Inspiring Regime Change

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Abstract

We consider the problem of a leader who can assign rewards for citizens for different anti-regime actions. Citizens face a coordination problem in which each citizen has a private, endogenous degree of optimism about the likelihood of regime change. Because more optimistic citizens are easier to motivate, the choice of optimal rewards entails optimal screening. This leads to a distribution of anti-regime actions. A key result is the emergence of a vanguard, consisting of citizens who engage in the endogenous, maximum level of action. Other citizens participate at varying degrees, with less optimistic citizens contributing less. We explore how the regime’s strength or the maximum reward available to the leader influence the distribution of actions. Moreover, we show that more heterogeneity (e.g., higher inequality) among potential revolutionaries reduces the likelihood of regime change. Our methodological contribution is that we deliver a sharp and novel marriage of screening and global games.

Keywords: Regime Change, leadership, Vanguard, Mechanism Design, Global Games

JEL Classification: D74, D82, D83
1 Introduction

Consider the problem of a revolutionary leader who wishes to induce citizen participation in a revolutionary movement. The revolutionary leader must decide what level of participation to solicit, e.g., peaceful demonstration, engaging in violence, etc. In particular, the leader must decide how to allocate psychic (or other) rewards to different levels of participation. The leader’s optimal choice will depend on the punishments chosen by the existing regime. This paper will identify a leader’s optimal reward scheme in this context. We discuss in turn our modelling of this problem, the optimal reward scheme and how our modelling choices are consistent with the literature on leadership, citizen motivation and participation levels in revolutionary movements.

We analyze a coordination game model of regime change, where there are a continuum of ex ante identical players (citizens) and a continuum of actions (effort, capturing the level of participation). The revolution will succeed (regime change) if the aggregate effort, summing across citizens, exceeds a critical level, with the critical level depending on the state of the world. Any effort level will give rise to a punishment (cost). The leader must choose a reward (benefit) for each effort level. The benefits will be enjoyed only if there is regime change. There is an upper bound on the level of benefits that the leader can induce for any level of effort. We study this problem in a global game model (Carlsson and van Damme 1993) of regime change (Morris and Shin 1998), where the state is observed with a small amount of noise, so that perfect coordination is not possible.

There are two forces driving our results. First, there is strategic uncertainty. At states where there is regime change, citizens will be observing heterogeneous signals giving rise to endogenous heterogeneity in the population about the likelihood of regime change. Second, there will be screening. The leader will not be able to distinguish more pessimistic from more optimistic citizens in the population, and more optimistic citizens are easier to motivate. In particular, if the leader increases the benefit for a given level of effort, it will induce higher effort from those who would otherwise have chosen lower levels of effort. But it will also induce lower effort from those who would otherwise have chosen higher levels of effort. The optimal reward scheme must take these countervailing effects into account.

The optimal reward scheme has two regions. First, there is an endogenous maximum effort level such that citizens will receive the maximum benefit only if they choose that maximum effort (or higher). Second, below the maximum effort level, benefits will depend continuously on the level of effort, converging to zero as effort goes to zero and converging to the maximum benefit as effort goes to the maximum level. A mass of more optimistic citizens (in equilibrium) will then pool on the maximum effort. A mass of more pessimistic citizens will choose zero effort. For intermediate levels of optimism, citizens will separate, choosing intermediate effort levels. The result reflects the fact that inducing more effort from the most optimistic citizens is very costly in terms of the amount of effort than can be induced from less optimistic citizens; and inducing effort from the most pessimistic citizens will induce second best benefits at the expense of first order costs. The distribution of effort in the population is more equal (has a lower Gini Index) when the regime is weaker, and the chances of regime change are lower when there is higher heterogeneity among citizens.
Our modeling assumptions are rooted in the literature on protest and revolutions. People can contribute at various levels to a revolution; they can make small or large donations, participate in protests at varying frequencies, wear a wristband with a particular color to show solidarity, or engage in armed resistance—Tilly (2008) called these contentious performances. A key question for a leader is how to elicit contributions to maximize the likelihood of regime change. To answer that, one must know what motivates people to participate. The key form of motivation in our context is the psychological rewards that a citizen receives from participating in a movement that succeeds. We adopt Wood’s (2003) notion of pleasure in agency, which refers to psychological benefits corresponding to “the positive effect associated with self-determination, autonomy, self-esteem, efficacy, and pride that come from the successful assertion of intention” (p. 235). It is a warm glow payoff that one gets from “being part of the making of history.” While psychological in nature, “it depends on the likelihood of success, which in turn increases with the number participating... Yet the pleasure in agency is undiminished by the fact that one’s own contribution to the likelihood of victory is vanishingly small” (p. 235-6). Different contribution levels correspond to potentially different degrees of pleasure in agency rewards. Where do such contribution-reward mappings come from? From the culture, experiences, and individual characteristics. A key part of those experiences and cultural elements is the leaders who influence the link from contributions to pleasure in agency rewards. They do so via various mechanisms from re-framing the nature of conflict to magnifying some values over others (Snow et al. 1986). They have been called transformative, charismatic, or people-oriented leaders, and they appear frequently in major movements (Burns 1978, 2003; Bass 1985; Snow et al. 1986; Goldstone 2001; Ahlquist and Levi 2011). We analyze the equilibrium outcomes when transformative leaders manipulate pleasure in agency rewards to influence the people’s contributions (contentious performances) to maximize the likelihood of regime change. We interpret inspiring regime change as the process of assigning these psychological rewards to different contribution levels. We will give a detailed review of these ingredients in Section 5.

With an exogenous reward scheme, our model simplifies to a continuous-action global game of regime change. We consider monotone strategy profiles, where each citizen’s effort is decreasing in his signal. Any such strategy profile will give rise to a regime change threshold, such that there will be regime change if the true state is below that threshold. Exploiting a key statistical property (uniform threshold beliefs) from Guimaraes and Morris (2007), we show that the unique equilibrium regime change threshold simplifies to \( \int e^*(p) dp \), where \( e^*(p) \) is a citizen’s optimal effort given a belief \( p \) that there will be regime change. We then consider the leader’s problem of optimally designing a reward scheme. We show that this problem simplifies to choosing a reward scheme that induces an effort function \( e^*(p) \) that maximizes the unique equilibrium regime change threshold described above. In particular, fixing a distribution of beliefs (degrees of optimism) among citizens, the problem is equivalent to the leader offering each citizen rewards in exchange for effort. A citizen’s degree of optimism is his valuation of those rewards, which is that citizen’s private information. Seen through this lens, the leader’s problem is a screening problem with endogenous valuations, determined in the citizens’ coordination game that follows the
leader’s choice of a reward scheme.

We show that when the cost of effort is linear, the leader’s problem is equivalent to the problem of a monopolist facing unit demand. As prescribed by the posted price optimal solution, the leader will assign the maximum reward to efforts that exceed an appropriately chosen threshold and the minimum rewards to lower efforts, inducing a binary effort choice in equilibrium.

Our main result characterizes equilibrium outcomes when contribution costs are strictly convex, so that we have non-transferable utilities—equivalently, this setting corresponds to a risk-averse principal facing agents with quasi-linear utilities and endogenous valuations. We provide a simple closed-form solution for the optimal effort scheme and the corresponding equilibrium regime change threshold. This setting generates a continuum of equilibrium effort levels with bunching at the endogenous maximum effort. Thus, the outcome is consistent with various participation levels commonly observed in social movements. We interpret citizens who pool at the maximum effort as the revolutionary vanguard, e.g., in Lenin’s treatise, *What Is to be Done?* We study how the environment, e.g., the regime’s strength or the maximum reward available to the leader influence the distribution of equilibrium efforts. We then explore the effect of heterogeneity beyond information (e.g., different exposures to the regime’s unjust practices). This analysis complements the literature that focuses on heterogeneity (e.g., inequality) in the whole population, showing that more heterogeneity increases the likelihood of instability (Acemoglu and Robinson 2001, 2006; Boix 2003). By contrast, we show that more heterogeneity within the population of potential contributors reduces the likelihood of regime change and the measure of participants.

The formal literature on citizen participation in protests and revolutions implicitly assumes a form of success-contingent psychic rewards from participation in a successful revolution (Persson and Tabellini 2009; Bueno de Mesquita 2010; Boix and Svolik 2013; Edmond 2013; Casper and Tyson 2014; Chen and Suen 2016; Tyson and Smith 2018; Shadmehr 2019; Barbera and Jackson 2020; Boleslavsky et al. 2021). However, these papers do not study the nature and sources of these rewards or the role of leaders in influencing those rewards. Because participation decisions are binary in these settings, if the leader had control over rewards, she would give the maximum reward to those who participate, and no reward to others. A related literature studies the role of leaders in political settings (Dewan and Myatt 2007, 2008; Bueno de Mesquita 2010; Loeper et al. 2014; Acemoglu and Jackson 2015; Dewan and Squintani 2018; Shadmehr and Bernhardt 2019; Chen and Suen 2020), focusing on communication and coordinating effect of leaders, or their agenda setting (DeNardo 1985; Shadmehr 2015). In contrast, we formalize and analyze a leader’s role in inspiring anti-regime actions, characterizing the optimal design of rewards in a continuous action coordination setting.

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1There is also a literature on the relationship between international wars and regime change. For example, Eguia (2022) models foreign military intervention as a multilateral contest game in which attackers and defenders contribute to overthrow and maintain the regime, respectively.

2For example, Shadmehr and Bernhardt (2019) study a two-player binary-action game with endogenous timing of actions and private information about exogenous regime change payoffs, so that there are signaling, free-riding, and coordination incentives. They define vanguards as first-movers, so that they engage
More broadly, the empirical regularities from qualitative and quantitative literatures on the nature of and motivation for participation in anti-regime movements have largely remained outside the focus of formal models—Section 5 will discuss these regularities. There is a small literature that integrates those empirical regularities into formal models (Shayo 2009; Siegel 2011; Sambanis and Shayo 2013; Passarelli and Tabellini 2017; Shadmehr 2021). Our paper aims to formalize some key aspects of inspiring regime change and study the tradeoffs involved and their consequences.

The analysis of the substantive aspects of inspiring regime change requires methodological advances over the literature. Our methodological contribution is to combine mechanism design with global games to analyze a setting in which coordination and screening are intertwined; a screening problem arises because of the endogenous heterogeneity introduced by strategic uncertainty. We disentangle this seemingly intractable problem into two separate and tractable problems of a continuous-action global game and a screening problem. Our analysis can be adopted to study other environments in which interactions between coordination and screening naturally arise. For example, consider a threshold public good problem (Palfrey and Rosenthal 1984; Andreoni 1998; Corazzini, Cotton, and Valbonesi 2015) in which players decide how much to contribute to a project that succeeds whenever the aggregate contribution exceeds an uncertain threshold about which players have private information. The project manager or the fundraiser is then like the principal who seeks to maximize the likelihood of success by choosing recognition for donors of unknown types making heterogeneous contributions. The interaction of screening and coordination also arises in the simultaneous work of Shen and Zou (2018), but takes a very different form. They consider a benchmark binary action game but allow screening by the introduction of a third action where agents receive an intervention that only marginal agents will accept. This allows screening to have a larger impact relative to our case where the action set is held fixed.

As a part of our analysis we solve a coordination game of regime change with continuous actions and exogenous payoffs, and characterize the essentially unique monotone equilibrium. Continuous action global games have been studied by Frankel, Morris and Pauzner (2003) in an abstract setting, and by Guimaraes and Morris (2007) in a model of currency attacks. Our work closely follows Guimaraes and Morris (2007) who identify the uniform threshold belief property. There is one important distinction. Guimaraes and Morris (2007) study a supermodular payoff setting where there is a unique equilibrium that is also dominance solvable. Our problem does not have supermodular payoffs, but

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3For example, in Passarelli and Tabellini (2017), individuals derive expressive psychological benefits from rioting, which are derived from the difference between the status quo policy payoff and what the individual deems fair.

4Sákovics and Steiner (2012) analyze optimal subsidies aimed to facilitate coordination in a binary-action global games setting with heterogeneous agents. The planner can condition subsidies on observed players' characteristics, so that there is no screening. They show that the planner should subsidize high-impact players whose decisions are insensitive to the aggregate action.
it gives rise to monotonic strategies in equilibrium, and we end up with their characterization, although we can establish only a weaker uniqueness result—among all monotone equilibria.\footnote{Assuming that an optimal benefit scheme is increasing in effort is sufficient for supermodularity and hence uniqueness among all equilibria. However, when designing the benefits, benefit schemes are endogenous, and such an assumption is ex-ante restrictive.}

As another ingredient to our analysis, we solve a screening problem in a setting with non-transferable utility in which a principal chooses a reward scheme with no cost, constrained only by the requirement that rewards belong to a closed interval. Our analysis of the screening problem exploits classic arguments from the screening literature. Guesnerie and Laffont (1984) is a key early reference on a rich class of screening problems that embeds monopoly problems of choosing quality (Mussa and Rosen 1978) or quantity (Maskin and Riley 1984) and the regulation of a monopolist (Baron and Myerson 1982). In our problem, a principal gives “benefits” to an agent in exchange for “effort”, but agent utility is not linear in effort and the principal’s “budget” of rewards is not “smooth”— rewards up to a level are free to the principal, but higher rewards have infinite costs. In essence, our screening problem is that of a monopolist with strictly concave utility selling a single unit to buyers with unknown valuations. The benchmark case of linear costs of effort can be transformed into the classic problem analyzed in Mussa and Rosen (1978).\footnote{This setting is different from delegation and money burning settings (Fuchs 2007; Amador and Bagwell 2013, 2020; Guo 2016; Ambrus and Egorov 2017) because rewards are contingent on observable and verifiable efforts.} While our screening problem with strictly convex costs of effort is non-standard, it is essentially that of Mookherjee and Png (1994) who study the problem of choosing the optimal likelihood of detection and optimal punishment schedule by an authority. Their key result is that the marginal punishment should remain lower than marginal harms of crime for low crime levels; in fact, if monitoring is sufficiently costly, a range of less harmful acts should be legalized. Although we use different techniques in our analysis, one can show that our screening problems can be transformed to each other. This implies that our total analysis with coordination also applies to a regime designing a repression scheme (expected costs of revolutionary efforts) to minimize the likelihood of regime change.

The bunching-at-the-top feature of our screening solution (the emergence of vanguards) also appears in Laffont and Robert’s (1996) and Hartline’s (2016, Ch. 8) analysis of optimal auction with financial constraints; because no buyer can bid above a known budget (e.g., due to an exogenous liquidity constraint), the seller cannot separate eager buyers.

