



**Programa de Pós-Graduação em
Desenvolvimento Econômico – PPGDE
Universidade Federal do Paraná**

Texto para discussão PPGDE 2006/10

Negotiating Transaction Cost Economics: Oliver Williamson and his audiences

HUÁSCAR FIALHO PESSALI

Department of Economics
Federal University of Paraná, Curitiba, Brazil
E-mail: pessali@ufpr.br

&

RAMÓN G. FERNÁNDEZ

Fundação Getúlio Vargas – São Paulo, Brazil
E-mail : ramongf@fgvsp.br

PPGDE, UFPR

2006

Negotiating Transaction Cost Economics: Oliver Williamson and his audiences

HUASCAR F. PESSALI
(*Corresponding author*)
Federal University of Paraná, Brazil
pessali@ufpr.br

RAMÓN G. FERNÁNDEZ
Fundação Getúlio Vargas – São Paulo,
Brazil
ramongf@fgvsp.br

Abstract

The article studies the interaction between Oliver Williamson and his audiences in the construction of Transaction Cost Economics (TCE). His attentiveness to the feedback from different groups has played a major role in the success of TCE.

First we discuss briefly the relevance of rhetoric to the study of economics. Rhetoric stresses that economists talk not to a void, but to peers and lay people with their habits, interests, institutional conditionings and values. Using the toolbox of rhetoric we identify Williamson's intended audiences. Next we discuss his lists of claimed antecedents and the changes made therein. We explore how those (changing) connections could possibly have incited different audiences. In what follows, we use citation data to delineate his actual readers. This helps compare intended and actual audiences as we close with a discussion of Williamson's ability to modify his intended reader and widen the audience of TCE in the social sciences.

Introduction	1
1. The background: rhetoric and science making	1
2. Opening negotiations	3
3. Who will you negotiate with?.....	4
4. The credentials of the negotiator	11
5. Who is willing to negotiate?.....	13
Costs and benefits: are negotiations over? Some concluding remarks.....	17
References	18

Version of 31 March 2006.

7112 words

We thank Esther-Mirjam Sent, Geoff Hodgson, Arjo Klamer, Wilfred Dolfsma, and Uskali Mäki for discussing many of the arguments presented here on different occasions. We thank also the participants of the Rhetoric and Economics 2005 conference.

NEGOTIATING TRANSACTION COST ECONOMICS: OLIVER WILLIAMSON AND HIS AUDIENCES

Huáscar F. Pessali
&
Ramón G. Fernández

Introduction

In the early 1970s Oliver Williamson saw a revival of interest in institutions among economists. He gathered those scholars under the label of “New Institutional Economics” (NIE), a stream of thought that has gained room in academia and policy-making spheres ever since. Williamson was then launching his Transaction Cost Economics (TCE) research programme.

Williamson has been prolific in his endeavour. He has published many articles and three main books that he sees as his trilogy: *Markets and Hierarchies* (MH), *The Economic Institutions of Capitalism* (EIC), and *The Mechanisms of Governance* (MG). Those involved with economic organisation and studies of the firm can testify to the recognition attained by Williamson and his TCE project.

The thrust of TCE’s thriving story is surely manifold. Our focus, however, is placed on one aspect of it. Among the many social entities working over the recognition of a theory, we focus on the relation between the author and his audiences. We argue here that Williamson’s attentiveness to the feedback of diverse audiences in the social sciences has contributed to the wide recognition of TCE. To study the interaction between author and audiences we use insights from rhetoric (as the study of argumentation) and link them it with citation and bibliographical analysis.

First we discuss the relevance of rhetorical analyses to the study of sciences – in particular of economics. Applying rhetoric to economics is one way to call attention to the fact that economists talk not to a void, but to peers and lay people with their habits, interests, institutional practices and social milieus. We then move on to the identification of the audiences to which Williamson seems willing to talk. His claimed links to certain precursors and how those links could possibly have incited different audiences are the next topic. In what follows, we analyse citation data in search for the actual readers of Williamson’s trilogy. This helps compare intended and actual audiences before some concluding remarks are offered.

1. The background: rhetoric and science making

Aristotle defined rhetoric (1984:24) as “the faculty of observing in any given case the available means of persuasion.” The significance of rhetoric through history is made evident by

the works of the Sophists, Plato, Aristotle, Cicero, Lull, Quintilian, Augustine, Thomas Wilson and Adam Smith, himself a teacher of rhetoric.

Since Ramus and Descartes promoted the view that rhetoric was a sort of whipping cream on the cake of human knowledge, however, the discipline started to lose intellectual appeal. A scientific approach to the human understanding of the world came to prevail, resulting in a lack of interest in – many times a frontal opposition to – the study of rhetoric.

But rhetoric started to flourish again in the last half-century, reaching also the sciences. Nelson *et al.* (1987) identified this movement as “a rhetoric of inquiry.” The catching on of the works of Burke (1969) and Perelman & Olbrechts-Tyteca (1969) serve clearly as illustrations. As John Lyne (1998:4) noted, such a revival set off a literature on “the rhetoric of” and the discipline has made a way into fields that a few years ago believed themselves to be free of any rhetorical entity, as in the case of the so-called hard sciences.¹

To say that science is rhetorical is not to belittle it. As Bazerman (1988:321) said, “Persuasion is at the heart of science, not at the unrespectable fringe. An intelligent rhetoric practiced within a serious, experienced knowledgeable, committed research community is a serious method of truth seeking.” “Truth” here is to be understood as what McCloskey (1994:211) calls small-case truth, “the truth made rather than found” following our best and earnest efforts to build it, in contrast to big-case Truth, “found in God’s mind.” Rhetorical analyses help understand the ongoing matters of science making and can be fruitfully used in conjunction with other approaches (cf. Alan Gross 1996 and Randy Harris 1997b). Different traditions inform one another and it seems to be of little help to discuss for instance whether one is “thicker” or “thinner” than other “constructivist” approaches to the study of science.²

In the social sciences, the Project on the Rhetoric of Inquiry (also known as *Poroi*) at the University of Iowa played a key role in advancing research in the field. The study of the rhetoric of economics is one of the earlier efforts therein, triggered in the early 1980s by Deirdre McCloskey (1983, 1985) and Arjo Klamer (1984). In these 20 years, many have drawn on their work to explore different issues in economics.

The ancient rhetoric of Aristotle and, later, Quintilian had its main focus on the speaker or author (the rhetor). Modern studies on rhetoric (or “the new rhetoric”) pay closer attention to the role of audiences (Perelman & Olbrechts-Tyteca 1969:part I; Ancil 1987:263; Foss *et al.*

¹ Bazerman (1988), Fuller (1993), Gross (1996), Myers (1990) and Prelli (1989) are basic references. The anthology edited by Harris (1997a) is an apt introduction to the field.

² Authors such as Amariglio (1990), McCloskey (1994), Gerrard (1997) and Harris (1997b) argue that history, philosophy, sociology and rhetoric of science present significant overlapping. Scholars are meticulous people and keen to contribute with something unique, so one should expect differences to be explored.

