Abstract: Efficient financial markets induce cost differences which permit output restriction and welfare losses in product markets. The nature of these losses is discussed, and policy conclusions are drawn.

Responsibility for errors is, as usual, my own.
Just because you're paranoid doesn’t mean no one is following you. 

60’s saying

I. Introduction

The notion of differences in the cost of financial capital is an essential element of the structure-conduct-performance school theory of entry barriers as market characteristics which distinguish actual from potential competition and which make market structure a factor in determining market performance.

Critics of the view that financial markets are a source of entry barriers have in some cases argued that financial markets cannot be a source of cost differences between actual and potential competitors. In other cases, they have taken the position that such cost of capital differences as are imposed by financial markets are an efficient response to the imperfect or incomplete state of knowledge which exists in real-world financial markets. Following the generally accepted view that a barrier to entry is a market characteristic which impedes entry and which has adverse welfare effects, they suggest that cost differences imposed by financial markets should not be treated as a barrier to entry.

I argue that the literature has obscured the distinction between performance in financial markets and performance in product markets. Although the cost-of-capital differences imposed by financial markets may be an efficient response to the state of information in financial markets, incumbent firms can be expected to respond to those cost differences in ways which result in social welfare losses.
II. Capital Costs as a Barrier to Entry

A. Mainstream

It is riskier to loan money to a small, new firm than to a large, established firm. Financial markets will, therefore, impose a higher cost of capital on small, new firms, than on large, established firms. The former, therefore, will be at a cost disadvantage vis-à-vis the latter. This will create a cost difference between established and entrant firms which the incumbents may exploit, strategically, if they find it profitable to do so.

This is the essence of the mainstream view that financial markets are a source of barriers to entry. Although associated with Bain [1956, p. 145], the argument has long widespread (see, for example, Stigler [1951]).

B. The Efficiency Response (I)

The classic denial that financial markets were a source of cost differences came in a discussion of the impact of vertical integration on entry conditions (Bork [1954, p. 195]).

...the theory that vertical integration prolongs monopoly by imposing greater capital requirements upon potential entrants is still confidently advanced in the literature as though it, too, had not been badly shaken. Of course, vertical integration could affect entry only if two levels or stages of operation were monopolized by the integrated firm or cartel, so that entrants would have to come in on both levels at once. This would indeed require greater capital than would entrance upon one level. If there are greater-than-competitive profits being made in the industry, however, there seems no reason why the increased capital necessary for entry would not be forthcoming, unless there are impediments in the capital market that prevent capital from flowing to areas where it can most profitably be employed. Until such impediments have been shown to exist, the fact that increased capital is required for vertical integration must be assumed to have no adverse effect upon entry into monopolized markets.

1. Footnote omitted. See also Bork [1978, pp. 320-324].
This argument continues to be made from time to time, as though it, too, had not been badly shaken (McGee [1980, p. 297]; Easterbrook [1981, pp. 269-270]).

C. Transaction Costs in Financial Markets (Williamson)

The theory of transactions costs in financial markets provides an explanation for impediments to capital flows of the kind discussed by Bork. Because information is imperfect, lenders will assess a risk premium which depends on the likelihood of bankruptcy. Every borrower will pay a risk premium, but incumbents will benefit from the reputation they have established in past dealings with financial markets. New firms or firms seeking to greatly expand their scale of operation will pay a larger risk premium than established firms. Entrants, as a class, will suffer a greater cost of capital than incumbents.²

D. The Efficiency Response (II)

Even severe critics of the concept of barriers to entry have conceded that the argument that transaction costs in financial markets are a source of such barriers is "moderately persuasive" (Posner [1976, 93]). The discussion of financial markets as a source of entry barriers has lately pursued another path. Interest rate differentials are an efficient response to the actual (imperfect) state of information in financial markets. Thus (Stigler [1967, pp. 290-291]):

² Williamson [1974]. For a formal model, see Martin [1988].
...an efficient market...permits all exchange which the traders prefer to non-exchange. If we assume away all costs of trading, the efficient market will achieve every desired exchange for homogeneous goods when there is only one price. ...

