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Thomas C. Schelling [Ideological Profiles of the Economics Laureates]

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Abstract

Thomas C. Schelling is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills the [September 2013 issue of *Econ Journal Watch*](#).

Keywords

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Thomas C. Schelling

by Daniel B. Klein

Thomas Schelling (1921–) shared the Nobel Prize in 2005 with Robert Aumann, “for having enhanced our understanding of conflict and cooperation through game-theory analysis.” Schelling’s most well-known books—books that, in my opinion, can scarcely be recommended too highly—are *The Strategy of Conflict*

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IDEOLOGICAL PROFILES OF THE ECONOMICS LAUREATES

(1960a), *Micromotives and Macrobehavior* (1978a), and *Choice and Consequence* (1984). His other books include *National Income Behavior: An Introduction to Algebraic Analysis* (1951), *International Economics* (1958), *Strategy and Arms Control* (1961, coauthored with Morton Halperin), *Arms and Influence* (1966), and *Strategies of Commitment and Other Essays* (2007).

The Nobel committee summarized Schelling's contribution as follows:

A creative application of game theory to important social, political and economic problems. Showed that a party can strengthen its position by overtly worsening its own options, that the capability to retaliate can be more useful than the ability to resist an attack, and that uncertain retaliation is more credible and more efficient than certain retaliation. These insights have proven to be of great relevance for conflict resolution and efforts to avoid war. (Nobel Media AB 2005)

In a tribute called, "Salute to Schelling: Keeping It Human," Tyler Cowen, Timur Kuran, and I expatiated on our high admiration of Schelling. We wrote:

Thomas Schelling has been one of the, and many cases *the*, pioneer in developing the following ideas: coordination concepts, focal points, convention, commitments (including promises and threats) as strategic tactics, the idea that strategic strength may lie in weaknesses and limitations, brinkmanship as the strategic manipulation of risk, speech as a strategic device, tipping points and critical mass, path-dependence and lock-in of suboptimal conventions, self-fulfilling prophecy, repeated interaction and reputation as a basis for co-operation, the multiple self, and self-commitment as a strategic tactic in the contest for self-control. (Klein, Cowen, and Kuran 2005, 159)

We also wrote: "Schelling shows a commitment to social science as a part of the public culture, and consequently recognizes that the analyst may well be a factor in the game. An important theory may influence social affairs, thereby altering the situation and retiring its applicability" (*ibid.*, 162).

Schelling kindly responded to the questionnaire about his own ideological outlook and history. His response follows:

I was a high-school boy in the 1930s. My father was a naval officer, probably Republican by instinct but appreciative of Franklin Roosevelt, who had been Assistant Secretary of the Navy and protected the Navy from salary cuts. So my father favored Roosevelt. My mother's father was a banker and conservative, but my mother

didn't seem to have any political views. We were personally insulated from the Great Depression by my father's profession. I don't remember having serious political views of my own until I went to UC Berkeley as a sophomore in 1939 at age 18. At that point I became close friend of a former high-school classmate and he recruited me on the UC debate team, which was more of a communist club than a debate team. Several of my closest college friends were communists. I attended a meeting at which some "representatives" presented a line of some sort, which I argued against, and the speaker asked whether I was "one of them" and some of my close friends said I was not, and he left me alone. That, I think, is when I stopped wondering whether I should, as some friends insisted, join the party.

A postscript: three of my closest friends, male, and their three wives, were communists at the time; within a very few years the three men all quit the party but I think their wives did not.

I left Berkeley in January 1940 to go to Chile. I wanted a year abroad but there was a war in Europe, and a fellow at my rooming house was Chilean and talked me into Chile. My parents were in the Panama Canal Zone, my father back in the Navy; I was still eighteen and merited free transport to where my parents were, and they were eager to see me and agreed on my Chilean venture.

In Chile I decided the University was not for me and took a job as night watchman at the US Embassy. An FBI agent arrived to open up an FBI office in the Embassy; I showed him around Santiago and he asked me to be his personal assistant. I did that until early 1943, when I had stomach pains and the ambassador let me go home, which I did on a US merchant ship carrying copper from northern Chile. I went back to Berkeley where my former roommate (not one of the communists) was in medical school; he arranged a doctor's appointment; it was determined I had ulcers and was on a rigid diet for a year, and neither the army nor the navy would have me, it being generally thought that ulcers resulted from "stress" and in combat I'd be a liability. So I finished my bachelor's degree.