We next introduce the model. Section 3 studies a benchmark with exogenous rewards. In Section 4, we present our analysis of optimal reward scheme (inspiring regime change). In Section 5, we discuss the substantive literature and some historical examples consistent with our assumptions and with some of our predictions. Proofs are in the appendix.
2 Model

There is a continuum of citizens, indexed by \( i \in [0, 1] \), who must decide how much effort \( e \geq 0 \) to contribute to regime change. Exerting effort \( e \) costs \( C(e) \), independent of whether there is regime change, and gives a benefit \( B(e) \) only if there is regime change. Thus, if a citizen believes that the regime change occurs with probability \( p \), his expected payoff from choosing effort \( e \) is \( pB(e) - C(e) \). Here, \( B(e) \) is the pleasure in agency rewards for contribution \( e \), and \( C(e) \) is the cost of contributing \( e \), including economic opportunity costs as well as state repression. We assume \( C(e) \) is strictly increasing and twice continuously differentiable with \( C(0) = 0 \). Regime change occurs if and only if the total contribution \( \int e_i di \) is greater than or equal to the regime’s strength \( \theta \in \mathbb{R} \). The regime’s strength \( \theta \) is uncertain, and citizens have an improper common prior that \( \theta \) is distributed uniformly on \( \mathbb{R} \). Moreover, each citizen \( i \in [0, 1] \) receives a noisy private signal \( x_i = \theta + \nu_i \) about \( \theta \), where \( \theta \) and the \( \nu_i \)s are independently distributed with \( \nu_i \sim f(\cdot) \).

There is also a leader who aims to maximize the likelihood of regime change. The leader chooses the (pleasure in agency) reward function \( B(e) \) subject to the constraint that \( B(e) \in [0, M] \), with \( M > 0 \). The leader’s choice of a contribution-reward mapping, \( B(e) \), corresponds to inspiring regime change. The constraint \( B(e) \in [0, M] \) reflects the non-rival aspect of pleasure in agency rewards.

The game proceeds as follows. The leader chooses pleasure in agency rewards \( B(e) \) subject to her constraint. Then, the regime’s strength is realized. Next, citizens observe their private signals, and simultaneously decide how much to contribute. The success or failure of the revolution is realized and payoffs are received.

3 Regime Change with Exogenous Benefits

We begin our analysis with a benchmark in which benefits from participation are exogenously given. In the next section we endogenize these rewards by allowing the leader to choose these rewards subject to her constraints.

3.1 A Key Statistical Property: Uniform Threshold Belief

It is useful to first introduce a key statistical property that we call uniform threshold belief. Fix any level of regime strength \( \theta = \hat{\theta} \). A citizen’s threshold belief about \( \hat{\theta} \) is the probability that he assigns to the event that the regime is weaker: \( \theta \leq \hat{\theta} \). Any level of regime’s strength \( \theta \) gives rise to a distribution of signals \( (x_i)s \), and hence a distribution of threshold beliefs about \( \hat{\theta} \). The threshold belief distribution at \( \theta = \hat{\theta} \) is the distribution of...
threshold beliefs about \( \hat{\theta} \) in the population when the regime’s strength is also \( \hat{\theta} \). We will show that this threshold belief distribution is always uniform, regardless of the value of \( \hat{\theta} \) and the distribution of noise.

To state the uniform threshold belief property formally, write \( H(\cdot|\hat{\theta}) \) for the cdf of the threshold belief distribution at \( \hat{\theta} \). Thus, the proportion of citizens with threshold belief about \( \hat{\theta} \) below \( p \) when the true state is \( \hat{\theta} \) is \( H(p|\hat{\theta}) \). The key observation is that, because there is no prior information about \( \theta \), one can consider \( \theta \) as a signal of \( x_i \), writing \( \theta = x_i - \nu_i \).

So the threshold belief about \( \hat{\theta} \) for a citizen observing \( x_i \) is the probability that \( x_i - \nu_i \leq \hat{\theta} \), or \( 1 - F(x_i - \hat{\theta}) \). Thus, a citizen observing \( x_i \) has a threshold belief weakly less than \( p \) if \( 1 - F(x_i - \hat{\theta}) \leq p \), or \( x_i \geq \hat{\theta} + F^{-1}(1 - p) \). Now, if the true state is \( \hat{\theta} \), the probability of this event is just \( 1 - F(\hat{\theta} + F^{-1}(1 - p) - \hat{\theta}) \). Thus, \( H(p|\hat{\theta}) = p \). We have shown the uniform threshold belief property, which also appears in Guimaraes and Morris (2007):\(^8\)

**Lemma 1.** The threshold beliefs distribution is always uniform on \([0, 1]\), so that \( H(p|\hat{\theta}) = p \) for all \( p \in [0, 1] \) and \( \hat{\theta} \in \mathbb{R} \).

An intuition for this surprising result is the following. At any given threshold state and for any given citizen, we can identify the citizen’s rank in the threshold belief distribution, i.e., the proportion of citizens with higher signals. This rank is necessarily uniformly distributed: since a citizen does not know his rank, his belief about whether the true state is below the threshold state is uniform. More formally, suppose that noise itself was uniformly distributed on the interval \([0, 1]\). If the true state was \( \hat{\theta} \), a citizen observing \( x_i \) in the interval \([\hat{\theta}, \hat{\theta} + 1]\) would have threshold belief \( \hat{\theta} + 1 - x_i \), and we would have uniform threshold belief. But if the noise had some arbitrary distribution, we could do a change of variable, replacing the level of a citizen’s signal with its percentile in the distribution. Because citizens do not know their own percentiles, the same argument then holds.

### 3.2 Equilibrium

If a citizen assigned a probability \( p \) that regime change succeeds, he chooses his contribution level \( e \) to maximize his expected payoff:

\[
\max_{e \geq 0} pB(e) - C(e).
\]

Generally, many contribution levels may be optimal. Because we aim to consider the leader’s design of benefits, we cannot put restrictions on the benefit function to rule this out. Indeed, as we will show in the next section, the leader’s design of optimal \( B(e) \) will have strictly convex segments.

**Definition 1.** The optimal effort correspondence is

\[
e^*(p) = \arg\max_{e \geq 0} pB(e) - C(e);
\]

\(^8\)Morris and Shin (2003) and Sákovics and Steiner (2012) show a related result that in binary-action global games, the marginal player with the threshold signal believes that the aggregate action is uniformly distributed on \([0, 1]\).
we write

\[ e_{\text{min}} = \min (e^*(0)) \text{ and } e_{\text{max}} = \max (e^*(1)). \]

We maintain the assumption that the maximum and minimum exist (and are finite).

**Definition 2.** The optimal effort correspondence is weakly increasing if \( p_2 > p_1 \) and \( e_i \in e^*(p_i), i \in \{1, 2\} \), imply \( e_2 \geq e_1 \).

That is, a citizen who is strictly more optimistic about the likelihood of success than another will put in at least as much effort as him. Lemma 2 shows that our assumption that \( C(e) \) is strictly increasing suffices to ensure that the optimal effort correspondence is weakly increasing.

**Lemma 2.** If \( C(e) \) is strictly increasing, then any selection from optimal effort correspondence is weakly increasing.

We first consider the complete information case where there is common knowledge of \( \theta \). If there is regime change in equilibrium, all citizens must choose \( e \in e^*(1) \); this can give rise to regime change only if \( e_{\text{max}} \geq \theta \). If there is no regime change in equilibrium, all citizens must choose \( e \in e^*(0) \); this can give rise to no regime change only if \( e_{\text{min}} < \theta \). Thus, we have

**Proposition 1.** Suppose that the optimal effort correspondence is weakly increasing and that there is complete information. There is an equilibrium with regime change if \( \theta \leq e_{\text{max}} \), e.g., with all players choosing effort level \( e_{\text{max}} \); and there is an equilibrium without regime change if \( \theta > e_{\text{min}} \), e.g., with all players choosing effort level \( e_{\text{min}} \). Thus, there are three cases: if \( \theta \leq e_{\text{min}} \), there are only equilibria with regime change; if \( \theta > e_{\text{max}} \), there are only equilibria without regime change; and if \( e_{\text{min}} < \theta \leq e_{\text{max}} \), then there are equilibria with regime change and equilibria without regime change.

We now consider the incomplete information game where a citizen’s only information is the signal that he receives. Note that because \( e^*(p) \) is weakly increasing, it is almost everywhere single-valued. A strategy for a citizen \( i \) is a mapping \( s_i : \mathbb{R} \to \mathbb{R}_+ \), where \( s_i(x_i) \) is the effort level of citizen \( i \) when he observes signal \( x_i \). We focus on weakly decreasing strategies. Each strategy profile \( (s_i)_{i \in [0,1]} \) will give rise to aggregate behavior

\[
\hat{s}(\theta) = \int_{0}^{1} \left( \int_{-\infty}^{\infty} s_i(\theta + \nu_i) f(\nu_i) d\nu_i \right) d\theta.
\]

If all citizens follow weakly decreasing strategies, then \( \hat{s} \) is weakly decreasing, and there is a unique threshold \( \theta^* \) such that \( \hat{s}(\theta^*) = \theta^* \). Then, \( \hat{s}(\theta) \geq \theta \) and there will be a regime change if and only if \( \theta \leq \theta^* \). Thus, a citizen observing a signal \( x_i \) will assign probability \( G(\theta^*\mid x_i) \) to the event that \( \theta \leq \theta^* \) and thus to regime change. Thus, each citizen must be following the strategy

\[
s^*(x_i) = e^*(G(\theta^*\mid x_i)).
\]
Letting \( p = G(\theta^* | x_i) \), and recalling that \( H(p|\theta^*) \) is the cdf of \( G(\theta^* | x_i) \) conditional on \( \theta^* \), this implies that the aggregate effort of citizens when the true state is \( \theta^* \) is

\[
\hat{s}(\theta^*) = \int_{p=0}^{1} e^*(p) \, dH(p|\theta^*).
\]

By Lemma 1, \( H(p|\theta^*) \) is a uniform distribution. We also know that \( \theta^* = \hat{s}(\theta^*) \). Thus,

\[
\theta^* = \hat{s}(\theta^*) = \int_{p=0}^{1} e^*(p) \, dp.
\]

Summarizing this analysis, we have:

**Proposition 2.** If the optimal effort correspondence \( e^* \) is weakly increasing, then there is a unique monotonic equilibrium. In this equilibrium, there is regime change whenever \( \theta \leq \theta^* \), where the regime change threshold \( \theta^* \) is given by

\[
\theta^* = \int_{p=0}^{1} e^*(p) \, dp,
\]

and all citizens follow the essentially unique common strategy

\[
s^*(x_i) = e^* (1 - F (x_i - \theta^*)).
\]

Continuous action global games have been studied by Frankel et al. (2003) in an abstract setting, and by Guimaraes and Morris (2007) in a model of currency attacks. They proved the stronger result that the corresponding equilibrium was unique among all equilibria, but under assumptions implying supermodular payoffs. The above proposition holds under weaker assumptions, requiring only that \( e^*(p) \) is increasing. We have proved uniqueness within the class of monotonic equilibria, but leave open the question of whether non-monotonic equilibria exist.

We conclude this section by providing a standard class of examples. Suppose that the exogenous reward scheme is \( B(e) = e^m, \ m \in (0, 1) \), and the cost scheme is \( C(e) = e^n, \ n \geq 1 \). In this case, \( e^*(p) = (\frac{m}{n} \ p)^{\frac{1}{n-m}} \) and \( \theta^* = \frac{n-m}{n-m+1} (\frac{m}{n})^{\frac{1}{n-m}} \). Figure 1 illustrates. Proposition 2 shows that the equilibrium regime change threshold \( \theta^* \) is the area under the curve \( e^*(p) \). Here, the rewards mapping \( B(e) \) was exogenous, and its relevant part did not exceed 1. We will show that when the leader optimally chooses rewards subject to the same maximum of 1, the rewards mapping will take a very different form and the area under the corresponding \( e^*(p) \) (which determines the equilibrium regime change threshold) will be larger—see Figure 2.

We will use Proposition 2 as an ingredient in our analysis in the next section.
4 Optimal Reward Schemes

We now investigate the optimal design of rewards, $B(e)$, by a leader who aims to maximize the likelihood of regime change. Charismatic leaders can inspire citizen participation by assigning psychological rewards to different levels of anti-regime activities. However, even charismatic leaders can incite only so much intrinsic motivation in their potential followers. Thus, we require that $B(e) \leq M$ for some exogenous $M > 0$. The upper bound $M$ on rewards reflects limitations on the leader’s skills and charisma, as well as other exogenous aspects of the environment.

The combination of Proposition 2 and Lemma 2 show that, as long as $C(e)$ is strictly increasing, for any choice of $B(e)$ there will be a unique equilibrium in which regime change occurs when $\theta \leq \theta^* = \int_0^1 e^*(p)dp$. Thus the leader’s optimization problem reduces to choosing reward scheme $B(e)$ to maximize the regime change threshold

$$\int_0^1 e^*(p)dp$$

subject to the optimality of the effort function

$$e^*(p) \in \operatorname{arg\ max}_{e \geq 0} pB(e) - C(e),$$

and the feasibility of the reward scheme

$$B(e) \in [0, M] \text{ for all } e.$$
threshold \( \theta^* \) that results from the optimal effort function is the (essentially unique) optimal regime change threshold.

If the leader knew and could condition rewards on the citizens’ degrees of optimism, she would require an effort level of at least \( C^{-1}(pM) \) for the maximum reward \( M \). However, because a citizen’s degree of optimism is her private information, the leader faces a screening problem—in which the degrees of optimism endogenously arise from the citizens’ interactions. The effect of those interactions is reflected in the endogenous, uniform distribution of the degrees of optimism. Thus, our analysis effectively disentangles the intertwined coordination and screening into two tractable problems of a continuous action global game and a screening problem. The screening problem described above is identical to a screening problem with one representative citizen whose degree of optimism (i.e., valuation of rewards) is distributed uniformly on \([0, 1]\). We begin our analysis with linear costs.

**Proposition 3. (Optimal Rewards with Linear Costs)** Suppose costs are linear, with constant marginal cost \( c > 0 \). An optimal reward scheme \( B^* \) is the step function

\[
B^*(e) = \begin{cases} 
0 & ; e < M/2c \\
M & ; e \geq M/2c.
\end{cases}
\]

The optimal effort function \( e^* \) is the step function

\[
e^*(p) = \begin{cases} 
0 & ; p < 1/2 \\
M/2c & ; p \geq 1/2.
\end{cases}
\]

And the optimal regime change threshold is

\[
\theta^* = M/4c.
\]

Any reward scheme giving rise to the optimal effort function is optimal. Thus, it is enough, for example, that \( B^*(0) = 0 \), \( B^*(M/2c) = M \) and \( B^*(e) \leq 2ce \) for \( e \leq M/2c \).

