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Leader influence on Politics

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Abstract

This paper argues that interest-group leaders can influence policies and electoral outcomes through socialisation, endorsement, or both. The leader's decision of which mechanisms to implement depends on the characteristics of the group. Each mechanism differs in its effect on group members' preferences and candidates' announced political platforms. Leader endorsement helps to convey information to all participants and influences group members' preferences. Instead, leader socialisation permanently shapes group members' preferences toward his own. I develop four models of political competition, three of which examine separately or jointly the effects of those mechanisms on electoral platforms and outcomes. Furthermore, I illustrate the empirical relevance of the leaders' mechanisms by discussing the religious leaders' influence on politics in three case studies from different regions of the world.

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Keywords: Socialisation, endorsement, political competition, leadership, club goods, religion, democratic elections.

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1. Introduction

In economics, the literature on leadership mainly concentrates on corporate leadership. It focuses principally on leaders' characteristics, attributes or traits. Studies analysing the role of formal or informal group leadership in the political process are scarce. Of these, the majority consider a party representative or head of state a leader when studying the effect of political leaders' endorsement on policies and electoral outcomes.[1] However, given the nature of democracy, political leaders are not necessarily required to hold formal public office to influence policies. It is the case for leaders of organised groups such as trade unions, religious groups, social movements, and community organisations, among others.

From this perspective, I begin to develop a formal analysis to explore the possible mechanisms through which a group leader might influence electoral policies and outcomes. The first mechanism examined is leader endorsement. It is a well-known mechanism implemented by group leaders to influence policy in a competitive political arena. The second explored mechanism is leader socialisation.[2] Among others, some religious leaders and community leaders often have the power to transform or influence the beliefs and preferences of group members through socialisation.[3] For instance, Boas & Smith (2019) show that in Brazil, through socialisation, evangelical religious leaders make their church members the most congruent on the policy issues prioritised by their organisation. They argue that religious organisations are a more powerful group political socialising agent than any political party in many new democracies. Altogether, these led me to the following research questions. Under what conditions does a leader implement endorsement, socialisation or both? How do those mechanisms affect candidates' political platforms and electoral outcomes in a democratic political system?

To address these questions, I develop a probabilistic model of political competition following Grossman & Helpman's (1999) model. In their model, the leader of the interest group uses endorsement as a way to communicate information about the group's interest to the

[1] Jones & Olken (2005) and Copus & Leach (2014) define a leader as the head of state or a party representative. McKelsey & Odeshook (1985), Grofman & Norrander (1990), Wittman (2007, 2009) and Grossman & Helpman (1999) study how endorsement affects policy and electoral outcomes.

[2] This article's view of the leader as a socialiser is motivated by the new theory of leadership developed in social psychology. Haslam et al. (2011) describe leaders as entrepreneurs of identity. They specify that *the core of this activity lies in shaping social identities so that the leader and his or her proposals are seen as the concrete manifestation of group beliefs and values*.

[3] Socialisation, in its different forms, is widely practised. It could be used, as a means, to reform or to maintain preferences about institutions, political systems, policies and culture in general. It contributes to the survival of families, groups and countries' cultural traits (Bisin & Verdier, 2001).

uninformed voters. In this model, however, there is an organised group, "a club", with a representative, "the leader". As in Grossman & Helpman model, the leader can influence policies by making some endorsement statement about a political candidate. Moreover, the platforms of political candidates have a fixed and flexible part. The fixed part reflects the party's ideology. The politicians compete over the flexible policy to capture the share of voters required to win the election. Furthermore, I expand the model by introducing the possibility that the club leader acts as a socialising agent. The leader has different preferences from the club members, so he socialises them to bring their preferences closer to his own. He can also negotiate a contract with a political candidate by exchanging information on his socialisation capacity for monetary gains or future policies. Leader socialisation matters in political competition, as socialised club members would follow their leader and therefore vote for the leader's endorsed candidate more easily than non-socialised voters. For example, in the Latin American region, the countries' populations are majority or predominantly Christian and are socialised to Christian moral values. This may explain why when asking those people, How much influence religious leaders should have on political matters? In 15 of the 19 countries surveyed, more than 40 per cent of the population answered they should have a large or some influence on politics.[4] The importance citizens attach to religious leaders in influencing policies may be the reason why, in most Latin American countries abortion, euthanasia and same-sex marriage are not legal.[5]

In this context, our framework highlights three effects on the candidate's probability of winning. The ideological effect is the population-weighted ideological bias towards a candidate. The endorsement effect is the impact that the leader's endorsement has on the winning probability of the candidates when he decides to endorse one of them. The socialisation effect appears after the leader socialises the club members to his political preference, affecting candidates' probability of winning. These last two effects make up the leader effect. This research assumes that since the leader has all the information, he acts strategically. Thus, the leader's decision on which candidate to propose the contract depends on the strength of the leader effect. That is, when the leader effect is greater than the ideological effect, the leader will propose the contract to the candidate of his preference. Otherwise, the leader will propose the contract to the politician who has the fixed policy preferred by the club members. Therefore, the candidate approached by the leader has the highest probability of winning the election, which leads to the following results.

[4] See Pew Research Center (2014).
[5] See Guttmacher Institute (2018), Pew Research Center (2019).

(1) Leader endorsement positively affects the endorsed candidate's popularity among club members, which translates into an increase in his probability of winning. However, since endorsement is observable, the politicians converge on the flexible policy. (2) Leader socialisation shapes the club members' preferences, but its non-observability by candidates leads to a divergence in their flexible policies. (3) The divergence between candidates' flexible policies decreases when both mechanisms - socialisation and endorsement - are implemented. It suggests that the observability of leader endorsement decreases the information asymmetry between the political candidates. (4) The club characteristics determine which mechanisms the leader will implement. When the club members have sufficiently divergent preferences for the flexible policy, leader endorsement becomes the most implemented mechanism, as socialisation is too costly for the leader. Instead, when club members have sufficiently convergent preferences for the flexible policy, leader socialisation will become his most implemented mechanism. (5) Leader socialisation capacity increases when; the whole population is less subject to popularity shocks, the club population is less subject to ideological biases and flexible policy taste increases. Moreover, the level of socialisation increases when the marginal return of endorsement increases, suggesting that leader socialisation is more efficient in societies where leader endorsement matters.

Section 5 considers three cases where club leaders influence politics around the world. Religious groups are specifically selected, as the role of religious leaders as socialising agents becomes evident in politics when dealing with moral issues. The three cases are consistent with our theoretical analysis. The Austrian case is the closest to the leader socialisation model.[6] The cases of Latin American and Democratic Islam correspond to the model of the leader's socialisation with endorsement. There is, however, a difference between them. In the former, some leaders of religious clubs are political candidates. In the latter, leaders of Islamic movements have not attempted to contest elections directly.

The paper takes the following form. Section 2 describes the related literature. In section 3, the theoretical framework is developed. It starts with a standard probabilistic model of political competition. Afterwards, the model evolves with the introduction of leader endorsement and leader socialisation. Then the findings are shown. Section 4 presents the benchmarking of the models to see how candidates' platforms are affected. Section 5 illustrates three case studies of leaders influencing politics. The final section contains a summary of the findings and discusses some possible extensions of the model.

[6] The Code of Canon Law prohibits leaders of the Catholic church from holding public office and actively participating in political parties.

2. Related Literature

This work has a background in the literature on electoral competition and probabilistic voting. I continue with a long tradition of the electoral competition literature, where political candidates are assumed to be seeking office-motivated candidates (Downs, 1957; Hinich et al., 1972; Hinich & Ordeshook, 1970; Kramer, 1977; Hinich, 1977). The definition of the policy vector proposed is similar to the one given by Grossman and Helpman. In their research on electoral competition, they propose a policy platform composed of fixed and flexible policies.[7] The former highlights strong preferences or predetermined positions – parties' political ideology or longstanding parties' goals - and the latter refers to the policies elected strategically for each party in the electoral competition. The overall result of this literature is that politicians will converge on the politics in which they compete to win voters. The model developed in this study, by contrast, predicts a divergence between the policies announced by the candidates. Leader socialisation endogenous mechanism generates information asymmetry between candidates making persistent policy divergences between them, which remain even with the incorporation of leader endorsement into the model.

The modelling of voter utilities has antecedents in the probabilistic voting literature. Enelow & Hinch (1982) develop a model in which voter utility is affected by political candidates' non-spatial characteristics and policy positions. They show that, under certain conditions, candidates' non-spatial characteristics can impact the policies they adopt. Also, in Persson & Tabellini (1999, 2000, 2002), voter utility is affected by voters' ideological political bias towards a political party and by a random variable. They found that electoral competition with a majority election leads to a targeted redistribution in favour of swimming voters at the expense of the provision of public goods.[8] I follow these works to define voter utility. However, my research goes further by defining voter utility in a way that allows the study of exogenous and endogenous mechanisms and, therefore, to determine the effect of leader socialisation and leader endorsement on voter preferences.

This article is related to cultural transmission and socialisation literature. Bisin & Verdier's research conceptualises cultural transmission of traits as the result of interactions between intentional parental socialisation (direct vertical socialisation) and other forms of socialisation

[7] See Grossman and Helpman (1996, 1999, 2001).
[8] Other articles analysing redistribution between socio-economic groups in a party electoral competition scenario are Lindbeck & Weibull (1987) and Dixit & Londregan (1995, 1996).

(oblique and horizontal socialisation).[9] For instance, Bisin & Verdier (2000) develop a model of coordinated socialisation effort at the group level where a collective institution decides the use of socialisation to shift or maintain the political and cultural status quo. Here an alternative point of view is proposed and considers "the club leader" as the principal agent of group socialisation. This analysis further focuses on the implications this endogenous socialisation mechanism has on electoral politics and outcomes.

This model is associated with the leadership literature. Most of this literature in economics studies the role of the leader as a motivator (Hermalin, 1998; Rotemberd & Saloner, 1993, 2000) and as a coordinator (Dewan & Myatt, 2008; Bolton et al., 2012). There is much less research in economics that studies the role of the leader as a shaper of preferences. Hernández et al. (2015) build a dynamic model to study the leader's effectiveness in instilling corporate culture. The leader makes a costly socialisation effort to establish what he considers a fitting corporate culture. They found that the leader as a socialiser agent is more effective than a charismatic leader in groups with lower levels of consistency and conformity, that is, lower peer effects. A contribution of this model to the literature is that it analyses the role of leader socialisation in shaping the electoral behaviour of groups to influence electoral policies and outcomes.

Finally, this work is related to the political endorsement literature. McKelsey & Odeshook (1985) develop a model of two candidates' elections under information asymmetry. Voters use data pools and group endorsement as sources of information. They found that, in equilibrium, a large proportion of voters act as if they are fully informed and that the policies announced by candidates converge to reflect the preference of these voters. Grofman & Norrander (1990) built a model where voters have two knowledgeable information sources. The endorsement of each source (group) toward a candidate signals the ideological and policy preferences of the candidates. They show that, under certain assumptions, voters are best off by adopting the choice of the group with preferences closest to their own and that even the group's non-endorsement of a candidate may give them some clues. Other papers study how voters can infer information through groups' endorsement about the quality of a candidate (Wittman, 2007) or the political position of the competing candidates (Wittman, 2009).[10] Grossman & Helpman

[9] For a review of Cultural transmission literature, sees Bisin & Verdier (1998, 2000, 2001, 2005), Bisin & Topa (2003), and Bisin et al. (2004), among others.

[10] Celebrity endorsement can give a signal about a candidate and affect political outcomes. Garthwaite and Moore (2013) empirically assess the impact of celebrity endorsements on political outcomes. Their result suggests that, in the 2008 US Democratic Presidential Primary, Oprah Winfrey's endorsement increased approximately 1 million votes in favour of Obama. See also Grossman & Helpman (1996), in which campaign contributions allow uninformed voters to infer information about the candidates' characteristics.

(1999) develop a model in which the interest group leader endorses a candidate to convey information on some policy issues. In their model, politicians compete for the endorsement of interest group leaders, resulting in policies that favour special interests at the expense of the population as a whole. In this literature, endorsement serves only to convey information to groups of voters or voters in general. Instead, here I consider that group leaders implement endorsement as a mechanism to influence policy and electoral outcomes through its effect on group members' preferences. Furthermore, none of these articles deals with the inferential thinking of competing candidates generated by leader endorsement in societies where leaders are socialising agents. In this framework, leader endorsement affects the political platform of both candidates. It directly affects the flexible policy of the endorsed candidate through the information disclosed in the leader contract. It indirectly influences the flexible policy of the challenger candidate since it gives him a better idea of the leader's socialisation capacity.

3. The Model

The model developed in this article is an innovation of the standard probabilistic voting model (see Persson & Tabellini, 2000) and the competing for endorsement model (see Grossman & Helpman, 1996, 2001). In this model, voters are not only concerned with political candidates' platforms but also with the characteristics of the political candidates themselves.

The benchmark model in section 3.1 reaffirms the main ideas of the probabilistic model in electoral competition and lays the foundation for the extensions developed in the later sections of this paper.

3.1 A Simple Model: An Organized club

Consider a model with two types of voters, independents and club members. Both types of voters are aware of the parties' fixed and flexible policies. Each voter's utility is affected by the chosen platform and by other exogenous characteristics of candidates and parties. For example, the voters' utility may depend on the characteristics of the candidates, such as their ability to lead a country or their charisma, or voters may derive some satisfaction from supporting the party with which they have developed historical ties. The difference between them is that club members are organised and perceive a utility from the public provision of club goods (flexible policy), whereas independent voters do not. Each group has a population size equal to $\lambda_G . G =$

$\{1, 2\}$ indicates to which group the voters belong. λ_1 is the independent population size, and λ_2 is the club population size. The continuum of agents is equal to suggest that $\sum_{G=1}^{2} \lambda_G = 1$.

The political parties A and B are competing to win elections. Each one holds a fixed position on a set of issues of immediate concern and has a candidate as its representative, who seeks to capture the majority of votes. Candidate $A(B)$ is the representative of Party $A(B)$. Ahead of the elections, each candidate commits to a policy vector $P_J = (v_J, Z_J)$. This vector has two components: a fixed policy (v_J), which reflects the party's ideology, and a flexible club goods policy (Z_J). Both candidates want to win the elections, so they compete in the flexible policy. Assuming that the winner obtains an exogenous monetary rent or wage $\bar{R}$. Then the expected utility of the politician is,

(1) $$E[W_J] = p_J\{\bar{R}\},$$

where p_J denotes the probability that candidate J wins the election.

Voting and Voters

The fixed policy position of candidates, as well as their popularity, affects all voters. I made the following assumption corresponding to the flexible policy.

Assumption (1): The flexible policy only affects the utility of the club members.

The flexible policy is the part of the platform that corresponds to the club goods, to which independent voters are indifferent. The flexible policy matters to club voters, who have an ideal flexible policy Z_v. Thus, the utility function from a member "i" of the group G is defined as follows:

(2) $$U_{G,J}^{i} = -\gamma_G |Z_J - Z_v| + v_{G,J}^{i} + \delta_{G,J} \quad \text{with } \gamma_G \geq 0.$$

The utility of the club members depends negatively on the distance between the elected flexible policy (Z_J) and the club member's ideal fixed policy (Z_v). Z_v is uniformly distributed in the interval $[0, 2Z_v^*]$. So, the median voter's ideal flexible policy is Z_v^*. γ symbolises the intensity of club members' preferences for their ideal flexible policy. If the individual $\in G = 2$, γ_2 takes a positive value equal to γ, and 0 otherwise. The term $v_{G,J}^{i}$ represents the assessment

of voter "i", who belongs to group G, over candidate J's fixed policy. $\delta_{G,J}$ denotes candidate J's popularity within group G.

Each voter has an individual-specific political bias for the fixed position of candidate B, defined as $v_G^i = v_{G,B}^i - v_{G,A}^i$. v_G^i is assumed to be distributed uniformly in the interval $\left[\frac{-(1-2b_G)}{2\phi_G}; \frac{(1+2b_G)}{2\phi_G}\right]$, where ϕ_G is the density distribution of group G. The parameter b_G reflects the average strength of group G's bias toward candidate B's fixed policy, where $|b_G| < \frac{1}{2}$. When $b_G > 0$, voters of group G are positively biased toward party B's fixed policy, and, therefore, that is the preferred fixed policy among them. On the contrary, when $b_G < 0$, voters in group G prefer party A's fixed policy.

The voters are uncertain about the candidate's popularity "$\delta_G = \delta_{G,B} - \delta_{G,A}$" until the announcement of their policy platform $\delta_1 = \delta_2 = \delta$. The random shock "$\delta$" follows a uniform distribution in the interval $[-\frac{1}{2\Omega}; \frac{1}{2\Omega}]$ with $\Omega > 0$ as its density. These random shocks are common to all voters and affect candidate popularity.

An individual "i" who belongs to the group $G = \{1, 2\}$ chooses to vote for the candidate "A" if and only if:

$$U_{G,A}^i \geq U_{G,B}^i + v_G^i + \delta_G. \quad (3)$$

Then given the candidates' policy vectors and overall popularity δ, the idiosyncratic bias that makes the swing voter of each group indifferent between the two candidates is,

$$v_1 = -\delta.$$
$$v_2 = \gamma[|Z_B - Z_v^*| - |Z_A - Z_v^*|] - \delta.$$

The Party and the Candidates

Assumption (2): Political parties and candidates compete to win the election.

Each political party seeks to maximise its representation in the governing body. The motivation for doing so is perhaps to implement the party's ideological agenda. In proportional representation, the more votes a party has, the more political jobs it controls and the more seats it has in the legislature. Presidential candidates representing each party aim to win the election by competing in the flexible policy so that the winner can implement his or her party's

ideological policy and gain other benefits. With this goal in mind, parties and their representatives select their flexible policy platforms to maximise the number of people who vote for their platform.

Let me define $N_G^A \in [0, \lambda_G]$ as the total number of people in group G that supports politician A.

$$N_1^A = \lambda_1 \int_{\frac{(-1+2b_1)}{2\phi_1}}^{v_1} \phi_1 di = \lambda_1 \left[\frac{1}{2} - b_1 + \phi_1\{-\delta\}\right].$$

$$N_2^A = \lambda_2 \int_{\frac{(-1+2b_2)}{2\phi_2}}^{v_2} \phi_2 di = \lambda_2 \left[\frac{1}{2} - b_2 + \phi_2\{\gamma[|Z_B - Z_v^*| - |Z_A - Z_v^*|] - \delta\}\right].$$

The probability that candidate A wins is: $p_A = \Pr\left[\sum_{G=1}^{2} N_G^A > \frac{1}{2}\right]$

$$\sum_{G=1}^{2}\left[\lambda_G\left(\frac{1}{2} - b_G\right) - \lambda_G\phi_G\{\delta\}\right] + \lambda_2\phi_2\{\gamma[|Z_B - Z_v^*| - |Z_A - Z_v^*|]\} > \frac{1}{2}$$

$$\delta < \frac{-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\{\gamma[|Z_B - Z_v^*| - |Z_A - Z_v^*|]\}}{\sum_{G=1}^{2}\lambda_G\phi_G} \cong \delta^*$$

$$(4) \qquad p_A = \Pr[\delta < \delta^*] = \frac{1}{2} + \Omega\left[\frac{-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\{\gamma[|Z_B - Z_v^*| - |Z_A - Z_v^*|]\}}{\sum_{G=1}^{2}\lambda_G\phi_G}\right].$$

Candidate B will follow the same strategy as politician A and thus choose a policy vector P_B that maximises his probability of being elected, $p_B = 1 - p_A$.

$$(5) \qquad p_B = \frac{1}{2} - \Omega\left[\frac{-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\{\gamma[|Z_B - Z_v^*| - |Z_A - Z_v^*|]\}}{\sum_{G=1}^{2}\lambda_G\phi_G}\right].$$

The probability that the candidate $J = \{A, B\}$ wins increases:

- With the share of voters who prefer the fixed policy of candidate J.
- With the distance between the two political vectors of the flexible policy.

