

Oliver Williamson and the rhetorical construction of the “Transaction Costs Economics”

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“Rhetoric is subtle, but so is reality” (Campbell, 1997, p.117)

INTRODUCTION

The research program known as Transaction Cost Economics (TCE) has shown a strong growth since it was launched by Oliver Williamson more than twenty years ago. Later, together with another developments in economics, it came to be considered as a part of a distinct school of thought, the New Institutional Economics (NIE), whose importance is constantly increasing.

Williamson’s articles appeared in a great number of journals and books during this period. Besides those, he published three main books: *Markets and Hierarchies* (1975, hereafter MH), *The Economic Institutions of Capitalism* (1985, hereafter EIC) and *The Mechanisms of Governance* (1996, hereafter MG). These three books, considered a trilogy by their author (MG, p.18) consist, basically, of collections of revised versions of some of his previously published articles. Those papers necessarily focus on more or less narrow subjects, given the constraints on style and subject of the typical professional publications. The main difference of the books, hence, is that in them Williamson writes some introductory chapters that express his views on how his work is to be considered in the general framework of the profession.

The aim of this paper is to make a rhetorical analysis of Williamson’s construction of the TCE. An initial section (part 1) will make a summary review and defense of the importance of rhetorical analyses in economics, following the tracks opened by Deirdre McCloskey (1983; 1985) and followed by many others afterwards, in the wider context of the development of a rhetoric of inquiry (Nelson *et al.*, 1987 a). We will then focus especially on Williamson’s intended audience (part 2), on his association and dissociation with another schools of thought (part 3) and on his relations with his assumed antecessors (part 4). Some concluding remarks will be suggested in a final section. The analysis will be essentially based on the introductory chapters of the referred Williamson’s books, namely on the preface, the introduction and chapter 1 of MH (p. xi-xvii and 1-19), on the preface and the prologue of EIC (p. xi-xiv and 1-14) and on the preface and the prologue of MG (p. ix-x and 3-20). These

chapters are the only ones that had not been previously published (at least partially) elsewhere.

1. RHETORICAL ANALYSES IN ECONOMICS

In the classical definition of the term made by Aristotle (1984, p.24), rhetoric is “the faculty of observing in any given case the available means of persuasion”. Rhetoric, since the classic Greco-Roman world - beginning with the Sophists - until the Renaissance, was seen as a central part of knowledge. However, the situation later changed so critically that Chaim Perelman and Lucie Olbrechts-Tyteca, writing their fundamental “Treatise on Argumentation” in 1958 had to explain that their emphasis on the term rhetoric represented a hope to “contribute to the revival of an ancient and glorious tradition” (1969, p.5). The widely acknowledged resurgence of rhetoric in the Western culture in the last half-century and the widespread use of the term rhetoric in our days, would suggest that their miracle was successfully achieved. Actually, the discipline is being extended and it is being applied to fields that a few years ago seemed to be completely free of any rhetorical phenomenon.

This prodigy, however, was not so unexplainable. Despite its almost complete disappearance from the European academic world, rhetoric had been held alive by the tradition of the speech communication departments in the USA, a fact later acknowledged by Perelman himself (Foss *et al.*, 1991, p.121). More important, perhaps, was the generally accepted fact that this renaissance is linked to the increasing uneasiness that had been slowly but constantly raising against the foundationalist views of science and knowledge that prevailed during the previous 50 years. Of course rhetoric’s crepuscule had begun some centuries earlier, a gradual decay began since Rameau and Descartes promoted the view that Rhetoric was a sort of whipping cream on the cake of human knowledge, but it certainly arrived at its long nadir at some moment of the XIXth. Century and there remained during the first half of the XXth. In this period, a predominant scientific approach to the human understanding of the world led to an absolute lack of interest in (if not frontal opposition to) the study of rhetoric. Behind this rejection is hidden a ghost that haunted rhetoric for centuries: the idea that rhetoric is the opposite of logic, and thus of reason. However, as Covino & Jolliffe remark,

