

# The Economics of Transaction Costs

*Edited by*

**Oliver E. Williamson**

*Edgar F. Kaiser Professor of Business, Professor of Economics  
and Professor of Law, University of California, Berkeley, USA*

*and*

**Scott E. Masten**

*Louis & Myrtle Moskowitz Research Professor in Business and Law  
and Professor of Business Economics and Public Policy,  
University of Michigan Business School, USA*



**An Elgar Critical Writings Reader**  
Cheltenham, UK • Northampton, MA, USA

# Contents

---

<i>Acknowledgements</i>	vii
<i>Introduction</i> Oliver E. Williamson and Scott E. Masten	ix
<b>PART I BACKGROUND</b>	
1. R.H. Coase (1937), 'The Nature of the Firm', <i>Economica</i> , <b>IV</b> , November, 386-405	3
2. Oliver E. Williamson (1971), 'The Vertical Integration of Production: Market Failure Considerations', <i>American Economic Review</i> , <b>LXI</b> (2), May, 112-23	23
3. Armen A. Alchian and Harold Demsetz (1972), 'Production, Information Costs, and Economic Organization', <i>American Economic Review</i> , <b>LXII</b> , December, 777-95	35
4. R.H. Coase (1972), 'Industrial Organization: A Proposal for Research', in Victor R. Fuchs (ed.), <i>Policy Issues and Research Opportunities in Industrial Organization</i> , New York: National Bureau of Economic Research, 59-73	54
<b>PART II APPARATUS</b>	
5. Benjamin Klein, Robert G. Crawford and Armen A. Alchian (1978), 'Vertical Integration, Appropriable Rents, and the Competitive Contracting Process', <i>Journal of Law and Economics</i> , <b>XXI</b> (2), October, 297-326	71
6. Oliver E. Williamson (1991), 'Comparative Economic Organization: The Analysis of Discrete Structural Alternatives', <i>Administrative Science Quarterly</i> , <b>36</b> (2), June, 269-96	101
7. Oliver E. Williamson (1983), 'Credible Commitments: Using Hostages to Support Exchange', <i>American Economic Review</i> , <b>73</b> (4), September, 519-40	129
8. Sanford J. Grossman and Oliver D. Hart (1986), 'The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration', <i>Journal of Political Economy</i> , <b>94</b> (4), August, 691-719	151
9. Oliver E. Williamson (1985), 'The Limits of Firms: Incentive and Bureaucratic Features', in Oliver E. Williamson, <i>The Economic Institutions of Capitalism</i> , Chapter 6, New York: Free Press, 131-62 and references	180
10. Bengt Holmstrom and Paul Milgrom (1991), 'Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design', <i>Journal of Law, Economics, and Organization</i> , <b>7</b> , Special Issue, 24-52	214

**PART III APPLICATIONS**

11. Erin Anderson and David C. Schmittlein (1984), 'Integration of the Sales Force: An Empirical Examination', *Rand Journal of Economics*, **15** (3), Autumn, 385-95 245
  12. Scott E. Masten, James W. Meehan, Jr. and Edward A. Snyder (1991), 'The Costs of Organization', *Journal of Law, Economics, and Organization*, **7** (1), Spring, 1-25 256
  13. Paul L. Joskow (1987), 'Contract Duration and Relationship-Specific Investments: Empirical Evidence from Coal Markets', *American Economic Review*, **77** (1), March, 168-85 281
  14. Bruce R. Lyons (1994), 'Contracts and Specific Investment: An Empirical Test of Transaction Cost Theory', *Journal of Economics and Management Strategy*, **3** (2), Summer, 257-78 299
  15. Victor P. Goldberg and John R. Erickson (1987), 'Quantity and Price Adjustment in Long-Term Contracts: A Case Study of Petroleum Coke', *Journal of Law and Economics*, **XXX** (2), October, 369-98 321
  16. Scott E. Masten and Keith J. Crocker (1985), 'Efficient Adaptation in Long-Term Contracts: Take-or-Pay Provisions for Natural Gas', *American Economic Review*, **75** (5), December, 1083-93 351
  17. Roy W. Kenney and Benjamin Klein (1983), 'The Economics of Block Booking', *Journal of Law and Economics*, **XXVI** (3), October, 497-540 362
  18. Oliver E. Williamson (1976), 'Franchise Bidding for Natural Monopolies - in General and with Respect to CATV', *Bell Journal of Economics*, **7** (1), Spring, 73-104 406
  19. Victor P. Goldberg (1976), 'Regulation and Administered Contracts', *Bell Journal of Economics*, **7** (2), Autumn, 426-48 438
  20. Brian Levy and Pablo T. Spiller (1994), 'The Institutional Foundations of Regulatory Commitment: A Comparative Analysis of Telecommunications Regulation', *Journal of Law, Economics, and Organization*, **10** (2), Fall, 201-46 461
  21. Barry R. Weingast and William J. Marshall (1988), 'The Industrial Organization of Congress; or, Why Legislatures, Like Firms, Are Not Organized as Markets', *Journal of Political Economy*, **96** (1), 132-63 498
- Name Index* 531