# Literature and Hypothesis Development

This section reviews the literature on innovation contests, particularly we discuss the distinction between two kinds of competition: the race and the tournament.

Harris and Vickers (1985) define a race as a competition in which a prize is awarded to the first competitor to achieve a given amount of progress. An important example is a patent race. A tournament

The role of uncertainty and strategic interactions.

Grossman and Shapiro (1985) develop a two-stage model.

Moldovanu and Sela (2001) develop a tournament model.

H1 : the average score of a tournament is higher than the score of a race.

H2 : the number of a tournament

1. There are two politicians/political parties, one of which is an incumbent, a unit mass of potential voters
2. There is a period T (the election day) at which payoffs are realized
   1. Voters simultaneously cast their vote for politicians, politicians get elected and policies implemented
3. At some time period t < T one politician, say, the non-incumbent has an incentive to commit to a given policy (e.g., equivalent of offering a wage) to influence the vote of a subset of potential voters.
   1. E.g., propose a change in the current health policy
   2. There is heterogeneity in the policy.
   3. A subset of voters like this policy, they don’t expect the other party to offer a better solution (so they are not likely to face the cost of changing opinion) and decide to support that party.
4. Voters can decide either to commit voting the non-incumbent politician or wait until the final term.
5. This decision may then affect the policy of the incumbent.
   1. Voters have a psychological cost in changing opinion afterwards.
   2. Voters are risk-neutral. As soon as the non-incumbent makes them indifferent between committing and paying the cost of changing opinion later.
6. Note, if voters were not committing, the non-incumbent would not have any
7. A3 – There is uncertainty on what would be the offer from the other party.
8. A4 – At the end of the period

Go backward. Suppose that Q has accepted the offer of the non-incumbent.

To win, the incumbent can simply set a policy x\* such that 1-Q will vote for him and a fraction alpha\*Q will pay the cost of changing opinion.

If the incumbent imitates the non-incumbent, then Q will not change opinion and 1-Q will be indifferent (but prefer the incumbent by assumption).

If the political parties were doing this simultaneously […]

The non-incumbent has an incentive to move early because it can make the incumbent pay for being too distant from his policy. At the same time, moving early implies some uncertainty on the actual benefits from the policy promised to …

An optimal policy would be to wait until policy has been resolved and then decide [...]

In your model, there are two politicians one of which is an incumbent. A unit mass of risk-neutral voters.

Politicians care only about being elected (not the policy per se).

The incumbent has an advantage (say, a tie-breaking rule such that uncertain voters will prefer the incumbent).

A time T(n) the non-incumbent commit to policy x\*

At time T(i) > T(n) the incumbent commit to policy y\*

# PAY TAXES!!!!!!!!!!!

There is uncertainty about the costs of implementing a given policy. The uncertainty is progressively reduced, but political competition for elections might create an incentive to make an early commitment which could lead to poor collective decisions.

1. There are two politicians/political parties, one of which is an incumbent, a unit mass of risk-neutral potential voters
2. At a time period T (the election day) payoffs are realized: voters simultaneously cast their vote for politicians, politicians get elected and policies implemented.
3. A politician’s action consists in picking a pair (x, t) a given policy x at a given time period t < T.
4. At any period t < T voters can either decide to support a given party or decide to remain neutral. Voters face a cost eta>0 for changing opinion.
   1. Trade-off is between paying the cost of this commitment and the benefit of affecting the policy chosen next by the incumbent.

Reason by backward induction.

At time T > t > t0 the incumbent chooses its policy.

There are Q supporting the other party and 1-Q undecided. The incumbent will fix y\* to max the probability of getting re-elected.

The incumbent may

It might be the case that if the policy

ABBIAMO preparato una JAR di monete

La jar puo’ contenre moneta da un dollaro da 50 centesimi da 20 centesimi e da 1 centesimo.

Abbiamo fatto la jar nel seguente modo. Abbiamo estratto a sorte una di queste 4 monete. Ed abbiamo inserito la moneta nella jar. Poi abbiamo preso un altro set di 4 monete e ne abbiamo estratto un altra moneta. E cosi via.