**Discouragement Effect and Intermediate Prizes in Multi-Stage Contests: Evidence from Davis Cup**

***Alex Krumer***

***Joint with*** *Hamzah Iqbal*

**Abstract:**

Discouragement effect of the lagging player in multi-stage contests is a well-documented phenomenon.

In this study, we utilize data from 2,447 Davis Cup matches in teams’ tennis tournaments to test the effect of ahead-behind asymmetry on individuals’ performance with and without intermediate prizes.

Using several different strategies to disentangle the effect of being ahead in the interim score from the effect of selection, we find the usual discouragement effect.

Namely, a higher ranked player (favorite) had a lower probability of winning if his team was lagging before the decisive match compared to the case when his team was leading.

However, in decisive matches in which a winner received an intermediate prize in the form of ranking points, we find that the discouragement effect disappears and that the lagging favorite had close to 20%-points higher winning probability compared to matches without such a prize.

We show that this result is not driven by the selection of better players into tournaments with intermediate prizes.

As predicted by previous theoretical studies, our findings suggest that intermediate prizes may mitigate or even terminate the ahead-behind effects that arise in multi-stage contests.