Equations (4) and (5) allow solving the optimal choice of flexible policy for candidate J.

$$\max_{Z_J} E[W_J] = p_J\{\bar{R}\}.$$

The first-order condition (FOC) for each candidate yields to

$$(6) \qquad Z_J^* = Z_v^*.$$

This result insight that candidate J will choose the level of flexible policy that corresponds to club members' ideal flexible policy.

Proposition 1: *Assume that Assumptions (1)-(2) hold. Then in an electoral equilibrium,*

(1). The politicians reach full policy convergence in the flexible policy Z_v^*.

(2). The candidate with the highest probability of winning is the one representing the political party with the preferred fixed policy.

Politicians are office-seeking. They choose a flexible policy that maximises their probability of being elected. Given the symmetry of the model, i.e. $\frac{\partial p_A}{\partial Z_A} = \frac{\partial p_B}{\partial Z_B}$, the FOCs lead to the same flexible policy position for both candidates $Z_A^* = Z_B^* = Z_v^*$.[11]

The second part of the Proposition comes directly from substituting (6) into (4) and (5). Indeed, when both types of voters prefer the same political party, the candidate who is more likely to win the election will be the one who represents the political party with the voters' preferred fixed policy. Namely, when the two types of voters have opposed preferences for the fixed policy (i.e. either $b_1 < 0$ and $b_2 > 0$ or $b_2 < 0$ and $b_1 > 0$), the likelihood of winning the elections will entirely depend on the sign of the weighted ideological bias $-\sum_{G=1}^{2} \lambda_G b_G = -\lambda_1 b_1 - \lambda_2 b_2$.[12] If the sign is positive, $p_A > p_B$, reversely, if it is negative, $p_B > p_A$. Note that the club influences the country's policies when $|b_2| > |b_1|$ and $\lambda_2 > \lambda_1$. Therefore, the election winner will be the candidate representing the party with the club members' preferred fixed policy. On the contrary, when $|b_1| > |b_2|$ and $\lambda_1 > \lambda_2$, the club does not influence the fixed policy as the median voter is not a club member. Thus, the candidate elected will be the one with the independent voters' preferred fixed policy.

[11] In our model, the voters that do not belong to the club are indifferent to the flexible policy. Candidates' announced flexible policies depend on the median club-group member's preferred flexible policy. However, if the members of the non-organized group are not indifferent with regard to the flexible policy. Then candidates' announced flexible policies will be the weighted average of the preferred flexible policy of both groups.

[12] See equation (4) and (5).

3.2 Leader Endorsement

Candidates announce their platforms under uncertainty about the leader's endorsement. Candidates do not know whether the leader will use his endorsement to influence electoral outcomes or not. Then from the maximisation of the expected utility of the politician J, $E[W_J] = p_J\{\bar{R}\}$, the following convergence in the candidates' flexible policy is obtained

$$(7) \quad Z_A^* = Z_B^* = Z_v^*$$

The best strategy for the competing candidate is to set his flexible policy to the club members' ideal level since it increases the probability of winning for each candidate.

Extending the previous model to analyse the case in which the club leader coordinates the preferences of the club members by signalling his endorsement.

Assumption (3): Leader endorsement affects the popularity of the candidates within the club.

Voters are uncertain about the candidate's platform policy popularity " $\delta_G = \delta_{G,B} - \delta_{G,A}$ " until the announcement of the policy platforms. Candidate popularities differ between groups of voters since leader endorsement will affect their popularity within the club. As a result, i) the popularity of the candidates within group 1 will be determined only by the random shock " δ_1", as the club leader does not influence this group. ii) The popularity of the candidates within the club will depend on "δ_2" which is composed of two factors. A random shock "δ" and a deterministic parameter "$h(\varepsilon_B - \varepsilon_A)$". The second factor depends on leader endorsement (ε_J). Therefore, the distribution of $\delta_2 = \delta + h(\varepsilon_B - \varepsilon_A)$ defines the flexible policy's popularity of a candidate. The parameter h denotes the marginal effect of the leader endorsing one of the candidates.

$$h(\varepsilon_B - \varepsilon_A) = \begin{cases} -h < 0, & \text{if the leader endorses candidate } A. \\ 0 \quad , & \text{if the leader decides not to endorse.} \\ h > 0, & \text{if the leader endorses candidate } B. \end{cases}$$

Each candidate's winning probability, when endorsed by the leader, is

$$(8)\quad p_A(\varepsilon_A = 1) = \frac{1}{2} + \Omega\left[\frac{-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\{\gamma[|Z_B - Z_v^*| - |Z_A - Z_v^*|] - h(\varepsilon_B - \varepsilon_A)\}}{\sum_{G=1}^{2}\lambda_G\phi_G}\right]$$

$$p_B(\varepsilon_B = 1) = \frac{1}{2} - \Omega\left[\frac{-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\{\gamma[|Z_B - Z_v^*| - |Z_A - Z_v^*|] - h(\varepsilon_B - \varepsilon_A)\}}{\sum_{G=1}^{2}\lambda_G\phi_G}\right]$$

Assumption (4): The leader endorses a candidate when his endorsement is an efficient information mechanism. That is when $h > \frac{-\sum_{G=1}^{2}\lambda_G b_G}{\lambda_2\phi_2}$ since $Z_A^* = Z_B^* = Z_v^*$.

I assume that the leader decides to endorse a candidate when this acts as an efficient information mechanism. Otherwise, he decides not to do it since endorsing a candidate can damage the image and credibility of the leader among the club members. The leader acts as a coordinator of the group and is altruistic. The leader cares about how the results of flexible and fixed policies affect club members' utility. The leader can then strategically endorse a candidate to induce club voters to cast their ballots in favour of their collective interest. It occurs when the endorsement effect is greater than the ideological effect, $h > \frac{-\sum_{G=1}^{2}\lambda_G b_G}{\lambda_2\phi_2}$.

Then, it follows,

Proposition 2: *Assume that Assumptions (1)-(3) hold. Then there is an electoral equilibrium such that*

(1). If Assumption (4) holds. An electoral equilibrium with endorsement follows, in which

(i). Candidates reach full policy convergence in the flexible policy Z_v^*.

(ii). If $b_2 < 0$, *then* $\varepsilon_A = 1$ *and* $p_A(\varepsilon_A = 1) > p_B(\varepsilon_A = 1)$.

(iii). If $b_2 > 0$, *then* $\varepsilon_B = 1$ *and* $p_B(\varepsilon_B = 1) > p_A(\varepsilon_B = 1)$.

(2). Otherwise, the electoral equilibrium is characterised by Proposition 1.

This proposition is the result of (8) and (9). The leader strategically endorses a candidate when its effectiveness is high enough to influence electoral outcomes, which occurs when the endorsement effect is greater than the ideological effect. Then the higher the effectiveness of leader endorsement is, the higher the probability of winning for the endorsed candidate will be.

(i) comes directly from the maximisation of the candidates' utility. In *(ii)* and *(iii)* leader endorses candidate J depending on the ideological bias of the club members "b_2" toward candidate J, where $J = \{A, B\}$. Since competing candidates have converged on the club members' ideal flexible policy, the only other parameter that affects their utilities is the ideological bias of the club members towards a candidate's fixed policy. Therefore, if the club

members are on average biased toward candidate *A (B)*, $b_2 < 0$ $(b_2 > 0)$, the leader endorses candidate *A (B)* to maximise club members' utility, which results in $p_A(\varepsilon_A = 1) > p_B(\varepsilon_A = 1)$ $\big(p_B(\varepsilon_B = 1) > p_A(\varepsilon_B = 1)\big)$.

3.3 Leader Socialisation

This model characterises the electoral equilibrium when the club leader act as a socialising agent. It sets the stage for the next model, which identifies the conditions under which leader socialisation and leader endorsement affect political and electoral outcomes. To develop this model, I make the following assumptions,

Assumption (5): The leader chooses to implement socialisation as it is the best mechanism to influence policy and electoral outcomes without losing members.

The leader is concerned with flexible policy (club goods policy) and club future, reasons that make socialisation the best mechanism to influence club voters' preferences without affecting the club size. This is possible because leader socialisation shapes the identity of the club members in such a way that they see the leader's preferred position on the flexible issue as the one representing the club and, hence their own.

Let me define the club leader's ideal flexible policy position "Z_L". It could be equal to or greater than the club members' ideal policy " Z_v^* ". The leader socialises club members because it increases the leader's utility in terms of the flexible policy, giving the club members the impression that they are choosing the candidate according to their preferences. If "e" is the leader's socialisation capacity, then the ideal policy of the club voter after socialisation is

(9) $\quad Z_v^*(e) = eZ_L + (1-e)Z_v^* = \ e\Delta Z + Z_v^*$, such that $e \in \{0,1\}$.

Equation (9) indicates that the leader influences club voters' ideal policy through socialisation. Regarding flexible policy preferences, the larger the leader's socialisation capacity is, the closer the preferences of the club members and the leader will be. $\Delta Z = Z_L - Z_v^*$ is the distance of the ideal fixed policy between the leader and club members before socialisation. The probability of winning for each candidate becomes,

$$(10) \qquad p_A(e) = \frac{1}{2} + \Omega\left[\frac{-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\{\gamma[|Z_B - Z_v^*(e)| - |Z_A - Z_v^*(e)|]\}}{\sum_{G=1}^{2}\lambda_G\phi_G}\right].$$

$$p_B(e) = \frac{1}{2} - \Omega\left[\frac{-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\{\gamma[|Z_B - Z_v^*(e)| - |Z_A - Z_v^*(e)|]\}}{\sum_{G=1}^{2}\lambda_G\phi_G}\right].$$

Leader socialisation affects politicians' expected utility through its effect on club voters' preferences, which modifies the candidates' probability of winning.

Assumption (6): The leader has a capacity for socialisation "e" which is unobservable by the other political actors.

In particular, I assume that only the leader has information about his socialisation capacity. The leader can then decide to negotiate a contract "C_J" with a candidate, in which the leader can use this information in exchange for future monetary or policy gains "f". C_J is a dummy variable that takes the value of 1 if the politician accepts the leader contract and zero otherwise. In the contract, f denotes the future payment to the leader to which the politician commits if he wins the election. It could be either a monetary or an intrinsic value.

Consequently, if the leader proposes a contract to candidate J in exchange for a future gain, "f", and he accepts it. Politician J incorporates this information into his probability of winning and realises that it has changed from p_J to $p_J(e)$. In contrast, the challenger candidate $-J$ has no information about "e", so he does not realise that his probability of winning has changed. Hence, the expected utility of the politician J is

$$(11) \qquad E[W_J] = p_J(e)\{\bar{R} - C_J * f\}.$$

Having defined the effect of leader socialisation on the club voter preferences and the candidates' probability of being elected, we can now define the leader's utility. It depends on his socialisation capacity "e", as it affects the probability of winning for the candidates and, therefore, the flexible policy outcome. Suppose the leader proposes a contract to candidate J, who accepts it. Then since candidate J has information about "e", it is in his best interest to announce a flexible policy $Z_J^* = Z_v^*(e)$. It is because the leader revealed his socialisation capacity to candidate J at the ex-ante stage of the game. Then the leader seeks to maximise

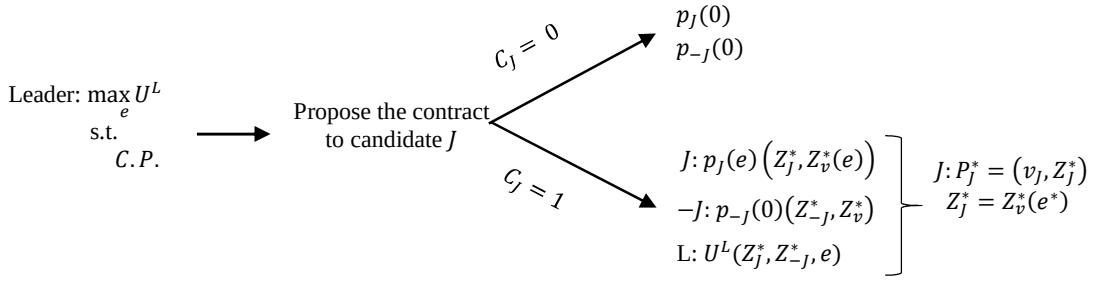
(12) $$U^L = p_J(e)[-\gamma|Z_v^*(e) - Z_L| + f] + \{1 - p_J(e)\}[-\gamma|Z_{-J}^* - Z_L|] - \theta e \Delta Z.$$

The first (second) term represents the leader's utility if candidate J ($-J$) wins the election. When candidate J wins the election, the leader's utility depends negatively on the distance of the flexible policy between candidate J and the club leader and on the leader's future gain established in the contract. However, when candidate J loses the election, the leader's utility depends negatively on the distance of the flexible policy between the elected candidate $-J$ and the club leader. Leader socialisation has a cost represented by $\theta e \Delta Z$, with $\theta > 0$. It depends positively on the level of the leader's effort and the distance between the preferred flexible policy between the leader and the club members.

Timing of the model:

- Political parties publicly present their candidates for election.
- The leader decides which candidate to propose the contract C_J. Then if C_J is accepted, "e" is revealed in exchange for a future gain "f".
- The politicians announce their political platforms.
- The election takes place.
- The candidate who wins the election optimally implements his policy vector.

Figure 1: Leader socialisation game



Backward induction is applied to solve the socialisation game defined above.

Candidates' reaction policy

Suppose the club leader proposes his contract to candidate A and he accepts. Next, the leader discloses information about his socialisation capacity to candidate A, who then incorporates it into his maximisation problem. He then maximises

$$\max_{Z_A} p_A(e) = \frac{1}{2} + \Omega\left[\frac{-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\{\gamma[|Z_B - Z_v^*(e)| - |Z_A - Z_v^*(e)|]\}}{\sum_{G=1}^{2}\lambda_G\phi_G}\right],$$

(13) $\quad Z_A^* = Z_v^*(e).$

However, candidate B does not have information about "e". He only knows the ex-ante ideal flexible policy of the club members. Therefore, he uses this information and maximises

$$\max_{Z_B} p_B = \frac{1}{2} - \Omega\left[\frac{-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\{\gamma[|Z_B - Z_v^*| - |Z_A - Z_v^*|]\}}{\sum_{G=1}^{2}\lambda_G\phi_G}\right],$$

(14) $\quad Z_B^* = Z_v^*.$

Candidate B does not realise that club voters' preferences have changed, as leader socialisation is not observable by candidates. The proposition of the leader contract to candidate A generates information asymmetry between candidates, leading the candidate not approached by the leader (candidate B) to maximise the wrong probability. As a result, candidate B's actual probability of winning is lower than the one he had calculated "$p_B(e) < p_B$".

In general, if the leader approaches candidate J with his contract. He accepts the leader contract if his expected utility is superior or equal to the one expected without it. Therefore, the political participation constraint ($C.P.$) is given by

(15) $\quad p_J(e)\{\bar{R} - f\} \geq p_J\{\bar{R}\}.$

If $C.P.$ holds, candidate J will always accept the leader contract, as it increases his probability of winning (i.e. $p_J(e) > p_{-J}(e)$).

Leader optimal level of socialisation

Having determined the validity of the candidate's participation constraint ($C.P.$), we can solve the optimal level of leader socialising capacity.

$$(15) \qquad \max_{e} U^{L} = p_J(e)[-\gamma|Z_v^*(e) - Z_L| + f] + \{1 - p_J(e)\}[-\gamma|Z_{-J}^* - Z_L|] - \theta e \Delta Z$$

s.t.

$$p_J(e)f = \{p_J(e) - p_J\}\bar{R}$$

The first-order condition (FOC) of the leader's maximisation problem is

$$\left(\frac{\partial p_J(e)}{\partial e}\right)\{\gamma[Z_v^*(e) - Z_{-J}^*] + \bar{R}\} + p_J(e)\gamma\Delta Z - \theta\Delta Z = 0.$$

Three main effects are governing the leader's socialisation marginal incentives. The first term comes from the effect of leader socialisation on candidate J's probability of winning, $\frac{\partial p_J(e)}{\partial e} = \frac{\Omega\lambda_2\phi_2}{\sum_{G=1}^{2}\lambda_G\phi_G}\gamma\Delta Z$. Thus, the first term of the FOC is equal to $\frac{\Omega\lambda_2\phi_2}{\sum_{G=1}^{2}\lambda_G\phi_G}\{\gamma[Z_v^*(e) - Z_{-J}^*] + \bar{R}\}\gamma^2\Delta Z$. Notice that candidate J's probability of winning and the leader's utility increases with e. Intuitively, the leader has incentives to increase his socialisation capacity "e" not only because it increases his utility but also because it increases the attractiveness of accepting the leader contract for candidate J. Namely, the larger the "e", the smaller the distance between the flexible policy announced by candidate J and the ideal flexible policy of the club members, which induces them to vote for candidate J. The term, $p_J(e)\gamma\Delta Z$, captures the expected marginal benefit that the leader derives from socialisation. The last term, $\theta\Delta Z$, represents the marginal socialisation cost of the leader.

Lemma 1: *There is a unique interior optimal level of leader socialisation capacity such that*

(1). $e^* = \frac{1}{2\gamma\Delta Z}\left\{\frac{\frac{\theta}{\gamma} - \left(\frac{1}{2} + \frac{\sum_{G=1}^{2}\lambda_G b_G}{\sum_{G=1}^{2}\lambda_G\phi_G}\right)}{\frac{\Omega\lambda_2\phi_2}{\sum_{G=1}^{2}\lambda_G\phi_G}} - \bar{R}\right\}$ *if the leader proposes the contract to candidate A.*

(2). $e^* = \frac{1}{2\gamma\Delta Z}\left\{\frac{\frac{\theta}{\gamma} - \left(\frac{1}{2} - \frac{\sum_{G=1}^{2}\lambda_G b_G}{\sum_{G=1}^{2}\lambda_G\phi_G}\right)}{\frac{\Omega\lambda_2\phi_2}{\sum_{G=1}^{2}\lambda_G\phi_G}} - \bar{R}\right\}$ *if the leader proposes the contract to candidate B.*

There are three possible levels of leader socialisation capacity. One in 0, where the cost is so high that it makes it impossible for the leader to influence the preferences of club members through socialisation. Another at 1, when the marginal socialisation cost of the leader is so low that the socialisation return of the leader increases as e increases. Finally, a unique interior solution e^*, in which the leader's marginal socialisation cost equals the leader's marginal socialisation benefit. The level of this interior solution depends on which candidate the leader proposed his contract.

Proposition 3*: Assume that Assumptions (1), (2), (5)-(6) and $e \neq \{0,1\}$ hold. Then there is an electoral equilibrium with leader endorsement such that*

(1). If $\lambda_2\phi_2\gamma e^*\Delta Z \geq |-\sum_{G=1}^{2}\lambda_G b_G|$. *It follows that*

(i). $P_J = \left(v_J, Z_v^*(e^*)\right)$ *and* $P_{-J} = \left(v_{-J}, Z_v^*\right)$.

(ii). If the leader prefers candidate A, then $C_A = 1$ *and* $p_A(C_A) > p_B(C_A)$.

(iii). If the leader prefers candidate B, then $C_B = 1$ *and* $p_B(C_B) > p_A(C_B)$.

(2). Otherwise,

(i). $P_J = \left(v_J, Z_v^*(e^*)\right)$ *and* $P_{-J} = \left(v_{-J}, Z_v^*\right)$.