Rhetoric is not logic, but they are related fields of inquiry. Logic studies the way a chain of reasoning leads from premises to

incontrovertible conclusions. Rhetoric also studies how rhetors and auditors reason from premises to conclusions, but it is located on the realm of uncertainty and probable truth, in which conclusions are arguable rather than incontrovertible. (1995, p.8)

This pretended incompatibility between rhetoric and logic is based on the contraposition of truth, characteristic of the latter, and opinion, seen as the substance of the former. From this perspective, opinion is a sheer unjustified belief that may eventually be justified and thus transformed into truth. However, if most of the statements we enunciate are just probable (and will continue being so, given that there aren't solid foundations to consider them true) then an opinion, better or worst justified, turns out to be the normal basis of a rational argumentation on probable premises, given that indisputable evidence can hardly (if ever) been offered. The role of reason therefore is to evaluate the support offered for any claim, and the listeners will not decide in an either/or basis, but will adhere up to some degree to the proposed statements.

Besides, the argumentation is directed to some people (the audience) to persuade them to act (or to think) in some way. Hence rhetoric can be seen as having a pragmatical bias that led Kenneth Burke to redefine the opposition between opinion and truth: 'The kind of opinion with which rhetoric deals, in its role of inducement to action, is not opinion *as contrasted with truth*' (1984, p.54, orig. emphasis).

This renaissance of rhetoric led to the study of argumentation on the whole realm of knowledge. Rhetoric began to be applied first to the social sciences and the Project on the Rhetoric of Inquiry (also known as *Poroi*) at the University of Iowa played an important role in the constitution of the field. But later the so-called hard sciences also were focused, and this conveyed to the development of the Rhetoric of Science. If earlier contemporary rhetoricians had considered that scientific discourse is not rhetorical (Bitzer, 1968), nowadays this restriction has been surpassed by the significant volume of publications that take as evident that no essential differences exist in the ways scientific and non-scientific terms need to build their arguments. As Alan Gross says,

[R]hetorical and scientific reasoning differ not in kind but only in degree. No inductions can be justified with rigor: all commit the fallacy of affirming the consequent (...) Deductive certainty is equally a chimera: it would require the uniform application of laws of thought, true in all possible worlds (...) Because the logics of science and rhetoric differ only in degree, both are appropriate objects for

rhetorical analysis. (1996, p.12)

It should be emphasized that to say that science is rhetorical doesn't represent an effort to belittle it. We agree with Bazerman (1988, p.321) when he says that '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'. As Nelson *et al.* (1987b, p.17) remark, 'Rhetoric of inquiry explores how reason is rhetorical'.

As a consequence of all these influences, a literature on "the rhetoric of" (as John Lyne, 1998, p.4, called it) proliferated in the last fifteen years approximately. One of the earlier and perhaps most successful of these efforts is the one studying the rhetoric of economics, launched by McCloskey in the early 1980's. The achievements of this perspective can be clearly seen by the introduction of a reflection on how economic arguments are presented, how do economists write, etc, besides the discussion of some more epistemic aspects (e.g., the relation between argumentation and truth) that are an essential part of the rhetorical approach to economics.

Our analysis of Williamson's contribution is set off in this context. We will study who is he speaking to, how does he present his arguments, what rhetorical devices he uses, etc. The basic idea that guides this endeavor is that when we look to a specific text, we are considering a final product that is the result of a series of conscious and unconscious decisions made by its author. The role of the reader is to interpret this text, and rhetoric gives us useful means of interpretation. Reading from a rhetorical perspective is an effort to highlight how the author tries to reach his/her goals of persuasion given the constraints he/she faces and his/her intellectual and social context. As William Keith (1997) has perfectly remarked, the process of the rhetorical interpretation is similar to reverse engineering. In this situation, engineers try to understand how a certain object was made to produce something that works like the original, without knowing how it was achieved. When they look to the artifact, however, they don't know what in it was purposefully designed and was accidental. This metaphor is very rich as a goal for rhetorical interpretations: we have a text, and we don't know for sure how it was made, but we try to comprehend better its meaning through the understanding of its construction.