1991:ch. 5; Fernández *et al.* 1997; Bianchi & Salviano 1999). Put bluntly, the point is that a rhetor has an audience (or a few) in mind when preparing an address. He or she inevitably faces social and intellectual conditionings or rhetorical situations (Gorrell 1997). Furthermore, rhetorical situations are changing entities by definition. As authors influence an audience, its very nature is changed. In parallel, social and intellectual settings can also change a rhetorical situation through their own changes or deliberations (Leonard 1997).

The audience implied may not be the one reached. The degree to which intended and actual audiences match is relevant to the decisions a rhetor takes on how to resume his addresses. In their turn, decisions made along the interaction with the audiences will influence the degree of recognition or adherence a rhetor will gain.

The analysis of Williamson's work follows this simple logic. Who he is trying to speak to, who reads or replies to his arguments, and some of the rhetorical devices he uses are some of the issues involved. We pay special attention to changes on the audiences he seems interested to reach with his trilogy. They are discussed in the light of changes occurred in his actual audience.

2. Opening negotiations

Delineating an *implied reader* is part of any rhetorical strategy (McCloskey 1994:117; 1998:19). Disregard for this simple precept is a common cause of communication failure and related problems. Authors, thus, usually employ a wide range of open resources for the sake of reaching their implied reader. The title of an article and the journal in which it appears are a clear case in point. References to other authors or schools of thought also help. In some cases, only a more detailed analysis of the assumptions and premises put forward by the author will portray a better image of the implied reader.³ In effect, more often than not authors make use of many of these opportunities.

While outlining an implied reader is not a maximising process free from uncertainty and bounded rationality, it is an even more important issue to someone proposing a new theoretical framework, as Williamson does in MH (p. xii). One would surely wish to reach as wide an audience as possible, considering the priorities of different groups and the underlying scarcity of attention. Who Williamson wants to talk to is thus a relevant matter likely to permeate his argumentation.

The list of references put forth by the author is a useful means to identify the implied reader (McCloskey 1994:220; Boulding 1971). To illustrate our case, we refer to an episode reported by Klammer (2000:2):

³ We follow this track elsewhere (Fernández & Pessali 2002).

The other day someone sent me a long manuscript.... [The author] had developed all kinds of theories.... His manuscript had no references because, so he assured me, the truth did not need references.... I then tried to point out that his work stood no chance if he did not try to relate it to what the people wrote with whom he wanted to communicate.

There are tacit rules for taking part in a conversation. One of them is to refer to other works in the field. Failure to abide by this rule may result in indifference or ostracism. The other side of the coin is that proper referencing can help gain attention and recognition within a research community.⁴ Mentioning a work suggests or discloses an intellectual relationship. This is also valid in cases of dissociational references, *i.e.* references used to aver one's work as opposed to someone else's.⁵

In practical terms, the bibliographical list of, say, MH tells us whose works Williamson considered worth reading and relating to his research project. In the metaphor of a conversation, the list shows the authors to whom he has listened and wants to talk back. The bibliographical lists, thus, can be a starting point in drawing a picture of Williamson's implied reader.

3. Who will you negotiate with?

In this exercise, each bibliographical item is separated into subject categories (law, economics, and organisation studies) and by year of publication.⁶ The degree in which the conversation in a given field is taken into account will be echoed in those lists, while the energy spent on talking back is to be found in his text. On balance, some positive correlation between "hearing from" and "talking to" is to be expected and a quantity-quality link is assumed here in a weak sense.⁷ Therefore, a correlation between the extent of references from a subject and their relevance to one's own work is held according to Klammer's tacit rule of participation.

⁴ Referees can compel authors to change – usually to enlarge – their lists of references (we thank Esther-Mirjam Sent for raising the issue). It is reasonable to assume, however, that such changes are rarely significant in magnitude. As we use books' lists of references, such influences are likely to be even weaker.

⁵ Although ranging from disapproval to complete accord, grading references depends not only on the writer's intention but on the reader's interpretation. References may require an extensive analysis of their own in order to be given any status, and "positive or negative" is arguably a poor set of qualifiers (Gilbert 1977, Cronin 1984). We avoid this hurdle by using references as "currency" or as a measure of recognition. Authors do not spend (much of) their time criticising a theory or author they reckon irrelevant, *i.e.* references hardly mean indifference.

⁶ Journal articles follow the Social Science Citation Index (SSCI) classification by subject area. Journals involving economics and other subjects were counted in economics. This bias tends to increase with time as the number of "economics & other subject" journals grows since the 1970s. Books were classified according to their titles, ISBN, and authors' professional background. These criteria were cross-checked with other indicators available, *e.g.* synopses, book reviews and previous publications.

⁷ Authors do not have constant interest in a subject over time and the "hearing from-talking to" flow is not necessarily constant. Lastly, "hearing from-talking to" can be a bridge between individuals as well as groups.

We start with MH. When the book comes out, Williamson is an economist publishing in prominent journals in economics.⁸ He highlights this context in the first pages of MH. The antecedents he mentions (listed in section 4 below), for instance, are all within the profession. He seems to be writing/speaking chiefly to economists. Statements such as “the study of which exchanges is the *familiar* object of microeconomic analysis” in the first paragraph of the preface (p. xi, emphasis added) help define his intended audience. To whom else than the economist would this be familiar? Who else would be able to recognise without need of further details some terms used in the book such as “*received* microtheory” and “*conventional* analysis?” In addition, he is concerned with calling the attention of economists to changes in the profession of economics (MH:1, emphasis added): “A broadly based interest *among economists* in what might be referred to as the ‘new institutional economics’ has developed in recent years.”

Williamson presents his views as different from what is familiar, conventional to or received by the economist. This is coherent with a decision to address his colleagues, for they are the ones that can assess and accept the claim that his insights may be more fruitful than the traditional analytical framework.

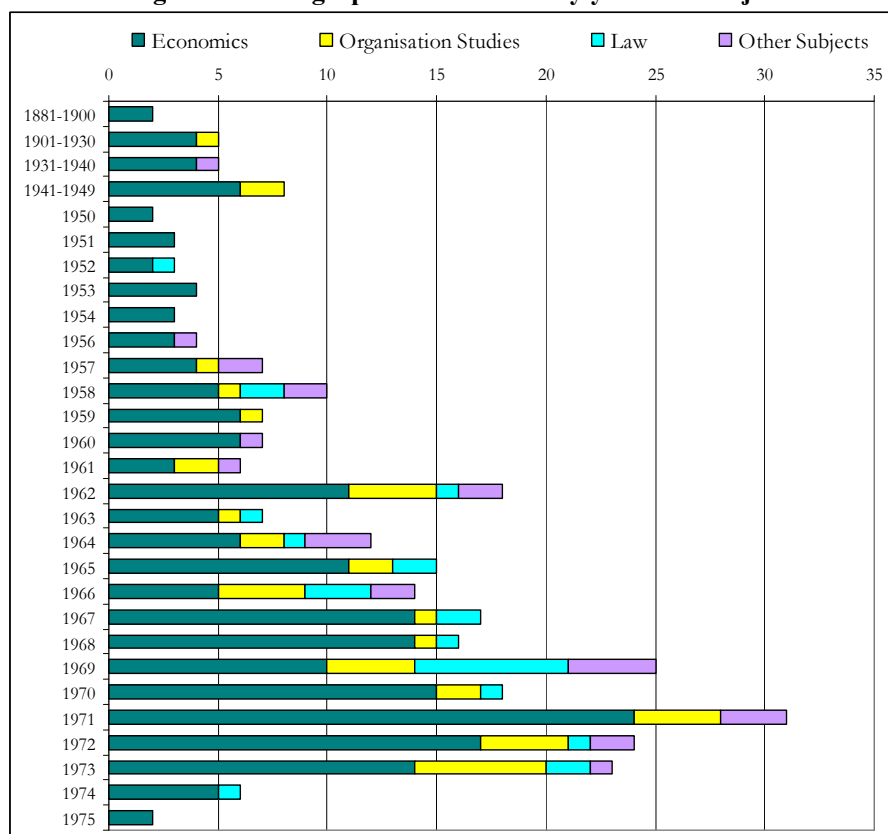
Accordingly, efforts to highlight the links with other areas of knowledge are rather discreet in MH. There is only a timid mention that his approach “is interdisciplinary in that it draws extensively on contributions from both economics and organization theory” (MH:7). Consider, for instance, the authors mentioned from organisation theory: the economist Thomas Schelling, the anthropologist Erving Goffman, and Herbert Simon, whose eclectic works hardly fit as typical of that field. To say that they have built a solid bridge with organisation theory can be easily disputed. Moreover, the works of Schelling and Simon, although unconventional, had already had an impact on economics. By mentioning their works, thus, Williamson seems to remind the reader that, despite the suggested interdisciplinarity, he stands firm as an economist and wants to talk mainly to his fellows.

