**Inside the Organizational Institutions of Institutional Economics: Why Are There Two Institutionalist Associations?**

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**Abstract:** The institutionalist-inspired Association for Evolutionary Economics (AFEE), officially founded in 1965, was the first heterodox association to break with the American Economic Association (AEA). In 1979, another institutionalist association, the Association for Institutional Thought (AFIT), was founded. Using mainly archival evidence, this paper provides historical reasons for the presence of two institutionalist associations.

**Keywords:** AFEE, AFIT, institutional economics, institutionalism, JEI

**JEL Classification Codes:** B25, B52

Using mainly archival evidence, I provide historical reasons for the existence of two institutionalist associations, the Association for Evolutionary Economics (AFEE) and the Association for Institutional Thought (AFIT). The archival evidence relies on the John Gambs Papers (Hamilton College), Clarence Ayres Papers (University of Texas at Austin), and a handful of scattered archives that were kindly provided to me by the late Frederic (“Fred”) Lee as well as by Malcolm Rutherford. Most of this scattered material belongs to the Allan Gruchy and John Gambs Papers. I describe the foundation of AFEE and emphasize that, while institutionalists had a strong presence in it, the association was born as pluralist. In the section that follows, I show how the pluralistic voice of AFEE was stressed in the 1970s during Warren Samuels’s term as editor of the *Journal of Economic Issues* (JEI). I also introduce the institutionalist dissatisfaction with the spirit of strong pluralism in the association. In the third section, I argue that the dissatisfaction spilled over to AFEE, culminating in the founding of AFIT. In the final section, I offer some final comments.

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AFEE has its origins in the “Wardman Group” (Bush 1991; Gambs 1980; O’Hara 1995). Events first unfolded at the Wardman Park Hotel in Washington, D.C., in 1958. The hotel was hosting an annual meeting of the American Economic Association (AEA). Allan Gruchy and John Gambs had invited several heterodox economists in an attempt to organize a group. At the time, the neoclassical tradition was begging to stifle heterodox economics.\(^1\) Gruchy wanted to strike back by working more closely with other heterodox economists. The Wardman Group would become AFEE, the initial name being a tribute to its first meeting (Bush 1991; Gambs 1980; Rutherford 2013). Initially, the Wardman Group’s conferences took place informally as “rump sessions” to AEA meetings (Bush 1991; Gambs 1980). The first official session of the Wardman Group was held in 1964 and, in 1965, the Group’s denomination changed to AFEE.\(^2\)

Rutherford (2015) classifies the group of institutionalists that would become AFEE into three different segments. There were two homogeneous groups: the Cactus Branch, led by Clarence Ayres,\(^3\) and John R. Commons’s followers. The former group was located in the southwest United States, while the latter in the northeast. Rutherford’s third group is a more theoretical and geographically looser one and includes the Ayresian John Gambs, the Keynesian Dudley Dillard, the Veblenian Allan Gruchy, and John Kenneth Galbraith. This diversity of leanings caused confusion and complicated the efforts to write a document introducing the

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1. In the first three decades of the twentieth century, institutional economics was dominant in the United States. During the 1920s and 1930s, institutionalism strongly challenged the mainstreaming neoclassical economics (Elsner 2011; Hodgson 2004; Rutherford 2011). The 1930s shook the representativeness of institutional economics, however. On one hand, the advent of the institutionally inspired New Deal policies can be understood as institutional economics’ finest period (O’Hara 1995). On the other hand, during the 1930s, events related to the decline of institutional economics, such as the depression years and the arrival of Keynesianism, started to occur. The 1940s and 1950s witnessed a decline in the influence of institutional economics. In academic terms, this weakening was expressed in the reduced number of institutionalist studies at main conferences (e.g., the annual meetings of AEA) and in journals (e.g., the American Economic Review). In a letter dated April 10, 1962, to Clarence Ayres (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 agreed with his standpoint (letter from Ayres to Gambs, May 8, 1962, Gambs Papers). Jeff Biddle (1998) adds another motive to the decline of institutionalism: the lack of expected results from the New Deal.


association (Gambs 1980). Adolph Lowe (1980) addressed the theoretical entanglement in the Wardman Group, the association founded to promote the first break with AEA (Lee 2009). While describing Gruchy’s role in AFEE’s establishment, Gambs clarified and Gruchy (1974) affirmed that the varying theoretical bent of AFEE members was the main obstacle to building the institutionalist association they had in mind.\(^4\)

However, the institutionalist orientation was not clear during the debate pertaining to the foundation of the association. In a letter from March 6, 1964 (Gambs Papers), Gambs remarked 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’.” The letter implies potential interest in the group’s activities. No theoretical orientation is highlighted, and the group’s goal, expressed as reconstructing economic theory, generated the possible interpretation that no specific theoretical orientation was required. The date of Gambs’s letter indicates that it is possible that this orientation was under discussion or that Gruchy and Gambs had understood that an association based strictly on institutional economics would not hold true.