And there I majored in economics and had one professor in a small seminar—there were few men left on campus except for ROTC, and few women took economics—so the class was only a dozen. I was so inspired by that teacher, William Fellner, and I decided I'd become an academic economist. From there I went to Washington and had a great job in the Bureau of the Budget, from there to Harvard Graduate School in economics in the summer of 1946. I had, at Berkeley,

become a confirmed Keynesian, became even more so at Harvard. I no longer had any “radical” friends, although everybody I knew was “liberal” in attitudes toward race and economic activism.

I did well in graduate work, partly because of a good Berkeley education and partly because my 18 months in the Budget Bureau with two excellent economists as my bosses gave me a lot of experience. So I was awarded Junior Fellowship in the Society of Fellows at Harvard, one of the most prestigious fellowships in the world, and was set to spend the next three years studying with great freedom at Harvard.

A friend of mine phoned me from Washington in May or June of 1948 and said he had taken a job with something called the Marshall Plan and had an opportunity to go to Paris, but couldn’t go until he had a replacement, and wondered whether I’d like to spend the summer working for the Marshall Plan in Washington. I did, and worked for a man who was appointed Marshall Plan executive officer in Copenhagen, and he asked me to go along. I took leave of my Fellowship and went; at the end of the year I was invited to the central office in Paris, and went for sixteen months, when my Paris boss, who had moved to the White House along with Averill Harriman, said he’d arranged for me to be his assistant.

So I went to Washington and had a great time, first in the White House, then in the Office of the Director for Mutual Security (Harriman), mostly conducting negotiations with the Marshall Plan-NATO nations on their financial and military-equipment aid and their contributions to NATO forces. My politics didn’t have much to do with it; when Eisenhower replaced Truman, Harold Stassen replaced Harriman. I liked Stassen, thought he was one of the smartest men I had known. I didn’t notice any great difference in our foreign aid programs that the transition to a Republican Administration made. I was, of course, disgusted by McCarthy, whose insidious reach we felt even back in my Paris days.

In 1953 I went to Yale as associate professor of economics and worked on bargaining theory, what later became game theory, wrote on international economics, and didn’t have much occasion to change my political views. I spent a year, 1958–59 at the RAND Corporation, and my career turned to nuclear weapons policy, which didn’t much change my political views. I then migrated to Harvard and taught international economics, economic policy, and game theory. That’s where I voted for some Republicans, while still considering myself a democrat. I did a lot of consulting with the government on nuclear

weapons policy and mostly was satisfied with the Democratic Administration. No great changes in my social or political views there.

I spent thirty-one years at Harvard, and don't recall any significant change in my social-political views. Then I spent fifteen years at Maryland and still don't recall any influences on my social-political thinking. I had plenty to object to in Federal policy, especially Congressional, but I don't recall significant changes in my views.

I was always a "social liberal" as well as Keynesian economist. I favored allowing abortion, treating homosexuals as equals, admitting immigrants, doctor-assisted end-of-life measures, integrating races, ameliorating the "war on drugs", protecting women and their rights, etc. I think most if not all of my colleagues and friends shared my views. I cannot think of any serious change in my political or moral attitudes during the past fifty years.

I ran through the list of my 210 publications to see if any of them reflected my political-moral views—not policy issues but perspectives—and couldn't find any.

I'm afraid this has been a pretty uninteresting autobiography. (Schelling 2013)

Schelling's own assessment that his policy and political views have shown no particular changes is one with which I concur. My impression is that, despite having "voted for some Republicans," Schelling has, throughout his life, and perhaps especially from the Nixon years, supported the Democratic Party, and has worked in official capacities notably in Democratic arrangements.

