

[Home](#) > [Handbook of New Institutional Economics](#) > Chapter

Transaction Cost Economics

| Chapter

| pp 41–65 | [Cite this chapter](#)



Handbook of New Institutional Economics

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:



- > **Store and/or access information on a device**
- > **Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

I begin by contrasting the lens of contract (out of which TCE works) with the lens of choice (orthodoxy). Vertical integration, which is the paradigm problem for TCE, is then examined. The operationalization of TCE is discussed in Section 3. Variations on a theme are sketched in Section 4. Public policy is discussed in Section 5. Concluding remarks follow.

 This is a preview of subscription content, [log in via an institution](#)  to check access.

Access this chapter

Log in via an institution →

Subscribe and save

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Manage preferences

- Compact, lightweight edition
- Dispatched in 3 to 5 business days
- Free shipping worldwide - [see info](#)

[Buy Softcover Book →](#)

Tax calculation will be finalised at checkout

Purchases are for personal use only

[Institutional subscriptions →](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Bajari, Patrick and Steven Tadelis. 2001. "Incentives Versus Transaction Costs: A Theory of Procurement Contracts". *Rand Journal of Economics* 32: 387-407.

[Article](#) [Google Scholar](#)

Barnard, Chester I. 1938. *The Functions of the Executive*. Cambridge, MA: Harvard University Press.

[Google Scholar](#)

Baron, James N. and David M. Kreps. 1999. *Strategic Human Resources: Frameworks for General Managers*. New York: John Wiley.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

———. 1987. "The Constitution of Economic Policy". *American Economic Review* 77: 243-250.

[Google Scholar](#)

———. 2001. "Game Theory, Mathematics, and Economics," *Journal of Economic Methodology* 8: 27-32.

[Google Scholar](#)

Buchanan, James M. and G. Tullock. 1962. *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. Ann Arbor, MI: University of Michigan Press.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

———. 1992. “The Institutional Structure of Production”. *American Economic Review* 82: 713-719.

[Google Scholar](#)

Crocker, Keith J. and Scott E. Masten. 1991. “Pretia ex Machina? Prices and Process in LongTerm Contracts”. *Journal of Law and Economics* XXXIV(1): 69-99.

[Article](#) [Google Scholar](#)

———. 1996. “Regulation and Administered Contracts Revisited: Lessons from Transaction-Cost Economics for Public Utility Regulation”. *Journal of Regulatory Economics* 8: 5-39.

[Google Scholar](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Friedman, Milton. 1962. *Capitalism and Freedom*, Chicago, IL: University of Chicago Press.

[Google Scholar](#)

Gely, Rafael and Pablo T. Spiller. 1990. A Rational Choice Theory of Supreme Court Statutory Decisions with Applications to the *State Farm* and *Grove City Cases*". *Journal of Law, Economics, and Organization* 6(2): 263-300.

[Google Scholar](#)

Georgescu-Roegen, Nicholas. 1971. *The Entropy Law and Economic Process*. Cambridge, MA: Harvard University.

[Google Scholar](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Holmstrom, Bengt and Jean Tirole. 1989. "The Theory of the Firm" in R. Schmalensee and R. Willig (eds.), *Handbook of Industrial Organization*. New York: Oxford University Press.

[Google Scholar](#)

John, George and Barton A. Weitz. 1988. "Forward Integration into Distribution: An Empirical Test of Transaction Cost Analysis". *Journal of Law, Economics, and Organization* 4(2): 337-355.

[Google Scholar](#)

Joskow, Paul L. 1985. "Vertical Integration and Long-Term Contracts: The Case of Coal-Burning Electric Generating Plants". *Journal of Law, Economics, and Organization* 1(1): 69-89.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Klein, Benjamin. 1988. "Vertical Integration as Organizational Ownership: The Fisher Body-General Motors Relationship Revisited". *Journal of Law, Economics, and Organization* 4 (1): 199-213.

[Google Scholar](#)

Leffler, Keith B. and Randal R. Rucker. 1991. "Transactions Costs and the Efficient Organization of Production: A Study of Timber-Harvesting Contracts". *Journal of Political Economy* 99 (5): 1060-1087.

