UNIVERSIDAD DE GRANADA

Departamento de
Teoría e Historia
Económica

Seminario: Luis Corchon (UC3M)

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Título: "The Sting of the Winner" (Carmen Beviá , Luis Corchón , Petros G. Sekeris)

Sala: E22

Hora: 12.30

Resumen: This paper develops a two-period contest model that incorporates a minimum investment, liquidity constraints and accumulation. Under these conditions, new features of equilibrium arise. Firstly, the equivalence between sharing and winner take-all contests breaks down because the combination of a minimum investment requirement and liquidity restrictions may force the financially weaker contestant out of the second contest. Secondly, predatory behavior from a contestant with a deep pocket may arise with the likelihood of exclusion in the second period being larger in the winner-take-all than in the sharing contest. Finally, mixed strategies arise as the unique equilibrium of the sharing contest while the winner-take-all contest admits a pure strategy equilibrium.

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