Consider now Figure 1, where the bibliographical list of MH is detailed. References made to works from the 1950s onwards are clear majority (88% of the whole list). This represents what Kenneth Boulding called extended present (1971:226): “In any discipline we find controversy and interaction so that the present has to be defined by the period within which this interaction takes place, as indicated perhaps by the dates of the footnoted references.” It represents the time

⁸ He was awarded the Ford Foundation Prize for his doctoral dissertation, which was published as Williamson (1964). He was held as a key figure of the new managerial models of the firm (Koutsoyiannis 1979). His second book (Williamson 1970) reinforced that image.

range an author chooses to limit her discussion of current issues or in which she sees the emergence of a branch of literature that is significant to her purposes.⁹

Figure 1. Bibliographical list of *MH* by year and subject



Within *MH*'s extended present, works from economics dated from the mid 1960s stand out. According to Klaes (1998:221), "the second half of the 1960s marks the beginning of a continuous flow of transaction cost sources," a flow that swells vigorously in the 1970s. Williamson was well aware of the flow and trying to work with it.

As for the other subjects involved, differences between law and organisation studies deserve attention. The earliest works from organisation studies are older and more numerous than the earliest works from law. References to law works become more frequent (sequential years) for works dated 1962 and later, while for organisation studies the works are about five years younger. This may indicate that Williamson was reading and finding more links to his work among organisation scholars. This seems a safe choice. He had formally studied administrative sciences both at graduate and undergraduate levels, but never had formal instruction in law schools (Swedberg 1990).

⁹ See Quandt (1976:749) for evidence of the compression of the memory span of economics through the analysis of the extended present of the literature.

The manuscript described by Klamer ignored its pertinent audience and, for that very reason, was very likely to be ignored by them. In MH, Williamson makes references to recent works in three main disciplines: law, economics, and organisation studies. In doing that, he calls attention to his awareness of such developments and to his wish to communicate with scholars involved therewith. His interests are not evenly distributed, though. Economists appear clearly as the main target. They are followed by an apparent greater interest in the works of organisation scholars if compared to the works of law scholars. But a caution note needs to be flagged. In the corpus of MH Williamson does not stress the interdisciplinary character of his project.

MH propelled Williamson onto a higher recognition level in the economic profession. It also made inroads into other audiences, perhaps much beyond initial expectation (Pessali 2004). As a result, Williamson was before a crucial question: should TCE give more room to the demands of other conversations outside economics?

The answer comes in 1985 with EIC, where a new implied reader is to be found. Williamson now stresses rather often the interdisciplinarity of TCE. He widens the range of readers addressed as to include other social scientists. He states in the first paragraph (p. xi) that “Transaction cost economics owes its origins to striking insights – in law, economics and organization – in the 1930s.”¹⁰

Accordingly, the prologue of EIC tries to equate the inputs of those three areas. In a section named “1. Antecedents from the 1930s” there are three sub-sections simply called “1.1 Economics,” “1.2 Law,” and “1.3 Organizations.” The same structure is used in the next section “2. The Next Thirty Years,” which is divided into “2.1 Economics,” “2.2 The Law and the Evolution of Private Ordering,” and “2.3 Organization.”

Let us examine the scenario portrayed by the bibliographical list of EIC, as shown in Figure 2.

The bibliographical list of EIC differs in two aspects from MH’s. First, there are more references to older works. In MH there are 40 references anterior to 1950, while in EIC there are 66. If one considers the references with more than 25 years by the time each book was published, EIC beats MH by 118 to 40. In addition, older references are more variegated.

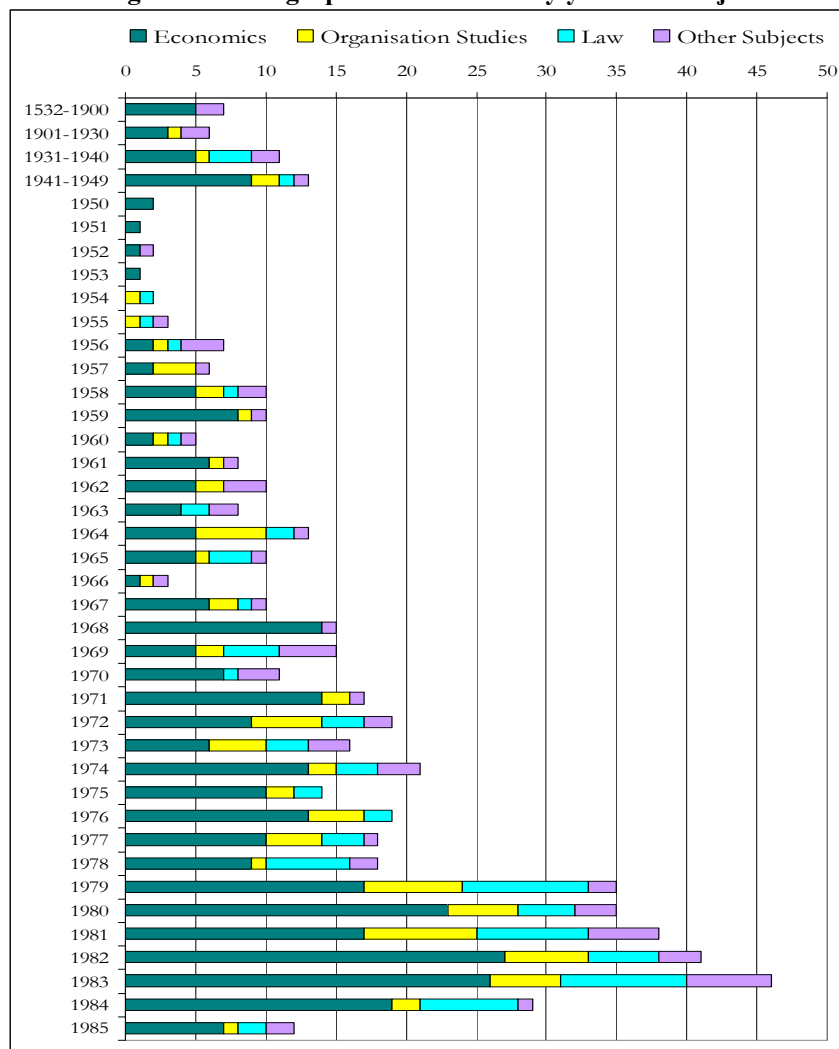
These features seem to relate to 1) a broader exploration of some classics and 2) an attempt by Williamson to relate his work to older traditions, either in an associative or in a dissociative sense. In addition, it may also indicate an attempt to rescue unfairly overlooked authors. Finally,

¹⁰ Also in 1985, the prestigious Yale University Press launched the *Journal of Law, Economics & Organization*, having Williamson as its co-editor.

different from MH, those older works in EIC come not only from economics but from law and organisation studies too. And there are still other older works coming from political science and sociology.