(ii). If $-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\gamma e^*\Delta Z > 0$, *then* $C_A = 1$ *and* $p_A(C_A) > p_B(C_A)$.

(iii). If $-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\gamma e^*\Delta Z < 0$, *then* $C_B = 1$ *and* $p_B(C_B) > p_A(C_B)$.

This proposition highlights the strategic behaviour of the leader. After determining his optimal level of socialisation, the leader has all the information required to decide which candidate to propose the contract. His decision will depend on the strength of the "socialisation effect" over the "ideological effect" on candidates' probability of winning.[13] $\lambda_2\phi_2\gamma e^*\Delta Z$ denotes the socialisation effect and $-\sum_{G=1}^{2}\lambda_G b_G$, the ideological effect. Moreover, we know that the leader prefers the policy platform $P_J = \left(v_J, Z_v^*(e)\right)$ to $P_{-J} = \left(v_J, Z_v^*\right)$ because his utility is higher when the candidate J wins the election. Also, the leader will get $f(e^*)$ in the future if the candidate to whom he proposes the contract wins the election. Therefore, in deciding to whom to propose the contract, he makes a trade-off between his preferred candidate and the candidate most likely to win the election. Then if the socialisation effect is smaller than the

[13] The socialisation effect is the effect of leader socialisation capacity on the candidates' probability of winning. The ideological effect is the effect of the population-weighted bias toward the fixed policy of a candidate has on candidates' probability of winning.

ideological effect, the leader proposes the contract to the candidate with the most popular fixed policy. On the contrary, if the socialisation effect is greater than the ideological effect, he proposes the contract to his preferred candidate since his socialisation capacity is high enough to ensure that his chosen candidate has the highest probability of winning the election.

3.4 Leader Socialisation and Endorsement

In this sub-section, we describe under which situations the club leader decides which mechanism to implement to influence the voting behaviour of the club members. Afterwards, we determine the policy outcomes and electoral equilibrium. In this model, the club leader can shape the preferences of club members through socialisation, endorsement or both. A leader's socialisation capacity to influence club members' preferences allows him to negotiate a contract with his chosen candidate. In the contract, the leader gives information about his socialisation capacity and possible endorsement in exchange for a future gain f. The difference with the previous model relies on whether the leader decides to use his endorsement as a complementary mechanism to influence the preferences of the club member. However, since the endorsement is observable, it gives the challenger politician information about the possible level of leader socialisation capacity, which reduces the information asymmetry between the politicians.

The objective is to provide a joint characterisation of the leader's criteria to choose the candidate to whom he proposes the contract, the leader's rule to decide his endorsement and the policies adopted by the politicians with the available information they have.

The evolution of functions

The expected utilities of the politicians and the leader evolve as leader endorsement, seen in model 3.2, is incorporated into the model. The expected utility of the politicians becomes,

$$E[W_J] = p_J(e, \varepsilon_J)\{\bar{R} - C_J * f\}$$

Assumption (7): The flexible policy's reaction function of candidate "$-J$" depends on the leader's endorsement decision.

Suppose that leader proposes the contract to candidate "J", who accepts it. Then, candidate "J" knows the leader's socialisation capacity and sets his optimal flexible policy to $Z_J^* = Z_v^*(e)$.

In contrast, the challenging candidate, "$-J$", has no information about the leader's socialisation capacity but expects the leader to endorse candidate "J" if the leader's utility, when $\varepsilon_J = 1$, is at least equal to the leader's utility when $\varepsilon_J = 0$. Therefore, the optimal flexible policy is $Z^*_{-J} = \bar{Z}^E_{-J}$ if the leader endorses the candidate "J" and $Z^*_{-J} = \bar{Z}^{NE}_{-J}$ if the leader does not endorse the candidate "J".

Candidates' probability of winning depends on the leader's socialisation capacity and the leader's endorsement decision.

$$(16) \quad p_A(e, \varepsilon_A) = \frac{1}{2} + \Omega\left[\frac{-\sum_{G=1}^{2} \lambda_G b_G + \lambda_2 \phi_2 \{\gamma[|Z_B - Z_v^*(e)| - |Z_A - Z_v^*(e)|] - h(\varepsilon_B - \varepsilon_A)\}}{\sum_{G=1}^{2} \lambda_G \phi_G}\right].$$

$$p_B(e, \varepsilon_B) = \frac{1}{2} - \Omega\left[\frac{-\sum_{G=1}^{2} \lambda_G b_G + \lambda_2 \phi_2 \{\gamma[|Z_B - Z_v^*(e)| - |Z_A - Z_v^*(e)|] - h(\varepsilon_B - \varepsilon_A)\}}{\sum_{G=1}^{2} \lambda_G \phi_G}\right].$$

Let candidate J be the one to whom the leader proposes the contract. Then leader utility becomes,

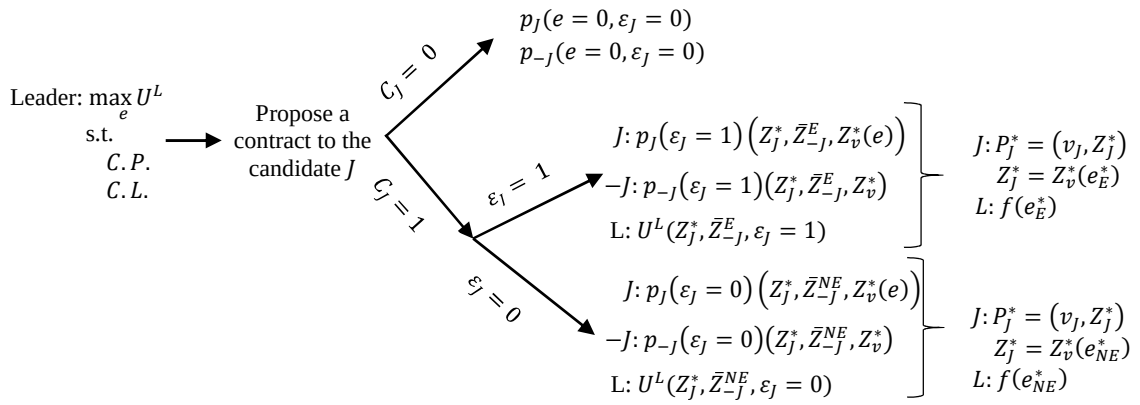
$$(17) \quad U^L = p_J(e, \varepsilon_J)[-\gamma|Z_v^*(e) - Z_L| + f] + \{1 - p_J(e, \varepsilon_J)\}[-\gamma|Z^*_{-J} - Z_L|] - \theta e \Delta Z.$$

Leader utility depends now on his socialisation capacity "e" and endorsement decision "ε_J" as they affect the winning probability of the candidates.

Timing of the model:

- The political parties publicly present their candidates.
- The leader decides which candidate to propose the contract, C_J. Then if C_J is accepted, "e" is revealed in exchange for a future gain "f".
- The leader makes his endorsement decision. If the leader does not endorse candidate J (i.e. $Z_J^* = Z_v^*(e_E^*)$), the contender incorporates this information and reacts accordingly (i.e. $Z^*_{-J} = \bar{Z}^{NE}_{-J}$). If the leader endorses candidate J (i.e. $Z_J^* = Z_v^*(e_E^*)$), the contender realises this information and reacts accordingly (i.e. $Z^*_{-J} = \bar{Z}^E_{-J}$).
- Political candidates announce their political platforms.
- The election takes place.
- The candidate who wins the election optimally implements his policy vector.

Figure 2: Leader socialisation and endorsement game



I use backward induction to solve the sequential Nash subgame perfect equilibrium of the leader socialisation and endorsement game. The electoral outcome for the flexible policy when a contract takes place is $Z_J^* = Z_v^*(e_i^*)$ for the candidate approached by the leader and $Z_{-J}^* = \bar{Z}_{-J}^i$ for the competing candidate. $i = \{E, NE\}$ and the chosen value depends on the leader's endorsement decision.[14] To maximise their expected utilities, the politicians choose ex-post, the optimal level of Z_J^* and Z_{-J}^* that they will announce. The leader's endorsement decision has important implications for this model, as it affects the reaction function of the challenger candidate and thus his or her announced platform, which will also affect the determination of the optimal level of "e".

Leader's endorsement decision (Step 3)

Suppose the leader proposes the contract to candidate J, who accepts it. Then the leader endorses candidate J only if,

$$U^L(\varepsilon_J = 1) \geq U^L(\varepsilon_J = 0)$$

for $J = \{A, B\}$, the value that makes the leader indifferent between making an endorsement or not is given by

[14] If the leader decides to endorse the candidate to whom he proposes the contract, $i = E$. Otherwise, $i = NE$.

$$p_J(\varepsilon_J = 1)[-\gamma|Z_v^*(e) - Z_L| + f^E] + \{1 - p_J(\varepsilon_J = 1)\}[-\gamma|\bar{Z}_{-J}^E - Z_L|] =$$
$$p_J(\varepsilon_J = 0)[-\gamma|Z_v^*(e) - Z_L| + f^{NE}] + \{1 - p_J(\varepsilon_J = 0)\}[-\gamma|\bar{Z}_{-J}^{NE} - Z_L|]$$

$f^E(f^{NE})$ is the leader's future expected pay-off when he endorses (does not endorse) candidate J.

Leader endorsement is decided in this step, which indicates that in step 2 the leader had successfully negotiated his contract with a candidate. That is,

(18) $$p_J(e, \varepsilon_J = 1)\{\bar{R} - f^E\} = p_J(e = 0, \varepsilon_J = 0)\bar{R}$$
$$p_J(e, \varepsilon_J = 0)\{\bar{R} - f^{NE}\} = p_J(e = 0, \varepsilon_J = 0)\bar{R}$$

Let me define $G(e) = U^L(\varepsilon_J = 1) - U^L(\varepsilon_J = 0)$.

(19) $$G(e) = \{p_J(e, \varepsilon_J = 1) - p_J(e, \varepsilon_J = 1)\}[\gamma Z_v^*(e) + \bar{R}] + \gamma\bar{Z}_{-J}^E[1 - p_J(e, \varepsilon_J = 1)]$$
$$-\gamma\bar{Z}_{-J}^{NE}[1 - p_J(e, \varepsilon_J = 0)]$$

Assumption (8): *The function $G(e)$ is a continuous monotonic function for all $e \in [0,1]$ and $e \sim U(0,1)$.*

This assumption implies that there exists only one indifference threshold, $\bar{e}$, at which the club leader is indifferent between endorsing or not politician J. It also allows for a simple characterisation of candidate $-J$'s flexible policy reaction function. Although candidate $-J$ is unaware of the leader's socialisation capacity, he will use the information about the leader's endorsement decision to set his flexible policy. Z_{-J}^i for $i = \{E, NE\}$ will depend on whether $G(e)$ is an increasing or decreasing function.

If $G(e)$ is an increasing function, candidate $-J$'s best response is to set $Z_{-J}^{NE} = \frac{(\bar{e}^I)^2}{2}\Delta Z + \bar{e}^I Z_v^*$, and $Z_{-J}^E = \frac{(1-(\bar{e}^I)^2)}{2}\Delta Z + (1 - \bar{e}^I)Z_v^*$ because candidate $-J$ expects the leader to endorse candidate J only for the values of $e \in [\bar{e}^I, 1]$. $\bar{e}^I$ is the expected leader endorsement indifference threshold. On the contrary, when $G(e)$ is a decreasing function, candidate $-J$ expects that the leader will endorse candidate J only if $e \in [0, \bar{e}^I]$. Then the candidate $-J$'s best response is to

set $Z_{-J}^{E} = \frac{(\bar{e}^{I})^2}{2}\Delta Z + \bar{e}^{I} Z_v^*$ and $Z_{-J}^{NE} = \frac{(1-(\bar{e}^{I})^2)}{2}\Delta Z + (1-\bar{e}^{I}) Z_v^*$ (See Appendix 1 for further detail).

From the theory of rational expectations: $\bar{e}^{I} = \bar{e}$, $\bar{Z}_{-J}^{E} = Z_{-J}^{E}$ and $\bar{Z}_{-J}^{NE} = Z_{-J}^{NE}$. Substituting it into (*19*) gives the signs of $G''(e)$ when $G(e)$ is either an increasing or a decreasing function. For simplicity, I have normalised the densities ϕ_1, ϕ_2 and Ω so that $\sum_{G=1}^{2} \lambda_G \phi_G = 1$ and $\Omega = 1$ to determine the leader's indifference threshold "$\bar{e}$ ".[15] As the position of the indifference threshold depends on the model parameters, three additional reference thresholds are defined to identify it.

Threshold $e_1 = \frac{1}{2}\left(\frac{1}{2} - \frac{Z_v^*}{\Delta Z}\right)$ comes from $\left|Z_{-J}^{E} - Z_v^*(e)\right| = \left|Z_{-J}^{NE} - Z_v^*(e)\right|$. $e_1 \in [0,1]$ only in societies where $\frac{Z_v^*}{\Delta Z} < \frac{1}{2}$. The second threshold $e_2 = \sqrt{1 + \left(1 + \frac{Z_v^*}{\Delta Z}\right)^2} - \left(1 + \frac{Z_v^*}{\Delta Z}\right)$ is found by equalizing Z_{-J}^{i} with $Z_v^*(\bar{e})$. $Z_{-J}^{i} = Z_{-J}^{E}$ when $G'(e) \geq 0$ and $Z_{-J}^{i} = Z_{-J}^{NE}$ when $G'(e) \leq 0$.[16] The last threshold $e_3 = \sqrt{\frac{1}{4} + \left(\frac{1}{2} + \frac{Z_v^*}{\Delta Z}\right)^2} - \frac{Z_v^*}{\Delta Z}$ is obtained when $Z_{-J}^{E} = Z_{-J}^{NE}$. $G(e_3) > 0$ for all non-zero values of the parameters. It implies that $\bar{e} < e_3$ when $G'(e) \geq 0$ and $\bar{e} > e_3$ when $G'(e) \leq 0$.

Lemma 2: *Assume that Assumption (8) holds. Then there exists a unique $\bar{e}$, such that:*

(1) If $G'(e) \geq 0$ and $\lambda_2 > \underline{\lambda_2}$

(i). $\bar{e} \in [0, e_1\rangle$, when $\frac{Z_v^*}{\Delta Z} < \frac{1}{2}$.

(ii). $\bar{e} \in [0, e_2\rangle$, when $\frac{Z_v^*}{\Delta Z} \geq \frac{1}{2}$ and $Z_{-J}^{E} > Z_v^*(e)$.

(iii). $\bar{e} \in [e_2, e_3\rangle$, when $\frac{Z_v^*}{\Delta Z} \geq \frac{1}{2}$ and $Z_v^*(e) \geq Z_{-J}^{E}$.

(2) If $G'(e) \leq 0$ and $\lambda_2 > \underline{\underline{\lambda_2}}$

(i). $\bar{e} \in \langle e_3, 1]$, when $Z_v^* > \bar{Z}_v$.

Lemma 2 characterises indifference threshold $\bar{e}$ for different values of the model parameters. $\underline{\lambda_2}$ and $\underline{\underline{\lambda_2}}$ are the values of λ_2 at which $G(e=0) = 0$ when $G(e=1) = 0$ and $G(e=1) = 0$ when $G'(e) \geq 0$ respectively.[17] The three defined thresholds e_1, e_2 and e_3 decrease with ΔZ,

[15] After the normalization of the parameters, $k = \lambda_2$.
[16] Z_{-J}^{E} when $G'(e) \geq 0$ is equal to Z_{-J}^{NE} when $G'(e) \leq 0$.
[17] Refer to the Proof of Lemma 3 to determine club population size thresholds.

suggesting that the greater the divergence between the leader and the club members on the flexible policy is, the higher the indifference threshold $\bar{e}$ will be.

In *(1),* for a club population size such that $\lambda_2 > \underline{\lambda_2}$, $\bar{e} < e_3$. *(i)* In a club with a divergence of preferences for the flexible policy high enough $\left(\frac{Z_v^*}{\Delta Z} < \frac{1}{2}\right)$, leader endorsement is an effective mechanism to influence club voters' behaviour, as leader socialisation is costly. *(ii)* In a club with a divergence of preference for the flexible policy low enough $\left(\frac{Z_v^*}{\Delta Z} \geq \frac{1}{2}\right)$, leader endorsement is an effective mechanism to affect club voters' behaviour, given that greater convergence of preferences makes leader endorsement more efficient. In *(iii),* however, as preferences become more convergent, the leader requires less the adoption of his endorsement as a mechanism to influence the vote of club members.

In *(2),* for a club population size $\lambda_2 > \underline{\lambda_2}$, $\bar{e} > e_3$ when $Z_v^* > \bar{Z}_v$. That is, when the convergence of preferences for the flexible policy between the leader and the club members is high enough, leader socialisation is the most efficient mechanism to influence club voters' behaviour, given that as within-club preference convergence increases, leader socialisation cost decreases.

All this suggests that the leader's endorsement decision depends on the characteristics of the club. Leader endorsement is crucial to affect the club's voting behaviour when the divergence of preferences for the flexible policy is high, as it is less costly than socialisation. In contrast, leader socialisation becomes the most efficient mechanism to influence the club's voting behaviour when the convergence of preferences is high.

Candidate *"J"* participation decision (Step 2)

Candidate *"J"* accepts the leader contract if his expected utility is superior or equal to the one expected without it. Then, candidate J participation constraint ($C.P.$) is verified since the leader sets $f \in \{f^E, f^{NE}\}$ such that (19) is binding. Therefore, knowing the leader's socialisation capacity increases a candidate's probability of winning regardless of the leader's endorsement decision.

$$(19) \qquad p_J(e, \varepsilon_J = 1)\{\bar{R} - f^E\} \geq p_J(e = 0, \varepsilon_J = 0)\bar{R}$$
$$p_J(e, \varepsilon_J = 0)\{\bar{R} - f^{NE}\} \geq p_J(e = 0, \varepsilon_J = 0)\bar{R}$$

Choice of the leader's mechanism and utility maximisation (Step 1)

The optimal leader socialisation capacity level "e^*" can be solved. The possible scenarios will depend on the level of e and the characteristics of the club.

$$\max_e U^L\left(C_J=1\right)=p_J(\varepsilon_J)\left[-\gamma|Z_v^*(e)-Z_L|+f^i\right]+\left\{1-p_J(\varepsilon_J)\right\}\left[-\gamma\left|Z_{-J}^{i*}-Z_L\right|\right]-\theta e\Delta Z$$

The FOC, disregarding the constraints, is

$$\left(\frac{\partial p_J}{\partial e}\right)\gamma\left[Z_v^*(e)-Z_{-J}^{i*}+f^i\right]+p_J\gamma\Delta Z-\theta\Delta Z=0.$$

Three effects are governing the marginal incentives on the leader's choice of level of socialisation and endorsement decision. The first comes from the effect of leader socialisation and endorsement on candidate J's probability of winning when he accepts the contract. The second term is the expected marginal benefit that the leader obtains from socialisation. The last term is the marginal socialisation cost of the leader.

Leader socialisation equilibrium with and without endorsement

Club leader maximises

$$(20)\qquad \max_e U^L=p_J(\varepsilon_J)\left[-\gamma|Z_v^*(e)-Z_L|+f^i\right]+\left\{1-p_J(\varepsilon_J)\right\}\left[-\gamma\left|Z_{-J}^{i*}-Z_L\right|\right]-\theta e\Delta Z$$

s.t.

$$C.P.: p_J(e,\varepsilon_J)\left\{\bar{R}-f^i\right\}=p_J(e=0,\varepsilon_J=0)\bar{R}$$

$$C.L.$$

The first constraint is candidate J's participation constraint, which, as explained in step 2, is always satisfied. $C.L.$ denotes the constraint of the leader's decision of endorsement "ε_J". It is equal to 0 for all $\in [0,\bar{e}]$, when $G'(e)<0$ and for all $e\in[\bar{e},1]$, when $G'(e)>0$. Otherwise, it is equal to 1. The contender of politician J observes leader endorsement and his best response is to set $Z_{-J}^*=Z_{-J}^{NE}$, when $\varepsilon_J=0$ and $Z_{-J}^*=Z_{-J}^{E}$, when $\varepsilon_J=1$.

