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Author(s): Allan G. Gruchy

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The Current State of Institutional Economics: *The Movement's Limited Impact on the Conventional Science Is Ascribed to Disunity, Disinterest in General Theory*

By ALLAN G. GRUCHY*

ABSTRACT. The current state of *institutional economics* is far from being satisfactory. Leading institutionalists have not taken an active role in the *institutionalist movement*. Also the institutionalists have displayed little unity in either their theoretical or policy positions. They have become engrossed in the analysis of limited issues rather than in an exposition of the theoretical foundations of their *economics*. An evaluation of the four main groups of institutionalists reveals that their impact on conventional *theoretical* and *applied economics* has been very limited. If the institutionalist movement is to improve its status, leading institutionalists will have to support this movement more actively; and more attention will have to be paid to the movement's theoretical underpinning. Also the institutionalists will have to develop a more unified policy position which can receive the support of a widespread constituency. Failing to move along these lines can only have the result of continuing institutionalism's low status.

I

The New Interest in Institutionalism

RECENT DEVELOPMENTS IN ECONOMICS have drawn attention to the current state of institutional economics. The institutionalist movement in the United

*[Allan G. Gruchy, Ph.D., is professor of economics, University of Maryland, College Park, Md. 20742.]

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States has had a long history that began eight decades ago when Thorstein Veblen published his essay on "Why Is Economics Not An Evolutionary Science?"¹ Over the past 80 years the influence of this movement has fluctuated widely. Institutional economics had a fairly wide acceptance during the New Deal years when Lionel Robbins in 1932 declared that "In recent years, if they [the institutionalists] have not secured the upper hand altogether, they have certainly had a wide area of power in America."² In the early post-World-War-II years, however, the institutionalist movement went into a decline as Keynesian economics came to occupy the center of the stage. In recent years there appears to be a renewed interest in institutional economics. Some of this interest has been inspired by the work of John Kenneth Galbraith and Gunnar Myrdal who have had a prominent role in what has been described as the post-1939 neoinstitutionalist movement.³ Other economists have also contributed to the new interest in institutional economics. In 1970 Alfred E. Kahn emphasized in *The Economics of Regulation* the need to combine microeconomics and institutional economics so that this combined economics would provide a "bridge between what we know or think we know and what we think policy ought to be."⁴ In 1976 Oliver E. Williamson called attention in *Markets and Hierarchies* to a concern among industrial organization economists with what he described as the "new institutional economics."⁵ He referred to this new development in institutional economics as a "renaissance" which took John R. Commons' concept of the transaction to be the ultimate unit of microeconomic analysis, and which was designed to broaden "received microtheory." In 1978 Kenneth E. Boulding, once a severe critic of institutional economics, concluded in his contribution to a symposium on this type of economics that "A synthesis of institutional normative insight with neoclassical analytical sophistication would seem to be very much in order."⁶

An additional factor contributing to the growth of the recent interest in the institutionalist movement was the establishment of the Association for Evolutionary Economics (AFEE) in 1959.⁷ This was the first organization that sought formally to bring together economists who worked in the mainstream tradition of Veblen, Wesley Clair Mitchell, John Maurice Clark, and Clarence E. Ayres. It was the intention of the founders of the AFEE that this association would have as its main purpose the advancement of mainstream institutionalism as it was developed by institutionalists from Veblen to Myrdal. However, by 1971 the AFEE had lost its original theoretical image when its membership increased to approximately 900. By that time it had become the exponent of a vague evolutionary economics that appealed to economists pri-

marily interested in an applied economics with no theoretical pretensions. Since the early 1970s the AFEE founders and well-known post-1939 mainstream institutionalists such as Myrdal and Galbraith have had no active role in the association's affairs.

In spite of these recent developments that have contributed to a renewed interest in institutional economics the institutionalist movement is far from being a flourishing one. It is the view of this writer that the problems facing this movement and its lack of influence arise in large part from the intellectual disarray and the internal dissensions among those who claim to be institutionalists. An examination of the views of the AFEE membership reveals a widespread lack of agreement as to what constitutes institutional economics, an inability to develop a common theoretical image, and a failure to present a unified policy approach for the proposed solution of major economic problems. Robert A. Gordon correctly concluded in 1976 that "There are, of course, a fair number of economists who consider themselves to be in the American institutionalist tradition. They are likely to belong to the Association for Evolutionary Economics, which has its own journal, but thus far they have had little influence on the main trends in theoretical and applied work in economics."⁸

When Gordon concluded that institutionalists in general had little influence on the main trends in economics he also came to the conclusion that a few well-known institutionalists such as Galbraith and Myrdal had had considerable influence on the trends in economics. In his 1975 presidential address before the American Economic Association, Gordon explained that few economists have asked what he describes as the "big questions," which include "why and how the institutional environment has changed in the way that it has, and what are its internal dynamics that will lead it to change in particular ways in the future—not only in the United States but in other countries."⁹ Among the few economists who have raised this range of questions Gordon finds the two leading neoinstitutionalists, Galbraith and Myrdal. It is clear that whatever the influence institutionalists have had in recent years, this influence has come from the work of a few mainstream institutionalists such as Myrdal, Galbraith, Gerhard Colm and Ayres and not from the collective body of the AFEE. Its membership is made up primarily of applied institutionalists dealing with immediate problems such as the regulation of industry, public utility policy, environmental protection, and aid to Third World countries. The few AFEE members who may be regarded as theoretical institutionalists are mainly exponents of a vague and ill-defined evolutionary economics. This type of economics has little in common with the mainstream

institutional economics developed by pre-1939 institutionalists such as Veblen, Mitchell, and Clark and by post-1939 institutionalists such as Galbraith, Myrdal, and Colm.

II

Four Current Categories of Institutionalists

A SURVEY OF THE WORK of the current generation of institutionalists, most of whom are AFEE members, reveals that there are four distinct and conflicting groups or sets of institutionalists. It is not the purpose here to attempt an extensive evaluation of these groups but rather to explain why the members of the AFEE fall into four different categories, and what the consequences of this fourfold division are for the institutionalist movement and its influence on the trends in theoretical and applied economics.

The four groups include the post-1939 mainstream, the general, the radical, and the applied institutionalists. The mainstream or neoinstitutionalist group includes the post-1939 generation that has worked in the tradition of Veblen, Mitchell, and Clark but which analyzes a much later stage in the evolution of the capitalist system than did the pre-1939 institutionalists. The general institutionalists do not accept mainstream institutionalism as it has been developed by the post-1939 mainstream institutionalists. Instead they seek to construct a new general theory of institutional economics that they say would be on a higher and more abstract level than the theorizing of the present-day mainstream institutionalists.

The radical institutionalists accept the theorizing about the advanced industrial system of neither the mainstream nor the general institutionalists. Instead they present a Marxian interpretation of the functioning of the advanced industrial system, and look forward to a revolutionary change that would substitute socialism for capitalism. The applied institutionalists, who comprise the majority of the AFEE membership and who supply most of the association's presidents and executive board members, take institutional economics to be only a supplement to neoclassical microeconomics and Keynesian macroeconomics. It is their view that institutional economics provides the factual foundation that they say is lacking in established or conventional economics.

Whereas the applied institutionalists do not attempt to make any theoretical contributions to the received microeconomics for which their specialized studies provide a factual basis, the other three groups of institutionalists endeavor to make theoretical contributions that go beyond the established

micro- and macro-economics. For this reason mainstream, general, and radical institutionalists may all be described as theoretical institutionalists to distinguish them from applied institutionalists. The common bond among the theoretical institutionalists is their theorizing about the evolving economic system. However, their theories of the working of this system present different interpretations of the course of economic evolution, and lead to conflicting proposals for the reform or reconstruction of the advanced industrial system.

Post-1939 mainstream institutionalists such as Myrdal, Galbraith, and Colm have a well-developed theory of the advanced industrial economy which is constructed on the basis of four major generalizations.¹⁰ According to these generalizations the economic system is taken to be an evolving process, technological change is considered to be the dynamic factor at work in the evolution of this process, a logic inherent in the industrialization process reveals the shape or pattern of this evolution, and a logic of reform points in the direction of some form of national economic guidance such as democratic indicative national planning.

It is on the basis of these four generalizations that the mainstream institutionalists construct their theory of the triplistic industrial economy with its large-scale oligopolistic, its small-scale competitive, and its large public sectors. The oligopolistic sector is the source of much of the investment in research and development and the technological innovation that account for the economy's growth. While this sector's large-scale industrial enterprises and trade unions receive high profits and wages, the small-scale competitive sector accounts for little technological advance and economic expansion, and provides only low profits and wages.

In this situation, the public sector is unable to prevent the large-scale sector from exploiting the small-scale sector. Furthermore, according to the mainstream institutionalists' interpretation, the unplanned advanced industrial economy moves through recurring cycles of expansion and contraction because it is unable to achieve sustainable non-inflationary relationships among total output, consumption, and investment at a full employment level.

It is the position of the mainstream institutionalists that what is needed now is a more positive role for the public sector which would eliminate the inequalities between the competitive and the oligopolistic sectors, and which would provide the national economic guidance required for the satisfactory performance of the industrial economy of the future. The existing private enterprise system would be largely preserved as a part of a mixed economy in which the public sector would have the responsibility of developing a

program of national economic guidance.