To prove the proposition, first assume the optimal reward scheme is a step function, where citizens get the maximum benefit \( M \) if they exert at least effort \( \hat{e} \); otherwise they get no benefit. In this case, citizens either do not participate (i.e., choose effort 0) or participate with effort \( \hat{e} \). A citizen with optimism \( p \) participates whenever \( pM \geq c\hat{e} \), i.e., \( p \geq c\hat{e}/M \). Thus, the total effort is \( \max \{0, (1 - c\hat{e}/M)\} \hat{e} \). This is maximized by setting \( \hat{e} = M/2c \). Thus we have a proof of the proposition if we could establish that the optimal reward schemes would be a step function.

To complete the proof, we show that we can restrict attention to step functions by showing that this problem reduces to the monopoly pricing problem. Consider a monopolist selling a single unit to buyers whose valuations are uniformly distributed on the interval \([0, M/c]\). The monopolist could sell using a posted price mechanism. At a posted price of \( \hat{e} \), buyers with valuations above \( \hat{e} \) would buy and pay \( \hat{e} \), and buyers with valuations below \( \hat{e} \) would not buy. However, the monopolist could also sell using a more
complicated mechanism, offering a price schedule for probabilities of being allocated the object. By the revelation principle, we can restrict attention to direct mechanisms. If a type-\(p\) buyer has valuation \(pM/c\), a direct mechanism is described by a payment \(e^*(p)\) that buyer \(p\) will make to the seller and a probability \(B(e^*(p))/M\) of receiving the object. The seller’s revenue will now be \(\int_{p=0}^{1} e^*(p)dp\) and incentive compatibility will require that \(e^*(p) \in \arg \max_{e \geq 0} p \frac{B(e)}{c} - e\). The revenue is the maximand of our problem, and the incentive compatibility condition is the incentive compatibility condition of our problem. But Riley and Zeckhauser (1983) established that the optimal mechanism in this problem is a posted price mechanism—see Börgers (2015, Ch. 2) for a modern textbook treatment. This proves Proposition 3.

We conclude our analysis of the linear case by discussing why bunching at the top starts exactly when \(p = 1/2\). Recall that our strategic problem delivers a particular distribution over levels of optimism \(p\): the uniform distribution. In the monopoly problem, this is equivalent to considering a linear demand curve. It is useful to consider what would have happened in the screening problem if \(p\) was not uniformly distributed, but distributed according to density \(f\) and corresponding cdf \(F\). Under standard assumptions,\(^9\) the problem reduces to solving for the critical effort level \(\hat{e}\) to maximize the equilibrium regime change threshold. As before, the citizen will participate at this critical effort level if \(p \geq c\hat{e}/M\). But now total effort would be \((1 - F(c\hat{e}/M)) \hat{e}\). Letting \(e^*\) be the optimal \(\hat{e}\), the first order condition implies

\[
e^* = \frac{1 - F(ce^*/M) M}{f(ce^*/M) c},
\]

and the corresponding critical optimism level is

\[
p^* = \frac{ce^*}{M} = \frac{1 - F(ce^*/M)}{f(ce^*/M)}.
\]

When \(p\) is distributed uniformly, the above equation implies that \(ce^*/M = 1/2\). Thus, \(p^* = 1/2\) arises as critical optimism because \(p\) is uniformly distributed.

Proposition 3 provides a simple characterization of the optimal reward scheme and its outcome when the cost of anti-regime contributions \(c\) is linear: \(C(c) = ce\). It shows that by manipulating rewards the leader effectively reduces the citizens’ decisions to a binary choice of no contributions and a maximum level of contribution prescribed by the leader. This, in turn, divides the population into those who join the movement and those who do not. The limitation to binary actions and the stark division of the population is restrictive: as we argue in Section 5, citizens contribute at various levels to social movements. We next show that when the cost function is strictly convex, optimal design of rewards will induce a continuum of contribution levels. In a sense, the binary outcome is smoothed: It remains optimal for a mass of the most optimistic citizens to choose the (endogenous) maximum effort level and receive the maximum pleasure in agency rewards. And it remains optimal\(^9\) in particular, \(f\) should satisfy the standard regularity condition that \(\frac{1-F(c)}{f(c)}\) is decreasing (decreasing marginal revenue in the monopoly case).
Proposition 4. (Optimal Rewards with Strictly Convex Costs) Suppose costs are strictly increasing and strictly convex.

- The optimal rewards function $B^*$ is continuous, strictly increasing and strictly convex on the interval $[0, \bar{e}]$ with $B^*(0) = 0$ and $B^*(\bar{e}) = M$, where $\bar{e} > 0$ is the maximum endogenous contribution level.

- The optimal effort function is continuous and weakly increasing; it is strictly increasing on an interval $[p, 1/2]$, equal to 0 when $p \leq p$, and equal to $\bar{e}$ when $p \geq 1/2$. In particular, the optimal effort function is

$$e^*(p) = \begin{cases} \bar{e} & ; p \in [1/2, 1] \\ C''^{-1}((2p)^2C''(\bar{e})) & ; p \in [p, 1/2] \\ 0 & ; p \in [0, p], \end{cases}$$

(3)

where $p = (1/2)\sqrt{C''(0)/C''(\bar{e})}$, and $\bar{e}$, the maximum endogenous contribution level, is the unique solution to

$$\sqrt{C''(\bar{e})} \int_0^{\bar{e}} \sqrt{C''(x)} \, dx = M/2.$$  

(4)

- The equilibrium regime change threshold is

$$\theta^* = \bar{e} - \frac{M}{4} \frac{1}{C'(\bar{e})}.$$  

(5)

The basic features of the optimal rewards and optimal effort function are intuitive: both are weakly increasing and continuous, with optimal rewards strictly increasing when ranging from 0 to the maximum. In the proof, we first use optimal control techniques (Arrow 1966; Seierstad and Sydsæter 1993; Kamien and Schwartz 2012) to show that $e^*(p)$ is continuous, weakly increasing, and single-valued with $e^*(0) = 0$. We then show that the leader’s problem simplifies to:

$$\max_{B^*, \bar{e}} \int_0^{\bar{e}} \left(1 - \frac{C'(e)}{B'(e)}\right) \, de$$

s.t. $\int_{e=0}^{\bar{e}} B'(e) \, de = M$, $B(0) = 0$, $B'(e) \geq C'(e)$, $\bar{e} \geq 0$,

where the integrand in the objective is derived from integration by parts of $e^*(p)$. This formulation reveals that one can think of the leader’s problem as her deciding a maximum level of effort $\bar{e} \geq 0$ to induce, and then deciding how to allocate a fixed supply of marginal
benefit to different effort levels. Thus, the leader’s problem becomes a constrained point-wise optimization, which can be solved using the standard Lagrangian method.

Because the leader has a fixed “budget of slopes,” the marginal cost (to the leader) of raising $B'(e)$ is constant. Differentiating the integrand with respect to $B'(e)$ shows that the marginal gain (to the leader) of raising $B'(e)$ is $C'(e)/(B'(e))^2$. Because $C'(e)$ is strictly increasing, the marginal gain of raising $B'(e)$ is higher for higher effort levels. Thus, an optimal $B'(e)$ is strictly increasing, i.e., an optimal $B(e)$ is strictly convex. It follows that at $\bar{e}$, where $B(\bar{e}) = M$, we have $B'(\bar{e}) > C'(\bar{e})$, implying a belief $p < 1$ at which $pB'(\bar{e}) = C'(\bar{e})$, so that all more optimistic players will exert effort $\bar{e}$. Intuitively, the marginal cost of effort should be lower than the (optimal) marginal benefit of effort in its strictly increasing segment (where it induces effort). If the marginal cost did exceed the marginal benefit at some effort level, then any effort in the neighborhood of that level could not arise in equilibrium. But then one could replace the reward scheme with one that was constant in that neighborhood and increasing faster elsewhere, in a way that would increase the overall effort. Bunching at the top then follows from $B'(\bar{e}) > C'(\bar{e})$ as described above. Now consider bunching at the bottom, and consider the smallest belief $p$ after which $e^*(p)$ becomes strictly positive, so that $pB'(0) = C'(0)$ (where we consider right derivatives). If $C'(0) > 0$ but $p \approx 0$, inducing effort will be very extensive in terms of the budget of marginal benefit/slope. So it will be optimal to forgo small effort levels from very pessimistic citizens, and “spend” the budget to induce effort from more optimistic citizens.

Finally, we examine why effort reaches its maximum at $p = 1/2$. As with linear costs, this follows from the property that the citizens’ (endogenous) optimism $p$ is uniformly distributed on the interval $[0, 1]$. One can show that with a general distribution $f$ of $p$ and under some regularity conditions, the screening problem of Proposition 4 yields the critical $p^*$ that solves

$$\frac{1 - F(p^*)}{f(p^*)} = - \frac{f(p^*)}{(f(p^*)/p^*)'}. $$

In the uniform case, this expression gives $1 - p^* = -\frac{1/p^*}{1/(p^*)^2}$, yielding $p^* = 1/2$.

To illustrate the proposition, we graph the optimal reward scheme and optimal effort function for some examples. Analytical derivations are reported in the appendix. As in Figure 1, suppose $C(e) = e^n$, $n > 1$, and let $M = 1$ to facilitate comparisons. Figure 2 illustrates the optimal reward and optimal effort schemes for different values of $n$. As $n$ approaches 1, the optimal effort function approaches the case of linear costs described in Proposition 3. As noted earlier, there is an indeterminacy in the optimal reward scheme, and this limit is piece-wise linear, rather than the step function reported in Proposition 3. This class of examples has $C'(0) = 0$. Figure 3 illustrates an example where $C(e) = e^2 + 0.1e$.

Comparing Figures 1 and 2 is instructive about the effect of designing optimal rewards. The leader could choose $B(e) = \sqrt{e}$ to generate the outcomes in Figure 1, but she does not. Instead, she chooses reward functions that are convex in their (relevant) strictly increasing segments. This, in turn, induces corresponding contribution functions that look very different from those of Figures 1. One key difference is the emergence of a distinct
group of citizens who exert the maximum effort \( \bar{e} \) (corresponding to the flat segment of \( e^*(p) \) in Figure 2). Moreover, the leader’s optimal choice of the rewards scheme increases the likelihood of regime change: for a given \( n \), the area under \( e^*(p) \) is larger in Figure 2 than in Figure 1. Recall that absent asymmetric information between the leader and citizens, the optimal effort functions would be \( C^{-1}(p) = p^{1/n} \). Thus, our optimal inspiration is the middle ground between these two implausible scenarios, where the leader either has no influence on rewards (exogenous rewards), or she knows and can condition rewards on the citizens’ degrees of optimism (endogenous rewards with no information asymmetry).

Corollary 1. The equilibrium regime change threshold \( \theta^*(M) \), the endogenous maximum contribution level \( \bar{e}(M) \), and the strictly positive segment of the optimal effort function \( e^*(p; M) \) are all strictly increasing in \( M \). Moreover, if costs are strictly convex, \( dp/dM < 0 \), for \( p > 0 \).

We highlight that what matters for the leader is the budget of marginal benefit/slope, \( B'(e) \), which provides the incentives for citizens to contribute efforts. It does not matter whether this budget is increased by raising the upper bound from \( M \) to \( M + M \), or by reducing the lower bound from 0 to \( -M \geq 0 \): it is the leader’s “discretion” rather than the sign that matters.

4.1 Distribution of Contributions

Our model gives rise to a variety of effort levels. We now discuss the distribution of effort levels in the population, and study how it is affected by variations in the environment (i.e.,
changing \( \theta \) or \( M \).

Based on our discussion of uniform threshold belief property before Lemma 1, the distribution of beliefs about the likelihood of regime change at a given regime’s strength \( \theta \) is

\[
H(p|\theta) = \Pr(Pr(\theta \leq \theta^*|x_i) \leq p|\theta) = Pr(1 - F(x_i - \theta^*) \leq p|\theta) = 1 - F(\theta^* - \theta + F^{-1}(1-p)).
\]

Combining this with our characterization of the optimal effort function \( e^*(p) \) in Proposition 4, we can characterize the equilibrium distribution of efforts.

**Corollary 2.** Let \( J(e|\theta) \) be the cdf of equilibrium contributions at a regime’s strength \( \theta \).

- Letting \( (e^*)^{-1}[e] = \frac{1}{2} \sqrt{\frac{C''(e)}{C'(e)}} \), we have

\[
J(e|\theta) = \begin{cases} 
0 & ; e < 0 \\
1 - F(\theta^* - \theta + F^{-1}(1 - (e^*)^{-1}[e])) & ; 0 \leq e < \bar{e} \\
1 & ; \bar{e} \leq e
\end{cases}
\]

- The size of the vanguard is \( v = 1 - J((\bar{e})^-|\theta) = F(\theta^* - \theta + F^{-1}(1/2)), \) where \( x^- = x - \epsilon \), for a vanishingly small \( \epsilon > 0 \). Moreover, the vanguard’s contribution is strictly increasing in \( M \) and strictly decreasing in \( \theta \).\(^{10}\)

- The distribution of contribution levels is increasing in \( M \) and decreasing in \( \theta \) in the first order stochastic dominance sense: \( J(e|\theta, M_2) \leq J(e|\theta, M_1) \), for \( M_2 > M_1 \), and \( J(e|\theta_2, M) \leq J(e|\theta_2, M), \) for \( \theta_2 > \theta_1 \), with strict inequality for some \( e \).

\(^{10}\)This follows from Corollary 1 that \( \theta^* \) is strictly increasing in \( M \).
We use the Gini Index as a measure of the inequality in the distribution of effort levels. The Gini Index for a random variable is the average absolute distance between two random realizations of that random variable scaled by its mean: 

\[ \frac{1}{2E[x]} \int \int |x - y|dF(x)dF(y) \], where \( x \sim F \). Thus, a lower Gini Index implies a more equal distribution of effort levels. Given a regime’s strength \( \theta \), let \( GI(\theta) \) be the Gini Index of effort levels.

**Proposition 5.** At the equilibrium regime change threshold, the Gini Index of effort levels is 

\[ \frac{M - C(e)}{4C'(e)} \frac{1}{\theta^*} \].

If \( C(e) = e^n, n \geq 1 \), then the Gini Index of the distribution of contributions is increasing in a neighborhood of the equilibrium regime change threshold: 

\[ \frac{dGI(\theta)}{d\theta} \bigg|_{\theta^*} > 0 \].

