

[Oxford Journals](#) > [Social Sciences](#) > [Quarterly Journal of Economics](#) > [Volume 127 Issue 4](#) > Pp. 1813-1841.

Organization and Information: Firms' Governance Choices in Rational-Expectations Equilibrium*

[Robert Gibbons](#), [Richard Holden](#) and [Michael Powell](#)

Massachusetts Institute of Technology

University of New South Wales

Kellogg School of Management, Northwestern University

Abstract

We analyze a rational-expectations model of price formation in an intermediate-good market under uncertainty. There is a continuum of firms, each consisting of a party who can reduce production cost and a party who can discover information about demand. Both parties can make specific investments at private cost, and there is a machine that either party can control. As in incomplete-contracting models, different governance structures (i.e., different allocations of control of the machine) create different incentives for the parties' investments. As in rational-expectations models, some parties may invest in acquiring information, which is then incorporated into the market-clearing price of the intermediate good by these parties' production decisions. The informativeness of the price mechanism affects the returns to specific investments and hence the optimal governance structure for individual firms; meanwhile, the governance choices by individual firms affect the informativeness of the

[« Previous](#) | [Next Article](#)
[Table of Contents](#)

This Article

The Quarterly Journal of
Economics (2012) 127
(4): 1813-1841.
doi: 10.1093/qje/qjs033
First published online:
October 1, 2012

[» Abstract](#) *Free*

[Full Text \(HTML\)](#)

[Full Text \(PDF\)](#)

[Supplementary Data](#)

All Versions of this Article:

[qjs033v1](#)

[qjs033v2](#)

127/4/1813 *most recent*

[Classifications](#)

[Article](#)

[Services](#)

[Alert me when cited](#)

[Alert me if corrected](#)

[Find similar articles](#)

[Similar articles in Web of
Science](#)

[Add to my archive](#)

[Download citation](#)

[Request Permissions](#)

[Citing Articles](#)

[Load citing article
information](#)

[Citing articles via CrossRef](#)

[Citing articles via Scopus](#)

[Citing articles via Web of](#)

Search this journal:

[Advanced »](#)



The Journal

[About the journal](#)
[Rights & permissions](#)
[We are mobile – find
out more](#)

Published on behalf
of

[President and Fellows
of Harvard University](#)

Impact Factor: 5.966
5-Yr impact factor:
9.126

Editors

Robert J. Barro

Elhanan Helpman

Lawrence F. Katz

Andrei Shleifer

[View full editorial board](#)

Assistant Editor

Trina Ott

Alerting Services

[Email table of contents](#)

[Email Advance Access](#)

[CiteTrack](#)

[XML RSS feed](#)

[JEL Alerting Sign Up](#)

For Authors

[Services for authors](#)

price mechanism. In equilibrium, the informativeness of the price mechanism can induce ex ante homogeneous firms to choose heterogeneous governance structures.

JEL codes

[D20](#) [D23](#)

© The Author(s) 2012. Published by Oxford University Press, on behalf of President and Fellows of Harvard College. All rights reserved. For Permissions, please email: journals.permissions@oup.com

[Science](#)
[Citing articles via Google Scholar](#)

[Google Scholar](#)

[Articles by Gibbons, R.](#)
[Articles by Powell, M.](#)
[Search for related content](#)

[Related Content](#)

[D20 - General](#)
[D23 - Organizational Behavior; Transaction Costs; Property Rights](#)
[Load related web page information](#)

[Share](#)

[Email this article](#)



[What's this?](#)

[Instructions to authors](#)
[Submit now!](#)
[Self-archiving policy for authors](#)

[Corporate Services](#)

[What we offer](#)
[Advertising sales](#)
[Reprints](#)
[Supplements](#)

Disclaimer: Please note that abstracts for content published before 1996 were created through digital scanning and may therefore not exactly replicate the text of the original print issues. All efforts have been made to ensure accuracy, but the Publisher will not be held responsible for any remaining inaccuracies. If you require any further clarification, please contact our [Customer Services Department](#).

Online ISSN 1531-4650 - Print ISSN 0033-5533

Copyright © 2014 [President and Fellows of Harvard College](#)

[Site Map](#) [Privacy Policy](#) [Cookie Policy](#) [Legal Notices](#) [Frequently Asked Questions](#)

Other Oxford University Press sites: