

**A. Allan Schmid**  
**Michigan State University**

A. Allan (“Al”) Schmid’s lifelong pursuit of scholarship in the economics of institutions, which commenced long before such work was recognized as relevant by the majority of his peers has made him a “giant” in the field the economics of institutions. Such standing is the product of three elements that have always marked his work – an intellectual curiosity to ask questions beyond the obvious, an intellectual openness to all relevant methodologies in the study of economic institutions, and a foresight about the fundamental questions in economics that inevitably require the examination of the economics of institutions. As a result of these characteristics, his research on the effect of institutions (especially property rights) on the shape of economic and political relationships, have influenced thinkers the world over.

His impact is both profound and wide. When he was successfully nominated for University Distinguished Professor at Michigan State University, letters of endorsement came from faculty and students, not only from agricultural economics, but also from fields such as philosophy, political science, and finance; in addition, letters came from four continents.

The first characteristic, intellectual curiosity, relates to Al’s ability to ask questions beyond the obvious. For example, Al began his career by examining the economic institutions related to the use of water and other natural resources. In this work, he researched the underlying institutional factors that affected the economic behavior of actors, rather than simply accepting the existing state of outcomes as natural or inevitable. Daniel Bromley, AAEA Fellow and supporter of Al Schmid’s nomination for AAEA Fellow, comments on this characteristic: “Al Schmid stands in a small group of economists who understand the economy...In much of science, as G.L.S. Shackle points out, what is *thought* is built upon what is *seen*, while in

economics what is *seen* is built upon what is *thought*. Al Schmid – when he undertakes to ‘see’ – has never been constrained by what is thought. That is his abiding strength as a scholar. He is a credit to applied economics.”

Similarly, AAEA Fellow Alan Randall writes: “Al Schmid has marched to a different drummer throughout his long, productive, and distinguished career. While he knows in his heart that the rest of us do not always ‘get it’, he has effectively engaged the central discussions of his day, in natural resource economics and beyond, without raising his voice. He wears the institutional economist label comfortably, his approach has been Socratic, and his contributions have been extensive and eclectic. But none of that has stood in the way of theoretical rigor, extensive empirical application and effective mentoring of generations of graduate students. Frankly, I was surprised to be reminded that Al Schmid is not already an AAEA Fellow.”

An example of Al Schmid’s careful and detailed methods is his first book, on the economics of institutions, *Property, Power, and Public Choice: An Inquiry into Law and Economics*. Published in 1978, the book was revised in 1987, and has since been translated into several languages, including Italian and Chinese. Geoffrey M. Hodgson, University Lecturer in Economics at the University of Cambridge, writes that he considered this book to be one the most eminent works in the field, and Kenneth Boulding, in a review of this book, wrote that “Allan Schmid’s book ... is careful, detailed and extremely convincing.... It is an important contribution to the theory of normative economics and to grants economics.”

The second characteristic of Al Schmid’s work is an intellectual openness to all relevant methodologies in the study of economic institutions. His eclectic philosophy is best reflected in the wide breadth of scholars outside agricultural economics who have been influenced by his work. Economists, philosophers, political scientists, and sociologists have all been influenced by

Al's work, particularly because his methodological openness provides a broad view of the economic analysis of institutions. Elinor Ostrom, Arthur F. Bentley Professor of Political Science at Indiana University, Member of the National Academy of Science, and Fellow of the American Association for the Advancement of Science, writes about Schmid that "His [1998] book on *The Economy as a Process of Valuation* is a path breaking book that applies a process orientation rather than a static orientation to economic analysis. It is a powerful book of importance to political scientists and sociologists as well as to economists."

The third characteristic of Al's career is his foresight about the fundamental questions in economics that inevitably require the examination of the economics of institutions. This foresight led Al to continue pursue the integration of economic theories about institutions that remains a unifying force in the oft-fragmented literature on economic institutions. As noted by Professor of Philosophy, Paul Thompson, W.K. Kellogg Chair of Agricultural Ethics at Michigan State: "It would be difficult to underestimate the importance of [*Property, Power and Public Choice*] for bridging the gap between the 'old' institutional economics and the new.... Schmid demonstrated clearly how groups of 'rational optimizers' would perform differently – given distinct ways of configuring property rights.... His approach presented institutions as an integral part of the rational optimization, rather than as an alternative to it."