---

Figures 4: Left: Gini Index for the equilibrium distribution of contributions \( GI(\theta) \) as a function of \( \theta \) for \( M = 1, C(e) = e^2 \), and \( F = N(0,1) \). Right: The equilibrium pdf of beliefs \( h(p|\theta), p \in [0,1] \), for \( \theta = \theta^* \) (solid line at 1), \( \theta = \theta^* + 0.1 \) (decreasing, dashed curve), and \( \theta = \theta^* - 0.1 \) (increasing, dotted curve) for \( F = N(0,1) \).

Figure 4 illustrates. At \( \theta = \theta^* \), the distribution of beliefs about the likelihood of regime change in the population is uniform (Lemma 1), and the equilibrium effort function \( e^*(p) \) is given in Proposition 4. A higher \( \theta \) (stronger regime), moves the distribution of beliefs away from uniform, increasing the weight of more pessimistic citizens. In particular, the size of the vanguard who all contribute equally shrinks, while the size of those who contribute little increases. This increases the Gini Index. A lower \( \theta \) (weaker regime) does the opposite, thereby reducing the Gini Index.

We end this section by highlighting the relationship between \( M \) and the Gini Index. As we discussed above, higher \( M \) increases equilibrium effort levels \( e^*(p) \) across the board. Figure 5 shows that increases in \( M \) (e.g., due to the leader’s skills or cultural environment) reduces the Gini Index.

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\( 11 \) One may be tempted to use the ratio of the vanguard’s contribution to the total contribution as a measure of concentration. However, the vanguard are not a fixed group of citizens. Because the vanguard emerge endogenously, a higher contribution ratio could reflect the increase in the size of the vanguard and a more equal distribution contributions.
\[ \theta^* = \frac{\max_{e \geq 0} tB(e) - C(e)}{\alpha} \]

A citizen’s optimization problem, \( e^*(t) = \arg \max_{e \geq 0} tB(e) - C(e) \), is equivalent to \( e^*(p) = \arg \max_{e \geq 0} B(e) - C(e)/t \), as long as \( t > 0 \). Thus, our results extend to settings in which citizens have heterogeneity in costs, or heterogeneity in both costs and benefits, e.g., \( pB(e) - C(e)/\alpha \), for \( \alpha > 0 \).

In this extension, we focus on the case where the cost of effort is linear \( C(e) = ce \), and \( F_\alpha = U[\mu - \delta, \mu + \delta] \), with \( \mu > 0 \) and \( \delta \in (0, \mu) \). As Proposition 3 shows, with linear costs, the leader’s optimal reward scheme is to give the maximum benefit \( M \) to those whose efforts exceed some optimally chosen threshold \( \hat{e} \). In turn, those whose augmented type

**4.2 Citizen Heterogeneity Beyond Beliefs**

So far, we have assumed that one citizen is distinguished from another only by his belief about the likelihood of regime change, which depends on his private information. Thus, citizens are easier or harder to motivate solely based on these private beliefs about the likelihood of regime change: more optimistic citizens are easier to motivate. However, as we will discuss below, there may be other sources of heterogeneity that influence a citizen’s valuation of rewards. We now examine the effect of such heterogeneities.

We extend citizen payoffs, so that a citizen \( i \) is characterized by both his (endogenous) private belief \( p_i \) that the regime change occurs and his exogenous propensity to be influenced by the leader \( \alpha_i \). We assume that \( \alpha_i \)'s are independent of \( \theta \) and citizens’ signals, and \( \alpha_i \sim iid F_\alpha \). Thus, if a citizen \( i \) exerts effort \( e_i \), his expected payoff is \( p_i \alpha_i B(e_i) - C(e_i) \).

Because \( \alpha \) and \( p \) are independent, the Uniform Threshold Belief property still holds and the distribution of beliefs is uniform. Thus, we can think of \( p \alpha \) as the augmented type \( t \), where \( p \sim U[0, 1], \alpha \sim F_\alpha \), and \( t \sim G \). Then, equation (1) becomes

\[ \theta^* = \int e^*(t) \; dG(t). \]
exceeds \( c\hat{e}/M \) exert effort \( \hat{e} \), and the rest do not participate. Thus, the leader’s problem becomes

\[
\max_{\hat{e}} (1 - G_\delta(c\hat{e}/M)) \hat{e},
\]

(6)

where we have made explicit the dependence of this distribution on the degree of dispersion in exogenous heterogeneity, \( \delta \). The term \( (1 - G_\delta(c\hat{e}/M)) \) captures the extensive margin of participation at the equilibrium regime change threshold, and the term \( \hat{e} \) captures the intensive margin.

**Proposition 6.** Suppose costs are linear, and exogenous heterogeneity is distributed uniformly, \( F_\alpha = U[\mu - \delta, \mu + \delta] \), with \( \mu > 0 \) and \( \delta \in (0, \mu) \). The equilibrium regime change threshold \( \theta^* \) and the extensive margin of participation in revolution at the equilibrium regime change threshold are both decreasing in the dispersion of exogenous heterogeneity \( \delta \) and increasing in \( M \) and \( \mu \).

Figure 6: Equilibrium regime change threshold with exogenous heterogeneity, \( \theta^*(\delta) \), for \( C(e) = e \), \( M = 1 \), and \( F_\alpha = U[1 - \delta, 1 + \delta] \).

Figure 6 demonstrates. When \( \delta = 0 \), the equilibrium regime change threshold is described in Proposition 3, so that \( \theta^*(\delta = 0) = M/4c = 0.25 \).

To see the intuition, suppose \( p = 1 \), so that there is no coordination consideration, and the distribution of types is \( U[\mu - \delta, \mu + \delta] \). Now, increasing \( \delta \) is a mean-preserving spread, which rotates the “demand curve” \( (1 - G_\delta(t)) \) counter clockwise around the median \( t = \mu \). Thus, as Johnson and Myatt (2006) analyze in detail, when the leader’s (monopolist’s) optimal strategy is to seek the participation of a majority of potential participants (i.e., when the marginal participating type is below \( \mu \)), a mean-preserving spread lowers \( \theta^*(\delta) \).

With coordination, the distribution of types will be \( p\alpha \), where \( p \sim U[0, 1] \) and \( \alpha \sim U[\mu - \delta, \mu + \delta] \), but raising \( \delta \) still causes a counter clockwise rotation in demand, \( (1 - G_\delta(t)) \), so that the coordination aspect of the game does not change the results.
To see how exogenous heterogeneity interacts with endogenous rewards, suppose \[ B(e) = \min \{e^m, 1\} \]
for \( m \in (0, 1) \), and \( C(e) = e \), so that \( M = c = 1 \). Let \( \mu = 1 \) and \( \delta \in (0, 1) \), so that \( t \in [0, 2] \). Then, from \( e^*(t) = \arg \max_{e \geq 0} tB(e) - C(e) \), we have: \( e^*(t) = \min\{(mt)^{1/m}, 1\} \). Pick \( m \in (0, 1/2] \), so that \( e^*(t) = (mt)^{1/m} \). Then, given that \( e^*(t) = (mt)^{1/m} \) is convex and that \( \theta^* = \int e^*(t)dG(t) \), a mean-preserving spread (due to an increase in \( \delta \)) will increase \( \theta^* \). Mathematica simulation of \( \theta^*(\delta) \) shows that the same qualitative result also holds when \( m \in (1/2, 1) \). This result contrasts with what happens when \( B \) is endogenous and \( M = c = 1 \).

Our analysis integrated non-informational heterogeneity among citizens, which could arise due to differences, e.g., in social and economic status, or inherent psychological dispositions, such as religious convictions. These differences can influence how citizens react to a leader who aims to inspire anti-regime actions. For example, richer citizens may be harder to motivate (low \( \alpha \)) (White 1989), or those who were treated worse by the state may be easier to motivate (high \( \alpha \)) (Wood 2003). The literature typically focuses on inequality in the whole population, showing that higher inequality increases the likelihood of regime change. For example, in Acemoglu and Robinson (2001, 2006) and Boix (2003), the society is divided into two groups: the rich who want to maintain the status quo, and the poor who seek to change it. They find that as inequality between the rich and the poor increases, the likelihoods of instability and regime change increase. In contrast, our heterogeneity corresponds to inequality or other forms of heterogeneity among potential revolutionaries, e.g., higher dispersion of income or religious convictions within the poor. Our result suggests that higher heterogeneity among potential revolutionaries reduces the likelihood of regime change. It also implies that the “divide and conquer” tactic can be an effective counterrevolutionary measure: the more one can instill heterogeneity among potential revolutionaries, the more one can maintain the status quo.

5 Participation, Motivation, and Inspiring Leadership

Our analysis is built on three fundamental elements: the nature of participation in regime change, the nature of motivations for participation, and the role of leaders in influencing motivations. Citizens can contribute to a movement at various levels, represented by \( e \geq 0 \). A citizen who contributes at a level \( e \) pays a cost of \( C(e) \), which captures state repression and other opportunity costs of anti-regime actions. A citizen’s motivation for contribution is the psychological rewards that he receives if the movement succeeds. These rewards are represented by a function \( B(e) \), which maps each contribution level \( e \) to a level of rewards. Inspiring regime change corresponds to influencing this mapping by leaders. In particular, the leader designs the contribution-reward mapping, \( B(e) \), subject to the constraint that \( 0 \leq B(e) \leq M \). The parameter \( M \) reflects the leader’s skills and the society’s culture and experiences. This section discusses the substantive literature and some historical examples consistent with this framework and some results of our analysis.
5.1 Participation

What is the nature of participation in anti-regime social movements? Citizens can participate at varying degrees. For example, they can make different monetary contributions, donate their goods or expertise, make their homes available for meetings, join demonstrations with different frequencies, participate in boycotts, or take up arms “for a few weeks” or “only a few days,” as Washington asked colonists in the American Revolution (Washington 1890, v. VI, p. 213-4). *Contentious Performances*, as Tilly (2008) dubbed them, take various forms, including arson (Swing Rebellion), cattle maiming (Tithe War), sit-ins in foreign embassies (Iranian Constitutional Revolution), cacerolazo (1989 Venezuelan Caracazo), shouting slogans from roof-tops at night (1979 Iranian Revolution), wearing particular colors (green wristbands in the Iranian Green Movement, orange ribbons in the Ukrainian Orange Revolution, or yellow ribbons in the Yellow Revolution in the Philippines), boycotts (American Revolution), parades (Woman Suffrage Movement), strikes, demonstrations, suicide bombings, assassinations, and guerrilla wars.

Some contributions require more effort and are more costly than others, e.g., taking up arms versus participating in a demonstration versus wearing a particular color to show solidarity. That is, different contentious performances correspond to different levels of anti-regime contributions. Indeed, Tilly’s celebrated notion of the repertoires of contentious performances (Tilly 1978, 2006, 2008; McAdam 1999; Tarrow 2011) presupposes a variety of anti-regime actions with various levels of participation and contributions. Thus, a key question for an opposition leader is: what kinds of contentious performances can be elicited and how? The answer depends on the nature of the people’s motivations.

5.2 Motivation

What motivates citizens to contribute to anti-regime movements, where individual effects are minimal, risks are high, and the material benefits of success are public goods? This question is the essence of Tullock’s (1971) “Paradox of Revolution,” which specialized Olson’s (1965) Logic of Collective Action to revolution settings. One possible answer is that participants somehow receive selective material rewards. Some studies suggest that selective material incentives were a key factor in the decision of many individuals to join rebel forces in some civil wars, e.g., Sierra Leone (Weinstein 2007; Humphreys and Weinstein 2008)—see also Popkin (1979) and Ross (2006). However, as Wood (2003) documents for El Salvador, psychological rewards are the key motivation in other civil wars. Blattman

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12However, even in those civil wars, the literature distinguishes between opportunists, who participate in anticipation of immediate material rewards, and more committed activists (Weinstein 2007). Moreover, in the context of civil war, receiving material rewards in exchange for joining the rebels may not indicate the primacy of material incentives; individuals often have to give up their economic activities that generate income for their families, and the material rewards may only partially compensate for the foregone income. Further, civil wars with rebel armies are a particular form of conflict that are more prone to rely on mercenary-like recruitment and lootable resources—because arms and equipments are expensive. These features, which are more conducive to generate selective material rewards, are less available in less militarized conflicts.
Miguel (2010) summarize in their review of the civil war literature: “non-material incentives are thought to be common within armed groups. Several studies argue that a leader’s charisma, group ideology, or a citizen’s satisfaction in pursuit of justice (or vengeance) can also help solve the problem of collective action in rebellion” (p. 15).

A growing literature indicates that psychological rewards were the primary motivation in a variety of anti-regime movements in Eastern Europe (Petersen 2001), El Salvador (Wood 2003), Morocco (Lawrence 2017); Syria (Pearlman 2018), Turkey and Ukraine (Aytaç and Stokes 2019). Material motivations may have been the primary form of motivation in some civil wars, but that logic does not extend to less militarized movements. Hundreds of thousands who protested against election fraud in the Green Movement that followed the contested 2009 Iranian presidential election could not have expected to receive selective material rewards for their participation. In the American Revolution, countless sermons, speeches, letters, and pamphlets invoked cultural values of defending liberty, honor, patriotism, and Christian duties to motivate participation. Thomas Paine’s *The American Crisis* (“These are the times that tries men’s souls.”), Abraham Keteltas’s 1777 sermon, “God pleads his cause” (Sandoz 1998, p. 579-605; see also Breen 2010), and Washington’s speeches to the troops and his letters to the colonies (Washington 1890, vol. VI, p. 213-4, 282-3) are but a few examples.13

What is the nature of psychological incentives? Early works on social movements emphasized expressive motives: some underlying reason causes psychological stress, and protest generates a cathartic release of the tension (Davies 1962; Smelser 1962; Geschwender 1967; Gurr 1970). As McAdam (1999) puts it, in such theories, “the social movement is effective not as political action but as therapy” (p. 10). Later studies, pioneered by Tilly, showed that when deciding to join a movement, individuals account for the likelihood of success and the costs of participation (Tilly 1978, 2008; McAdam 1999; Tarrow 2011). Movements with no prospect of success do not sustain because participation costs exceed the psychological benefits of participating in a failed movement. We call this the *Lost Cause Principle*. In Washington’s words, “The honor of making a brave defense does not seem to be a sufficient stimulus, when the success is very doubtful and the falling into the Enemy’s hands probable” (Middlekauff 2005, p. 342). Indeed, Washington’s victory in the battle of Trenton after a series of defeats improved recruitment for the revolution by improving the people’s beliefs that the revolution could succeed; as the loyalist Nicholas Cresswell recorded in his diary in 1777, after the battle of Trenton: “The minds of the people are much altered. A few days ago they had given up the cause for lost. Their late successes have turned the scale and now they are all liberty mad again” (Rhodehamel 2001, p. 264).

