

Career Concerns in an Adversarial Setting

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Abstract

This article studies a model with two agents opposing each other to win a case where the outcome depends on the agents' talents and effort choices. Lawyers facing each other in a legal dispute is used as the main application, although the model can be applied to civil conflicts and sports. The case outcome is binary and provides an implicit incentive because it is informative about the agents' talents. Regardless of the functional form used to model this binary contest outcome, the implicit incentive is shown to be characterized by three components, namely the ex ante uncertainty over the agents' talents, the sensitivity of the outcome to the agents' talents, and the variance of the noise in the outcome, which is endogenous. Their interplay with the agents' effort levels and the merits of the case affects the informativeness of the case outcome on the agents' talents, thereby creating strategic interactions.