The diversity among AFEE members was evident in the discussion about the association’s name. On March 19, 1962, Ayres wrote to Gambs (Gambs Papers), supporting the inclusion of the term “institutionalism” in the group’s denomination. According to Ayres, while the word “institutionalism” was misleading, it had been in circulation for long enough to be recognized as a tag. Ayres affirmed that they should opt for a banner for which they were already known. In 1964, Ben Seligman proposed the name “Association for the Reconstruction of Economic Science” (Rutherford 2013), underscoring the involvement of dissenters of heterodox economics. Finally, in 1965, Gambs and Gruchy — with Robert Patton, Harry Trebing, and Kendall Cockran — suggested the name “Association for Evolutionary Economics” (O’Hara 1995). According to Gambs, the term “evolutionary” was included in the name as a reference to the way Thorstein Veblen described his economics (Sturgeon 1981, 49). However, the term “institutional” was excluded from the name of the association as it carried associations that were not always appropriate at the time (Rutherford 2013).\(^5\)

\(^4\) Gambs was first to note the diversity of the group during his sabbatical leave. During that time, looking to organize an institutionalist group, Gambs traveled through the United States in search for economists he believed were interested in the founding of a new association (O’Hara 1995; Rutherford 2013). Gambs identified two key groups of dissenters: Veblenian and non-Veblenian. Obviously, both groups were dissatisfied with AEA, but people from the Veblenian group identified as institutionalists who would like to keep developing institutional theory in the Veblenian tradition. Despite their classification as Veblenians, Gambs highlighted the heterogeneity of interpretations of Veblen’s theory, thus indicating that the group was a diverse one.

\(^5\) In a personal correspondence with the late Fred Lee and in an interview with Jim Sturgeon (Sturgeon n.d.), David Hamilton affirmed that Gardiner Means would not join the group if the term institutional economics were included in the name. In a letter to Lee, Hamilton stressed that Means’s perspective could be associated with the fact that, “[i]n 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 could also be seen as a strategy to attract “big names,” such as Means, to the newly minted association.
In 1966, Clarence Ayres, the then AFEE President, devised an arrangement between AFEE and the University of Texas to start publishing the JEI. The JEI would become the main vehicle for institutionalists. Despite its importance, the journal’s early years were difficult. Forest Hill (University of Texas) and Harvey Segal (University of Massachusetts) were its first two editors. From 1967 to 1969, when Hill served as the editor, the University of Texas interfered in the internal affairs of the JEI (Wendell Gordon to Ayres, April 4, 1969, Ayres Papers, Box 3F289; Ayres to Gruchy, July 20, 1969, Gruchy Papers; Gruchy to Ayres, July 5, 1969, Ayres Papers, Box 3F288). There were delays in correspondence with contributors (Minutes of the Meeting of the Executive Board of AFEE, April 12, 1969, New York City, Gruchy Papers; Ben Seligman to Gruchy, May 6, 1969, Gruchy Papers). In 1970 and 1971, Seligman was the JEI’s editor. He, too, faced difficulties in dealing with the JEI’s internal organization (Seligman to the AFEE Board of Directors, October 16, 1970, Ayres Papers, Box 3F285; Gruchy to Seligman, October 20, 1970, Ayres Papers, Box 3F285; Gruchy to the AFEE Board of Directors, October 20, 1970, Ayres Papers, Box 3F285; Gambs to Seligman, October 22, 1970, Gambs Papers). The arrangement between the JEI and the University of Massachusetts to publish the journal did not take long because Seligman, the man in charge of the arrangement, abruptly passed away on October 23, 1970 (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 AFEE, July 8, 1971, Ayres Papers, Box 3F285).