The second difference is that EIC's list as a whole is more multi-coloured. Other-than-economics works stand for a larger share, a case that is more evident in the bars for the latest years. References to newer works in EIC are more interdisciplinary than in MH, suggesting a greater effort to take TCE outside economics. In addition, aged references also relate to a broader array of subjects. Williamson may have sensed that a more interdisciplinary theory, thought to be of interest to more than a discipline or two in the social sciences, should seek wider foundations.

Figure 2. Bibliographical list of *EIC* by year and subject

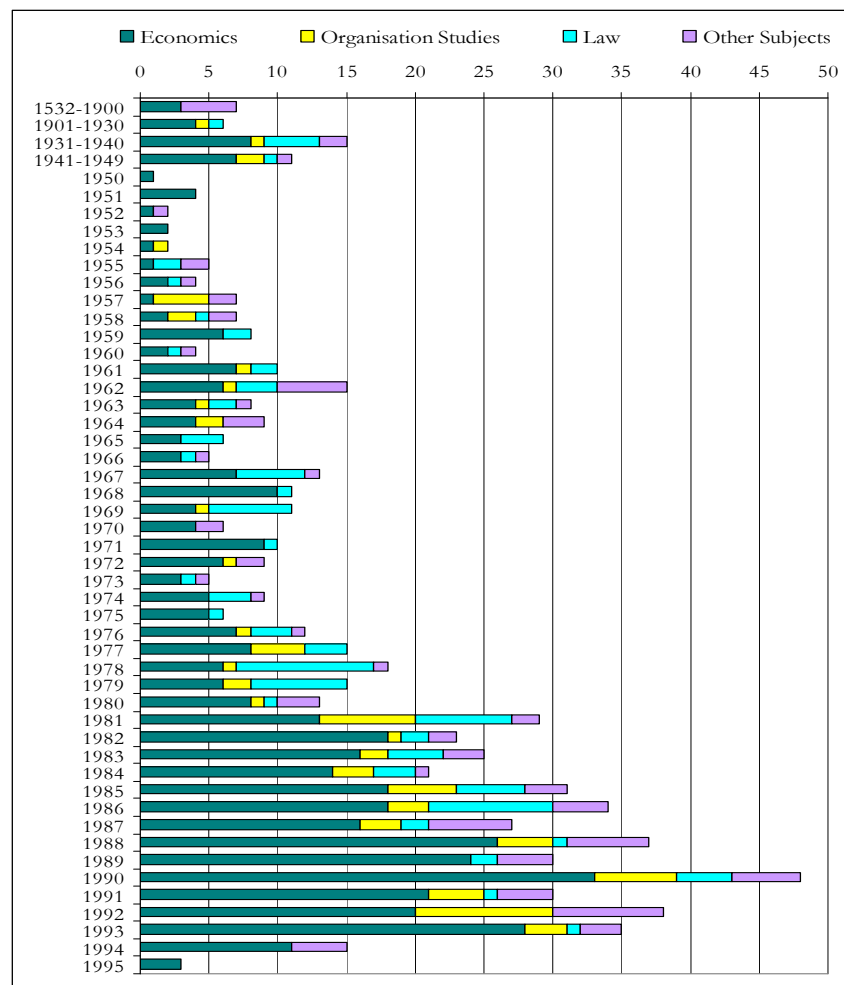


MG has a different nature. In this book, as Williamson argues, he is not trying to “set out the general approach and basic framework” of TCE, but rather to “extend the analysis of comparative economic organization” (MG:19). Accordingly, one should not expect Williamson

to pursue further rooting in the past. But if he is trying to extend his analysis, the obvious question is “where to?” In rhetorical terms, the question can be read as “what audiences are going to be addressed?”

In MG, Williamson claims that the interdisciplinarity of TCE has been accepted at large. He boldly says that the NIE – of which TCE is a part – “is the product of a movement whose time has come. The 1980s witnessed a revival of interest in institutions *throughout the social sciences*” (MG:ix, emphasis added). In this context, the part of the audience with which he has his strongest links, economists, may feel underrated. To prevent such a reaction, he tries to hedge himself by saying that NIE “is an interdisciplinary combination of law, economics and organization in which economics is the first among equals” (p. 3). What can the reference list of MG show on that respect? Figure 3 illustrates the case.

Figure 3. Bibliographical list of MG by year and subject



As expected, references in MG do not dig much further into the past. References to older works are similar in volume and nature to the ones in EIC. Williamson believes the bases of TCE

to be solidly established and chooses not to make further efforts into rooting TCE, a choice that reflects clearly in his bibliographical list.

On balance, even though references are more numerous in MG, they are not as updated as in the earlier two books.¹¹ Table 1 illustrates the case with further details.

Table 1. A comparison of details among the three bibliographical lists

	MH (1975)	EIC (1985)	MG (1996)
Works up to 10 years old	59.7%	51.3%	41.4%
Year of median reference (75 years period)	1967 (8 years old)	1976 (9 years old)	1983 (13 years old)
Year with more references	1971 (4 years old)	1983 (2 years old)	1990 (6 years old)

The up-datedness of the references in each book depends on the age of the collected works and whether or not they had been revised to publication. The average age of MG's collected papers is 4.9 years, against 3.2 in EIC and 2.5 in MH. If we exclude from the count the oldest article in each book, the new averages will be 4.2, 2.6, and 2 years. In the decade that followed EIC, Williamson was very prolific. He had newer material to include in MG, but decided not to do so.

All this could be read as a more flexible attitude towards up-to-datedness, one that may result from many possible causes (e.g. lack of time or patience, or a position of authority that can overlook new but marginal contributions without great costs). Readers can have diverse interpretations of the case. Some may not even notice the change. Some may notice that the discussion of a few recent works is missing and criticise Williamson for not taking them into account. Others may see the case as one of lack of spirit or energy and conclude that TCE is losing momentum. We offer a different reading of this situation. Authors arguably improve their mastery over both old and new sources as time passes by. The increase of citations per page shows that Williamson is still working on new material without putting the old sources away. Therefore, this move stresses the author's seniority (how else could he manage such an ample set of references?), reinforcing his *ethos* before the reader.

