Electoral Contests with Dynamic Campaign Contributions[*]

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Abstract

We study a two-period dynamic principal agent model in which two agents with different unobservable abilities compete in a contest for a single prize. A risk-neutral principal can affect the outcome of the contest by dividing a given budget between agents in each period and her net payoff depends on the relative share of the budget given to the winner of the contest. We analyze two settings that differ by the presence/absence of moral hazard. The results we derive are consistent with stylized facts regarding the dynamics of US campaign contributions.

Keywords: Dynamic Games, Contests, Experimentation, Lobbies, Campaign Contributions

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