This program would seek to stabilize the economy at a full employment non-inflationary level with the aid of annual and medium-term national economic budgets. These budgets would be the basis of economic policies leading to sustainable total output, consumption, and investment relationships as well as sustainable price, wage, and profit relationships. Furthermore, this program would seek to tap the nation's sources of social cohesion in order to develop the domestic and international consensus and the collective action needed in a world faced with the end of cheap energy, a growing scarcity of raw materials, declining rates of economic growth, and the industrialization of the less developed countries.

The general institutionalists, prominent among whom are Robert L. Heilbroner and Warren J. Samuels, find the present-day mainstream institutionalism of Myrdal, Galbraith, and Colm to be analytically deficient. The anti-mainstream or general institutionalists assert that mainstream institutionalism from Veblen to Galbraith has failed to develop a "high theory of its own" that is superior to conventional economic theory. Up to this point in its development mainstream institutionalism is said by the general institutionalists to be little more than a fact-oriented inquiry which lacks "a unifying perception, a basic frame of reference, perhaps a set of taxonomic rules, to give point and focus to work that is all too frequently nothing more than economics-cum-conscience."¹¹

What is needed by the institutionalist movement, in the opinion of the general institutionalists, is a new general theory of institutional economics with an evolutionary scientific paradigm based on what Samuels describes as "laws of higher generalization and power than have been achieved hitherto" by the mainstream institutionalists.¹² In some as yet unexplained way this new general theory is to show how freedom may be combined with order, and continuity with change. It is to be developed in terms of what Samuels describes as "a general equilibrium model of power, knowledge, and psychology."¹³ This equilibrium is to be constructed on the basis of numerous monographic studies in economics and related social sciences.

Thus far nothing of a general theoretical nature has emerged from these studies, and the prospect of developing a new general theory of institutional economics that would be a substitute for the theorizing of the mainstream institutionalists does not seem to be very good.

The general institutionalists find current mainstream institutionalism objectionable on a number of grounds. They maintain that the present-day mainstream institutionalists have attached too much significance to techno-

logical change as a factor determining human behavior and the direction of the evolving economic process, and so are overly deterministic in their interpretation of the course of economic evolution. The general institutionalists also argue that not enough attention is given by the mainstream institutionalists to the exercise of free will or volition in economic activities.¹⁴ The general institutionalists who are opposed to the national planning proposals of the mainstream institutionalists make no place in their theoretical analyses for the concept of a logic of industrialization which Myrdal, Galbraith, and Colm believe points in the direction of more extensive collective action in the area of national economic guidance. In the opinion of the general institutionalists the concept of the logic of industrialization adds an additional deterministic aspect to the theorizing of the mainstream institutionalists that is quite unacceptable to the general institutionalists.

Since the theorizing of the general institutionalists remains poorly developed, the radical institutionalists direct their criticisms primarily against the theorizing of the mainstream institutionalists. The radical institutionalists concede that the mainstream institutionalists have analyzed a number of important matters such as the interplay between economic and political institutions, the role of technology as a factor in institutional change, and the conflict between pecuniary and social values. However, according to the radical institutionalists, the mainstream institutionalists have not constructed a satisfactory general theory of the development of institutions. This important task, in the opinion of the radical institutionalists, was left to Karl Marx who "developed the most comprehensive theoretical schema for the analysis of the development of economic institutions."¹⁵

In theorizing about the capitalist system the radical institutionalists modernize Marx's theory of economic development so as to provide for more random action than he envisioned, to eliminate the teleological bias that led him to predict the coming of a communist society, and to remove the oversimplification that all change is the result of class conflict. The policy implications of the radical institutionalists' theory of economic development lead them to the conclusion that "We must disperse economic power and government authority. We must move to nothing less than a revolutionary transformation of our economic and political institutions."¹⁶ According to Howard Sherman, a leading exponent of radical institutionalism among the AFEE members, this revolutionary transformation involves not reforming capitalism but "ending capitalism to prevent domination of government by a wealthy elite."¹⁷ It is the view of the radical institutionalists that Galbraith, Colm, Ayres and other mainstream institutionalists deal only with half-measures and

propose evolutionary change when what is really needed is revolutionary change. The radical institutionalists, however, do not follow the Soviet line. They would substitute a decentralized and democratic consumer-oriented socialism for the authoritarian, highly centralized socialism of the Soviet Union and other communist countries.

