Review of *Coasean Economics: Law and Economics and the New Institutional Economics* **edited by Steven Medema**

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Poor Professor Coase. What ironies he has inspired! He is known almost exclusively for three papers, “The Nature of the Firm” (*Economica*, 1937), “The Problem of Social Cost” *Journal of Law & Economics*, 1960), and “Durability and Monopoly” (*Journal of Law and Economics*, 1972). Each of these is theoretical, albeit verbal theory, with almost no empirical content. Yet for many years Coase has called for an increase in the amount of intelligent descriptive empirical work in economics, and has shown how to do it with his own careful case studies. These case studies are little cited, but they are even less imitated.

A large amount of the work inspired by Coase, including the conference volume here reviewed, consists of purely theoretical work arguing over nuances of theory. It is odd to read the repeated references in the volume’s essays to Coase’s belief in the importance of empirical work, and then to reflect on the substance of the essays. There is only one empirical piece, and almost no discussion of individual Coase case studies, as opposed to discussion of the usefulness, indeed, the necessity, of studying institutions. Moreover, since it lacks a bibliography of Coase’s works, the reader of this volume will be left no wiser about the existence of the empirical part of Coase’s work.

Individual essays often cover more than one aspect of Coase’s influence, but in the simplest classification, three essays are on the nature of the firm (by Langlois, Hodgson, and Masten), four are on the Coase Theorem (by Zelder, Goldberg, McCloskey, and Allen), and six are on methodology (Boettke, Duxbury, Maki, Samuels and Medema, Williamson, and Zerbe and Medema). Absent from discussion is the influential ”Coase Conjecture” of Coase’s 1972 paper, which has given rise to a literature, but a literature that is mostly mathematical. Thus, the ”Coasean economics” of this book is really the economics of Coase Theorem and of the determinants of firm size.

Those two papers are indeed Coase’s best, but they are good theory because Coase cared about facts and pondered them. Because he pondered facts more than he pondered other theories, he looked at things in a new light. That is the secret of his famous papers, and is what ties together many of the Chicago Nobel laureates, including, certainly, Stigler, Coase, Becker, and Fogel. Coase thereby avoided the still-useful criticism Macaulay made of James Mill’s economistical theory of government, that ”We have here an elaborate treatise on Government, from which, but for two or three passing allusions, it would not appear that the author was aware that any governments actually existed among men.” (”Mill on Government,” *Edin-*

burgh Review, 1829). Even where Coase did not describe institutions, he was clearly aware of them.

The single empirical essay in this collection is an excellent discussion by Victor Goldberg of two puzzles in the common law. One is why the law imposed some liability on railroads for spark damage to adjacent fields, and railroads contracted out of this liability in land they leased out, yet railroads did not buy damage waivers from other adjacent farmers. The other is why contracting practice in the petroleum shipping industry is to make the quantity certification of an independent surveyor binding (even if later shown to be wrong), and courts accept this, but courts do not accept clauses in which the surveyors try to limit their own liability. This is a good example of looking to the real world for inspiration.

The other essays contain much discussion of how one might best define "firm" and "transaction cost," and whether the Coase Theorem points out that (a) in the absence of transaction costs efficient allocations result or (b) in the presence of transaction costs efficient allocations might not result. Such discussions are most interesting when presented as polemics, which is why Professor McCloskey's essay on Stigler and Samuelson versus McCloskey and Coase vies with Goldberg's essay on sparks and shipping as the most interesting in the collection. For the rest, there is much to interest those who enjoy the hermeneutics of intellectual history, but less to interest those who worry less about how things are phrased.

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