Virtual Valuation in Dynamic Contest Design[*]

Minoru Kitahara[†]   Ryo Ogawa[‡]

First Draft: April 21, 2011

Abstract

We formulate a dynamic version of contest ([?]), and argue the implications of incentive compatibility in the model. We then solve the optimal (principal's revenue-maximizing) dynamic contest and derive the counterpart of *virtual valuation*, which originates in [?]'s work to investigate the optimal auction problems. We also argue the difficulty of implementing the optimal dynamic contest indicated by the dynamic virtual valuation in the paper.