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Presentation Title

Momentum and Heterogeneity in Contests

(with Stefano Barbieri)

Abstract

In sequential contests between ex-ante symmetric players, the outcome of early battles creates an asymmetry in players' incentives to expend resources, which undermines future expenditures. This dynamic force is absent in simultaneous contests, and consequently expenditures in sequential contests are smaller than in simultaneous ones. But if players are not ex-ante symmetric, it is a priori not clear what happens to players' incentives to expend resources in sequential contests. We find that the answer depends on the nature of the heterogeneity. If a player is stronger in every battle, then expenditures in sequential contests are still smaller than in simultaneous ones. However, if players' advantages are allowed to vary across battles, then a reversal of the result can be obtained, and expenditures in sequential contests are greater than in simultaneous ones. We discuss applications, intuition and extensions of our results.

Keywords

Contests, momentum effect, temporal structures

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