# Coordinating Charitable Donations

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Charity is typically carried out by individual donors, who donate money to charities they support, or by centralized organizations such as governments or municipalities, which collect individual contributions and distribute them among a set of charities. Individual charity respects the will of the donors, but may be inefficient due to a lack of coordination; centralized charity is potentially more efficient, but may ignore the will of individual donors. We present a mechanism that combines the advantages of both methods for donors with Leontief preferences (i.e., each donor seeks to maximize an individually weighted minimum of all contributions across the charities). The mechanism distributes the contribution of each donor efficiently such that no subset of donors has an incentive to redistribute their donations. Moreover, it is group-strategyproof, satisfies desirable monotonicity properties, maximizes Nash welfare, can be computed efficiently via convex programming, and can be attained by natural best-response spending dynamics.

**Keywords:** Mechanism design, collective decision making, Leontief preferences

## 1. Introduction

Private charity, given by individual donors to underprivileged people in their vicinity, has existed long before institutionalized charity via municipal or governmental organizations. Its main advantage is transparency—the donors know exactly where their money goes to, which may increase their willingness to donate. A major disadvantage of private charity is the lack of coordination: donors may donate to certain people or charities without knowing that these recipients have already received ample money from other donors. Centralized charity via governments or municipalities is potentially more efficient but, if not done carefully, may disrespect the will of the donors.

As an example, consider the following scenario involving two donors and four charities. The first donor is willing to contribute \$900 and supports charities $A$, $B$, and $C$, whereas the second donor is willing to contribute \$100 and supports charities $C$ and $D$.

- A central organization may collect the contributions of the donors and divide them equally among the four charities, so that each charity receives \$250. While this outcome is the most balanced possible for the charities, it goes against the will of the first donor, since \$150 of her contribution is used to support charity $D$.

- By contrast, without any coordination, each donor may split her individual contribution equally between the charities that she approves. As a result, charities $A$ and $B$ receive \$300 each, charity $C$ receives \$350, and charity $D$ receives \$50. However, if the second donor knew that charity $C$ would already receive \$300 from the first donor, she would probably prefer to donate more to charity $D$, for which she is the only contributor.

- Our suggested mechanism would give \$300 to each of charities $A$, $B$, and $C$, and \$100 to charity $D$. This distribution can be understood as recommendations to the individual donors: the first donor should distribute her contribution uniformly over charities $A$, $B$, and $C$ whereas the second donor should transfer all her contribution to charity $D$. Importantly, the contribution of each donor only goes to charities that the donor approves. Subject to that, the donations are divided as equally as possible.

Evaluating and comparing donor coordination mechanisms requires some assumptions on the donors' preferences. Since charitable giving is often driven by egalitarian considerations, we assume that donors want to *maximize the minimum amount* given to a charity they approve. This can be formalized by endowing each donor with a utility function mapping each distribution to the smallest amount of money allocated to one of the donor's approved charities. For example, for the distribution $(300, 300, 300, 100)$, the first agent's utility is 300 and the second agent's utility is 100. More generally, our model allows donors to attribute different values than merely 1 and 0 (which indicate approval and disapproval, respectively) to different charities. If a donor $i$ values a charity $x$ at $v_{i,x}$, then $i$'s utility from a distribution $\delta$ equals $\min_x \delta(x)/v_{i,x}$, where the minimum is taken over all charities $x$ for which $v_{i,x} > 0$. Such utilities are known as *Leontief utilities* (see, e.g., Varian, 1992; Mas-Colell et al., 1995) and are often studied in resource allocation problems (e.g., Nicoló, 2004; Li and Xue, 2013; Parkes et al., 2015). Whenever $v_{i,x} \in \{0, 1\}$ for all agents $i$ and charities $x$, we refer to this as (Leontief) utility functions with *binary weights*.[1]

Given the contribution and utility function of each donor, our goal is to distribute the money among the charities in a way that respects the individual donors' preferences. The idea of "respecting the donors' preferences" is captured by the notion of an *equilibrium distribution*. We say that a distribution is *in equilibrium* if it can be implemented by telling each donor how to distribute her contribution among the charities, such that the prescribed distribution maximizes the donor's utility given that the other donors follow their own prescriptions. One can check that, in the above example, the unique equilibrium distribution is $(300, 300, 300, 100)$.

*A priori*, it is not clear that an equilibrium distribution (in pure strategies) always exists. Our first main result is that each preference profile admits a *unique* equilibrium distribution. Moreover, we prove that the unique equilibrium distribution coincides with

[1] One can further assume that, subject to maximizing the minimum amount given to an approved charity, the donors want to maximize the second-smallest amount, then the third-smallest amount, and so on. Our results carry over to this class of preferences; see Section 8.

the unique distribution that maximizes the product of individual utilities weighted by their contributions (*Nash welfare*), which implies that it is Pareto efficient, and can be computed via convex programming.

In our example, the equilibrium distribution $(300, 300, 300, 100)$ also maximizes the minimum utility of all agents (*egalitarian welfare*) subject to each donor only contributing to her approved charities. We show that this is true in general when weights are binary, and extends to an infinite class of welfare measures "in between" Nash welfare and egalitarian welfare. Moreover, for the case of binary weights, we show that the equilibrium distribution coincides with the distribution that allocates individual contributions to approved charities such that the minimum contribution to charities is maximized lexicographically. This allows for simpler computation via linear programming.

Based on existence and uniqueness, we can define the *equilibrium distribution rule (EDR)*—the mechanism that returns the unique equilibrium distribution of a given profile. Our second main result is that *EDR* exhibits remarkable axiomatic properties:

- *Group-strategyproofness*: agents and coalitions thereof are never better off by misrepresenting their preferences, and are strictly better off by contributing more money,
- *Preference-monotonicity*: the amount donated to a charity can only increase when agents increase their valuation for the charity, and
- *Contribution-monotonicity*: the amount donated to a charity can only increase when agents increase their contributions.

As we further show, equilibrium distributions are the limit distributions of natural spending dynamics based on best responses. This can be leveraged in settings where a central infrastructure is unavailable or donors are reluctant to completely reveal their preferences. One could envision a scenario in which donors have set aside a, say, monthly budget to spend on charitable activities and repeatedly distribute this budget after observing the donations made by other donors in previous rounds. We prove that, when donors spend their money myopically optimally in each round, the relative overall distribution of donations converges to the equilibrium distribution. Hence, socially desirable outcomes can be attained even without a central infrastructure, as long as charities are transparent about the donations they receive. This scenario also allows for occasional changes in the agents' preferences and contributions, as the process keeps converging towards an equilibrium distribution of the current profile.

Apart from private charity, our results are also applicable to donation programs—prominent examples include *AmazonSmile* and *cinque per mille* by the Italian Revenue Agency. In these programs, participants can redirect a portion of their payments (purchase price and income tax, respectively) to charitable organizations of their choice.[2] In 2022, a record €510 million were distributed via cinque per mille. AmazonSmile ran

[2] For AmazonSmile and cinque per mille, each participant can choose only one charitable organization. However, as Brandl et al. (2022) argued, permitting them to indicate support for multiple organizations can increase the efficiency of the distribution.

from 2013 to 2023 and was used to allocate a total of $400 million. Note that, in contrast to private charity, participants of donation programs do not have the option of taking their money out of the system, which means that the important issue lies in finding a desirable distribution of the contributions rather than in incentivizing the participants to donate in the first place.[3]

The remainder of this paper is structured as follows. After discussing related work in Section 2, we formally introduce our model in Section 3. Section 4 lays the foundation for the proposed distribution rule by showing existence and uniqueness of equilibrium distributions as well as characterizing Pareto efficient distributions in our setting. Subsequently, we define *EDR* as the rule that always returns the equilibrium distribution and examine it axiomatically in Section 5. In Section 6, we explore natural spending dynamics that converge towards the equilibrium distribution. The special case of Leontief utilities with binary weights allows for alternative characterizations of *EDR* that enable its computation via linear programming, as well as further justification of *EDR* via a wide class of welfare functions; this is covered in Section 7. The paper concludes in Section 8 with a brief discussion of alternative utility models such as linear, concave, and leximin Leontief utilities.

## 2. Related work

A well-studied problem related to the setting we study in this paper is that of *private provision of public goods* (see, e.g., Samuelson, 1954; Bergstrom et al., 1986; Varian, 1994; Falkinger, 1996; Falkinger et al., 2000). In this stream of research, each agent decides on how much money she wants to contribute to funding a public good. Typically, this leads to under-provision of the public good in equilibrium, resulting in inefficient outcomes. In our model, we assume that agents have already set aside a budget to support public charities, either voluntarily or compulsorily (as part of their taxes or payments to a company). The inefficiency that we are worried about is an inefficient allocation among different public goods. As a result, the problem we study has the flavor of both social choice and fair division.

Socially optimal outcomes can be implemented by well-known strategyproof mechanisms such as the Vickrey-Clarke-Groves (VCG) mechanism. However, VCG fails to be budget-balanced: it collects money from the agents, and has to 'burn' that money in order to maintain strategyproofness. By contrast, in our setting, the monetary contribution of each agent is fixed and independent of the agent's preferences. The entire contribution goes to charities approved by the agent and the central issue is one of fair distribution. As we show in Section 5.1, strategyproofness can be achieved without

[3]Leontief utility functions are not only suitable in the context of charity but also in other settings where agents have to jointly fund resources that are complementary in nature. For example, consider a communication network and a set of agents, each of whom intends to transmit a signal along an individual path in the network. Their utilities are given by the quality of the signal at the last node on their path, which equals the minimal transmission quality of an edge along that path. Our mechanism can be used to coordinate agents' investments to improve the transmission quality of edges.

imposing additional payments on the agents.

A rapidly growing stream of research explores *participatory budgeting* (e.g., Aziz and Shah, 2021), which allows citizens to jointly decide how the budget of a municipality should be spent in order to realize projects of public interest. In contrast to charities, the projects considered in participatory budgeting come with a fixed cost (e.g., constructing a new bridge), and each project can be either fully funded or not at all. Moreover, most participatory budgeting papers assume that money is owned by the municipality rather than by the agents themselves. Yet another recent stream of research, sometimes called *portioning*, studies how to aggregate budget proposals of individual agents into a collective budget division in a fair and efficient way. In this vein, Freeman et al. (2021) consider a model in which the preferences of the agents are given by the $\ell_1$ distance between their favorite division and the returned division. They propose a class of strategyproof aggregation mechanisms and highlight one of them—the independent markets mechanism—which also satisfies a weak form of proportionality. In contrast to our model, their setting necessitates a tradeoff between efficiency and fairness.

