

## ***Inside the Institutions of Organization of Institutional Economics: Why Are There Two Institutional Associations?***

Felipe Almeida  
Federal University of Paraná, Brazil

**Abstract:** Institutional economics emerged as a school of economic thought at the end of the 19th and the beginning of the 20th centuries. This paper provides detailed historical reasons for the existence of two institutionalist organizations: the Association for Evolutionary Economics (AFEE) and the Association for Institutional Thought (AFIT). In the 1940s, some institutionalists initiated moves to set up an organization for the survival of institutional economics, culminating in the foundation of the AFEE in 1965. AFEE was the first heterodox association to break with the American Economic Association (AEA). Heterodox economists other than institutionalists were also dissatisfied with AEA and wanted to join AFEE. In addition, the diverse definitions of an institutionalist caused ambiguity for some Veblenian institutionalists – the founding fathers of the AFEE. They were dissatisfied, too, with AFEE's support for some types of economics. These factors led to the emergence, in 1979, of another institutionalist association, the AFIT.

**Keywords:** Association for Evolutionary Economics, Association for Institutional Thought, Journal of Economic Issues, institutional economics, institutionalism.

**JEL Classification Codes:** B25, B52, B31

In the first three decades of 20<sup>th</sup> century, institutional economics was dominant in the United States. During the 1920s and the 1930s, institutionalism strongly challenged the mainstreaming process of neoclassical economics (Elsner 2011; Hodgson 2004; Rutherford 2011). However, the 1930s shook the representativeness of institutional economics. On the one hand, it can be understood as institutional economics' greatest period, when the institutional-inspired New Deal policies took place (O'Hara 1995). On the other hand, during the 1930s, events related to the decline of institutional economics occurred or started to occur – such as the depression years and the arrival of Keynesianism. The 1940s and the 1950s witnessed a decline in the influence of institutional economics. In academic terms, this weakening manifested in a reduction of institutionalist studies in the main conferences and journals, such as the annual meeting of the American Economic Association (AEA) and the American Economic Review (AER). In a letter to Clarence Ayres on April 10, 1962 (Gambs Papers), Gambs wrote: "I think the standard theory majority has slapped us down, kept us out of their programs and journals, ignored our requests for research funds, set a narrow scope for economics." Replying to Gambs, Ayres stressed that he agrees with Gambs' standpoint (letter from Ayres to Gambs, May 8, 1962, Gambs Papers). Biddle (1998) adds another motive to the institutionalism decline: a lack of the expected results from the New Deal.

During the 1950s, institutionalists started to organize themselves to strike back at the decline of institutional economics. O'Hara (1995) points out that during the late 1950s, a group of U.S. economists was unsatisfied enough to start thinking about the possibility of another association. This dissatisfaction was the embryo to the *Association for Evolutionary Economics* (AFEE). The AFEE was formally institutionalized in 1965. Building an institutional economics association in the late 1950s and early 1960s was a complex task, as it demanded a consensus on what institutional economics means. The AFEE was officially founded in 1965 as the first dissent association (Lee 2009). The association founded a journal in 1967 as a vehicle for papers that were refused publication in journals that formerly published several classics of institutionalist literature. It was called the *Journal of Economic Issues* (JEI). Although JEI was important for the AFEE, its early years were unstable and confused until Warren Samuels assumed editorship of the journal. Samuels' tenure as editor of the JEI was one of the most important periods. He started the work of

building JEI's high reputation. However, the same period witnessed a great debate on the AFEE's theoretical orientation. Some AFEE members, founding fathers included, were extremely unhappy about the discussion that was going on in the JEI's pages. Their dissatisfaction was so strong that the institutionalists founded another association, the *Association for Institutional Thought*, AFIT. The AFIT, which was officially founded in 1979, can be regarded as a dissenter association that broke away from a dissenter association.

Using mainly archival records, this paper provides detailed historical reasons for the existence of two institutionalist associations, the AFEE and the AFIT. We searched through the John Gambs Papers at Hamilton College and the Clarence Ayres Papers at the University of Texas at Austin and collected a handful of scattered archives kindly provided by the late Professor Fred Lee and Professor Malcolm Rutherford. Most of this scattered material is from the Allan Gruchy Papers and the John Gambs Papers; the latter is an archive of documents the originals of which are now unfortunately lost. This paper is organized in four more sections. The next section describes the foundation of the AFEE with the casting out of institutionalists from AEA. The section also emphasizes that although institutionalists played an important role in building the AFEE, the new association was born pluralistic. The section shows how the pluralistic tenor of the AFEE was stressed during Warren Samuels's tenure as JEI editor in the 1970s. The institutionalist dissatisfaction with this strong pluralism inside the association is also introduced in this context. The third section argues that the dissatisfaction spilled over the AFEE, culminating in the foundation of the AFIT. The paper closes with some final comments.

