

## Thomas Schelling and Policy Analysis

Thomas C. Schelling shared the 2005 Nobel Prize for Economics (with Robert J. Aumann). Schelling has also made notable contributions to policy analysis as a scholar, a consultant to RAND and Board member of the Pardee RAND Graduate School, and as a professor at Harvard's Kennedy School and the University of Maryland's School of Public Policy. In this note, I want to explore what Schelling can teach us about doing policy analysis.

Though a theorist, he is fascinated by real examples and finds them indispensable for developing theory. "In my own thinking," Schelling writes in the preface to *The Strategy of Conflict* (1960, p. vi), "they have never been separate. Motivation for the purer theory came almost exclusively from preoccupation with (and fascination with) 'applied' problems; and the clarification of theoretical ideas was absolutely dependent on an identification of live examples."<sup>1</sup>

This passion has led him to topics ranging from foreign aid and international economics to diplomacy, war, and terrorism, from crime to altruism, from collective action to the nature of the self. In the long, discussion-paper version of his "Hockey Helmets" essay (1972), an index shows readers where to locate the many examples he uses along the way because, Schelling notes, they are what many readers most want to find.

Schelling unpacks concepts, rebuts simplistic solutions, expands the range of alternatives. "I am drawing a distinction, not a conclusion," he writes, prototypically, in an article on organizations. In this piece he distinguishes exercising from defining responsibility, standards that impose costs from those that do not, costs arising from an act from those prompted by the fear of that act, wanting to do the right thing from figuring out what the right thing is, discouraging what is wrong from doing what is right, and the firms of economic abstraction from businesses as "small societies comprising many people with different interests, opportunities, information, motivations, and group interests." Regarding an organization, he says, "It may be important to know who's in charge, and it may be as difficult as it is important" (1974, pp. 82, 30, 83).

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<sup>1</sup> An earlier classic on the strategy of conflict contained a similar sentiment: "Just as some plants bear fruit only if they don't shoot up too high, so in the practical arts the leaves and flowers of theory must be pruned and the plant kept close to its proper soil—experience" (Clausewitz 1976, p. 61).

Policy analysis à la Schelling means analysis that enriches. Through a combination of simplifying theory and elegant example, he forces us to realize that there are not one or two but a multiplicity of, say, military strengths, public goods, types of discrimination, nonviolent behaviors, actions that affect others, ways to value a human life. “My conjectures,” he says of his analysis of various kinds of organized crimes, “may at least help to alert investigators to what they should be looking for; unless one raises the right questions, no amount of hearings and inquiries and investigations will turn up the pertinent answers” (1971, p. 649). Not for him normal science’s quantitative demonstration that a qualitative point from simplifying theory cannot be rejected at the usual level of significance.

And not for him the policy recommendation of what might be called, “normal policy analysis.” Schelling is after enriching principles, and “principles rarely lead straight to policies; policies depend on values and purposes, predictions and estimates, and must usually reflect the relative weight of conflicting principles” (1966, p. vii).

In a little-known essay, Schelling reviews “the non-accomplishments of policy analysis” in fields from defense to energy to health to education. Policy analysis as customarily practiced has made so little difference because the usual paradigm is wrong.

If policy analysis is the science of rational choice among alternatives, it is dependent on another more imaginative activity—the invention of alternatives worth considering ...

The point I would make is that policy analysis may be doomed to inconsequentiality as long as it is thought of within the paradigm of rational choice...

[P]olicy analysis may be most effective when it is viewed within a paradigm of conflict, rather than of rational choice ... Analysing the interests and the participants may be as important as analysing the issue. Selecting the alternatives to be compared, and selecting the emphasis to be placed on the criteria for evaluation may be what matters, and the creative use of darkness may be as much needed as the judicious use of light. (1985, pp. 27-28)

What is the paradigm of policy analysis that Schelling rejects? The analyst is given the objectives, alternative actions, and perhaps constraints. The analyst then assesses the likely effects of the various actions. He or she calculates which alternative maximizes the objectives, and from this a prescription for action is derived.