The FOC of leader maximisation problems with and without his endorsement are

$$-k\gamma^2\Delta Z\frac{\left(Z_{-J}^{E}-Z_v^*(e)\right)}{\left|Z_{-J}^{E}-Z_v^*(e)\right|}(Z_v^*(e)-Z_{-J}^{E}+\bar{R})+p_J(\varepsilon_J=1)\gamma\Delta Z-\theta\Delta Z=0$$

$$-k\gamma^2\Delta Z\frac{\left(Z_{-J}^{NE}-Z_v^*(e)\right)}{\left|Z_{-J}^{NE}-Z_v^*(e)\right|}(Z_v^*(e)-Z_{-J}^{NE}+\bar{R})+p_J(\varepsilon_J=0)\gamma\Delta Z-\theta\Delta Z=0$$

Rearranging the FOCs,

$$(21)\qquad I_E-k\gamma\frac{\left(Z_{-J}^{E}-Z_v^*(e)\right)}{\left|Z_{-J}^{E}-Z_v^*(e)\right|}\left(Z_v^*(e)-Z_{-J}^{E}+\bar{R}\right)+k\gamma\left|Z_{-J}^{E}-Z_v^*(e)\right|=\frac{\theta}{\gamma}$$

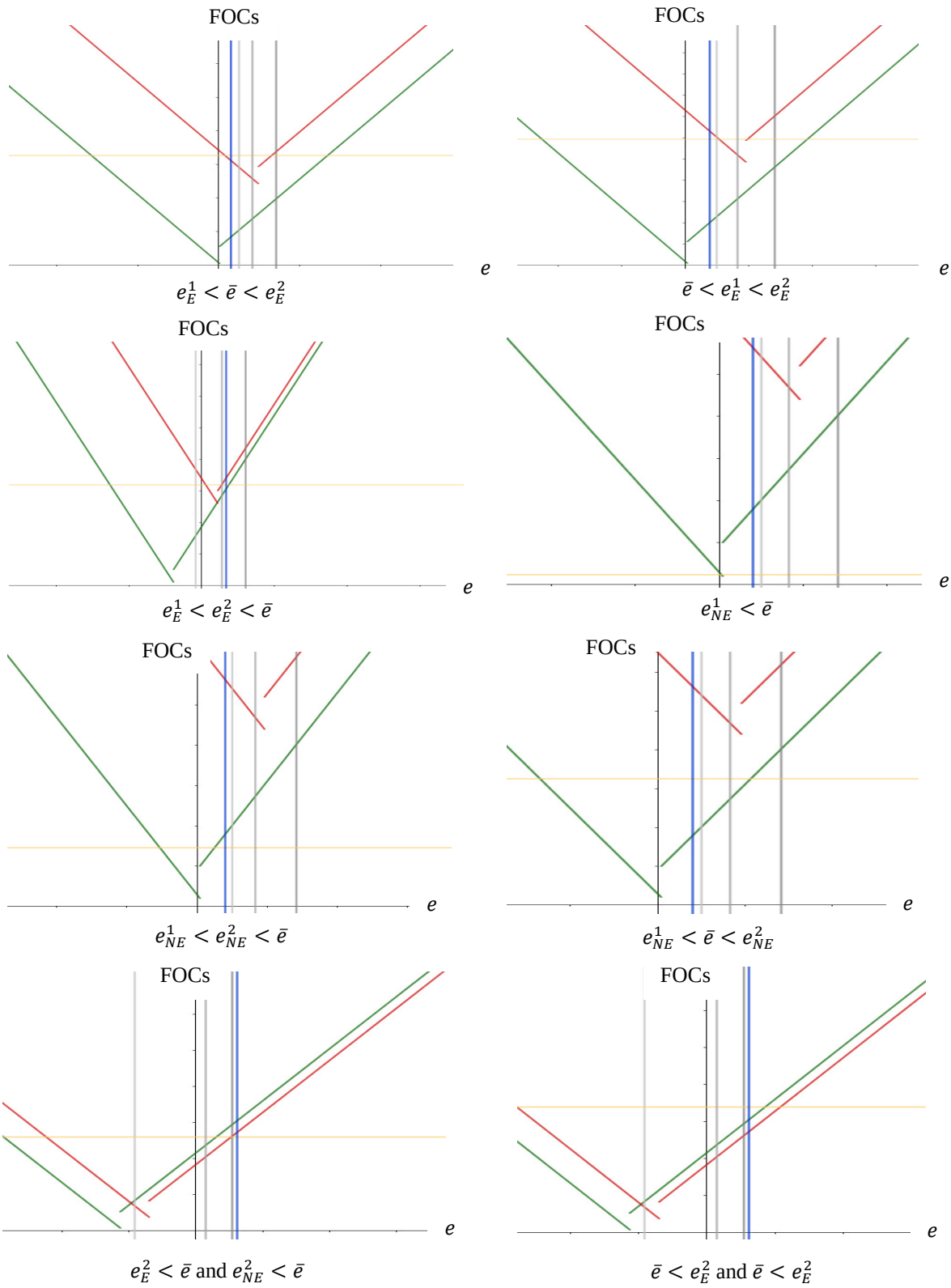
$$(22)\qquad I_{NE}-k\gamma\frac{\left(Z_{-J}^{NE}-Z_v^*(e)\right)}{\left|Z_{-J}^{NE}-Z_v^*(e)\right|}\left(Z_v^*(e)-Z_{-J}^{NE}+\bar{R}\right)+k\gamma\left|Z_{-J}^{NE}-Z_v^*(e)\right|=\frac{\theta}{\gamma}$$

where $k=\Omega\left[\frac{\lambda_2\phi_2}{\sum_{G=1}^{2}\lambda_G\phi_G}\right]$ and $I_{NE}=\frac{1}{2}-\sum_{G=1}^{2}\lambda_G b_G*x$, with $x=1$ if the leader proposes the contract to $J=A$ and $x=-1$ if he proposes to candidate $J=B$. Also, $I_E=I_{NE}+kh$. The marginal benefice "MB" and the marginal cost "MC" are represented in the left part and the right part of (21) and (22).

In figure 3, the grey lines represent the reference thresholds e_1, e_2 and e_3 defined in step 3, where $e_1<e_2<e_3$. Leader indifference threshold $\bar{e}$ is inferior to e_3 when $G'(e)>0$.[18] It is maximum when $Z_{-J}^{NE}<Z_{-J}^{E}<Z_v^*(\bar{e})$, as $\bar{e}\to e_3$ for all $\bar{e}\in[e_2,e_3\rangle$. That is when $\bar{e}$ is at MB increasing side for the equilibriums with and without leader endorsement. The other possible values of $\bar{e}$ when $G'(e)>0$ happens when $Z_{-J}^{NE}<Z_v^*(\bar{e})<Z_{-J}^{E}$. In these cases, $\bar{e}$ is on the decreasing side of MB for the equilibrium with leader endorsement and on the increasing side of MB for the equilibrium without leader endorsement. In contrast, $\bar{e}$ is superior to e_3 when $G'(e)<0$. It is minimum when $Z_{-J}^{NE}\leq Z_{-J}^{E}<Z_v^*(\bar{e})$ since $\bar{e}$ reaches its minimum when $\bar{e}\to e_3$ for all $\bar{e}\in\langle e_3,1]$.[19] Namely, $\bar{e}$ is at MB increasing side for the equilibriums with and without leader endorsement.

[18] In step 3, I determined the threshold e_3 that equalizes $Z_{-J}^{NE}=Z_{-J}^{E}$.
[19] See Lemma 2.

Figure 3: Equilibriums with and without leader endorsement



Note: In each graph, the blue line is the leader indifference threshold "$\bar{e}$", the yellow line is the MC, the set of red lines is the MB with leader endorsement and the set of green lines is the MB without leader endorsement. The first six cases illustrate the possible solution when $G'(e) > 0$ and the last two when $G'(e) < 0$. The intersection between the MC and MB gives the solutions e_E^1 and e_E^2 when the leader endorses a candidate and the solutions e_{NE}^1 and e_{NE}^2 when the leader does not.

Lemma 3: *Assume that Assumption (8) holds and MB_i intercepts MC_i for $i \in \{E, NE\}$. Then*

(I) If $G'(e) > 0$, there exists a unique equilibrium e_i^* such that

(1) $e_E^* = \bar{e}$, when $e_E^1 < \bar{e} < e_E^2$ if $\bar{e} \in \langle 0, e_2]$ and $\underline{\lambda_2} < \lambda_2 \leq \underline{\lambda}_{21}^*$.

(2) $e_E^* = e_E^1$, when $\bar{e} < e_E^1 < e_E^2$ if $\bar{e} \in \langle 0, e_2]$ and $\underline{\lambda_2} < \lambda_2 \leq \underline{\lambda}_{22}^*$.

(3) $e_E^* = 1$, when

(i) $e_E^1 < \bar{e} < e_E^2$ if $\bar{e} \in \langle 0, e_2]$ and $\lambda_2 > \underline{\lambda}_{21}^*$.

(ii) $\bar{e} < e_E^1 < e_E^2$ if $\bar{e} \in \langle 0, e_2]$ and $\lambda_2 > \underline{\lambda}_{22}^*$.

(iii) $e_E^1 < \bar{e}$ or $e_E^1 < e_E^2 < \bar{e}$ when $\bar{e} \in [e_2, e_3\rangle$.

(4) $e_{NE}^* = \bar{e}$ either when $e_{NE}^1 < \bar{e}$ or when $e_{NE}^1 < e_{NE}^2 < \bar{e}$ if $\bar{e} \in \langle 0, e_2]$ and $\lambda_2 > \underline{\lambda}_{23}^*$.

(5) $e_{NE}^* = 0$, when

(i) $e_{NE}^1 < e_{NE}^2 < \bar{e}$ if $\bar{e} \in \langle 0, e_2]$ and $\lambda_2 \leq \underline{\lambda}_{23}^*$.

(ii) $e_{NE}^1 < \bar{e} < e_{NE}^2$.

(II) If $G'(e) < 0$, there exists a unique equilibrium e_i^* such that

(1) $e_E^* = \bar{e}$, when $e_E^2 < \bar{e}$ and $\lambda_2 > \underline{\lambda}_{24}^*$. Otherwise $e_E^* = 0$.

(2) $e_{NE}^* = \bar{e}$, when $\bar{e} < e_{NE}^2$ and $\underline{\underline{\lambda_2}} < \lambda_2 < \underline{\lambda}_{25}^*$. Otherwise $e_{NE}^* = 1$.

Lemma 3 shows that the leader's decision on which mechanisms to implement to influence the behaviour of club voters (socialisation, endorsement or both) depends on the characteristics of the club. In *(I)* when the divergence for the flexible policy between the club leader and members is high enough, and $\frac{\theta}{\gamma}$ is high enough to intercept the MB_E, the best strategy for the club leader is to implement a socialisation level of e_E^* with endorsement. Then there is an interior solution e_E^* when the club population "λ_2" is high enough, as in *(1)* and *(2)*. In *(3)*, as the $\frac{\theta}{\gamma}$ decreases, the club population size increases and the divergence for the flexible policy decreases, then a corner solution of $e_E^* = 1$ with endorsement is found. An equilibrium of leader socialisation without endorsement, e_{NE}^*, is achieved when the divergence between the leader and the club members for the flexible policy is high enough and when $\frac{\theta}{\gamma}$ is high enough to intercept the MB_{NE}. In *(4)*, when the club population is high enough ($\lambda_2 > \underline{\lambda}_{23}^*$), an interior solution is obtained. Otherwise, in *(5)*, when the club population is low enough to influence politics through their vote, the leader prefers neither to implement socialisation nor endorsement to influence politics, $e_{NE}^* = 0$.

As seen in Lemma 2, *(II)* occurs when the convergence of preferences between the leader and the club members and the club population is high enough. In *(1)*, there is an interior solution $e_E^* = \bar{e}$ when the club population "$\lambda_2 > \underline{\lambda}_{24}^*$" is high enough and $\frac{\theta}{\gamma}$ is sufficiently high to intercept the MB_E between 0 and $\bar{e}$. If not, the leader prefers not to influence club voters through socialisation or endorsement, as the club population is not large enough to decide policies in the country. In *(2)*, as $\frac{\theta}{\gamma}$ increases such that it intercepts MB_{NE} between $\bar{e}$ and 1, the optimal level of socialisation capacity increases such that its effect on the club's voter preferences is high enough to influence policies. Therefore, leader socialisation is the most effective mechanism to influence club voters' preferences. There is an interior solution $e_{NE}^* = \bar{e}$ when $\underline{\lambda_2} < \lambda_2 < \underline{\lambda}_{25}^*$. Then as the club population increases for $\lambda_2 \geq \underline{\lambda}_{25}^*$, a corner solution $e_{NE}^* = 1$ without endorsement results.

In sum, in societies with a sufficiently high divergence of preferences between club members and their leader, and club population size is large enough, leader endorsement is an effective mechanism to influence club voters as it is less costly than leader socialisation. Therefore, the leader prefers to implement socialisation and endorsement to influence policies. On the contrary, in societies with sufficiently high convergence of preferences between the club leader and members and the club population size is large enough, socialisation is the leader's preferred mechanism, as its cost is lower as the convergence of preferences increases.

Proposition 4*: Assume that Assumptions (1)-(2), (7)-(8) and $e \neq \{0,1\}$ hold.*

(1). Under Lemma 3 (I) (1)-(2) and Lemma 3 (II) (1), there is an electoral equilibrium with leader endorsement if $\lambda_2\phi_2\{\gamma|Z_{-J}^E - Z_v^*(e_E^*)| + h\} \geq |-\sum_{G=1}^2 \lambda_G b_G|$ resulting in

(i). $P_J = (v_J, Z_v^*(e_E^*))$ and $P_{-J} = (v_{-J}, Z_{-J}^E)$.

(ii). If the leader prefers candidate A, then $C_A = 1, \varepsilon_J^* = 1$ and $p_A(e_E^*, 1) > p_B(e_E^*, 1)$.

(iii). If the leader prefers candidate B, then $C_B = 1, \varepsilon_J^* = 1$ and $p_B(e_E^*, 1) > p_A(e_E^*, 1)$.

(2). Under Lemma 3 (I) (4) and Lemma 3 (II) (2), there is an electoral equilibrium without leader endorsement if $\lambda_2\phi_2\gamma|Z_{-J}^{NE} - Z_v^*(e_{NE}^*)| \geq |-\sum_{G=1}^2 \lambda_G b_G|$ resulting in

(i). $P_J = (v_J, Z_v^*(e_{NE}^*))$ and $P_{-J} = (v_{-J}, Z_{-J}^{NE})$.

(ii). If the leader prefers candidate A, then $C_A = 1, \varepsilon_J^* = 0$ and $p_A(e_{NE}^*, 0) > p_B(e_{NE}^*, 0)$.

(iii).If the leader prefers candidate B, then $C_B = 1, \varepsilon_J^* = 0$ *and* $p_B(e_{NE}^*, 0) > p_A(e_{NE}^*, 0)$.

(3). Otherwise, for all e_i^* *such that* $i \in \{E, NE\}$

(i). $P_J = \left(v_J, Z_v^*(e_i^*)\right)$ *and* $P_{-J} = \left(v_{-J}, Z_{-J}^i\right)$.

(ii). *If* $-\sum_{G=1}^{2} \lambda_G b_G + \lambda_2 \phi_2 \{\gamma |Z_B^* - Z_v^*(e_i^*)| + h\varepsilon_J^*\} > 0$, *then* $C_A = 1$ *and* $p_A(e_i^*, \varepsilon_J^*) > p_B(e_i^*, \varepsilon_J^*)$.

(iii).If $\sum_{G=1}^{2} \lambda_G b_G + \lambda_2 \phi_2 \{\gamma |Z_A^* - Z_v^*(e_i^*)| + h\varepsilon_J^*\} > 0$, *then* $C_B = 1$ *and* $p_B(e_i^*, \varepsilon_J^*) > p_A(e_i^*, \varepsilon_J^*)$.

The idea is that the leader is motivated to behave strategically and proposes the contract to the candidate with the highest probability of winning, considering his optimal socialisation capacity, e_i^*, and the other parameters that characterise the society in which they live. It is because the leader's utility depends on the winning probability of the candidate to whom he proposes the contract. First, the leader prefers a policy platform $P_J = \left(v_J, Z_v^*(e_i^*)\right)$ to $P_{-J} = \left(v_{-J}, Z_{-J}^i\right)$ because its utility is higher when candidate J wins the election. Second, the leader will get $f(e_i^*)$ in the future if the candidate to whom he proposes the contract wins the election. Then the leader decision rule depends on the effect of the mechanisms implemented by the leader to influence the preferences of the club voters versus the effect of the population-weighted bias towards candidate J's fixed policy on candidate J's probability of winning. The ***socialisation effect*** "$\lambda_2 \phi_2 \gamma \left|Z_{-J}^i - Z_v^*(e_i^*)\right|$" is the effect of the leader's socialisation capacity on the candidate J's probability of winning. The ***endorsement effect*** "$\lambda_2 \phi_2 h \varepsilon_J$" is the effect of the leader's endorsement on candidate J's probability of winning. The ***ideological effect*** "$\sum_{G=1}^{2} \lambda_G b_G * x$" is the effect of the population-weighted bias for candidate J's fixed policy on candidate J's probability of winning. Namely, if the sum of the socialisation effect and the endorsement effect is greater than the ideological effect, the leader proposes his contract to his preferred candidate.[20] Otherwise, the leader proposes the contract to the politician representing the party towards which the population has the highest weighted ideological bias.

In this model, the leader has all the information necessary to determine the best mechanisms to influence club voters' preferences and to strategically propose the contract to the candidate with the highest probability of being elected. As a result, $p_J(e_i^*, \varepsilon_J^*) > p_{-J}(e_i^*, \varepsilon_J^*)$ for $i =$

[20] In the case of equilibrium without leader endorsement effect is equal to 0, as $\varepsilon_J = 0$.

$\{E, NE\}$. Therefore, as $p_J\left(e_i^*, \varepsilon_J^*\right)$ increases, the probability that the electoral outcome is $P_J = \left(v_J, Z_v^*(e_i^*)\right)$ increases, and thus the probability that the leader influences electoral and political outcomes increases.

Comparative Statics

To see how the model parameters affect the level of socialisation capacity of the leader. I derive the following comparative statics from the FOCs (21)-(22).

Proposition 5:

(a) As the taste for the flexible policy (γ) *and the marginal effect of leader endorsement* (h) *increase, the leader increases* e^*.

(b) The less subject to popularity shocks (δ) *the entire population is, the more the leader increases* e^*.

(c) The less subject to ideological bias $(v^{i,G})$ *the club population is, the more the leader increases* e^*.

Using the second-order condition,

(a) $\frac{de^*}{d\gamma} > 0$ and $\frac{de^*}{dh} > 0$

$$\boldsymbol{sign\,\frac{de^*}{d\gamma} = sign\left[\left[\frac{\partial\left(\frac{\partial p_J}{\partial e}\right)}{\partial \gamma}\left\{\gamma\left[Z_v^*(e) - Z_{-J}^*\right] + \bar{R}\right\} + p_J \Delta Z + \frac{\partial p_J}{\partial \gamma}\right]\right] > 0}$$

where $\frac{\partial p_J}{\partial e} = -\frac{\Omega\lambda_2\phi_2}{\sum_{G=1}^{2}\lambda_G\phi_G}\gamma\Delta Z\frac{\left(Z_{-J}^* - Z_v^*(e^*)\right)}{\left|Z_{-J}^* - Z_v^*(e^*)\right|}$.