The work most closely related to ours is that of Brandl et al. (2021, 2022) who initiated the axiomatic study of donor coordination mechanisms. In their model, the utility of each donor is defined as the weighted *sum* of contributions to charities, where the weights correspond to the donor's inherent utilities for a unit of contribution to each charity. Under this assumption, the only efficient distribution in the introductory example is to allocate the entire donation of \$1000 to charity $C$, since this distribution gives the highest possible utility, 1000, to all donors. However, this distribution leaves charities $A$, $B$, and $D$ with no money at all, which may not be what the donors intended. With sum-based utilities, as studied by Brandl et al., charities are perfect *substitutes*: when a donor assigns the same utility to several charities, she is completely indifferent to how money is distributed among these charities. By contrast, in our model of *minimum-based* utilities, charities are perfect *complements*: donors want their money to be evenly distributed among charities they like equally much. Fine-grained preferences over charities can be expressed by setting weights for Leontief utility functions. It can be argued that this assumption better reflects the spirit of charity by not leaving anyone behind. The modified definition of utility functions critically affects the nature of elementary concepts such as efficiency or strategyproofness and fundamentally changes the landscape of attractive mechanisms.

The main result by Brandl et al. (2022) shows that, in their model of linear utilities, the Nash product rule incentivizes agents to contribute their entire budget, even when attractive outside options are available. However, the Nash product rule fails to be strategyproof (Aziz et al., 2020) and violates simple monotonicity conditions (Brandl et al., 2021). In fact, a sweeping impossibility by Brandl et al. (2021) shows that, even in the simple case of binary valuations, no distribution rule that spends money on at least one approved charity of each agent can simultaneously satisfy efficiency and strategyproofness. This confirms a conjecture by Bogomolnaia et al. (2005) and demonstrates the severe limitations of donor coordination with linear utilities. Interestingly, as we show in this paper, Leontief utilities allow for much more positive results.

Originating from the *Nash bargaining solution* (Nash, 1950), the Nash product rule can be interpreted as a tradeoff between maximizing utilitarian and egalitarian welfare, a recurring idea when it comes to finding efficient *and* fair solutions. When allocating divisible private goods to agents with additive valuations, the Nash product rule returns the set of all *competitive equilibria from equal incomes* (Eisenberg and Gale, 1959); thus, it results in an efficient and *envy-free* allocation (Foley, 1967). For the case of indivisible private goods, Caragiannis et al. (2019) showed that maximizing Nash welfare returns an allocation that is not only efficient but also satisfies *envy-freeness up to one good*, and Yuen and Suksompong (2023) obtained a characterization of the Nash product rule using the latter axiom. The Nash product rule is also a sensible mechanism in our context and, as shown in Section 4, its outcome is completely characterized by another concept due to Nash (1950): when defining a game in which the players' strategies are redistributions of their individual contributions, there is a unique Nash equilibrium which coincides with the distribution maximizing Nash welfare.

A natural special case of our model is that of Leontief utilities with *binary weights*, where agents only approve or disapprove charities and the utility of each agent is given by the minimal amount transferred to any of her approved charities. Under the assumption that agents only contribute to charities they approve and that all individual contributions are equal, this can be interpreted as a (many-to-many) matching problem on a bipartite graph where agents (and their contributions) need to be assigned to charities with unlimited capacity. Bogomolnaia and Moulin (2004) proposed a solution to such matching problems that maximizes egalitarian welfare of the charities (rather than the agents). The intriguing connection between these two types of egalitarianism are addressed in Section 7. Bogomolnaia and Moulin also showed that their solution constitutes a competitive equilibrium from equal incomes (from the charity managers' point of view).

## 3. The model

Let $N$ be a set of $n$ *agents*. Each agent $i$ contributes an amount $C_i \geq 0$. For every subset of agents $N' \subseteq N$, we denote $C_{N'} := \sum_{i\in N'} C_i$. The sum of all contributions, $C_N$, is called the *endowment*.

Further, consider a set $A$ of $m$ potential recipients of the contributions, which we refer to as *charities*. A *distribution* is a function $\delta$ assigning a nonnegative real number to each charity, such that $\sum_{x\in A} \delta(x) = C_N$. The support $\{x\colon \delta(x) > 0\}$ of $\delta$ is denoted by $\text{supp}(\delta)$, and the set of all possible distributions is denoted by $\Delta(C_N)$. For a subset of charities $A' \subseteq A$, we define $\delta(A') := \sum_{x\in A'} \delta(x)$ as the total amount allocated to charities in $A'$.

For every $i \in N$ and $x \in A$, there is a real number $v_{i,x} \geq 0$ that represents the value of charity $x$ to agent $i$. We assume that each agent $i$ has at least one charity $x$ for which $v_{i,x} > 0$. For every agent $i \in N$, we define $A_i := \{x\colon v_{i,x} > 0\}$ as the set of charities to which $i$ attributes a positive value.

The utility that agent $i$ derives from distribution $\delta$ is denoted by $u_i(\delta)$ and is given by the Leontief utility function:

$$u_i(\delta) = \min_{x \in A_i} \frac{\delta(x)}{v_{i,x}}.$$

Note that, for every charity $x \in A$ and every agent $i \in N$,

$$\delta(x) \geq v_{i,x} \cdot u_i(\delta).$$

If all $v_{i,x}$ are in $\{0,1\}$, we refer to Leontief utilities with *binary* weights. A *profile* $P$ consists of $\{C_i\}_{i \in N}$ and $\{v_{i,x}\}_{i \in N, x \in A}$. Throughout this paper, agents with contribution zero do not have any influence on the outcome and can thus be treated as agents who choose not to participate in the mechanism.

A *distribution rule* $f$ maps every profile to a distribution $\Delta(C_N)$ of the total endowment $C_N$.

## 4. Equilibrium distributions

The endowment to be distributed consists of the contributions of individual agents. In order to formalize which distributions are in equilibrium, we therefore need to define how distributions can be decomposed into individual distributions.

**Definition 1** (Decomposition)**.** A *decomposition* of a distribution $\delta$ is a vector of distributions $(\delta_i)_{i \in N}$ with

$$\sum_{i \in N} \delta_i(x) = \delta(x) \qquad \text{for all } x \in A; \tag{1}$$

$$\sum_{x \in A} \delta_i(x) = C_i \qquad \text{for all } i \in N. \tag{2}$$

Clearly, each distribution admits at least one decomposition. We aim for a decomposition in which no agent can increase her utility by changing $\delta_i$, given $C_i$ and the distributions $\delta_j$ for $j \neq i$. In other words, we look for a pure strategy Nash equilibrium of the game in which the strategy space of each agent $i$ is the set of $\delta_i$ satisfying (2).

**Definition 2** (Equilibrium distribution)**.** A distribution $\delta$ is *in equilibrium* if it admits a decomposition $(\delta_i)_{i \in N}$ such that, for every agent $i$ and for every alternative distribution $\delta'_i$ satisfying $\sum_{x \in A} \delta'_i(x) = C_i$,

$$u_i(\delta) \geq u_i(\delta - \delta_i + \delta'_i).$$

*A priori*, it is not clear whether an equilibrium distribution always exists. The present section is devoted to proving the following theorem.

**Theorem 1.** *Every profile admits a unique equilibrium distribution. This distribution is Pareto efficient and can be computed via convex programming.*

As a consequence, we can define the *equilibrium distribution rule* as the distribution rule that selects for each profile its unique equilibrium distribution. In Section 5, we will prove that this rule satisfies desirable strategic and monotonicity properties.

## 4.1. Critical charities

We start by characterizing equilibrium distributions based on critical charities. Given a distribution $\delta$, we define the set of agent $i$'s *critical charities*

$$T_{\delta,i} := \arg\min_{x \in A_i} \frac{\delta(x)}{v_{i,x}}.$$

Each charity $x \in T_{\delta,i}$ is critical for agent $i$ in the sense that the utility of $i$ would decrease if the amount allocated to $x$ were to decrease. Every agent has at least one critical charity. For every agent $i$ and charity $x$ such that either $v_{i,x} > 0$ or $\delta(x) > 0$, the following equivalences hold:

$$\begin{aligned} x \in T_{\delta,i} \quad &\Leftrightarrow \quad \delta(x) = v_{i,x} \cdot u_i(\delta); \\ x \notin T_{\delta,i} \quad &\Leftrightarrow \quad \delta(x) > v_{i,x} \cdot u_i(\delta). \end{aligned} \tag{3}$$

We prove below that a distribution is in equilibrium if and only if each agent contributes only to her critical charities.

**Lemma 1.** *A distribution $\delta$ is in equilibrium if and only if it has a decomposition $(\delta_i)_{i\in N}$ such that $\delta_i(x) = 0$ for every charity $x \notin T_{\delta,i}$. Equivalently, it has a decomposition satisfying the following equality instead of* (2)*:*

$$\sum_{x \in T_{\delta,i}} \delta_i(x) = C_i \qquad \text{for all } i \in N. \tag{4}$$

*Proof.* $\Rightarrow$: Suppose that, in every decomposition of $\delta$, some agent $i$ contributes to a charity $y \notin T_{\delta,i}$. Fix a decomposition $(\delta_i)_{i\in N}$ of $\delta$. Since $\delta(y) > 0$, by (3), $\delta(y) > v_{i,y} \cdot u_i(\delta)$. Agent $i$ can reduce a small amount from $\delta_i(y)$ and distribute it equally among all charities in $T_{\delta,i}$; this strictly increases the Leontief utility of $i$. Therefore, $\delta$ is not an equilibrium distribution.

$\Leftarrow$: Suppose $\delta$ has a decomposition in which each agent $i$ only contributes to charities in $T_{\delta,i}$. In every other strategy of agent $i$, she must contribute less money to at least one such charity, $y \in T_{\delta,i}$. Since $\delta(y) > 0$, by (3), the original distribution to charity $y$ was $\delta(y) = v_{i,y} \cdot u_i(\delta)$, so the new distribution to $y$ is less than $v_{i,y} \cdot u_i(\delta)$. Therefore, the utility of agent $i$ is smaller than $u_i(\delta)$ and the deviation is not beneficial. □

**Corollary 1.** *In an equilibrium distribution, every charity that receives a positive amount is critical for at least one agent.*

Lemma 1 implies that an equilibrium distribution satisfies an even stronger equilibrium property.

**Corollary 2.** *In every equilibrium distribution (and associated decomposition), no* group of agents *can deviate without making at least one of its members worse off.*

This is because *any* deviation decreases the contribution to a critical charity of at least one group member. This equilibrium notion is slightly stronger than *strong equilibrium* by Aumann (1959).

## 4.2. Efficiency

One of the main objectives of a centralized distribution rule is economic efficiency.

**Definition 3** (Efficiency)**.** Given a profile $P$, a distribution $\delta \in \Delta(C_N)$ is *(Pareto) efficient* if there does not exist another distribution $\delta' \in \Delta(C_N)$ that *(Pareto) dominates* $\delta$, i.e., $u_i(\delta') \geq u_i(\delta)$ for all $i \in N$ and $u_i(\delta') > u_i(\delta)$ for at least one $i \in N$. A distribution rule is efficient if it returns an efficient distribution for every profile $P$.

Corollary 2 implies that every equilibrium distribution is efficient, since any Pareto improvement yields a beneficial deviation for the group of all agents.

The following lemma characterizes efficient distributions of an arbitrary profile.