There is a biography of Schelling by Robert Dodge (2006). The book is thoughtful, informative, and illuminating. Dodge has a background in military service and teaching, and "took time off from teaching to attend Harvard, earning a Master's in Public Administration at the Kennedy School of Government. It was there that he met Tom Schelling" (dust jacket of Dodge 2006). Dodge's treatment of Schelling is very admiring, as well as politically aligned with Schelling. The biography contains copious quotations from personal email communications with Schelling; Dodge (p. xiii) thanks Schelling for "the chance to enter his world so personally."

Again, Schelling's father was a naval officer. Schelling enrolled in the University of California at Berkeley in 1939. During his second year, Dodge writes, "the war in Europe was a year old and Schelling's father had returned to active duty in the Canal Zone. His older brother Robert was keeping up the family military tradition as a naval officer." "Schelling decided he wanted to study overseas," and

“he headed to Chile, stopping in the Canal Zone along the way to visit his parents” (Dodge 2006, 19).

In Chile, Schelling’s studies were not very demanding, and he took “a part-time job as a watchman at the US Embassy.” One afternoon on the job he answered a phone call telling that the Japanese had just attacked Pearl Harbor. “Schelling felt uncomfortable being the only American in Chile to know and believe America was at war” (Dodge 2006, 20). Dodge describes further developments in Schelling’s career:

With the United States at war, the FBI arrived to establish a counterespionage office in Chile, offering Schelling a job that he held for the next 15 months. The office grew from just Schelling and one agent to a staff of eight agents and a dozen secret *sub rosa* agents busy infiltrating organizations around the country. The intelligence community he had joined was an active participant in the war effort, their most urgent task being the discovery of secret signaling stations for German submarines. (Dodge 2006, 21)

Because of severe stomach cramps diagnosed as ulcers, which would prevent him from entering the Army, Schelling returned to the United States. “Returning to Berkeley looked like his best option, and he decided economics was the most important subject to study.” “He completed his undergraduate degree at Berkeley and began doing graduate work. . . . Graduate school was a time of transition when Schelling came to think of himself as a serious student, a scholar even. . . . One of Schelling’s professors, a Hungarian refugee named William Fellner, served as a role model of the ideal economist, and Schelling was determined to excel in the field. . . . With his first year of graduate school coming to an end, he was ready to move on and consulted Fellner about what he should do next. . . . Fellner said, ‘Go to Harvard. If you can’t afford it, I’ll help you’” (Dodge 2006, 21, 22, 23). Dodge describes the next developments:

Schelling was ready to do something more active, however, and since he had only just started graduate school and the military wasn’t going to take him, he decided he’d be of most use to his country in Washington, D.C. An old friend introduced him to someone in the Bureau of the Budget, which led to a job in the bureau’s Fiscal Division. President Roosevelt had died in April of 1945, shortly before the war against Hitler’s Germany was won, and there was a new man in the White House, Harry Truman. Schelling worked with two government economists responsible for knowing what President Truman was

on record of favoring and disfavoring, as well as for writing the annual budget message. He spent a lot of time on the Hill at Senate hearings...and met with senior government economists. It was a heady position for a young man with little formal training... (Dodge 2006, 23)

“By the spring of 1946, the war was over and, having spent a year and half at the Bureau of the Budget, Schelling was ready to return to graduate school,” and he headed to Harvard, where “the highlight of Schelling’s course work came from studying with Wassily Leontief” (Dodge 2006, 24-25, 26). In 1946 he published an article in *Econometrica* (Schelling 1946).

In 1948 “Schelling received Harvard’s prestigious Junior Fellowship award, which carried a three-year stipend,” but, Dodge continues, “He would never have the opportunity to use it. In mid-June 1948, he received a call” to take a job “in Washington, D.C., working on the Marshall Plan, which had been signed into law in April 1948 ... Finding the offer too tempting to decline, he and his wife were off to the nation’s capital, leaving the Junior Fellowship behind” (Dodge 2006, 27). After some months in Washington, he was asked to join Marshall Plan activities based in Copenhagen. “His work there consisted mainly of interpreting economic statistics for Marshall Plan administrators in Paris and Washington” (*ibid.*, 29). Schelling had married, and his wife’s “father worked as a labor attaché at the Marshall Plan’s central office in Paris. While Schelling’s work focused entirely on rebuilding the Danish economy, his father-in-law was fully engaged in the politics of the Cold War” (*ibid.*, 30). After a year in Copenhagen, Schelling was asked to join the Paris office, headed by Averell Harriman. The Schellings “moved there in 1949 and were soon enjoying a life of much greater financial ease,” with Schelling’s wife working for the U.S. Embassy. “Schelling worked with Robert Triffin, collaborating on what became known as the European Payments Union ... a clearinghouse bank to create multilateral trade between Marshall Plan countries” (*ibid.*, 32).

