

Optimal selling mechanisms with crossholdings

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Abstract

We characterize the optimal selling mechanism when bidders have ownership links among them (crossholdings). This mechanism discriminates against bidders who enjoy a value comparative advantage resulting from the extent to which they appropriate their own surplus. It is shown that since crossholdings improve the seller's ability to selectively extract surplus from bidders, expected seller revenue is increasing with the asymmetry in these stakes. The optimal mechanism is implemented by a hybrid procedure that combines an auction with price preferences and a possible exclusive deal. An alternative negotiation procedure replicates some properties of the optimal one, and revenue-dominates most commonly used auction formats.

Palabras clave

Palabras clave de autor: [Optimal auction](#); [Crossholding](#); [Asymmetric auction](#); [Negotiation](#); [Private values](#)

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