### *The Diversity of the AFEE's dissenters*

When references essential to institutional economics are quoted, Veblen, Commons, Mitchell, and Ayres are the usual names one hears. Studies on AFEE's foundation add more indispensable names to this list, especially Allan Gruchy and John Gambs. The AFEE had its origins in the "Wardman Group" (Bush 1991; Gambs 1980; O'Hara 1995). The following story took place at the Wardman Park Hotel (Washington, D.C.) in 1958. The hotel was hosting an annual meeting of the AEA. Gruchy and Gambs had invited several economists to the meeting to explore the possibility of organizing a group of heterodox economists. During that time, the neoclassical tradition was beginning to choke heterodox economics. Textbook publishers and journal editors indicated a standardized approach to economics around the neoclassical tradition. Gruchy wanted to strike back by working more closely with other heterodox economists. The Wardman Group would become the AFEE; the initial name was a tribute to its first meeting (Bush 1991; Gambs 1980; Rutherford 2013). Initially, Wardman Group conferences took place informally in "rump sessions" of the AEA meeting (Bush 1991; Gambs 1980). The first official session of the Wardman Group occurred in 1964. In 1965, the group was designated the AFEE<sup>1</sup>.

In the Wardman Group organization, John Gambs, during his sabbatical leave, traveled through the United States, undertaking interviews with economists he believed were interested in the founding of a new association (O'Hara 1995; Rutherford 2013). Gambs talked to about forty

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<sup>1</sup> According to Bush (1987: 340-341, footnote 2), "Among those who participated in the meetings and affairs of the Wardman Group until the founding of AFEE were: Bushrod Allin, A. A. Baylor, John M. Blair, Daniel Carbaugh, Kendall P. Cochran, Joseph Dorfman, J. Fagg Foster, Allan G. Gruchy, David Hamilton, Forest Hill, Louis J. Junker, William D. Partridge, Robert Patton, Jim E. Reese, Julius Rubin, Louis Salkever, David Schwartz, Arthur Schwitzer, Ben B. Seligman, Libby Seligman, James Street, Harry Trebing, Theresa Wolfson, Colston E. Warne, and George W. Zinke. At an early stage in the formation of the Wardman Group, John Kenneth Galbraith, Garnier C. Means, Gunnar Myrdal, and Joan Robinson were in correspondence with John S. Gambs about the possibility of presenting paper to the group." Bush (1991) also highlighted a passage of a letter from David Hamilton to him about the founding of the "Wardman Group," which clearly shows the dissatisfaction of the members: "Keep in mind that all of those in what constituted the Wardmand Group were well-behaving and dues-paying members of the EAE. But we increasingly felt family members who had somehow disgraced the family, a family that would not tell us just what indiscretion had been. There was not even an ability to atone if one was so inclined – and most of the Wardmand Group were not so inclined, but would have appreciated a bill of particulars" (Bush 1991:322).

potential dissenters. According to Rutherford (2013), Gambs interviewed people in the West, Southwest, and Northeast, but he did not talk to economists at the University of Wisconsin or Michigan State University. Therefore, “Commons’ area” was not taken into account. From his traveling, Gambs identified two key groups of dissenters: Veblenians and non-Veblenians. Obviously, both groups were dissatisfied with the AEA, but Veblenians identified themselves as institutionalists who would like institutional theory to develop along the lines indicated by Veblen. Gambs highlighted the heterogeneous interpretations of Veblen’s theory despite the Veblenian classification. Thus, the group identity did not imply theoretical and/or methodological uniformity.

Letters exchanged between Ayres and Gambs in the beginning of 1962 may illustrate this point (Ayres to Gambs, 19 March 1962, Gambs Papers; Gambs to Ayres, 10 April 1962, Gambs Papers). Ayres stressed that he was curious about the absence of Carter Goodrich and Morris Copeland from Gamb’s list. According to Ayres, they should be included in any serious project for an institutionalist consensus. Gambs answered Ayres affirming that not only “strong names” such as Goodrich and Copeland but also several others such as Isidor Lubin and Simon Kuznets had not been asked to meet with the group. As stated by Gambs, these scholars, despite their high professional quality, had been not asked to meet the group because they had been identified by him as “non-practicing institutionalists” or “specialists” without interest in general issues. Gambs recognized that these scholars should themselves decide to take part in the project rather than be drawn into it. Rutherford (2015) made this point by classifying postwar institutionalists into three different groups. According to Rutherford (2015), there were two homogeneous groups: the Cactus Branch, led by Clarence Ayres<sup>2</sup>, and Commons’ followers. The former group was located at the southwest and the latter at the northeast of the United States. Rutherford’s third group is a much looser category, both theoretically and geographically. The Ayresian-inclined John Gambs, the Keynesian-inclined Dudley Dillard, the Veblenian Allan Gruchy, and John Kenneth Galbraith were members of the third group.