The careless and overpopular use of imperfections-in-the-capital-market stems from the application of this simple theory to inappropriate conditions. ...

Transportation costs are the prototype of all trading costs: costs of acquiring knowledge....There is no "imperfection" in a market possessing incomplete knowledge if it would not be remunerative to acquire (produce) complete knowledge.

And in the same vein (Demsetz [1982, p. 50])

Larger, older firms generally will be able to borrow more cheaply than smaller, younger firms. It is not large capital "requirements," but the histories of successful firms, in a world in which information is costly to acquire, that constitute the source of such interest rate differentials.

III. Product Market Consequences of Transaction Costs in Financial Markets

A widely accepted view is that a barrier to entry is some market characteristic which imposes a cost on entrants but not incumbents (Stigler [1968, p. 67]) and which reduces welfare (von Weizsäcker [1980]). Whether financial markets are or are not efficient is irrelevant to the welfare consequences of cost differences which arise in financial markets for product market performance. If such cost differences reduce welfare in product markets, then financial markets are a source of entry barriers in this sense.

I therefore examine the product market welfare consequences of cost differences imposed by financial markets. Suppose two firms supply a market with linear (inverse) demand curve

\[ p = a - bQ \]
The two firms have access to the same technology. If they could borrow at a risk-free rate of return, they would have identical marginal and average cost, $c$ per unit. However, financial markets assign a risk premium to each firm. Firm 2 is considered riskier than firm 1. Firm 2 pays a greater risk premium than firm 1, which translates into a greater unit cost:

$$c < c_1 < c_2$$

A. Optimal Production in a Market System, Given Imperfect Information in Financial Markets

In the absence of transaction costs in financial markets, the ideal production arrangement would be to produce $S = \frac{a - c}{b}$ units of output, which would clear the market at a price $p = c$. As information is in fact imperfect, this ideal is infeasible. Given imperfect information in financial markets, the first-best market performance would have firm 1 supply the entire market at price $p = c_1$. This might occur under a regulatory regime, if regulators were sufficiently clever.

The second-best performance would have firm 1 produce $S_2 = \frac{a - c_2}{b}$ units of output, which would clear the market at price $p_2 = c_2$. Such an equilibrium might occur through limit pricing.

3. The relation between unit cost and cost of financial capital depends on capital intensity; see Martin [1988]. One would expect the cost of capital to rise as output, and borrowing, rises. The assumption of constant unit cost is made for simplicity, to focus on the critical issue, which is differences in the cost of capital (Williamson [1974, p. 1460]).
In this case, production would occur as cheaply as possible, given the state of information in financial markets and the organization of production through profit-maximizing firms. Firm 1 would earn an efficiency rent \( c_2 - c_1 \) per unit of output. This is a return to an asset of firm 1: its reputation. To collect its efficiency rent, firm 1 restricts output and holds price above its own marginal cost. There is, of course, a deadweight welfare loss associated with this output restriction. The deadweight welfare loss reflects the difference between the limit price \( p_2 \) and real-world marginal cost, \( c_1 \).

B. Performance Under Oligopoly

How would market performance under oligopoly compare with second-best limit pricing? The answer depends, of course, on the kind of oligopoly specified as an alternative to limit pricing. The comparison I make is with Cournot quantity-setting duopoly. This choice is hallowed by precedent. It has the added convenience that it can be easily extended, using the device of conjectural variations, to cover a wide range of oligopolistic interactions.

It is well known that in quantity-setting duopoly, the lower-cost firm has the greater output:

\[
q_1 = \frac{S_2}{3} + \frac{2}{3} \frac{c_2 - c_1}{b} \\
q_2 = \frac{S_2}{3} - \frac{1}{3} \frac{c_2 - c_1}{b}
\]

4. It is the comparison which is usually made to analyze the credibility of strategic threats. For examples, see Dixit [1980] and Schmalensee [1981].