The Lost Cause Principle and the Olsonian Logic of Collective Action impose restrictions on the nature of psychological rewards in social movements. The Lost Cause Principle implies that expressive motives are not enough for sustained actions in support of

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13Such motivations may seem implausible to some today. However, as Middlekauff (2005) puts it in his history of the American Revolution, “Courage, honor, gallantry in service of liberty, all those words calculated to bring a blush of embarrassment to jaded twentieth-century men, defined manhood for the eighteenth century” (p. 515).
lost causes. The Olsonian Logic of Collective Action suggests that individual action cannot be based on the implausible belief that a typical individual’s contributions make a non-negligible difference in the outcome. Wood’s (2003) notion of pleasure in agency is consistent with both these requirements. Wood (2003) develops the notion of pleasure in agency to capture individuals’ motivations for participating in contentious collective actions. Pleasure in agency is “the positive effect associated with self-determination, autonomy, self-esteem, efficacy, and pride that come from the successful assertion of intention” (p. 235). It is “a frequency-based motivation: it depends on the likelihood of success, which in turn increases with the number participating (Schelling 1978; Hardin 1982). Yet the pleasure in agency is undiminished by the fact that one’s own contribution to the likelihood of victory is vanishingly small” (p. 235-6). For example, in her interviews with insurgents during and after the El Salvadoran civil war, she found that insurgents “repeatedly asserted their pride in their wartime activities and consistently claimed authorship of the changes that they identified as their work” (p. 231). “They took pride, indeed pleasure, in the successful assertion of their interests and identity...motivated in part by the value they put on being part of the making of history” (p. 18-9). Other researchers have pointed to the same kind of psychological rewards, e.g., Patersen (2001) in Eastern Europe, and Pearlman (2018) in Syria.

The content of inspiring speeches and writings in social movements are remarkably consistent with the key attributes of pleasure in agency rewards as psychological rewards that one receives for contributing to a movement that succeeds. They have a dual emphasis: (1) they appeal to the people’s values (e.g., justice, honor, patriotism, faith, courage), and (2) they insist that their movement has good chances of success. In the American Revolution, the statements of Washington, Paine, and Keteltas which aimed to inspire contribution, all alternate between highlighting cultural values and arguing that the revolution can succeed. For example, Keteltas who argued in his sermon that “the cause of this American continent...is the cause of God,” also adamantly argued that the revolution will succeed, because “God will effectually plead it; he will plead it by his almighty word, his all conquering spirit, and his over ruling providence,” all of which he interprets based on the Bible and Christian theology. The title of his sermon, “God Pleases His Cause,” is a reflection of this dual emphasis (Sandoz 1998, p. 579-605). A similar dual emphasis also appears in the very different context of the development of Islam in its early years. Muhammad needed believers to contribute to the movement and many Quranic verses aim to get people to contribute. Quran repeatedly tells the faithful that success is near, and that God will help them in many hidden ways, e.g., by sending invisible warrior angels or by instilling fear in the hearts of their enemies to weaken their resolve (3:121-7).14 Thus, like Washington, Paine, and Keteltas, Muhammad had to emphasize that the movement will succeed. Just as in the American Revolution, “the honor of making a brave defense does not seem to be a sufficient stimulus, when the success is very doubtful,” so too, in the Islamic Movement, appealing to the people’s values of justice or God’s love, the promise of heavenly gardens,  

14(3:121-7) refers to verses 121 to 127 of chapter 3 of the Quran. Several standard translations are available at http://corpus.quran.com/translation.jsp
or the threat of hellish fires do not alone inspire action; leaders have to convince people that their movement can succeed—the Lost Cause Principle holds.

5.3 Leadership: Inspiring Regime Change

Where do pleasure in agency rewards come from? They come from the culture and individual experiences and characteristics, including past contentious interactions with the regime (Gecas 2000; Wood 2003; Pearlman 2018). A key part of these cultures and experiences is the leaders who frame and interpret events, and organize cultural elements to inspire action. An extensive leadership literature that cuts across the disciplines of political science, sociology, and management argue that some individuals have the skills, or the charisma to inspire costly actions in others (Burns 1978, 2003; Bass 1985; Snow et al. 1986; Goldstone 2001; Ahlquist and Levi 2011). These leaders have been called transformational, transformative, charismatic, or people-oriented leaders. Goldstone (2001) identifies two distinct types of revolutionary leaders: people-oriented and task-oriented. “People-oriented leaders are those who inspire people, give them a sense of identity and power, and provide a vision of a new and just order” (p. 157). These are leaders who can activate, amplify, or transform people’s feelings and identities, e.g., by innovative framing of events and experiences (Snow et al. 1986), or by their personality traits, such as their charisma.

Transformative leaders can create, activate, amplify or manipulate pleasure in agency rewards by tapping into the a people’s values, emotions, and history. We call this process inspiring regime change. It corresponds to the leader influencing the pleasure in agency rewards $B(e)$ associated with a level of anti-regime action $e$. Unlike material rewards, psychological rewards that we focus on are non-rival: that some citizens receive these rewards does not subtract from the rewards that others could receive. For example, in a religious context, if a fighter tortured in the righteous struggle to bring down an unjust state or a wicked ruler is to receive one castle in heaven, God can build as many castles as there are deserving fighters. Still, even charismatic leaders can incite only so much intrinsic motivation in their potential followers. Thus, we require that $B(e) \leq M$ for some exogenous $M > 0$. The upper bound on rewards reflects limitations on the leader’s skills and charisma, as well as other exogenous aspects of the environment, such as “cultural idioms” (Skocpol 1997) or “repertoire of common symbolics” (Dabashi 1993), that facilitate the leader’s task of creating, activating, and manipulating intrinsic motivations for revolutionary activities. For example, a more skillful or charismatic leader can induce higher levels of pleasure agency rewards, corresponding to a higher $M$.

In contrast to people-oriented leaders, “task-oriented leaders are those who can plot a strategy suitable to resources and circumstances” (Goldstone 2001, p. 157), including the repressive capacity of the state and available revolutionary skills, to effectively transform anti-regime sentiments into concrete actions. Our analysis shows how a “people-oriented” leader can optimally manipulate pleasure in agency rewards to maximize the likelihood of regime change. That even the design of psychological pleasure in agency rewards requires “a strategy suitable to resources and circumstances” merges these seemingly separate categories of strategic, task-oriented leaders who plot, and idealist, people-oriented leaders who...
We show the optimal design of pleasure in agency rewards will assign higher pleasure in agency rewards to higher, more costly contributions. In the context of the American Revolution, by invoking the people’s sense of honor and patriotism, Washington aimed to assign different rewards to different levels of participation: those who would join the army for a few weeks would be more honorable and better patriots than those who would join for a few days. Short of that, people could contribute their cattle. Even those who would refuse, could still contribute simply by refusing to sell to the enemy (Washington 1890, vol. VI, p. 213-4, 382-3). In the Islamic context, Quran states: “Not equal among you are those who contributed before the conquest, and fought. Those are higher in rank than those who contributed afterwards, and fought. But God promises both a good reward” (57:10). Indeed, rewards increase even with marginal contributions: “Nor do they spend any expenditure, small or large, nor do they cross any valley, but it is recorded to their credit” (9:121). “Not equal are the inactive among the believers—except the disabled—and those who strive in the cause of God with their possessions and their persons. God prefers those who strive with their possessions and their persons above the inactive, by a degree. But God has promised goodness to both. Yet God favors the strivers, over the inactive, with a great reward” (4:95; see also 9:19-22).

We argued that inspiring regime change can be conceptualized as an exchange between a leader in possession of pleasure in agency rewards and a large number of citizens with private, heterogeneous valuations for those rewards. When a leader tries to induce a contribution-reward mapping, it is as if she is exchanging rewards for contributions. Quran uses the language of exchange to describe the nature of rewards designed to motivate contributions: “God has purchased from the believers their lives and their properties in exchange for Paradise” (9:111). If leaders knew the citizens’ beliefs about the likelihood of success, they would condition rewards on those beliefs. Not knowing the beliefs, however, the leaders assign different rewards to different participation levels. But this mechanism makes the leaders’ optimal motivation problem a screening problems, with the accompanying tradeoffs, which we analyzed. For example, raising the value of joining the cause as a militiaman for “only a few days” increases the incentives of those who would not have otherwise joined the militia; but it also reduces the incentive of those who would have otherwise stayed “for a few weeks.”

Remarkably, the optimal design of pleasure in agency rewards leads to the emergence of a group of citizens who engage in the maximum level of anti-regime activities, regardless of the skills and charisma of the leader or other constraints that bound rewards by $M$. In the American Revolution, this group corresponds to the Sons of Liberty (Maier 1972), and during the Revolutionary War, perhaps a subset of regulars who remained with the Continental Army during the toughest times. Middlekauff’s (2005) description is telling: “By winter 1779-1780 the Continentals were beginning to believe that they had no one save themselves to lean on.... Dissatisfaction in these months slowly turned into a feeling of martyrdom. They felt themselves to be the martyrs to the ‘glorious cause’ ” (p. 513-4).

More broadly, the emergence of this cadre is consistent with the notion of professional revolutionaries in Lenin’s treatise, What Is to be Done?. Although this group is distinct
from other citizens contributing to the cause, there is little difference in the magnitude of duties and the level of revolutionary activity among the members. Contrasting the organization of workers, who engage in various degrees of contentious activity, with the organization of “revolutionary social-democratic party,” Lenin insisted that “the organization of the revolutionaries must consist first and foremost of people who make revolutionary activity their profession.... In view of this common characteristic of the members of such an organization, all distinctions as between workers and intellectuals, not to speak of distinctions of trade and profession, in both categories, must be effaced” (p. 71).

A distinguishing feature of our model is that it allows for a variety of contribution levels. This enabled us to characterize the equilibrium distribution of contributions, and study how changes in the environment (e.g., variations in $\theta$ or $M$) affect this distribution. The distribution of anti-regime actions in the population may influence the nature of the post-revolution regime. For example, if regime change is mainly the result of high effort by a narrow subset of the population, the post-revolution regime is likely to reflect the views of that narrow group. Kadivar’s (2018) empirical study suggests that regime changes brought about by mass mobilization led to more enduring democracies. García-Ponce and Wantchêkon’s (2017) empirical study suggests that anti-colonial movements associated with rural insurgencies increase the chances of autocracies in post-colonial regimes; and, the social movements literature shows that a smaller subset of population contribute to violent anti-regime actions than non-violent ones (Nepstad 2011; Chenoweth and Stephan 2013).

Our results also suggest that revolutions that succeed tend to have a more equal distribution of anti-regime contributions relative to those that fail. Within successful revolutions, those that are barely won ($\theta^* - \theta$ is small) tend to have a less equal distribution of anti-regime contributions relative to those that are won by a larger margin. The studies mentioned above suggest that these inequalities in contributions may translate into inequalities in power and representation in the post-revolution regime. We do not model the post-revolution regime, or how the expectations about the nature of that regime may restrict a leader’s ability to inspire regime change. However, one may cautiously interpret these results as suggesting that revolutions that are won harder also tend to be less democratic in the sense that they tend to have less equitable power-sharing and representation. Abstracting from contextual and institutional details, one may also cautiously observe that these results are consistent with some real world regime changes, e.g., in Romania versus Poland (White 2011; Stokes 2012).

To further explore these implications, consider two countries, $A$ and $B$, that are identical except in their regime’s strength: $\theta_A > \theta_B$. In country $A$, $\theta_A = \theta^* + 0.1$, so that the regime survives absent, e.g., a drop in the regime’s strength. In country $B$, $\theta_B = \theta^* - 0.1$, so that there will be a regime change. Our analysis implies that country $A$ will have a more concentrated distribution of anti-regime contributions relative to country $B$. Now, suppose after citizens decide their efforts in country $A$, regime strength drops from $\theta_A$ to $\theta_B$, e.g., due to an unexpected decision of armed forces to remain neutral or switch sides as happened in Iran in 1979 (Amanat 2017) or in Egypt in 2011 (Barany 2011). Then, although both countries feature regime change, country $A$ will have a more concentrated distribution
of anti-regime contributions—higher Gini index. This observation suggests that regime changes that occur as a result of an unexpected decision of the military to switch sides may tend to generate less democratic post-revolution regimes.

6 Conclusion

Inspiring regime change in our framework refers to processes that activate, create, or manipulate psychological rewards that one receives from participating in a successful movement. Through speeches, meetings, and writings, leaders influence how different participation levels map into these pleasure in agency rewards. We formalized inspiring regime change in a context where citizens face coordination and information frictions. In essence, inspiring regime change is like an exchange in which a leader gives pleasure in agency rewards to citizens in return for their anti-regime actions. The leader inspires to maximize the likelihood of regime change, but optimal inspiration involves a screening problem: leaders must design mechanisms to screen citizens with heterogeneous valuations of pleasure in agency rewards; valuations that are determined endogenously in the citizens’ coordination problem. Using techniques from mechanism design and global games literatures, we show that this seemingly complex problem can be disentangled into simpler problems, which we characterize.

A consequence of optimal inspiration is the emergence of a group of citizens distinct from others in that they all engage in the endogenous maximum level of anti-regime activities. That is, when leaders act strategically and optimally, a vanguard emerges naturally, regardless of the leader’s charisma and skills or the details of a society’s culture. The leader’s skills and cultural elements do influence the maximum participation level that the vanguard will engage in, but not their emergence. Other citizens participate at varying degrees depending on their characteristics, and some citizens do not participate. This feature departs from the common binary participation assumption, and generates a distribution of participation levels that captures the plethora of observed anti-regime actions. We explore how the regime’s strength or the leader’s charisma affect this distribution. Extending our framework to allow for heterogeneity among citizens beyond their information asymmetries, we show that higher heterogeneity among potential revolutionaries (e.g., higher inequality) can reduce the likelihood of regime change. More heterogeneity can also reduce the depth of the movement, defined as the fraction of participating citizens. This can affect the nature of the post-revolution regime, as revolutions that succeed based on high efforts of a narrow subset of the population may tend to be less democratic.