Re-writing the FOC as

(23) $$-\frac{\Omega\lambda_2\phi_2}{\sum_{G=1}^{2}\lambda_G\phi_G}\gamma\Delta Z\frac{\left(Z_{-J} - Z_v^*(e^*)\right)}{\left|Z_{-J} - Z_v^*(e^*)\right|}\left\{\gamma\left[Z_v^*(e_i^*) - Z_{-J}^*\right] + \bar{R}\right\} = \theta\Delta Z - p_J\gamma\Delta Z.$$

Substituting it into the above equation and simplifying

$$sign\frac{de^*}{d\gamma} = sign\left[\left[\frac{\Omega\lambda_2\phi_2}{\sum_{G=1}^{2}\lambda_G\phi_G}\gamma\Delta Z\left\{\left|Z_{-J} - Z_v^*(e^*)\right| + \frac{\left(Z_v^*(e^*) - Z_{-J}^*\right)^2}{\left|Z_{-J} - Z_v^*(e^*)\right|}\right\} + \frac{\theta}{\gamma}\Delta Z\right]\right] > 0.$$

$$\boldsymbol{sign\frac{de^*}{dh} = -sign\frac{\partial p_J}{\partial h}\gamma\Delta Z = sign\frac{\Omega\lambda_2\phi_2}{\sum_{G=1}^{2}\lambda_G\phi_G}\gamma\Delta Z > 0}.$$

(b) $\frac{de^*}{d\Omega} > 0$

$$\boldsymbol{sign\frac{de^*}{d\Omega} = sign\left[\left[\frac{\partial\left(\frac{\partial p_J}{\partial e}\right)}{\partial\Omega}\left\{\gamma\left[Z_v^*(e^*) - Z_{-J}^*\right] + \bar{R}\right\} + \frac{\partial p_J}{\partial\Omega}\gamma\Delta Z\right]\right] > 0}.$$

After some simplification and substituting (23) into $\frac{de^*}{d\Omega}$

$$sign\frac{de^*}{d\Omega} = sign\left[\left[\frac{\gamma\Delta Z}{\Omega}\left(\frac{\theta}{\gamma} - \frac{1}{2}\right)\right]\right] > 0.$$

There are two levels of leader socialisation capacity "e_i^*" at which the MB equals the MC. These levels are e_1^i and e_2^i. Then summing the FOC at e_1^i and e_2^i gives,

$$(24)\ \frac{\Omega\lambda_2\phi_2}{\sum_{G=1}^{2}\lambda_G\phi_G}\left[-\sum_{G=1}^{2}\lambda_G b_G * x + \lambda_2\phi_2\gamma\left\{\left|Z_{-J}^* - Z_v^*\left(e_2^i\right)\right| + \left|Z_{-J}^* - Z_v^*\left(e_1^i\right)\right|\right\} + h\varepsilon_J^*\right] = \frac{\theta}{\gamma} - \frac{1}{2}$$

$\left(\frac{\theta}{\gamma} - \frac{1}{2}\right)$ is always positive given the leader's strategic behaviour. The leader proposes the contract to candidate J if and only if $-\sum_{G=1}^{2}\lambda_G b_G * x + \lambda_2\phi_2\gamma\left|Z_{-J}^* - Z_v^*(e_i^*)\right| + h\varepsilon_J^* > 0$, for $i = [E, NE]$.

(c) $\frac{de^*}{d\phi_2} > 0$

$$\boldsymbol{sign\frac{de^*}{d\phi_2} = sign\left[\left[\frac{\partial\left(\frac{\partial p_J}{\partial e}\right)}{\partial\phi_2}\left\{\gamma\left[Z_v^*(e^*) - Z_{-J}^*\right] + \bar{R}\right\} + \frac{\partial p_J}{\partial\phi_2}\gamma\Delta Z\right]\right] > 0}$$

By simplifying and substituting (23) and (24) into $\frac{de^*}{d\phi_2}$

$$\frac{de^*}{d\phi_2} = \frac{\Omega\lambda_2\gamma\Delta Z}{(\sum_{G=1}^{2}\lambda_G\phi_G)^2}\left\{\sum_{G=1}^{2}\lambda_G b_G * x + \lambda_1\phi_1\{\gamma[|Z_{-J}^* - Z_v^*(e_1^i)| + |Z_{-J}^* - Z_v^*(e_2^i)|] + h\varepsilon_J^*\}\right\} > 0$$

where $\frac{\partial p_J}{\partial \phi_2} = \frac{\Omega\lambda_2}{(\sum_{G=1}^{2}\lambda_G\phi_G)^2}\left[\sum_{G=1}^{2}\lambda_G b_G * x + \lambda_1\phi_1\{\gamma|Z_{-J}^* - Z_v^*(e^*)| + h\varepsilon_J^*\}\right] > 0$. This term is always positive given the leader's strategic behaviour. In general, there are two effects of higher ϕ_2. First, higher ϕ_2 increases the marginal effect of e on p_J, which reduces e. Second, ceteris paribus, higher ϕ_2 increases candidate J's probability of winning. This increases the marginal benefit from investing in socialisation, leading to a higher e. However, using (23) and (24), it is shown that the second effect dominates.

4. Benchmarking the models

In this section, the models are compared to see how the introduction of leader mechanisms affects the convergence of the political platforms. Notice that in models 3.1 and 3.2, the information asymmetry came from voters' uncertainty about the candidates' popularity. In the former, there is convergence on the flexible part of the candidates' policy platforms, so the candidates' probability of winning depends entirely on the ideological effect. In the latter, the leader's endorsement of a candidate increases the candidate's popularity within the club. Therefore, candidates' probability of winning depends on the net effect of the endorsement effect and the ideological effect. If the endorsement effect is greater than the ideological effect, then the endorsed candidate is the one with the highest probability of winning. If the contrary is true, the ideological effect will determine which candidate has the highest probability of winning. In these models, candidates announce political platforms, in which they announce different fixed policies and the same flexible policies.[21]

the incorporation of the leader's socialisation capacity generated divergence in the candidates' flexible policy due to the unobservability of the leader's socialisation capacity. The divergence appears when the club leader approaches one of the candidates with a contract in which he discloses information about "e". It generates information asymmetry between

[21] In both models, the candidates have perfect information about the preferences of the club members.

candidates. In model 3.4, the information asymmetry becomes smaller with the introduction of endorsement as a complementary. It is because the non-approached candidate is aware of the existence of a contract, but he does not know "e". The leader's endorsement decision gives him information about the possible level of the leader's socialisation capacity. Then the platforms will take the following paths.

Proposition 6: *(1) If the leader is not a socialising agent, then there is policy convergence in the flexible policy between candidates. (2) If the leader is a socialising agent such that: (a) If socialisation is the only mechanism, then there is a divergence in candidates' policy platforms. (b) If leader endorsement is a complementary mechanism, then the divergence in candidates' political platforms is less than in (a).*

Not surprisingly, in a perfect information scenario about the club members' preferences for the flexible policy, the candidates will converge on it. Therefore, there is convergence in the flexible policy announced by each candidate in models 3.1 and 3.2 $\left(P_J^* = P_J^* \middle| \varepsilon_J = \left(v_J^*, Z_v^*\right)\right)$. However, in each model, there is divergence in the fixed policy between candidates "$|v_A^* - v_B^*| \neq 0$".

The introduction of information asymmetry about the preference of the club members, represented by the leader's socialisation capacity "e" in the model, generates a divergence in the flexible policy announced by candidates in model 3.3 compared to the first models. As candidate J has all the information, he announces $P_J^* = \left(v_J^*, Z_v^*(e^*)\right)$, and his contender announces $P_{-J}^* = \left(v_J^*, Z_v^*\right)$. Here, the divergences in the flexible policies depend entirely on the leader's socialisation capacity, as $\left|Z_J^* - Z_{-J}^*\right| = e^* \Delta Z$. From model 3.3, $e^* = \frac{\frac{\theta}{\gamma} - \left(\frac{1}{2} + a\right)}{2k\gamma\Delta Z}$.

As the model evolves and opens to the possibility of leader endorsement, as a complementary mechanism, leader endorsement reduces the information asymmetry between candidates. Therefore, the divergence in candidates' policy platforms is smaller than in *(a)*. The divergence is $\left|Z_J^* - Z_{-J}^*\right| = \left|Z_v^*(e^*) - Z_{-J}^E\right| = \frac{\frac{\theta}{\gamma} - \left(\frac{1}{2} + a\right) - kh}{2k\gamma}$.[22]

[22] In model 3.4, from the FOC (equation 21), the interior solution $\tilde{e}_E^{1*} = \frac{Z_{-J}^E - Z_v^*}{\Delta Z} - \left(\frac{\frac{\theta}{\gamma} - \left(\frac{1}{2} + a\right) - kh}{k\gamma\Delta Z}\right)$ is obtained.

5. Club Leaders influencing politics

This section illustrates the importance of religious leaders in politics around the world. Not only do they influence the policies of their countries, but in some cases, they also seem to define who will run the country. The influence of religious leaders depends on the characteristics of religious groups and the factors that facilitate group socialisation and endorsement. The following conditions facilitate the use of both mechanisms, socialisation and endorsement by religious leaders. (i) The preferences to which individuals are socialised are derived from theological or ideological principles. (ii) The leader has authority over club members. (iii) The group's organisational structure and networks increase the contact of individuals within it. The parameters affecting the leader's influence are club size, taste for club goods, and group cohesiveness on policies affecting the club goods provision, among others.

The Australian case best represents the use of religious leader socialisation to influence politics. The Catholic vote shift from one party's political candidate to another influenced policies and elections in different election years. Catholic church leaders do not directly endorse any political candidate during election periods since the Code of the Canon Law forbids them to do so.

The last two cases illustrate the religious leaders' use of socialisation and endorsement mechanisms to influence politics. Policies and electoral results are consistent with our analysis. The particularity of the Latin American case is that some evangelical religious leaders are also candidates in local elections. By contrast, in the Democratic Islam case, the leaders of the religious movements had never tried to compete in elections. The population of these regions believe that religious leaders should influence politics.[23] In Latin America, 90.9% of the population is Christian, and almost half of the population (49%) thinks that religious leaders should have a large (18.4%) or some (30.6%) influence in political matters. In the Islamic region, 79.6% of the population is Muslim, and more than half of the population (63.4%) say that religious leaders should have a large (27.5%) or some (35.9%) influence on political matters.

[23] These statistics were constructed multiplying the answer to the question "How much influence should a religious leader have in political matters" by the weighted average population of each country in the region. Data on the influence of religious leaders are from the Pew Research Center (2013, 2014) for the Latin American and the Islamic Region. For the Islamic Region, Iranian data on the importance of religious leaders' influence on politics was aggregated from Pew Research Center's (2013) pooled data. The weighted average and the population by religion by country were constructed with the data from Pew Research Center (2012).

5.1. Australian Political Scene 1992-2007

Religion has been regarded as one of the major social cleavages in Australia. Historically, Catholics preferred the Australian Labor party while Anglicans, other Protestants and other religions preferred the Liberal and National coalition parties. The number of people with no religion has increased over time and they tend to favour the Labor party (Bean, 1999). Traditionally, Anglicans were the largest religious denomination in Australia until 1986, when the Catholic denomination overtook them. From 1996 to 2006, the share of Protestants decreased from 41.1% to 35.4%, the share of members of other religions increased from 3.5% to 5.6%, the share of Catholics decreased from 27% to 25.8% and the share of people without religion increased from 16.6% to 18.7%.[24] In the elections of 1996, 1998, 2001 and 2004, Protestants continued to prefer the Liberal-National coalition and those with no religion, the Labour Party. However, the Catholic vote shifted to the Liberal-National coalition playing a major role in those elections (Warhurst, 2007). Some possible reasons why the Catholics abandoned their alliance with the Labor Party are as follows. 1) The increase in Catholic membership in the Liberal-National coalition increased the possibility of internal negotiation with Catholic leaders. 2) The conservative moral political agenda of the coalition was in line with the moral values in which Catholics are well socialised. 3) The change of Coalition's leadership for a leader more aligned with Christian values. In the 2007 election, the Catholic vote shifted again, but this time toward his old partner, the Labor Party.

In the election years from 1996 to 2007, the shift of the Catholic vote has been consistent with the leader's strategic behaviour and with the influence of religious leaders in the flexible policies and electoral outcomes (Propositions 3 and 4). The Catholic vote supported the most popular candidates; Howard, the leader of the Liberal-National coalition, in 1996 and Kevin Rudd, the leader of the Labor party in 2007. In the 1998, 2001 and 2004 election years, the Catholic vote favoured Howard, although in 1998 and 2001 Kim Beazley, Howard's contender, was the most popular. As suggested by Proposition 4 (2), when the socialisation effect is greater than the ideological effect, the leader's strategic behaviour will lead him to support his preferred candidate. Indeed, Howard was not the most popular candidate in 1998 and 2001, but he was the preferred candidate of Catholic leaders from 1996 to 2004, as Howard's views on socio-moral issues were in line with those of Christian doctrine. During the political campaigns, the influence of religious leaders over policies was evident. For example, the suppression of the

[24] Data retrieved from ABS data available on request Census of Population and Housing 1996 and 2006. Protestants are composed of Anglican, Uniting Church, Presbyterian & Reformed Churches and other Protestants.

Good and Service Tax (GST) of the platform of the Liberal-National coalition in 1996 and the promotion of other policies against euthanasia, the abortion pill, research involving embryos, and same-sex marriage. Through socialisation, religious leaders influence the voting behaviour of their members. It happened between 1996 and 2006 when church leaders supported the Howard government on issues of social morality. In the 1996 election, Coalition led Labor among Catholics, 47% to 37% (Robb, 1996). This path continued in the 2001 and 2004 elections. The Coalition led Labour, 45% to 42% in 2001 (Bean & McAllister, 2002, p. 275) and 50% to 41% in 2004 (Bean & McAllister, 2005, p. 323-324). In 2007, church leaders labelled the *WorkChoices legislation* proposed by the Liberal-National coalition as immoral; the Catholic vote shifted favouring Labor. Labor (48%) led Coalition (42%) among Catholics. During those election years, there was some evidence of divergence in the announced political platform of the two major parties of Australia, highlighting that socialisation increases platform divergences as stated by Proposition 6. As an illustration, in the 1998 federal election, the Liberal-National coalition introduced a GST of 10% - with improved distribution qualities - which the Labor party opposed (Brown, 1999).[25] In 2006, the Liberal-National coalition passed the *WorkChoices* bill generating public concern. The following year, in the 2007 election, the *WorkChoices* bill was the policy issue on which the Liber-National coalition and the Labor Party diverged.[26]

The influence of Christian religious leaders in politics began in 1992 with the formation of a group called Lyons Forum within the Liberal Party. It was composed of right-wing Christians of different denominations and had two main characteristics.[27] It defended traditional family values and had a conservative moral agenda.[28] This group had an interesting way of winning approval for its policy proposition between the general electorate and the members of the parliament. They used the language of "family" to promote their political agenda so that

[25] The GST introduced in 1998 was modified from the one proposed in 1993, in the face of pressure from interest groups who called it unfair. Few goods and services were excluded (health, education and child care, and charitable services but not food) and the main income tax cuts were targeted at middle and low-income earners, as it was an expansion of income tax brackets.

[26] The most important part of the Labor party's platform was to repeal the WorkChoices legislation (Wanna, 2010).

[27] The founders of the Lyons Forum were Senators Herron, Tierney and members of the House of Representatives Alan Cadman, John Bradford, Chris Miles, Kevin Andrews and John Forrest. Herron is a recognised Catholic. Tierney describes himself as an active lay Anglican. Cadman has been a member of the Parliamentary Christian Fellowship since 1980 and was a prominent member of Sydney's Hillsong Church; until his 1998 defeat. Chris Miles is a Baptist lay preacher. Bradford served on the Parliamentary Christian Fellowship executive, making headlines when he left the Liberal Party to become the only Christian Democrat in the federal parliament. Andrews is an active lay Catholic. Forrest chaired the Parliamentary Christian Fellowship at the time (Maddox, 2005, p. 39).

[28] During the first and second Howard governments, before some of its members were defeated, promoted or left the party, the Lyons Forum actively pursued family-friendly policies (Warhurst, 2007, p. 23).

conservative Christian voters recognised the appeal to stay on their side. At the same time, the uncertainty about the religious identity of the Lyon Forum and the effort of its spokespersons to avoid much more explicit religious language so as not to alienate the secular constituency.

The Lyon Forum's influence on Australian politics began in 1994, with the push for leadership change in the Coalition Party, at which time Coalition leader John Hewson's *Fightback!* program began to be criticised by various church leaders (Warhurst et al., 2000, p. 171-173). The tension increased when Hewson decided to send a message of support to the 1994 Sydney Gay and Lesbian Mardi Gras. Three members of the Lyons Forum - Miles, Cadman and Bradford - started the destabilization campaign against Hewson.[29] In May 1994, Alexander Downer replaced Hewson as the Leader of the Coalition. Downer, initially, attracted high levels of public support, but after a few months, this quickly went down. In January 1995, he resigned as leader of the Liberal Party and John Howard was elected unopposed to replace him. The Lyon Forum's actions reportedly led to Howard's rise as leader of the Coalition (Maddox, 2005, p. 38-51).

The Lyon Forum also appears to have helped Howard gain indirect support from the Christian church of different denominations in the 1996 elections. For instance, in the pre-Howard government (1992-93), the churches were leading strong critics in opposition to the leader of the Liberal party, especially in the introduction of the *Good and Service Tax (GST)* on food and essential services. In the 1995 electoral campaign, Howard ensured that *GST would never* be part of the coalition policies (Maddox, 2005, p. 228). In the same year, the Lyons Forum got increasing media attention with its submission to the Liberal Party executive on tax. It represented an advantage to the conformed families (based on a conservative and narrow Christian definition of family). It included abandoning no-fault divorce, withholding benefits from dysfunctional families and single mothers, and income splitting to give single-income two-parent families a tax edge (Maddox, 2005, p. 74).

In the first period of the Howard government (1996-1998), the influence of the Lyons Forum became more visible. Its earliest achievements were the following. 1) Family Tax Package in 1996 (Savva, 1997) and the introduction of the *Euthanasia Law Bill*, which overturned the Northern Territory's *Rights of the Terminally Ill Act 1995* on 24 March 1997.[30] 2) The April

[29] The controversy about the Mardi Gras did not create Hewson's downfall. It attracted attention to the differences between Hewson and Howard over immigration, family policies and income splitting (Maddox, 2005, p. 30-31, 46).

[30] On 9 September 1996, Kevin Andrews, founder of the Lyon Forum, introduced the *Euthanasia Law Bill*. Both parties in the Federal Parliament gave their members a free vote called a conscience vote. With a Coalition party holding the majority of seats in parliament and a Lyon Forum, with influence in the Senate, favouring this bill, the Senate passed the euthanasia bill in 1997.

1997 Cabinet decision to tighten restrictions on pornographic videos by replacing the X-rating with NVE (non-violent erotica) (Maddox, 2005, p. 49-70). 3) Be the driving force to modify the *Sex Discrimination Act* in 1997, which excluded single women and lesbians from access to fertility services (Maddox, 2002, p. 19). Church leaders supported these policies promoted by the Lyons Forum (Warhurst, 2007, p. 25; Warhurst, 2008, p. 220-223).

