

**“Optimal Contracts for Inspection Games.**

**A Comparison of Rewards and Fine Sharing”**

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**Wednesday, 21 May 2025 at 6.15 PM CEST**

This paper compares two versions of the inspection game which differ with regard to the payment that the monitoring agent receives for a detected violation. In the one version, this is a fixed reward, in the other a share of the fine imposed upon the suspect. In both cases it is assumed that the payment to the monitor and the fine can be chosen by the principal who hires the monitor. The goal is to derive, for both versions, the contract offer that is optimal from the principal's viewpoint (and acceptable for the monitoring agent). One preliminary result: in a salient case (in which the violation is inefficient and the violator is wealth constrained), offering a share of the fine seems to secure a higher expected payoff for the principal than the reward contract.