

Extended Abstract:
Partnership Dissolution, Auctions and Differences between
Willingness to Pay and Willingness to Accept

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I extend the partnership dissolution model by Cramton et al. (CGK, 1987) and allow the agents to distinguish between willingness to pay (WTP), for shares they do not possess, and willingness to accept (WTA), for the share they own. Following CGK I consider a symmetric independent private values setting and assume that WTA and WTP are perfectly correlated (i.e. the model is a screening model with one-dimensional types). Differently to CGK, where dissolution is always ex-post efficient, this is not true if WTA and WTP differ. For a certain subset of types it is possible that neither partners' WTP exceeds the other partner's WTA and ex-post efficiency prescribes maintaining the status quo. The existence of this non-trade region lowers the possible gains from trade necessary to finance participation and incentive compatibility. For the prominent 50-50 ownership case I derive a necessary and sufficient condition for the existence of a bayesian incentive compatible, budget balanced, interim individually rational and ex post efficient dissolution mechanism. Such a mechanism does *not* always exist.

Additionally, I analyse properties of the widely used $k + 1$ -price auction with forced participation. Its allocation rule is not ex post efficient and dependent on the difference between WTA and WTP agents might prefer not to participate in the auction. Therefore I study a variation of the $k + 1$ -price auction that allows the agents not to participate. In addition to characterizing equilibria I compare their performances with a $k + 1$ -price auction which allows separate bids for the different shares. With increasing differences in WTA and WTP the possibility to submit two bids outperforms both the $k + 1$ -price auction with forced and voluntary participation in terms of efficiency and ex ante expected payoffs.

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