The diversity caused fuzziness. It was very difficult to write a document explaining what the association was (Gambs 1980). Lowe (1980) addressed an important issue about the theoretical entanglement of the Wardman Group, the forerunner of the association that promoted the first break with the AEA<sup>3</sup>. The recurrent trouble of members’ collective definition and its impact on group decision-making bothered Gruchy and Gambs a lot. In his description of Gruchy’s role in AFEE’s foundation, Gambs clearly stated that the theoretical variety of AFEE’s members was the key obstacle to building the association they had in their minds. In fact, Gruchy and Gambs were doubtful, bothered, and irritated on several occasions during the discussions of the Wardman Group (Gambs 1980). These feelings were associated with the obstacles to create an association strongly based on institutional economics. Anyone who regarded the association as anti-AEA or heterodox must feel represented in the organization. Gruchy’s doubt whether a journal of the new association would be able to compete with the AER confirms the dichotomy between the AEA and the Wardman Group. The necessity of a rupture with the AEA was so strong that Gruchy disliked the idea of having AFEE meetings as part of the Allied Social Science Association (ASSA; Dillard 1990). Gruchy and Gambs were looking for a spot for an institutional economics meeting. For

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<sup>2</sup> As stated by Sturgeon (1981), Veblen and Commons would be the first generation of the Cactus Branch, Ayres would be the second, and his students and their students would respectively be the third and fourth generations. Clarence Ayres, Kendall P. Cochran, Joseph Dorfman, J. Fagg Foster, David Hamilton, John Hodges, Rosser (Abe) Melton, Nelson Peach, and Jim E. Reese were the Cactus Branchers associated with AFEE’s affairs in the early years.

<sup>3</sup> This fact can be related, in the nature of just an assumption, to the debate around the theoretical vocation of AFEE. Members of the Wardman Group had no idea that several associations would emerge. At that time, their notion of one big heterodox association and a neoclassical AEA was not pointless. In a letter to Gambs on July 1, 1964 (Gambs Papers), Robert Patton analyzed the paths that the dissenter group could take. He addressed two possible courses. The former, which Patton characterized as most obvious but wrong, was to be defined by what is not the mainstream. The other was to set out the philosophical foundation of the Wardman Group as clearly as possible. According to Patton, to be an alternative proposal is always more practical as it is defined by what is already conventional. However, it would show to the group a large number of directions to be followed. As stated by Patton, the real challenge of the Wardman Group was to consolidate, in the group members’ perspective, and to introduce a theoretical and philosophical position.

Gruchy, meetings in combination with ASSA would be a distraction with some members coming from and going to other meetings (Dillard 1990). Nevertheless, the theoretical orientation of the association, in an *ex-post* analysis, suggests that Gruchy and Gambs were looking for an institutional economics association in Veblenian garb.

In fact, Gruchy (1974) affirms that the efforts made for the foundation of AFEE were in fact directed toward building an institutional association – according to Gambs (1980), Gruchy devoted much of his time to the creation an association dedicated to institutional economics. In the course of the debate on the foundation of the association, this theoretical orientation seemed to be not very clear. Perhaps, Gruchy and Gambs were searching what alternatives they had. In a letter dated March 6, 1964 (Gambs Papers), Gambs highlighted that he was the chairman of “a group of about 100 American economists whose stated purpose is ‘to study the possibility of reconstructing economic theory.’” In the same letter, Gambs indicated that the economists worked under the name Wardman Group. It was a letter addressed to those potentially interested in the group’s activities. No theoretical orientation is highlighted, and the group’s stated goal of reconstructing economic theory suggests a possible interpretation that no specific theoretical orientation was required. From the date of Gambs’ letter, one can assume that the theoretical orientation of the Wardman Group was under discussion or that Gruchy and Gambs had recognized that a strictly institutional economics association would not hold.

The diversity among AFEE members showed in the discussion on the association’s name. In March 19, 1962, Ayres wrote to Gambs (Gambs Papers) about the denomination of the group. In the letter, he used the term “meeting of institutionalists” instead of meeting of the Wardman Group. Ayres supported the term “institutionalism” to be part of the denomination of the group and/or association. According to Ayres, the word “institutionalism” had been misleading for many years. However, it was in circulation for a long enough time to be recognized as a tag (at least in the academic world). Ayres affirmed that they should go for the banner by which they had already been known. For Ayres, the adoption of a new term would almost certainly imply misuse, unless it was merely the name of a meeting, place, or headquarters, such as the Austrian School. Ayres disapproved the identification of “burning issues” on which the group more or less agreed. For Ayres, it seemed to be immediate and imperative rather than what is basic, continuing, and definitive.

