

Publication

A tug-of-war team contest

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Author(s) Häfner, Samuel

Author(s) at UniBasel [Häfner, Samuel](#) ;

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This paper analyzes a tug-of-war contest between two teams. In each round of the tug-of-war, a pair of agents from the opposing teams competes in a private value all-pay auction with asymmetric value distributions and effort effectiveness. Whichever team arrives first at a given lead in terms of battle victories over the opponent wins the tug-of-war. There exists a unique Markov-perfect equilibrium in bidding strategies which depend on the respective player's valuation and the current state of the tug-of-war. We derive rich comparative statics for this equilibrium by using the fact that the state of the tug-of-war evolves according to a time-homogeneous absorbing Markov chain. (C) 2017 Elsevier Inc. All rights reserved.

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