

Mis-Judging Merit: The Effects of Adjudication Errors in Contests

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Abstract

Within contests, adjudication errors have a dual nature, as they imply at the same time the unjust exclusion of a meritorious candidate and the unjust inclusion of a non-meritorious one. We study theoretically and experimentally the effects of adjudication errors on contestants' effort, by disentangling the respective roles played by exclusion and inclusion errors. We show how risk aversion, loss aversion and the framing of the incentive scheme shape these effects. The experimental findings indicate that mis-judgements negatively affect effort, with exclusion and inclusion errors having similar effects. This suggests that, when trying to avoid the disincentive effects of mis-judgements, being strict is equivalent to being lenient, but it may be preferable to the extent that it is less costly. Focusing on the framing of the incentive scheme, a penalty framing significantly increases effort, relative to a prize framing, both in the absence and in the presence of adjudication errors. However, the effects of judgement errors are not affected by the framing of the incentives. Therefore, when judging merit, the stick is preferable to the carrot to increase effort, while it does not enhance the disincentive effects of mis-judgements.