Contents

List of Figures  ix
List of Tables  x
Preface  xiii

Part I  Agenda  1
1 Introduction  3
2 Preview: Small Forces, High Frequencies, and Large Firms  10

Part II  The Main Argument  31
3 Adaptation Costs in One Dimension: Firms, Contracts, and Price Lists  33
4 Adaptation Costs in Three Dimensions: Firms, Markets, and Contracts  58
5 All Adaptations Are Not the Same: The Scope of Firms and the Size of Markets  83
6 Resources and the Scope of the Firm  101

Part III  Implications  113
7 The Allocation of Asset Ownership  115
8 Communication within and between Firms  128
9 The Power of Incentives within and between Firms  150
10 Decision-Making in Large Organizations  161
## Table of Contents

### Part IV Empirical Tests

11 Bargaining Costs: Existence and Sub-Additivity 181
12 Adaptation Frequency and the Boundary of the Firm 201
13 Asset Ownership and Externalities 229

### Part V Foundations

14 Endogenously Incomplete Contracts 253
15 Multiple Equilibria and Firm Heterogeneity 272
16 On the Endogenous Amplification of Small Differences 284

### Part VI Postscript

17 Summary and Final Reflections 301

*Index* 303