As for the disciplinary nature of references, economics never loses its post as their main source. The shares of other disciplinary sources, in their turn, fluctuate more. Works on law from the late 1970's, for instance, have some prominence, but newer works do not appear in MG as much as they did in EIC. Works from organisation studies, however, seem to have kept a steady

¹¹ The average number of references per page is 1.92 in MG, 1.39 in EIC, and 1.15 in MH.

presence in MG. In parallel, references to newer works from disciplines other than those three become a bigger part of the picture.

As a general point, the colourfulness of MG's list shows some resemblance to EIC's list, and thus contrasts with MH's. This indicates an increased effort by Williamson to show a wider interdisciplinarity over the trilogy.

4. The credentials of the negotiator

The Brazilian economist P ersio Arida (1996) has drawn a few patterns in the rhetorical situation of contemporary economics. They are: simplicity, coherence, comprehensiveness, generality, formalisation, reduction of metaphors, and recreation of tradition (pp. 38-42). The last one is particularly illuminating at this point. According to Arida (p. 42), the recreation of a tradition "is a rhetorical strategy that consists of reshaping the past so as to claim a certain tradition of thought for oneself, and isolate the opponent as deviating from the correct tradition." Traditions can be recreated in countless ways and recreating traditions is something economists do all the time as they try to offer better theories than the existing ones. Only a limited number, however, get recognised in the end.

Williamson in his trilogy does not develop lengthy critiques of his opponents. In its place, he allots relatively large pieces of the initial chapters to present the influences TCE has taken up along the way. In many cases, as Williamson tries to situate TCE in relation to other traditions, he puts himself as the heir of some unjustly overlooked economists and other social scientists. The authors he claims as his intellectual antecedents are potential bridges to particular audiences.

In the different books under focus, Williamson presents different scholars as his main influences. Connections between TCE and certain audiences are thus reshaped. Here we explore some possible implications of those changes. The antecedents listed in MH and EIC are outlined below in Table 2.¹² Names in italics are those present in both books.

Antecedents in MH are mainly economists, contrasting sharply with the more interdisciplinary list in EIC. From a bird's eye view, three major variations are clear: 1) the list of antecedents from economics contracts significantly; 2) the list of antecedents from organisation theory is almost fully reformed; 3) a new branch of antecedents from law is added.

¹² Williamson refers briefly to his intellectual influences in MG but suggests (p. 4) the reader should consult the previous books on this regard. This is why we confine our analysis to MH and EIC, where he allots especial sections to talk about his antecedents.

Table 2. A comparison of claimed antecedents

In Economics		In Organisation Studies		In Law	
MH	EIC	MH	EIC	MH	EIC
Akerlof		Goffman			Llewellyn
<i>Arrow</i>	<i>Arrow</i>	Schelling			Shulman
<i>Coase</i>	<i>Coase</i>	<i>Simon</i>	<i>Simon</i>		Cox
<i>Commons</i>	<i>Commons</i>		Barnard		Summers
<i>Hayek</i>	<i>Hayek</i>		Chandler		Macaulay
Hurwicz			M. Polanyi		Calabresi
Meade					
Samuelson					
Weisbrod					
Davis &					
Whinston					
Chicchetti &					
Freeman					
	Knight				

Consider the case of organisation studies. The business historian Alfred Chandler was not given a higher status in the earlier book. References to his works appear only in chapters 8 and 9 of MH. Just after MH was out, though, Chandler published his seminal *The Visible Hand* (Chandler 1977). This book seems to have had a hit on Williamson as he prepared EIC, as one can infer from its frequent use in support of the case studies of chapters 5 and 11.

In MH (chs 8 and 9) Williamson offered a TCE version of the evolution of firms from the *U* to the *M*-form of organisation, drawing upon Chandler's historical research. Perhaps that account was able to attract more attention than Williamson might have expected.¹³ As a result, Williamson could have been led to reconsider Chandler's contribution to his own writings. Notice, for instance, that Chandler's influence is acknowledgment in EIC (p. 239n26) but not yet in MH.

The inclusion of Chandler (and Chester Barnard and Michael Polanyi) contrasts with the fact that part of the literature mentioned in MH is ignored in EIC. Thomas Schelling is quoted only once in the latter book, with reference to a paper published in 1956. Although referred to in MH, Schelling's influential *The strategy of conflict* (1960) is not cited in EIC. Erving Goffman is not mentioned at all. One may suggest that, in any case, this literature is not exactly typical of organisation theory – even though economists may have imagined it to be.

This choice of names seems interesting as Williamson himself came to economics from organisation theory. In an interview to Richard Swedberg (1990) Williamson said he obtained his degree at the MIT in a programme that combined engineering and management. He then

¹³ McGuinness' (1987) presentation of Williamson's contribution to business history is a case in point.

went to Stanford to start a PhD in business administration and chose to finish it in the school of industrial administration at Carnegie Tech. When asked if he took courses in the social sciences he answered: “I took several courses in organization theory” (Swedberg 1990:117). Williamson’s familiarity with that field was arguably greater than the average knowledge held by his audience of economists. He could have introduced this literature to his readers (as he did in EIC with the literature in law), but he thought better instead to second-guess what the average economist believed organisation theory was about. As his prestige in the profession increased, this kind of concession became unnecessary. Moreover, as his influence on the field of organisation studies grew larger he also needed to show them that he was more familiar with the relevant literature.

As for law, Williamson could not find an influence that was sufficiently strong to be seen as an antecedent by the time he published MH. This happened despite the fact that he had already published in law journals before 1975. In fact, three of the researchers whose influence would be later acknowledged (Cox, Macaulay and Summers) are quoted and discussed in MH, but not raised to the status of antecedents.

The audience reached by MH was wider than Williamson first expected (see below). This may have encouraged him to pursue with more vigour a more interdisciplinary audience in his following book, a prospect in line with the way in which he rewrites his list of claimed antecedents.

5. Who is willing to negotiate?

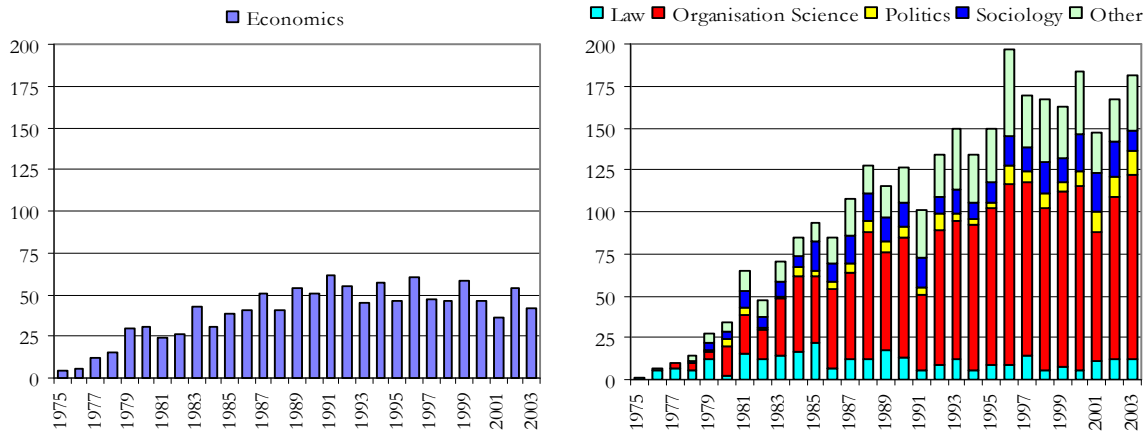
Following the study of Williamson’s implied reader in his trilogy, the task now is to identify his actual reader. Bringing the two together can give an idea of how sensitive Williamson was to the swings on his actual readers as he tried to adjust his implied reader.

