Title: Sharing the Proceeds from a Hierarchical Venture

JL Hougaard, JD Moreno-Ternero, M Tvede, LP Østerdal

We consider the problem of distributing the proceeds generated from a joint venture in which the participating agents are hierarchically organized. We characterize a family of allocation rules where revenue bubbles up in the hierarchy.

The family is flexible enough to accommodate a no-transfer rule (where no revenue bubbles up) and a full-transfer rule (where the all revenues bubble up to the top of the hierarchy).

Our benchmark model refers to the case of linear hierarchies, but we also extend the analysis to the cases in which hierarchies convey a general tree structure and include joint ownerships.