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"Information and the Optimal Ownership Structure of Firms"
CSIO Working Paper #0028

Abstract

I develop a property rights theory of the firm in which managers bargain over the sharing of quasi-rents in the presence of private information. I analyze the interdependence between the ownership structure of firms and the bargaining inefficiency that is due to the presence of private information and derive the optimal ownership structure that minimizes the bargaining inefficiency. I first assume that managers can only contract over the ownership structure and show that they optimally choose one that minimises (maximises) their aggregate disagreement payoff if the minimum expected quasi-rents are large (small). I then extend my analysis and allow the managers to contract over the ownership structure and the bargaining game that is played ex post. I show that the main results continue to hold if and only if ownership structures are deterministic and cannot be made contingent on information that is revealed ex post.