The applied institutionalists are well aware that they are living in a changing economic world, and that the institutional framework of this world is constantly evolving. However, they take a short-run view of economic developments that leads them to concentrate their attention on immediate issues. Prominent among the AFEE members who are applied institutionalists are those who work in the fields of industrial organization and public utilities. In John M. Blair's *Economic Concentration* (1972) and *The Control of Oil* (1977) and Seymour Melman's *Pentagon Capitalism* (1970) and *The Permanent War Economy* (1974) the thesis is presented that the government has not only failed to preserve competition but has actually fostered the spread of industrial monopoly. Blair maintained that government regulation has weakened the centrifugal forces that support new decentralizing technological developments.¹⁸ What are needed, in his opinion, are new institutional arrangements that would prevent mergers and acquisitions, television advertising by large industrial enterprises, price discrimination, and exclusive dealer contracts. These arrangements would also include the elimination of government intervention in markets, a more vigorous antitrust enforcement, and special tax laws and credits that would restore the role of the "small innovative company."¹⁹ Melman likewise looks forward to the restoration of competitive capitalism.²⁰ It should be noted that Blair's and Melman's applied institutionalism leads them to a policy conclusion that is similar to that of the Chicago School, namely, that the aim of economic policy should be to restore a competitive economic system.

Other applied institutionalists working in the field of public utility economics agree with Blair and Melman on the need for institutional adjustments to secure better economic performance, but these public utility economists' adjustments would be different from those recommended by Blair and Melman. Harry M. Trebing and David S. Schwartz would "reorient regulatory objectives so that [regulatory] commissions define their role as the implementation of social control of business."²¹ From their viewpoint the regulatory process is an institutional force that should be domesticated in the public interest. Whereas Blair would eliminate the government regulation of industry on the ground that it fosters the spread of monopoly, the *pro bono publico* utility economists of the AFEE assert that the need is not to dispense

with government regulation but to improve it. These economists accept the view that technological advance is more a centralizing than a decentralizing force that should be curbed wherever possible to prevent monopolistic abuses. This would be accomplished by imposing government approved performance standards on public utilities, and by "placing a great reliance on pluralism, diversity, and selective competitive pressures."²²

III

The Need for a Clearly-defined Position

THE INFLUENCE OF A GROUP of economists on the trends in both theoretical and applied economics depends upon their reaching general agreement with respect to a clearly-defined theoretical position and to the policy implications that flow from this position.

Both the neoclassicists and the Keynesians have been influential because in each case the theoretical image of the group has been clearcut, and its policy proposals have received widespread support from various segments of the economics profession and the general public. The radical economists also have their own well-defined theoretical position in the Marxian tradition and policy proposals that follow logically from this theoretical position. They do not, however, have a large following in the economics profession and among the general public.

The institutionalists, unlike the neoclassical, Keynesian, and radical economists, have little in common with respect to either their theorizing about the advanced industrial economy or their proposals for improving its performance. As has already been noted, the institutionalist movement has given rise to four different groups who describe themselves as institutionalists, but who have very different views with respect to the content of institutional economics and to ways of improving the economy's performance. It is not surprising that the theoretical image of the institutionalists as a group of economists continues to be blurred, and that they have had limited influence on the trends in economics.

Our analysis of the various types of institutional economics puts us in a good position to analyze the current status of this kind of economics. It is clear that the question of the present status of this economics cannot be answered by referring to one generally-accepted type of institutional economics since no such type exists. Instead one has to inquire into the current status of each of the four different kinds of institutional economics previously discussed.

This can be done with the aid of the following three evaluation criteria.

The first criterion relates to what the institutionalist movement is generally taken to be, or to what are the widely-accepted views of the economics profession as to the nature of institutional economics. The second criterion raises the question of the extent to which the institutionalist movement has influenced conventional or standard economics. The third criterion inquires into the extent to which the institutionalists' policy recommendations have been accepted by the economics profession and the public. In the following analysis these three evaluation criteria are applied to the mainstream, general, radical, and applied institutionalists.

With regard to the first criterion the mainstream institutionalists rank very high. An analysis of the reactions of economists both inside and outside the institutionalist movement shows that they take the mainstream institutionalism developed by the long line of institutionalists from Veblen to Myrdal to be most representative of what institutional economics is all about. Economists as a rule do not turn to general, radical, or applied institutionalists to uncover the nature and scope of institutional economics. With respect to the second criterion, namely, the influence of mainstream institutional economics on the trends in conventional economics, the former type of economics ranks very low. Most conventional economists hold the view that whatever was worthwhile in institutional economics has long since been absorbed by conventional or established economics.²³

Mainstream institutionalists of today have to concede that their efforts to influence the main trends in theoretical economics have not met with much success. The comprehensive review and appraisal of the field of economics by a panel of 14 leading economists for the Survey of the Behavioral and Social Sciences made no reference to institutional economics, and did not feel compelled to call upon any institutionalists to speak for their field of scientific interest.²⁴ As far as the third criterion is concerned, namely, the degree of acceptability of the mainstream institutionalists' economic policy proposals, this group ranks very low. Their proposal for democratic indicative national planning is not acceptable to established economists or to the public in general in the United States.

