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# Introduction<sup>1</sup>

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When the Committee awarded The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel to Ronald H. Coase in 1991, they referred to his two most cited papers ‘The nature of the firm’ (1937a) and ‘The problem of social cost’ (1960) as their main motivation for the award. Coase himself, in his lecture accepting the award (‘The institutional structure of production’, 1992) also focused on these two papers. There is a good reason for this: these two papers first developed the concept of transaction costs. Transaction costs are central to all modern analysis of the organizational arrangements needed to produce and deliver goods and services, and have progressively permeated numerous other areas of economic analysis, from the examination of costs and benefits of public policies and regulations to the study of the institutions in which economic activities are embedded. The 1960 paper also introduced the economic role of property rights, which became a central component in the law and economics research program.

However, this emphasis on ‘The nature of the firm’ and ‘The problem of social cost’, while understandable, does not do justice to the rich and extensive contributions of Ronald Coase. Instead it has obscured the numerous theoretical contributions that Coase developed over time, from his discussion of monopolistic and duopolistic behavior (1935, 1937b) and accounting (1938) to the marginal-cost pricing issue (1946) or the ‘Coase conjecture’ (1972b). It has also contributed to the widespread ignorance of the extensive empirical investigations that Coase pursued throughout his intellectual life (which continued far after he retired from teaching). His empirical studies provided the foundation for the core theories of the 1937 and 1960 papers, among others. In the case of the long neglected ‘The nature of the firm’ (Coase 1972a), we know its empirical background better, thanks to a paper Coase wrote explaining the origins of his ideas (1988b), and which led Coase to develop his arguments about the correct interpretation of the integration of Fisher Body into General Motors. The story of how the 21-year-old Coase conceived of the idea of a trade-off between markets and firms in the allocation and coordination of resources during his 1931–32 visit to numerous US firms while on a Cassel travelling grant is now common knowledge. Similarly, those familiar with the 1960 paper are aware of the role played by Coase’s earlier assessment of the

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nature and role of the Federal Communications Commissions (1959) in the development of 'The problem of social cost.' Less known is that these analyses were only the tip of the iceberg. Coase had devoted hundreds of pages to the analysis of the broadcasting industry. He put similar effort into numerous other contributions, from the statistical analysis of the pig cycle (Coase and Fowler 1935) and published accounts (with Edwards and Fowler – 1938, 1939), to the study of the provision of public utilities such as gas and electricity (1950, 1970). His empirical study of English lighthouses (1974) is, of course, one exception to the general ignorance of Coase's large body of empirical work. Another dimension of Coase's work that is largely ignored is his contributions to the history of economic thought as well as his reflections on the practice of economics – see his collected essays from 1994.

Our book extensively reviews most, if not all, of these numerous contributions. Its perspective is less one of homage to a thinker who opened or deeply renewed several domains of research, from industrial organization and organization theory to the analysis of regulation, public economics, environmental economics, law and economics, etc., than an assessment of the richness of his contributions with an eye to future research on the different questions, puzzles, and black boxes that Coase opened. Our contributors have not hesitated to point out flaws and debatable views taken by Coase, who was a man of strong opinions. Indeed, Coase was also a polemicist and an excellent debater, as revealed by many contributions in this book. And he remained so until the very end of his life, as illustrated by the perspective he developed in favor of a new approach to institutions and organizations or in his critical assessment of the Chinese economic revolution in the book he co-authored (Coase and Wang 2012) and that was published when he was 102!<sup>2</sup>

The diversified and high quality of the contributions to this book illustrates and substantiates these different facets of Coase's work, and go far beyond 'The nature of the firm' and 'The problem of social cost.' Part I (Shirley; Thomas; Williamson) posits Coase in relation to his time and to other influential economists. Part II (Arrow; Evans and Guesnerie; Allen and Barzel; Drobak; Libecap; Pratten) revisits the foundations of the analyses developed by Coase. The following sections are organized along a structure suggested by Coase himself in *The Firm, the Market, and the Law* (1988a). Part III (Brooks; Freeland; Foss, Foss and Klein; Mulherin; Ménard) is about his contributions to organization theory, including the theory of the firm. Part IV (Gul; Nye; Hazlett; Groenewegen and de Vries; Moszoro and Spiller; Wang) explores and discusses some less well-known aspects of the Coasean approach to markets and regulation. Part V concludes with several contributions (Medema; Arruñada; Bertrand; Farrell;

Farnsworth) that provide refreshing views on Coase's approach to property rights and the law.

All together, these different chapters throw original light on some well-known aspects of Coase's contributions, and also provide new insights on aspects that have been neglected or even ignored. Even more importantly, they provide numerous views on perspectives opened by Coase that remain to be explored.

To conclude we thank all contributors for having accepted to be part of this demanding project and for having gracefully submitted to a systematic and often exacting revision process. We are also very grateful to the reviewers, who did a wonderful job in pointing out obscurities and flaws and in making positive suggestions that greatly improved the quality of this book. Of course, as it is usual to mention in papers but is also fully relevant here, the editors remain fully responsible for gaps and omissions in the selection of topics developed in the chapters that follow.

## NOTES

1. We are grateful to Mary Shirley for very helpful comments and suggestions on this introduction. All misinterpretations and errors remain ours.
2. An extended bibliography of Coase has been established by Alexandra Benham and can be found at: <https://www.coase.org/coasepublications.htm>.

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