“By the time [in 1950] his Paris year was over, the Marshall Plan was winding down,” and the Schellings returned to the United States. “[W]ithin two days of arriving home in late 1950 he received two letters: one from his former boss at the Bureau of the Budget, asking Schelling to join him on the newly formed Council of Economic Advisors; the second an offer from the White House” (Dodge 2006, 34, 35). Schelling “chose the White House position. ... Schelling, who thought of himself as a Democrat, had been a great fan of Roosevelt, and on the few occasions he met Truman, he thought the president ‘terrific’” (*ibid.*, 35, 36). In the White House 1951–1953, Schelling “helped oversee an economic aid program similar to that provided by the Marshall Plan and, for the first time, dealt directly with Cold War issues” (*ibid.*, 37).

Meanwhile, in 1951, Schelling had published *National Income Behavior: An Introduction to Algebraic Analysis*. It was “a conventional book and, at the time, Schelling’s contemporaries viewed him as a conventional economist.” “Using the book as his thesis, he completed his doctorate in economics at Harvard in 1952” (Dodge 2006, 38).

By the time that Schelling, at age 31, had received his Ph.D., he had worked most of his adult life in government, relating to international and military affairs, and was still doing so. The 31-year old Thomas Schelling was a man who had been intellectually inspired by William Fellner—a role model who, as an academic, was himself unconventional, incorporating psychology and expectations into his economic analysis. But the 31-year old Schelling had shown primary interest in a career of high-level government work. It would be a mistake to think that over the ensuing years Schelling switched tracks, and opted *instead* for academics. In 1953 he takes an associate professorship at Yale, and in 1958 at Harvard, where he stays for 31 years, but the 1950s years are only the start of the heights of his influence and participation in government affairs, in issues of the Cold War and then the Vietnam War. Dodge’s book treats of Schelling’s main ideas, but it is chiefly a narrative of Schelling’s involvement and influence in public affairs. Dodge continues with chapters titled: “RAND,” “The Cold Warrior Emerges,” “Dr. Strangelove and the Hotline,” “Chicken Dilemma in Berlin,” “War Games,” “The Prisoner’s Dilemma of Nuclear Arms,” “Vietnam Escalation,” “Madman Theory,” “Concluding Vietnam,” and “Taboo”—this last being the taboo on nuclear weapons, the topic of Schelling’s Nobel lecture (Schelling 2006b)—as well as other chapters devoted to Schelling’s influence in government.

Dodge’s title, *The Strategist: The Life and Times of Thomas Schelling*, means by “strategist” not a theorist of strategy. Dodge (2006, 217) puts it this way: “The importance of the strategists’ role is unquestionable—whispering in the ears of the decision-makers or writing the papers they would see, defining the situations and problems that exist, presenting options and ways for survival or exploitation, remaining rational in a world where other interests and fears often hold sway.” Dodge remarks on Schelling’s entrance into, and rapid prominence among, an “exclusive group,” an “elite group,” “an elite fraternity,” a “special fraternity,” an “elite brotherhood” (ibid., 57, 60, 59, 60, 149, 208, 215). The elite group spoken of is the circle of trusted, influential strategists, whose primary work is classified and whose secondary work is for public consumption. Dodge concludes the biography with these words about Schelling: “He is an American hero for our times” (220).