5. The requirement that \( q_2 \) be positive imposes a constraint on cost differences; \( q_2 \) is positive if and only if

\[
a - c_2 > c_2 - c_1.
\]
Total output is

\[ q_1 + q_2 = \frac{2}{3} \bar{c} = \frac{2}{3} \frac{a - \bar{c}}{b} \]

where \( \bar{c} = \frac{1}{2}(c_1 + c_2) \) is average cost and (so long as \( q_2 \) is positive) duopoly equilibrium price exceeds \( c_2 \):

\[ p - c_2 = \frac{1}{3}(a - c_2) - \frac{1}{3}(c_2 - c_1) > 0. \]

In this equilibrium, (as shown in Figure 2), both firms earn economic profit. Firm 1 additionally earns an efficiency rent, on its reduced output.

Firm 1 will prefer oligopoly to limit pricing if its economic profit \((p - c_2)q_1\) under oligopoly exceeds its foregone rent \((c_2 - c_1)(S_2 - q_1)\).

The low-cost firm will prefer oligopoly to limit pricing so long as

\[ c_2 - c_1 < \frac{1}{4}(a - c_2). \]

This has an obvious interpretation. The larger is \( c_2 - c_1 \), the greater the rent which the efficient firm gives up by competing oligopolistically. If \( c_2 - c_1 \) is sufficiently large, the lower-cost firm will prefer to limit price.

The additional welfare loss under oligopoly, compared with the limit pricing, has two components. The first is the deadweight welfare loss due to restriction of output from \( S_2 \) to \( q_1 + q_2 \).

The second element of welfare loss under oligopoly is the excess cost of production on output produced by firm 2 rather than firm 1. The latter is a product market welfare loss induced by efficient differences in the cost of financial capital.
There is an additional welfare consequence of cost differences in financial markets. Oligopoly output $q_1 + q_2$ is less than optimal feasible output $S_2$. Under a limit-pricing arrangement, the low-cost firm would collect a rent $c_2 - c_2$ per unit on this output. Under oligopoly, this output is not produced, and the rent is not collected. This represents an income transfer from the low-cost firm to consumers (who presumably spend it in other markets).

IV. Final Remarks

Transactions costs rooted in imperfect information induce differences in the cost of capital across firms. These cost differences permit behavior which induces welfare losses in product markets. Low-cost firms may limit price, collecting efficiency rents and inducing a deadweight welfare loss by holding price above marginal cost. Or low-cost firms may share the market, which induces additional deadweight welfare losses and additional social losses as production is inefficiently shifted to high-cost firms.

6. The focus of this paper is competition policy. The analysis suggests as well that authorities should encourage, as much as possible, the free flow of information in financial markets.
It follows that financial markets are a source of barriers to entry - cost differences between entrants and incumbents which have adverse welfare consequences. The importance of the entry barrier imposed by financial markets depends on the absolute size of the capital investment required for entry. Competitive strategies which have the effect of raising capital requirements or making entry riskier make entry more difficult, and can be expected to worsen market performance because they raise rivals costs.\(^7\)

Examples of the former will include partial and complete vertical integration. Vertical mergers and vertical contractual relationships which raise capital requirements will have adverse effects on entry conditions and it is appropriate to balance the corresponding welfare cost against any benefits which they may yield.

Examples of the latter include occasional episodes of predatory pricing or "preemptive entry deterrence"\(^8\). Such behavior is likely to increase the risk premium placed upon fringe and entrant firms.

\(^7\) Thus the classic analysis of financial markets as a source of entry barriers ties into the more recent literature on raising rivals' costs as a competitive strategy (Salop and Scheffman [1983, 1987]).