In 1964, Ben Seligman, the AFEE’s first Secretary-Treasurer, proposed the name “Association for the Reconstruction of Economic Science” (Rutherford 2013). This proposal related more closely to an association built by dissenters of all sorts of heterodox economics. Finally, in 1965, Gambs and Gruchy, along with Robert Patton, Harry Trebing, and Kendall Cockran, suggested “Association for Evolutionary Economics” as the name for the association (O’ Hara 1995). According to John Gambs, the AFEE used the word “evolutionary” in reference to how Veblen described his economics (Sturgeon 1981: 49). As stated by Rutherford (2013), the term “institutional” was rejected as it was carried by associations that were not always appropriate. Of course, this interpretation relies on what the group looked for in the nascent association. Therefore, it can be affirmed that an institutionalist inspiration prompted the name of the association<sup>4</sup>.

### ***The Theoretical Diversity in JEI Pages***

In 1966, Clarence Ayres, the AFEE’s then president, set up an arrangement between the AFEE with the University of Texas to start publishing a journal. Thus was born the Journal of

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<sup>4</sup> In a personal correspondence with the late Prof. Fred Lee and in an interview to Jim Sturgeon (Sturgeon n.d.), David Hamilton affirmed that Gardiner Means would not join the group if the term institutional economics would be in the name. In the letter to Prof. Lee, Hamilton stressed that Means’ perspective could be associated with the fact that “in the United States for several decades a favorite way of putting down the creditability of an economist was to refer to him/her as ‘an institutionalist.’ In some departments of economics that appellation would automatically be cause for exclusion. Sad, but true!” Hence, the absence of the term institutional in the name of the group can be also seen as a strategy to attract “big names” such as Means to the nascent association.

Economic Issues (JEI). The JEI would become the main vehicle for studies reflecting the institutionalists' key ideas and debates. Despite the importance of this journal, the JEI's early years were unstable and confused. Forest Hill (University of Texas) and Harvey Segal (University of Massachusetts) were the first two JEI editors. Hill was the editor from 1967 to 1969, a period marked by interference in the internal affairs of the JEI from the University of Texas (letter from Wendell Gordon to Ayres, April 4, 1969, Ayres Papers, Box 3F289; letter from Ayres to Gruchy, July 20, 1969, Gruchy Papers; letter from Gruchy to Ayres, July 5, 1969, Ayres Papers, Box 3F288) and delay in correspondence with contributors (Minutes of Meeting of the Executive Board of the AFEE – April 12, 1969, New York City, Gruchy Papers; letter from Ben Seligman to Gruchy, May 6, 1969, Gruchy Papers). Segal was the JEI's editor during 1970 and 1971. He faced problems in dealing with the JEI's internal organization (letter from Seligman to the AFEE board of directors, October 16, 1970, Ayres Papers, Box 3F285; letter from Gruchy to Seligman, October 20, 1970, Ayres Papers, Box 3F285; letter from Gruchy to the AFEE board of directors, October 20, 1970, Ayres Papers, Box 3F285; letter from Gambs to Seligman, October 22, 1970, Gambs Papers). The publication arrangement between the JEI and the University of Massachusetts did not last long because Seligman – the man in charge for the arrangement – abruptly passed away (on October 23, 1970 – letter from Harry Trebing to Clarence Ayres, October 28, 1970, Ayres Papers, Box 3F285) and Segal resigned from his position at the University of Massachusetts (minutes of the meeting of the executive board of the AFEE, July 8, 1971 – Ayres Papers, Box 3F285).

The JEI editorship instability ended when Warren Samuels became the editor in 1971. As the arrangement with the University of Massachusetts did not work, the JEI entered into an arrangement with the Michigan State University. Warren Samuels would be the editor (minutes of the meeting of the executive board of the AFEE, July 8, 1971 – Ayres Papers, Box 3F285)<sup>9</sup>. Samuels's tenure as editor of the JEI is one of its most important periods. He started to build a high reputation for JEI and became an important editor of the journal. However, the same period saw a revival of the discussion on the AFEE's diversity and theoretical orientation. Samuels was an eclectic institutionalist and researcher in the history of economic thought. His eclecticism showed up on JEI's pages. Samuels thought that criticism against traditional economics could not be part of the JEI and believed in a complementary approach between institutionalism and neoclassical economics. Samuel's period dug out AFEE pluralism.