The general institutionalists fare even worse in terms of influence on the trends in established economics than do the mainstream institutionalists, since the former score very low with regard to all three evaluation criteria. The general institutionalists' views on the nature of institutional economics remain so poorly developed that they are accepted by few members of the economics profession as being representative statements of the institutionalist position. Furthermore their economic policy proposals are so vague and poorly articulated that these proposals receive little attention from the economics

profession and the public.²⁵

As far as the current status of institutional economics is concerned the radical institutionalists appear to have had a more significant impact than have general institutionalists, but a less significant impact than that of the mainstream institutionalists. The radical institutionalists score low with respect to the first criterion, because they are not widely regarded as being representative spokesmen for the institutionalist movement that has developed in the United States since 1900. While there is much in common between Marxian and mainstream institutional economics, especially in their criticism of conventional economics and in their analysis of the working of the capitalist system, nevertheless the institutionalist movement in the United States is not usually taken by either its critics or its proponents to be a radical or Marxian movement.

With respect to the second criterion the radical institutionalists have had much more influence, although an indirect one, on the main trends in established economics than have both the mainstream and general institutionalists. The radical institutionalists' analyses of the roles of education, class structure, and discrimination in the determination of income distribution and wealth ownership have had considerable influence on the trends in conventional economics.²⁶ The application of the third evaluation criterion to the work of the radical institutionalists shows that their economic policy proposals, which envision the establishment of a decentralized socialist society, are even less acceptable to economists and the general public than are the policy proposals of the mainstream institutionalists.

The applied institutionalists score very low with regard to the first two criteria but high in relation to the third criterion. In discussions of the nature and scope of institutional economics, the applied institutionalists are given little attention by both the proponents and the critics of institutionalism. Since the applied institutionalists have mainly empirical interests concerned with immediate economic issues, and since they make no effort to contribute to the corpus of micro- and macroeconomic theory, these institutionalists have had no significant influence on the trends in theoretical economics. Whatever influence they have had has been on the trends in applied economics where, however, they have met strong competition from conventional economists. With regard to the third criterion the applied institutionalists have ranked higher than the other three groups of institutionalists. The policy proposals of the applied institutionalists, which range from the deregulation to the broader regulation of industry, have had wide acceptance among established economists who, like Kahn and Williamson, take institutional economics to be no more than a supplement to conventional economics.

IV

The Needs of the Institutional Movement

NOT ONLY DO the applied institutionalists greatly outnumber the other types of institutionalists among the approximately 600 current AFEE members, but they also dominate the activities of the association. An analysis of the 559 articles published in the AFEE's *Journal of Economic Issues* in the years 1967–1976 reveals that the great majority of these articles have been contributed by applied institutionalists who have worked on specific issues such as corporate concentration, the regulation of various industries, the military-industrial complex, the transfer of industrial technology, and environmental and consumer problems.²⁷ Of these 559 articles 75 percent dealt with current economic problems and only 25 percent with theoretical issues. Most of the latter articles were concerned with the history of economic thought, the criticism of economic orthodoxy, and methodological problems. Only 20 articles or less than 4 percent of the 559 articles published in the decade 1967–1976 were in the area of theoretical institutional economics.

Almost 20 years were to elapse after the founding of the AFEE before it devoted a symposium to the topic of the nature and scope of institutional economics, but no early post-1939 representatives from the mainstream institutionalist group contributed to the 1977 symposium.²⁸ This was because the symposium largely ignored the basic questions of nature and significance of mainstream institutionalism and considered instead a wide variety of highly specialized topics such as information systems, price theory, trade unions, the property institution, socialist planning, and development economics.

In evaluating the current status of institutional economics, fractured as it is by major theoretical and policy disagreements among the institutionalists themselves, we have to conclude that the institutionalist movement has not been a major force shaping standard economics. The latter type of economics has the capacity to adjust to the problems of public goods, human capital, the social costs of economic growth, the less developed countries, environmental and consumer issues, and poverty and discrimination without deviating very far from the main lines laid down by its neoclassical and Keynesian predecessors. At the same time the collective body of institutionalists, most of whom are to be found among the AFEE members, have contributed little to the current state of theoretical institutional economics.

