All-Pay Contests and Price Competition: A Unified Framework

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Contrary to the broad existing literature, some important forms of contests have ‘default allocations’ that still award the contest prize even when no player actively competes. To address this gap, we make the following contributions. First, we provide a general all-pay contest framework that can explicitly characterize all equilibria while allowing for any default allocation, any form of participation costs, and any arbitrary level of asymmetry. Second, the paper uses the framework to develop the connection between all-pay contests and ‘clearinghouse’ oligopoly sales models and show how the latter can be solved under full asymmetry. Finally, the paper demonstrates how default allocations can be used in optimal contest design.

Very Preliminary and Incomplete: Please Do Not Circulate.

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