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## THE PROBLEM OF SOCIAL COST: THE CITATIONS\*

R. H. COASE\*\*

That my article, *The Problem of Social Cost*, should appear at the head of the list of the most-cited articles that have been published in legal periodicals is at first sight quite extraordinary. It was an article written by an economist for economists. It was no part of my intention to contribute to legal scholarship. It was quite appropriate for my article to have appeared in the *Journal of Law and Economics* (classified as a legal periodical by Mr. Fred Shapiro) since it was my contention in that article that the legal system plays a major role determining the way in which the economic system functions. I knew, of course, from the comments of colleagues, my reading of the legal literature, and in other ways, that the article had had a very considerable effect on legal scholarship, but I was nonetheless puzzled by Mr. Fred Shapiro's figures that showed that the citations to this article were far and away greater than those to any other article. I therefore asked Mr. Shapiro to provide me with the number of citations in *legal* periodicals alone, since it seemed to me possible that the overwhelming number could perhaps be explained by the citations in economics and similar periodicals, which would make the number of citations in the legal literature much smaller.

Mr. Shapiro was kind enough to provide me with these figures. They showed that the number of citations in legal periodicals was 940. A similar count (confined to legal periodicals) for the next two articles in the list gave the following result:

Herbert Wechsler, *Toward Neutral Principles of Constitutional Law*, 927;

Gerald Gunther, *The Supreme Court, 1971 Term - Foreward: In Search of Evolving Doctrine on a Changing Court: A Model for a Newer Equal Protection*, 879.

This revised calculation eliminated the overwhelming character of the number of citations to my article but it still retained its place as the most-cited article. Of course, the number of citations is a very rough indication of the influence of an article and, in any case, there is no point in discussing whether an article on law and economics is more or

\* I wish to thank Kevin Cremin for research assistance.

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less influential than one on constitutional law. What *can* be said is that it is most improbable that an article that has been cited so often has not had a considerable influence on legal scholarship.

Mr. Shapiro's figures also show that the number of citations to *The Problem of Social Cost* in the other (mainly economics) journals is very great (it is 761) and some have thought that it is probably the most-cited article in the economics literature. Whether this is true or not, there is no doubt that it has been an extremely influential article in the non-legal literature. Why this is so is something that I think I can explain. My article criticized the standard analysis of what economists term "externalities." I argued that Pigou's approach (the one adopted at the time by most mainstream economists) was faulty. This was bound to excite interest in the article. It was also to be expected that an article so critical of views held by many (perhaps most) economists would encounter resistance, and it did. Many of the citations in the economics literature are in fact in articles attacking my views.

But some of my contentions were not disposed of easily. These included: that the standard treatment of "externalities" ignored the reciprocal nature of the problem; that what is traded on the market is not physical entities but rights to perform certain actions; that the analysis would not be fruitful unless it took into account transaction costs; that the analysis should concentrate on uncovering the total effect of a change in policy rather than considering whether the adjustments at the margin in the new situation would be what we would like them to be.

It also must be said that interest in the article was increased by the unusual circumstances that gave rise to its writing and publication. In an article on the Federal Communications Commission (the FCC), published in 1959, I argued that use of the radio frequency spectrum should be determined by the pricing mechanism rather than by administrative decisions of the FCC and I went on to discuss the rights that would be acquired by the successful purchasers. I said that although "delimitation of rights is an essential prelude to market transactions . . . the ultimate result . . . is independent of the legal decision." This statement was thought by economists at The University of Chicago to be erroneous, as contravening Pigou's analysis. However, at a meeting in Chicago I was able to persuade these economists that I was right. The result was that I was invited to write up my argument for publication in the *Journal of Law and Economics*. I did this, entitling the article, *The Problem of Social Cost*. One consequence of this rather unusual route to publication was that when the article appeared in

print, its thesis already had the support of a powerful group of economists at The University of Chicago. Stigler dubbed the proposition, that the allocation of resources was independent of the legal position if transaction costs were zero, "The Coase Theorem." This attracted more attention to the article and, of course, increased the number of citations.

I now turn to the writing about *The Problem of Social Cost* in legal periodicals. I offer my impressions with diffidence since I am not a lawyer and lack detailed knowledge of the legal literature. I was in fact unaware of how lawyers had treated my article before reading a selection of the articles in legal periodicals as preparation for these comments. Given the great number of citations, it was obviously impossible for me to read all the articles in which *The Problem of Social Cost* was cited. I therefore decided to confine myself to citations in the law reviews of ten major law schools.<sup>1</sup> All articles that cited *The Problem of Social Cost* in these law reviews were obtained from the *Social Sciences Citation Index* for the years 1976 to 1992. There were 188 such articles. What I learned from reading these articles was in many ways surprising to me. There were far fewer critical articles (or comments) than I had expected. Most of the citations were to passages in which the author (or authors) used ideas in my article for the purpose of analyzing a particular legal situation or problem. It was certainly surprising to me to find that the greatest number of citations was to the "Coase Theorem." According to my classification (which I admit was highly subjective), there were ninety-one articles (nearly half the total) in which the passage to which the citation was attached was wholly or mainly concerned with this theorem and, of course, the theorem was also referred to in a number of other articles. The reciprocal character of the "externality" problem, with its implications for tort law, was also discussed, although in far fewer articles. There were seventeen articles in which this was the major concern. All in all, it was gratifying to find that my article was mainly cited because it had been found useful. At this stage, it would seem that the number of citations was not misleading as an index of influence.

Of course, once these ideas in my article (to the extent that they come to be seen as correct) become part and parcel of legal thought, it

1. The Law Schools were: Harvard, Yale, Columbia, Pennsylvania, Chicago, Berkeley, Stanford, Virginia, Michigan, and Texas. The law reviews of these law schools were those that were most-cited in the list of twenty-five "top" law schools in the April 29, 1991, issue of *U.S. News and World Report*. See William M. Landes and Richard A. Posner, *The Influence of Economics on Law: A Quantitative Study*, 36 J.L. ECON. 422, tbl. 17 (1993).

will no longer be thought necessary to cite my article. And in consequence, at the stage when the influence of my article may be said to be most profound, the study of citations will cease to reveal it.