Whatever status as a theoretical movement institutional economics currently has must be attributed to the contributions of a few well-known mainstream institutionalists. The question may be asked, does this current status

indicate that the institutionalist movement is likely to die out in the near future? A number of recent developments would seem to suggest that this is not a likely outcome. The growing interest in an interdisciplinary approach to major economic problems, the expanding concern with policy science programs, and the arguments of those like Wassily Leontief, Robert A. Gordon, E. H. Phelps Brown, and G. D. N. Worswick who call for more relevance along with rigor in economic science would seem to make it probable that there will continue to be considerable interest in the institutionalist movement.²⁹

This analysis of the current state of institutional economics may be concluded by broadening Paul A. Samuelson's evaluation of Galbraith's impact on conventional economics to include the impact of other mainstream institutionalists such as Myrdal, Colm, and Ayres. In 1970 Samuelson, although a severe critic of institutional economics, came to the conclusion that "the objective scholar must assert that economics will never be quite the same as in the days before the Galbraith trilogy."³⁰ If it is true that the established economics is to some extent what it now is because of the influence of a few present-day mainstream institutionalists, then it can be said that their influence, while limited, has not been inconsequential. Doubtlessly their influence would now be somewhat greater had the Association for Evolutionary Economics adhered to the original position of its founders that this association should devote itself to promoting post-World-War-II mainstream institutionalism.

Three developments have militated against institutional economics achieving a high status today. First, many of the most influential economists working in the institutionalist tradition such as Galbraith, Myrdal, Heilbroner, and Lekachman have not actively supported the institutionalist movement by taking positions of leadership in this movement. Whether or not one accepts the idea that there is a school of institutionalists, it is quite clear that the failure of leading institutionalists to take a positive stand with regard to institutionalism, or to support the institutionalist movement actively, has weakened it very considerably in the eyes of the economics profession. Secondly, many institutionalists have become so engrossed in the study of specific and limited economic problems that they have failed to contribute much to the theoretical underpinnings of institutional economics. As David Hamilton expressed it in 1978, "The failure of institutionalism to win many adherents in the 1930s was [due to] the lack of a general theory, and its failure to win many adherents in the present circumstances is its unwillingness to admit or accept a general theory which is already at hand. It almost seems that the

rejection of classic theory, or at least some of its major parts, has led many institutionalists to shy away from any theory whatsoever. The result is an eclecticism that is extremely apparent in the *Journal of Economic Issues*, giving to that journal some of the aspects of Stephen Leacock's young man in love mounting his horse and riding off in all directions at once."³¹ What are greatly needed today are more general treatises like Marc R. Tool's *The Discretionary Economy*, J. Ron Stanfield's *Economic Thought and Social Change*, and Wendell Gordon's *Institutional Economics* which would do for institutional economics what Lionel Robbins' *An Essay on the Nature and Significance of Economic Science* did for standard orthodox economics over a half century ago.³²

Tool, Stanfield and Gordon have given more recent expression to the trans-disciplinary views set forth by the late K. William Kapp in *Toward a Science of Man in Society* (1961), which emphasize economics as a study of social provisioning and not as a study of a particular type or form of "human behaviour as a relationship between ends and means which have alternative uses," as Lionel Robbins would have it.³³ Kapp, François Perroux, Tjerk Huppes and other West European institutionalists have joined with American economists who work in the institutionalist tradition in viewing economics as a cultural science that investigates the man-to-man or human relations dealing with the provision of a supply of the material goods and services required by society. This cultural view of economics of the institutionalists is prepared to cope with a much larger range of problems than is Robbins' Crusoe economics of the isolated man or the limited economics of the orthodox economists which finds the ultimate subject matter of the science of economics in the working out of the a-cultural Pareto optimality principle.

Thirdly, there is a need for a more coherent policy position coming from institutionalists that would clearly differentiate them from Friedmanian, Keynesian, and Marxian policy advocates. Such a unified policy position has been much too cautiously presented by the pre-1939 and post-1939 institutionalists, who have recommended a form of national economic guidance that would be adjusted to American economic, social, and political conditions.

If institutionalism is to achieve the high status of a vigorous and significant movement in economic thought, it must draw heavily from the mainstream institutionalists from Veblen to Galbraith; it must also pursue an educational program that would be designed to inform the public of the institutionalists' special and unique policy proposals; and, in addition, institutionalism must look for support from a social and economic constituency in the United States that will be increasingly alienated in the future by the economic policy pro-

posals of the Friedmanians, the Keynesians, and the radical institutionalists.³⁴ As the experience of democratic Western Europe has well demonstrated, this constituency would be largely made up of organized workers, farmers, and consumers in general.

Failing to move along the above-mentioned lines, the institutionalist movement will, in my opinion, continue to be what it now is—a somewhat peripheral movement which, as Wallace Peterson has said, has been marked by very “difficult sledding,” or which, as Philip Klein has remarked, “is still far too often dismissed as ‘mere dissent’.”³⁵ It is difficult to disagree with Klein when he asserts that “Whatever we call ourselves, we are not given much credit generally among our fellow economists We . . . are sometimes regarded as dead (as with Samuelson), and occasionally dismissed as hopelessly wrong and muddle-headed.”³⁶ While my own inclination with regard to institutionalism is to be optimistic, I am convinced that Klein’s “permanent resurrection” of institutional economics, if it is to be truly significant, will require much more than the nine basic principles of institutional economics enunciated by the first ten presidents of the Association for Evolutionary Economics.³⁷ These principles or matters of scientific interest to institutionalists relate to such matters as technology as the real source of productivity, the distinction between economic growth and economic progress, the concentration of industry and the spread of economic power, public utilities and the growth of monopoly, the industrial-military complex, the decline of consumer sovereignty, the role of values in economic activity, and related matters. It is clear that there is a need today to go beyond these separate concerns of institutional economics to construct a unified body of institutional economic theory that will not only provide the institutionalist movement with a clearcut theoretical focus, but will also provide a common meeting ground for the public following that institutionalism so badly needs.