[Article](#) [Google Scholar](#)

Levy, Brian and Pablo T. Spiller. 1994. "The Institutional Foundations of Regulatory Commitment: A Comparative Analysis of Telecommunications

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

———. 2000. “Econometrics of Contracts: An Assessment of Developments in the Empirical Literature on Contracting”. *Revue D’Economie Industrielle* 92: 215-236.

———. 1993. “United States versus United Shoe Machinery Corporation: On the Merits”. *Journal of Law and Economics* XXXVI(1) (Part 1): 33-70.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Mulherin, J. Harold (1986): "Complexity in Long-Term Contracts: An Analysis of Natural Gas Contractual Provisions". *Journal of Law, Economics, and Organization* 2(1): 105-117.

[Google Scholar](#)

Nelson, R. R. and S. G. Winter. 1982. *An Evolutionary Theory of Economic Change*. Cambridge: Belknap Press.

[Google Scholar](#)

Newell, A. and Herbert Simon. 1972. *Human Problem Solving*. Englewood Cliffs, NJ: PrenticeHall.

[Google Scholar](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Posner, Richard A. 1972. "The Appropriate Scope of Regulation in the Cable Television Industry". *Bell Journal of Economics* 3: 98-129.

[Article](#) [Google Scholar](#)

———. 1986. *Economic Analysis of Law*, 3rd edn. Boston: Little Brown.

[Google Scholar](#)

Priest, George L. 1993. "The Origins of Utility Regulation and the 'Theories of Regulation' Debate". *Journal of Law and Economics* XXXVI(1) (Part 2): 289-323.

[Article](#) [Google Scholar](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Salani é , Bernard. 1997. *The Economics of Contracts: A Primer*. Cambridge, MA: The MIT Press.

[Google Scholar](#)

Scott, R. W. 1992. *Organizations*. Englewood Cliffs, NJ: Prentice-Hall.

[Google Scholar](#)

Selznick, Philip. 1949. *TVA and the Grass Roots*. Berkeley, CA: University of California Press.

[Google Scholar](#)

———. 1950. "The Iron Law of Bureaucracy". *Modern Review* 3: 157-165.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

———. 1957b. *Models of Man: Social and Rational; Mathematical Essays on Rational Human Behavior in a Social Setting*. New York: Wiley.

[Google Scholar](#)

———. 1983. *Reason in Human Affairs*. Stanford, CA: Stanford University Press.

[Google Scholar](#)

———. 1991. "Organizations and Markets". *Journal of Economic Perspectives* 5: 25-44.

[Google Scholar](#)

Solow, Robert. 2001. "A Native Informant Speaks". *Journal of Economic*

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Werin, Lars. 2000. "Ronald Coase and the New Microeconomics" in Claude Menard (ed.), *Institutions, Contracts, and Organizations*. Northampton, MA: Edward Elgar, pp. 42-47.

[Google Scholar](#)

Williamson, Oliver E. 1975. *Markets and Hierarchies: Analysis and Antitrust Implications*. New York: The Free Press.

[Google Scholar](#)

———. 1976. "Franchise Bidding for Natural Monopolies—In General and with Respect to CATV". *Bell Journal of Economics* 7(1): 73-104.

[Google Scholar](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

———. 1994. "Evaluating Coase". *Journal of Economic Perspectives* 8: 201-204.

[Google Scholar](#)

———. 1996. *The Mechanisms of Governance*. New York: Oxford University Press.

[Google Scholar](#)

———. 1998. "Transaction Cost Economics: How It Works; Where It Is Headed". *De Economist* 146: 23-58.

[Google Scholar](#)

———. 1999. "Public and Private Bureaucracies". *Journal of Law Economics and*

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Author information

Authors and Affiliations

Department of Economics, University of California, Berkeley, CA, USA

Oliver E. Williamson

Editor information

Editors and Affiliations

Université de Paris, 106 Bd de l'Hôpital, 75647, Paris, France

Claude Ménard

The Ronald Coase Institute, 5610 Wisconsin Ave, 20815, Chevy Chase, MD, USA

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device


Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Publish with us

[Policies and ethics](#) 

Search

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)