Industrial Economics

Also by Paul R. Ferguson and Glenys J. Ferguson

BUSINESS ECONOMICS: The Application of Economic Theory
(with R. Rothschild)

Industrial Economics

Issues and Perspectives

SECOND EDITION

**Paul R. Ferguson and
Glenys J. Ferguson**

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Preface to the First Edition

The industrial economics courses taught at the University of Lancaster have always been rather heretical. Philip Andrews and Elizabeth Brunner had an enduring belief in the strength of competition and were sceptical of the relevance of the 'structure-conduct-performance' (SCP) approach which dominated the subject. Harry Townsend, following the eclectic tradition of the London School of Economics, had a similar distaste for this paradigm, believing it to be too constraining. As long ago as 1972, he introduced transaction costs as a key element of the undergraduate industrial economics course, but even today this topic is ignored (or given scant attention) in many such courses elsewhere. Hence, as both a student and a lecturer at Lancaster, I have been made aware of alternative interpretations and approaches to the study of industrial economics which are only now beginning to receive wider recognition.

The Lancaster tradition of non-conformity is continued in this book which differs in scope from other texts in the field of industrial economics. It covers the mainstream analysis, but challenges this approach – and the resulting policy conclusions – by introducing many of the less well-known developments in the area.

Without the help of many friends and colleagues, this book would have taken much longer to write. Andrea Pezzoli made many valuable comments while Harry Townsend gave enthusiastic support and help. Ron Bowen's lack of knowledge of economics, but careful attention to detail, removed much of the jargon. The boundless energy and enthusiasm of Professor Balasubramanyam led me to discover that I could work twice as hard as I had previously thought possible. My greatest debts are to Gerry Steele, who amazed me by his capacity to examine meticulously every draft I produced (and, furthermore, by his claim to enjoy such an onerous task) and to my wife, Glenys. As the book slowly advanced, she decided that the fastest way to rediscover leisure would be to help me. She finished up spending as long on the book as I did, and, in this sense, it is as much her effort as mine. Nevertheless, any remaining errors are my own responsibility.

This is the point where authors traditionally thank their secretary for her miraculous ability to decipher almost illegible handwriting; in this case thanks must go to my word-processor. Furthermore I believe that I could have dispensed with the technical skills of the publisher and typeset the book myself. In fact, I could have performed all the

publisher's tasks equally well, given the assumption that information is perfect, and in the absence of uncertainty and transaction costs. But if that were the case there would also have been no need for me to write this book, and I would be doing a different job.

PAUL R. FERGUSON

Preface to the Second Edition

Since writing the first edition, we have become more aware of the great differences between individual firms, both within and across markets and industries. An advantage of writing a second edition is that it requires the authors to find the time to become immersed in the recent literature. Among other things, it became evident that we are by no means alone in realising that individual firms deserve more consideration in analysis.

Whilst the first edition presented the work of the Austrian School as the main counter to the traditional (neoclassical) paradigm, the second edition widens the theoretical approaches considered. It now encompasses all the major variants of what is becoming known as the *new institutional economics*, with, in particular, more attention being given to transaction cost economics (associated principally with Williamson and North). Not only does the second edition adopt a wider theoretical compass, but the discussion of empirical work, the tables and examples have been thoroughly updated. All the chapters have been rewritten, but some have changed more than others. For instance, those on industry policy in practice and state against private control are now substantially different.

The re-writing of this book was hastened by the addition of a second author. Glenys Ferguson shouldered a substantial proportion of the work, and this is reflected in the joint authorship. As with the first edition, considerable credit must be given to Gerry Steele, who re-examined every word with diligence. John Finch provided valuable comments on the various theoretical paradigms introduced in Chapter 1.

PAUL R. and GLENYS J. FERGUSON