**Lemma 2.** *A distribution $\delta$ is efficient if and only if every charity $x \in \operatorname{supp}(\delta)$ is critical for some agent.*

*Proof.* $\Rightarrow$: Suppose that some charity $x \in \operatorname{supp}(\delta)$ is not critical for any agent. Since $\delta(x) > 0$, by (3), $\delta(x) > v_{i,x} \cdot u_i(\delta)$ for all agents $i \in N$. Denote

$$D := \delta(x) - \max_{i \in N} (v_{i,x} \cdot u_i(\delta))$$

where our assumptions imply that $D > 0$. Construct a new distribution $\delta'$ by removing $D/2$ from charity $x$ and distributing it equally among all other charities. We claim that $u_i(\delta') > u_i(\delta)$ for every agent $i \in N$. Indeed, if $v_{i,x} = 0$ then $u_i$ does not decrease by the removal from $\delta(x)$, and strictly increases by the addition to all other charities. Otherwise,

$$u_i(\delta') = \min\left(\frac{\delta'(x)}{v_{i,x}}, \min_{y \in A_i \setminus x} \frac{\delta'(y)}{v_{i,y}}\right).$$

Both terms are larger than $u_i(\delta)$:

- The former term is $(\delta(x) - D/2)/v_{i,x} > (\delta(x) - D)/v_{i,x} = (\max_{j \in N}[v_{j,x} \cdot u_j(\delta)])/v_{i,x} \geq u_i(\delta)$ by construction.
- For the latter term, the fact that $u_i(\delta) < \delta(x)/v_{i,x}$ implies that $u_i(\delta) = \min_{y \in A_i \setminus x} (\delta(y)/v_{i,y})$, and $\min_{y \in A_i \setminus x} (\delta'(y)/v_{i,y})$ is strictly larger than that since each charity $y \in A \setminus x$ receives additional funding in $\delta'$.

Hence, $\delta$ is not efficient.

$\Leftarrow$: Suppose that every charity $x \in \operatorname{supp}(\delta)$ is critical for some agent. Let $\delta'$ be any distribution different than $\delta$. Since the sum of both distributions is the same ($C_N$), there exists a charity $y \in \operatorname{supp}(\delta)$ with $\delta'(y) < \delta(y)$. Let $i_y \in N$ be an agent for whom $y$ is critical in $\delta$. Then the utility of $i_y$ is strictly smaller in $\delta'$:

$$u_{i_y}(\delta') \leq \frac{\delta'(y)}{v_{i_y,y}} \qquad \text{(by definition of Leontief utilities)}$$

$$< \frac{\delta(y)}{v_{i_y,y}} \quad (\delta'(y) < \delta(y) \text{ by definition of } y, \text{ and } v_{i_y,y} > 0 \text{ by definition of } i_y)$$
$$= u_{i_y}(\delta) \quad (\text{by (3), since } y \text{ is critical for } i_y \text{ in } \delta)$$

so $\delta'$ does not dominate $\delta$. Hence, $\delta$ is efficient. □

Despite this characterization, the set of efficient distributions fails to be convex,[4] as in the case of linear utilities (see Bogomolnaia et al., 2005).

Combining Corollary 1 with Lemma 2 constitutes another proof for Corollary 3.

**Corollary 3.** *Every equilibrium distribution is efficient.*

The following lemma shows that every efficient utility vector is generated by at most one distribution.

**Lemma 3.** *Let $\delta$ and $\delta'$ be efficient distributions inducing the same utility vector, that is, $u_i(\delta) = u_i(\delta')$ for all $i \in N$. Then, $\delta = \delta'$.*

*Proof.* By Lemma 2, for each $x \in \text{supp}(\delta)$ there is an agent for whom $x$ is critical. Denote one such agent by $i_x$. Then,

$$\begin{aligned}
\delta(x) &= v_{i_x,x} \cdot u_{i_x}(\delta) && \text{(by (3), since } x \text{ is critical for } i_x) \\
&= v_{i_x,x} \cdot u_{i_x}(\delta') && \text{(by the lemma assumption)} \\
&\leq \delta'(x) && \text{(by definition of Leontief utilities).}
\end{aligned}$$

The same inequality $\delta(x) \leq \delta'(x)$ trivially holds also for all $x \notin \text{supp}(\delta)$. Since both distributions sum up to $C_N$, this implies $\delta = \delta'$. □

Consequently, an efficient distribution rule essentially maps a profile to a utility vector.

## 4.3. Existence, uniqueness, and computation

One common way to obtain an efficient distribution is to maximize a welfare function. Formally, for any strictly increasing function $g$ on $\mathbb{R}_{\geq 0}$, we say that a distribution $\delta$ is *$g$-welfare-maximizing* if it maximizes the weighted sum $\sum_{i \in N} C_i \cdot g(u_i(\delta))$. Clearly, any such distribution is efficient. Whenever $g$ is strictly concave, there is a *unique* $g$-welfare-maximizing distribution; the straightforward proof is given in Appendix A.

We focus on the special case in which $g$ is the logarithm function. The *Nash welfare* of a distribution $\delta$ is defined as the sum of logarithms of the agents' utilities, weighted by their contributions:

$$\mathit{Nash}(\delta) := \sum_{i \in N} C_i \cdot \log u_i(\delta).$$

[4] Consider an example with three charities $\{a, b, c\}$ and two agents with $v_{1,c} = v_{2,a} = 0$ and $v_{i,x} = 1$ otherwise, and $C_1 = C_2 = 1$. Then, $\delta = (1, 1, 0)$ and $\delta' = (0, 1, 1)$ are both efficient distributions, but not $0.5\,\delta + 0.5\,\delta' = (0.5, 1, 0.5)$.

The *Nash rule* selects a distribution $\delta$ that maximizes *Nash*$(\cdot)$ or, equivalently, the weighted product of the agents' utilities $\prod_{i\in N} u_i^{C_i}$ (with the convention that $0\log 0 = 0$ and $0^0 = 1$). The following two lemmas show that a distribution is in equilibrium if and only if it maximizes Nash welfare.

**Lemma 4.** *Every distribution that maximizes Nash welfare is in equilibrium.*

*Proof.* We present a proof outline first, and the complete proof afterwards. Let $\delta$ be an efficient distribution that is *not* in equilibrium, and let $(\delta_i)_{i\in N}$ be any decomposition of $\delta$. By Lemma 1, since $\delta$ is not in equilibrium, there are agents who contribute to charities that are not critical for them. By Lemma 2, since $\delta$ is efficient, these charities must be critical for some other agents. In other words, some agents "waste" some of their contribution on other agents' critical charities. We construct a directed graph $G$ that encodes these "wasteful" transfers. Then we show that it is possible to transfer funds along the arcs of $G$, in a way that increases the Nash welfare. This proves that $\delta$ is not Nash-optimal. Therefore, every Nash-optimal distribution must be in equilibrium.

We now explain how $G$ is constructed. The nodes of $G$ correspond to agents, and there is an arc $i \to j$ if and only if $\delta_i(T_{\delta,j}) > 0$, that is, agent $i$ contributes to a critical charity of $j$. We call the arc $i \to j$ *strong* if $\delta_i(T_{\delta,j} \setminus T_{\delta,i}) > 0$, that is, agent $i$ contributes to a charity that is critical for $j$ but not for $i$. Otherwise, we call the arc $i \to j$ *weak*. Since $\delta$ is not in equilibrium, by Lemma 1, there is an agent, say agent 1, who contributes to a charity $x \notin T_{\delta,1}$. Since $\delta$ is efficient, by Lemma 2, $x$ is critical to some other agent, say agent 2, so $G$ contains a strong arc $1 \to 2$.

If the strong arc is a part of a directed cycle, then we can move a sufficiently small amount $\varepsilon$ along the cycle without changing $\delta$. In detail, suppose without loss of generality that the cycle is $1 \to 2 \to \cdots \to k \to 1$, where the involved charities are $x_1 \in T_{\delta,1},\ x_2 \in T_{\delta,2} \setminus T_{\delta,1},\ x_3 \in T_{\delta,3},\ x_4 \in T_{\delta,4},\ \ldots,\ x_k \in T_{\delta,k}$. We assume that $x_2$ is in $T_{\delta,2} \setminus T_{\delta,1}$ since the arc $1 \to 2$ is strong; in particular, $x_2$ must be different than $x_1$. The other arcs may be strong or weak, and some of the $x_i$ may coincide. For every $i \in \{1,\ldots,k-1\}$, move a small amount $\varepsilon > 0$ from $\delta_i(x_{i+1})$ to $\delta_i(x_i)$; move the same $\varepsilon$ from $\delta_k(x_1)$ to $\delta_k(x_k)$. Note that the decomposition changes, but the total $\delta$ remains the same. Increase $\varepsilon$ until one arc of the cycle disappears, or the strong arc becomes weak. Repeat this cycle-removal procedure until all strong arcs are not part of any directed cycle. This process is guaranteed to terminate since in each cycle removal, either the respective strong arc becomes weak or the cycle it is part of is removed. Furthermore, no new (strong) arcs are created as agents do not contribute to additional charities, and the overall distribution $\delta$ together with the set of critical charities does not change.

Let $G$ be the graph of the resulting decomposition. Since the total distribution is still $\delta$, which is efficient but not in equilibrium, $G$ still has at least one strong arc, say $j \to k$. Let $N_+$ be the set of agents accessible from $k$ via a directed path (where $k \in N_+$), and let $N_- := N \setminus N_+$. Since $j \to k$ is not part of any directed cycle, $j \in N_-$. Due to the strong arc $j \to k$, agents of $N_-$ waste some of their own contributions on critical charities of $N_+$, that are not critical for themselves. Moreover, their own critical charities do not receive any donations from agents of $N_+$, since they are not accessible from $N_+$. In contrast, the agents in $N_+$ spend all their contributions on their own critical charities, that are not critical charities of agents outside $N_+$. In addition, they receive some donations from agents of $N_-$. Therefore, denoting by $T_{\delta,N'}$ the set of charities that are critical for at least one agent in $N'$ under $\delta$ for any given $N' \subseteq N$,

$$\delta(T_{\delta,N_+} \setminus T_{\delta,N_-}) > C_{N_+}; \tag{5}$$

$$\delta(T_{\delta,N_-}) < C_{N_-}. \tag{6}$$

If $\delta(T_{\delta,N_-}) = 0$, then $\mathit{Nash}(\delta) = -\infty$ and $\delta$ is clearly not Nash-optimal, so we may assume that $\delta(T_{\delta,N_-}) > 0$. We construct a new distribution $\delta'$ in the following way.

- Remove a small amount $\varepsilon$ from $\delta(T_{\delta,N_+} \setminus T_{\delta,N_-})$, such that each charity loses proportionally to its current distribution. That is, for each charity $x \in T_{\delta,N_+} \setminus T_{\delta,N_-}$, the new distribution is $\delta'(x) := \delta(x) \cdot [1 - \varepsilon/\delta(T_{\delta,N_+} \setminus T_{\delta,N_-})]$.
- Add this $\varepsilon$ to $\delta(T_{\delta,N_-})$ such that each charity gains proportionally to its current distribution. That is, for each charity $y \in T_{\delta,N_-}$, the new distribution is $\delta'(y) := \delta(y) \cdot [1 + \varepsilon/\delta(T_{\delta,N_-})]$.

