

# Book Reviews

Thomas C. Schelling, *Choice and Consequence. Perspectives of an Errant Economist* (Harvard University Press, Cambridge, MA, 1984) 363 pp., \$20.00.

In John Marquand's *Melville Goodwin, USA* someone remarks about the title character that 'his stories run around on the floor like rabbits'. I can never think about Thomas Schelling without being reminded of this phrase. Schelling's store of examples — real or imagined — is inexhaustible. If he wants to make a conceptual point, he cites, not one, but ten widely differing stories that, occasionally, do seem to run around like rabbits without much control or common purpose. Playing around with stories allows him to explore the infinite variety of a given set of problems, and to accumulate material for generalizations. Unlike most economists, who start with a simple model and deduce consequences, from the top down, Schelling constructs his theories from the bottom up. Even on the occasions when he does not get very far up on the ladder of generality, the sheer inventiveness and freshness of his writing make reading him a pure joy. When he achieves the conceptual unity he is groping for, the result has invariably been far-reaching, even revolutionary. One need only remind the reader that the concepts of 'Schelling point' (from *The Strategy of Conflict*) and of 'Schelling diagrams' (from *Micromotives and Macrobehavior*) have become standard tools of the behavioural scientist.

The essays in this collection, written between 1965 and 1983, fall into three categories. First, there are essays on game theory, bargaining and deterrence that expound and apply the doctrines first worked out in *The Strategy of Conflict*. Secondly, there are essays on the economics of crime, the ethics of policy and on the incentive problems inherent in command structures. These, while supremely readable, do not spring from a systematic theory, nor do they strive towards one. Finally there is a group of essays in which one can see Schelling's creative mind building up towards a synthesis, without actually reaching it. These concern the problem of *self-management*, i.e., strategic behavior towards oneself. What resources do we have at our disposal for curbing or controlling our tendencies to act in ways that we deplore? What means ought society to make available to us for this purpose? Such questions define the field of 'egonomics' (a term coined by Schelling), that has been receiving an increasing amount of attention from philosophers, psychologists and economists. (Indeed one might look out for the emergence of a new PPE degree, in which this would be the core subject.)



several, relatively autonomous centres of decision? Or is there just one self with conflicting interests? Schelling seems to lean towards the more literal interpretation. In his discussion of how society ought to treat people who want to precommit themselves (or their later selves) to a certain course of action, he suggests that there may sometimes be genuine dilemmas involved in identifying the 'authentic self'. I disagree. I do not know of any important cases in which the following criterion is inapplicable: the authentic self is the one who is capable of acting strategically towards the other self or selves. In other words, I deny that there are real-life examples of two selves — the self who wants to stay drunk and the self who wants to stay sober — engaging in mutual strategic interaction. The sober self tries to hide the bottle from the drunken self, but the latter does not similarly try to deceive the former. True, people might want to precommit themselves against precommitment. I might want to tell the local branch of the Foreign Legion that, if I ever present myself to ask for an irrevocable five-year contract, they shall turn me down. But, lack of realism apart, this is not really a counterexample, which would have to be a case of *mutual*, not just hierarchical precommitment.

I would recommend to any professional social scientist to read the essays collected here. The throwaway insights occur at such a rate that virtually any reader will find something here that sheds new, unexpected light on problems with which he believed himself to be thoroughly familiar. And for the small, but increasing band of scholars who study issues of intrapersonal conflicts in an economic framework, it is indispensable. We hope and expect that the work in progress reported here will result in the kind of conceptual breakthrough to which Schelling's readers have become accustomed, indeed addicted.

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Richard R. Nelson and Sidney G. Winter, *An Evolutionary Theory of Economic Change* (Harvard University Press, Cambridge, MA, 1982) xi+437 pp., \$25.00.

A basic idea for the Stockholm School of economics of the 1930's was to stress the importance of analysing the sequence of economic events on its own, rather than as a path to an end, mostly a stationary equilibrium. Equilibria are virtual points that are never reached. The real world always consists of first periods in sequences that never converge. As a consequence, value and meaning ought to be related to (first parts of) sequences, not to (imaginary) equilibria.