From 1996 to 2006, the church supported the Howard government in maintaining the status quo in areas of social morality while criticising its social and foreign policies.[31] Catholics were extraordinarily diverse in their views about policies, such as *GST*, industrial relations or participation in the Iraq War. Nevertheless, they were more united in policies behind some moral issues, such as euthanasia, abortion, same-sex marriage or embryonic stem cell research (Warhurst, 2008; Smith, 2009).[32]

In the 2007 election, the Catholic church acted as a unity, and none of its leaders supported the Coalition on the *WorkChoices legislation*.[33] The Australian Catholic Social Justice Council (ACSJC) called parts of the *WorkChoices legislation* immoral for the way it treats those at the bottom rungs of the employment ladder.[34] That year, the NCCA wrote its 2007 Election Briefing Kit to ensure that social justice is not overlooked.[35] The NCCA's negative commentaries on WorkChoices legislation moved votes away from the Coalition, as these had serious repercussions on family and community life (Smith, 2009). The Coalition party still held the majority of the Protestant vote but lost the share of the Catholic vote it had won in the 1996-2004 period. In 2007's elections, Labor led the Coalition among Catholics, 48% to 42% (Bean and McAllister, 2009, p. 208). The policy issues with the greatest impact on voting

[31] In 2006, the Catholic Church campaigned for "Euthanasia No!" and, in 2006, "Australians Against the Abortion Pill (RU486)", both bills were introduced by Coalition members. In 2002 was a Catholic opposition to stem cell research (research involving embryos) and in 2004 to the same-sex-marriage (Warhurst, 2008). The Coalition in the Marriage Amendment bill 2004 sought to amend the Marriage Act 1961 to define marriage as a union of a man and a woman; and clarify that same-sex marriages entered into under the law of another country will not be recognised in Australia (McKeown, 2017). Catholic churches objected to the Howard government in the following policies: GST (1998 elections), Native title legislation, Refugees and asylum seekers (2001 elections), participation in the Iraq War (2004 elections) and the industrial relation reform (2007 elections) (Maddox, 2005; Warhurst, 2007).

[32] These moral issues are very present in the teaching of Catholic religious doctrine.

[33] In the 1998 and 2004 elections, Catholic leaders had divided views on the Coalition's proposed policies. For instance, some Catholic leaders criticised the Coalition's policy on the GST (1998) and education (2004), but, on both occasions, Catholic Archbishop Pell publicly disagreed with his colleagues who favoured the Coalition Party (Warhurst, 2008, p. 216).

[34] Alberici (2007).

[35] The Catholic Bishops let know their concerns and draw attention to the environment, indigenous rights, industrial relations and education. The three last issues mentioned were also privileged by the two main protestant denominations and the NCCA. In international issues, such as; refugees, environment, peace-making and disarmament, the Catholic Bishops, the Uniting Church and the NCCA highlight these issues (Smith, 2009). The main Christian affiliation in Australia were Catholics (25.8%), Anglicans (18.7%) and Uniting Church (5.7%). Data retrieved by the 2006 Australian Census.

behaviour were industrial relations, taxes (WorkChoices legislation), and medical & health care.[36] The Labor party won the 2007's election.

5.2.Latin America: Religious Leaders and Politics

Latin America is the most Catholic region in the world.[37] This region underwent profound changes in terms of religion and politics. Historically, civil wars and state repression accompanied by the violence of everyday life led religious leaders to incorporate these main issues into religion, which they called institutionalised violence and structural sin, and the search for solutions.[38] In the late 1960s and early 1970s, liberation theology, born within the Catholic church in Latin America, challenged both conservative politics and the traditional Catholic church.[39] The positions that the Catholic bishops at the Latin American Catholic Bishops' Conferences of Medellin (1968) and Puebla (1979) took reflected its ideals. These served as a model of action for the involvement of church-sponsored or church-linked groups and networks in the defence of human rights and democracy. Church leaders and church-sponsored institutions became defenders of democracy, values of justice and human rights in Latin America (Levine, 2009; 2010).[40]

From 2013 to 2014, Pew Research Center (PRC) surveyed 19 countries about the importance of religious leaders in politics, obtaining interesting results. In 15 of those, more than 40% of the population thinks that religious leaders should have some or more influence on politics. The countries that give larger importance (some importance) to the role of religious leaders in politics were Panama 28% (*45%*), Paraguay 17% (*45%*), Venezuela 26% (*32%*), Brazil 20% (*35%*), Argentina 20% (*33%*), Peru 17% (*33%*), Colombia 22% (*29%*), Dominican Republic 28% (*22%*), Costa Rica 27% (*22%*), Guatemala 20% (*24%*), Chile 13% (*31%*), Bolivia 14%

[36] 62 per cent of respondents said they disapproved or strongly disapproved of the changes associated with the WorkChoices legislation. (Bean & McAllister, 2009, p. 215).
[37] See Pew Research Center (2014).
[38] Civil wars in Central America, Peru, and Colombia. State repression in Chile, Brazil, Paraguay, Uruguay and Argentina. Religious members and institutions (radio stations, educational organizations and churches) have been prime targets of violence in El Salvador, Guatemala, Paraguay and Uruguay (Hagopian, 2009; Levine, 2010).
[39] Liberation theology is a progressive ideology with an emphasis on the poor and a commitment to working for social justice (Levine, 1988).
[40] This happens in most Latin American countries: Brazil, Chile, Peru, El Salvador, Ecuador, Panama and Nicaragua. Argentina, Paraguay and Guatemala supported authoritarian regimes. Argentina was the exception with the top of the Catholic Hierarchy collaborating with the military government, even when its human rights abuses. The liberationist currents had been present in Argentina since the 1960s in important religious movements but they were defeated politically and marginalized in the church (Hagopian, 2009; Levine, 2010; Edmonds, 2010).

(*28%*), El Salvador 22% (*20%*), Honduras 25% (*17%*) and Puerto Rico 19% (*22%*).[41] This highlights the fact that for the population living in these countries, whether religious leaders directly or indirectly support a political candidate or not might influence how they vote.

The restoration of democracy in the Latin American countries, the end of civil wars and the increase of Protestant and Pentecostal churches affected the behaviour of the Catholic church.[42] In some countries, Catholic religious leaders have lost or abandoned their political roles, leading to increased political participation by evangelical leaders and activist groups. In democracies, the primary focus of Catholic religious leaders is to defend moral conservatism. Policies favouring abortion, euthanasia and gay marriage are their main target of critics in political elections. It suggests that religious leaders succeed in influencing policy on issues on which Christians are well socialised, as stated by Proposition 3.[43] Catholic clergy does not participate directly in politics unless it acts in defence of the protection of the church's rights or the promotion of a common good.[44] Therefore, Catholic religious leaders tend to indirectly support (by explicitly rejecting) a political candidate in campaign elections. In contrast, Protestant churches either have some of their religious leader running for office or Congress. Protestant church leaders participate actively in their candidates' election campaigns, endorse their candidates, and the church members vote as a cohesive bloc to have their leaders elected.

The influence of religious leaders in Brazilian elections

Brazil is the second largest Cristian country in the world. The discussions of politics between parishioners and clergy are common. The growing proportion of Protestants had led to a further intensification of religion in politics since Evangelical and Pentecostal church leaders and predominant members are candidates in political elections. The 2010 Brazilian census

[41] The statistics were constructed using the data from the Pew Research Center 2014 "Religion in Latin America: Widespread Changes in a Historically Catholic Region" report. Uruguay is the only country where a majority of the population (57%) says that religious leaders should not have any influence on politics.

[42] Church leaders act strategically depending on the Catholic church's degree of hegemony, mobilisation and influence (Hagopian, 2009).

[43] For illustration, only three countries (Cuba, Puerto Rico and Uruguay) out of twenty-one allow abortion without restriction. In six countries, (Chile, Nicaragua, Surinam, Honduras, Dominica Republic and El Salvador) abortion is illegal or not explicitly legal to save a woman's life. In all other countries, abortion is legal only to save a woman's life or in cases of mental health, among which six (Argentina, Brazil, Bolivia, Colombia, Mexico and Panama) legalized abortion in case of rape and two (Bolivia and Colombia) in case of incest (Guttmacher Institute, 2018). Colombia is since 1997, the only Latin American country where Euthanasia is legal for terminally ill patients. Gay marriage is legal in only four Latin American countries; Argentina, Brazil, Colombia and Uruguay and Mexico in some jurisdictions (Pew Research Center, 2019).

[44] Catholic religious leaders are prohibited from holding public office or actively participating in politics within a party.

identified 22.2% of the population as having evangelical and pentecostal faith. According to a representative national survey conducted in December 2019, nine years after the census, 31% of Brazilians are Protestants.[45] Historically, the democratic elections for constituent assemblies had led to the participation of the evangelical and pentecostal clergy in politics. It started before the 1933 constituent assembly, in which a new evangelical party was born, the Sao Paulo Evangelical Civil Union. This party sponsored a Pastor to run for deputy (Campos, 2006). In the latter, the Assembly of God (AG) directly endorsed candidates and won 14 of the 33 seats won by evangelical and pentecostal candidates (Boas, 2013). In 2015, the seats won by evangelical and pentecostal candidates increased to 78 (Chemin, 2016). In the 2019-2023 legislative period, the number of evangelical and pentecostal in Brazil's National Congress increased to 202 deputies and 8 senators.[46]

Some facts suggest Religious leaders influence presidential elections in Brazil. In the 1989 presidential elections' first round, some evangelical church leaders from Brazil for Crist Pentecostal Church and the Universal Church of the Kingdom of God (UCKG) endorsed Fernando Collor. The Assemblies of God did not endorse any candidate but discouraged the vote for candidates associated with atheistic-Marxism ideologies. In the run-off when Lula da Silva came closer to Collor, the UCKG, AG and the Four Square leaders endorsed directly Collor, who won the elections (Freston, 2001).[47] The Evangelical and Protestant church's opposition to Lula continued in the 1994 and 1998 presidential elections. The UCKG leaders endorsed Fernando Cardozo in 1994 and 1998, who emerged victorious in the two elections.[48] In 1998's elections, the UCKG showed its large capacity to influence the vote of its members in comparison to other Evangelical and Pentecostal churches.[49] The strong UCKG campaign against Lula started to change. In 2001, the UCKG was involved in a serious negotiation with the Workers Party (PT) regarding its support for Lula's 2002 presidential campaign (Fonseca,

[45] This estimate was made by the Datafolha Research Institute in 2019, based on 2,948 interviews conducted in 176 municipalities across the country on 5 and 6 December, margin of error of plus or minus 2 percentage points and a confidence level of 95%.

[46] They compose the cross-party Evangelical Parliamentary Front (Frente Parlamentar Evangélica). Available at: https://www.Câmara.leg.br/internet/deputado/frenteDetalhe.asp?id=54010. Accessed: 10 Jul. 2022.

[47] The leader of the UCKG presented Collor as the candidate sent by God and Lula as the presence of the devil himself (Campos, 2002). He also attacked Lula in UCKG media, where he said that Lula had the intention to liberalize laws on abortion and homosexual rights (Freston, 2001).

[48] Bishop Macedo founder of the UCKG accused Lula of being the devil's candidate (Freston, 2001). The UCKG now has a large communications empire (the third largest television network in Brazil, scores of radio stations, and a daily newspaper (Fonseca, 2008).

[49] According to Freston (2001), the UCKG corporate vote is estimated to 70 per cent of its potential. It is larger than the capacity of mobilization of the AG which never mobilized more than 40 per cent of its potential voters. In 2001, the UCKG elected 15 federal deputies and 26 state deputies. It supported 3 federal deputies of other churches that were elected.

2008). UCKG leaders endorsed Lula in 2002.[50] Lula won the elections and became president in 2002 (Oro, 2005; Freston, 2008). In the 2010 presidential election, catholic and evangelical religious leaders campaigned against Dilma and supported Serra. She was accused of being in favour of abortion, satanism, and a Bill of Law criminalizing homophobia, which affected her probability of winning in the first round (Mariano & Oro, 2011).[51] These religious issues became the centrepiece in the 2010 run-off campaign between Roussef and Serra. In the second week of October, 51 representatives from Evangelical and Pentecostal churches, supportive of the federal government, joined in the coordination of Dilma's campaign and posted a series of demands in exchange for their political support (Mariano & Oro, 2011, p. 621). In a new message, Dilma pledged not to "propose changes to legislation on abortion, nor to other issues related to the family and the free expression of any religion". She also affirmed that, if elected, she would not sponsor "any initiative that endangers the family". Moreover, Dilma guaranteed that she will sign only the articles that do not violate freedom of belief, worship, expression and other basic constitutional guarantees if the bill that criminalizes homophobia is approved.[52] The UCKG founder, Bishop Edir Macedo, and the AG leader Manoel Ferreira (Pastor and former congressman) supported PT candidate Dilma Rousseff in the second round. (Duarte de Souza, 2014). She became Brazil's first woman president in 2010. In the 2018 presidential elections, the influence of religious leaders in politics became more visible. Political speeches using faith or religion have become more frequent. Jair Messias Bolsonaro's campaign slogan was "Brazil above everything; God above everyone". In addition, fake news circulated in evangelical circles on sensitive issues related to religion involving PT candidate Fernando Haddad in the months leading up to the presidential election. In the last weeks of the election campaign, Bosorano was endorsed by; Edir Macedo (UCKG's leader), Silas Malafaia (AG - Victory in Christ leader) and the Evangelical Parliamentary Front (Smith, 2019).[53] The fake news affecting the image of Haddad and the endorsement of religious leaders to Bolsonaro affected voting intention among evangelicals, which was decisive in this election. According to estimates by Alves (2018), the evangelical and pentecostal votes were crucial in Bolsonaro's election as president. The votes

[50] In the 2002 election, Bishop Rodriguez co-founder of the UCKG, from the start of the alliance with the PT in 2000, and Bishop Garotinho, in the run-off have played important roles as mediators together with other Evangelist churches to obtain support for Lula in 2002 (Oros, 2005).
[51] Ibope surveys showed that, between August 26 and September 23, Evangelicals' intention to vote for Dilma fell from 49% to 42%, and her rejection index jumped from 17% to 28% in this religious segment.
[52] Folha de S. Paulo, October 15, 2010.
[53] UCKG's founder, Edir Macedo, and owner of one of the largest media network in Brazil, endorsed Bolsonaro's candidacy and broadcasted a favourable interview with him on his TV programme. José Wellington Bezerra, president of the AG, the largest protestant congregation, endorsed Bolsonaro (Smith & Lloyd, 2018). Bolsonaro had the support of the Evangelical Parliamentary Front, composed of 199 deputies of diverse party affiliations and 60 per cent of the Evangelical electorate's voting intention for the electoral run-off (Zilla, 2018).

by religion received by Bolsonaro in the run-off were as follows; Catholic votes (50.1%), non-religious votes (43%) and Evangelical and Pentecostal votes (63.8%). However, in the presidential elections of 2006 and 2014, Evangelicals and Pentecostal church leaders did not take clear instances. In the 2006 elections, the influence of evangelical and protestant leaders on their electorate was affected by corruption scandals involving representatives of the AG and the UCKG (Lacerda, 2017). In 2014, the evangelical and protestant vote was split between Dilma Rousseff and Aécio Neves. The leaders of the two main evangelical congregations split their support, with AG's leaders endorsing Aécio and UCKG's leaders endorsing Dilma.

Other facts advocate the importance of religious leaders' endorsement in Brazil. Boas & Smith (2015) conducted a survey experiment two and a half weeks before the 2012 municipal elections in Brazil and found that the information channelled by religious congregations and clergy shaped the voting behaviour of their members. It also happened when the clergy endorsed a candidate or explicitly rejected some candidates. Boas & Smith (2019) study the congruence of public opinion across four categories of elites and masses (evangelicals, women, Afro-Brazilian and No College) and each category belonging to the same party and State respectively, in issues such as economic and political regime preferences, ideological self-placement, abortion, gay marriage, racism and environment. They found that Evangelicals are more congruent than other demographic groups as a result of the socialisation effort of the churches to socialise masses and elites. Lacerda (2018), using a new dataset of evangelical (Protestant) candidates for the Federal Chamber of Deputies and state legislatures in 2004, found that being a church-sponsored candidate significantly increases their electoral performance.

Furthermore, the large divergence in platforms between the two principal candidates in the Brazilian presidential election of 1989, 1994, 1998 and 2018 is consistent with our theory in which through socialisation and endorsement the divergence between platforms becomes larger. In those election years, religious leaders influenced evangelical and pentecostal members to vote for Fernando Collor de Mello (PNR) in 1989 and Fernando Henrique Cardoso (PSDB) in 1994 and 1998.[54] The contestant in each of those elections was Luiz Inácio Lula da Silva (PT). In 1989, the platform announced by Collor was based on market reform, open trade and investment, deregulation and privatisation (Campello, 2013). Cardoso's 1994 announced platform was focused on the *Plan Real* which followed a neoliberal agenda started by Collor but with economic stabilisation. In 1998, at first, Cardoso's electoral platform was centred on

[54] The National Reconstruction Party (PRN), the Christian Labour Party (PTC) and the Brazilian Social Democracy Party (PSDB).

the success of the *Plan Real* and after economic growth (Panizza, 2000; Kinzo and Da Silva, 1999). During the mentioned three election years, Lula had a platform opposed to a neoliberal agenda. His political platform focused mainly on land reform, income redistribution, renegotiation of the domestic debt and suspension of foreign debt payments (Campello, 2013). At that time, there was no information about the increase of Evangelicals and Pentecostals in the population, the Evangelicals and Pentecostals representatives in Congress came mostly from right or centre-right wing conservative parties and the leaders of the evangelical and pentecostal churches influenced members to vote for a specific candidate.[55] For illustration, the majority of the evangelical deputies were in parties of the right or centre-right as PDC, PFL, PTB and PMDB in 1987 (Melo, 2016).[56] They were part of the evangelical's "new right".[57] Evangelical deputies continued to be concentrated in right or centre-right parties such as PFL, PL, PMDB, PPB and PSL in 1998 (Fonseca, 2008; Lacerda, 2017).[58] Furthermore, evangelical congress members were mostly concentrated in pro-government parties during the legislatures of 1987-1991, 1991-1995 and 1995-1999. In addition, their position about the federal government was pro-government.[59] In 2018, Bolsonaro's (PSL) main campaign issues were security, corruption, abortion, and gender politics. In contrast, Haddad (PT) made economic and social issues the centrepiece of his campaign. He proposed education for all and a tax-and-spend plan to reduce unemployment, strength social and improve infrastructure.

As our theory suggests, electoral and policy outcomes are influenced by religious leaders' socialisation and endorsement in Brazil. The political candidates endorsed by the religious leaders of the main Evangelical and Pentecostal churches won the elections. Namely, UCKG leaders have endorsed Cardoso (in 1989, 1994, 1998), Lula (in 2002, 2006), Rousseff (in 2010, 2014) and Bolsonaro (in 2018). All of those candidates became president in their respective election years. Evangelical and Pentecostal leaders show strategic behaviour and leaders' socialisation and endorsement have larger success given that the network used by the church leaders is well developed. They had one of the largest television networks, radio stations and newspapers. For instance, the UCKG's leaders have developed explicit electoral strategies.

[55] In 2010, The Brazilian Institute of Geography and Statistics (IBGE) announced that the evangelical population increased from 9.1% to 22.2% between 1991 and 2010.
[56] Christian Democratic Party (PDC), Liberal Front Party (PFL), Brazilian Labor Party (PTB) and the Brazilian Democratic Movement Party (PMDB)
[57] The "new right" defended traditionalist values referring to the family and sexuality to the pillars usually associated with rightist positions, such as the defence of property rights, resistance in agrarian reform and the expansion of state intervention in the economy (Pierucci, 1989).
[58] Liberal Party (PL), Brazilian Progressive Party (PPB) and Social Liberal Party (PSL).
[59] There was 31, 28 and 34 congress members in the pro-government parties against 5, 3 and 1 in the opposition parties respectively to the mentioned legislature years (Fonseca, 2008).