Choose $\varepsilon$ sufficiently small such that the sets of critical charities of agents in $N_-$ do not change (that is, no new charities become critical for them). This redistribution has the following effect on the agents' utilities:

- The utility of each agent $i \in N_+$ may decrease by a factor of up to $[1 - \varepsilon/\delta(T_{\delta,N_+} \setminus T_{\delta,N_-})]$. Therefore, the contribution to Nash welfare changes by at least $\Delta_{N_+}(\varepsilon) := C_{N_+} \cdot \log[1 - \varepsilon/\delta(T_{\delta,N_+} \setminus T_{\delta,N_-})]$. We have $\lim_{\varepsilon\to 0} \Delta_{N_+}(\varepsilon)/\varepsilon = -C_{N_+}/\delta(T_{\delta,N_+} \setminus T_{\delta,N_-})$, which is larger than $-1$ by inequality (5).
- The utility of each agent $i \in N_-$ increases by a factor of $[1+\varepsilon/\delta(T_{\delta,N_-})]$. Therefore, the contribution to Nash welfare increases by $\Delta_{N_-}(\varepsilon) := C_{N_-} \cdot \log[1+\varepsilon/\delta(T_{\delta,N_-})]$. We have $\lim_{\varepsilon\to 0} \Delta_{N_-}(\varepsilon)/\varepsilon = C_{N_-}/\delta(T_{\delta,N_-})$, which is larger than 1 by inequality (6).

The overall difference in Nash welfare is $\Delta(\varepsilon) := \Delta_{N_+}(\varepsilon) + \Delta_{N_-}(\varepsilon)$, and we have $\lim_{\varepsilon\to 0} \Delta(\varepsilon)/\varepsilon > -1 + 1 = 0$, so $\Delta(\varepsilon) > 0$ for sufficiently small $\varepsilon$. Therefore, $\mathit{Nash}(\delta') > \mathit{Nash}(\delta)$, so $\delta$ was not Nash-optimal, completing the proof. □

**Lemma 5.** *Every equilibrium distribution maximizes Nash welfare.*

*Proof.* Let $\delta^*$ be an equilibrium distribution. For any distribution $\delta$, we derive an upper bound for $\mathit{Nash}(\delta)$ in terms of $\delta^*$. We show that this upper bound is maximized when $\delta = \delta^*$ and is equal to $\mathit{Nash}(\delta)$ for $\delta = \delta^*$. Thus, $\mathit{Nash}(\delta) \leq \mathit{Nash}(\delta^*)$ so $\delta^*$ maximizes the Nash welfare.

Formally, let $(\delta_i^*)_{i\in N}$ be any decomposition of $\delta^*$ satisfying Lemma 1, and let $N_{\delta^*,x} := \{i \colon x \in T_{\delta^*,i}\}$ be the set of agents for whom $x$ is critical in $\delta^*$. For every distribution $\delta$ with $\mathit{Nash}(\delta) > -\infty$, we have

$$\mathit{Nash}(\delta) = \sum_{i\in N} C_i \log(u_i(\delta))$$

$$
\begin{aligned}
&= \sum_{i \in N} \left( \sum_{x \in T_{\delta^*,i}} \delta_i^*(x) \right) \log(u_i(\delta)) && \text{(by (4))} \\
&\leq \sum_{i \in N} \sum_{x \in T_{\delta^*,i}} \delta_i^*(x) \cdot \log\left(\frac{\delta(x)}{v_{i,x}}\right) \\
&= \sum_{x \in A} \left( \sum_{i \in N_{\delta^*,x}} \delta_i^*(x) \cdot \log\left(\frac{\delta(x)}{v_{i,x}}\right) \right) \\
&= \sum_{x \in A} \left( \sum_{i \in N_{\delta^*,x}} \delta_i^*(x) \right) \log(\delta(x)) - \sum_{x \in A} \left( \sum_{i \in N_{\delta^*,x}} \delta_i^*(x) \log(v_{i,x}) \right) \\
&= \sum_{x \in A} \delta^*(x) \log(\delta(x)) - \sum_{x \in A} \left( \sum_{i \in N_{\delta^*,x}} \delta_i^*(x) \log(v_{i,x}) \right). && \text{(by (1))}
\end{aligned}
$$

We claim that, for every fixed $\delta^*$, the latter expression is maximized for $\delta = \delta^*$. The second term is independent of $\delta$. As for the first term $\sum_{x \in A} \delta^*(x) \log(\delta(x))$, consider the optimization problem of maximizing $\sum_{x \in A} \delta^*(x) \log(\delta(x))$ subject to $\sum_{x \in A} \delta(x) = \sum_{x \in A} \delta^*(x)$ (note that $\delta^*$ is a constant in this problem). Its Lagrangian is

$$
\sum_{x \in A} \delta^*(x) \log(\delta(x)) + \lambda \cdot \left( \sum_{x \in A} \delta^*(x) - \sum_{x \in A} \delta(x) \right)
$$

Setting the derivative with respect to $\delta(x)$ to 0 gives $\delta^*(x)/\delta(x) = \lambda$ for all $x \in A$. Since $\sum_{x \in A} \delta(x) = \sum_{x \in A} \delta^*(x)$, we must have $\lambda = 1$, so $\delta = \delta^*$. This means that

$$
\mathit{Nash}(\delta) \leq \sum_{x \in A} \delta^*(x) \log(\delta^*(x)) - \mathrm{const}(\delta^*).
$$

For $\mathit{Nash}(\delta^*)$, the same derivation holds, but the inequality becomes an equality, since in equilibrium, $\delta_i^*(x) > 0$ only if $u_i(\delta^*) = \delta^*(x)/v_{i,x}$. Therefore,

$$
\mathit{Nash}(\delta) \leq \mathit{Nash}(\delta^*),
$$

so $\delta^*$ is Nash-optimal. □

Since the logarithm function is strictly concave, Lemma 13 in Appendix A implies that there is a unique distribution that maximizes Nash welfare. Hence, Lemmas 4 and 5 entail that there is a unique equilibrium distribution, and it is efficient, as claimed in Theorem 1.

Since the equilibrium distribution maximizes a weighted sum of logarithms, it can be approximated arbitrarily well by considering the corresponding convex optimization problem. For linear utilities, Brandl et al. (2022) show that it is impossible to compute the Nash-optimal distribution exactly, even for binary valuations, since this distribution may involve irrational numbers. By contrast, for Leontief utilities the Nash-optimal distribution is rational whenever the agents' valuations and contributions are rational. This is the case because, given the sets of critical charities for each agent, the equilibrium distribution can be computed using linear programming. Whether the sets of critical charities can be identified in polynomial time is open.

In the special case of binary weights, the equilibrium distribution can be computed exactly using a polynomial number of linear programs; see Section 7. Moreover, equilibrium distributions for Leontief utilities coincide with equilibrium distributions for a larger class of utility functions.

**Proposition 1.** *Whenever each agent $i$ has a separably additive, strictly concave utility function, i.e., $u_i(\delta) = \sum_{x \in A_i} g_i(\delta(x))$, where $g_i \colon \mathbb{R}_{\geq 0} \to \mathbb{R}_{\geq 0}$ is strictly concave and strictly increasing, together with a set $A_i$ of approved charities, the equilibrium distribution coincides with that of the corresponding Leontief utilities with binary weights.*

*Proof.* Assume that agent $i$ has a utility function of the form $u_i(\delta) = \sum_{x \in A_i} f(\delta(x))$. Under any equilibrium distribution $\delta^*$, agent $i$ cannot contribute to a charity $y$ with $\delta^*(y) > \min_{x \in A_i} \delta^*(x)$. Otherwise, she would be able to move a small amount $\varepsilon$ from $y$ to a charity $x$ with $\delta^*(y) - \delta^*(x) > \varepsilon$ leading to an increase of her utility since $f(\delta^*(y)) + f(\delta^*(x)) < f(\delta^*(y) - \varepsilon) + f(\delta^*(x) + \varepsilon)$ as $f(\delta^*(y)) - f(\delta^*(y) - \varepsilon) < f(\delta^*(x) + \varepsilon) - f(\delta^*(x))$ by concavity of $f$ and $\delta^*(y) - \delta^*(x) > \varepsilon$. □

In other words, existence and uniqueness of equilibrium distributions carry over to this more general class of utility functions.

## 5. The equilibrium distribution rule

Based on Theorem 1, we define the *equilibrium distribution rule (EDR)* as the distribution rule that, for each profile, returns the unique equilibrium distribution for this profile. In this section, we investigate axiomatic properties of *EDR*.

### 5.1. Strategyproofness

A distribution rule is *group-strategyproof* if no coalition of agents can gain utility by misreporting their valuations or contributing less. This incentivizes truthful reports and allows for a correct estimation of agents' utilities under different distributions. Furthermore, a group-strategyproof rule ensures that every agent donates the maximal possible contribution, thereby guaranteeing maximal gains from coordination.

**Definition 4** (Group-strategyproofness)**.** Given a distribution rule $f$, a profile $P$, and a group $G \subseteq N$, a profile $P'$ is called a *manipulation of $P$ by $G$* if $C'_G \leq C_G$ (the contribution of $G$ may decrease), and the valuations of agents in $G$ may change, while the contributions and valuations of all agents in $N \setminus G$ remain the same. Such a manipulation is called *successful* if $u_j(f(P')) \geq u_j(f(P))$ for all $j \in G$ and $u_i(f(P')) > u_i(f(P))$ for at least one $i \in G$, where $(u_i)_{i \in N}$ refers to the utilities in $P$.

A distribution rule $f$ is *group-strategyproof* if in any profile, no group of agents has a successful manipulation.

We prove that *EDR* is group-strategyproof by leveraging the following lemma.

