Transaction Costs as Measurement of Institutionally Led Structural Changes

Topic: Structural change and dynamics 1
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Neoclassical microeconomics examines the problems of efficient transformation of inputs (raw materials, capital, labour) into new products. The main postulate is that due to comparative advantages it is more productive if people and their economic organizations specialize in different businesses and afterwards exchange the fruits of their labour. The relevant phenomenon here is technological change and the consequent rise in the productivity of this transformational process.
New institutional economics brings out the concept of transaction costs as those costs that economic agents pay in order to exchange the results from their production and thus reap the benefits from the labour division. The exchange process can be easier or more difficult, that is to say costly, depending on the rules for this activity. “Rules of the game” in a society are built in institutions. Therefore institutions and institutional change are as important as technologies and technological change. In successful societies institutional and technological changes lead to those structural changes in the economy that lower all kind of costs, transformational and transactional.
In 1986 Wallis and North, in their article “Measuring the transaction sector in the American economy, 1870-1970”, try to give shape to the concept of transaction costs estimating their size as a proportion of the total economic activity in an economy. They gain several followers who replicate the measurement methodology for different countries, but little effort is done in the field of testing the hypotheses of the new institutional economics.
My conviction is that this kind of problems can be adequately met in the framework of input-output tables. I try to find statistically significant relationships that can be used for hypothesis testing using the data base of OECD for 44 countries.