It was not until I read Dodge’s book that I realized that Schelling’s academic career might be regarded as something that developed in tandem with his being an advisor to those in the most powerful roles of policymaking, particularly in the areas of weapons and international relations. Such an interpretation of Schelling

illuminates his academic career. He did some of what it took to gain eminence in academia; he started in conventional grooves (Schelling 1946; 1947; 1948; 1949; 1951). But he did not relish it, and soon thereafter started writing his own way. One feature of his own way is that he almost never engages the scholarship of others—he almost never cites or quotes anyone—and one can hardly expect to rise in the academic pecking order without engaging the influentials in one’s ‘field,’ either by developing their ideas or by taking issue with them. His landmark 1960 work, *The Strategy of Conflict*, which consists chiefly of material previously published from 1956–1959, helped him gain “an influence on policy analysis unsurpassed in the world of civilian consultants ... high into government circles” (Dodge 2006, 148), but it did not gain him any immediate academic kudos. In fact, the work was in large part a broad critique of formal game theory, quite anti-paradigmatic, and remains such.⁶⁴

I don’t mean to suggest that the callings of writing and teaching were secondary to Schelling, but, still, academia served as a perch from which to act in the role of advisor. Schelling had been in residence at RAND in 1958–59, but he continued to work with RAND as a consultant to 1968. As for his time at Harvard, Schelling writes in his Nobel autobiographical essay: “For ten years the Center [for International Affairs, at Harvard] gave me freedom to write and to consult, and I spent much of my time, especially during the summer, doing advisory work for the government” (Schelling 2006a). In 1967 he was offered and nearly took a State Department position (Dodge 2006, 111).

After 1959, Schelling published scores of articles, but virtually none in economics journals until 1978,⁶⁵ when he published two articles in the Papers and Proceedings issue of the *American Economic Review* (Schelling 1978b; 1978c). His status as an academic luminary came belatedly, and only gradually. The interest Schelling received from academic communities was widely disparate—not at all concentrated within economics. The widespread interest, and citations, ramped up continually, especially after *Micromotives and Macrobehavior* (1978a). He received the Nobel Prize at age 84.

64. As I see it, a central overarching lesson of *The Strategy of Conflict* (Schelling 1960a) is that an assumption of common knowledge is often inappropriate and misleading, and, correspondingly, that we need to appreciate and explore asymmetric interpretation (as I call it). This point about the book is made in Klein, Cowen, and Kuran (2005) and Klein (2012, 51 n. 10, 322); see Schelling (1960a, 21, 65-118, 163-169, 226, 246-248, 284-303).

65. Regarding this sentence about Schelling’s publications in “economics journals” over the 18-year period 1960 through 1977, I say “scarcely any” because in 1960 he published an article in *The American Economist* (Schelling 1960b), in 1969 he published an article in the Papers and Proceedings issue of *American Economic Review* (Schelling 1969), and in the same journal he published a (most interesting) book review (Schelling 1964). Also, four of the chapters he published during the 18-year period were in books that have “economic” in the title.

Whatever place the achieving of academic eminence has had in the core of Schelling's selfhood, he certainly did it his way.

I turn to Schelling's record of policy judgments and ideological outlook. His principal areas of research and influence have been in weapons and war. He has been denounced as a warmonger and such. Such condemnations, I suspect, are ultimately based primarily on the fact of his close and sustained participation with high-level officials engaged in war (hot and "Cold"), particularly during the period 1958–1968, as opposed to being based on anything Schelling actually said, whether in his public writings or in classified discourse. This aspect of Schelling's ideological character—as well as related events such as Schelling's break with Henry Kissinger in 1970 (see Dodge 2006, 157ff.)—I leave aside.

After the Vietnam War, Schelling focused much less on weapons and war. A series of policy topics drew his attention. Here I briefly treat a number that seem to stand out.

The draft. In the spring of 1967 Schelling led a study group at Harvard on the manning of the military, and in the fall of 1967 a group document titled "On the Draft," apparently principally authored by Schelling,⁶⁶ was published in *The Public Interest* (Schelling 1967). The article discusses various aspects of the issue, and is generally reserved and establishment-oriented. Still, when it comes to the issue of paying for service and inducing people to sign up voluntarily, as opposed to conscripting them, the drift clearly seems to be in favor of considering reform in the direction of making service voluntary. The piece might, therefore, be regarded as an establishment-oriented opening for more outspoken professors to mount a direct and influential assault on conscription (see Henderson 2005 on the role of economists in ending the draft).