This foresight, and his desire to integrate a wide range of ideas into a comprehensive understanding of economic institutions, finds its ultimate expression in Al's most recent book, *Conflict and Cooperation: Institutional and Behavioral Economics* (2004). Al sets the tone for his approach, and for his desire to integrate disparate ideas about economic institutions, in the preface of the book when he notes: "I think we can use a bit of integration and a little less product differentiation." Such an integrative approach was noted by reviewer Nathan Berg

(School of Social Sciences, University of Texas at Dallas and The Center for Adaptive Behavior and Cognition, Max Planck Institute for Human Development of Berlin, Germany): “Schmid’s multi-layered framework allows for considerable breadth, including formal and informal institutions, equilibrium and dis-equilibrium, psychological and anthropological variables, and both mainstream and heterodox techniques of analysis....Schmid brings together previously disparate bodies of work in institutional and behavioral economics demonstrating their strong complementarities, both in the substance of their findings and in their commitment to assumptive realism and empirical validity.”

The breadth of Al’s scholarship in analyzing economic institutions in a multitude of settings is also recognized when Berg writes: “The work conducted ... [by] Schmid ... is vast, with applications on Russian and Chinese privatization initiatives in the 1990s, the role of property rights in the economic development of Spain and England in the 16th and 17th centuries, the shoemaking industry in early America, the development of time zones and railroads, functional explanations of the sacred cow in India, development of rules governing open fields and containment of grazing lands in England, and the concept of limited liability.”

As has been true throughout his career, Al Schmid continues to ask questions beyond the obvious and to insist that economic analysis of institutions be conducted in a manner that provides foresight into the future direction of economics. As Berg notes: “In Schmid’s view institutional change inevitably creates winners and losers....Thus, policy options are virtually never Pareto comparable, because it is almost never the case that all agents (even weakly) prefer the same institution. Conflict is normal and, according to Schmid, its detail and dynamics must therefore occupy center stage in any social science aspiring to real-relevancy.”

Allan Schmid continues to provide scholarly contribution to this multi-layered framework. In the spring of 2007, international scholars came together for a workshop to honor the career of Professor Schmid. There were a variety of methodological strands represented, including law and economics, neo-institutional economics, behavioral economics, and original (old) institutional economics – each of which were part of Al Schmid’s scholarly work on institutions. The workshop – which Al Schmid helped design – was in the spirit of Al’s entire career, seeking the integration of ideas by investigating questions such as: “What are the similarities and differences among the various approaches? Could parts of the different approaches be integrated to achieve greater insight into economic behavior? Do different analytical problems require different approaches?” The workshop resulted in an edited book, *Alternative Institutional Structures: Evolution and Impact*, which includes a contribution from Professor Schmid.

Al Schmid’s legendary Socratic approach to teaching has stimulated generations of professionals – students and colleagues – to become critical thinkers and more thoughtful and productive professionals. He has been the major professor to 39 PhD. students and 22 Masters. He is considered a gifted and passionate “master” teacher, who challenges all to investigate critically their assumptions about economic, social, and theoretical constructs. He models and thus teaches how to penetrate incisively the superficial to find the core of any issue. Students almost uniformly find his courses to be among the most outstanding intellectual experiences they have had. They note that they were forced to think about familiar problems in profoundly new ways or to open their minds to novel problems that had previously escaped their attention. There is no greater testament to a teacher.