\(^8\) Scherer [1976, p. 871].
REFERENCES


Figure 1: Limit Pricing Based on Cost Differences From Financial Markets
Figure 2: Welfare Losses Under Cournot Duopoly, Based On Cost Differences From Financial Markets
WORKING PAPERS ECONOMICS DEPARTMENT

86/206: Volker DEVILLE
Bibliography on The European Monetary System and the European Currency Unit.

86/212: Emil CLAASSEN
86/214: Alberto CHILOSI
86/218: Emil CLAASSEN
Budget Deficits and the Exchange Rate
The Right to Employment Principle and Self-Managed Market Socialism: A Historical Account and an Analytical Appraisal of some Old Ideas
The Optimum Monetary Constitution: Monetary Integration and Monetary Stability

86/222: Edmund S. PHELPS
Economic Equilibrium and Other Economic Concepts: A "New Palgrave" Quartet

86/223: Giuliano FERRARI BRAVO
Economic Diplomacy. The Keynes-Cuno Affair

86/224: Jean-Michel GRANDMONT
Stabilizing Competitive Business Cycles

86/225: Donald A.R. GEORGE
Wage-earners' Investment Funds: theory, simulation and policy

86/227: Domenico Mario NUTI
Michal Kalecki's Contributions to the Theory and Practice of Socialist Planning

86/229: Marcello DE CECCO
Codetermination, Profit-Sharing and Full Employment

86/230: Rosemarie FEITHEN
Currency, Coinage and the Gold Standard

86/232: Saul ESTRIN
Are There Life Cycles in Labor-Managed Firms? Evidence for France

86/236: Will BARTLETT
Labour Managed Firms, Employee Participation and Profit Sharing - Theoretical Perspectives and European Experience.

86/240: Domenico Mario NUTI
Information, Expectations and Economic Planning

86/241: Donald D. HESTER
Time, Jurisdiction and Sovereign Risk
86/242: Marcello DE CECCO
     Financial Innovations and Monetary Theory
86/243: Pierre DEHEZ
     Jacques DREZE
     Competitive Equilibria with Increasing Returns
86/244: Jacques PECK
     Karl SHELL
     Market Uncertainty: Correlated Equilibrium and Sunspot Equilibrium in Market Games
86/245: Domenico Mario NUTI
     Profit-Sharing and Employment: Claims and Overclaims
86/246: Karol Attila SOOS
     Informal Pressures, Mobilization, and Campaigns in the Management of Centrally Planned Economies
86/247: Tamas BAUER
     Reforming or Perfecting the Economic Mechanism in Eastern Europe
86/257: Luigi MONTRUCCHIO
     Lipschitz Continuous Policy Functions for Strongly Concave Optimization Problems
87/264: Pietro REICHLIN
     Endogenous Fluctuations in a Two-Sector Overlapping Generations Economy
87/265: Bernard CORNET
     The Second Welfare Theorem in Nonconvex Economies
87/267: Edmund PHELPS
     Recent Studies of Speculative Markets in the Controversy over Rational Expectations
87/268: Pierre DEHEZ
     Jacques DREZE
     Distributive Production Sets and Equilibria with Increasing Returns
87/269: Marcello CLARICH
     The German Banking System: Legal Foundations and Recent Trends
87/270: Egbert DIERKER
     Wilhelm NEUEFEIND
     Quantity Guided Price Setting
87/276: Paul MARER
     Can Joint Ventures in Hungary Serve as a "Bridge" to the CMEA Market?
87/277: Felix FITZROY
     Efficiency Wage Contracts, Unemployment, and Worksharing
87/279: Darrell DUFFIE
     Wayne SHAFER
     Equilibrium and the Role of the Firm in Incomplete Markets
87/280: Martin SHUBIK
     A Game Theoretic Approach to the Theory of Money and Financial Institutions
Perfect Foresight, Non-Linearity and Hyperinflation

The Determinants of Workers' Participation and Productivity in Producer Cooperatives

