

# The Global Game of Regime Change

*Morris & Shin (2003)*

Nature draws  $\theta \sim \text{Uniform}$

Private signals:  $x_i = \theta + \varepsilon_i, \quad \varepsilon_i \sim \mathcal{N}(0, \sigma^2)$

Each citizen observes only their own  $x_i$  and chooses:

$i = 1$

$i = 2$

$i = 3$

...

$i = N$

**JOIN** ( $a_i = 1$ )

**STAY** ( $a_i = 0$ )

Payoffs:  
JOIN + success:  $+B$   
JOIN + failure:  $-C$   
STAY:  $0$

**Regime falls iff**  $A = \int a_i di > \theta$

Equilibrium:  
JOIN iff  $x_i < x^*$   
 $x^* = \theta^* + \sigma\Phi^{-1}(\theta^*)$   
 $\theta^* = B/(B+C)$