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EX ANTE EFFICIENCY OF STRUCTURED BARGAINING PROCEDURES UNDER COORDINATION FAILURE AMONG CREDITORS

We analyze the *ex ante* efficiency of structured bargaining procedures, especially the absolute priority rule (APR) violations and the revocation of preferential payments (PP), by considering an agency problem among stakeholders and a coordination problem among creditors. We show that when creditors receive clear signals about firms, the debtor is more likely to choose an inefficient and risky action if APR violations are adopted. On the other hand, when a noisy signal is transmitted to creditors, a high liquidation value may induce coordination failure among creditors. Because this also induces moral hazard on the part of the debtor, adopting APR violations may be a useful way of improving *ex ante* efficiency. Finally, if there is complementarity between a firm's assets, the revocation of PP can mitigate the coordination problem and thus increase *ex ante* efficiency.

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