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Aug 16 Tuesday

9:00-10:30

Title: "Making Your Own Luck: Strategic Risk Taking and Effort in Contests"

Abstract:

We study the winner-take-all contest in which players not only exert costly effort but also can add any fair random noise subject to a zero stop-loss constraint. We prove that this contest induces higher expected effort than the corresponding all-pay contest (with no gambling) whenever the number of contestants is sufficiently large. We study the role of the stop-loss constraint for this comparison result. We also show that the equilibrium effort is independent of contest design, but the output distribution increases in convex order as the prize allocation becomes more unequal; the latter implies that the winner-take-all contest produces the most spread output distribution.