Two directions for future research stand out. We focused on psychological rewards because various studies and historical examples suggest their primacy in various movements and because they have received scant attention in formal studies of regime change. However, even when material rewards are secondary considerations, they often appear in some form in movements, e.g., financial help to families of strikers, or covering the medical expenses of those injured in demonstrations. One could contemplate settings in which leaders have access to both psychological and material rewards, and investigate how material rewards in-
fluence the leaders’ optimal strategy and the outcomes. A second direction is to endogenize the regime’s repression schemes that determine the costs of anti-regime actions. This will generate a rich strategic field in which opposition leaders design (pleasure in agency) rewards to maximize the likelihood of regime change, state officials design repression schemes to minimize that likelihood, and citizens decide their participation levels.
Appendix: Examples and Proofs

Example
Suppose $C(e) = e^n$, $n > 1$. What is the optimal $B(e)$? From (41),

$$B(e) = \frac{1}{\sqrt{\lambda}} \int_0^e \sqrt{C'(x)} \, dx = \frac{1}{\sqrt{\lambda}} \int_0^e \sqrt{n} \, x^{n+1} \, dx = \frac{1}{\sqrt{\lambda}} \frac{2\sqrt{n}}{n+1} e^{\frac{n+1}{2}}.$$  (7)

From (42), $B(\bar{e}) = M$, which implies

$$\frac{1}{\sqrt{\lambda}} \frac{2\sqrt{n}}{n+1} e^{\frac{n+1}{2}} = M.$$  (8)

From (44), $\frac{C'(e)}{B'(e)} = \frac{1}{2}$, which implies

$$\frac{ne^{n-1}}{\sqrt{\lambda} e^{\frac{n+1}{2}}} = \sqrt{n\lambda} e^{\frac{n+1}{2}} = \frac{1}{2}.$$  (9)

From (8), $\sqrt{\lambda} = \frac{2\sqrt{n}}{M(n+1)} e^{\frac{n+1}{2}}$. Substituting this $\sqrt{\lambda}$ into equation (9) yields $\frac{1}{M} \frac{2n}{n+1} e^{\frac{n+1}{2}} = \frac{1}{2}$, and hence

$$\bar{e} = \left( \frac{M}{4} \right)^{\frac{1}{n}} \left( 1 + \frac{1}{n} \right)^{\frac{1}{n}} \quad \text{and} \quad \sqrt{\lambda} = \frac{2\sqrt{n}}{n+1} \left( \frac{n+1}{4n} \right)^{\frac{n+1}{2n}} \left( \frac{1}{M} \right)^{\frac{n+1}{2n}}.$$  (10)

Substituting these into equation (7) yields the optimal $B(e) = M \frac{n-1}{4n} \left( \frac{4n}{n+1} \right)^{\frac{n+1}{2n}} e^{\frac{n+1}{2}}$ for $e \leq \bar{e}$. Moreover, $B(e) \leq M$ for $e > \bar{e}$. For the purposes of this example, we choose $B(e) = M$ for $e > \bar{e}$. Thus,

$$B^*(e) = \begin{cases} M \frac{n-1}{4n} \left( \frac{4n}{n+1} \right)^{\frac{n+1}{2n}} e^{\frac{n+1}{2}} & ; e \leq \bar{e} = \left( \frac{n+1}{4n} \right)^{\frac{1}{n}} M \\ M & ; e > \bar{e}. \end{cases}$$

As expected from our earlier discussion, $B^*(e)$ is convex for $e \in [0, \bar{e}]$. Moreover,

$$B^*(e) = \begin{cases} M \frac{n-1}{2n} \frac{n+1}{2} \left( \frac{4n}{n+1} \right)^{\frac{n+1}{2n}} e^{\frac{n+1}{2}} & ; e < \bar{e} \\ 0 & ; e > \bar{e}. \end{cases}$$

How does $e^*(p)$ look like? Recall that $e^*(p) = \arg \max_{e \geq 0} p B^*(e) - e^n$, and hence

$$e^*(p) = \begin{cases} M^{\frac{n}{2}} 4^{\frac{1}{n(n+1)}} \left( \frac{n+1}{n} \right)^{\frac{1}{n}} p^{\frac{2n}{n+1}} & ; p \in [0, \frac{1}{2}] \\ \bar{e} & ; p \in [\frac{1}{2}, 1]. \end{cases}$$
Finally,

\[ \theta^* = \left( \frac{M}{4} \right)^{\frac{1}{n}} \left( 1 + \frac{1}{n} \right)^{\frac{1}{n}-1} = \left( 1 + \frac{1}{n} \right)^{-1} \bar{c}. \]

Figure 2 illustrated this solution for \( M = 1 \).

**Proofs**

**Proof of Lemma 2:** Let \( p_2 > p_1 > 0, e_i \in e^*(p_i) = \arg \max_{e \geq 0} p_i B(e) - C(e), i \in \{1, 2\} \). We establish that \( e_2 \geq e_1 \) by way of contradiction. Suppose not, so that \( e_2 < e_1 \). First, from the optimality of \( e_1 \) and \( e_2 \), we have:

\[ p_2 B(e_2) - C(e_2) \geq p_2 B(e_1) - C(e_1) \iff p_2 [B(e_2) - B(e_1)] \geq C(e_2) - C(e_1) \tag{11} \]

\[ p_1 B(e_1) - C(e_1) \geq p_1 B(e_2) - C(e_2) \iff C(e_2) - C(e_1) \geq p_1 [B(e_2) - B(e_1)] \tag{12} \]

Because \( C(e) \) is strictly increasing, \( e_2 < e_1 \) implies \( C(e_2) < C(e_1) \). Thus, from (12):

\[ 0 > C(e_2) - C(e_1) \geq p_1 [B(e_2) - B(e_1)] \Rightarrow B(e_2) - B(e_1) < 0, \]

and hence:

\[ p_1 [B(e_2) - B(e_1)] > p_2 [B(e_2) - B(e_1)]. \tag{13} \]

However, combining (11) and (12), we have:

\[ p_1 [B(e_2) - B(e_1)] \leq C(e_2) - C(e_1) \leq p_2 [B(e_2) - B(e_1)]. \tag{14} \]

Hence, (13) and (14) contradict each other, and hence our assumption that \( e_2 < e_1 \) must be false. \( \square \)

**Lemma 3.** If the optimal effort correspondence \( e^* \) is single-valued, continuous and weakly increasing, and \( e_{\min} = 0 \), then the regime change threshold in the unique monotonic equilibrium is given by

\[ \theta^* = \int_{e=0}^{e_{max}} \left( 1 - \frac{C'(e)}{B'(e)} \right) \, de. \tag{15} \]

**Proof of Lemma 3:** By assumption, \( e^*(p) \) is a weakly increasing function. Whenever \( e^*(p) \) is strictly increasing, we have \( pB'(e^*(p)) = C'(e^*(p)) \). Let \( [p_1, p_2] \) be an interval on
which \( e^* \) is strictly increasing and continuous. In this case,

\[
\int_{p=p_1}^{p_2} e^* (p) \, dp = \left[ p e^* (p) \right]_{p=p_1}^{p_2} - \int_{p=p_1}^{p_2} p \left[ e^* \right]' (p) \, dp \\
= p_2 e^* (p_2) - p_1 e^* (p_1) - \int_{e=e^* (p_1)}^{e^* (p_2)} \frac{C'(e)}{B'(e)} \, de,
\]

where the last inequality uses the change of variables \( e = e^* (p) \), and the derivative of \( B'(e) \) at \( e^* (p_2) \) is the left derivative and at \( e^* (p_1) \) is the right derivative.

Now let \([p_2, p_3]\) be an interval on which \( e^* \) is constant. In this case,

\[
\int_{p=p_2}^{p_3} e^* (p) \, dp = (p_3 - p_2) e^* (p_3) \\
= p_3 e^* (p_3) - p_2 e^* (p_2).
\]

We conclude that

\[
\int_{p=p_1}^{p_3} e^* (p) \, dp = p_3 e^* (p_3) - p_1 e^* (p_1) - \int_{e=e^* (p_1)}^{e^* (p_2)} \frac{C'(e)}{B'(e)} \, de.
\]

Now, consider a partition of \([0, 1]\), and suppose that \( e^*(p) \) is strictly increasing on the intervals \([p_1, p_2],[p_3, p_4],...,[p_{2n-1}, p_{2n}]\), where \( p_1 < p_2 < ... < p_{2n} \). Then,

\[
\int_{p=0}^{1} e^* (p) \, dp = e_{\text{max}} - \sum_{m=1}^{n} \left( e^* (p_{2m-1}) \int_{e=e^* (p_{2m-1})}^{e^* (p_{2m})} \frac{C'(e)}{B'(e)} \, de \right) \\
= e_{\text{max}} - \int_{e=0}^{e_{\text{max}}} \frac{C'(e)}{B'(e)} \, de \\
= \int_{e=0}^{e_{\text{max}}} \left( 1 - \frac{C'(e)}{B'(e)} \right) \, de.
\]

**Proof of Proposition 4:** As a first step in analyzing this problem, we apply the revelation principle to transform the problem into one where the leader chooses effort levels and benefit levels \( \{(e(p), B(p))\} \) depending on the probability \( p \) that a citizen assigns to regime
change. This mechanism design approach amounts to treating the citizens’ endogenous beliefs as if they were exogenous and distributed uniformly on $[0, 1]$. However, determining $\{(e(p), B(p))\}$ generates a set of “recommended” revolutionary efforts $E \equiv \{e(p) \text{ s.t. } p \in [0, 1]\}$, and the corresponding rewards $B(e)$ for those $e \in E$. It remains to characterize $B(e)$ for $e \notin E$. The only requirement for such $B(e)$ is that players do not choose it. For example, one could set $B(e) = 0$ for all $e \notin E$. Of course, this choice is not unique. We choose $B(e)$ for $e \notin E$ such that $B(e)$ is constant for $e \notin E$, and $B(e)$ is continuous for all $e \geq 0$. Therefore, we can write the leader’s problem as:

$$\max_{\{(e(p), B(p))\}} \int_{p=0}^{1} e(p) dp$$

s.t. $pB(p) - C(e(p)) \geq 0, \forall p \in [0, 1]$

$$pB(p) - C(e(p)) \geq p B(p') - C(e(p')), \forall p, p' \in [0, 1]$$

$$B(p) \in [0, M], \forall p \in [0, 1].$$

Observe that under this program, the designer can assign any cost to any citizen through their choice of $e$. To simplify notation, write $h(p) = C(e(p))$.

We can use this new representation of the problem to use standard arguments from screening models. We first establish that $B(p)$ is weakly increasing, and hence $B(p)$ is piecewise continuously differentiable. The incentive compatibility constraints imply $pB(p) - h(p) \geq pB(p') - h(p')$ and $p'B(p') - h(p') \geq p'B(p) - h(p)$. Adding these inequalities implies: $(p - p')[B(p) - B(p')] \geq 0$. Hence, $B(p)$ is weakly increasing, and hence $B(p)$ is piecewise continuously differentiable. Thus, a necessary first order condition is $pB'(p) - h'(p) = 0$ almost everywhere, with the corresponding second order condition $pB''(p) - h''(p) \leq 0$. Differentiating the FOC w.r.t. $p$ yields $B'(p) + pB''(p) - h''(p) = 0$. Thus, the SOC simplifies to $B'(p) \geq 0$. Moreover, because $pB(p) - h(p)$ is increasing in $p$, the condition $pB(p) - C(e(p)) \geq 0, \forall p \in [0, 1]$, simplifies to $C(e(0)) = h(0) = 0$. Further, because $B'(p) \geq 0$, the constraint $B(p) \in [0, M], \forall p \in [0, 1]$, can be replaced by $B(0) \geq 0$ and $B(1) \leq M$. Combining these results, the leader’s problem becomes:

$$\max_{\{(e(p), B(p))\}} \int_{p=0}^{1} e(p) dp$$

$$pB'(p) - h'(p) = 0, h(0) = 0$$

$$B'(p) \geq 0$$

$$B(0) \geq 0, B(1) \leq M.$$

We can re-write this problem, letting $\Pi(\cdot) = C^{-1}(\cdot)$, so that $\Pi(h(p)) = e(p)$. Then, the leader’s problem (16)-(19) becomes:

$$\max_{\{(B(p), h(p))\}} \int_{p=0}^{1} \Pi(h(p)) dp$$

$$h'(p) = pB'(p), \ h(0) = 0$$

$$B'(p) \geq 0, \ B(0) \geq 0, \text{ and } B(1) \leq M.$$
Because incentives are created by the slope of benefits, it is clear that \(B(0) = 0\) and \(B(1) = M\). To proceed, we use the optimal control techniques by defining two state variables. Taking a similar approach to Kamien and Schwartz (2012, p. 244-6), let \((h, B)\) be the state and \(B'\) be the control, so that \(h' = pB'\). The Hamiltonian and Lagrangian are:

\[
H = \Pi(h) + \lambda_h pB' + \lambda_B B'.
\]
\[
L = H + \mu B'.
\]

Then, by the maximum principle,

\[
\frac{\partial L}{\partial B'} = \lambda_B + \lambda_h p + \mu = 0, \quad \mu \geq 0, \quad \mu B' = 0.
\]
\[
\lambda_B'(p) = -\frac{\partial L}{\partial B} = 0.
\]
\[
\lambda_h(p) = -\frac{\partial L}{\partial h} = -\Pi'(h(p)), \quad \lambda_h(1) = 0.
\]

Moreover, from condition (23), \(\lambda_B(p) + \lambda_h(p) \leq 0\) and \(\lambda_B(\tau) + \tau \lambda_h(\tau) = 0\). Further, from condition (74) of Theorem 7 in Seierstad and Sydsæter (1993, p. 197), \(\lambda_h(p)\) and \(\lambda_B(p)\) are continuous at \(\tau\). Thus, in a right neighborhood of \(\tau\), we have \(\lambda_B'(p) + p\lambda_h'(p) + \lambda_h(p) \leq 0\), and in a left neighborhood of \(\tau\), we have \(\lambda_B'(p) + p\lambda_h'(p) + \lambda_h(p) \geq 0\). But this contradicts (27).

Next, we prove that there is no jump at \(p = 0\) or \(p = 1\). From (24), \(\lambda_B(p) = \text{constant} \equiv \bar{\lambda}\) on \(p \in (0, 1)\). Moreover, \(\lambda_B(p)\) is continuous (Seierstad and Sydsæter 1993, p. 197). Thus, \(\lambda_B(p) = \bar{\lambda}\), for \(p \in [0, 1]\). From conditions (74) and (75) in Theorem 7 of Seierstad and Sydsæter (1993, p. 197), \(\lambda_B(\tau) + \tau \lambda_h(\tau) = 0\). Combining this with \(\lambda_B(p) = \bar{\lambda}\) and (25), \(\bar{\lambda} + \tau \int_{x=\tau}^1 \Pi'(h(x))dx = 0\). In particular, if \(\tau = 0\) or \(\tau = 1\), then \(\bar{\lambda} = 0\). But from

\[\text{Lemma 4. Optimal } h(p)\text{ and } B(p)\text{ have no jump.}\]

**Proof of Lemma 4:** We show that an optimal \(h(p)\) has no jump, which then implies that an optimal \(B(p)\) has no jump. First, we prove that there is no interior jumps at any \(p \in (0, 1)\). Our proof is based on Arrow (1966, p. 11-3). Suppose \(h(p)\) has a jump at \(\tau \in (0, 1)\). Let \(h(\tau^+) \equiv \lim_{p \to \tau^+} h(\tau)\) and \(h(\tau^-) \equiv \lim_{p \to \tau^-} h(\tau)\). Because \(h(p)\) is increasing, \(h(\tau^-) < h(\tau^+)\). From (24) and (25), recall that \(\lambda_B'(p) + p\lambda_h'(p) = -p\Pi'(h(p))\) in \((\tau-\epsilon, \tau)\cup(\tau, \tau+\epsilon)\) for some \(\epsilon > 0\). Because \(\Pi(x)\) is strictly concave, \(\Pi'(h(\tau^+)) < \Pi'(h(\tau^-))\), and hence:

\[
\lambda_B'(\tau^-) + \tau \lambda_h'(\tau^-) < \lambda_B'(\tau^+) + \tau \lambda_h'(\tau^+).
\]

Moreover, from (23), \(\lambda_B(p) + p\lambda_h(p) \leq 0\) and \(\lambda_B(\tau) + \tau \lambda_h(\tau) = 0\). But this contradicts (27).