This rejected paradigm conceives of the analytical problem as the leap from givens to prescriptions, for the “if” to the “then”. This conception borrows from economics. Under idealized assumptions, economic science is able to derive powerful statements about optimal courses of action. Seduced, the analyst may accept a lot of unrealistic restrictions on the “if” for the thrill of an unassailable “then”. But as Schelling points out, in real policy making the intellectual problem is often a different one: how to discover, how to be more creative about, the objectives, the alternatives, and the constraints. In other words, how to understand, expand, and enrich the “if”.

The rejected paradigm says that the policy maker’s problem is deciding among many given courses of action. Schelling’s version turns this radically around. The problem is understanding, indeed generating, the objectives and the range of alternatives. Once policymakers have done that, they usually do well at making decisions. They are already pretty good at the “then” part; they may need help on the “if”.

On this view, policy analysis provides not so much a set of answers that politicians should adopt and bureaucrats implement, but a set of tools and examples for enriching the appreciation of alternatives and their consequences.

This conception of policy analysis has another implication that has to do with the lamentable reluctance of politicians to adopt and bureaucrats to implement the excellent advice of policy analysts. Under the standard paradigm, it is at first baffling why one’s optimal advice is not pursued—until one notes that, unlike oneself, policymakers and bureaucrats have selfish agendas. Aha.

But to the policy analyst clued in by Thomas C. Schelling, the resistance of politicians and functionaries may mean more. Politicians’ resistance may be a sign that the analyst does not understand the operative “objective functions.” Bureaucrats’ resistance may indicate that the analyst has more to learn about the alternatives and constraints. In most real policy problems, the objectives, alternatives, and constraints are not “given.”

So, when confronted with the apparently stupid or self-serving reluctance of the real world to heed our advice, we should listen carefully and learn. The words and actions of the politicians and the bureaucrats may provide invaluable clues for appreciating what the objectives and alternatives really are and might be. And, after listening, our task as analysts is to use theoretical tools and practical examples to expand and enrich their thinking about objectives, alternatives,

and consequences. At least part of the failure of standard policy analysis to make a difference stems from the way many analysts conceive of “answers” in public policy.

Schelling’s style is as distinct as his enriching objective. His papers are essays in the first person, packed with care and taste and touches of humor.

Sometimes promises are enforced by a deity from which broken promises cannot be hidden. “Certain offenses which human law could not punish nor man detect were placed under divine sanction,” according to Kitto. “Perjury is an offense which it may be impossible to prove; therefore it is one which is particularly abhorrent to the gods.” This is a shrewd coupling of economics with deterrence: if divine intervention is scarce, economize it by exploiting the comparative advantage of the gods. If their intelligence system is better than that of the jurists, given them jurisdiction over the crimes that are hardest to detect. The broken promises that are hardest to detect may, like perjury, fall under their jurisdiction. But be careful not to go partners with anyone who does not share your gods. (1989, p. 118)

Stylistically as well as substantively, Schelling recasts the predominant paradigm of policy analysis. He is an enricher of the “if,” a catalyst for one’s own creativity. In what he writes and how, he is aware of the importance of intangibles like perceptions, inclinations, and will—in the policy maker and in the reader as well.<sup>2</sup> Policy analysis in the Schelling style tries to unpack the concept under discussion, even an emotively loaded one; one disaggregates and reclassifies. One approaches a sensitive subject by highlighting not the moral failures of individuals but the structural failures of information and incentives. One uses a simplifying theory to obtain, not an optimizing model under restrictive assumptions, but a framework that stimulates the creativity of policy-makers and managers in their varied and unique circumstances.

## **References**

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<sup>2</sup> A military example of this theme: “[W]e are necessarily dealing with the enemy’s intentions—his expectations, his incentives, and the guesses that he makes about our intentions and our expectations and our incentives ... This is why so many of the estimates we need for dealing with these problems relate to intangibles. The problem involves intangibles. In particular, it involves the great intangible of what the enemy thinks we think he is going to do” (Schelling 1964, p.216)

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