Notes

1. Thorstein Veblen, “Why Is Economics Not An Evolutionary Science?”, in *The Place of Science in Modern Civilisation*, (New York: B. W. Huebsch, 1919), pp. 56-81. A distinction is drawn between the pre-1939 generation of institutionalists and the post-1939 generation. The former included Veblen, Commons, Clark, and Mitchell while the latter included Ayres, Galbraith, Myrdal and Lowe. The reasons for describing the post-1939 generation as “neoinstitutionalists” are given in Allan G. Gruchy, *Contemporary Economic Thought, the Contribution of Neo-Institutional Economics* (Clifton, N.J.: Augustus M. Kelley, 1972), pp. 15–18.

2. Lionel Robbins, *An Essay on the Nature and Significance of Economic Science*, 2d Ed., (London: Macmillan, 1937), p. 114.

3. Gruchy, *op. cit.*
4. Alfred E. Kahn, *The Economics of Regulation: Principles and Institutions*, Vol. I (New York: John Wiley, 1970), p. 19.
5. Oliver E. Williamson, *Markets and Hierarchies* (New York: Free Press, 1975), pp. 1–6.
6. Kenneth E. Boulding, "Prices and Other Institutions," Symposium Issue, Part I, *Journal of Economic Issues*, 11 (December, 1977), p. 810.
7. The Association for Evolutionary Economics originated in a meeting of economists working in the institutionalist tradition who were brought together on Dec. 28, 1959 by Allan G. Gruchy in Washington, D.C. at the annual meetings of the American Economic Association.
8. Robert A. Gordon, "Rigor and Relevance in a Changing Institutional Setting," *American Economic Review*, 66 (March, 1976), p. 6fn.
9. *Ibid.*, p. 6.
10. Allan G. Gruchy, "Institutional Economics: Its Development and Prospects," in Rolf Steppacher and others, eds., *Economics in Institutional Perspective* (Lexington, Mass.: D. C. Heath, 1977), pp. 11–28. The term "mainstream institutionalism" refers to the kind of institutional economics developed by the long line of institutionalists from Veblen to Galbraith. While these institutionalists are not in agreement on all points, they nevertheless have much in common with regard to the nature and scope of economics. In contrast to this mainstream institutionalism are the minor movements that would make institutional economics more abstract, or would reduce it to mere empiricism, or would convert it into Marxian heterodoxy. Cf. Allan G. Gruchy, "Institutional Economics: Its Influence and Prospects," *American Journal of Economics and Sociology*, 37 (July, 1978), pp. 278–80.
11. Robert L. Heilbroner, "Economists at Bay," *Eastern Economic Journal*, 2 (July, 1975), pp. 60–75.
12. Warren J. Samuels, "On the Future of Institutional Economic," *Journal of Economic Issues*, 3 (September 1969), p. 70.
13. Warren J. Samuels, *Pareto on Policy* (New York: American Elsevier Scientific Publishing, 1974), p. xi.
14. Warren J. Samuels, "Institutional Economics: Retrospect and Prospect," (mimeo), Michigan State University, East Lansing, Michigan, 1968, p. 48.
15. Daniel R. Fusfeld, "The Development of Institutions," Symposium Issue: Part I, *Journal of Economic Issues*, 11 (December, 1977), p. 758. While some radical economists are AFEE members, most economists of this type are more likely to belong to the Union for Radical Political Economics (URPE). The AFEE membership in general is out to reform the capitalist system whereas the URPE membership would substitute a socialist system for the capitalist system.
16. For a radical institutionalist interpretation of the evolution of the industrial system see Howard Sherman, *Radical Political Economy* (New York: Basic Books, 1972).
17. Howard Sherman "The Sad State of Orthodox Economics," *Journal of Economic Issues*, 9 (June, 1975), p. 249.
18. John M. Blair, *Economic Concentration, Structure, Behavior and Public Policy* (New York: Harcourt Brace Jovanovich, 1972), pp. 591 and 616. Applied institutionalists frequently refer to a vague "evolutionary economics" which has no substantial theoretical basis, and which appears to be little more than a description of a rapidly changing economic system. These applied institutionalists are attracted by the reformist image of the AFEE and by its strong empirical leanings. In the hands of the applied institutionalists, "evolutionary economics" then becomes little more than a mixture of empiricism and reformism.