Al Schmid's record of public service is also impressive. He has consulted for national, state and local governments. He has served the Congressional Office of Technology Assessment, the U.S. Department of Agriculture, the State of Michigan Office of Management and Budget, and various local governments, including membership in his local city planning commission. He spent over 11 years organizing AAEA free sessions on Institutional and Behavioral Economics, an activity which eventually led to the creation of the AAEA section of the same name. Al Schmid's uncompromising integrity and relentless pursuit of knowledge to apply and expand the economics of institutions makes him a worthy candidate for AAEA Fellow. Professor Lindon Robison, Chairperson of the AAEA Institutional and Behavioral Economics Section, writes: "To be elected a Fellow of the AAEA is the highest honor our association can bestow. It is our way of saying that the newly elected Fellow has demonstrated the highest level of impact and sustained contribution...that distinguish him or her from the rest. No one that I know in the profession is more worthy of such recognition." AAEA Fellow Paul Barkley writes: "A. Allan Schmid should have been asked to become a Fellow of the Association several years ago. His contributions go well beyond his classroom and writings. He has made a great difference for all of us by explaining the importance of the institutions that underlie the market system." In recognizing Al Schmid as an AAEA Fellow, the association will be recognizing a model scholar and leader in our profession.

*Nominated by The Department of Agricultural, Food, and Resource Economics, Michigan State University (Contact: Dr. Zhengfei Guan, Chair of the Awards Committee)*

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## Short Vitae

### **EDUCATION**

U. of Nebraska, 1956, B.S. University of Wisconsin, 1957, M.S., 1959, Ph.D.

### **AWARDS:**

Quality of Communication Award, American Agricultural Economics Assoc., 1991

Best of *Choices*, 1994

University Distinguished Professorship, Michigan State University, awarded, 1998

### **MEMBER OF EDITORIAL BOARD**

Land Economics, 1969-1971

Journal of Economics Issues, 1972-1975

American Journal of Agricultural Economics, 1978-1980

European Journal of Law and Economics, 1994-2006

### **BOOKS (selected)**

Conflict and Cooperation: Institutional and Behavioral Economics, 2004.

Benefit-Cost Analysis: A Political Economy Approach, 1989.

Property, Power and Public Choice, 1978. Second edition, 1987.

Law and Economics: An Institutionalist Perspective, 1980 (with Warren Samuels).

Policy Aspects of Land-Use Planning in Ireland, 1983 (with Frank Convery).

The Economy as a Process of Valuation, 1997. (With W. Samuels and S. Medema).

Beyond Agriculture and Economics, (editor) 1997.

Converting Land from Rural to Urban Uses, 1968.

### **BOOK CHAPTERS (Selected)**

- "The Role of Grants, Exchange and Property Rights in Environmental Policy," in *Transfers in an Urbanized Society*, ed. K. Boulding and M. Pfaff. Wadsworth, 1972.
- "Neo-Institutional Economic Theory: Issues of Landlord and Tenant Law," in *Contract and Organization*, edited by Daintith and Teubner, Berlin: Walter de Gruyter, 1986.
- "Law and Economics: An Institutional Perspective," in *Law and Economics: Developments, Tensions and Prospects*, N. Mercuro, ed., Norwell, MA: Kluwer, 1989.
- "The Environment and Property Rights Issues," in Daniel Bromley, ed., *Handbook of Environmental Economics*, Blackwell, 1995.
- "The Concept of Cost in Economics," in W. Samuels, S. Medema and A. Schmid, eds., *The Economy as a Process of Valuation*, Elgar, 1997. (with W. Samuels)
- "Environmental Law and Economics," in Jurgen G. Backhaus, ed., *The Elgar Companion to Law and Economics*. Cheltenham: Edward Elgar Publishing, 1999.

### **JOURNAL ARTICLES (Selected): J of Farm Economics or Am. J. of Ag. Econ.**

- "An Appraisal of the Soil Bank in a Corn and Dairy Area of Wisconsin," Feb. 1958.
- "Sources of Economic Growth: The Importance of Institutional Change," Nov. 1963.
- "Capitalization of Farm Program Benefits, Aug. 1964.
- "Natural Resources and Growth: Towards a Non-marginal Political Econ.," Dec. 1969.
- "Analytical Institutional Economics: Challenging Problems in the Economics of Resources for a New Environment," December 1972.
- "Property Rights in Plants: Implications for Biotechnology Research and Extension," 1987 (with Judith Stallmann).
- "Against Mechanism: Methodology for an Evolutionary Economics," 1999.