It must be emphasized that from the viewpoint of a reverse engineering of the discourse, the text will be considered basically as if it were a strategic result of its

author's decisions. According to William Keith,

[R]hetoric is one among many possible (re)descriptions of discourse, and choosing a description depends *not* on what is “really true” about discourse, but on the successful engagement of specific problems. Redescribing discourse in strategic terms is one such possible redescription, and does not invalidate others (1997, p.239, orig. emphasis).

This assumed bias will be present at the analysis of Williamson's texts that follows below.

2. WILLIAMSON AND HIS AUDIENCE.

One basic pre-supposition in rhetorical analyses is that authors are willing to persuade, more or less consciously, some group of people. Therefore the authors address their spoken or written discourses to these listeners or readers. The ensemble of people the speaker tries to influence with his/her argumentation is called his/her audience (Perelman & Olbrechts-Tyteca, 1969, p.19). The audience the author speaks to doesn't need to be – and normally is not – a homogeneous group and hence the author needs to take this into account. This is particularly important for the written text, because its author, although perhaps he/she mainly addresses some well-defined group, can't foresee whom, when and under what circumstances will be reading it.

To persuade an audience, the speaker presents arguments. An argument can be defined as ‘an intentional human act in which support is offered on behalf of a debatable belief’ (Fleming, 1996, p.12). Therefore, as the truth (or the correctness) of any argument cannot be proved, the speaker tries to promote the adherence of the audience to the claims he/she is making. To obtain the adherence to his/her perspective, the speaker must begin trying to show that he shares some premises with his audience, and that the conclusion he wants to come at is a reasonable arriving point when starting from those premises with the addition of other reasons to support the claim.

Perelman & Olbrechts-Tyteca (1969, p.23-4) remark that ‘In argumentation, the important thing is not knowing what the speaker regard as true or important, but knowing the views of those he is addressing’. This idea of persuasion doesn't involve any deceitful artifice or other anti-ethical procedures, it just reminds that if a speaker

wants to be listened he needs to establish some common ground with its audience. So one of the first steps in analyzing Williamson's construction of the TCE is to see which are his audiences in the different books on focus.

When Williamson publishes MH, he is an economist already established in the profession, and implicitly emphasizes this condition. He remarks that some papers of his had appeared in main academic journals in Economics (especially the American Economic Review) and the antecedents he explicitly mentions, i.e., Commons, Coase, Hayek and the 'market failure literature' are all within the profession. It may be suggested that here he is writing/speaking basically to economists. Some statements, such as speaking of 'the *familiar* object of microeconomic analysis' in the first paragraph of the preface (p. xi, emphasis added) clearly define his intended audience (familiar for whom?). This effect is reinforced using immediately below expressions such as 'received microtheory' and 'conventional analysis' (p. xi).

As Williamson presents his perspective as being different from what is familiar, conventional and received for the economist, the decision to address his work to his colleagues seems reasonable: they are the ones that can accept the claim that Williamson's insights will be more fruitful than the traditional analytical framework. Therefore in MH no efforts are made to emphasize the relations with other areas of knowledge, a strong difference with his attitude in later works. Williamson doesn't accentuate here the interdisciplinary character of his endeavor, although he had already begun to establish a connection with the area of law studies: former versions of three of the chapters had appeared in prestigious juridical journals (p.xiii). This stands clearly in contrast with the emphasis he will later give to the intellectual relationships with other disciplines. There is only a timid mention that his approach '...is interdisciplinary in that it draws extensively on contributions from both economics and organization theory' (p.7), but the sources mentioned from the latter origin – the economist Thomas Schelling, the anthropologist Erving Goffman, and Herbert Simon, whose eclectic work maybe considered only partially as representative of that field – hardly contribute to establish a bridge with it. Actually, the mention of two academics (Schelling and Simon) whose work, although unconventional, had already impacted the profession, constitutes more a reminder for the reader that despite the suggested interdisciplinarity, Williamson is essentially an economist.

