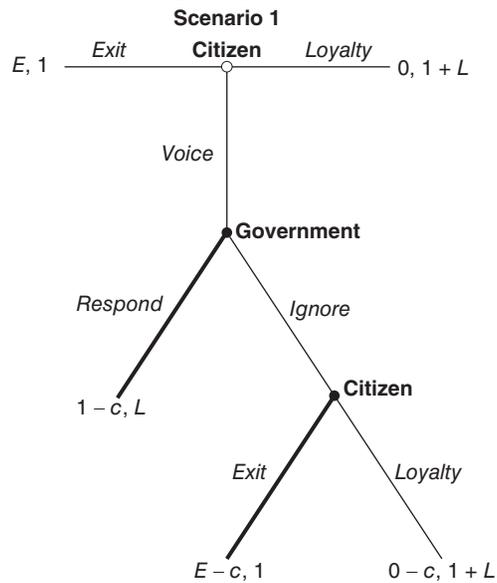


**FIGURE 3.4 ■ The EVL Theory When the Citizen Has a Credible Exit Threat ( $E > 0$ ) and the Government Is Dependent ( $L > 1$ ): Step 2 of Backward Induction**



*Note:*  $E$  = citizen's exit payoff;  $1$  = value of benefit taken from the citizen by the government;  $L$  = government's value from having a loyal citizen who doesn't exit;  $c$  = cost of using voice. It's assumed that  $c, L > 0$ ;  $E < 1 - c$ ;  $E > 0$ ;  $L > 1$ .