

TABLE OF CONTENTS

Chapter	Page
Preface	v
1. The Firm and Its Organization	1
1.1. Market Exchange	1
1.2. Monopolistic Competition	4
1.3. Contractual Relations	6
1.4. Internal Organization	8
1.5. Organizational Design	10
1.6. Nature of the Study	16
2. Welfare and Inefficiency	21
2.1. The Managerial Milieu and Welfare	21
2.2. The Neoclassical Paradigm	25
2.3. The Baumol Firm	31
2.4. External Constraints and Fixed Costs	38
2.5. Discretionary Managerial Behavior	44
2.6. Managerial Inefficiency	50
3. Efficiency of Organizational Decisions	53
3.1. Organization and Welfare	53
3.2. Internal Pressure and Cost	55
3.3. External Pressure and Efficiency	59
3.4. Basic Model	64
3.5. Conditions for Organizational Efficiency	68
3.6. Emergence of Inefficiency	69
3.7. Conclusion	74
4. Quality of Products	77
4.1. The Issues	77
4.2. Durability of Products	79
4.3. Ex Post Demand as Standard	85
4.4. Demand for Quality	88
4.5. Quality Preference and Efficiency	91
4.6. Conclusion	94

5.	Search Costs, Advertising and Welfare	95
5.1.	The Issues	95
5.2.	Conventional Wisdom	99
5.3.	Search Costs	105
5.4.	Efficiency of Advertising Revisited	111
5.5.	Conclusion	119
6.	Transaction Costs and Vertical Integration	121
6.1.	Vertical Integration and Welfare	121
6.2.	Internal and External Pressure	123
6.3.	Costs and Efficient Integration	126
6.4.	Conditions for Efficiency	132
6.5.	Emergence of Inefficiency	134
6.6.	Conclusion	139
7.	Inventory Decisions	142
7.1.	The Basis for Inventory Holding	142
7.2.	Impact of Inventories on Welfare	146
7.3.	Marginal Concepts	149
7.4.	Welfare Maximization	154
7.5.	Other Sources of Inefficiency	158
7.6.	Multiperiod Generalization	161
7.7.	In Retrospect	165
8.	Hierarchical Organizations	167
8.1.	A Change in Emphasis	167
8.2.	Size and Organization	171
8.3.	The Basic Model	172
8.4.	Choice of the Firm Size	175
8.5.	Compliance and Management	176
8.6.	Conclusion	178
9.	Information, Monitoring and Incentives	180
9.1.	The Issues	180
9.2.	Basic Response to Information Asymmetry	183
9.3.	Welfare Maximization	186
9.4.	Budgets and Contracting	188
9.5.	Monitoring the Group	191
9.6.	Incentives and Organizational Behavior	197
9.7.	Conclusion	199

10.	In Retrospect	202
10.1.	Technical Inefficiency Revisited	202
10.2.	Economic Inefficiency Revisited	206
10.3.	Other Conceptual Problems	210
Bibliography		213
Index		226