Financial Innovation under Market Socialism

Unemployment and the Share Economy: A Sceptical Note

Supply Multipliers in a Centrally Planned Economy with a Private Sector

The Stock Approach to the Exchange Rate: An Exposition and a Critical Appraisal

Asymmetric Information and Financial Markets: from Financial Intermediation to Credit Rationing

On Labour Market Theories

The Riddle of Foreign Exchanges: A Swedish-German Debate (1917-1919)

Computing Economic Equilibria by Variable Dimension Algorithms: State of the Art

Adverse Selection and Intermediation

Local Bifurcations and Stationary Sunspots

Income Distributions and the Axiom of Revealed Preference

Exchange Rate Uncertainty and Foreign Trade

Output-Inflation Cycles in an Economy with Staggered Wage Setting

Segmented Trends and Nonstationary Time Series

A Strategic Model of Labor Markets with Incomplete Information

<table>
<thead>
<tr>
<th>Number</th>
<th>Author(s)</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>87/322</td>
<td>Keith PILBEAM</td>
<td>Sterilization and the Profitability of UK Intervention 1973-86</td>
</tr>
<tr>
<td>87/323</td>
<td>Alan KIRMAN</td>
<td>The Intrinsic Limits of Modern Economic Theory</td>
</tr>
<tr>
<td>87/324</td>
<td>Andreu MAS-COLELL</td>
<td>An Equivalence Theorem for a Bargaining Set</td>
</tr>
<tr>
<td>88/329</td>
<td>Dalia MARIN</td>
<td>Assessing Structural Change: the Case of Austria</td>
</tr>
<tr>
<td>88/330</td>
<td>Milica UVALIC</td>
<td>&quot;Shareholding&quot; in Yugoslav Theory and Practice</td>
</tr>
<tr>
<td>88/331</td>
<td>David CANNING</td>
<td>Convergence to Equilibrium in a Sequence of Games with Learning</td>
</tr>
<tr>
<td>88/332</td>
<td>Dalia MARIN</td>
<td>Trade and Scale Economies. A causality test for the US, Japan, Germany and the UK.</td>
</tr>
<tr>
<td>88/333</td>
<td>Keith PILBEAM</td>
<td>Fixed versus Floating Exchange Rates Revisited.</td>
</tr>
<tr>
<td>88/335</td>
<td>Felix FITZROY</td>
<td>Piece Rates with Endogenous Monitoring: Some theory and evidence</td>
</tr>
<tr>
<td>88/336</td>
<td>Kornelius KRAFT</td>
<td></td>
</tr>
<tr>
<td>88/337</td>
<td>Domenico Mario NUTI</td>
<td>On Traditional Cooperatives and James Meade's Labour-Capital Discriminating Partnerships</td>
</tr>
<tr>
<td>88/338</td>
<td>Pietro REICHLIN</td>
<td>Government Debt and Equity Capital in an Economy with Credit Rationing</td>
</tr>
<tr>
<td>88/339</td>
<td>Paolo SICONOLFI</td>
<td></td>
</tr>
<tr>
<td>88/340</td>
<td>Alfred STEINHERR</td>
<td>The EMS with the ECU at Centerstage: a proposal for reform of the European rate system</td>
</tr>
<tr>
<td>88/341</td>
<td>Frederick VAN DER PLOEG</td>
<td>Monetary and Fiscal Policy in Interdependent Economies with Capital Accumulation, Death and Population Growth</td>
</tr>
<tr>
<td>88/342</td>
<td>David CANNING</td>
<td>Optimal Monetary Policy in an Economy without a Forward Market for Labour</td>
</tr>
<tr>
<td>88/344</td>
<td>Joerg MAYER</td>
<td>Intervention Mechanisms and Symmetry in the EMS</td>
</tr>
<tr>
<td>88/345</td>
<td>Keith PILBEAM</td>
<td>Exchange Rate Management and the Risk Premium</td>
</tr>
</tbody>
</table>
88/348: Milica UVALIC
The Investment Behaviour of the Labour-Managed Firm: an econometric analysis