The instability of the JEI’s editorship ended when Warren Samuels became the editor in 1971 through an arrangement between the Michigan State University (MSU) and AFEE (Minutes of the Meeting of the Executive Board of AFEE, July 8, 1971, Ayres Papers, Box 3F285). Samuels started building the JEI’s reputation and became an important editor of the journal. However, the discussion about diversity and theoretical orientation returned. Samuels was an excellent researcher in the history of economic thought and an eclectic institutionalist, which showed up on the JEI’s pages. Samuels believed that criticism against traditional economics should not figure in the JEI, and that a complementary approach between institutionalism and neoclassical economics was needed. Thus, Samuels allowed the JEI’s pages to refer to institutional-neoclassical issue. In this letter, Ayres provided positive comments about Samuels’s interpretation of institutional economics and references to major institutionalists. However, Ayres criticized the treatment of standard economics theory. Samuels argued that it was possible for the body of knowledge of institutional economics to succeed that of standard theory. Ayres, however, affirmed that these two bodies of knowledge contradicted each other. Samuels replied to Ayres on August 27, 1968 (Ayres Papers, Box 3F294), that he did not consider institutional economics and standard theory as competitors, as the existence of one did not deny the existence of the other. They had different scopes, which could be a source for complementarity, and they could compete only over energy and attention. In the same letter, Samuels wrote: “I consider myself an Institutionalist with an appreciation for orthodox theory ... The future of Institutionalism lies in a constrictive rapprochement with orthodoxy.”
the motivations for the founding of AFEE. Obviously, Samuels’s editorship deeply displeased AFEE members, who viewed AFEE and JEI as an association and a journal, respectively, for the reconstruction of economics based on an alternative approach to neoclassical economics.

A critical point of Samuels’s editorship seems to be the JEI’s reviews of Gruchy’s *Contemporary Economics Thought*. For Gambs (1980), the book referred to the heart and soul of what he understood to be AFEE. When *Contemporary Economics Thought*’s (1972) reviews were introduced to the Editorial Board, Gruchy deeply disliked one of them. Corresponding to Willard Muller on February 4, 1974 (Gruchy Papers), Gruchy stressed that one of the reviews was emotionally laden, exceeding the bounds of scientific decency, and stated that he was disturbed that Samuels allowed this piece to be published in the JEI. Gruchy highlighted that Samuels was always open to attacks from orthodox economists, which could divide and weaken institutionalism.

Another critical point of Samuels’s editorship concerns the symposium programs focused on issues considered “fringe” — Gruchy’s term — to institutional economics. In a letter from Gruchy to R.D. Peterson in December 1976 (Gruchy Papers), the former stressed that encompassing and interdisciplinary issues analyzing more realistic approaches did not make these studies institutionalist, and that they must delve further into that. He qualified some of Samuels’s symposium programs as quite interesting, but noted that they did little to give AFEE an “image” or a “focus” (Gruchy to Samuels, March 15, 1974, Gruchy Papers).

In 1975, two of the usual four JEI’s volumes were somehow dedicated to orthodox economics. The June volume was about the state of orthodox economics, and the December volume took the Chicago school into consideration. In both volumes, the usual perspective of the analysis was history of economic thought, following Samuels’s style, rather than critical analysis in the Veblenian-Ayresian tradition. Clearly, Samuels and AFEE’s institutionalist founding fathers visualized different paths for the association and its journal. Considering this divergence, Gambs asked Samuels about the events that had occurred in the JEI’s editorship without consent from the Board of Directors. Notes, reviews, and symposium programs had been decided by Samuels alone (Gambs to Samuels, February 25, 1974).

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7 David Hamilton also complained about the panel he had shared in 1974, the theme of which was consumer sovereignty (Sturgeon n.d.). According to Hamilton, “[c]onsumer sovereignty, there was no such a thing and did not have any meaning” (Sturgeon n.d., 18).

8 Samuels’s editorship was also criticized because of its lack of policy. Gruchy wrote to Samuels on March 15, 1974 (Gruchy Papers), saying that he was worried about the non-policy position of AFEE. He stressed that the followers of Milton Friedman, the Keynesians, and the members of the Union for Radical Political Economics (URPE) had explicit policy positions. For Gruchy, the lack of a policy meant that they could not answer the question “what does AFEE want?” Provocatively, Gruchy added: “If you do not agree with Galbraith and 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 as being more critical of the mainstream.
Gruchy Papers; Gruchy to Gambs, June 6, 1974, Gruchy Papers). For Gambs (1980), the key issue was the lack of objectivity in AFEE’s statement of purpose.

