

Microeconomics, Module 18, “Externalities – Transaction Costs” (chapter 13)

*Required reading for seventh edition:*

(The attached PDF file has better formatting.)

Updated: November 21, 2007

{The Landsburg textbook is excellent. We say to read certain sections and to skip others. This does not mean that certain sections are better; it means that the homework assignments and exam problems are based on the sections that you must read for this course. Some of the skipped sections are fascinating, but they are not tested.}

Read section 13.3, transaction costs, on pages 433-440. Understand (i) how transaction costs affect the Coase analysis and (ii) the types of transaction costs.

Skip pages 441-446, until “Normative Theories of the Common Law.” Read the two subsections on pages 446-447, until the summary. This is important for understanding how the economic analysis of externalities is reflected in U.S. society. Read the summary on pages 447-448.