A letter from Ayres to Samuels dated August 15, 1968 (Ayres Papers, box 3F294), highlights this institutional-neoclassical issue. Ayres commented about a Samuels paper in this letter. Ayres lauded Samuels' interpretation of institutional economics and references to major institutionalists. However, Ayres criticized his treatment of the standard economics theory. In his paper, Samuels argued that it was possible for the body of knowledge of institutional economics to coexist with the body of knowledge of standard theory. Ayres affirmed that these two bodies of knowledge contradict each other. Samuels replied to Ayres on August 27, 1968 (Ayres Papers, box 3F294). For Samuels, institutional economics did not compete with standard theory as the existence of one did not deny the existence of the other. Each had a different scope, which could be a source for complementarity. The competition was about energy and attention. In the same letter, Samuels wrote: "I consider myself an Institutionalists with an appreciation for orthodox theory... The future of Institutionalism lies in a constrictive rapprochement with orthodoxy." Consequently, Samuels allowed references in JEI's pages to what motivated the foundation of the Wardman Group. Obviously, Samuels' editorship deeply displeased AFEE members who regarded the AFEE and the JEI as an association and a journal for the reconstruction of economics based on an alternative to a neoclassical approach.

The period between the end of 1973 and the beginning of 1974 seems to be a critical point in Samuel's editorship. During that time, the JEI published four reviews of the same book. These four reviews were notable for eclecticism, so accusing the AFEE of taking sides would seem unfair (Gambs 1980). The traditional four JEI reviews of Gruchy's *Contemporary Economics Thought* were delayed, and even the AEA published a review before the AFEE did. For Gambs (1980), *Contemporary Economics Thought* was about the soul and heart of what he understood as the

AFEE. Reviews of Gruchy's book were introduced to the Editorial Board, and Gruchy deeply disliked one of them. In a letter to Willard Muller on February 4, 1974 (Gruchy Papers), Gruchy wrote that he had been informed by Samuels that the four reviews of his book expressed an adverse position in a general way. Gruchy affirmed that he had expressed no opinion at that moment to Samuels about the matter. When Gruchy obtained access to the reviews, however, his silence was broken. According to Gruchy, an emotionally laden review always exceeds the bounds of scientific decency, and one of the reviews of his book commits this mistake. Gruchy was clearly disappointed with the "destructive language" used. Gruchy qualified the tone of the review as quite insulting. As Samuels was the editor of the JEI, Gruchy explained his analysis of the review to him. Gruchy affirmed that he was disturbed that Samuels had allowed this type of reviewing for publication in the JEI. Gruchy highlighted that Samuels was always open to attack from the orthodox economics, which could divide and weaken institutionalism.

In a previous letter to Gambs, on January 26, 1974 (Gruchy Papers), Gruchy stressed that he had been deeply shocked not only by the vitriolic and venomous – adjectives used in the letter – tone of the review but also, and mainly, by the fact that Samuels had considered accepting the review for publication. Moreover, Gruchy wrote that he expected disagreement and accepted honest criticism; however, he did not stand for unacceptable professional conduct. In Gruchy's point of view, Samuels was guilty of such behavior. Furthermore, Gruchy informed Gambs, the chairman of the Editorial Board of the JEI, that he was resigning from the Editorial Board. Considering the discussion generated by the reviews of Gruchy's book, Gambs asked Samuels about the actions he had taken as the JEI's editor without taking the Board of Directors into confidence. Notes, reviews, and symposium programs had been decided just by Samuels (letter from Gambs to Samuels, February 25, 1974, Gruchy Papers). The oral tradition of institutional economics mentions symposium programs that focused on fringe issues of institutional economics as a main reason for complaints from some AFEE members about Samuels' editorship. For Gambs (1980), the JEI missed a strong policy statement, through time, because of its editorship. According to Gambs (1980), the question "who was in charge of the AFEE and the JEI?" arose from the lack of a clear-cut policy statement.

It was not the first time that Gambs called attention to AFEE's policy statement. Ironically, Gambs stressed the same issue in the executive board meeting that allowed the arrangement between the JEI and Michigan State University. In the executive board meeting – on July 8, 1971 (Ayres Papers, Box 3F285) – Gambs stated that the basic principles and objectives of the AFEE demanded clarification as the constitution did not express the objectives of the AFEE in sufficient detail. Once more, a unifying theme for the membership was pointed out as a barrier for a more detailed objective for the association. No conclusion was reached at the meeting (minutes of the meeting of the executive board of the AFEE, July 8, 1971 – Ayres Papers, Box 3F285). In the same spirit of unification, Allan Gruchy and Daniel Fusfeld proposed that the new editor of the JEI – who would be Samuels – should be closer to the AFEE. The suggested solution was that the chairman of the editorial board of the JEI would be part of the executive board of the AFEE. This person would be John Gambs. This policy statement issue was strongly argued after the reviews of Gruchy's *Contemporary Economic Thought* and the dissatisfaction about symposium programs. For Gambs (1980), the key issue was a lack of objectivity in the AFEE's statement of purpose. In a letter from Gruchy to Gambs on June 6, 1974 (Gruchy Papers), Gruchy agreed with Gambs that the "statement of purpose" of the AFEE should be rewritten and it should be something that comes before the editor.