But if Williamson is not much concerned with the 'external' audiences, on the

other hand he makes clear efforts to leave the doors opened to different schools within economics. As for the mainstream, he states in the opening page that his perspective is not ‘...in essential conflict with received microtheory’ (p.xi). In the same page it is evident that he considers old institutional economists as being part of his audience, saying that ‘...students and followers of John R. Commons [thus, old institutionalists, RGF] will recognize that I subscribe to his dictum...’ (p.xi). Other group indirectly addressed are the Austrian economists: although no explicit mention of their school is made, suggesting Hayek’s work as an antecedent certainly induces them to hear Williamson’s message as the product of someone who has (at least partially) the same intellectual inheritance.

The intended audience changes when Williamson writes the EIC. Firmly established in the profession, he constantly stresses the interdisciplinary features of his study. He widens the scope of the readers he addresses to include other social sciences and hence he declares in the first paragraph that ‘Transaction Cost Economics owes its origins to striking insights – in law, economics and organization – in the 1930s’ (p.xi). Therefore the prologue of the book is structured as to equate the contribution of those three areas: besides an introductory section without heading, the section 1, named ‘1. Antecedents from the 1930s’ is divided in sub-sections simply called ‘1.1 Economics’, ‘1.2 Law’ and ‘1.3 Organizations’. The same division is repeated in the next section, called ‘2. The Next Thirty Years’ divided in ‘2.1 Economics’, ‘2.2 The Law and the Evolution of Private Ordering’ and ‘2.3 Organization’.

Another shift, however, can be noticed in the beginning of MG. In this moment, Williamson suggests, the interdisciplinarity of the TCE has been widely acknowledged, and is indeed part of a wider movement whose importance is increasing. As he proudly says, the NIE, of which TCE is a part, “...also is the product of a movement whose time has come. The 1980s witnessed a revival of interest in institutions *throughout the social sciences*” (MG, p.ix, emphasis added). In this context, the part of the audience with which Williamson has his strongest links, the economists, can be flattered, although he wouldn’t like to create an emotional distance with the rest of the audience. Williamson tries to make this (the reader can judge if he is successful) remarking that the NIE ‘...is an interdisciplinary combination of law, economics and organization in which economics is the first among equals’ (MG, p.3).

A general consideration on Williamson's intended audience is that on the three books here considered he avoids the use of mathematics. Sometimes some graphs are used, and on the discussion of the hostage model (ch.6 and 7 of EIC) a formal analysis, using simple algebra, is developed. However, the use of these mathematical resources doesn't prevent the literate lay public and especially the academics working on the other social sciences to understand his text. On the other hand, the absence of mathematical formalism that renders a discourse comprehensible outside economics may possibly cause that part of the audience (some of the neoclassical economists) will not believe Williamson's work is worth being seriously considered. Being in this case impossible to satisfy both groups, it maybe suggested that from the very beginning of his intellectual project Williamson chose to extend his audience even at the risk of losing some of his potential readers within the profession.

3. THE TCE AND OTHER SCHOOLS: IDENTIFICATION AND DIFFERENCE

One problem any argumentation faces is to try to define its position for the reader. To be understood in a debate, the speaker tries to use some words to show what links him/her to and what separates him/her from other perspectives. As Burke (1966, p.46) says, 'Basically there are two kinds of terms: terms that put things together and terms that take things apart'.

This problem would be unimportant for someone working in a certain well-defined tradition (making normal science, so to say). In this case, a cursory review of the literature, characteristic of the genre of scientific articles, would suffice to position the author in the context of a certain intellectual heritage, and no efforts would need to be made to explicitly reject other perspectives, being enough just to ignore them. Conversely, for someone proposing an avowedly new approach as Williamson ('a distinctive worldview [is] being offered', MH, p.xii) this problem turns out to be central.

When writing MH, Williamson needs to locate his perspective amidst other contributions and approaches within economics. He makes efforts to relate himself with a new school of thought, the NIE, which is still being constructed; therefore, the first chapter is called '*Toward* a new institutional economics' (emphasis added). He remarks that 'The spirit in which this book is written very much follows the thinking of these new institutionalists' (p.1). This identification as a part of a different school

urges Williamson to explain his relations both with the mainstream and with the ones he refers to as the 'earlier institutionalists' (p.1).

