
Contents

Notation	XV
I Introduction	1
<hr/>	
Part A The Basic Contest	
<hr/>	
II The Policy Contest	9
1 Policy and Stakes.....	9
2 Contest Equilibrium.....	11
a The Logit (Generalized Lottery) CSF.....	12
b The All-pay Auction.....	13
III Contest Rationalization – Microfoundations	15
1 The Public-policy Contest.....	17
2 The Condition for Preferred Randomness.....	18
3 Applications.....	21
a The Most Common CSFs.....	21
b Comparison of the Common CSFs.....	23
4 Summary.....	24
<hr/>	
Part B The Extended Contest: With Government	
<hr/>	
IV Endogenous Public Policy	29
1 The Public-policy Game.....	31
a The Contest Between the Interest Groups.....	32
b Example: Public-good Provision.....	35
c Public Policy and Rent-seeking Outlays.....	36
d The Government: Bureaucrats and Politicians.....	36
2 Politicization and Welfare.....	39

3	Stakes and Welfare	43
V	Culture, Politicization and Relative Rent Dissipation	47
1	The Public-policy Game	48
a	The Contest Between the Interest Groups	48
b	The Government: Office Holders and Ruling Politicians	49
2	Political Culture and Relative Rent Dissipation	49
VI	Lobbying and Compromise	55
1	The Public-policy Game	58
2	A Noncompromising Equilibrium Policy	60
3	Public Policy	62

Part C The Policy Effect

VII	Effort and Performance	69
1	The Public-policy Contest	71
2	Public Policy and the Prize System (The Contestants' Stakes)	73
3	Public Policy, Efforts and Winning Probabilities	76
a	Partial Incidence: Policy Reforms Affecting a Single Stake	77
b	Complete Incidence: Policy Reforms Affecting Both Stakes	79
4	Summary	83
VIII	Prizes (Size and Distribution) and Efforts	85
1	The Public-policy Contest	85
2	Reduced Prizes and Increased Effort	87
3	Size and Distribution of Prizes and Efforts	89
a	The Variable Contest	90
IX	Asymmetry and Corrective Public Policy	95
1	The Extended Contest	95
2	An Effective Corrective Tax-transfer Policy	98

Part D The Extended Contest: Without Government

X	The Social Cost of Rent Seeking when Consumer Opposition Influences Monopoly Behavior	105
1	The Monopoly–Consumer Contest	106
2	The Welfare Effect of Consumer Participation	107
3	The Contestable Monopoly Price — Two-stage Game	107
4	The True Social Cost of Monopoly	109

XI Strategic Restraint 113

1 The Model 114

 a An Overview 114

 b Equilibrium 115

 c The Interest-groups' Optimal Policies 117

Part E Applications

XII Monopoly-price Determination 123

1 The Game of Monopoly Regulation 124

2 The Proposed Monopoly Price and the Contestants' Stakes, Efforts and Winning Probabilities 127

3 Political Culture and Monopoly Price 130

4 Political Culture and Relative Rent Dissipation 132

5 Welfare Analysis 133

6 When Does The Calf (Monopoly) Wish to Suck Less than the Cow (Regulator) Desire to Suckle? 135

7 A Numerical Example 138

8 Remark on the Alternative Interpretation 140

9 Summary 142

XIII Privatization 145

1 The Model 146

 a An Overview 146

 b The Subgame Between the Employees and the Investor 147

2 The Optimal Level of Compensation 149

 a The Privatizing Authority 150

3 Budgetary Limitations 153

4 Summary 155

XIV Migration Policy 157

1 The Preferred Nonstrategic Migration Quotas 160

2 The Effect of Lobbying: No Government Intervention in the Proposal Process 163

3 Government Intervention in Determining the Proposed Quota Assuming a Given Status-quo Policy 166

4 The Relationship between the Status Quo and the Proposed Policy 172

 a Further Implications 174

5 Summary 175

XV Minimum Wage 177

- 1 The Contest 179
- 2 The Proposed Minimum Wage, Stakes, Efforts
and Winning Probabilities 181
- 3 The Politically Constrained Bureaucrat 183
- 4 The Equilibrium Minimum Wage 184
- 5 Implications 186

XVI Tournaments 189

- 1 Promotion Tournaments: The Rationale 191
- 2 Productivity and Promotion 196
- 3 Summary 201

References 203

Name Index 213

Subject Index 217