Before each election, the UCKG carries out a census of its members, which records their electoral data. The data is presented to the regional bishops, who then transmit it to the national leaders. Together they decide how many candidates to present in each municipality or state. Their decision depends on the type of election, the electoral quotient of the parties and the number of voters registered by the local churches (Oros, 2005). Also, they provide support and endorsement for electoral campaigns to its candidates (via sermons, and church media, among others), instruct its members on how to vote and even plan the church's location. (Boas, 2013; Freston, 1993; Oros, 2005). Furthermore, the flexible policies proposed by the political candidates are affected by socialisation and endorsement, as the religious members are socialised toward policy traditional family values preferences on issues like abortion, euthanasia and same-sex marriage. This becomes particularly visible in the 2010 and 2018 presidential election campaigns.

5.3.Politics in the Democratic Islam World

There are some cultural reasons why Islamic countries do not look for a separation between religion and state as Western democracies do. The tradition of Islamic religion, where the state was the church and the church was the state with God as the head of both and the Prophet as his representative on the earth explain it. Prophet Muhammad, the founder of the Muslim religion, was the head of the state in his own city "*Medina"* (Platteau, 2009; Lewis, 2002). Therefore, it is not surprising that the proportion of Muslims who believe that religious leaders should have a large or some influence on politics is higher than the proportion of Christians who hold the same belief in Latin America.[60] The countries giving greater importance (*some importance*) to the religious leader influence in politics were Afghanistan 53% (*29%*), Malaysia 41% (*41%*), Jordan 37% (*43%*), Indonesia 30% (*45%*), Egypt 28% (*47%*), Iran 40% *(26%)*, Tunisia 27% (*31%*), Pakistan 27% (*27%*), Bangladesh 25% (*44%*) and Iraq 24% (*33%*) (Pew Research Center, 2013).

In most Islamic countries, the persistence of the Authoritarians regime is visible with few exceptions with fair and free elections, such as Indonesia, Malaysia and Senegal (EIU, 2016). The Middle East and Northern African countries, except Turkey and the former Soviet bloc

[60] In Latin America, 90.9% of the population is Christian, from those 50% answered that religious leaders should have a large (18.5%) or some (31.5%) influence in political matters. In the Islamic region, 92.2% of the population is Muslim, of which 65.1% responded that religious leaders should have a great (28.5%) or some (36.6%) influence on politics. I used the data from the Pew Research Center (2012, 2013, 2014) to calculate those statistics.

states, have Islam as their state religion (Fox, 2008). Indonesia, the country with the largest Muslim population in the world, is the case study.[61]

Local Elections in Indonesia

Indonesia had been run autocratically, with heads of provinces, districts and municipalities appointed directly by the central government until the 1999 democratic elections. As a new democracy, Indonesia starts pursuing a decentralization of governmental power. These, together with the recognition of ethnic and cultural diversities among Indonesia's population groups, resulted in the increasing decision-making power of local chiefs. Since 2005 both district and provincial heads have been elected by direct vote. Indonesian's 1945 constitution states that *"the State shall be based upon the belief in the One and Only God"*. It also recognizes Indonesia as a multi-faith nation and protects religious freedom (Fox, 2008).[62] It implies that, at the national level, Shari'a laws are not allowed. However, in the literature, there is evidence that local governments have adopted *"Islam-inspired regulations (IIR)"* to complement national laws, which the government allows to meet local needs (Buehler, 2013; Buehler & Muhtada, 2016; Pisani & Buehler, 2016).[63] To study the influence of religious leaders in Indonesia is better to focus on local rather than national elections for the following reasons. At the regional and national levels, party affiliation remains weak (politicians tend to switch frequently from one political party to another), and political parties are weakly institutionalised (personal characteristics of political candidates prime over parties) (Thornley, 2014; Buehler & Tan, 2007).[64]

Buehler (2016)'s book "*The Politics of Shari'a Law*" points out that state elites politicians are flexible to the demands of religious group leaders if they can help them gain power in electoral elections. Politicians value power brokers, religious leaders who teach Islam and who can mobilize voters. In local districts, competition between politicians allowed Islamist groups to gain influence in politics. Islamist groups have pushed for an increase in the adoption of *IIR* in different districts of Indonesia. For instance, between 1999 and 2012, the number of *IIR*

[61] The share of Muslims in Indonesia's population is 87.18% according to the 2010 population census.
[62] The Indonesian government recognizes only six official religions: Islam, Protestantism, Catholicism, Hinduism and Confucianism.
[63] Local governments passed regulations such as dress codes for Muslims, collection of religious alms, prohibition of alcohol and prostitution, and promotion of Islam through Qur'an reading education. Additionally, since 2001 the central government allowed the adoption of shari'a regulations in the Aceh province to reduce the separatist insurgency.
[64] Political candidates build their reputation and network support based on their personal attributes.

passed by the provinces was 442, from those 259 (57%) potentially benefit interest groups (Pisani & Buehler, 2016). Six provinces - Aceh, West Java, East Java, West Sumatra, South Kalimantan and South Sulawesi - that have a history of Islamic movements gaining influence in politics account for 67.5 per cent (299/443) of the *IIR* adopted between 1999 and 2013 (Buehler, 2016, p.2).

In most cases, the strategy followed by the leaders of Islamist Movements is to negotiate or pressure the political candidates to pass *IIR* in exchange for their endorsement. The leaders or high ranks of the Islamist Movements rarely try to influence politics by directly competing in the election. The cultural transmission of these groups is high (high degree of cohesiveness and socialisation). Clear examples of these were the local election in the provinces of West Java and South Sulawesi.[65] In West Java, the Movement for the Reform of Islam (GARIS) is well known for lobbying secular politicians and parties and has exerted influence on local governments since 1999 (Buehler, 2013; Buehler, 2016). In 1999, during the election campaign, Wasidi Swastomo, the incumbent in this district at the time, promised radical groups that he would adopt several *IIR*, a promise he kept when he remained in power. He adopted a regulation dress code "headscarf" for women and challenged all the street signs from Latin script to Arabic in 2010. He also passed eight shari'a regulations *(IIR)* between 2001 and 2006. In the Bogor district, the protest of Islamic Movements against the Ahmadiyah sect led to the election of Diani Budiato in 2004, who outlawed the activities of the Ahmadiyah. He passed another regulation, ordering to close of a Christian church in 2006.[66] In 2009, he made the electoral political promise to demolish the Ahmadiyah mosque of Bogor if re-elected, which he delivered in 2010 (Buehler, 2013).

In South Sulawesi, nine *IIR* were adopted, in 2005, under the influence of the Islamic Movement, the Preparatory Committee for the Implementation of Shari'a Law (KPPSI). For instance, in 2001, the district head in Gowa, Syahrul Yasin Limpo, adopted IIR on alcohol to gain the support of religious groups. Later, in 2004 he became a deputy governor and started to invite the KPPSI's leaders to his residence for religious debate and even he gave a speech at the

[65] Almost all of the Islamist Movements formed in these provinces have as leaders former Darul Islam fighters or religious teachers sympathetic to the Darul Ismal rebellion. These leaders formed or funded religious boarding schools to support Islamist movements and recruit members for these groups. For further detail, see Buehler (2016) chapter 6 and Hasani & Naipospos (2010). In addition, the provinces of West Java adopted 42.1% and South Sulawesi adopted 38.5% of the total number of *IIR* adopted in Indonesia between 1999 and 2012. The distribution of *IIR* adoption was 5.3% at the provincial level and 36.8% at the district and municipal levels in West Java. In South Sulawesi, the distribution of *IIR* adoption was 10.5% at the provincial level and 28% at the district and municipal levels. (Buehler, 2013, p. 76).

[66] The elected district chiefs who were later re-elected made similar promises in Kuningan and Tasikmalaya districts during the election periods. Promises that they quickly fulfilled after being re-elected.

KPPSI congress in 2005. In 2007, when Syahrul Yasin Limpo ran against incumbent Amin Syam for governor, he won the election and became governor in South Sulawesi.[67] He took office and adopted a regulation to ban Ahmadiyah activities in the entire province (Buehler, 2013).

In the Bulukumba regency (consisting of 10 districts) in 2003, Patabai Pabokori, the regent and KPPSI member, adopted *IIR* on dress code and Islamic education.[68] He also adopted the *IIR* to collect money "*Zakat* system" and conducted the Cash Programme in Religiosity of his district during his regency. The collected money from the *zakat* by-law served him to establish a network at the subdistrict level and to give money to religious notable in public. Furthermore, he implemented the Muslim villages' program, through which these villages received additional budget funds from the district for the implementation of shari'a laws. The money collected from the *zakat* by-law scheme was given to "influential local religious notables and boarding schools" to form a cohesive network of imams and religious teachers. (Buehler, 2008). In other words, politicians used the money to gain the support of religious leaders in times of elections. Many districts in South Sulawesi followed this path (one-third of all districts in the province adopted the *zakat* by-law).[69]

This theory of leader socialisation and endorsement argues that in societies with a high level of socialisation, leader influence in politics is high. In these societies, the club leader decides to negotiate a contract with his preferred politician in exchange for future policies with pecuniary and non-pecuniary benefits for him and his club members. It is the case in the Bulukumba regency and other districts of South Sulawesi in the years analysed. Elected politicians started giving money to religious notables, in public, by introducing an *IIR* to collect money. There were also future policy gains for religious groups after local elections, such as the Cash in Religiosity programme (for Muslims only), the Muslim villages' programme, the closure of churches, the demolition of the Ahmadiyah mosque in Bogor and the ban on Ahmadiyah activities (in the West Java region). As this theory suggests, the leaders of Islamic movements, through socialisation and endorsement, mobilise members of religious groups to vote for a candidate proposing a specific flexible policy. It was possible given that the club

[67] Amin Syam tried to obtain the endorsement of the Islamist Movements by visiting several Islamist boarding schools and giving them money and other contributions. He praised the *Pesantren* education system and omitted that the Indonesian army, in which he served during the New Order era, had suppressed such radical schools in South Sulawesi. Syahrul Yasin Limpo, their opponent, has an advantage because he started to approach them earlier, after the end of the New Order regime.

[68] It made it mandatory for schoolgirls to wear a headscarf and working men to wear long trousers in the office. It was established as compulsory to have a satisfactory level of Qur'an readings for schoolchildren and students to pass their final exams. It also made it a criterion to become a district bureaucrat and to be able to seek promotion.

[69] This type of exchange also happened in other districts. See Buehler (2016, p. 154-159).

members are highly socialised and the large size of the Muslim population. The adoption of the *IIR* came after district candidates endorsed by Islamic group leaders won the elections. In particular, the adoption of a high share of *IIR* occurred in districts where Islamist groups have strong historical roots. Politicians traded *IIR* adoption in exchange for religious leader support. Locally connected Islamist Leaders frequently acted as vote-getters through the groups and boarding schools under their control (Buehler, 2016, p. 185). Furthermore, in these districts, the vast number of *IIR* adopted were related to Islamic teaching (indoctrination/socialisation). For example, from 1998 to 2013, 60% (252/422) of all adopted *IIR* were about Islamic teachings (Buehler & Muhtada, 2016).

6. Concluding comments

Identifying the mechanisms through which organised groups can influence policies and electoral outcomes matters as it defines the future of a country. Most contributions in the literature focus on the effect of a political leader endorsement, the endorsement of a well-known figure or group campaign contributions on political outcomes.[70] In these models, the mechanisms allow the voters (organized and non-organized ones) to infer information about the candidates and vote accordingly. In these models, the endorsement can be observed or inferred by the population as a whole. Endorsement is an effective mechanism only when groups have non-diametrically opposed policy preferences.

This article argues that group leaders influence policies and electoral outcomes of democratic societies through endorsement and socialisation mechanisms. Although I first start, with a simple probabilistic model of political competition, as the model evolves, with the introduction of endorsement and socialisation, it enables the assessment of the effect of those mechanisms on politics. Each mechanism differs in its impact on club members' preferences. Leader endorsement has a temporary effect on club members' preferences. In contrast, leader socialisation permanently shapes club members' preferences, which has significant implications for future policy decisions.

This work is the first to formally integrate the interaction between leader influence mechanisms and electoral policies and outcomes. The model shows that the leader's choice of whether to use endorsement and socialisation mechanisms separately or jointly depends on the characteristics of the club. Endorsement becomes the most implemented mechanism by the

[70] See Grossman & Helpman (1996; 1999), Wittman (2009), and Garthwaite & Moore (2013), among others.

leader when the preferences between the leader and the club members are highly divergent since socialisation is too costly. On the contrary, socialisation becomes the most implemented one when the preferences between the leader and the club members are highly convergent.

In the model, the leader acts strategically in choosing which politicians to propose the contract. The leader's decision to propose the contract to a candidate depends on the strength of the leader effect versus the weighted ideological bias of the population toward a political party. The leader effect is composed of the endorsement effect and socialisation effect. If the leader effect is larger than the ideological effect, the leader proposes the contract to his preferred candidate. Otherwise, he proposes the contract to the candidate with the most popular fixed policy. Random choice is manifested only when the leader and the club members are ideologically neutral. Namely, the political candidate the leader proposes the contract is most likely to win and, therefore, the platform that favours the leader and his club is the one that is most likely to be implemented. This study also points out that the change of parameters of the model can affect the leader's level of socialisation capacity. Leader socialisation capacity increases when; the whole population is less subject to popularity shocks, the club population is less subject to ideological biases and flexible policy taste increases. Interestingly, as the marginal return of leader endorsement increases, leader socialisation capacity increases, implying that the leader endorsement rends more likely leader socialisation.

This research provides important insights into how the divergence of the platform change based on the mechanism implemented by the leader. Leader endorsement increases the endorsed candidate's probability of winning. However, flexible policies among candidates continue to converge as the leader's endorsement is observed. Leader socialisation increases the probability that the candidate who accepts the leader contract will be elected because leader socialisation capacity is not observed by politicians, leading to a divergence between candidates' flexible policies. The candidate who accepted the leader contract gets the information about the leader's socialisation capacity while his contender does not. It gives him the advantage of setting the right level of flexible policy for the electoral elections. Furthermore, the implementation of both mechanisms by the leader increases the likelihood that the candidate who accepts the leader's contact will be elected. However, the divergence between candidates' flexible policies decreases as the leader's endorsement is public, which decreases the information asymmetry between candidates.

This model is applicable in regions where group leaders use socialisation, endorsement or both to influence politics. While this framework highlights the importance of the leader's role in influencing policy and electoral outcomes in a model of political competition, it is the first

step towards a better understanding of this phenomenon. Several issues require further exploration. First, the identity of the candidates running for election is left undefined. The political candidates could themselves belong to a club. Second, political parties' identity is also undefined. For instance, a club-founded political party might promote the club's interest. Third, some choices of our modelling demand further exploration. In this model, I assume that there is only one organised group, "the club". Nevertheless, there may be many clubs, each with a leader with different socialisation capacities, political preferences and criteria for negotiating with politicians. Multiple clubs may change the way political party representatives and club leaders react. A political candidate must take into consideration the characteristics of each club. The club leaders may also compete to influence policies. The candidates must accept the contracts that they judge as most valuable. The political candidates' flexible policy may depend not only on the socialisation capacity of the leader but also on the weighted average of the groups' flexible policy after socialisation. A leader's influence in politics will be as large as his socialisation capacity and the size and cohesion of the group he represents. Given the prediction of this model, I expect the following results. 1) Leaders of the imposing groups select strategically the candidate to whom they propose their contract. 2) Leader socialisation without leader endorsement is expected when; there are imposing groups of the same size, with perfectly opposite flexible policy preferences, and when group members have a high preference convergence for flexible policy. 3) The candidate with the highest probability of winning is the one that accepts the offers of the leaders of the imposing clubs. 4) A large divergence in the candidates' platforms, as there would be more non-observable variables for the politicians which may increase the information asymmetry between them.

Appendix

Candidates' reaction policy

I divide the general ***Assumption 1*** into two sub-assumption to analyse the candidates' reaction policy in each case.

Assumption 1.1: *The function $G(e)$ is an increasing function for all $e \in [0,1]$ and $e \sim U(0,1)$.*

Political Competition after leader endorsement

Suppose that the leader proposes the contract to candidate A, who accepts it. As he has now all the information available, he sets $Z_A^* = Z_v^*(e) = e\Delta Z + Z_v^*$. In contrast, candidate B is unable to know the leader's level of socialisation capacity. However, he expects the leader to endorse candidate A when the leader's expected utility with endorsement is at least equal to the one expected without it. That is, when, $G(e) = U^L(e,1) - U^L(e,0) \geq 0$. So, if e_E^I is the leader expected indifferent threshold for candidate B, then $U^L(e_E^I, 1) = U^L(e_E^I, 0)$. Thus, politician B expects the club leader to endorse candidate A when $e \in C_E = [e_E^I, 1]$.

$$\max_{Z_B} p_B(e, \varepsilon_A = 1) = \frac{1}{2} - \Omega\left[\frac{-\sum_{G=1}^{2}\lambda_G b_G + \lambda_2\phi_2\{\gamma[|Z_B^* - Z_v^*(e)| - |Z_A^* - Z_v^*(e)|] - h\}}{\sum_{G=1}^{2}\lambda_G\phi_G}\right]$$

$$Z_B^* = Z_B^E = \int_{e_E^I}^{1} Z_v^*(e)de = \frac{\left(1 - {e_E^I}^2\right)}{2}\Delta Z + (1 - e_E^I)Z_v^*$$

Political Competition without leader endorsement

Similarly, candidate B expects the leader to endorse candidate A if the leader's expected utility with endorsement is at least equal to the one expected without it. That is, when, $U^L(e,0) - U^L(e,1) \geq 0$. So, if e_{NE}^I is the leader expected indifferent threshold for candidate B, then $U^L(e_{NE}^I, 1) = U^L(e_{NE}^I, 0)$. Therefore, politician B expects the club leader not to endorse candidate A when $e \in C_{NE} = [0, e_{NE}^I]$.

$$Z_B^* = Z_B^{NE} = \int_0^{e_{NE}^I} Z_v^*(e)de = \left(\frac{{e_{NE}^I}^2}{2}\Delta Z + e_{NE}^I Z_v^*\right)$$

The endorsement game of the leader is a *sequential Nash subgame perfect equilibrium*, where the leader decides whether to endorse or not a candidate after his contract is accepted. Candidate B observes the leader's endorsement decision but does not know the leader's level of socialisation capacity "e". Therefore, he makes a Bayesian revision to estimate the leader's socialisation capacity and determinates his position on the flexible policy "Z_B^*". But since we assume that $G'(e) > 0$, the leader has a unique indifference threshold $\bar{e}^I = e_E^I = e_{NE}^I$, at which the leader is indifferent between supporting candidate A or not.

Assumption 1.2: *The function $G(e)$ is a decreasing function for all $e \in [0,1]$ and $e \sim U(0,1)$.*

The reasoning is analogous to the previous one but considering $G'(e) < 0$. Consequently, candidate B expects the leader to endorse candidate A when $e \in C_E = [0, e_E^I]$. Otherwise, he expects the leader not to endorse candidate A when $e \in C_{NE} = [e_{NE}^I, 1]$. Then

$$Z_B^* = Z_B^E = \int_0^{\bar{e}^I} Z_v^*(e)de = \left(\frac{{\bar{e}^I}^2}{2}\Delta Z + \bar{e}^I Z_v^*\right)$$

$$Z_B^* = Z_B^{NE} = \int_{\bar{e}^I}^1 Z_v^*(e)de = \frac{\left(1 - {\bar{e}^I}^2\right)}{2}\Delta Z + (1 - \bar{e}^I)Z_v^*$$

where, $\bar{e}^I = e_E^I = e_{NE}^I$.