As for the mainstream, Williamson stresses that he wants to go beyond, but not to break apart, with the received microtheory which "as useful and powerful as it is for many purposes, operates at too high a level of abstraction" (p.1) because its modeling apparatus "...is insufficiently microanalytic" (p.xi). He remarks that his theory shouldn't be opposed to the traditional approach, declaring that "I am inclined to consider these as complements" (p.xi).

When speaking about the old Institutionalists, Williamson says that '...the analysis of transactions was regarded by Commons and other institutionalists as central to the study of economics' (p. xi). This does not lead him to a wholesale sympathetic appreciation of the perspective of this school. On the contrary, even this mention maybe a risky move: mainstream economists may close the book at the slightest mention of sympathy to institutionalism, hence the first sentence in the following paragraph hurries to declare that 'My treatment differs from the institutionalists in at least three ways'. Later he states, speaking of the NIE, that 'Unlike the earlier institutionalists, however, the current group is inclined to be eclectic' (p.1). Although this adjective not always portrays a favorable association, we can read it as saying implicitly in this case that the old institutionalists were the opposite (e.g., dogmatic).

As for the Austrians, or more specifically, Hayek, his approach is respectful, but the dissimilarities are distinctly highlighted. To look more clearly at this, it would be interesting to compare the description of the influences Williamson says that the works of Coase and Hayek had on his own formulations. Under the general title of "Some Antecedents" Williamson focuses, in the first section of ch.1 of MH, on different influences he received. In a subsection he speaks of "Coase on the Nature of the Firm" (p.3-4) and another one is called "Hayek on Information" (p.4-5). Both subsections develop in the first place the merits of the proposed approaches, and have a closing paragraph that show its limits. With Coase the problem is that 'the underlying factors (...) are not worked out' and his discussion of internal organizations and markets 'is even less complete', therefore it is required 'a more complete theory (...) than Coase was able to forge' (p.4). So Coase can be considered a predecessor that was following the right track, and whose failure was not to (be able to) develop enough the theory.

But with Hayek there is other relation; Williamson quotes four observations from his article “The use of knowledge in society”, the fourth being “The “marvel” of the economic system is that prices serve as sufficient statistics, thereby economizing on bounded rationality’ (apud MH, p.5). Williamson immediately adds ‘Although each of these observations is important to the argument of this book, I use them in a somewhat different way than does Hayek (...) I argue that prices often *do not* qualify as sufficient statistics’ (orig. emphasis). This frontal contraposition with the quotation above suggests that it was not included because it represented one of the insights Williamson inherited from Hayek, but to let Williamson show his disagreement with the Austrian economist.

As for the previous theories explaining markets and hierarchies, there are two main points about which he explicitly wishes to state his discrepancy, so he includes in the first chapter a sub-section (1.6) called “Some differences” with two sub-titles: “Differences from earlier firm and market literature” and “Differences with the Structure-Conduct-Performance paradigm” [hereafter SCPP]. On the first one he says:

‘ (1) *I am much more concerned* than are prior treatments with tracing out the ramifications of bounded rationality; (2) *I expressly introduce* the notion of opportunism (...); (3) *I emphasize* that it is not uncertainty or small numbers, individually or together, that occasion market failure...’ (MH, p.7, emphasis added)

We can suggest again that here Williamson points at differences in degree (he is more concerned, he emphasizes) or at new ideas he introduces, but he does not imply disagreements with this literature. But when it comes to the other group he says that in its analyses ‘...internal organization is largely neglected...’ and that to study quasimarket and nonmarket organizations ‘...the conventional paradigm has been of limited utility...’ (p.8). Here the differences are about deficiencies of this approach. How would the reader react if, in an inversion of his original statements, Williamson had written that the first group ‘neglected the ramifications of bounded rationality’ while suggesting that he is ‘much more concerned with internal organization’ than the SCPP? . Of course, this conduces us look at the theoretical conclusions of these approaches. It is worth reminding that while the traditional paradigm leads to the conclusion that large firms reduce the economic welfare, Williamson on the other side of the spectrum judges that large vertically integrated companies normally are a result of the search for economic efficiency.

