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A primer on tournaments

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Abstract

This paper fills in a gap in the tournament literature by developing a framework that can be used to analyze both cardinal and ordinal tournaments, as well as piece rates. The analysis aims to obtain a Pareto ranking of cardinal versus ordinal tournaments, which is an open question in the literature. The analysis shows that, surprisingly, cardinal tournaments are superior to ordinal tournaments. The rationale is that, by utilizing all the available information more efficiently, cardinal tournaments allow the principal to implement higher power incentives, which makes them superior even though they restrict the form of the contract more than ordinal tournaments.

Completed draft available on request from:

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