

# **LECTURE 12.0**

## **VERTICAL INTEGRATION AND THE BOUNDARIES OF THE FIRM**

# OUTLINE

12.0 Vertical integration and the boundaries of the firm

12.1 The firm as a vertical chain of production

12.2 Benefits of non-market transactions

12.3 Firm specific assets and hold up

12.4 Vertical integration versus long-term contracts

12.5 Contracting with distributors

# READING

Chapter 19, “Vertical Integration and Outsourcing” in Brickley, Smith and Zimmerman (2006)  
*Managerial Economics and Organizational Architecture* (4th ed)

Lecture Note 3: Hold-Up (May Be Your Friend) in Robert Gibbons, MBA Course (15.903: Organizational Economics and Corporate Strategy)

Lecture Note 4: Make, Buy, or Cooperate? in Robert Gibbons, MBA Course (15.903: Organizational Economics and Corporate Strategy)