

The Coase lighthouse fable and the untrustworthiness of the scholarly literature

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Outline:

- fallacious tale in peer-reviewed literature by a famous author attains great renown
- two decades later, a thorough refutation is published
- today, another two and a half decades later, the refutation remains obscure, the fallacious tale continues to flourish
- inferences about quality of peer-reviewed literature
- inferences about financial market efficiency and stability

Lighthouses:



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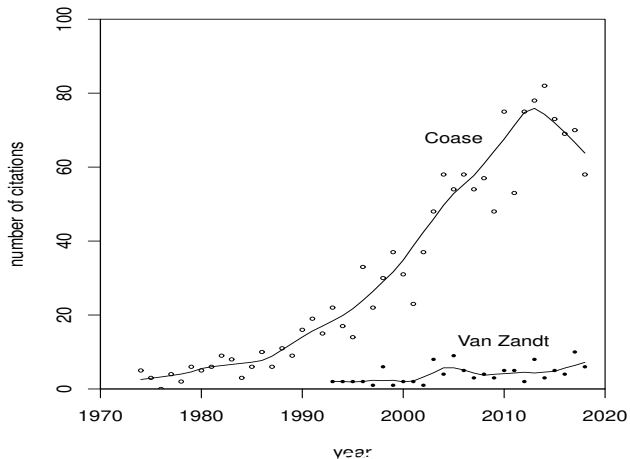


Lighthouses as public goods, or not?

- lighthouses often presented as prototypical public goods, that only governments can provide
- Ronald Coase, 1974: in early 19th century, many English lighthouses were privately owned
- gave rise to the “failure of market failure” literature
- Van Zandt refutation, 1993: Coase’s lighthouses depended on government coercion to collect their fees

Improbable fable versus solid refutation:

Citations to the Coase and Van Zandt papers on lighthouses



Scholarly literature:

- clearly inefficient: referees and editors should not let any paper be published that cites Coase but not Van Zandt
- substantial community well-aware of the falsity of the Coase fable
- continuing popularity of fallacious fable leads to thought-provoking views on financial bubbles

Lighthouses and unexplored directions:

- several papers on lighthouses operated without government coercion
- missing: systematic study of the extent to which altruism and social pressure sufficed in providing public goods
- missing: study of profitability of early lighthouses
- Big Question: to what extent does the success of market capitalism depend on behavioral economics traits (overconfidence, ...)?

More information, papers, etc.:

<http://www.dtc.umn.edu/~odlyzko/>

or just google/bing “odlyzko”

The paper on which this presentation was based will be available in a few days.