

THE TRADEOFF BETWEEN PERFORMANCE AND QUITTING IN HIGH POWER TOURNAMENTS

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Abstract

Tournaments may be characterized by the performance they induce as well as by the rate of quitting and dropouts of participants. While most of the attention in the literature is on the performance induced by high power incentives, there are many daily situations in which dropouts and quitting are a major concern. Using a field experiment in schools and a model of dynamic tournament we examine the effect of different levels of rewards on the rate of quitting. Our experiment indicates that there is a possible tradeoff between performance and quitting. Strong incentives tournaments induced participants to exert more effort and exhibit a better performance but, at the same time, it induces a higher rate of quitting. We present a multi-stage tournament model that give rise to a similar characterization. (JEL: C93,C73,D8,J30)