To learn about the readers reached by the trilogy we look into citation data. Our source is the Social Science Citation Index (SSCI) database, which consists of citations made in journal articles published in the social sciences. Following the SSCI lists of subject area, we split citations to each book by subjects Williamson sees involved in TCE.¹⁴ The result illustrates the disciplinary structure of his actual audiences. Figure 4 shows the case for MH.

According to citation data, MH had an interdisciplinary reception. Until the 1980s, citations from economics kept up with the overall citations coming from other disciplines. From the early 1980s, however, economics sources are overtaken and by the end of the 1990s citations from other sources are three times more frequent.

¹⁴ Citations by articles in “economics & other subject” journals are counted in economics. See our note 6.

Figure 4. Citations to *MH* – economics and non-economics sources



Source: Social Science Citation Index, hard copy and electronic versions.

The growth of citations from organisation science journals is particularly striking. This is strong evidence that TCE has had a powerful impact upon scholars of that discipline. Citations from law journals show just the opposite pattern. Although with a relatively strong presence in the early years, they do retreat afterwards. One may argue that law journals are typically a North-American publication and as such are a limited source of citations. But, true as that may be, citations from law journals have not performed well since the mid-1980s. Other subjects as sociology and politics have kept a non-negligible share in the set and, in addition, the residual category has grown over the years and answers for a sustained share of citations.¹⁵

If it is reasonable to use citations as a proxy for the structure of Williamson’s actual audiences, then it can be said that the interest in *MH* has grown wider among social scientists. In a century in which partitions among the social sciences have increasingly raised barriers to interdisciplinary conversation and enquiry (Hodgson 2001; Mirowski 1990:254), attempts to cross the established boundaries have been scarce. And, indeed, not many have succeeded. In such a dearth, citation data point to *MH* as a work that puts TCE amid the few flourishing cases.

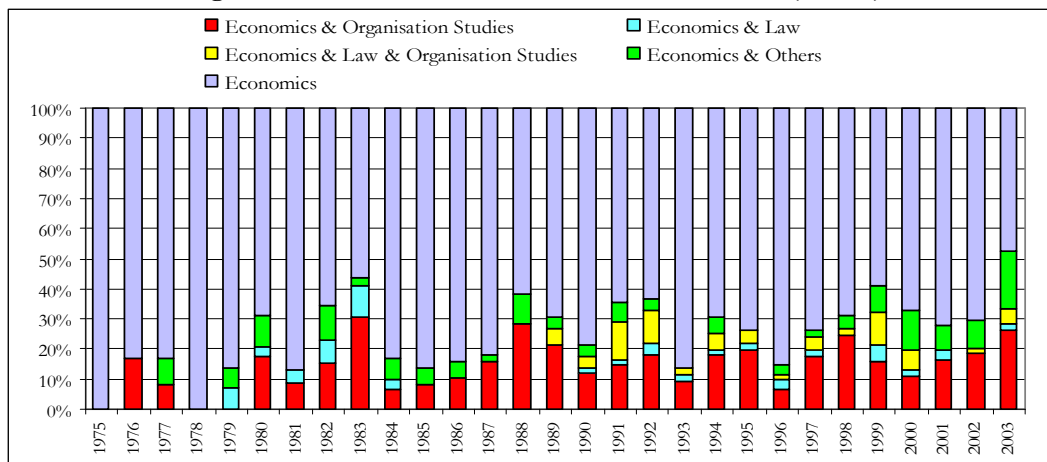
As the category “economics” includes sources that associate with other disciplines, further information can be retrieved by breaking down citations from economics journals according to the main interdisciplinary categories. The details for *MH* are shown in Figure 5.

Interdisciplinary sources hold significant shares here too and the link between TCE and organisation studies stands out. In contrast, as with citations from non-economics sources, citations from law and economics journals do not show the same resilience. In this case, however, it seems

¹⁵ “Others” include subjects like education, ethnology, social medicine, psychology and geography.

that since the late 1980s the *Journal of Law, Economics & Organization* serves as the main vehicle to works linking the three subjects.

Figure 5. MH – Citations sources within economics (shares)

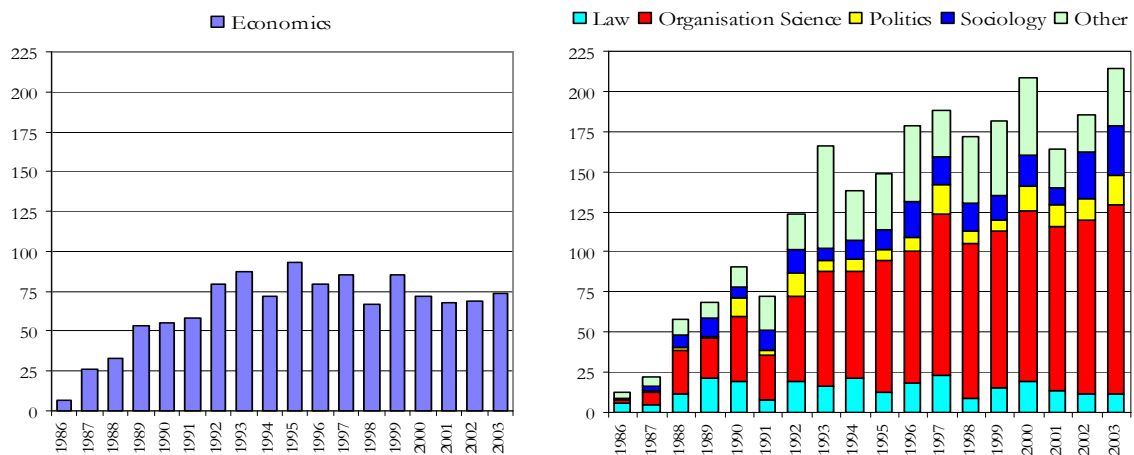


Source: Social Science Citation Index, hard copy and electronic versions.

The data show also that since its early years MH has been able to attract interest from beyond the link among the three main subjects. Journals bridging economics and history, statistics, politics and sociology, for instance, have been regular sources of citations to MH.

When EIC was published, Williamson had already made an impact on the social sciences with MH. In principle, the audience of MH was the most likely to have an immediate interest in EIC. To discuss this matter, let us examine Figure 6.

Figure 6. Citations to EIC – economics and non-economics sources



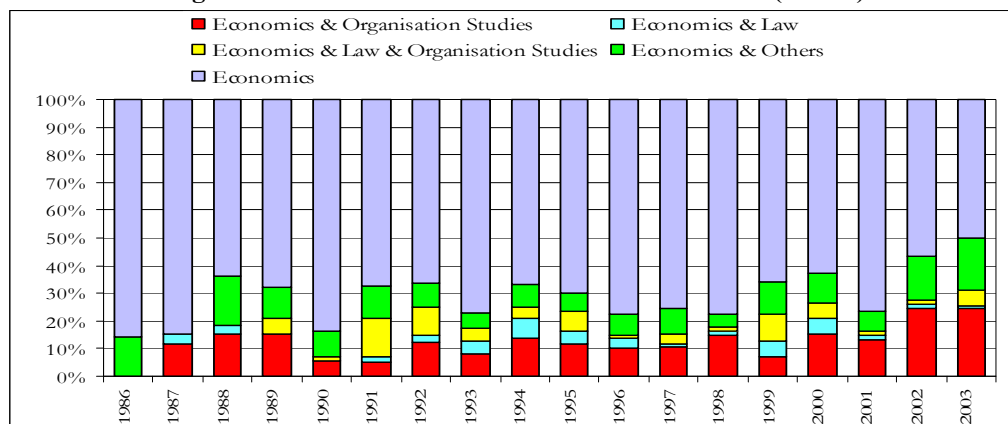
Source: Social Science Citation Index, hard copy and electronic versions.

According to citation data, the early reception of EIC resembles the year 10 of MH. In other words, the actual audiences of MH were arguably the first ones to use EIC. This means, at least,

that EIC was not made in a non-friendly tone to non-economists. In fact, according to our previous analysis, the case is precisely the contrary. In EIC Williamson feels more at ease to acknowledge influences from disciplines other than economics.

EIC reaches higher levels of citations than MH both from economics and from other sources, putting itself arguably as the new point of reference for TCE. The absolute number of citations from economics to EIC is slightly above those reached by MH. This, however, should not overlook the fact that citations from economics have been steady, if not showing a downward trend. Conversely, citations from non-economics sources have kept growing. Within economics, EIC also presents an interdisciplinary reception. Figure 7 illustrates the case.

Figure 7. EIC – Citations sources within economics (shares)



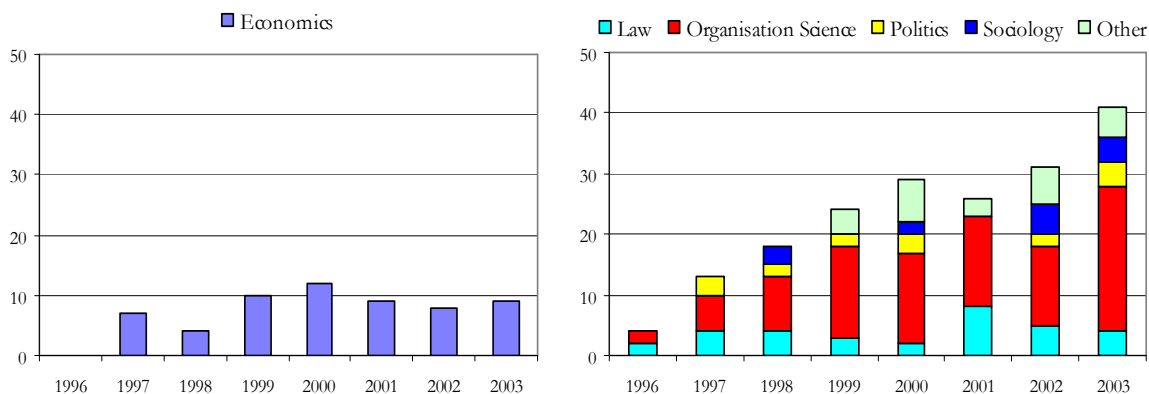
Source: Social Science Citation Index, hard copy and electronic versions.

The alliance of law, economics, and organisation studies is the main source of citations to EIC. The share of interdisciplinary sources seems to be slightly smaller than in MH. Perhaps the new generations exposed to TCE through EIC have experienced a narrower discipline of economics (Blaug 1999; Hodgson 2002). As a result, they may feel less encouraged to publish a work that involves economics and something else in a primarily economics journal, turning to other journals instead. But, still, EIC seems to consolidate the interdisciplinary audience of TCE.

To recap, both MH and EIC managed to call attention of scholars outside economics, although the first probably less deliberately than the second. In addition, there seems to have been substantial overlap between the audiences of MH and EIC.

Consider now the case of MG, with the help of Figure 8.

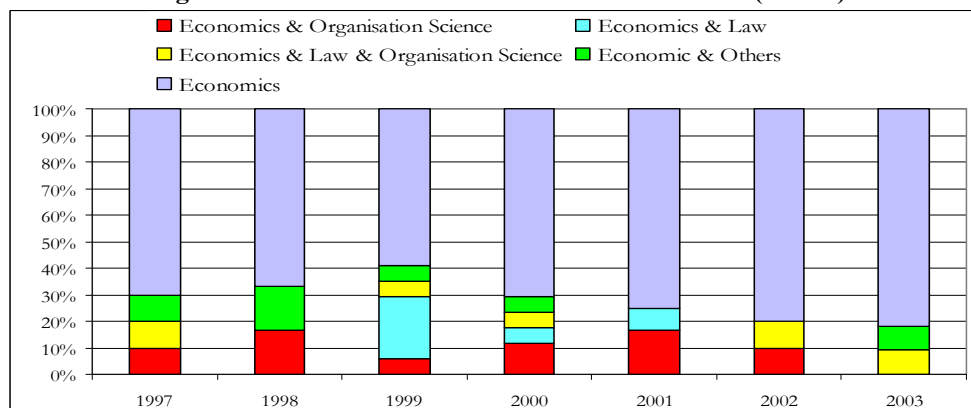
Figure 8. Citations to *MG* – economics and non-economics sources



Source: Social Science Citation Index, electronic version.

Again, there seems to be a relatively wide reception for Williamson’s new work among non-economists. As a collection of unaltered articles *MG* should be expected to be less cited than previous original works. But there would be no reason to believe that the distribution of citations among different disciplinary sources would necessarily be different.¹⁶ The same could be expected from citations within economics. Figure 9 illustrates the case.

Figure 9. *MG* – Citations sources within economics (shares)



Source: Social Science Citation Index, electronic version.

Citations to *MG* coming from primarily economics sources keep showing the levels of interdisciplinarity of the previous books. This suggests that *TCE* has an enduring audience of social scientists working with, or at least recognising the relevance of, the interdisciplinary blend put forward by Williamson.

Costs and benefits: are negotiations over? Some concluding remarks

Throughout the three books under study, Williamson showed great ability to modify his implied reader. Although *TCE* was interdisciplinary from the start, he first targeted economists.

¹⁶ The inclusion of citations to the individual articles compiled in *MG* accentuates the features seen in Figure 8.

Once aware of the good reception of MH not only among them but also among other social scientists, he then tried to engage in a conversation with other audiences (e.g. in law, sociology, and organisation studies).

As Williamson tries to enhance his conversation with different audiences, he stresses different influences on his work. We have shown, for instance, how his list of claimed antecedents is reformulated over his trilogy.

Williamson would certainly like to reach a vast audience of economists, have their attention turned to his project and to the interdisciplinarity he proposes. Who wouldn't? Part of economics seems to have taken on board many of his points, as one can see amid the growing ranks of NIE. The core of economics, however, seems to have been narrowing its sight. As a result, Williamson's move to a closer relationship with a receptive audience outside economics may have been subjected to a trade-off, coming at the cost of losing grip on part of the audience of economists. Attempts to re-gain their attention have been made, as are evident in MG, but to limited avail. This seems nevertheless to be an opportunity cost he is willing to incur.

