

[Home](#) > [Transaction Cost Economics and Beyond](#) > Chapter

# Empirical Research in Transaction Cost Economics: Challenges, Progress, Directions

| Chapter

| pp 43–64 | [Cite this chapter](#)



## [Transaction Cost Economics and Beyond](#)

[Scott E. Masten](#)

 Part of the book series: [Recent Economic Thought Series](#) ((RETH, volume 48))

 373 Accesses  74 Citations

## Abstract

Reading the above quotations, one might reasonably conclude that no progress at all had occurred in the development and testing of transaction cost arguments in the interval between Fischer's and Simon's appraisals. But while Fischer may have been justified in his criticism, Simon clearly is not. Economists' initial pessimism about the prospects for deriving testable implications from transaction cost reasoning has turned out to be grossly misplaced. Theoretical advances beginning in the 1970s spurred a profusion of empirical research that continues unabated.

As recent surveys amply document (see Joskow, 1988; Shelanski, 1992; Crocker and Masten 1994), “the research that must be performed to estimate the exogenous parameters and to test the theory” is well underway.

“Transaction costs have a well-deserved bad name as a theoretical vice... [partly] because there is a suspicion that almost anything can be rationalized by invoking suitably specified transaction costs.”

S. Fischer, 1977 (as quoted in Williamson, 1979)

“Since [transaction costs] are typically introduced into the analysis in a casual way, with no empirical support except to appeal to introspection and common sense, mechanisms of these sorts have proliferated in the literature, giving it a very *ad hoc* flavor.... Until [the empirical research that must be performed to estimate the exogenous parameters and to test the theory empirically] has been carried out..., the new institutional economics and related approaches are acts of faith, or perhaps of piety.”

H. Simon, 1991



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

**Access this chapter**

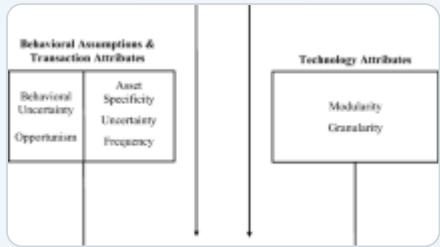
[Log in via an institution](#) →

[Institutional subscriptions](#) →

## Preview

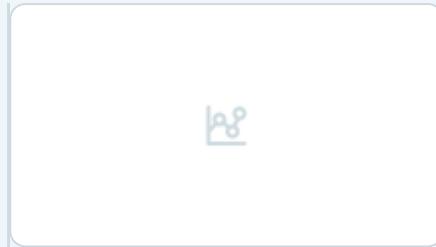
Unable to display preview. [Download preview PDF.](#)

## Similar content being viewed by others



### [Transaction cost theory: past, present and future](#)

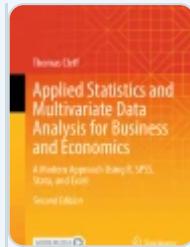
Article | 05 August 2019



### [Research note: an analytical perspective on market decisions and asymmetric cost behavior](#)

Article | Open access

07 February 2020



### [Statistics and Empirical Research](#)

Chapter | © 2025

## Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Behavioral Economics](#)

[Educational Research](#)

[Economic Psychology](#)

[Empiricism](#)

[Experimental Economics](#)

[Formal Reasoning](#)

## References

Anderson, E. and D.C. Schmittlien. 1984. "Integration of the Sales Force: An Empirical Examination." *Rand Journal of Economics*, 15, 3-19.

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

Brickley, J.A., F.H. Dark and M.S. Weisbach. 1991. "The Economic Effects of Franchise Termination Laws." *Journal of Law and Economics*, 34, April, 101-132.

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

Capon, N., J.U. Farley and S. Hoenig. 1990. "Determinants of Financial Performance: A Meta-Analysis." *Management Science*, 36, October, 1143-1159.

Campbell, D.T. and D.W. Fiske. 1959. "Convergent and Discriminant Validities." *Psychological Bulletin*, 56, 81-105.

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

Coase, R. 1960. "The Problem of Social Cost." *Journal of Law and Economics*, 3, October, 1-44.

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

Crocker, K.J. and S.E. Masten. 1988. "Mitigating Contractual Hazards: Unilateral Options and Contract Length." *Rand Journal of Economics*, 19, Autumn, 327-343.

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

—. 1991. "Pretia ex Machina? Prices and Process in Long-Term Contracts." *Journal of Law and Economics*, 34, April, 69-99.

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

—. 1994. "Regulation and Administered Contracts Revisited: Lessons from Transaction-Cost Economics for Public Utility Regulation" (mimeo).

[Google Scholar](#)

Crocker, K.J. and K.J. Reynolds. 1993. "The Efficiency of Incomplete Contracts: An Empirical Analysis of Air Force Engine Procurement." *Rand Journal of Economics*, 19, Spring, 126-146.

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

Davidson, W.H. and D. McFetridge. 1984. "International Technology Transactions and the Theory of the Firm." *Journal of Industrial Economics*, 32, 253-264.

Elickson, R. 1989. "A Hypothesis of Wealth-Maximizing Norms: Evidence from the Whaling Industry." *Journal of Law, Economics, and Organization*, 5, Spring, 83-97.

[Google Scholar](#)

Goldberg, V.P. and J.R. Erickson. 1987. "Quantity and Price Adjustment in Long-Term Contracts: A Case Study in Petroleum Coke." *Journal of Law and Economics*, 30, October, 369-98.

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

Heckman, J.J. 1979. "Sample Selection Bias as a Specification Error." *Econometrica*, 47, January, 153-161.