Unintended outcomes. Much of Schelling's renown comes from his set of papers that explore discernible social patterns that no one particularly intended and that might well be unsatisfactory in some important sense, a set of papers particularly represented by *Micromotives and Macrobehavior* (1978a). Some people have cited these papers as elaboration of 'market failure' and a need for government intervention. In these papers, Schelling, however, does not infuse the discussion with any strong bent toward government intervention in voluntary private affairs—though neither does he speak against such intervention. There are a few points to consider. First, in the opening chapter of *Micromotives and Macrobehavior*, Schelling gives several pages (especially pp. 20-29) to acknowledging the "amazement" (p. 21) that one might feel in pondering how well the extended

66. As published in *The Public Interest*, the listed author is "A Harvard Study Group," but we may conclude that Schelling is the principal author because he led the group, because the piece contains a lengthy postscript signed by Schelling, and because the piece is included on a list of Schelling's publications.

economic order works. The acknowledgment is highly qualified and somewhat grudging, but he is making a big point, at the start, to say that the book is not intended as an indictment of free-market principles. Second, Schelling describes possible pitfalls of voluntary behavior, but it is plain enough that he focuses on understanding the pitfalls, rather than the successes, not because unsatisfactory outcomes are typical or pervasive but simply because it is the unsatisfactory outcomes that call for attention and perhaps remedial action. Third, in a great many of the examples where Schelling suggests a need for leadership or guidance, the context remains voluntary, for example, a seminar leader who might require attendance or the National Hockey League requiring helmets; similarly, when governmental authorities make rules for the use of the government property that they administer, such as a road, such rules are not aptly described as restrictions on voluntary action. Fourth, some of Schelling's applications, notably on segregation, carry a message that even mild, unobjectionable preferences might produce macro patterns that we are unhappy with, and that maybe we just have to learn to live with the results, rather than trying to manipulate them; in this respect Schelling advances Adam Smith's therapeutic program of learning to cope in a liberal, cosmopolitan social order. Fifth, Schelling does not turn his attention to politics and government as settings for the types of pitfalls analyzed, but it can at least be said that neither does he deny the fertility of application in such settings; furthermore, the whole style of his thinking naturally lends itself to such application. For Schelling, everything human is ripe for failure. In sum, although Schelling is a leading thinker in the ideas of spontaneous *disorder*, the ideological bent in these writings is not especially statist, and perhaps it is less so than some might expect.

Victimless crimes and organized crime. In his questionnaire response reproduced above, Schelling writes of his favoring “ameliorating the ‘war on drugs,’” meaning, presumably, movement toward liberalization. Such a stance comports with Schelling's writings (e.g., Schelling 1984, chs. 7-8) on organized crime (work that was originally undertaken at the instigation in 1966 of the President's Crime Commission; see Dodge 2006, 126) and, with collaborators, on conceptualizing different drug control regimes (MacCoun, Reuter, and Schelling 1996). Again, Schelling is not outspoken, but the reader clearly detects a message that many prohibitions have adverse consequences that are not redeemed by offsetting benefits. Related here are Schelling's great, influential papers on the multiple self and self-constraining behavior (see, for example, Schelling 1984, chs. 3-4), but in those works Schelling shows respect for the dignity of the individual and hardly ever comes across as interventionist. Schelling is concerned chiefly to help the individual or friends and associates to find ways to cope—at least when it comes to illicit drugs, prostitution, and gambling.