On June 6, 1974 (Gruchy Papers), Gruchy stressed to Gambs that the “statement of purpose” of AFEE should be rewritten. Gambs stated that one possible change could be revising Article II of AFEE’s constitution (Gambs 1980). According to Gambs, AFEE’s statement of purpose, which could be found in this Article, was inadequate. Article II, which had been written during the establishment of AFEE, was acceptable at the time when AFEE’s nucleus was aware of what the Article stood for. For Gambs, Article II should have listed the legitimate policy statement of the JEI. Otherwise, each editor would adopt his/her own policy (Gambs 1980). Gruchy, Fulfeld, and Gambs drafted an amendment to AFEE’s constitution, to clarify the statement of purpose (Gambs 1980) and “to promote dissident non-Marxian economics” (Gambs 1980, 30). In 1975, the Executive Board turned down this proposed amendment, and Gruchy and Gambs resigned from AFEE the same year.

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AFIT was officially established in 1979 at the Western Social Science Association’s (WSSA) annual meeting by institutionalists of the Cactus Branch, who comprised the majority (Sturgeon 1981). However, the events that culminated in AFIT’s foundation occurred during the 1970s. AFIT relied on the repetition of a procedure well-known by institutionalist as a “rump sessions” in a large conference — in this case, that of WSSA. During the 1970s, the presence of institutionalists in WSSA’s economics...
sessions increased. According to AFIT (1978), WSSA was the leading forum for institutional economics some years before AFIT’s founding. A large number of sessions and papers about institutional economics took place at WSSA’s meetings. In 1975, F. Gregory Hayden and William Hildred organized “rump sessions” for those interested in institutional economics and motivated a debate about establishing a regional branch of AFEE aimed at two things: (i) bringing institutionalists together and (ii) “influenc[ing] some of AFEE’s program” (AFIT 1978; Sturgeon 1981, 46). The process of establishing this regional branch of AFEE gradually evolved, resulting in a new organization that was independent of AFEE.

At the 1978 annual meeting of WSSA, concrete actions were taken to establish the new association (AFIT 1978), one illustration being Gruchy’s statement to Sturgeon on April 9, 1978 (Gruchy Papers), that he would support the new organization to the extent possible. 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 AFEE.” During the 1970s, not only did WSSA become a forum for institutional economics, but also dissatisfaction with AFEE was growing (AFIT 1978). On April 9, 1978 (Gruchy Papers), Gruchy affirmed to Sturgeon that, by the 1970s, AFEE had many members who had little to do with mainstream institutionalism as developed by Veblen. Gruchy openly blamed Samuels’s editorship. Despite that fact, AFIT (1978) noted that AFEE was the best association of economists in the United States. Yet, it failed to have “influence on the trends in theoretical and applied economics because it has not been 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 AFIT’s founding fathers decided to proceed with the new organization, a report was provided to AFEE (AFIT 1978), attempting to clarify the role of the new association as well as the concerns of its members (Sturgeon 1981).

AFIT (1978) strongly complained about the kinds of papers that were being published in the JEI. It also affirmed that, when an institutional study was submitted, it should be refereed by members with an institutional background. According to 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 Peterson in December 1976 (Gruchy Papers). In a letter from Gruchy to Ron Stanfield of September 2, 1981, Gruchy stressed that AFIT injured Samuels’s image, as he was at the epicenter of the institutionalists’ split.

In this context, establishing AFIT would place it as “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). As AFIT and Sturgeon (1981, 48) stressed out, AFIT’s founding fathers
pointed out three general purposes for founding the association: “(1) to provide a formal mechanism to ensure the continuation of institutional sessions in association with WSSA; (2) to provide a clearinghouse vehicle to exchange ideas and papers in the area of institutional analysis; and (3) to refine, extend, and publicize institutional theory and policy.” The idea of AFIT’s founding fathers was not to break with AFEE, as there was a general agreement that AFIT would continue to support AFEE. However, the former group did not deny its dissatisfaction with the path taken by AFEE (AFIT 1978; Sturgeon 1981).

**Final Comments**

AFEE and AFIT are products of their time. The pioneering act of breaking with AEA made AFEE a pluralist association rather than an institutional one. AFEE’s institutionalist founding fathers and their heirs seemed to want to limit that plurality and exclude conventional economics. Thus, when conventional economics became part of the JEI’s pages, AFEE members protested vociferously. This explosion culminated in huge dissatisfaction among the AFEE’s institutionalist founding fathers, sowing the seeds for the establishment of AFIT. The main reason for the founding of AFIT as well as Gamb’s and Gruchy’s dissatisfaction with the path taken by AFEE was one and the same. The difference between AFEE and AFIT is that the former is not related to a particular intellectual lineage unlike the latter (Ranson 1981). AFIT members defended the exclusiveness required by this identification, which AFEE members rejected.

**References**


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