In a letter to Willard Mueller (April 10, 1974) – which can be found both in the Gruchy Papers and Gambs Papers – Gambs addressed another extremely important matter in the first years of the JEI: the relationship between the JEI and the sponsor universities. According to Gambs, since "beggars are not choosers," the arrangements between the JEI and the sponsor universities were virtually taken as offered. Gambs highlighted that Ayres had negotiated for the JEI to be published by the University of Texas in the journal's early years. For Gambs, this arrangement was somehow linked to employing Hill as editor. When the option of Hill as editor was turned down, Seligman

moved the JEI to Massachusetts. According to Gambs, Seligman relocated the JEI with almost no consultation. Under the arrangement offered by the university, Segal would be Hill's successor. When Segal abruptly quit, the Michigan State University proposed an arrangement to partly sponsor the JEI. In this scenario, Warren Samuels was proposed by the Michigan State University as a potential editor.

In a letter from Gruchy to Samuels on March 15, 1974 (Gruchy Papers), the former underlined his dissatisfaction with the latter's decision-making as the JEI editor plus the divergence between their understanding of institutional economics. Additionally, Gruchy emphasized that too many of JEI's pages were being dedicated to what could be understood as "fringe matters." In a letter from Allan Gruchy to R. D. Peterson on December 1976 (Gruchy Papers), the former stressed that alienation, discrimination, environmental protection, and such other issues called for economic analysis, looking for more realistic approaches. However, the quest for realism did not make them institutionalist studies; for that, they must go further as stated by Gruchy. He also stresses that he and Samuels disagree about this. According to Gruchy, Samuels considered as an institutionalist anyone who writes about a special issue quoted above. Gruchy wrote that Samuels brought a lot of fringe and interdisciplinary material, qualified by Gruchy as quite interesting, but did little to give to the AFEE an "image" or "focus" (Gruchy to Samuels, March 15, 1974, Gruchy Papers).

In the same letter (Gruchy to Samuels, March 15, 1974, Gruchy Papers), Gruchy wrote that he was worried about the non-policy position of the AFEE. He stressed that the followers of Friedman, Keynesians, and the members of Union for Radical Political Economics had an explicit policy position. For Gruchy, the non-policy position raised the question "what does the AFEE want?" Provocatively, Gruchy added: "If you do not agree with Galbraith, Myrdal et al. then you should say so and give us alternatives, or let others be invited by the Journal to do so." Gruchy also clarified that he would like to see Samuels more critical of the mainstream. Gruchy demanded a clear-cut editorial policy of the JEI, approved by the AFEE and its Executive Board. For Gruchy, the absence of this editorial policy contributed to the lack of a distinctive "image" and "focus." Gruchy was afraid that the AFEE was "currently on dead center"; hence an appropriated push was mandatory. Gruchy clearly associated the lack of AFEE's image or focus to what Samuels understood as institutionalism.

Gambs also demonstrated worry about the AFEE's image. For Gambs, the AFEE's image was closely related to the lack of a legitimate policy statement for the JEI, as emphasized by him in the executive board meeting on July 8, 1971 (Ayres Papers, Box 3F285). In a letter from Gambs to Willard Mueller on April 10, 1974 (Gruchy Papers). Gambs stated that the "AFEE presents a blurred image." Gambs stressed that this situation could be changed by a revision of Article II of the AFEE's constitution. Article II (Purpose and Objectives) of the Constitution of the AFEE (as amended in 1970 – Gruchy Papers) is as follows:

The purpose and objectives of the Association, a non-profit organization, shall be to foster, in the broadest manner, the development of the economic study and of economics as a social science based on the complex interrelationships of man and society in a manner such that will acknowledge the need to join questions of economic theory to questions of economic policy, Toward this end the organization may conduct meetings; issue publications; make available information on economics and economic policy; cooperative with other organizations; stimulate research; and undertake any other activities in the advancement of its purposes and objectives.

According to Gambs, the AFEE's statement of purpose, as could be found in this article, was inadequate. Article II had been written at the inception of the AFEE, when it was acceptable as the AFEE's inner circle knew what the article stood for. According to Gambs, Article II should point out the legitimate policy statement of the JEI. Else, each editor would be able to adopt her/his own policy, as Samuels did, according to Gambs. Gambs did not criticize the AFEE's constitution but thought it was excellent (Gambs 1980). The AFEE's statement of purpose was the only thing that bothered him. As stated by Gambs (1980), the association's purpose was to bring together researchers that relied on an interdisciplinary approach to economics. Hence, the key difference

between the AFEE and the AEA would be the interdisciplinary approach. Plus, for Gambs (1980), almost every economist, at the time of the AFEE's foundation, could be considered interdisciplinary.