Smoking. In this area of policy, Schelling’s tune is somewhat different than in illicit drugs, prostitution, and gambling—a difference that might merely reflect differences in respective status-quo policies. Smoking policy is the area of domestic policy where Schelling has most shown a favor for the initiation of coercion. Once again, his entrance into the area came at the instigation of officialdom, the formation of a National Committee on Substance Abuse, of the National Academy of Sciences (Dodge 2006, 163; Inglehart 1990, 110). Schelling would become the director from 1984 to 1990 of Harvard University’s Institute for the Study of Smoking Behavior and Policy. In an interview, Schelling says that most of the people on the committee supposed that “there was very little that individuals could do for themselves,” while Schelling made a point of helping people learn to cope and overcome their problems (Inglehart 1990, 110). It is surely reasonable to think that within his social context Schelling has had the tendency of putting a brake on those of an interventionist bent around him (a tendency, by the way, that might have an analogue in Schelling’s classified participation in weapons policy). Still, Schelling comes out in favor of hiking taxes on cigarettes and of imposing restrictions on smoking in private establishments (see Inglehart 1990, 114-118), and he has written in interventionist tones about the externalities of smoking (Schelling 1986). In joint work, Schelling and his coauthors studied compliance with Cambridge, Massachusetts’s no-smoking law, imposed on private establishments, reporting low compliance and recommending, among other things, that health officials do more to monitor compliance, e.g., by inspection of the premises, to crack down on non-compliance and to ensure no-smoking signage (Rigotti et al. 1993, 231).

Climate change. Schelling took up the topic of global warming again at the instigation of officialdom, resulting in Schelling’s participation in a study by the National Academy of Sciences (Dodge 2006, 168). Schelling has written a number of accessible pieces on global warming, including an academic lecture (Schelling 1992), an entry for *The Concise Encyclopedia of Economics* (Schelling 2002), and an op-ed in the *Wall Street Journal* (Schelling 2006c). Again, within his social context, Schelling has probably had a ‘cooling’ effect. While affirming that there is a greenhouse effect, he highlights the many uncertainties surrounding other effects in play and the consequences of climate change. He also highlights the difficulty of trying to reduce emissions, as well as alternative ways to mitigate or reverse warming. He says, “It is improbable that the developing world, at least for the next several decades, will incur any significant sacrifice in the interest of reduced carbon, *nor would it be advisable*” (Schelling 2002, emphasis added). Dodge (2006, 169) writes: “His views [on climate change] didn’t always make him popular with those who shared his awareness of the process that was taking place.”

Schelling has signed a number of classical liberal-oriented petitions and, to my knowledge, no contrary petitions, except, arguably, the “Purple Health Plan” (Kotlikoff 2011). He has signed petitions for market-oriented healthcare reform, liberalized immigration, allowing prediction markets, against protectionism, and against anti-“sweatshop” measures (Hedengren et al. 2010).

Both professionally and ideologically, Schelling is a mix of tendencies, and the result is a persona that defies common character types. With the following words Schelling ends *Choice and Consequence* (1984, 346): “Like the question, Do creatures reproduce themselves by way of genes, or do genes reproduce themselves by way of creatures?—Do I navigate my way through life with help of my mind, or does my mind navigate its way through life by the help of me? I’m not sure who’s in charge.”

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Myron S. Scholes

by Daniel B. Klein, Ryan Daza, and Hannah Mead

Myron Scholes (1941–) was born and raised in Ontario. His father, born in New York City, was a teacher in Rochester. He moved to Ontario to practice dentistry in 1930. Scholes’s mother moved as a young girl to Ontario from Russia and its pogroms (Scholes 2009a, 235). His mother and his uncle ran a successful chain of department stores. Scholes’s “first exposure to agency and contracting problems” was a family dispute that left his mother out of much of the business (Scholes 2009a, 235). In high school, he “enjoyed puzzles and financial issues,” succeeded in mathematics, physics, and biology, and subsequently was solicited to enter an engineering program by McMaster University (Scholes 2009a, 236–237). Scholes credits his mother with making him “become interested in economics and, in particular, finance” (Scholes 2009a, 237).

About his deciding whether to become a physicist or an economist, Scholes reflected:

While working for my uncle’s firm, I designed a puzzle for a magazine sold to teenage girls. I worked on this puzzle for weeks to make it interesting but difficult. When I presented it to the board and editorial committee of the magazine, no one understood what I had done. I decided then and there that I really enjoy working with people, being involved in activities that were direct and not too abstract, removed or singular. I came to realize that I loved creating with others and working on problems that had real-world application. For me, the most rewarding activities have always been conceptualizing difficult problems and then immersing myself in the details to test my theories. (Scholes 2009a, 238)

Scholes went to McMaster for his undergraduate studies in economics and liberal arts. He recounted: