

## ABSTRACT:

The principal purposes of this paper are to examine the factors which induce a shift of transactions from market to internal organization and, within internal organization, to explain the types of hierarchical relations that predictably emerge. It is generally acknowledged that a prima facie case for the development of nonmarket (or quasi-market) forms of economic organization can be said to exist whenever the market, if used to complete a set of transactions, experiences "frictions." But this is only a rebuttable presumption.

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