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

John, G. and B. Weitz. 1988. "Forward Integration into Distribution: An Empirical Test of Transaction Cost Analysis," *Journal of Law, Economics, and Integration*, 4, Fall, 337-355.

[Google Scholar](#)

Joskow, P.L. 1985. "Vertical Integration and Long-Term Contracts: The Case of Coal-Burning Electric Generation Plants." *Journal of Law, Economics and Organization*, Spring, 1, 33-79.

[Google Scholar](#)

—. 1987. "Contract Duration and Relationship-Specific Investments: Evidence from Coal Markets." *American Economic Review*, 77, March, 168-185.

[Google Scholar](#)

—. 1988. "Asset Specificity and the Structure of Vertical Relationships: Empirical Evidence." *Journal of Law, Economics, and Organization*, 4, Spring, 95-117.

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

Kenney, R. and B. Klein. 1983. "The Economics of Block Booking." *Journal of Law and Economics*, 26, October, 497-540.

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

Leffler, K.B. and R.R. Rucker. 1991. "Transactions Costs and the Efficient Organization of Production." *Journal of Political Economy*, 99, October, 1060-1087.

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

Maddala, G.S. (1983). *Limited-Dependent and Qualitative Variables in Econometrics*. Cambridge: Cambridge University Press.

[Google Scholar](#)

Masten, S.E. 1984. "The Organization of Production: Evidence from the Aerospace Industry." *Journal of Law and Economics*, 27, October, 403-417.

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

—. 1991. "The Costs of Organization." *Journal of Law, Economics and Organization*, 7, Spring, 1-25.

[Google Scholar](#)

—. 1994. "Transaction Costs, Mistakes, and Performance: Assessing the Importance of Governance." *Managerial and Decision Economics*, 14, March-April, 119-129.

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

— and K.J. Crocker. 1985. “Efficient Adaptation in Long-Term Contracts: Take-or-Pay Provisions for Natural Gas.” *American Economic Review*, 75, December, 1083-1093.

[Google Scholar](#)

Masten, S.E. and E..A. Snyder. 1993. “United States v. United Shoe Machinery Corp.: On the Merits.” *Journal of Law and Economics*, 36, April, 33-70.

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

—, J.W. Meehan and E.A. Snyder. 1989. “Vertical Integration in the U.S. Auto Industry: A Note on the Influence of Transaction Specific Assets. ”*Journal of Economic Behavior and Organization*, 12, 265-273.

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

Monteverde, K. and D.J. Teece. 1982a. “Supplier Switching Costs and Vertical Integration in the Automobile Industry. ”*Bell Journal of Economics*, 13, Spring, 206-213.

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

—. 1982b. “Appropriable Rents and Quasi-vertical Integration.” *Journal of Law and Economics*, 25, 321-328.

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

Mulherin, J.H. 1986. “Complexity in Long-Term Contracts: An Analysis of Natural Gas Pricing.” *Journal of Law, Economics and Organization*, 2, Spring, 105-108.

[Google Scholar](#)

Palay, T.M. 1984. “Comparative Institutional Economics: The Governance of Rail

Phillips, L.W. and R.P. Bagozzi. 1986. "On Measuring Organizational Properties of Distribution Channels: Methodological Issues in the Use of Key Informants." *Research in Marketing*, 8, 313-369.

Shelanski, H. 1991. "Empirical Research in Transaction Cost Economics: A Survey and Assessment." University of California, Berkeley, Department of Economics, December (mimeo).

Simon, H. 1991. "Organizations and Markets, " *Journal of Economic Perspectives*, 5, Spring, 25-44.

Williamson, O.E. 1975. Markets and Hierarchies. New York: Free Press.

—. 1979. "Transaction-Cost Economics: The Governance of Contractual Relations." *Journal of Law and Economics*, 22, October, 233-261.

—. 1985. *The Economic Institutions of Capitalism*. New York: Free Press.

# Editor information

---

## Editors and Affiliations

**Department of Economics, GRASP / Erasmus University Rotterdam, P.O. Box 1738, 3000 DR, Rotterdam, The Netherlands**

John Groenewegen

## Rights and permissions

---

[Reprints and permissions](#)

## Copyright information

---

© 1996 Kluwer Academic Publishers

## About this chapter

---

### Cite this chapter

Masten, S.E. (1996). Empirical Research in Transaction Cost Economics: Challenges, Progress, Directions. In: Groenewegen, J. (eds) Transaction Cost Economics and Beyond. Recent Economic Thought Series, vol 48. Springer, Dordrecht. [https://doi.org/10.1007/978-94-009-1800-9\\_3](https://doi.org/10.1007/978-94-009-1800-9_3)

[.RIS↓](#) [.ENW↓](#) [.BIB↓](#)

DOI	Publisher Name
<a href="https://doi.org/10.1007/978-94-009-1800-9_3">https://doi.org/10.1007/978-94-009-1800-9_3</a>	Springer, Dordrecht

Print ISBN
978-94-010-7302-8

Online ISBN	eBook Packages
978-94-009-1800-9	<a href="#">Springer Book Archive</a>

## Keywords

[Transaction Cost](#) [Organizational Form](#) [Petroleum Coke](#) [Transaction Cost Economic](#)  
[Governance Arrangement](#)

*These keywords were added by machine and not by the authors. This process is experimental and the keywords may be updated as the learning algorithm improves.*

## Publish with us

---

Policies and ethics 

## Search

Search by keyword or author



## Navigation

Find a journal

---

Publish with us

---

Track your research