



Ronald H. Coase
The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 1991

Autobiography





My father, a methodical man, recorded in his diary that I was born at 3:25 p.m. on December 29th, 1910. The place was a house, containing two flats of which my parents occupied the lower, in a suburb of London, Willesden. My father was a telegraphist in the Post Office. My mother had been employed in the Post Office but ceased to work on being married. Both my parents had left school at the age of 12 but were completely literate. However, they had no interest in academic scholarship. Their interest was in sport. My mother played tennis until an advanced age. My father, who played football, cricket and tennis while young, played (lawn) bowls until his death. He was a good player, played for his county and won a number of competitions. He wrote articles on bowls for the local newspaper and for *Bowls News*.

I had the usual boy's interest in sport but my main interest was always academic. I was an only child but although often alone, I was never lonely. When I learnt chess, I was happy to play the role of each player in turn. Lacking guidance, my reading (in books borrowed from the local public library) was indiscriminating and, as I now realize, I was unable to distinguish the charlatan from the serious scholar. My mother taught me to be honest and truthful and although it is impossible to escape some degree of self-deception, my endeavours to follow her precepts have, I believe, lent some strength to my writing. My mother's hero was Captain Oates, who, returning with Scott from the South Pole and finding that his illness was hampering the others, told his companions that he was going for a stroll, went out into a blizzard and was never heard of again. I have always felt that I should not be a bother to others but in this I have not always succeeded.



Aged 11, I was taken by my father to a phrenologist. What the phrenologist said about my character was, I feel sure, determined less by the shape of my skull than by the impressions he derived from my behaviour. Out of the various printed summaries of character in his booklet, that chosen for "Master Ronald Coase" started: "You are in possession of much intelligence, and you know it, though you may be inclined to underrate your abilities." This printed summary also included the following remarks: "You will not float down, like a sickly fish, with the tide... you enjoy considerable mental vigour and are not a passive instrument in the hands of others. Though you can work with others and for others, where you see it to your advantage, you are more inclined to think and work for yourself. A little more determination would be to your advantage, however." In the written comments, the pursuits recommended were: "Scientific and commercial banking, accountancy. Also, horticulture and poultry-rearing as hobbies." Added were some comments about my character: "More hope, confidence and concentration required - not suited for the aggressive competitive side of business life. More active ambition would be beneficial." It was also noted that I was too cautious. It was hardly to be expected that this timid little boy would one day be the recipient of a Nobel Prize. That this happened was the result of a series of accidents.

As a young boy I suffered from a weakness in my legs, which necessitated, or was thought to necessitate, the wearing of irons on my legs. As a result I went to the school for physical defectives run by the local council. For reasons that I do not remember I missed taking the entrance examinations for the local secondary school at the usual age of 11. However, as the result of the efforts of my parents I was allowed to take the secondary school scholarship examination at the age of 12. The only thing I now remember is that at the oral examination I caused some amusement by referring to a character in Shakespeare's *Twelfth Night* as Macvolio. However, this lapse was not fatal and I was awarded a scholarship to go to the Kilburn Grammar School. The teaching there was good and I received a solid education. I particularly remember our geography teacher, Charles Thurston, who introduced us to Wegener's hypothesis on the movements of the continents long before it was generally accepted and who also took us to lectures at the Royal Geographical Society, one of which, on river meanders, discussed the effect of the earth's rotation on the course of rivers. I took the matriculation examination in 1927, which I passed, with distinction in history and chemistry.

It was then possible to spend the two years after matriculation at the Kilburn Grammar

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School studying the intermediate examination of the University of London as an external student, which covered the work which would have been taken during the first year at the University as an internal student. I then had to decide what degree to take. The answer was in fact determined by one of those accidental factors which seem to have shaped my life. My inclination was to take a degree in history, but I found that to do this I would have to know Latin and having arrived at the Kilburn Grammar School at 12 instead of 11, there had been no possibility of my studying Latin. So I turned to the other subject in which I had secured distinction and started to study for a science degree, specialising in chemistry. However, I soon found that mathematics, a requirement for a science degree, was not to my taste and I switched to the only other degree for which it was possible to study at the Kilburn Grammar School, one in commerce. Although my knowledge of the subjects on which I was examined was rudimentary, I managed to pass the intermediate examinations and went to the London School of Economics in October, 1929 to continue my studies for a Bachelor of Commerce degree. I took a hodgepodge of courses for Part I of the final examination, which I passed in 1930.