15More formally, \(\lambda_B(\tau) + \tau \lambda_h(\tau) = 0\) obtains from conditions (74) and (75) in Theorem 7 of Seierstad and Sydsæter (1993, p. 197).
(23), $\bar{\lambda} + \lambda_h p \leq 0$ and $\lambda_h(p) = \int_{x=p}^{1} \Pi'(h(x))dx$ is positive for some $p \in (0, 1)$. Thus, $\bar{\lambda} < 0$. A contradiction. \hfill \Box

From (24) and (25),

$$\lambda_B(p) = \text{constant} = \bar{\lambda} \quad \text{and} \quad \lambda_h(p) = -\int_{x=p}^{1} \lambda'(x)dx = \int_{x=p}^{1} \Pi'(h(x))dx. \quad (28)$$

Moreover, from (23), $\bar{\lambda} + p \lambda_h(p) \leq 0$. Because at $p \in (0, 1)$, $p \lambda_h(p) = p \int_{x=p}^{1} \Pi'(h(x))dx > 0$, we must have $\bar{\lambda} < 0$.

**Lemma 5.** There is no interior bunching. That is, there is no $0 < p_1 < p_2 < 1$ such that $h'(p) = 0$ for $p \in (p_1, p_2)$, with $h'(p) > 0$ in a left neighborhood of $p_1$ and in a right neighborhood of $p_2$.

**Proof of Lemma 5:** Suppose not. Let $h(p) = \bar{h}$ for $p \in [p_1, p_2]$. Because $h(p)$ and hence $B(p)$ must be strictly increasing in a left neighborhood of $p_1$ and in a right neighborhood of $p_2$, $\mu = 0$ in those neighborhoods. Moreover, $\lambda_B(p)$ and $\lambda_h(p)$ are continuous. Therefore, (23) implies that $\lambda_B(p_1) + p_1 \lambda_h(p_1) = 0 = \lambda_B(p_2) + p_2 \lambda_h(p_2)$. Because $\lambda_B(p) = \bar{\lambda}$ from (28), we have,

$$p_1 \lambda_h(p_1) = p_2 \lambda_h(p_2). \quad (29)$$

Further, from (28),

$$\lambda_h(p_1) = \int_{p_1}^{p_2} \Pi'(h(x))dx + \int_{p_2}^{1} \Pi'(h(x))dx = (p_2 - p_1) \Pi'(\bar{h}) + \lambda_h(p_2). \quad (30)$$

Combining equations (29) and (30) yields:

$$p_1 \Pi'(\bar{h}) = \lambda_h(p_2). \quad (31)$$

Next, consider $p_3 \in (p_1, p_2)$. From (23), $\lambda_B(p_3) + p_3 \lambda_h(p_3) \leq 0 = \lambda_B(p_2) + p_2 \lambda_h(p_2)$. Hence,

$$p_3 \lambda_h(p_3) \leq p_2 \lambda_h(p_2). \quad (32)$$

Mirroring the calculations of equation (30), we have:

$$\lambda_h(p_3) = (p_2 - p_3) \Pi'(\bar{h}) + \lambda_h(p_2). \quad (33)$$

Combining equations (32) and (33) yields:

$$p_3 \Pi'(\bar{h}) \leq \lambda_h(p_2). \quad (34)$$

From equations (31) and (34), $p_3 \Pi'(\bar{h}) \leq p_1 \Pi'(\bar{h})$. However, because $p_3 > p_1$ and $\Pi'(\bar{h}) > 0$, we must have $p_3 \Pi'(\bar{h}) > p_1 \Pi'(\bar{h})$, a contradiction. \hfill \Box

Next, we solve the problem ignoring the constraint $B'(p) \geq 0$, and subsequently check
whether and when this constraint binds. Without $B'(p) \geq 0$, $\mu = 0$, and hence from (23) and (28),
\[ p \int_{x=p}^{1} \Pi'(h(x))dx + \bar{\lambda} = 0, \quad \text{and hence} \quad \frac{d}{dp} \left( p \int_{x=p}^{1} \Pi'(h(x))dx + \bar{\lambda} \right) = 0 \tag{35} \]
Differentiating (35) with respect to $p$ yields $\Pi'(h(p)) = -\frac{\bar{\lambda}}{p^2}$, and hence
\[ h(p) = \Pi^{-1} \left( -\frac{\bar{\lambda}}{p^2} \right). \tag{36} \]
Moreover, Because $\Pi(h)$ is strictly concave, $h(p)$ is strictly increasing, and hence $B(p)$ is strictly increasing as long as the constraints $B(0) = 0$ and $B(1) = M$ are satisfied. Therefore, an optimal $B(p)$ takes the following form:
\[
B(p) = \begin{cases} 
0 & ; p \in [0, p_1] \\
\text{strictly increasing function} & ; p \in [p_1, p_2] \\
M & ; p \in [p_2, 1], 
\end{cases}
\]
for $0 \leq p_1 < p_2 \leq 1$. This, in turn, implies a similar form for $h(p)$, and hence for optimal effort schedule:
\[
e^*(p) = \begin{cases} 
0 & ; p \in [0, \hat{p}] \\
\text{strictly increasing and satisfies the first order condition} & ; p \in [\hat{p}, \bar{p}] \\
\bar{e} & ; p \in [\bar{p}, 1], 
\end{cases} \tag{37}
\]
for some $0 \leq \hat{p} < \bar{p} \leq 1$ and $\bar{e} > 0$.
Equation (37) together with Lemma 3 allows us to write the leader’s objective function as:
\[
\theta^* = \int_{\epsilon=0}^{\hat{\epsilon}} \left( 1 - \frac{C'(\epsilon)}{B'(\epsilon)} \right) d\epsilon, 
\]
where we recognize that $e^*(p)$ satisfying the first order condition implies $B'(\epsilon) \geq C'(\epsilon)$, and that $\hat{p} = \frac{C'(0)}{B'(0)}$ and $\bar{p} = \frac{C'(\bar{\epsilon})}{B'(\bar{\epsilon})}$. Thus, we can formulate the leader’s problem as:
\[
\max_{B', \ \hat{\epsilon}} \int_{\epsilon=0}^{\hat{\epsilon}} \left( 1 - \frac{C'(\epsilon)}{B'(\epsilon)} \right) d\epsilon \tag{38}
\]
\[ \text{s.t. } B(\bar{\tau}) = M, \ B(0) = 0, \ B'(\epsilon) \geq C'(\epsilon), \ \bar{\epsilon} \geq 0, \]
Writing $B(\bar{\tau})$ as $B(\bar{\tau}) = \int_{0}^{\bar{\tau}} B'(\epsilon)d\epsilon$, (38) can be written as:
\[
\max_{B', \ \hat{\epsilon}} \int_{\epsilon=0}^{\hat{\epsilon}} \left( 1 - \frac{C'(\epsilon)}{B'(\epsilon)} \right) d\epsilon 
\]
\[ \text{s.t. } \int_{\epsilon=0}^{\bar{\tau}} B'(\epsilon)d\epsilon = M, \ B(0) = 0, \ B'(\epsilon) \geq C'(\epsilon), \ \bar{\epsilon} \geq 0. \]
This shows that one can think of the leader’s problem as him deciding a maximum level of effort $\bar{e} \geq 0$ to induce, and then deciding how to allocate a fixed supply of marginal benefit to different effort levels $B' : [0, \bar{e}] \to \mathbb{R}$. There are two other constraints: $\bar{e} \geq 0$ and $B'(e) \geq C'(e)$. However, as it will be clear from the solution, these two constraints are automatically satisfied.

Thus, the leader’s problem becomes a constrained point-wise optimization. The Lagrangian is

$$ L = \int_0^\bar{e} \left(1 - \frac{C'(e)}{B'(e)}\right) de + \lambda \left(M - \int_{e=0}^{\bar{e}} B'(e) de\right) $$

$$ = \int_0^\bar{e} \left(1 - \frac{C'(e)}{B'(e)} - \lambda B'(e)\right) de + \lambda M. $$

Optimal $B'(e)$ simplifies to a point-wise maximization

$$ \frac{\partial L}{\partial B'(e)} \left(1 - \frac{C'(e)}{B'(e)} - \lambda B'(e)\right) = \frac{C'(e)}{[B'(e)]^2} - \lambda = 0. \tag{39} $$

This shows that at the optimum, the marginal gain of raising $B'(e)$, i.e., $C'(e)/[B'(e)]^2$, equals its marginal cost $\lambda$. Thus,

$$ B'(x) = \frac{1}{\sqrt{\lambda}} \sqrt{C'(x)}, \tag{40} $$

and

$$ B(e) = \int_0^e B'(x) dx = \frac{1}{\sqrt{\lambda}} \int_0^e \sqrt{C'(x)} \ dx. \tag{41} $$

Combining this with the constraint yields

$$ B(\bar{e}) = \frac{1}{\sqrt{\lambda}} \int_0^{\bar{e}} \sqrt{C'(x)} \ dx = M. \tag{42} $$

Moreover, optimal $\bar{e}$ also satisfies the first order condition

$$ \frac{\partial L}{\partial \bar{e}} = 1 - \frac{C'(\bar{e})}{B'(\bar{e})} - \lambda B'(\bar{e}) = 0 \Rightarrow 1 - \frac{C'(\bar{e})}{B'(\bar{e})} = \lambda B'(\bar{e}). \tag{43} $$

Substituting for $\lambda$ from (39) into (43) yields

$$ 1 - \frac{C'(\bar{e})}{B'(\bar{e})} = \frac{C'(\bar{e})}{B'(\bar{e})} \Rightarrow \frac{C'(\bar{e})}{B'(\bar{e})} = \frac{1}{2}. \tag{44} $$

Thus, if $\bar{e}$ and $\lambda$ are the solution to equations (42) and (44), we have solved for $B$.

From equation (40), we have $\frac{C'(e)}{B'(e)} = \sqrt{\lambda C'(e)} > 0$. This has two implications: (1) because $C(e)$ is strictly convex, $B(e)$ is strictly convex for $0 < e < \bar{e}$; and $\frac{C'(e)}{B'(e)}$ is strictly
increasing. Thus, \( \frac{C'(\bar{e})}{B'(\bar{e})} = \frac{1}{2} \) implies that \( B'(\bar{e}) \geq C'(\bar{e}) \).

(2) \( e^*(p) \) is strictly increasing between \( p = \sqrt{\lambda}\sqrt{C'(0)} \) and \( p = 1/2 \); it is equal to 0 for \( p \leq \frac{p}{2} \) and equal to \( \bar{e} \) for \( p \geq 1/2 \).

From (40), \( \lambda = \left( \frac{C'(e)}{B'(e)} \right)^2 \frac{1}{C'(x)} \). Thus, from (44),
\[
\lambda = \frac{1}{4C'(\bar{e})}.
\]

Combining (45) with (42) yields
\[
\sqrt{C'(\bar{e})} \int_0^{\bar{e}} \sqrt{C'(x)} \, dx = \frac{M}{2}.
\]

Moreover,
\[
\theta^* = \int_0^1 e^*(p) \, dp = \bar{e} - \int_0^{\bar{e}} \frac{C'(x)}{B'(x)} \, dx = \bar{e} - \int_0^{\bar{e}} \lambda B'(x) \, dx \quad \text{(from (40))}
\]
\[
= \bar{e} - \lambda B(\bar{e}) = \bar{e} - \lambda M = \bar{e} - \frac{M}{4C'(\bar{e})} \quad \text{(from (45)).}
\]

The strictly increasing segment of \( e^*(p) \) satisfies \( \frac{B'(e)}{C'(e)} = p \). Thus,
\[
p^2 = C'(e) \frac{C'(e)}{(B'(e))^2} = C'(e) \lambda = C'(e) \frac{1}{4C'(\bar{e})},
\]
where the second equality follows from (40) and the third equality follows from (45). Thus, \( C'(e^*(p)) = (2p)^2C'(\bar{e}) \). Thus, recalling that \( C \) is strictly convex so that \( C' \) is strictly increasing and that we are focusing on the strictly increasing segment of \( e^*(p) \), we can invert \( C' \), so that \( e^*(p) = C'^{-1}((2p)^2C'(\bar{e})) \). Finally, recalling that \( p = \sqrt{\lambda}\sqrt{C'(0)} \), from (45), we have \( p = (1/2)\sqrt{C'(0)/C'(\bar{e})} \).

**Proof of Corollary 1:** For linear costs, the results follow from Proposition 3. Next, consider strictly convex costs. Because \( C \) is strictly convex, from (4), \( \bar{e} \) is strictly increasing in \( M \). Hence, from equation (3), so is \( e^*(p; M) \), for \( e^*(p; M) > 0 \). And, because \( p = (1/2)\sqrt{C'(0)/C'(\bar{e})} \), we have \( dp/dM < 0 \), for \( p > 0 \). Thus, \( \theta^* = \int_0^1 e^*(p) \, dp \) is also strictly increasing in \( M \). \( \square \)

**Proof of Proposition 5:** Dorfman (1979) showed that the Gini Index for the distribution of \( x \sim F \) can be written as \( 1 - \frac{1}{E[x]} \int_x^\infty (1 - F(x))^2 \, dx \). Moreover,
\[
E[e^*|\theta] = \int_0^{\bar{e}} (1 - J(e|\theta)) \, de
\]
\[
= (1 - J(\bar{e}^-|\theta)) \bar{e} + \int_{0}^{(\bar{e})^-} e J(e|\theta) \, de
\]
\[
= \bar{e} - \int_{0}^{(\bar{e})^-} J(e|\theta) \, de,
\]
(46)
where the second equality follows from integration by parts. Combining (46) with \(J(e|\theta)\) from Corollary 2 and using Dorfman’s formula, for a given regime’s strength \(\theta\), Gini Index (GI) for the distribution of contributions is

\[
GI(\theta) = 1 - \frac{\int_{0}^{\theta} (F(\theta^* - \theta + F^{-1}(1 - (e^*)^{-1}[e])))^2 \, de}{\int_{0}^{\theta} F(\theta^* - \theta + F^{-1}(1 - (e^*)^{-1}[e])) \, de}.
\]

(47)

While we highlight the dependence of the Gini Index on the regime’s strength \(\theta\), we recognize that \(\theta^*\) and \(\bar{e}\) are endogenous parameters. When there is no confusion, we drop the arguments of \(GI\) and the asterisks superscript indicating that \(e^*\) is the equilibrium effort.

