FOREVER CONTEMPORARY: 
THE ECONOMICS OF RONALD COASE

EDITED BY CENTO VELJANOVSKI

with contributions from

PHILIP BOOTH
STEPHEN DAVIES
MICHAEL MUNGER
MARK PENNINGTON
MARTIN RICKETTS
ALEX ROBSON
NICOLA TYNAN
CENTO VELJANOVSKI

iea
Institute of Economic Affairs
CONTENTS

The authors ix
Foreword xiv
Summary xxvi

1 Introduction 1

Cento Veljanovski
A short biography 1
Coase's approach 3
What of the future? 6
Contributions 8

2 The economics of Ronald Coase 14

Cento Veljanovski
What Coase did 14
Coase's impact 23
New Institutional Economics (NIE) 24
Economic analysis of law 28
Economics 31
Regulation 37
Antitrust 39
Spectrum: from wireless to mobile phones 42
Coase's legacy 44
3 Ownership, governance and the Coasian firm

*Martin Ricketts*

<table>
<thead>
<tr>
<th>The nature of the firm</th>
<th>46</th>
</tr>
</thead>
<tbody>
<tr>
<td>'Ownership' in the Coasian theory of the firm</td>
<td>49</td>
</tr>
<tr>
<td>The hazards of transacting</td>
<td>52</td>
</tr>
<tr>
<td>Competition and the selection of governance structures</td>
<td>57</td>
</tr>
<tr>
<td>Public policy towards the governance of enterprise</td>
<td>64</td>
</tr>
<tr>
<td>Conclusion</td>
<td>68</td>
</tr>
</tbody>
</table>

4 Coase's contributions to the theory of industrial organisation and regulation

*Alex Robson*

<table>
<thead>
<tr>
<th>Introduction</th>
<th>70</th>
</tr>
</thead>
<tbody>
<tr>
<td>The nature of the firm: implications for the theory of industrial organisation</td>
<td>73</td>
</tr>
<tr>
<td>Regulating utilities: the Coasean critique of marginal cost pricing</td>
<td>77</td>
</tr>
<tr>
<td>The hold-up problem: implications for regulation</td>
<td>80</td>
</tr>
<tr>
<td>Regulation and industrial organisation of the communications industry</td>
<td>83</td>
</tr>
<tr>
<td>The development of the radio broadcasting industry in Britain</td>
<td>85</td>
</tr>
<tr>
<td>The allocation of radio frequency spectrum in the United States</td>
<td>86</td>
</tr>
<tr>
<td>Conclusion</td>
<td>89</td>
</tr>
</tbody>
</table>

5 Coase on property rights and the political economy of environmental protection

*Mark Pennington*

<table>
<thead>
<tr>
<th>Introduction</th>
<th>92</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coase on the problem of social cost</td>
<td>94</td>
</tr>
</tbody>
</table>
Coasian analysis and the scope for environmental markets 100
Ethical objections to the extension of environmental markets 108
Conclusion 116

6 Coase and water 118

Nicola Tynan
Introduction 118
Clearly defined property rights 120
Integrated water resources management 124
Conclusion 136

7 The Coase research agenda: public goods, transaction costs and the role of collective action 137

Stephen Davies
Introduction 137
Was the lighthouse a public good? 138
Conditions for private provision 140
Coase’s research agenda 141
Bundling private with public goods 147
Coase’s way 159

8 Stock exchanges as lighthouses 160

Philip Booth
Lighthouses – what does not work ‘in theory’ works in practice 162
Financial regulation – what does not work ‘in theory’ works in practice 163
Private regulation and stock exchanges 166
‘Big bang’ and ‘deregulation’ 172