For Part II, I specialised in the Industry Group. I then had an extraordinary stroke of luck, another accidental factor which would affect everything I was to do subsequently. Arnold Plant, who had previously held a chair at the University of Cape Town, South Africa, was appointed Professor of Commerce (with special reference to Business Administration) at the London School of Economics in 1930. I attended his lectures on business administration but it was what he said in his seminar, which I started to attend only five months before the final examinations, that was to change my view of the working of the economic system, or perhaps more accurately was to give me one. What Plant did was to introduce me to Adam Smith's "invisible hand". He made me aware of how a competitive economic system could be coordinated by the pricing system. But he did not merely influence my ideas. My encountering him changed my life. I passed the B. Com, Part II final examination in 1931, but having taken the first year of University work while still at school and three years residence at the London School of Economics being required before a degree could be awarded, I had to decide what to do in this third year. Among the subjects studied for Part II, the one I had found most interesting was Industrial Law and what I had decided to do was to study in this third year for the degree of B.Sc. (Econ), with Industrial Law as my special subject. Had I done so I would undoubtedly have gone on to become a lawyer. But that was not to be. No doubt as a result of Plant's influence, the University of London awarded me a Sir Ernest Cassel Travelling Scholarship and although I did not know it, I was on the road to becoming an economist.

I spent the academic year 1931-32 on my Cassel Travelling Scholarship in the United States studying the structure of American industries, with the aim of discovering why industries were organized in different ways. I carried out this project mainly by visiting factories and businesses. What came out of my enquiries was not a complete theory answering the questions with which I started but the introduction of a new concept into economic analysis, transaction costs, and an explanation of why there are firms. All this was achieved by the Summer of 1932, as the contents of a lecture delivered in Dundee in October 1932, make clear. These ideas became the basis for my article "The Nature of the Firm", published in 1937, cited by the [Royal Swedish Academy of Sciences](#) in awarding me the 1991 Alfred Nobel Memorial Prize in Economic Sciences. The delay in publishing my ideas was partly due to a reluctance to rush into print and partly to the fact that I was heavily engaged in teaching and research on other projects. I held a teaching position at the Dundee School of Economics and Commerce from 1932 to 1934, at the University of Liverpool from 1934 to 1935 and at the London School of Economics from 1935 on. At the London School of Economics I was assigned a course on the economics of public utilities in Britain. In 1939, the Second World War broke out and in 1940 I entered government service doing statistical work, first at the Forestry Commission and then at the Central Statistical Office, Offices of the War Cabinet. I returned to the London School of Economics in 1946. I then became responsible for the main economics course, "The Principles of Economics", and also continued with my research on public utilities, particularly the Post Office and broadcasting. I spent nine months in 1948 in the United States on a Rockefeller Fellowship studying the American broadcasting industry. My book, *British Broadcasting: A Study in Monopoly*, was published in 1950.

In 1951, I migrated to the United States. I went first to the University of Buffalo and in 1959, after a year at the Center for Advanced Study in the Behavioral Sciences, I joined the economics department of the University of Virginia. I maintained my interest in public utilities and particularly in broadcasting and during my year at the Center for Advanced Study in the Behavioral Sciences, I made a study of the Federal Communications Commission which regulated the broadcasting industry in the United States, including the allocation of the radio frequency spectrum. I wrote an article, published in 1959, which discussed the procedures followed by the Commission and suggested that it would be better if use of the spectrum was determined by the pricing system and was awarded to the highest bidder. This raised the question of what rights would be acquired by the successful bidder and I went on to discuss the rationale of a property rights system. Part of my argument was considered to be erroneous by a number of economists at the University of Chicago and it was arranged that I should meet with them one evening at Aaron Director's home. What ensued has been described by [Stigler](#) and others. I persuaded these economists that I was right and I was asked to write up my argument for publication in the *Journal of Law and Economics*. Although the main points were already to be found in *The Federal Communications Commission*, I wrote another article, *The Problem of Social Cost*, in which I expounded my views at greater length, more precisely and without reference to my previous article. This article, which appeared early in 1961, unlike my earlier article on "The Nature of the Firm", was an instant success. It was, and continues to be, much discussed. Indeed it is probably the most widely cited article in the whole of the modern economic literature. It, and *The Nature of the Firm* were the two articles cited by the Royal Swedish Academy of Sciences as justification for awarding me

the Alfred Nobel Memorial Prize. Had it not been for the fact that these economists at the University of Chicago thought that I had made an error in my article on *The Federal Communications Commission*, it is probable that *The Problem of Social Cost* would never have been written.

In 1964, I moved to the University of Chicago and became editor of the *Journal of Law and Economics*. I continued as editor until 1982. Editorship of the journal was a source of great satisfaction. I encouraged economists and lawyers to write about the way in which actual markets operated and about how governments actually perform in regulating or undertaking economic activities. The journal was a major factor in creating the new subject, "law and economics". My life has been interesting, concerned with academic affairs and on the whole successful. But, on almost all occasions, what I have done has been determined by factors which were no part of my choosing. I have had "greatness thrust upon me".

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This autobiography/biography was written at the time of the award and later published in the book series *Les Prix Nobel/Nobel Lectures*. The information is sometimes updated with an addendum submitted by the Laureate. To cite this document, always state the source as shown above.

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