

An Endogenous Objective Function of a Partially-Privatized Firm: A Nash Bargaining Approach

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Abstract

We consider the mixed duopoly including a private firm and a partially-privatized firm jointly owned by the public and private sectors. The private firm's objective function is its profit while the partially-privatized firm's is endogenously determined through bargaining between both sectors. Usually, it is said that when the shareholders have the more shares, they can strongly reflect their objectives into the firm's objective. However, we find that when the public sector has more shares, it may dare to reflect its objective into the partially-privatized firm's objective.

JEL classification: L13; L33; C78

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