Here it is interesting to consider an analytical tool proposed by Perelman & Olbrechts-Tyteca. They suggest that concepts can be separated in two different ways,

by breaking the connecting links between them or by dissociation. In their words,

The technique of breaking connecting links therefore consists in affirming that elements which should remain separate have been improperly associated. Dissociation, on the other hand, assumes the original unity of elements comprised within a single conception and designated by a single notion. The dissociation of notions brings a more or less profound change in the conceptual data that are used as the basis of argument. It is then no more a question of breaking the links that join independent elements, but of modifying the very structure of these elements' (Perelman & Olbrechts-Tyteca, 1969, p. 411-2).

As for Williamson's position in relation to the old institutionalists and the SCPP, it seems likely that we have a situation of breaking the links. The name of the schools in the former case and the study of the economic consequences of the existence of complex organizations in the latter would suggest an affinity, but they can be separated and "...remain as they were in their original state, like bricks saved intact from a building that has been pulled down" ((Perelman & Olbrechts-Tyteca, 1969, p. 413). But when it comes to the mainstream, the problem is to show the limits of something that for Williamson (and for an important part of his audience, too) is worth preserving but is leading in a certain question to disputable answers. As the problems consist on the incomplete development of some questions (insufficiently microanalytic approach) through the dissociation of concepts it would be possible '...to remove an incompatibility arising out of the confrontation of one proposition with others' and thus '...on the theoretical level, it leads to a solution that will also be valid for the future, because, by remodeling our conception of reality, it prevents the reappearance of the same incompatibility' (p.413).

The concept of opportunism is a good example of an application of this idea of dissociation that characterizes much of Williamson's relationship with the mainstream. It can be said that the traditional micro approach proposed that (surviving) firms acted efficiently but at the same time it postulated that rational agents would act as to maximize their self-interest. This raised a clash of propositions: how could firms reach their goals efficiently when all its members sought their own objectives? Traditional theory was mute about it, but the concept of opportunism, according to Williamson (MH, p.26), allows agents to act strategically in the pursuit of their self-interest, without collapsing the firm. As he says, for opportunism to be a problem, there should be a situation of small numbers (p.27), and

even when this happens the choice by the firm of, *e.g.*, well-standardized technologies (p.68) or the creation of internal labor markets (p.77), offer possible solutions to it. Hence this remodeling of reality, including opportunistic agents and the counteractions to reduce the impact of this kind of behavior, should avoid the reappearance of this contradiction in the theoretical schemes of the mainstream.

When writing the EIC, Williamson is less concerned in trying to establish differences between his research program and other traditions. As we said above, this book is addressed to a larger audience and therefore less concerned with the differences among economists. Criticisms of the older institutionalists are suppressed, and differences with the mainstream are rather mildly stated. TCE is said to be ‘akin to orthodoxy’ although ‘there are nevertheless real differences’ (EIC, p. xii), but neoclassical economics is said to be ‘a formidable rival’ (EIC, p.2) of TCE. This respectful criticism of mainstream economics doesn’t prevent to qualify roughly two ideas that are in strong opposition with TCE’s perspective. So he speaks of the ‘*mistaken notion* that economic efficiency was substantially independent of internal organization’ and that the characterization of ‘the firm exclusively in technological terms was *bankrupt*’ (EIC, p.11, emphasis added). One of the more harsh criticisms made is not addressed to anybody in particular when remarking that ‘Legal and economic interpretations that were confidently advanced only ten and twenty years ago (...) have proved to be profoundly incorrect’ (EIC, p.1). Williamson utters the strongest disapproval of mainstream theory through a quotation of another economist, side by side with a very cautious comment by himself: ‘Discontent with exclusive reliance on neoclassical price theory was nevertheless building. Vernon Smith thus boldly declared (...) that orthodoxy was dead ‘ (EIC, p.7).

A most explicit aim of criticism within the profession, Radical Economics, is dealt with in chapter 9. A careful discussion of the ideas of this school is advanced, and though Williamson reaches at very different conclusions than they do and though he states that the concept of power (central for the radicals) is ‘poorly defined’, his balance of the debate is that ‘there is merit in all explanations that add to our understanding of complex phenomena’ (EIC, p.237-8).

When writing MG, Williamson’s relation with the mainstream is not significantly modified. He introduces, however, two crucial criteria of division that are a sign of an intellectual project that is steadily growing. In the first place, he states ‘I think of the NIE, of which TCE is a part, as young people’s economics’ (MG, p.ix).

So we can think that, at least from Williamson's perspective, this new struggle over the soul of economics is already won. The research program launched twenty years earlier conquered the minds of the new generations and the other schools of thought, even the 'formidable rival' neoclassical economics, are implicitly said to be decadent. It is interesting to contrast that if in MH Williamson needed to emphasize that his idea was worth being considered because it has solid roots in underrated contributions of the past, in MG its merit turns out to be that it is the economics of the future.

But if the NIE is winning the intellectual battle, differences among its economists that could be previously ignored begin to be important. Williamson, after listing different definitions of the concept of institutions proposed by North, Schmid, Bromley, Schotter, and Furubotn & Richter, remarks that

These definitions of institutions mainly operate at the level of the institutional environment, the so-called rules of the game. The second, more microanalytic level at which institutional economics works is at the level of the institutional governance. This book is principally concerned with the institutions of governance" (MG, p.4-5)

As the reader reminds, Williamson had said in MH that the limits of the received theory consisted in that it was not microanalytic enough, and now he emphasizes that his part of the NIE is the one that preserves the authentic concern. He also makes other comparison between North's approach and his own. On the former, Williamson quotes North saying that economic history (North's research object) is 'overwhelmingly a story of economies that failed' (apud MG, p.5). Then he adds 'By contrast, the TCE contemplates success' (MG, p.5). Obviously, except for someone in Charlie Brown's mood, the study of success seems to be more rewarding than the study of failure.

Williamson thus creates three pairs that can be called "old / new", "failure / success" and "less microanalytical / more microanalytical" putting his theory always on the right side of those pairs. This is a traditional rhetorical technique studied by Perelman & Olbrechts-Tyteca, that consists in creating an argument that makes 'good use of the dissociations already admitted by the audience, sometimes to introduce dissociations created *ad-hoc*' (1969, p.427). It maybe suggested that the first two pairs belong to the former kind of dissociations and the third one to the latter; in all those cases Williamson manages to situate his theory as linked with the half of the pair with more positive associations.

4. WILLIAMSON AND HIS INTELLECTUAL ANTECEDENTS.

Pérsio Arida (1996, p.37) proposed the existence of seven rules of rhetoric that would guarantee the organization and satisfactory evolution of knowledge in economics. These rules are certainly controversial; one of them, however, will be useful for our analysis, and it is the seventh, named by him “the recreation of the tradition”. According to this author, ‘...it is a rhetorical strategy which consists in reshaping the past as to claim a certain tradition of thought for oneself, isolating the opponent as a detour from the correct tradition’ (Arida, 1996, p.42, my translation). Although we saw in the previous section that Williamson is not very much concerned in trying to criticize his opponents, he certainly works hard to put himself as the heir of some unjustly overlooked social scientists, economists included therein. This group, however, is remodeled in the different books under focus. And it can be suggested that for Williamson this act is very important: both in the first chapter of MH and in the prologue of EIC, a specific section is dedicated to the presentation of his antecedents.

The background Williamson mentions in MH, as was referred to in section # 2 above, are almost all economists. The first three sub-items of the section “Some antecedents” are devoted to specific individuals: “Commons on Institutional Economics”, “Coase on the Nature of the Firm” and “Hayek on Information”; a fourth section just called “Market failure” includes nine names, being Arrow the only one cited twice and for different publications. And as it was said earlier, in a section analyzing differences with other approaches Williamson mentions as antecedents in organization theory Simon, Schelling and Goffman.

