COLLECTIVE HOLD-UP

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Abstract. There is a principal and a group of \( n \) agents who interact in an infinite horizon, \( t = 1, 2, \ldots \). The principal produces a public good if and when she obtains the support of \( q < n \) agents; in that case we say that the principal wins. In each period \( t \) in which the principal has not won, an agent (selected randomly) meets with the principal and bargains over the terms of a deal (a transfer) by which the selected agent commits to support the principal. With probability \( \phi \in [0, 1] \), proposal power, the principal makes the agent a take it or leave it offer, and with probability \( 1 - \phi \) the agent makes the principal a take it or leave it offer. If the recipient of the offer accepts it, the agent commits his support for the principal, the transfer takes place and the agent leaves the matching process; if the offer is rejected, the agent remains uncommitted and can be selected again in the future. If and when the leader wins, the leader gets a payoff of \( v > 0 \), uncommitted agents get a payoff of \( w > 0 \), and committed agents obtain a payoff of \( z \in \mathbb{R} \); in each period \( t \) before the leader obtained full support all players get 0. This canonical model of contracting with externalities can be applied, for example, to study Bargaining in Legislatures, Exclusive Deals, Hostile Takeovers, Public Goods Provision and Charity Runs. In this set up we ask: how much proposal power would agents want the principal to have? Our main results are: 1) agents always want the principal to retain some proposal power, 2) agents want to give the principal all proposal power if they are very patient, and 3) if the principal has sufficient proposal power increasing the principal’s payoff may be detrimental to agents.