

Boundaries of the firm and intellectual production - a critique of transaction costs economics

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Abstract

In this paper I explore the relevancy of the transaction cost economics (TCE) framework, represented by Coase and Williamson, for explaining the boundaries of the firm in intellectual production. I argue that at least when it comes to intellectual production the way Williamson and Coase understands the working of the price mechanism and market is not sufficient, which in turn has consequences for when a firm should 'make or buy' a good or service. Moreover, I point to that the potentials for opportunism is not reduced by vertical integration when it comes to intellectual production since intellectual production is difficult to monitor. On the other hand central concepts as opportunism, bounded rationality and economising are useful analytical tools also for intellectual production.