The enlarging of the audience we suggested Williamson tries to achieve with the EIC leads, In the prologue of this book, to a widening of the intellectual sources he refers to. The first mentions Williamson makes is to his teachers, Kenneth Arrow, Alfred Chandler Jr., Ronald Coase and Herbert Simon, and later he states that only the first and the last were his teachers in the classroom (p.xiii). Afterwards, in a review of the antecedents divided chronologically and by science the following influences are acknowledged: a) Economics in the 1930’s: Frank Knight, John Commons and Ronald Coase; b) Law in the 1930’s: Karl Llewellyn; c) Organization in the 1930’s: Chester Barnard; d) Economics in the next 30 years: Friedrich Hayek, Ronald Coase and Kenneth Arrow; e) Law in the next 30 years: Harry Shulman,

Archibald Cox, Clyde Summers, Stewart Macaulay, Guido Calabresi; f) Organization in the next 30 years: Herbert Simon, Alfred Chandler, Michael Polanyi.

Some of the differences maybe considered striking. It is worth noting, for example, that Chandler, whose work is concentrated in business history, didn't play a central role in the earlier book: the first and basic references to his work were made on the chapter # 8 of MH (focusing on the multidivisional structure of the firms). It should be reminded that Chandler published in the period between MH and EIC his seminal "The Visible Hand" in 1977, a book that certainly was important for Williamson. On the other hand, it can be suggested that one of the parts of MH that most attracted the attention of the economists was the interpretation in terms of transaction costs of the evolution of the firms from what Williamson called the U-form to the M-form of organization, based on Chandler's historical research. . Consequently, this favorable impact could have led Williamson to reconsider more carefully Chandler's contribution to his writings.

The intellectual influences coming from organization theory are the ones in which the changes are clearer. Part of the literature mentioned in MH is ignored in EIC. Goffman is not even mentioned, and Schelling is quoted only once, reference being made to an early paper published in 1956. We have already suggested earlier that, in any case, this literature certainly was not the most characteristic of organization theory, although perhaps it looked more like what an economist would imagine it was. This choice is even more curious, because Williamson himself came to economics from organization theory. In an interview held in 1988 with Richard Swedberg (1990, p.115-29) Williamson said that after studying as an undergraduate at a program in the MIT that combined engineering and management, he went to Stanford to get a Ph.D. in business administration, and later chose to go to Carnegie Tech to study in the school of industrial administration. When asked if he took courses in the social sciences he answers "I took several courses in organization theory" (Swedberg, 1990, p.117). Certainly it is reasonable to believe that Williamson's mastery of this field should be very above the average knowledge of his audience of economists. Thus Williamson, instead of introducing this literature to his readers (as he certainly did in EIC with the literature in law) perhaps tried to second-guess what the average economist believed organization theory was about. Later, when his prestige in the profession was established, this kind of concession did not seem necessary for him anymore.

As for the literature in law, it is completely ignored in the presentation of Williamson's antecedents in MH, although, as it was already mentioned, he had written in journals in this field before publishing his first book. Actually, three of the researchers whose influence would be later acknowledged (Cox, Macaulay and Summers) are quoted and discussed in MH, but aren't raised to the level of the antecedents mentioned as credentials in the first chapter of the book.

CONCLUDING REMARKS.

The study of Williamson's work confirms once more, if necessary, that there is an important rhetorical dimension in scientific texts. This does not diminish the value of his contribution. Rhetoric is not what is left after logic and evidence did their part, as McCloskey (1994b) said, but is an essential part of any scientific argumentation.

We can conclude that throughout the three books here studied, Williamson showed a great ability to modify his intended audiences, and that it may have had a very positive contribution to the success of the TCE. Although his research program was interdisciplinary from its very beginnings, he waited until it impacted the economists and only after this he tried to be listened by those working in the other social sciences. Within economics, he tried to show his research program was complementary to the mainstream, being very cautious in presenting his ideas as a dissociation that could resolve some theoretical contradictions of the neoclassical perspective. But at the same time he carefully reminded to the rest of the profession that TCE had elements of affinity with other schools. Finally, it was suggested that he highlighted different elements in his intellectual antecedents as he tried to establish a dialogue with different audiences.

To conclude, it can be reminded that in the last years Williamson's rhetorical capacity, which permitted him to obtain such a great impact in economics, has begun to be used to establish some divisions within the successful school of the NIE. Differences that could be overlooked in the earlier presentations of this research program will certainly tend to gain weight as its importance increases. This will be certainly a hard task, and will require all the great capacity as a rhetorical master that Williamson has shown he is able to use.

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