Development funded Alternative Rural Development Strategies Project. He was joined by [Michael Weber](#) in the early 1980's to segue this work into a series of food security projects with a focus on food security and food system policy in Africa. This effort carried on for some 25 years first directed by Weber and Staatz, and later by [Duncan Boughton](#) and [Eric Crawford](#) ([The Food Security Group, 2009](#)). An extension of that work carries on today with a world-wide focus on food policy and also involves [Thomas Jayne](#), [David Tschirley](#), [Nicole Mason](#), [Saweda Liverpool-Tasie](#) and others in AFRE. Many Ph.D. students who had been in the Peace Corps or similar international grass roots experiences came to MSU to study economic development and appreciated institutionalist courses.

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).^{xvi} 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 of Law 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); Brady Deaton, University of Guelph, and Judith Stallmann, Texas A & M and University of Missouri (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 (Petit 1997). 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). 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).” 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 Ceaser 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, House, Scorsone, 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. Agricultural Policy: Bonnen, Schweikhardt, Hamm, Mauch, Johnson.
11. Methodology: Samuels, Solo, Schmid, Johnson.
12. Law and economics: Samuels, Mercurio, Schweikhardt, Schmid.
13. Power, class, gender, poverty, income distribution: Samuels, Schmid, Shaffer, Moser, Bonnen, Strassmann.

14. Labor—not an ordinary commodity: Woodbury, Kannappan, Moser, Sturt.
 15. 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 20th century.

The evidence suggests that there was heterodoxy within institutionalism at MSU. It was not a doctrinaire place, and the Department of Agricultural, Food and Resource 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

ⁱ 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.

ⁱⁱ Henry Larzalere, conversation with the author, December 26, 2001.

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

^{iv} 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..”

^v 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 Doctor'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.

^{vi} The Department has averaged about 38 tenure-stream faculty from the late 1970's to the present.

^{vii} 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.

^{viii} 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.”

^{ix} “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.

^x Larry Hamm, conversation with the author, January 7, 2002.

^{xi} Johnson also understood that decisions of the typical farm firm with the family and several generations constituted a variety of public choice.

^{xii} Glenn L. Johnson, conversation with the author, January 29, 2002.

^{xiii} 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.

^{xiv} Glenn L. Johnson, conversation with the author, January 29, 2002.

^{xv} 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.

^{xvi} 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.