According to Gambs (1980), Gruchy, Fulfeld, and he himself drafted an amendment to the AFEE constitution in order to clarify the statement of purpose. This draft aimed "to promote dissident non-Marxian economics (Gambs 1980: 30). In 1975, the Executive Board turned down the proposed amendment to the AFEE's statement of purpose. Gruchy resigned from the AFEE in the same year. However, in a letter from Gruchy to Gambs (August 28, 1980, Gruchy Papers), the former affirmed that both facts are not related. Gruchy stressed that he did not have a problem with the Executive Board and he resigned only because "Samuels had taken AFEE over." In a letter from Gambs to Wallace C. Peterson on June 1, 1976 (Gruchy Papers and Gambs Papers), Gambs stressed that he had quietly resigned from the AFEE as he simply had stopped to pay his dues.

In the same letter, Gambs highlighted his sorrow that arose from a sense of failure. Gambs stressed that he had been one of the two most-active founders of the AFEE (the other was Gruchy, of course). Furthermore, he added that despite time and energy spent to create the organization, the AFEE became something that he had never intended. As stated by Gambs, Gruchy and he had been interested in the reconstruction of economics. For Gambs, this intention was completely different from the AFEE's spirit of that time, as Samuels clearly stated that the JEI should not criticize standard economics theory. Gambs made a reference to a letter that Samuels had written to him years ago affirming that "the AFEE must not be put in the position of merchandising sour grapes." Regardless of the content of this affirmation, Gambs pointed out that it had been a statement of major policy made without consultation. For Gambs, the problem was bigger than Samuels' editorship. Gambs highlighted that the 1974 and 1975 Director's Meeting had made clear that the AFEE had been raided by a group that had had little interest in the reconstruction of economics. Gambs stressed that these were the reasons that he had quietly resigned from the AFEE.

Samuels left JEI's editorship in 1981 because the Michigan State University stopped sponsoring the JEI as a consequence of a budget cut. This was revealed by Samuels, who also emphasized that his successor should be found, appointed, and installed as soon as possible. However, Neale highlighted that Samuels could be asked to remain in the job without the Michigan State University's support (letter from Walter Neale to all Board Members and all members of publications [editor search] committee, January 6, 1981 – Gruchy Papers). The resignations of Gruchy and Gambs did not take long. By the time Samuels left the JEI, they were back to the AFEE as active members.

### *Association for Institutional Thought*

According to Sturgeon (1981), the Association for Institutional Thought was officially organized on April 27, 1979, at the Western Social Science Association Annual Meeting in Lake Tahoe, Nevada. However, the events that culminated in the AFIT's foundation took place during the 1970s as a whole. The organization of the AFIT relied on the revival of a procedure well-known among institutionalists as "rump sessions" in a large conference – in this case, the Western Social Science Association (WSSA) meeting. The 1970s was not the first time that institutionalists organized "rump sessions" at the WSSA Annual Meeting. According to Sturgeon (1981), during the 1950s, when institutionalists were breaching with AEA, Fagg Foster and Kendall Cochran – members of the Cactus Branch – and their students started organizing these rump sessions at the WSSA Annual Meetings<sup>5</sup>. It took place in the same "spirit" of Gambs and Gruchy's "rump sessions" at AEA meetings.

During the 1970s, the presence of institutionalists in WSSA's economics sessions increased. According to AFIT (1978), WSSA became a growing forum for institutional economics some years

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<sup>5</sup> At that time, the Western Social Science Association was named the Rocky Mountain Science Association (Sturgeon 1981). According to Sturgeon, not much is known about the participants or if a linkage with WSSA was established by Foster and Cochran.

before the AFIT's foundation. The forum's growth is evidenced by the large number of sessions and papers about institutional economics presented at WSSA meetings. In 1975, Gregory Hayden and William Hildred organized "rump sessions" for those interested in institutional economics and motivated a debate about setting up a regional branch of the AFEE in order to (1) bring institutionalists together and (2) "influence some of AFEE's program" (AFIT, 1978; Sturgeon, 1981: 46). In 1976, an institutional presence also occurred at the Western Economics Association (WEA) Annual Meeting. The institutional economics presence in WSSA and WEA increased every year from 1975 to 1978. During this period, the regional branch of the AFEE evolved into a new organization independent of the AFEE.

Arrangements to establish the new organization were made during 1978. At the 1978 WSSA annual meeting, concrete actions were taken to found a new association (AFIT, 1978). An evidence for that is a letter from Gruchy to James Sturgeon on April 9, 1978 (Gruchy Papers), in which the former informs the latter that he will be not able to be at the WSSA Meeting. In this conference, a new institutionalist organization, the AFIT, would be organized, as stated in the letter. However, Gruchy stressed that he would support the new organization as far as he could. He also highlighted that "I agree that you would be much more effective to organize a new institutionalist association than to set up a branch of the AFEE." The AFIT was founded in the coming year, 1979 (AFIT, 1979). According to Sturgeon (1981), a large number of AFIT members could be considered part of the Cactus Branch.