88/351: Alan P. KIRMAN
On Ants and Markets

88/352: Gianna GIANNELLI
Labour Demand, Pricing and Investment Decisions in Italy: An econometric Analysis

88/353: Niall O'HIGGINS
The Progressivity of Government Taxes and Benefits in Ireland: a comparison of two measures of redistributive impact

88/356: Mary McCarthy
Lucrezia REICHLIN
Do Women Cause Unemployment? Evidence from Eight O.E.C.D. Countries

88/357: Richard M. GOODWIN
Chaotic Economic Dynamics

88/358: Fernando PACHECO
Eric PEREE
Francisco S. TORRES
Duopoly under Demand Uncertainty

88/360: Domenico Mario NUTI
Economic Relations between the European Community and CMEA

88/361: Domenico Mario NUTI
Remonetisation and Capital Markets in the Reform of Centrally Planned Economies

88/362: Domenico Mario NUTI
The New Soviet Cooperatives: Advances and Limitations

88/368: Stephen MARTIN
Joint Ventures and Market Performance in Oligopoly

89/370: B. Bensaïd
Robert GARY-BOBO
S. SIDERBUSCH
The Strategic Aspects of Profit-Sharing in the Industry

89/374: Francisco S. TORRES
Small Countries and Exogenous Policy Shocks

89/375: Renzo DAVIDDI
Rouble Convertibility: a Realistic Target?

89/377: Elettra AGLIARDI
On the Robustness of Contestability Theory

89/378: Stephan MARTIN
The Welfare Consequences of Transaction Costs in Financial Markets
EUI Working Papers are published and distributed by the European University Institute, Florence.

Copies can be obtained free of charge - depending on the availability of stocks - from:

The Publications Officer
European University Institute
Badia Fiesolana
I - 50016 San Domenico di Fiesole (FI)
Italy

Please use order form overleaf
To The Publications Officer
European University Institute
Badia Fiesolana
I - 50016 San Domenico di Fiesole (FI)
Italy

From Name
Address

Please send me the following EUI Working Paper(s):

No. 
Author, title:

Date 
Signature
<table>
<thead>
<tr>
<th>Volume</th>
<th>Title</th>
<th>Author(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>88/329</td>
<td>Assessing Structural Change: The Case of Austria *</td>
<td>Dalia Marin</td>
</tr>
<tr>
<td>88/330</td>
<td>&quot;Shareholding&quot; in Yugoslav Theory and Practice</td>
<td>Milica Uvalic</td>
</tr>
<tr>
<td>88/331</td>
<td>Convergence to Equilibrium in a Sequence of Games with Learning</td>
<td>David Canning</td>
</tr>
<tr>
<td>88/332</td>
<td>Trade and Scale Economies. A causality test for the U.S., Japan, Germany and the UK</td>
<td>Dalia Marin</td>
</tr>
<tr>
<td>88/333</td>
<td>Fixed versus Floating Exchange Rates Revisited</td>
<td>Keith Pilbeam</td>
</tr>
<tr>
<td>88/334</td>
<td>Die EWG und die Versalzung des Rheins</td>
<td>Hans Ulrich Jessurun d'Oliveira</td>
</tr>
<tr>
<td>88/335</td>
<td>Piece Rates with Endogenous Monitoring Some Theory and Evidence</td>
<td>Felix Fitzroy and Kornelius Kraft</td>
</tr>
<tr>
<td>88/336</td>
<td>Die Übertragung von Hoheitsrechten auf die Europäischen Gemeinschaften - verfassungsrechtliche Chancen und Grenzen einer europäischen Integration erläutert am Beispiel der Bundesrepublik Deutschland, Frankreichs und Italiens -</td>
<td>Norbert Lorenz</td>
</tr>
<tr>
<td>88/337</td>
<td>On Traditional Cooperatives and James Meade's Labour-Capital Discriminating Partnerships</td>
<td>Domenico Mario Nuti</td>
</tr>
<tr>
<td>88/338</td>
<td>Government Debt and Equity Capital in an Economy with Credit Rationing</td>
<td>Pietro Reichlin and Paolo Siconolfi</td>
</tr>
<tr>
<td>88/339</td>
<td>The EMS with the ECU at Centerstage: A proposal for reform of the European Exchange rate system</td>
<td>Alfred Steinherr</td>
</tr>
<tr>
<td>88/340</td>
<td>Monetary and Fiscal Policy in Interdependent Economies with Capital Accumulation, Death and Population Growth</td>
<td>Frederick Van der Ploeg</td>
</tr>
<tr>
<td>88/341</td>
<td>Optimal Monetary Policy in an Economy without a Forward Market for Labour</td>
<td>David Canning</td>
</tr>
<tr>
<td>88/342</td>
<td>&quot;And God Laughed...&quot; Indeterminacy, Self-Reference and Paradox in Law</td>
<td>Gunther Teubner</td>
</tr>
<tr>
<td>88/343</td>
<td>Ministerial Careers in Western European Governments</td>
<td>Jean Blondel</td>
</tr>
</tbody>
</table>

