

Chapter 8

Conclusion

Coase's pioneering work brought institutions, property rights, and transaction costs into economic analysis, catalyzing new research in diverse fields in economics, management, law, political science, and other social sciences. The fields of law and economics, property rights economics, transaction cost economics, and institutional and organizational economics built upon Coase's original contributions to our understanding of the organizational structure of production and the effect of law on economic activity. Founded in 2000, the Ronald Coase Institute works to promote institutional and transaction cost scholarship, particularly by connecting young international scholars and providing them with valuable research opportunities. Similarly, the annual Institutional and Organizational Economics Academy brings together European graduate students working in the Coasean tradition. Through such efforts, research and application in institutional, organizational, and transaction cost economics continues to expand and thrive.

Coase worked continuously until his death in 2003 at age 102. In the last decade of his life he became increasingly interested in China's increasing economic activity and worked with Chinese scholars to build networks of researchers in institutional and organizational economics. In his last work, "How China Became Capitalist," (Coase and Wang, 2002) Coase and Ning Wang examined the incremental institutional changes that had taken place in China over the previous four decades and that enabled sustained economic growth and widespread increases in living standards. One of the institutional bulwarks of economic growth is the development and spread of new ideas, and they argue that markets for ideas are essential for increased flourishing in China, building on China's long-standing cultural reverence for ideas.

Coase's enduring influence extends beyond academic scholarship to actual, meaningful institutional changes that have transformed society,

increased economic growth, and expanded the dimensions of our flourishing. Institutional innovations in emissions permit trading, in spectrum license markets, and in many other applications derive inspiration from Coase's ideas. In my own work on transactive energy, Coase's ideas form a foundation for designing market institutions based on the extent to which digital technologies reduce transaction costs (Kiesling, 2016). Transactive energy uses digital automation to enable a house's thermostat to submit bids to pay for power in a given time period; along with other houses they form a demand curve, while suppliers submit offers that create a supply curve. The market-clearing price is communicated back to each device along with an instruction of what action it has to take depending on whether its bid or offer was accepted. As energy technologies become more diverse and smaller in scale, the reductions in transaction costs from digital technologies will increase the potential welfare creation from such markets. In a complex network such as the power grid, the prices emerging from these markets can serve as control signals to keep the grid in balance.

Coase's ideas live in our institutional frameworks. In both scholarly work and applied institutional design, Ronald Coase has been one of the most influential economists of our time. Economic ideas and the world we inhabit and create are better due to his insights.