

Contents

<i>Preface and Acknowledgments</i>	<i>page ix</i>
Introduction	1
PART I. THE THEORY OF THE FIRM	
1 The Consumer	11
1.1 The Intermediation Hypothesis and the Scope of the Firm	12
1.2 Consumer Characteristics	26
1.3 Consumer Cooperation and Transaction Benefits	28
1.4 Consumer Coordination and Transaction Costs	35
1.5 Consumer Organizations and the Separation Criterion	40
1.6 Conclusions	61
2 The Firm	63
2.1 The Separation Criterion	64
2.2 Firms Create and Manage Markets	76
2.3 Firms Create and Manage Organizations	88
2.4 The Development of the Firm	102
2.5 The Social, Legal, and Political Context of the Firm	117
2.6 Conclusions	123
3 The Separation of Consumer Objectives and Firm Objectives	125
3.1 The Neoclassical Separation Theorem	127
3.2 The Separation Theorem with Price-Setting Firms	132
3.3 The Fisher Separation Theorem	136
3.4 The Fisher Separation Theorem with Price-Setting Firms	142
3.5 Conclusions	147

PART II. THE ENTREPRENEUR IN EQUILIBRIUM

4	The Entrepreneur	151
4.1	A Dynamic Theory of the Entrepreneur	153
4.2	The Entrepreneur’s Decisions and the Foundational Shift	163
4.3	Type I Competition: Competition among Entrepreneurs	175
4.4	Type II Competition: Competition between Entrepreneurs and Consumer Organizations	177
4.5	Type III Competition: Competition between Entrepreneurs and Established Firms	179
4.6	The Classical Theory of the Entrepreneur	186
4.7	Conclusions	196
5	Competition among Entrepreneurs	197
5.1	Set-Up Costs	198
5.2	Investment	205
5.3	Time Preferences	212
5.4	Risky Projects	214
5.5	Risk Aversion	219
5.6	Endowments and Incentives for Effort	223
5.7	Conclusions	226

PART III. HUMAN CAPITAL, FINANCIAL CAPITAL, AND THE ORGANIZATION OF THE FIRM

6	Human Capital and the Organization of the Firm	231
6.1	The Worker Cooperative versus the Firm	232
6.2	Hiring Workers with Diverse Abilities	237
6.3	Hiring with Moral Hazard in Teams	242
6.4	Market Contracts versus Organizational Contracts	247
6.5	Hiring by the Firm versus a Cooperative with Open Membership	256
6.6	Conclusions	262
7	Financial Capital and the Organization of the Firm	263
7.1	The Basic Model	264
7.2	The Corporation in Equilibrium	268
7.3	The Partnership in Equilibrium	276
7.4	Market Equilibrium and Organizational Form	283
7.5	Conclusions	290

PART IV. INTERMEDIATION BY THE FIRM

8	The Firm as Intermediary in the Pure-Exchange Economy	295
8.1	The Firm and Money	296
8.2	The Firm and the Absence of a Double Coincidence of Wants	302
8.3	The Firm and Market Clearing	308
8.4	The Firm and Time	310
8.5	The Firm and Distance	315
8.6	The Firm and Risk	322
8.7	Conclusions	328
9	The Firm versus Free Riding	329
9.1	The Firm and Economies of Scale	331
9.2	The Firm and Public Goods	347
9.3	The Firm and Common-Property Resources	355
9.4	Conclusions	362

PART V. MARKET MAKING BY THE FIRM

10	The Firm Creates Markets	367
10.1	Market Making and Matchmaking by the Firm: Overview	368
10.2	Market Making by the Firm versus Consumer Search	380
10.3	Matchmaking by the Firm versus Consumer Search	388
10.4	Competition between Market-Making Firms	391
10.5	Competition between Market-Making Firms: Characterization of Equilibrium	404
10.6	Conclusions	415
11	The Firm in the Market for Contracts	417
11.1	Contracts and Incentives to Invest: Firms Create Markets	419
11.2	Moral Hazard: Firm Management of Tournaments versus Bilateral Agency Contracts	440
11.3	Adverse Selection: The Firm Monitors Performance	447
11.4	Adverse Selection: The Firm Certifies Quality	451
11.5	Conclusions	456
12	Conclusion	458
12.1	The Firm	458
12.2	The Entrepreneur	460

Cambridge University Press
978-0-521-51738-6 - The Theory of the Firm: Microeconomics with Endogenous Entrepreneurs, Firms,
Markets, and Organizations
Daniel F. Spulber
Table of Contents
[More information](#)

viii	<i>Contents</i>	
12.3	The Intermediation Hypothesis	462
12.4	Markets and Organizations	463
	<i>References</i>	465
	<i>Author Index</i>	503
	<i>Subject Index</i>	511