

Rent-seeking, R&D races, and tournaments can be modeled as contests with the participants spending money or effort to increase their chances of winning a prize. We examine the effect of risk aversion and ask questions like: Do the more risk averse contestants do better or worse than the less risk averse ones? In the most common winner-take-all contest there are ambiguous results and the conditions for pure-strategy equilibrium become more stringent as the contestants become more risk averse. Under limited liability though the more risk averse always expend more effort and thus have a higher probability of winning. When the prize is divisible, given risk aversion, the contestants would prefer to divide the prize rather than compete probabilistically. for a large class of sharing rules the contestants behave as if they were risk neutral.