Proof of Lemma 2

In Lemma *2 (1)* to have $\bar{e} \in \langle 0, e_3\rangle$, $G(e = 0) < 0$. Let me define $\underline{\lambda_2}$ as the club population size at which $G\left(e = 0, \lambda_2 = \underline{\lambda_2}\right) = 0$. Then for all $\bar{e} \in \langle 0, e_3\rangle$, $\lambda_2 > \underline{\lambda_2}$.

$$\underline{\lambda_2} = \begin{cases} \dfrac{\left(\frac{1}{2} + b_1\right)\left\{\frac{\Delta Z}{2} + Z_v^*\right\}}{\gamma {Z_v^*}^2 - \frac{h\bar{R}}{\gamma} + \frac{\Delta Z}{2}\left\{h + \gamma\frac{\Delta Z}{2} - \bar{R}\right\} + Z_v^*\bar{R} - (b_2 - b_1)\left\{\frac{\Delta Z}{2} + Z_v^*\right\}}, if\ J = A \\ \dfrac{\left(\frac{1}{2} - b_1\right)\left\{\frac{\Delta Z}{2} + Z_v^*\right\}}{\gamma {Z_v^*}^2 - \frac{h\bar{R}}{\gamma} + \frac{\Delta Z}{2}\left\{h + \gamma\frac{\Delta Z}{2} - \bar{R}\right\} + Z_v^*\bar{R} + (b_2 - b_1)\left\{\frac{\Delta Z}{2} + Z_v^*\right\}}, if\ J = B \end{cases}$$

Similarly in Lemma *2 (2)*, to have $\bar{e} \in \langle e_3, 1\rangle$, $G(e=1) < 0$. Let's define $\underline{\underline{\lambda_2}}$ as the club population size at which $G\left(e=1, \lambda_2 = \underline{\underline{\lambda_2}}\right) = 0$. Then for all $\bar{e} \in \langle 0, e_3\rangle$, $\lambda_2 > \underline{\underline{\lambda_2}}$.

$$\underline{\underline{\lambda_2}} = \begin{cases} \dfrac{\left(\frac{1}{2}+b_1\right)\left\{\frac{\Delta Z}{2}+Z_v^*\right\}}{\gamma(\Delta Z+Z_v^*)^2+\bar{R}\left(\frac{\Delta Z}{2}+Z_v^*\right)-\frac{h\Delta Z}{2}-\gamma\left(\frac{\Delta Z}{2}\right)^2-\frac{h\bar{R}}{\gamma}-(b_2-b_1)\left\{\frac{\Delta Z}{2}+Z_v^*\right\}}, if\ J=A \\ \dfrac{\left(\frac{1}{2}-b_1\right)\left\{\frac{\Delta Z}{2}+Z_v^*\right\}}{\gamma(\Delta Z+Z_v^*)^2+\bar{R}\left(\frac{\Delta Z}{2}+Z_v^*\right)-\frac{h\Delta Z}{2}-\gamma\left(\frac{\Delta Z}{2}\right)^2-\frac{h\bar{R}}{\gamma}+(b_2-b_1)\left\{\frac{\Delta Z}{2}+Z_v^*\right\}}, if\ J=B \end{cases}$$

Proof of Lemma 2 (2)

By Assumption 1.2, $G'(e) < 0$ and $\bar{e} \in \langle 0, 1\rangle$. Then $G'(0) < 0$.

$$G'(0) = k\gamma^2\left\{2\frac{\left\{\frac{1}{2}+a\right\}}{k\gamma}[Z_v^*]+\frac{h}{\gamma}\{\Delta Z - Z_v^*\}+2\frac{\bar{R}}{\gamma}\Delta Z+2(\Delta Z-Z_v^*)(Z_v^*)-2(Z_v^*-\Delta Z)\left(\frac{\Delta Z}{2}\right)\right\} < 0$$

By simplifying,

$$0 < 2{Z_v^*}^2 + 2Z_v^*\left(\frac{Z_L}{2}+\frac{h}{\gamma}+\frac{\bar{R}}{\gamma}-\frac{\left\{\frac{1}{2}+a\right\}}{k\gamma}\right)-Z_L\left(Z_L+\frac{h}{\gamma}+\frac{2\bar{R}}{\gamma}\right).$$

Then

$$Z_v^* \geq \frac{1}{2}\left[-\left(\frac{Z_L}{2}+\frac{h}{\gamma}+\frac{\bar{R}}{\gamma}-\frac{\left\{\frac{1}{2}+a\right\}}{k\gamma}\right)+\sqrt[2]{\left(\frac{Z_L}{2}+\frac{h}{\gamma}+\frac{\bar{R}}{\gamma}-\frac{\left\{\frac{1}{2}+a\right\}}{k\gamma}\right)^2+2Z_L\left(Z_L+\frac{h}{\gamma}+\frac{2\bar{R}}{\gamma}\right)}\right].$$

Therefore the minimum value of Z_v^* is

$$\bar{Z}_v = \frac{1}{2}\left[-\left(\frac{Z_L}{2}+\frac{h}{\gamma}+\frac{\bar{R}}{\gamma}-\frac{\left\{\frac{1}{2}+a\right\}}{k\gamma}\right)+\sqrt[2]{\left(\frac{Z_L}{2}+\frac{h}{\gamma}+\frac{\bar{R}}{\gamma}-\frac{\left\{\frac{1}{2}+a\right\}}{k\gamma}\right)^2+2Z_L\left(Z_L+\frac{h}{\gamma}+\frac{2\bar{R}}{\gamma}\right)}\right].$$

Proof of Lemma 3

Lemma 3 (I)

Proof of (I)(1)

If $e_E^1 < \bar{e} < e_E^2$ for $\bar{e} \in \langle 0, e_2]$, $\bar{e} < e\left(\bar{Z}_{-J}^E = Z_v^*(\bar{e})\right)$. Then $\bar{e}$ is in the decreasing part of the *MB* with leader endorsement. Therefore, $e_E^* = \bar{e}$ if $U_E^L(e=1) - U_E^L(e=\bar{e}) \leq 0$.

Let me define $\underline{\lambda}_{21}^*$ as the population size at which $U_E^L(e=1) - U_E^L(e=\bar{e}) = 0$

$$U_E^L(e=1) - U_E^L(e=\bar{e})$$
$$= \lambda_2\left\{\left(\gamma\left(Z_v^*(1) - \bar{Z}_{-J}^E\right)\right)^2 + \left(\gamma\left(\bar{Z}_{-J}^E - Z_v^*(\bar{e})\right)\right)^2 + \gamma\left(Z_v^*(1) + Z_v^*(\bar{e}) - 2\bar{Z}_{-J}^E\right)\bar{R}\right.$$
$$\left. + \gamma\left(Z_v^*(1) - Z_v^*(\bar{e})\right)\left\{\frac{1}{\lambda_2}\left(\frac{1}{2} - (1-\lambda_2)b_1 - \lambda_2 b_2\right) + h - \frac{\theta}{\lambda_2\gamma}\right\}\right\} = 0$$

By simplifying,

$$(a)\ \underline{\lambda}_{21}^* = \frac{\left\{\frac{\theta}{\gamma} - \left(\frac{1}{2} - b_1\right)\right\}\left(Z_v^*(1) - Z_v^*(\bar{e})\right)}{\gamma\left\{\left(Z_v^*(1) - \bar{Z}_{-J}^E\right)^2 + \left(\bar{Z}_{-J}^E - Z_v^*(\bar{e})\right)^2\right\} + \left(Z_v^*(1) + Z_v^*(\bar{e}) - 2\bar{Z}_{-J}^E\right)\bar{R} + [h + (b_1 - b_2)]\left(Z_v^*(1) - Z_v^*(\bar{e})\right)}$$

Then from the condition of Lemma 2 and *(a)*, $e_E^* = \bar{e}$.

Proof of (I)(2)

If $\bar{e} < e_E^1 < e_E^2$ for $\bar{e} \in \langle 0, e_2]$, $\bar{e} < e\left(\bar{Z}_{-J}^E = Z_v^*(\bar{e})\right)$. Then $\bar{e}$ is in the decreasing part of the *MB* with leader endorsement. As a result, $e_E^* = \bar{e}$ if $U_E^L(e=1) - U_E^L(e=e_1^E) \leq 0$.

Defining $\underline{\lambda}_{22}^*$ as the population size at which $U_E^L(e=1) - U_E^L(e=e_1^E) = 0$.

$$U_E^L(e=1) - U_E^L(e=e_1^E)$$
$$= \lambda_2\gamma\left(Z_v^*(1) - \bar{Z}_{-J}^E\right)\left(\gamma\left(Z_v^*(1) - \bar{Z}_{-J}^E\right) + \bar{R} + \frac{1}{\lambda_2}\left\{\frac{1}{2} - b_1 + \lambda_2(b_1 - b_2)\right\} + h\right.$$
$$\left. - \frac{\theta}{\lambda_2\gamma}\right) - \frac{\lambda_2}{2}\{\bar{R}^2\} = 0.$$

From which,

$$(b) \qquad \underline{\lambda}_{22}^{*} = \frac{\left\{\frac{\theta}{\gamma} - \left(\frac{1}{2} - b_1\right)\right\}}{\gamma\left(Z_v^*(1) - \bar{Z}_{-J}^{E}\right) - \frac{\bar{R}^2}{2\gamma\left(Z_v^*(1) - \bar{Z}_{-J}^{E}\right)} + \bar{R} + h + (b_1 - b_2)}$$

Then by Lemma 2 et *(b)*, $e_E^* = e_E^1$.

Proof of (I)(3)

(i) follows from *(a)* since $U_E^L(e = 1) - U_E^L(e = \bar{e}) \geq 0$, when $\lambda_2 \geq \underline{\lambda}_{21}^{*}$.

(ii) follows from *(b)* since $U_E^L(e = 1) - U_E^L(e = e_1^E) \geq 0$, when $\lambda_2 \geq \underline{\lambda}_{22}^{*}$.

(iii) if $e_E^1 < \bar{e}$ then the unique solution with leader endorsement is e_E^2,

for the FOC:

$$e_E^2 = \frac{1}{\Delta Z}\left\{-\frac{1}{2\gamma}\left[\frac{1}{\lambda_2}\left\{\frac{1}{2} - b_1 + \lambda_2(b_1 - b_2) - \frac{\theta}{\gamma}\right\} + h + \bar{R}\right] + \left(\bar{Z}_{-J}^{E} - Z_v^*\right)\right\}.$$

Then

$$U_E^L(e = 1) - U_E^L(e = e_E^2)$$
$$= k\left(\gamma\left(Z_v^*(1) - \bar{Z}_{-J}^{E}\right) + \left(\frac{1}{2}\left[\bar{R} + \frac{1}{\lambda_2}\left\{\frac{1}{2} - b_1 + \lambda_2(b_1 - b_2)\right\} + h\right]\right) - \frac{\theta}{2\lambda_2\gamma}\right)^2 > 0.$$

Similarly, when $e_E^1 < e_E^2 < \bar{e}$ for $\bar{e} \in [e_2, e_3\rangle$, $\bar{e} < e\left(\bar{Z}_{-J}^{E} = Z_v^*(\bar{e})\right)$. Then $\bar{e}$ is in the increasing part of the *MB* with leader endorsement, which leads to a corner solution $e_E^* = 1$ since $U_E^L(e = 1) - U_E^L(e = \bar{e}) > 0$.

Proof of (I)(4)

First part

$e_{NE}^* = \bar{e}$ when $e_{NE}^1 < \bar{e}$ since $\bar{e} > e\left(Z_v^*(\bar{e}) = \bar{Z}_{-J}^{NE}\right)$. That is, $\bar{e}$ is in the increasing part of the *MB* with leader endorsement.

$$U_{NE}^L(e = \bar{e}) - U_{NE}^L(e = e_1^{NE})$$
$$= \lambda_2\left[\left[\gamma\left(Z_v^*(\bar{e}) - \bar{Z}_{-J}^{NE}\right)\right]\right]^2$$
$$+ \lambda_2\gamma\left(Z_v^*(\bar{e}) - \bar{Z}_{-J}^{NE}\right)\left\{\bar{R} + \frac{1}{\lambda_2}\left(\frac{1}{2} - b_1 + \lambda_2(b_1 - b_2)\right) - \frac{\theta}{\lambda_2\gamma}\right\}$$
$$- \lambda_2\left[\left[\frac{1}{2}\left\{\bar{R} - \frac{1}{k}\left(\frac{1}{2} - b_1 + \lambda_2(b_1 - b_2)\right) + \frac{\theta}{k\gamma}\right\}\right]\right]^2$$

Knowing that

$$e_1^{NE} = \frac{1}{\Delta Z}\left\{\frac{1}{2\gamma}\left[\frac{1}{\lambda_2}\left\{\frac{1}{2} - b_1 + \lambda_2(b_1 - b_2) - \frac{\theta}{\gamma}\right\} - \bar{R}\right] + \left(\bar{Z}_{-J}^{NE} - Z_v^*\right)\right\}$$

$Z_v^*(e_1^{NE}) - \bar{Z}_{-J}^{NE} = \frac{1}{2\gamma}\left[\frac{1}{\lambda_2}\left\{\frac{1}{2} - b_1 + \lambda_2(b_1 - b_2) - \frac{\theta}{\gamma}\right\} - \bar{R}\right] \approx 0$. Then $e_{NE}^* = \bar{e}$ since $U_{NE}^L(e = \bar{e}) - U_{NE}^L(e = e_1^{NE}) > 0$.

Second part

If $e_{NE}^1 < e_{NE}^2 < \bar{e}$, $\bar{e} > e\left(\bar{Z}_{-J}^{NE} = Z_v^*(\bar{e})\right)$. Then $\bar{e}$ is in the increasing part of the *MB* without leader endorsement. As a result, $e_E^* = \bar{e}$ if $U_E^L(e = \bar{e}) - U_E^L(e = 0) \geq 0$.

Let me define $\underline{\lambda}_{23}^*$ as the population size at which $U_{NE}^L(e = \bar{e}) - U_{NE}^L(e = 0) = 0$.

$$U_{NE}^L(e = \bar{e}) - U_{NE}^L(e = 0) =$$
$$= \lambda_2\left\{\left[\left[\gamma\left(Z_v^*(\bar{e}) - \bar{Z}_{-J}^{NE}\right)\right]\right]^2 + \left[\left[\gamma\left(\bar{Z}_{-J}^{NE} - Z_v^*\right)\right]\right]^2 + \gamma\left(Z_v^*(\bar{e}) + Z_v^* - 2\bar{Z}_{-J}^{NE}\right)\bar{R}\right.$$
$$\left. + \gamma(Z_v^*(\bar{e}) - Z_v^*)\left\{\frac{1}{\lambda_2}\left(\frac{1}{2} - b_1 + \lambda_2(b_1 - b_2)\right) - \frac{\theta}{k\gamma}\right\}\right\}$$

By simplifying,

$$(c)\ \underline{\lambda}_{23}^* > \frac{\left\{\frac{\theta}{\gamma} - \left(\frac{1}{2} - b_1\right)\right\}(Z_v^*(\bar{e}) - Z_v^*)}{\gamma\left(Z_v^*(\bar{e}) - \bar{Z}_{-J}^{NE}\right)^2 + \gamma\left(\bar{Z}_{-J}^{NE} - Z_v^*\right)^2 + \left(Z_v^*(\bar{e}) + Z_v^* - 2\bar{Z}_{-J}^{NE}\right)\bar{R} + (b_1 - b_2)(Z_v^*(\bar{e}) - Z_v^*)}$$

Then $e_{NE}^* = \bar{e}$ since $U_{NE}^L(e = \bar{e}) - U_{NE}^L(e = 0) \geq 0$, when $\lambda_2 \geq \underline{\lambda}_{23}^*$.

Proof of (I)(5)

(i) follows from *(c)*. $U_{NE}^L(e = \bar{e}) - U_{NE}^L(e = 0) \leq 0$, when $\lambda_2 \leq \underline{\lambda}_{23}^*$.

(ii) If $e_{NE}^1 < \bar{e} < e_{NE}^2$, $\bar{e}$ is in the decreasing part of the *MB* without leader endorsement. Then $e_E^* = 0$ since $U_E^L(e = \bar{e}) - U_E^L(e = 0) < 0$.

Lemma *3 (II)*

In the following cases, $\bar{e}$ is always in the increasing part of the MB since $\bar{e} > e(\bar{Z}_{-J}^E = Z_v^*(\bar{e}))$.

Proof of (II)(1)

Defining $\underline{\lambda}_{24}^{*}$ as the population size at which $U_E^L(e=0) - U_E^L(e=\bar{e}) = 0$.

$$U_E^L(e=0) - U_E^L(e=\bar{e})$$
$$= \lambda_2\left(\gamma\left(Z_v^* + Z_v^*(\bar{e}) - 2\overline{Z}_{-J}^{E}\right) + \left[\overline{R} + \frac{1}{\lambda_2}\left\{\frac{1}{2} - b_1 + \lambda_2(b_1 - b_2)\right\} + h\right]\right)\gamma\left(Z_v^*\right.$$
$$\left. - Z_v^*(\bar{e})\right) - \theta\left(Z_v^* - Z_v^*(\bar{e})\right) = 0$$

By simplifying,

$$(d) \qquad \underline{\lambda}_{24}^{*} = \frac{\frac{\theta}{\gamma} - \left\{\frac{1}{2} - b_1\right\}}{\gamma\left(Z_v^* + Z_v^*(\bar{e}) - 2\overline{Z}_{-J}^{E}\right) + \overline{R} + h + (b_1 - b_2)}$$

It follows that $e_E^* = \bar{e}$, when $e_E^2 < \bar{e}$ and $\lambda_2 > \underline{\lambda}_{24}^{*}$. Otherwise $e_E^* = 0$

Proof of (II)(2)

Let me define $\underline{\lambda}_{25}^{*}$ as the value at which $U_{NE}^L(e=1) - U_{NE}^L(e=\bar{e}) = 0$.

$$U_{NE}^L(e=1) - U_{NE}^L(e=\bar{e})$$
$$= \lambda_2\left[\left[\gamma\left(Z_v^*(1) - \overline{Z}_{-J}^{NE}\right) + \left(\frac{1}{2}\left\{\overline{R} + \frac{1}{\lambda_2}\left(\frac{1}{2} - b_1 + \lambda_2(b_1 - b_2)\right)\right\}\right)\right]\right]^2$$
$$- \lambda_2\left[\left[\gamma\left(Z_v^*(\bar{e}) - \overline{Z}_{-J}^{NE}\right) + \left(\frac{1}{2}\left\{\overline{R} + \frac{1}{\lambda_2}\left(\frac{1}{2} - b_1 + \lambda_2(b_1 - b_2)\right)\right\}\right)\right]\right]^2 - \theta\Delta Z + \theta\bar{e}\Delta Z$$
$$= 0.$$

Then

$$(e) \qquad \underline{\lambda}_{25}^{*} = \frac{\frac{\theta}{\gamma} - \left\{\frac{1}{2} - b_1\right\}}{\gamma\left(Z_v^*(1) + Z_v^*(\bar{e}) - 2\overline{Z}_{-J}^{E}\right) + \overline{R} + (b_1 - b_2)}.$$

From the condition of Lemma 2 and *(e)*, $U_{NE}^L(e=1) - U_{NE}^L(e=\bar{e}) \leq 0$ only when $\underline{\underline{\lambda_2}} < \lambda_2 < \underline{\lambda}_{25}^{*}$.

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