**Part 1.** From (47),

\[
GI(\theta^*) = 1 - \frac{\int_{0}^{\theta^*} \left(1 - \frac{1}{2} \sqrt{\frac{C'(\theta^*)}{C(\theta^*)}}\right)^2 \, de}{\int_{0}^{\theta^*} \left(1 - \frac{1}{2} \sqrt{\frac{C'(\theta^*)}{C(\theta^*)}}\right) \, de} = \frac{1}{2} \int_{0}^{\theta^*} \left(1 - \frac{1}{2} \sqrt{\frac{C'(\theta^*)}{C(\theta^*)}}\right) \, de
\]

\[
= \frac{1}{2} \sqrt{\frac{C'(\theta^*)}{C(\theta^*)}} \int_{0}^{\theta^*} C(\theta^*) \, de - \frac{1}{2} M - \frac{C(\theta^*)}{2} \left(\frac{1}{M} \right) (\text{from (4)})
\]

\[
= \frac{M - C(\bar{e})}{4C'(\bar{e})\bar{e} - M}.
\]

**Part 2.** From (47), 
\[\frac{dGI(\theta)}{d\theta} \bigg|_{\theta^*} > 0\] if and only if

\[
-\frac{2}{\sqrt{\frac{C'(\theta^*)}{C(\theta^*)}}} \int_{0}^{\theta^*} \left(1 - \frac{1}{2} \left(\frac{e}{\bar{e}}\right)^{\frac{n-1}{2}}\right) \, de \left(\int_{0}^{\theta^*} \left(1 - \frac{1}{2} \left(\frac{e}{\bar{e}}\right)^{\frac{n-1}{2}}\right) f\left(F^{-1}\left(1 - \frac{1}{2} \left(\frac{e}{\bar{e}}\right)^{\frac{n-1}{2}}\right)\right) \, de\right)
\]

\[
< - \left(\int_{0}^{\theta^*} \left(1 - \frac{1}{2} \left(\frac{e}{\bar{e}}\right)^{\frac{n-1}{2}}\right)^2 \, de\right) \int_{0}^{\theta^*} f\left(F^{-1}\left(1 - \frac{1}{2} \left(\frac{e}{\bar{e}}\right)^{\frac{n-1}{2}}\right)\right) \, de.
\]

Using a change of variable \(u = e/\bar{e}\), this is equivalent to

\[
-\frac{2}{\sqrt{\frac{C'(\theta^*)}{C(\theta^*)}}} \int_{0}^{1} \left(1 - \frac{u^{\frac{n-1}{2}}}{2}\right) \, du \left(\int_{0}^{1} \left(1 - \frac{u^{\frac{n-1}{2}}}{2}\right) f\left(F^{-1}\left(1 - \frac{u^{\frac{n-1}{2}}}{2}\right)\right) \, du\right)
\]

\[
< - \left(\int_{0}^{1} \left(1 - \frac{u^{\frac{n-1}{2}}}{2}\right)^2 \, du\right) \int_{0}^{1} f\left(F^{-1}\left(1 - \frac{u^{\frac{n-1}{2}}}{2}\right)\right) \, du.
\]

Direct integration yields

\[
-\frac{2n}{1 + n} \left(\int_{0}^{1} \left(1 - \frac{u^{\frac{n-1}{2}}}{2}\right) f\left(F^{-1}\left(1 - \frac{u^{\frac{n-1}{2}}}{2}\right)\right) \, du\right) < - \left(1 + \frac{1}{4n} - \frac{2}{1 + n}\right) \int_{0}^{1} f\left(F^{-1}\left(1 - \frac{u^{\frac{n-1}{2}}}{2}\right)\right) \, du.
\]

I.e.,

\[
\int_{0}^{1} \left(1 + \frac{1}{4n} - \frac{2}{1 + n} - \frac{2n}{1 + n} \left(1 - \frac{u^{\frac{n-1}{2}}}{2}\right)\right) f\left(F^{-1}\left(1 - \frac{u^{\frac{n-1}{2}}}{2}\right)\right) \, du < 0.
\]

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Now, observe that
\[
1 + \frac{1}{4n} - \frac{2}{1+n} - \frac{2n}{1+n} \left(1 - \frac{u^{n-1}}{2}\right) < 1 + \frac{1}{4n} - 2 + n = \frac{1}{4n} - 1 + n < 0,
\]
where the last inequality follows from \(n > 1\). \(\square\)

**Proof of Proposition 6:** First, we prove a lemma.

**Lemma 6.** Suppose \(X\) and \(Y\) are two independent random variables, where \(X \sim U[0, 1]\) and \(Y \sim U[\mu - \delta, \mu + \delta]\), with \(0 < \delta \leq \mu\). Then, \(X \cdot Y \sim G(\cdot)\), where

\[
G(t) = \begin{cases} 
\max\{0, t \log(\frac{\mu + \delta}{\mu - \delta})/2\delta\} & ; t \leq \mu - \delta \\
(t \log(\frac{\mu + \delta}{t}) + t - (\mu - \delta))/2\delta & ; \mu - \delta \leq t \leq \mu + \delta \\
1 & ; \mu + \delta \leq t.
\end{cases}
\]

Moreover, \(G(t)\) is differentiable except at 0.

**Proof of Lemma 6:** \(G(t)\) is

\[
Pr(X \cdot Y \leq t) = \int_{\mu - \delta}^{\mu + \delta} Pr(X \leq t/Y) \frac{dY}{2\delta} = \begin{cases} 
0 & ; t \leq 0 \\
\int_{\mu - \delta}^{t} \frac{dY}{2\delta} & ; 0 \leq t \leq \mu - \delta \\
\int_{\mu - \delta}^{\mu + \delta} \frac{dY}{2\delta} + \int_{t}^{\mu + \delta} \frac{dY}{2\delta} & ; \mu - \delta \leq t \leq \mu + \delta \\
1 & ; t \geq \mu + \delta.
\end{cases}
\]

The rest follows from calculating the integrals, differentiating \(G(t)\), and checking its differentiability at \(t = \mu \pm \delta\). \(\square\)

From (6) and Lemma 6, the leader maximizes

\[
(1 - G(t)) = \begin{cases} 
\left(1 - \frac{1}{2\delta} \log(\frac{\mu + \delta}{\mu - \delta})\right) t & ; t \in [0, \mu - \delta] \\
\left(1 - \frac{1}{2\delta} \log \left(\frac{\mu + \delta}{t}\right) - \frac{t - (\mu - \delta)}{2\delta}\right) t & ; t \in [\mu - \delta, \mu + \delta].
\end{cases}
\] (48)

Differentiating with respect to \(t\) yields

\[
\frac{d[(1 - G(t))]}{dt} = \begin{cases} 
1 - \frac{1}{\delta} \log(\frac{\mu + \delta}{\mu - \delta}) & ; t \in (0, \mu - \delta] \\
1 - \frac{1}{\delta} \log \left(\frac{\mu + \delta}{t}\right) - \frac{t - (\mu - \delta)}{2\delta} & ; t \in [\mu - \delta, \mu + \delta].
\end{cases}
\]
When $t \approx 0$, the derivative is clearly positive, and when $t \approx \mu + \delta$, using Taylor series expansion, one can show that the derivative is negative. Next, observe that

$$\frac{d[(1 - G(t)) t]}{dt} \bigg|_{t=\mu-\delta} = 1 - \frac{\mu - \delta}{\delta} \log\left(\frac{\mu + \delta}{\mu - \delta}\right).$$

One can show that $\frac{\mu - \delta}{\delta} \log\left(\frac{\mu + \delta}{\mu - \delta}\right)$ is strictly decreasing in $\delta$, and using L’Hospital’s rule, one can show that it approaches 2 when $\delta \to 0$, and it approaches 0 when $\delta \to \mu$. Thus, there is a unique $\delta \in (0, \mu)$ that solves $1 = \frac{\mu - \delta}{\delta} \log\left(\frac{\mu + \delta}{\mu - \delta}\right)$. Let $\hat{\delta}$ be that solution.

$$1 = \left(\frac{\mu}{\delta} - 1\right) \log\left(1 + \frac{2}{\mu/\delta - 1}\right). \quad (49)$$

Then,

$$\frac{d[(1 - G(t)) t]}{dt} \bigg|_{t=\mu-\delta} > 0 \iff \delta > \hat{\delta}. \quad (50)$$

Further, observe that

$$\frac{d^2[(1 - G(t)) t]}{dt^2} = -\frac{1}{\delta} \log\left(\frac{\mu + \delta}{\mu - \delta}\right) < 0, \quad t \in (0, \mu - \delta). \quad (51)$$

Thus, if $\delta < \hat{\delta}$, then there is a local maximum $t^* \in (0, \mu - \delta)$, satisfying the first order condition:

$$1 - \frac{t^*}{\delta} \log\left(\frac{\mu + \delta}{\mu - \delta}\right) = 0 \iff t^* = \delta/\log\left(\frac{\mu + \delta}{\mu - \delta}\right). \quad (52)$$

This yields the result if it is also the global maximum, which we will show below. Moreover, it can be shown that $t^*(\delta) = \delta/\log\left(\frac{\mu + \delta}{\mu - \delta}\right)$ is strictly decreasing in $\delta \in (0, \mu)$.

If $\delta > \hat{\delta}$, then $t^*$ must be in $(\mu - \delta, \mu + \delta)$ and satisfy the first order condition:

$$1 - \frac{t^*}{\delta} \log\left(\frac{\mu + \delta}{t^*}\right) - \frac{\mu - t^*}{2\delta} = 0. \quad (53)$$

First, one can confirm that $t^* = \frac{\mu - \delta}{\mu + \delta} (\mu + \delta)$ satisfies this equation, where we recall the definition of $\hat{\delta}$ from equation (49). To see this solution is unique, rewrite equation (53) as:

$$\frac{\mu + \delta}{2t^*} - \frac{1}{2} = \log\left(\frac{\mu + \delta}{t^*}\right) \iff z - 1 = 2 \log(z), \quad \text{where } z \equiv \frac{\mu + \delta}{t^*}.$$ 

Because $t^* \in (\mu - \delta, \mu + \delta)$ implies $z \in (1, \infty)$, the solution to $z - 1 = 2 \log(z)$ is unique. This solution corresponds to a maximum because we showed that the derivative is negative when $t \approx \mu + \delta$, and it is positive when $t \approx \mu - \delta$ and $\delta > \hat{\delta}$ (see (50)).

It remains to show that, if $\delta < \hat{\delta}$, then the local maximum in (52) is the global maximum. Because we showed in (51) that the objective function is concave for $t \in (0, \mu - \delta)$, it suffices
to show that the global maximum is not in \((\mu - \delta, \mu + \delta)\). Suppose it is. This implies that there are more than one extremum in \((\mu - \delta, \mu + \delta)\). But we showed that the first order condition (53) has a unique solution, which is a contradiction. Thus, we have shown

\[
t^*(\delta) = \begin{cases} 
\frac{\delta}{\log\left(\frac{\mu + \delta}{\mu - \delta}\right)} & ; \delta \leq \hat{\delta} \\
\frac{\mu - \delta}{\mu + \delta} (\mu + \delta) & ; \delta \geq \hat{\delta}.
\end{cases}
\]

Substituting this into (48) yields \(\theta^*(\delta)\).

\[
\theta^*(\delta) = [1 - G(t^*(\delta), \delta)] t^*(\delta) = \begin{cases} 
\frac{1}{2} t^*(\delta) & ; \delta \leq \hat{\delta} \\
\frac{(t^*)^2}{2\delta} \log\left(\frac{\mu + \delta}{t^*\gamma}\right) = \left(\frac{\mu - \delta}{\mu + \delta}\right)^2 \log\left(\frac{\mu + \delta}{\mu - \delta}\right) \frac{(\mu + \delta)^2}{2\delta} & ; \delta \geq \hat{\delta}.
\end{cases}
\]

For \(\delta \geq \hat{\delta}\), \(t^*(\delta)\) is strictly increasing, and it is easy to confirm that \(\theta^*(\delta)\) is strictly decreasing in \(\delta \in [\hat{\delta}, \mu)\). Finally, we show that \(t^*(\delta)\) is strictly decreasing in \(\delta \in (0, \hat{\delta})\). Differentiating \(\frac{\delta}{\log\left(\frac{\mu + \delta}{\mu - \delta}\right)}\) with respect to \(\delta\), and substituting for \(y = \frac{\mu + \delta}{\mu - \delta}\) yields

\[
\frac{d}{d\delta} \left(\delta / \log\left(\frac{\mu + \delta}{\mu - \delta}\right)\right) < 0, \text{ for } \delta \in (0, \mu) \Leftrightarrow 2\log(y) - y + \frac{1}{y} < 0, \text{ for } y > 1.
\]

The latter inequality is true because its derivative is \(-(1 - 1/y)^2 < 0\).

The comparative statics with respect to \(M\) is immediate. We next, show the comparative statics with respect to \(\mu\). From (48), the leader’s objective function is increasing in \(\mu\). Thus, by the Envelop Theorem, \(\theta^*\) is also increasing in \(\mu\). Further, from (54),

\[
1 - G(t^*(\delta, \mu), \delta, \mu) = \begin{cases} 
\frac{1}{2} & ; \delta \leq \hat{\delta} \\
\frac{\mu/\delta + 1}{\mu/\delta + 1} \log\left(\frac{\mu/\delta + 1}{\mu/\delta - 1}\right) \frac{\mu + \delta}{2\delta} & ; \delta \geq \hat{\delta}.
\end{cases}
\]

From (49), \(\hat{\delta}/\mu\) is constant and \(\hat{\delta}\) is strictly increasing in \(\mu\). From our earlier argument, \(1 - G(t^*(\delta, \mu), \delta)\) is strictly decreasing in \(\delta\) for \(\delta > \hat{\delta}\), and hence it is strictly less than 1/2 for \(\delta > \hat{\delta}\). Thus, \(1 - G(t^*(\delta, \mu), \delta, \mu)\) is increasing in \(\mu\).
References