* : Working Paper out of print
<table>
<thead>
<tr>
<th>Number</th>
<th>Authors</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>88/344</td>
<td>Joerg Mayer</td>
<td>Intervention Mechanisms and Symmetry in the EMS</td>
</tr>
<tr>
<td>88/345</td>
<td>Keith Pilbeam</td>
<td>Exchange Rate Management and the Risk Premium</td>
</tr>
<tr>
<td>88/346</td>
<td>Efisio Espa</td>
<td>The Structure and Methodology of International Debt Statistics</td>
</tr>
<tr>
<td>88/347</td>
<td>Francesc Morata and Jaume Vernet</td>
<td>Las Asambleas Regionales en Italia y España: Organización Institucional y Reglas de Funcionamiento</td>
</tr>
<tr>
<td>88/348</td>
<td>Milica Uvalic</td>
<td>The Investment Behaviour of the Labour-Managed Firm: An Econometric Analysis</td>
</tr>
<tr>
<td>88/349</td>
<td>Massimo Panebianco</td>
<td>Inter-Regional Co-Operation in the North-South Dialogue Latin America and the European Community</td>
</tr>
<tr>
<td>88/350</td>
<td>Gregorio Robles</td>
<td>La Cour de Justice des CE et les Principes Généraux du droit</td>
</tr>
<tr>
<td>88/351</td>
<td>Alan Kirman</td>
<td>On Ants and Markets</td>
</tr>
<tr>
<td>88/352</td>
<td>Gianna Giannelli</td>
<td>Labour Demand, Pricing and Investment Decisions in Italy: An Econometric Analysis</td>
</tr>
<tr>
<td>88/353</td>
<td>Niall O'Higgins</td>
<td>The Progressivity of Government Taxes and Benefits in Ireland: A Comparison of Two Measures of Redistributive Impact</td>
</tr>
<tr>
<td>88/354</td>
<td>Christian Joerges</td>
<td>Amerikanische und deutsche Traditionen der soziologischen Jurisprudenz und der Rechtskritik</td>
</tr>
<tr>
<td>88/355</td>
<td></td>
<td>Summary of Conference, debates and abstracts of selected interventions</td>
</tr>
<tr>
<td>88/356</td>
<td>Mary McCarthy and Lucrezia Reichlin</td>
<td>The Future Financing of the EC Budget: EPU Conference 16-17 October 1987</td>
</tr>
<tr>
<td>88/357</td>
<td>Richard M. Goodwin</td>
<td>Do Women Cause Unemployment? Evidence From Eight O.E.C.D. Countries</td>
</tr>
<tr>
<td>88/358</td>
<td>Fernando Pacheco and Francisco S. Torres</td>
<td>Chaotic Economic Dynamics</td>
</tr>
<tr>
<td>88/359</td>
<td>Jaakko Nousiainen</td>
<td>Substance and Style of Cabinet Decision-Making</td>
</tr>
</tbody>
</table>

* Working Paper out of print
<table>
<thead>
<tr>
<th>No.</th>
<th>Author(s)</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>88/360</td>
<td>Domenico Mario NUTI</td>
<td>Economic Relations between the European Community and CMEA</td>
</tr>
<tr>
<td>88/361</td>
<td>Domenico Mario NUTI</td>
<td>Remonetisation and Capital Markets in the Reform of Centrally Planned Economies</td>
</tr>
<tr>
<td>88/362</td>
<td>Domenico Mario NUTI</td>
<td>The New Soviet Cooperatives: Advances and Limitations</td>
</tr>
<tr>
<td>88/363</td>
<td>Reiner GRUNDMANN</td>
<td>Marx and the Domination of Nature</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Alienation, Technology and Communism</td>
</tr>
<tr>
<td>88/364</td>
<td>Tony PROSSER</td>
<td>The Privatisation of Public Enterprises in France and Great Britain</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The State, Constitutions and Public Policy</td>
</tr>
<tr>
<td>88/365</td>
<td>Silke BRAMMER</td>
<td>Die Kompetenzen der EG im Bereich Binnenmarkt nach der Einheitlichen Europäischen Akte</td>
</tr>
<tr>
<td>88/366</td>
<td>Goesta ESPING-ANDERSEN</td>
<td>The Three Political Economies of the Welfare State</td>
</tr>
<tr>
<td>88/367</td>
<td>Goesta ESPING-ANDERSEN/Paul FARSUND and Jon Eivind KOLBERG</td>
<td>Decommodification and Work Absence in the Welfare State</td>
</tr>
<tr>
<td>88/368</td>
<td>Stephen MARTIN</td>
<td>Joint Ventures and Market Performance in Oligopoly</td>
</tr>
<tr>
<td>88/369</td>
<td>Giuseppe RAO</td>
<td>The Italian Broadcasting System: Legal and Political Aspects</td>
</tr>
<tr>
<td>89/370</td>
<td>B. BENSAID/S. FEDERBUSCH/R.J. GARY BOBO</td>
<td>The Strategic Aspects of Profit Sharing in the Industry</td>
</tr>
<tr>
<td>89/371</td>
<td>Klaus-Dieter STADLER</td>
<td>Die Europäische Zusammenarbeit in der Generalversammlung der Vereinten Nationen zu Beginn der Achtziger Jahre</td>
</tr>
<tr>
<td>89/372</td>
<td>Jean Philippe Robé</td>
<td>Countervailing Duties, State Protectionism and the Challenge of the Uruguay Round</td>
</tr>
<tr>
<td>89/373</td>
<td>Giovanni FEDERICO/Antonio TENA</td>
<td>On the Accuracy of Historical International Foreign Trade Statistics Morgenstern Revisited</td>
</tr>
<tr>
<td>89/374</td>
<td>Francisco TORRES</td>
<td>Small Countries and Exogenous Policy Shocks</td>
</tr>
</tbody>
</table>

* Working Paper out of print
89/375: Renzo DAVIDDI
Rouble Convertibility: A Realistic Target?

89/376: Jean STAROBINSKI
Benjamin Constant: La fonction de l'éloquence

89/377: Elettra AGLIARDI
On the Robustness of Contestability Theory

89/378: Stephen MARTIN
The Welfare Consequences of Transaction Costs in Financial Markets

89/379: Augusto De Benedetti
L'equilibrio difficile. Linee di politica industriale e sviluppo dell'impresa elettrica nell'Italia meridionale: la Società Meridionale di Elettricità nel periodo di transizione, 1925-1937

* Working Paper out of print