

# The economics of reclining your airplane seat aren't so simple

By James Johnson

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Social scientists often advance statistical analyses that are hedged about with confidence intervals or theoretical arguments that trade upon precise initial conditions. Unfortunately, journalists are apt to invoke such analyses in ways that ignore such qualifications. In a recent post Josh Barro provides an example by misinterpreting one theoretical argument commonly known as “the Coase Theorem.”

Barro is commenting on a fracas aboard United Airlines flight 1462 last week. One passenger attached an apparatus to the seat in front of him preventing the woman occupying that seat from activating its recline function. When asked by a flight attendant to remove the apparatus the man refused. This caused mayhem that resulted in the pilot diverting the flight so that both passengers could be removed from the plane and reported to the authorities.

Barro declares himself a frequent flier and unrepentant recliner. He seems genuinely perplexed by the animus toward people like himself, reflected in media commentary, this fracas reveals. In his defense Barro invokes the “Coase Theorem” which, he believes, provides useful advice for how to avoid situations like the one that erupted on United 1462. He poses this question: “If sitting behind my reclined seat was such misery, if recliners like me are ‘monsters,’ as Mark Hemingway of The Weekly Standard puts it, why is nobody willing to pay me to stop?” Unfortunately for Barro, the Coase Theorem does not support the conclusion he draws. If we consider what the Coase Theorem actually says, we won’t be surprised either by the events on United 1462 or by the fact that no one offers Barro money to change his reclining ways.

The theorem in question is named after Ronald Coase, who won the Nobel Prize in 1991 for his work highlighting the importance of “transaction costs” for understanding how political and economic institutions emerge and operate. Coase’s basic insight was that market transactions are costly. The costs accrue from activities such as searching out trading partners, negotiating and drafting contracts, and monitoring compliance with negotiated agreements. Many economists interpret political and legal institutions as ways of minimizing such costs.

Coase is best known for the argument he makes in “The Problem of Social Cost.” There he examines the indirect consequences — commonly known as externalities — of economic interaction. He argues that in the absence of transaction costs, if economic exchange generates harmful indirect consequences the individuals involved can bargain their way to an agreement that will resolve their dispute. The resulting agreement will have three remarkable features. First, it will not rely on centralized political or legal institutions. Second, it will be *invariant*, meaning that the individuals will reach the same agreement regardless of how the initial distribution of property rights might assign liability for the externality. Finally, it will be *efficient*, in the sense that it maximizes what Coase calls “total social product.”

Coase's argument appears to generalize the virtues of decentralized market exchange, namely voluntary action generating efficient outcomes, to situations of strategic interdependence where markets tend to function poorly, if at all. For it to work, however, two conditions must hold. First, the initial distribution of property rights must be well defined. Second, transaction costs must be zero. This is where Barro goes astray. In the dispute between recliners and reclined upon, neither condition obtains.

Barro recognizes the first condition. He insists that, having purchased a seat with a recline option, passengers "own the right to recline." Consequently, by installing an apparatus on the seatback in front of him, the man on United 1462, "usurped his fellow passenger's property rights." This claim is contestable. What is at issue is increasingly limited space and access to it. And if crew member instructions provide any indication, passengers "own the right" to the space under the seat in front of them where they are told to place their carry-on items. Recliners limit the reclined-upon passenger's access to that space and any belongings stowed there. Moreover, passengers purchase a seat with a tray table and arguably "own the right" to use it for a variety of purposes. Reclining often interferes with that right as well. The airlines and the government treat recline function and tray tables as equivalent in their safety instructions: "In preparation for landing please make sure your tray table is stowed and your seat back is in the upright and locked position." Despite his confident assertion, Barro is mistaken to assert that property rights to space for airline passengers are well-defined.

Even if you accept Barro's view of property rights, what about transaction costs? Here Barro is sloppy. He depicts the dispute between recliners and reclined upon as one where "transaction costs are low." Coase, however, insists that for his argument to work, transaction costs must be zero. Not low. Zero. Yet the reclined upon face substantial transaction costs. Most obviously, information problems abound, even beyond the ambiguous distribution of property rights. It would be costly to discern which type of person they might be bargaining with. Are they sitting behind an inveterate recliner and who might turn belligerent if asked not to recline, even for a price? Is the passenger in front of them a moralist who will take offense at the very suggestion of treating one another as bargaining partners rather than relying on norms of decency and respect? Other such possibilities are plentiful. Barro simply dismisses such problems because it suits his claim that, if only they would try, the reclined upon could easily buy off recliners like himself.

In retrospect, Coase regularly speaks of "the so called 'Coase Theorem'" in order to distinguish his actual argument from interpretations like Barro's. Coase recognizes that we inhabit a world not of zero transaction costs, or even one that, as Barro imagines, is 'close enough,' but a world pervaded by them. Disputes between recliners and the reclined upon therefore would not surprise him. He surely would not suppose, as Barro does, that we might overcome such disputes by buying one another off in an informal, decentralized way. That is possible only in the fictional world of zero transaction costs. Instead, he would point out that it is crucially important to clearly assign property rights at the outset. That recommendation takes the onus off passengers and places it squarely on the airlines who, after all, are the ones responsible not just for distributing property rights among passengers, but for putting increasing pressure on the space available to both recliners and those they recline upon.

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