As stated by AFIT (1978), not only did WSSA become a forum for institutional economics in the 1970s, but also dissatisfaction with the AFEE was growing. In a letter from Gruchy to James Sturgeon on April 9, 1978 (Gruchy Papers), Gruchy affirmed that by the 1970s AFEE held many members who had little to do with mainstream institutionalism as developed by Veblen. Gruchy openly blamed Samuels's editorship for that. Nevertheless, AFIT (1978) states that the AFEE was the best association of economists in the United States. However, AFEE failed in exerting "influence on the trends in theoretical and applied economics because it has not able to develop any clear-cut image or thrust terms of either theoretical analysis or economic policy. Instead of becoming a vigorous instrument for the advancement of institutional thought, AFEE has become largely an association for dissenters" (AFIT, 1978: 3). Hence, AFIT's founding fathers shared Gambs and Gruchy's standpoint about what AFEE had become. Once the AFIT's founding fathers decided to establish the new organization, a report was written to the AFEE – AFIT (1978) – attempting to clarify the role of the new association and the concerns of its members (Sturgeon 1981).

AFIT (1978) strongly complains about the kind of papers that were being published in the JEI. AFIT (1978) also affirms that when an institutional study is submitted, the referees are expected to have an institutional background. According to the AFIT (1978: 6), the JEI's editor "appears to believe that, if enough monographic studies of specialized economic topics are made, a new general theory on institutional economics will somehow emerge." As previously stressed, Gruchy addressed the same issue to R. D. Peterson, December 1976 (Gruchy Papers). In a letter from Gruchy to Ron (Stanfield?) on September 2, 1981, Gruchy stressed that the organization of the AFIT injured Samuels's image, as he was at the epicenter of institutionalists splitting over.

In this context, what the AFIT would set up was "an organization devoted to encouraging and fostering the development of institutional thought in extension and modification of the contributions of Thorstein Veblen, John Dewey, Clarence Ayres, John Commons, Wesley Mitchell and others. It is dedicated to the promotion of institutional analysis as a basis for inquiry into the interrelations of society" (Sturgeon, 1981: 40). We believe that the order of the thinkers who inspired the AFIT is not a coincidence. Most of the AFIT's founding fathers were Ayres intellectual heirs who decided to revive institutional economics by reinforcing the Dewey-Veblen-Ayres pillar. As stressed by AFIT (1981: 2) and Sturgeon (1981: 48), AFIT's founding fathers pointed out three general objectives for establishing the association: "(1) to provide a formal mechanism to ensure the continuation of institutional sessions in association with the WSSA; (2) to provide a clearing house vehicle to exchange ideas and papers in the area of institutional analysis; and (3) to refine, extend,

and publicize institutional theory and policy.” The AFIT founding fathers had no idea to break from the AFEE; there was a general agreement that the AFIT group would continue to support the AFEE. However, the AFIT group did not deny its dissatisfaction with the AFEE’s approach (AFIT 1978; Sturgeon 1981).

As any other dissent association, both AFEE and AFIT are products of their time. With its pioneering break with the AEA, the AFEE became a plural rather than an institutional association. AFEE’s institutionalist founding fathers and their heirs recognized a clear limit to that plurality. Conventional economics must not be a part of it. When conventional economics gets through into the JEI’s content, tension blows up between AFEE’s members. This explosion is part of the AFIT legacy. Ranson (1981) associates the difference between AFEE and AFIT with the fact that the former is not related to a particular intellectual lineage whereas the latter is. Hence, AFIT’s members defend the exclusiveness required by this identification, which AFEE’s members would reject. Ranson (1981) draws this conclusion relying on the statement of purpose of both associations. Gruchy and Gambs criticize the same subject in the context of AFEE.

### ***Final Comments***

The foundation of AFEE was an answer to the decline of institutional economics in the beginning of the 20<sup>th</sup> century. However, the theoretical basis of AFEE was not the same as the previous version of institutional economics. The debate on the theoretical orientation of AFEE pointed to an eclectic association related to institutional economics. AFEE had been created to promote the reconstruction of economics in opposition to neoclassical mainstreaming. Apparently, the path taken by the reconstruction of economics during the maturation process of AFEE became a source of tension between its members. The reason for that is Samuels’ tenure as JEI editor. Samuels was an excellent historian of economic thought, but theoretically he was extremely pluralistic. This pluralism included approaches to neoclassical economics. Gambs and Gruchy demanded more institutional economics inside the association. Outside the AFEE, the Cactus Branch set up a new and more institutionally inclined association. AFIT was founded because Gambs and Gruchy were dissatisfied with the path taken by AFEE.

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