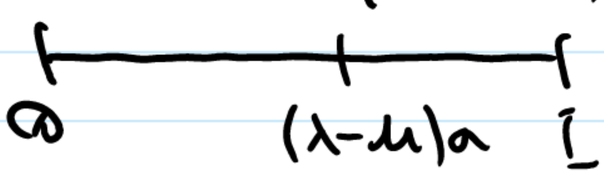
9.3 Nash Equilibrium - Social Unrest

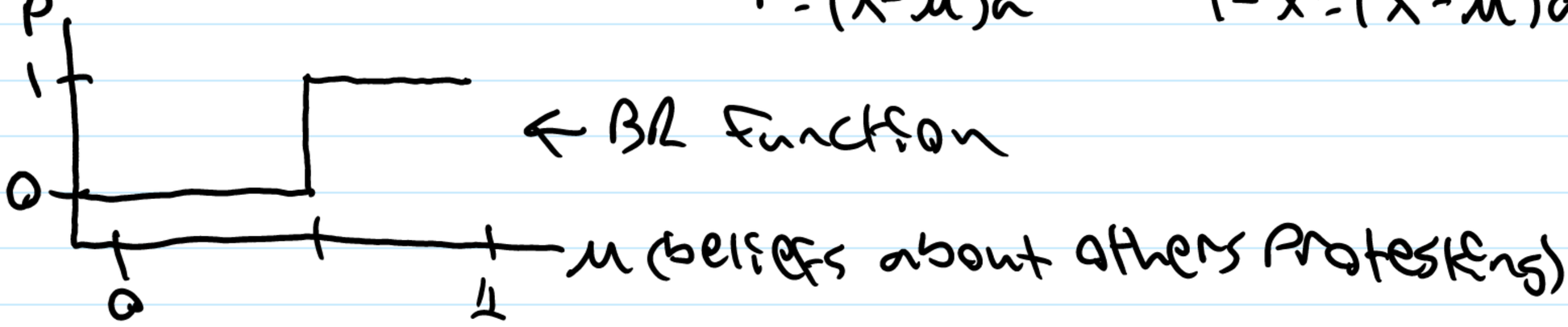
Friday, September 25, 2020 7:17 PM

$i^* > (\lambda - \mu)(\theta + \delta/\alpha)$ ← Protest equation



BR $P=1$ $i > (\lambda-\mu)a$
$P=0$ $i < (\lambda-\mu)a$

←1-x→ : indifferent to protest if $i = (\lambda-\mu)a$ or $1-x=(\lambda-\mu)a$
$i = (\lambda-\mu)a$



← BR function

Fraction that turns out $1-x = (\lambda-\mu)a \rightarrow \mu = (1-ax)/(1-a)$
where $\lambda < 1 \rightarrow \mu > 1$

if $\lambda \geq 1 \rightarrow \mu = 1$ $x = 1$ → everyone protests