References

- AMARIGLIO, Jack (1990). "Economics as a postmodern discourse." In SAMUELS, W., ed. *Economics as discourse*. Boston: Kluwer, pp. 15-46.
- ANCIL, Ralph (1987). "On the rhetoric of economics." *Review of Social Economy*, v. 45 (3): 259-75.
- ARIDA, Pérsio (1996) [1983]. "A história do pensamento econômico como teoria e retórica" [The history of economic thought as theory and rhetoric]. In REGO, José M. (ed.) *Retórica na Economia [Rhetorics in Economics]*. São Paulo (Brazil): Editora 34, pp. 11-46. [In Portuguese]
- BAZERMAN, Charles (1988). *Shaping written knowledge*. Madison: University of Wisconsin Press.
- _____ & SALVIANO, Cleofas Jr (1999). "Raúl Prebisch and the beginnings of the Latin American school of economics: a rhetorical perspective." *Journal of Economic Methodology*, v. 6 (3): 423-38.
- BLAUG, Mark (1999). "The formalist revolution or what happened to orthodox economics after World War II?" In BACKHOUSE, R. & CREEDY, J., eds. *From Classical Economics to the Theory of the Firm: essays in honour of D.P. O'Brien*. Cheltenham: Edward Elgar, pp. 257-80.
- BOULDING, Kenneth (1971). "After Samuelson, who needs Adam Smith?" *History of Political Economy*, v. 3 (2): 225-37.
- BURKE, Kenneth (1969). *A rhetoric of motives*. Berkeley & Los Angeles: University of California Press [1950].
- CHANDLER, Alfred Jr (1977). *The visible hand*. Cambridge, MA: Harvard University Press.
- CRONIN, Blaise (1984). *The citation process*. London: Taylor Graham.

- FERNÁNDEZ, R. & LOYOLA, P. & CIFUENTES, R. (1997). "The controversies on the interpretation of the II National Development Plan and of the Cruzado Plan: a rhetorical approach." *Proceedings of the II Conference of the Brazilian Society for Political Economy*. São Paulo (Brazil), v. I: 34-47. [In Portuguese.]
- FERNÁNDEZ, Ramón & PESSALI, Huáscar (2002). "The Rhetorical Construction of Transaction Cost Economics: Oliver Williamson and the search for an audience through different schools of thought." Paper presented at the *Second International Workshop on the History and Philosophy of the Social Sciences*, ILCLI, San Sebastián, Spain, 11-13 April.
- FOSS, S. & FOSS, K. & TRAPP, R. (1991). *Contemporary perspectives on rhetoric*. Prospect Heights (IL): Waveland Press, 2nd ed.
- FULLER, Steve (1993). *Philosophy, rhetoric and the end of knowledge*. Madison: University of Wisconsin Press.
- GERRARD, Bill (1997). "What's the difference between rhetoric and methodology? Not a lot so let's talk more and fight less. A review essay of Donald N. McCloskey, *Knowledge and persuasion in economics*." In SAMUELS, W. & BIDDLE, J., eds. *Research in the history of economic thought and methodology*. Vol. 15. Greenwich (CT), London (UK): JAI Press Inc., pp. 295-301.
- GILBERT, G. Nigel (1977). "Referencing as persuasion." *Social Studies of Science*, v. 7: 113-22.
- GORREL, Donna (1997). "The rhetorical situation again: linked components in a Venn diagram." *Philosophy and Rhetoric*, 30 (4): 395-412.
- GROSS, Alan (1996). *The rhetoric of science*. Cambridge (MA): Harvard University Press, 2nd ed.
- HARRIS, Randy, ed. (1997). *Landmark essays on the rhetoric of science: case studies*. Mahwah (NJ): Hermagoras Press.
- _____ (1997b). "Introduction." In HARRIS, R., ed. *Landmark essays on the rhetoric of science*. Mahwah (NJ): Hermagoras Press, pp. xi-xlv.
- HODGSON, Geoffrey (2001). *How economics forgot history*. London: Routledge.
- _____ (2002). "Introduction." In HODGSON, G., ed. *A modern reader in Institutional and Evolutionary Economics*. Cheltenham (UK) & Northampton (MA, USA): Edward Elgar, pp. ix-xxix.
- KLAES, Matthias (1998). *The emergence of transaction costs in economics: a conceptual history*. Edinburgh: PhD Thesis. Faculty of Social Sciences, The University of Edinburgh.
- KLAMER, Arjo (1984). *The New Classical Macroeconomics: conversation with new classical economists and their oponents*. Brighton: Wheatsheaf.
- _____ (2000). "Attention and persuasion in economics." Manuscript.
- KOUTSOYIANNIS, Anna (1979). *Modern microeconomics*. London: Macmillan, 2nd ed.
- LEONARD, Robert (1997). "Value, sign, and social structure: the 'game' metaphor and modern social science." *The European Journal of the History of Economic Thought*, v. 4 (2): 299-326.
- MCCLOSKEY, Deirdre (1985). *The rhetoric of economics*. Madison: University of Wisconsin Press.
- _____ (1994). *Knowledge and persuasion in economics*. Cambridge: Cambridge University Press.
- _____ (1998). *The rhetoric of economics*. Madison: University of Wisconsin Press, 2nd ed.

- MIROWSKI, Philip (1990). "The rhetoric of modern economics." *History of the Human Sciences*, v. 3 (2): 243-57.
- MYERS, Greg (1990). *Writing biology: texts in the social construction of scientific knowledge*. Madison: University of Wisconsin Press.
- PERELMAN, Chaïm & OLBRECHTS-TYTECA, Lucie (1969). *The New Rhetoric: a treatise on argumentation*. Trans. John Wilkinson and Purcell Weaver. Notre Dame: University of Notre Dame Press [1958].
- PESSALI, Huáscar (2004). *A rhetorical analysis of Oliver Williamson's Transaction Cost Economics*. Hatfield: PhD Thesis. Business School, University of Hertfordshire.
- PRELLI, Lawrence (1989). *A rhetoric of science: inventing scientific discourse*. Columbia (SC): University of South Carolina Press.
- QUANDT, Richard (1976). "Some quantitative aspects of the economics journal literature." *Journal of Political Economy*, v. 84 (4): 741-55.
- SMITH, Adam (1985). *Lectures on rhetoric and belles letters*. Indianapolis: Liberty Fund. Reprint of BRYCE, J., ed. (1983). *The Glasgow edition of the works and correspondence of Adam Smith*, v. 4, Oxford: Clarendon Press.
- WILLIAMSON, Oliver (1964). *The economics of discretionary behavior: managerial objectives in a theory of the firm*. Englewood Cliffs, NJ: Prentice-Hall.
- _____ (1970). *Corporate control and business behaviour*. Englewood Cliffs, NJ: Prentice-Hall.
- _____ (1975). *Markets and hierarchies: analysis and antitrust implications*. New York: Free Press.
- _____ (1985). *The economic institutions of capitalism: firms, markets, relational contracting*. New York: Free Press.
- _____ (1996). *The mechanisms of governance*. New York: Oxford University Press.