19. *Ibid.*, p. 613.
20. Seymour Melman, *The Permanent War Economy* (New York: Simon and Schuster, 1974), pp. 208–25.
21. David S. Schwartz, "The Regulation of Industry: A Built-in Bias," *Indiana Law Journal*, 51 (Spring, 1976), p. 733.
22. Harry M. Trebing, "Broadening the Objectives of Public Utility Regulation," *Land Economics*, 53 (February, 1977), p. 120.
23. See, for example, Paul A. Samuelson's view that "40 years ago Institutionalism withered away as an effective counterforce in economics . . . mainstream American economics . . . was therefore able, so to speak, to absorb and take over with superior analytical and econometric tools the descriptive tasks and policy formulations of the Institutionalists," *Economics*, 10th ed. (New York: McGraw-Hill, 1976), p. 847. In 1957 Kenneth Boulding asserted that institutional economics had had its day and was now no more than a museum piece. See his antipathetic analysis of institutional economics in "A New Look at Institutionalism," *American Economic Review*, 47 (May, 1957, p. 1.)
24. Nancy D. Ruggles, ed., *Economics, a Report of the Economics Panel to the Behavioral and Social Sciences Survey Committee* (Englewood Cliffs, N.J.: Prentice-Hall, 1970). What purported to be a survey of the field of economics turned out to be a survey of only mainstream orthodox economics with no mention being made of any heterodox type of economics. In addition to institutional economics the whole body of Marxian economics was ignored by the orthodox representatives of American economic thought.
25. For his speculative views on the nature of the economic system in the advanced industrial countries two hundred years from now see Robert L. Heilbroner, *Business Civilization in Decline* (New York: Norton, 1976).
26. These topics are discussed by members of the Union for Radical Political Economics in David Mermelstein, ed., *Economics; Mainstream Readings and Radical Techniques*, 2nd ed., (New York: Random House, 1973).
27. These statistics are taken from Warren J. Samuels, "The *Journal of Economic Issues* and the Present State of Heterodox Economics," (mimeo), a report to the board of directors of the Association for Evolutionary Economics, December, 1976.
28. "Symposium Issue: Part I and Part II," *Journal of Economic Issues*, 11 (December, 1977) and 12 (March, 1978). J. K. Galbraith, G. Myrdal, D. Hamilton, R. L. Heilbroner, A. Lowe, and R. Lekachman did not contribute to this symposium. Among the contributors of a later generation were M. R. Tool, P. A. Klein, J. E. Elliott, and C. W. Wilber.
29. For recent criticisms of standard orthodox economics see W. Leontief, "Theoretical Assumptions and Non-Observed Facts," *American Economic Review*, March 1971, pp. 1–7; E. H. Phelps Brown, "The Underdevelopment of Economics," pp. 1–10 and G. D. N. Worswick, "Is Progress in Economic Science Possible?" pp. 73–86 in the *Economic Journal*, 82 (March 1972).
30. Samuelson, *op. cit.*, p. 512.
31. David Hamilton, "Institutionalism: Present Status and Future Prospects," *Social Science Journal*, 15 (January, 1978), pp. 65 and 69.
32. Marc R. Tool, *The Discretionary Economy, A Normative Theory of Political Economy* (Santa Monica, Calif.: Goodyear Publishing Co., 1979); J. Ron Stanfield, *Economic Thought and Social Change* (Carbondale and Edwardsville, Ill.: Southern Illinois Univ. Press, 1979), and Wendell Gordon, *Institutional Economics* (Austin, Texas: Univ. of Texas Press, 1980).
33. Robbins, *op. cit.*, p. 16. See also K. William Kapp, *Toward a Science of Man in Society* (The Hague: Martinus Nijhoff, 1961). A more recent statement of Kapp's views on the nature

of institutional economics is presented in his essay on "In Defense of Institutionalism", in T. Huppes (ed.), *Economics and Sociology: Towards an Integration* (Leiden: Martinus Nijhoff, 1976), pp. 76–95.

34. These proposals are developed in Allan G. Gruchy, "Organized Labor and Institutional Economics," *Journal of Economic Issues*, 15 (June, 1981), pp. 311–24.

35. Wallace C. Peterson, "Institutionalism, Keynes, and the Real World," *Journal of Economic Issues*, 11 (June, 1977), p. 204, and Philip A. Klein, "American Institutionalism: Premature Death, Permanent Resurrection," *Journal of Economic Issues*, 12 (June, 1978), p. 251.

36. Klein, *op. cit.*, pp. 252, 253, and 255.

37. *Ibid.*, pp. 260–68.

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[From the publisher.]