**Lemma 6.** *Let $\delta^1$ and $\delta^2$ be two distributions, and $i \in N$ an agent.*
*(a) If $u_i(\delta^2) \geq u_i(\delta^1)$, then every charity in $T_{\delta^1,i}$ receives at least as much funding in $\delta^2$, that is: $\delta^2(y) \geq \delta^1(y)$ for all $y \in T_{\delta^1,i}$.*
*(b) Similarly, if $u_i(\delta^2) > u_i(\delta^1)$, then $\delta^2(y) > \delta^1(y)$ for all $y \in T_{\delta^1,i}$.*

*Proof.* For (a), for every charity $y \in T_{\delta^1,i}$, we have

$$\begin{aligned}
\delta^1(y) &= v_{i,y} \cdot u_i(\delta^1) && \text{(by (3), as } y \text{ is critical for } i \text{ in } \delta^1\text{)} \\
&\leq v_{i,y} \cdot u_i(\delta^2) && \text{(by assumption)} \\
&= v_{i,y} \cdot \min_{x \in A_i} \frac{\delta^2(x)}{v_{i,x}} && \text{(by definition of Leontief utilities)} \\
&\leq v_{i,y} \cdot \frac{\delta^2(y)}{v_{i,y}} && \text{(since } y \in T_{\delta^1,i} \subseteq A_i\text{)} \\
&= \delta^2(y).
\end{aligned}$$

For (b), the first inequality becomes strict. □

**Theorem 2.** *EDR is group-strategyproof.*

*Proof.* Suppose by contradiction that some group of agents has a successful manipulation, and let $G \subseteq N$ be an inclusion-maximal such group. For an arbitrary profile $P$, denote by $P'$ the profile after a successful manipulation by $G$ and by $\delta^P$ and $\delta^{P'}$ the respective equilibrium distributions. Since the manipulation succeeds, $u_j(\delta^{P'}) \geq u_j(\delta^P)$ for all $j \in G$ and $u_i(\delta^{P'}) > u_i(\delta^P)$ for at least one $i \in G$. By Lemma 6, $\delta^{P'}(x) \geq \delta^P(x)$ for every charity $x$ that belongs to $T_{\delta^P,j}$ for some $j \in G$, and $\delta^{P'}(x) > \delta^P(x)$ for every charity $x$ in $T_{\delta^P,i}$. This implies

$$\delta^{P'}\left(\bigcup_{j \in G} T_{\delta^P,j}\right) > \delta^P\left(\bigcup_{j \in G} T_{\delta^P,j}\right). \tag{7}$$

We write both equilibrium distributions as decompositions $\delta^P = \sum_{i \in N} \delta_i^P$ and $\delta^{P'} = \sum_{i \in N} \delta_i^{P'}$ satisfying Lemma 1. Since $C'_G \leq C_G$, inequality (7) above must hold for the individual distribution of at least one agent $k \in N \setminus G$, that is,

$$\delta_k^{P'}\left(\cup_{j \in G} T_{\delta^P,j}\right) > \delta_k^P\left(\cup_{j \in G} T_{\delta^P,j}\right).$$

Consequently, at least one charity $x_G \in \cup_{j \in G} T_{\delta^P,j}$ has $\delta_k^{P'}(x_G) > \delta_k^P(x_G)$. By Lemma 1, $x_G$ must be critical for $k$ in $\delta^{P'}$. Therefore,

$$v_{k,x_G} \cdot u_k(\delta^{P'}) = \delta^{P'}(x_G) \qquad \text{(by (3), as } x_G \text{ is critical for } k \text{ in } \delta^{P'}\text{)}$$

$$\geq \delta^P(x_G) \qquad \text{(by Lemma 6, as } x_G \in T_{\delta^P,j} \text{ for some } j \in G\text{).}$$
$$\geq v_{k,x_G} \cdot u_k(\delta^P) \qquad \text{(by Leontief utilities),}$$

so agent $k$'s utility is not decreased by the group's manipulation. Consequently, $k$ could be added to $G$—contradicting the maximality of $G$.

We conclude that no group of agents has a successful manipulation and thus *EDR* is group-strategyproof. □

In fact, the above proof shows that if the total contribution $C_G$ decreases, then the utility of at least one agent in $G$ has to *strictly* decrease under *EDR* since $\sum_{i\in G} \delta_i^{P'}\left(\bigcup_{j\in G} T_{\delta^P,j}\right) < \sum_{i\in G} \delta_i^{P}\left(\bigcup_{j\in G} T_{\delta^P,j}\right)$ and the above argument applies. In particular, an agent receives *strictly* more utility when she increases her contribution. The interpretation of *EDR* as the Nash product rule even allows us to give an explicit lower bound on the utility gain when increasing one's contribution.

**Theorem 3.** *Under EDR, agents are strictly better off by increasing their contribution.*

*Proof.* Let $P'$ be the profile where, compared to $P$, one agent $j$ increased her contribution by $Z > 0$. Let $\delta^P \in \Delta(C)$ and $\delta^{P'} \in \Delta(C{+}Z)$ be the respective equilibrium distributions.

We claim that $\frac{u_j(\delta^{P'})}{u_j(\delta^P)} \geq \frac{C+Z}{C}$. To see this, define $\delta' = \frac{C+Z}{C}\cdot\delta^P$ and $\delta'' = \frac{C}{C+Z}\cdot\delta^{P'}$ such that $\delta' \in \Delta(C+Z)$ and $\delta'' \in \Delta(C)$. Denote by $NASH_P(\delta)$ the weighted product of agents' utilities in profile $P$ and distribution $\delta$ (the exponent of the Nash welfare as previously defined). Then,

$$\begin{aligned}
1 &\leq \frac{NASH_{P'}(\delta^{P'})}{NASH_{P'}(\delta')} && \text{(by maximality of } \delta^{P'} \text{ in } \Delta(C+Z)\text{)}\\
&= \frac{NASH_{P}(\delta^{P'})}{NASH_{P}(\delta')}\cdot\frac{u_j(\delta^{P'})^Z}{u_j(\delta')^Z} && \text{(as agent } j \text{ increased contribution by } Z\text{)}\\
&= \left(\frac{C+Z}{C}\right)^C\cdot\frac{NASH_{P}(\delta'')}{NASH_{P}(\delta')}\cdot\frac{u_j(\delta^{P'})^Z}{u_j(\delta')^Z} && \text{(as } \delta^{P'} = \frac{C+Z}{C}\cdot\delta''\text{)}\\
&= \frac{NASH_{P}(\delta'')}{NASH_{P}(\delta^P)}\cdot\frac{u_j(\delta^{P'})^Z}{u_j(\delta')^Z} && \text{(as } \delta' = \frac{C+Z}{C}\cdot\delta^P\text{)}\\
&\leq \frac{u_j(\delta^{P'})^Z}{u_j(\delta')^Z} && \text{(by maximality of } \delta^P \text{ in } \Delta(C)\text{)}
\end{aligned}$$

Thus, $u_j(\delta^{P'}) \geq u_j(\delta') = \frac{C+Z}{C}\cdot u_j(\delta^P)$ and the auxiliary claim is proved.

If $u_j(\delta^P) > 0$, then the auxiliary claim implies that $u_j(\delta^{P'}) > u_j(\delta^P)$. Otherwise, $u_j(\delta^P) = 0$ implies $C_j = 0$, and $C_j + Z > 0$ implies $u_j(\delta^{P'}) > 0$ by the equilibrium property, so again $u_j(\delta^{P'}) > u_j(\delta^P)$. □

## 5.2. Preference-monotonicity

An important property from the perspective of charity managers is *preference-monotonicity*, which requires that for every agent $i$ and charity $x \in A$, $\delta(x)$ weakly increases when $v_{i,x}$ increases. In other words, a charity can only receive more donations when it becomes more popular.

**Definition 5** (Preference-monotonicity)**.** A distribution rule $f$ satisfies *preference-monotonicity* if for every two profiles $P$ and $P'$ which are identical except that $v'_{i,x} > v_{i,x}$ for one agent $i$ and one charity $x$, we have $f(P')(x) \geq f(P)(x)$.

For linear utilities, strategyproofness implies preference-monotonicity (Brandl et al., 2021). This does not hold for Leontief utilities, even when valuations are binary. Nevertheless, we still have the following.

**Theorem 4.** *EDR satisfies preference-monotonicity.*

*Proof.* Let $P$ be a profile and $P'$ a modified profile where one agent $i$ increases her valuation for one charity $x$ (that is, $v'_{i,x} > v_{i,x}$ and $v'_{i,y} = v_{i,y}$ for all $y \in A \setminus x$). Let $\delta^P$ and $\delta^{P'}$ be the respective equilibrium distributions. We need to show that $\delta^{P'}(x) \geq \delta^P(x)$.

Let $u_i$ and $u'_i$ be agent $i$'s Leontief utility functions in the two profiles.

By definition of Leontief utilities, $u'_i(\delta^P) = \min(u_i(\delta^P), \delta^P(x)/v'_{i,x})$. We consider two cases, depending on which of the two expressions within the minimum is larger.

*Case 1*: $u_i(\delta^P) < \delta^P(x)/v'_{i,x}$. Then $u'_i(\delta^P) = u_i(\delta^P)$, and all charities in $T_{\delta^P,i}$ remain critical for $i$ in the new profile. Therefore, by Lemma 1, $\delta^P$ is still an equilibrium distribution for $P'$. By uniqueness of the equilibrium distribution, $\delta^{P'}(x) = \delta^P(x)$.

*Case 2*: $u_i(\delta^P) \geq \delta^P(x)/v'_{i,x}$. By definition of Leontief utilities,

$$\frac{\delta^{P'}(x)}{v'_{i,x}} \geq u'_i(\delta^{P'}).$$

By strategyproofness (Theorem 2),

$$u'_i(\delta^{P'}) \;\geq\; u'_i(\delta^P).$$

By definition of Leontief utilities,

$$u'_i(\delta^P) = \min\left(u_i(\delta^P),\; \frac{\delta^P(x)}{v'_{i,x}}\right) = \frac{\delta^P(x)}{v'_{i,x}},$$

since by assumption $u_i(\delta^P) \geq \delta^P(x)/v'_{i,x}$. Combining these three inequalities yields $\delta^{P'}(x) \geq \delta^P(x)$, as desired. □

To complement Theorem 4, we observe some other effects of increasing the valuation $v_{i,x}$ of one agent $i$ for one charity $x$:

- The equilibrium Nash welfare cannot increase; otherwise, the equilibrium distribution in the new profile would also have a higher Nash welfare than the equilibrium distribution of the original profile, with respect to the original valuations; but this contradicts Lemma 5. However, the equilibrium Nash welfare might remain constant if $x$ is not among the critical charities of agent $i$.

- Similarly, the utility of agent $i$ under the equilibrium distribution cannot increase: if agent $i$'s utility with the new valuation is larger under the new equilibrium, this implies that her utility with the original valuation is also larger in the new equilibrium and thus, there exists a beneficial manipulation (reporting exactly that new valuation instead). This would contradict strategyproofness of *EDR* (Theorem 2). However, agent $i$'s utility might remain constant if $x$ is not among her critical charities.

## 5.3. Contribution-monotonicity

For some applications, it is desirable if increased contributions do not result in the redistribution of funds that have already been allocated. For example, if agents arrive over time or increase their contributions over time, ideally the mechanism only needs to take care of the additional contributions. This would allow a deployment of the mechanism as an incremental process in which charities can make immediate use of the donations they receive. We formalize this property in the following definition.

**Definition 6** (Contribution-monotonicity)**.** A distribution rule $f$ satisfies *contribution-monotonicity* if for every two profiles $P$ and $P'$ where $P'$ can be obtained from $P$ by increasing the contribution of one agent (possibly from 0), $f(P')(x) \geq f(P)(x)$ for all charities $x \in A$.

**Theorem 5.** *EDR satisfies contribution-monotonicity.*

*Proof.* Let $P$ and $P'$ be profiles as in Definition 6, so that $C'_i \geq C_i$ for all $i \in N$.

Let $\delta$ and $\delta'$ be the equilibrium distributions corresponding to profiles $P$ and $P'$, respectively. Fix decompositions of $\delta$ and $\delta'$ into individual distributions satisfying Lemma 1.

Let $A^-$ , $A^=$, and $A^+$ be the sets of all charities $x \in A$ with $\delta'(x) < \delta(x)$, $\delta'(x) = \delta(x)$, and $\delta'(x) > \delta(x)$, respectively. Assume for contradiction that $A^-$ is not empty. Thus, $\sum_{i \in N} \delta'_i(A^-) < \sum_{i \in N} \delta_i(A^-)$, so there must be an agent $i \in N$ with $\delta'_i(A^-) < \delta_i(A^-)$, and a charity $y \in A^-$ with $\delta'_i(y) < \delta_i(y)$. But $\delta'_i(A) = C'_i \geq C_i = \delta_i(A)$, so $\delta'_i(A^= \cup A^+) > \delta_i(A^= \cup A^+)$, so there must be a charity $z \in A^= \cup A^+$ with $\delta'_i(z) > \delta_i(z) \geq 0$. By Lemma 1, charities $z$ and $y$ are critical for $i$ under $\delta'$ and $\delta$, respectively. This, in particular, implies that $v_{i,z} > 0$ and $v_{i,y} > 0$. Therefore,

$$\frac{\delta'(z)}{v_{i,z}} \leq \frac{\delta'(y)}{v_{i,y}} < \frac{\delta(y)}{v_{i,y}} \leq \frac{\delta(z)}{v_{i,z}},$$

where the first and last inequalities follow from the definition of critical charities. This implies $\delta'(z) < \delta(z)$, a contradiction to $z \in A^= \cup A^+$. □

**Remark 1.** Theorem 5 yields an alternative proof of the uniqueness of equilibrium distributions, which does not rely on the equivalence with Nash welfare optimality. If $\delta$ and $\delta'$ are equilibrium distributions for the same profile, then both $\delta'(x) \geq \delta(x)$ and $\delta(x) \geq \delta'(x)$ must hold for every charity $x \in A$, which implies $\delta' = \delta$.

# 6. Spending dynamics converging to equilibrium

Thus far, we have assumed the existence of a central authority that collects the preferences of all agents and then either distributes the endowment among the charities or recommends to each agent how to distribute her individual contribution. In this section, we show that equilibrium distributions can also be attained in multi-round processes without a central authority, simply by letting agents spend their contribution one after another in a myopically optimal way. Agents need not reveal their preferences explicitly, but they have to be able to observe the donations made in previous rounds.

To this end, we consider infinite processes in which agents repeatedly play best responses against the strategies of the other agents in previous rounds. We first analyze a redistribution dynamics where the endowment remains fixed and agents can redistribute their contribution whenever it is their turn. It turns out that the distribution converges to the equilibrium distribution under a very mild condition on the sequence of agents. We then consider a continuous spending dynamics in which there is constant flow of contributions from each agent (for example, when each donor $i$ has set aside a monthly budget $C_i$ to spend on charitable activities). We focus on the case of round-robin sequences and show that the relative overall distribution (or, equivalently, the average distribution over all rounds) converges to the equilibrium distribution when agents can only observe the distribution given by the last $n-1$ rounds.[5]

These convergence results can be leveraged to make statements in more flexible settings where the set of participating agents, as well as their preferences and contributions, can change over time. The finite number of donations that have been made up to a certain point will always be outweighed by the infinite number of donations that follow. Hence, even with occasional changes to the profile, the relative overall distribution keeps converging towards an equilibrium distribution of the current profile.

## 6.1. Redistribution dynamics

Let us first consider a dynamics in which the endowment remains fixed and agents repeatedly redistribute their contributions after observing the current overall distribution.

Formally, denote by $\delta^*$ the equilibrium distribution and by $\delta^t$ the distribution at round $t$ (along with its associated decomposition), e.g., $\delta^0$ equals the null vector as no agent $i \in N$ has yet distributed her contribution $C_i$. In each round $t$, allow one agent $i_t$ to (re-)distribute her entire contribution in such a way that her utility is maximized for the new distribution $\delta^{t+1}$, i.e.,

$$\delta_{i_t}^{best} := \arg \max_{\delta_{i_t} \in \Delta(C_{i_t})} u_{i_t} \left( \delta_{i_t} + \sum_{j \neq i_t} \delta_j^t \right);$$
$$\delta^{t+1} := \delta_{i_t}^{best} + \sum_{j \neq i_t} \delta_j^t.$$

[5]The formal statement is stronger as not only the relative overall distribution, but also the distribution given by the last $n$ rounds, converges to the equilibrium distribution.

**Lemma 7.** *For every round $t$ and agent $i_t$, there is a unique best response $\delta_{i_t}^{best}$.*

*Proof.* Since a best response corresponds to a solution of a maximization problem over the closed and bounded set of possible distributions $\delta_{i_t} + \sum_{j \neq i_t} \delta_j^t$ with the continuous objective function $u_{i_t}$, existence is guaranteed.

To show uniqueness, observe that for the distribution in round $t+1$ (which for simplified notation we denote by $\delta := \delta^{t+1}$), we have $\delta_{i_t}(T_{\delta,i_t}) = C_{i_t}$, that is, agent $i_t$ distributes all her contribution on her critical charities in $\delta$. In any other response $\delta'_{i_t}$, agent $i_t$ must contribute less to at least one charity of $T_{\delta,i_t}$. Therefore, her utility must be lower than $u_{i_t}(\delta)$, so $\delta'_{i_t}$ cannot be a best response. □

Before turning to the main result on the convergence of the dynamics, consider the instance given in the introduction as an example. Suppose Donor 2 is the first in the sequence. Her best response, given the initial distribution $(0, 0, 0, 0)$, is to split her donation of \$100 between $C$ and $D$, so the distribution becomes $(0, 0, 50, 50)$. Next, Donor 1 plays a best response, which splits the donation of \$900 unequally, giving $316.\overline{6}$ to $A$, $316.\overline{6}$ to $B$ and $266.\overline{6}$ to $C$. The distribution becomes $(316.\overline{6}, 316.\overline{6}, 316.\overline{6}, 50)$. Then, Donor 2 plays a best response, which moves all her donation to $D$. The distribution becomes $(316.\overline{6}, 316.\overline{6}, 266.\overline{6}, 100)$. Finally, Donor 1 plays a best response, which moves $16.\overline{6}$ from each of $A$ and $B$ to $C$. The distribution then becomes $(300, 300, 300, 100)$, which equals the equilibrium distribution. Note that, in general, it need not be the case that the equilibrium distribution will be attained after a finite number of rounds.

**Theorem 6.** *Given a profile $P$, let $\mathcal{S} = (i_0, i_1, i_2, \dots)$ be an infinite sequence of agents updating their individual distributions via best responses such that there is a bound $K \in \mathbb{N}$ on the maximal number of rounds an agent has to wait until she is allowed to redistribute. Then, the redistribution dynamics converges to the equilibrium distribution, i.e., $\lim_{t\to\infty} \delta^t = \delta^*$.*

The proof will proceed in two steps: First, we will show that the amount an arbitrary agent wants to redistribute converges to 0. Then, we will conclude that this can only be the case if the dynamics converges to the equilibrium distribution. All proofs of auxiliary lemmas are deferred to Appendix B.

For the first step, we define an *ordinal potential function* for our game. This is a real-valued function $\Phi$ on the set of strategy-vectors, such that for any unilateral deviation of any agent $i$, the sign of the change in $\Phi$ is the same as the sign of the change in $i$'s payoff.[6]

We now define an ordinal potential function for our game:[7]

$$\Phi(\delta_1, \dots, \delta_n) := \sum_{i \in N} \sum_{x \in A_i} \delta_i(x) \log\left(\frac{v_{i,x}}{\delta(x)}\right) \tag{8}$$

[6]Potential functions were originally introduced to prove the existence of pure strategy Nash equilibria in congestion games (Rosenthal, 1973; Monderer and Shapley, 1996) and have since then been widely used to prove convergence to equilibrium.

[7]This potential function is a special case of a potential function in nonatomic congestion games; see Milchtaich (1996, 2000, 2004).

Note that $\Phi$ is well-defined, as $\delta(x) = 0$ implies $\delta_i(x) = 0$ for all $i \in N$, and $x \in A_i$ implies $v_{i,x} > 0$.

Indeed, it can be shown that (8) is a potential for the dynamics.

**Lemma 8.** *For any sequence $\mathcal{S}$, it holds that $\Phi(\delta^{t+1}) > \Phi(\delta^t)$ for all $t$.*

The potential $\Phi$ is bounded on $\Delta(C_N)$, since

$$\begin{aligned}\Phi(\delta_1, \ldots, \delta_n) &= \sum_{i \in N} \sum_{x \in A_i} \delta_i(x) \log\left(\frac{v_{i,x}}{\delta(x)}\right) \\ &= \sum_{i \in N} \sum_{x \in A_i} \delta_i(x) \log(v_{i,x}) - \sum_{x \in A} \delta(x) \log(\delta(x)) \\ &\leq \sum_{i \in N} \sum_{x \in A_i} \delta_i(x) \log(v_{i,x}) + \frac{|A|}{\mathrm{e}} < \infty.\end{aligned}$$

Therefore, the sequence $(\Phi(\delta^t))_{t \in \mathbb{N}}$ has to converge to some limit. We denote this limit by $\phi^*$.

We will now show that the amount an arbitrary agent wants to redistribute converges to 0. By assumption, there exists a round $T \leq K$ by which all agents have already appeared at least once in $\mathcal{S}$. It is sufficient to prove the theorem for the subsequence starting at $T$. Therefore, from now on, we assume without loss of generality that at round $t = 0$, all agents have already appeared at least once in $\mathcal{S}$, and thus, have contributed the entire amount $C_i$.

Denote the amount of shifted contributions in round $t$ by $c_t$:

$$c_t := \frac{1}{2} \|\delta^t - \delta^{t+1}\|_1.$$

When moving from $\delta^t$ to $\delta^{t+1}$ in round $t$, agent $i_t$ redistributes $c_t$ from a set of charities $A_{i_t}^-$ to another set $A_{i_t}^+$ with $A_{i_t}^+ \cap A_{i_t}^- = \emptyset$. Since the agent is only allowed to redistribute her individual distribution, $c_t \leq \delta_{i_t}^t(A_{i_t}^-)$. Furthermore, since she redistributes according to her best response, she gives money only to charities that are critical to her in the new distribution, so $\delta_{i_t}^{t+1}(x) = 0$ for all $x \in A$ with $\delta^{t+1}(x)/v_{i_t,x} > u_{i_t}(\delta^{t+1})$ and $u_{i_t}(\delta^{t+1}) = \delta^{t+1}(x^+)/v_{i_t,x^+}$ for every $x^+ \in A_{i_t}^+$. An illustrative example is given in Figure 1. In particular, $\delta^{t+1}(x^-)/v_{i_t,x^-} \geq u_{i_t}(\delta^{t+1}) = \delta^{t+1}(x^+)/v_{i_t,x^+}$ for all $x^- \in A_{i_t}^-$ and $x^+ \in A_{i_t}^+$.

Define $d_i(\delta)$ as the amount of contribution that would be shifted by an agent $i$ if the current distribution (along with its associated decomposition) were $\delta$ and it was her turn to respond. Note that we define $d_i(\delta)$ for all agents, not only the one who actually plays her best response; in particular, $d_{i_t}(\delta^t) = c_t$ for all $t$. Note also that $\delta$ is the equilibrium distribution if and only if $d_i(\delta) = 0$ for all $i \in N$.

**Lemma 9.** *For any sequence $\mathcal{S}$, round $t \geq 0$, and agent $j \in N$,*

$$d_j(\delta^t) \leq d_{i_t}(\delta^t) + d_j(\delta^{t+1}).$$

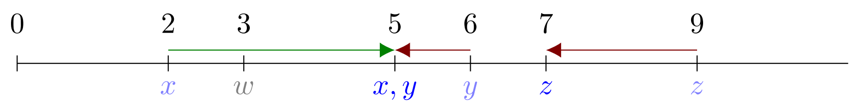


Figure 1: An instance with four charities (named $w, x, y, z$), $\delta^t = (3, 2, 6, 9)$, and an agent $i_t$ with $\delta^t_{i_t} = (0, 2, 2, 2)$ and Leontief utilities with binary weights $v_{i_t} = (0, 1, 1, 1)$. Then, $\delta^{best}_{i_t} = (0, 5, 1, 0)$, $\delta^{t+1} = (3, 5, 5, 7)$, $c_t = 3$, $A^-_{i_t} = \{y, z\}$, $A^+_{i_t} = \{x\}$.

Intuitively, the lemma can be seen as a "triangle inequality": the left-hand side denotes the direct distance from $\delta^t$ towards $j$'s optimal redistribution; the right-hand side denotes the distance along an indirect path that first goes to $\delta^{t+1}$ and then proceeds from there towards $j$'s optimal redistribution.

For any agent $j \in N$ and round $t$, we know that $j$ will get the chance to redistribute her contribution in at most $K$ rounds by assumption. Denote this next round by $t' \leq t + K$. So,

$$\begin{aligned}
\sum_{\ell=t}^{t'} c_\ell &= \sum_{\ell=t}^{t'} d_{i_\ell}(\delta^\ell) \\
&\geq \sum_{\ell=t}^{t'} \left( d_j(\delta^\ell) - d_j(\delta^{\ell+1}) \right) && \text{(by Lemma 9)} \\
&= d_j(\delta^t) - d_j(\delta^{t'+1}) \\
&= d_j(\delta^t) && \text{(as } d_j(\delta^{t'+1}) = 0 \text{ after agent } j\text{'s best response).}
\end{aligned}$$

Thus, we have an upper bound on the maximum amount any agent would like to shift at any given round $t$.

**Corollary 4.** *For all rounds $t$,* $\sum_{\ell=t}^{t+K} c_\ell \geq \max_{i \in N} d_i(\delta^t)$.

We combine this with Lemma 8 to show that the amount an agent wants to redistribute converges to 0.

**Lemma 10.** *For any sequence $\mathcal{S}$ and agent $j \in N$,* $\lim_{t\to\infty} d_j(\delta^t) = 0$.

We can now complete the proof of Theorem 6.

*Proof of Theorem 6.* For any $\mathcal{S}$, since $(\delta^t)_{t\in\mathbb{N}}$ is an infinite sequence in the closed set of distributions in the (bounded) simplex $\Delta(C_N)$, the Bolzano-Weierstrass theorem states that it has a convergent subsequence $(\delta^{t_k})_{k\in\mathbb{N}}$ with limit $\delta \in \Delta(C_N)$. Furthermore, by Lemma 10, $\lim_{k\to\infty} d_i(\delta^{t_k}) = 0$ for *any* convergent subsequence, implying $d_i(\lim_{t\to\infty} \delta^{t_k}) = 0$ for every agent $i \in N$, and so $\lim_{t\to\infty} \delta^{t_k} = \delta^*$ for every convergent subsequence $(\delta^{t_k})_{k\in\mathbb{N}}$. Thus, $\lim_{t\to\infty} \delta^t = \delta^*$. □

**Remark 2.** For binary Leontief utilities, the potential simplifies to $\Phi(\delta_1, \ldots, \delta_n) = -\sum_{x \in A} \delta(x) \log(\delta(x))$, i.e., lexicographic improvements of $\delta$ increase the potential. Consequently, $\widehat{\Phi}(\delta) := \sum |\delta(x) - \delta(y)|$, where the sum is taken over all (unordered) pairs of distinct charities $x, y \in A$, is an alternative potential. Moreover, $\widehat{\Phi}$ has the advantage that the potential increases linearly (not only quadratically) in the redistributed amounts. It can then be shown that Theorem 6 holds for *any* sequence $\mathcal{S}$ in which each agent appears infinitely often.

## 6.2. Round-robin spending dynamics

Let us now move on to a model in which there is constant flow of donations and each agent repeatedly donates her contribution $C_i$ when it is her turn. To this end, fix some order of the agents (say, $1, 2, \ldots, n$) and denote by $\delta_i^t(x)$ the total amount of contributions of agent $i$ to charity $x$ until round $t$. At each round $t \geq 0$, agent $i_t = 1 + (t \mod n)$ donates $C_{i_t}$ in such a way that her utility is maximized with respect to the previous donation of each other agent, i.e.,

$$\begin{aligned}
\delta_t^{best} &:= \arg \max_{\delta_{i_t} \in \Delta(C_{i_t})} u_{i_t} \left( \delta_{i_t} + \sum_{t-n<s<t} \delta_s^{best} \right); \\
\delta^{t+1} &:= \delta^t + \delta_t^{best}; \\
\delta_{i_t}^{t+1} &:= \delta_{i_t}^t + \delta_t^{best},
\end{aligned}$$

where the distribution of the contribution of agent $i_t$ in round $t$ is denoted by $\delta_t^{best}$.[8]

Lemma 7 still applies: each agent's best response is unique. To compare $\delta^t$ with the equilibrium distribution $\delta^*$ (where each agent only contributed once), we scale $\delta_i^t$ by the number of donations of agent $i$ until round $t$, which equals $\lfloor (t + n - i)/n \rfloor$.

To illustrate the process, consider the example from the introduction for the sequence $(2, 1, 2, 1, \ldots)$. First, Donor 2 splits her donation of \$100 between $C$ and $D$, resulting in $\delta^1 = (0, 0, 50, 50)$. Next, Donor 1 plays a best response, which splits the donation of \$900 unequally, giving $316.\overline{6}$ to $A$, $316.\overline{6}$ to $B$ and $266.\overline{6}$ to $C$ leading to $\delta^2 = (316.\overline{6}, 316.\overline{6}, 316.\overline{6}, 50)$. Then, Donor 2 donates another \$100 to $D$ under her best response. The overall distribution becomes $\delta^3 = (316.\overline{6}, 316.\overline{6}, 316.\overline{6}, 150)$. It is straightforward to see that from now on, Donor 1 will always split her contribution equally on $A$, $B$, and $C$ whereas Donor 2 will only donate to $D$. Thus, $\lim_{t \to \infty} 2\delta_1^t / t = (300, 300, 300, 0)$ and $\lim_{t \to \infty} 2\delta_2^t / t = (0, 0, 0, 100)$, showing convergence to the equilibrium distribution.

**Theorem 7.** *Given a profile $P$, the continuous round-robin spending dynamics converges to the equilibrium distribution, i.e.,*

$$\lim_{t \to \infty} \sum_{i \in N} \frac{1}{\lfloor (t + n - i)/n \rfloor} \delta_i^t = \delta^*.$$

[8] We here assume that the "observation window" of each agent is given by the last $n - 1$ rounds. Computer simulations suggest that convergence also holds for larger observation windows.

*Proof.* For every $t$, note that $\delta_t^{best}$ is the same distribution as the best response of agent $i_t$ under the redistribution dynamics of Section 6.1 with round-robin sequence $\mathcal{S}$. Thus, Theorem 6 implies that the sum of the last $n$ individual distributions (one per agent) converges to the equilibrium distribution, i.e., $\lim_{t\to\infty}\sum_{k=t-n+1}^{t}\delta_k^{best} = \delta^*$. Consequently, for $t$ being a multiple of $n$, the sum

$$\sum_{i\in N}\frac{1}{\lfloor (t+n-i)/n\rfloor}\delta_i^t = \sum_{i\in N}\frac{n}{t}\delta_i^t = \frac{n}{t}\sum_{\ell=1}^{t/n}\sum_{k=(\ell-1)n}^{\ell n-1}\delta_k^{best}$$

converges to $\delta^*$ as $t \to \infty$. As for arbitrarily large $t$ not being a multiple of $n$, donations from rounds $\lfloor n/t\rfloor, \ldots, t-1$ do only have an arbitrarily small impact on $\sum_{i\in N}\frac{1}{\lfloor (t+n-i)/n\rfloor}\delta_i^t$, convergence to $\delta^*$ holds for the whole sequence. □

**Remark 3.** In the spirit of Proposition 1, the convergence results for binary weights also apply to the class of utility functions defined there, as not only equilibrium distributions but also best responses coincide.

## 7. Leontief utilities with binary weights

In this section, we consider the special case of binary Leontief weights, i.e., $v_{i,x} \in \{0,1\}$ for all agents $i \in N$ and charities $x \in A$. Equivalently, each agent $i$ has a non-empty set of *approved charities* $A_i \subseteq A$ and her utility from a distribution $\delta$ is

$$u_i(\delta) = \min_{x\in A_i}\delta(x).$$

For each charity $x \in A$, we denote by $N_x \subseteq N$ the set of agents who approve charity $x$. For a subset of agents $N' \subseteq N$, we denote $A_{N'} := \bigcup_{i\in N'} A_i$ as the set of charities approved by at least one member of $N'$. Note that, for every charity $x \in A$ and every agent $i \in N_x$,

$$\delta(x) \geq u_i(\delta). \tag{9}$$

Binary weights allow for further insights into the structure of the equilibrium distribution, which in turn yield new interpretations and additional properties of *EDR*.

For linear utilities with binary weights, a distribution is in equilibrium if and only if each agent contributes only to charities she approves. Brandl et al. (2021) refer to this axiom as *decomposability*.

**Definition 7** (Decomposable distribution)**.** Given a profile with binary weights ($v_{i,x} \in \{0,1\}$), a distribution $\delta$ is *decomposable* if it has a decomposition $(\delta_i)_{i\in N}$ such that $\delta_i(x) = 0$ for every charity $x \notin A_i$. Equivalently, it has a decomposition satisfying the following, instead of (2):

$$\sum_{x\in A_i}\delta_i(x) = C_i \qquad \text{for all } i \in N. \tag{10}$$

The equivalence of decomposable distributions and equilibrium distributions no longer holds with Leontief utilities: there are decomposable distributions that are not in equilibrium even when there is only one agent. Nevertheless, decomposability can be used to establish two appealing alternative interpretations of *EDR* for binary weights.

## 7.1. Egalitarianism for charities

Motivated by the example from the introduction, we aim at a rule which distributes money on the charities as equally as possible while still respecting the preferences of the donors. One rule that comes to mind selects a distribution that, among all decomposable distributions, maximizes the smallest amount allocated to a charity. Subject to this, it maximizes the second-smallest allocation to a charity, and so on. We define it formally using the *leximin* relation.

**Definition 8.** Given two vectors $\mathbf{x}, \mathbf{y}$ of the same size, we say that $\mathbf{x}$ *is leximin-higher than* $\mathbf{y}$ (denoted $\mathbf{x} \succ_{lex} \mathbf{y}$) if the smallest value in $\mathbf{x}$ is larger than the smallest value in $\mathbf{y}$; or the smallest values are equal, and the second-smallest value in $\mathbf{x}$ is larger than the second-smallest value in $\mathbf{y}$; and so on. $\mathbf{x} \succeq_{lex} \mathbf{y}$ means that either $\mathbf{x} \succ_{lex} \mathbf{y}$ or the multiset of values in $\mathbf{x}$ is the same as that in $\mathbf{y}$.

**Definition 9.** The *charity egalitarian rule* selects a distribution $\delta^*$ that, among all decomposable distributions, maximizes the distribution vector by the leximin order, that is: $\delta^* \succeq_{lex} \delta$ for every decomposable distribution $\delta$.

The leximin order on the closed and convex set of decomposable distributions is connected, every two vectors are comparable, and there exists a unique maximal element (otherwise, any convex combination of two different maximal elements would be leximin-higher than the maximal elements). Therefore, the charity egalitarian rule selects a unique distribution and is well-defined. We prove below that the returned distribution is the equilibrium distribution, resulting in an alternative characterization of *EDR* for binary weights.

**Theorem 8.** *With binary weights, the charity egalitarian rule and EDR are equivalent.*

*Proof.* By uniqueness of the equilibrium distribution (Theorem 1), it is sufficient to show that every charity egalitarian distribution is in equilibrium. Let $\delta^{CHEG}$ be a decomposable charity egalitarian distribution, with decomposition $\delta^{CHEG} = \sum_{i \in N} \delta_i^{CHEG}$. Suppose for contradiction that $\delta^{CHEG}$ is not in equilibrium. By Lemma 1, there is an agent $i \in N$ who contributes to a non-critical charity $x \in A_i$, that is, $\delta_i^{CHEG}(x) > 0$ and $\delta^{CHEG}(x) > u_i(\delta^{CHEG})$. Let $y \in A_i$ be a critical charity of agent $i$, that is, $\delta^{CHEG}(y) = u_i(\delta^{CHEG})$.

If agent $i$ now moves $1/2(\delta^{CHEG}(x) - \delta^{CHEG}(y))$ from $x$ to $y$, the resulting distribution is still decomposable, as both $x$ and $y$ are in $A_i$. It is leximin-higher than $\delta^{CHEG}$, contradicting the leximin-maximality of $\delta^{CHEG}$. $\square$

Remarkably, this new interpretation of *EDR* ignores the Leontief utilities of the agents and does not directly take into account the different contributions. Instead, they enter indirectly through the constraints induced by decomposability.

Theorem 8 implies that *EDR* can be computed by solving the following program, with variables $\delta_x$ for all $x \in A$ and $\delta_{i,x}$ for all $i \in N, x \in A$:

$$\begin{aligned}
&\operatorname{lex\,max\,min}\{\delta_x\}_{x\in A} && \text{subject to} \\
&\delta_x = \sum_{i\in N} \delta_{i,x} && \text{for all } x \in A \\
&\sum_{x\in A_i} \delta_{i,x} = C_i && \text{for all } i \in N \\
&\delta_{i,x} \geq 0, \delta_x \geq 0 && \text{for all } i \in N, x \in A_i
\end{aligned}$$

where "lex max min" refers to finding a solution vector that is maximal in the leximin order subject to the constraints, and the second constraint represents decomposability. It is well-known that such leximin optimization with $k$ objectives and linear constraints can be solved by a sequence of $k$ linear programs (see, e.g., Ehrgott, 2005, Sect. 5.3).

**Corollary 5.** *With binary weights, the equilibrium distribution can be computed by solving at most $|A|$ linear programs.*

## 7.2. Egalitarianism for agents

While *EDR* is egalitarian from the point of view of the charities, one could also consider a rule that is egalitarian from the point of view of the agents. The *conditional egalitarian rule* aims to balance the agents' utilities without disregarding their approvals. It selects a decomposable distribution that, among all decomposable distributions, maximizes the utility vector by the leximin order, that is: $\mathbf{u}(\delta^{CEG}) \succeq_{lex} \mathbf{u}(\delta)$ for every decomposable distribution $\delta$.

**Theorem 9.** *With binary weights, the conditional egalitarian rule and EDR are equivalent.*

*Proof.* By uniqueness of the equilibrium distribution (Theorem 1), it is sufficient to show that every conditional egalitarian distribution is in equilibrium. Let $\delta^{CEG}$ be a conditional egalitarian distribution with decomposition $\delta^{CEG} = \sum_{i\in N} \delta_i^{CEG}$. Suppose for contradiction that $\delta^{CEG}$ is not in equilibrium. Then, some agent $i \in N$ contributes to a non-critical charity $x \in A_i$, that is, $\delta_i^{CEG}(x) > 0$ and $\delta^{CEG}(x) > u_i(\delta^{CEG})$.

Let $D := \min\left(\delta_i^{CEG}(x),\ \delta^{CEG}(x) - u_i(\delta^{CEG})\right)$; our assumptions imply that $D > 0$. Construct a new distribution $\delta'$ from $\delta^{CEG}$ by changing only $\delta_i^{CEG}$: remove $D$ from charity $x$, and add $D/|A_i|$ to every charity in $A_i$ (including $x$). The utility of $i$ increases by $D/|A_i|$, since:

- $\delta'(x) = \delta^{CEG}(x) - D + D/|A_i| \geq u_i(\delta^{CEG}) + D/|A_i|$ by definition of $D$;

- $\delta'(y) = \delta^{CEG}(y) + D/|A_i| \geq u_i(\delta^{CEG}) + D/|A_i|$ for all $y \in A_i \setminus x$, by (9) with equality for $y \in T_{\delta^{CEG},i}$.
- So $u_i(\delta') = \min(\delta'(x), \min_{y \in A_i \setminus x} \delta'(y)) = u_i(\delta^{CEG}) + D/|A_i| > u_i(\delta^{CEG})$.

Moreover, if the utility of some agent $j$ decreases—that is, $u_j(\delta') < u_j(\delta^{CEG})$—then this must be because of the decrease in the distribution to $x$, so $x$ must be a critical charity for agent $j$ in $\delta'$, i.e., $u_j(\delta') = \delta'(x) \geq u_i(\delta') > u_i(\delta^{CEG})$.

Thus, moving from $\delta^{CEG}$ to $\delta'$, the number of agents with utility larger than $u_i(\delta^{CEG})$ strictly increases, and the utility of each agent with utility at most $u_i(\delta^{CEG})$ in $\delta^{CEG}$ does not decrease. Therefore, $\mathbf{u}(\delta') \succ_{lex} \mathbf{u}(\delta^{CEG})$. Since $\delta'$ is decomposable, this contradicts the optimality of $\delta^{CEG}$. □

Theorem 9 implies that the equilibrium distribution can be computed by solving the following program, with variables $u_i$ for all $i \in N$ and $\delta_{i,x}$ for all $i \in N, x \in A_i$.

$$\begin{aligned}
&\text{lex}\max\min\{u_i\}_{i\in N} && \text{subject to} \\
&\quad u_i \leq \delta_{i,x} && \text{for all } i \in N, x \in A_i \\
&\quad \sum_{x \in A_i} \delta_{i,x} = C_i && \text{for all } i \in N \\
&\quad \delta_{i,x} \geq 0, u_i \geq 0 && \text{for all } i \in N, x \in A_i
\end{aligned}$$

Using standard algorithms for lexicographic max-min optimization (see, e.g., Ehrgott, 2005, Sect. 5.3), this program can be solved using at most $|N|$ linear programs.

Thus, we have three algorithms for computing the equilibrium distribution in the case of binary weights: one requires at most $|A|$ linear programs; one requires at most $|N|$ linear programs; and one requires a single convex (non-linear) program. It would be interesting to investigate which of these algorithms is most efficient in practice.

Note that, for general Leontief utilities, equilibrium distributions do *not* necessarily maximize the leximin vector of either the charities or the agents.

**Example 1** (For general Leontief utilities, *EDR*, the conditional egalitarian rule, and the charity egalitarian rule are different from one another)**.** There are three charities $(x, y, z)$ and two agents, both of whom contribute 30. The values of Agent 1 are $(1, 2, 0)$ and the values of Agent 2 are $(0, 1, 1)$.

The charity egalitarian rule returns the leximin-maximal distribution for charities (subject to decomposability), which is $(20, 20, 20)$ with decomposition $(20, 10, 0)$, $(0, 10, 20)$. It is not in equilibrium, since Agent 1 contributes to charity $x$, which is not critical.

The conditional egalitarian rule returns the leximin-maximal distribution for agents (subject to decomposability), which is $(15, 30, 15)$, with utility vector $(15, 15)$ and decomposition $(15, 15, 0)$, $(0, 15, 15)$. It is not in equilibrium, since Agent 2 contributes to charity $y$, which is not critical.

To compute the equilibrium distribution, we can guess that $x, y$ are critical for Agent 1 and $y, z$ are critical for Agent 2, and solve the system of four equations: $\delta(x) = u_1$;

$\delta(y) = 2u_1 = u_2$; $\delta(z) = u_2$; $\delta(x) + \delta(y) + \delta(z) = 60$. The solution is $(12, 24, 24)$; Agent 1 contributes $(12, 18, 0)$ and has utility 12, while Agent 2 contributes $(0, 6, 24)$ and has utility 24. One can verify that this distribution is indeed in equilibrium, so it is the equilibrium distribution.

### 7.3. Welfare functions maximized by *EDR*

Based on the observation that *EDR* coincides with both the Nash product rule and the conditional egalitarian rule for binary weights, a natural question to ask is which other welfare notions are maximized by *EDR* subject to decomposability.

For this, we take a closer look at $g$-welfare (see Section 4.3 and Appendix A), but this time subject to decomposability. Clearly, every $g$-welfare-maximizing distribution is efficient. Below we prove that efficiency is retained even when maximizing among decomposable distributions.

**Lemma 11.** *Let $g$ be any strictly increasing function, and let $\delta$ be a distribution that maximizes the $g$-welfare among all decomposable distributions. Then $\delta$ is unique and efficient.*

*Proof sketch.* Suppose by contradiction that $\delta$ is not efficient. By Lemma 2, there is a charity $x \in \text{supp}(\delta)$ which is not critical for any agent. Then, one agent who contributes to $x$ would be able to shift a small amount uniformly to the set of her critical charities such that $x$ is still not critical for any agent. The resulting distribution is still decomposable, and Pareto dominates $\delta$, contradicting the maximality of $\delta$ in $g$-welfare.

Uniqueness is proved similarly to Lemma 13, using the fact that the set of decomposable distributions is convex, i.e., mixing decomposable distributions results in another decomposable distribution. □

Note that uniqueness holds only within the set of decomposable distributions; there might exist non-decomposable distributions with the same $g$-welfare, as shown in the following example.

**Example 2.** Let $g(x) = -x^{-1}$ (a strictly increasing function). Suppose there are two agents with $A_1 = \{a\},\ A_2 = \{b\},\ C_1 = 2,\ C_2 = 1$. Then, the unique decomposable distribution $\delta^* = (2, 1)$ has the same $g$-welfare $(-2/2 - 1/1 = -2)$ as the non-decomposable distribution $\delta = (1.5, 1.5)$ $(-2/1.5 - 1/1.5 = -2)$.

The Nash product rule is often considered a compromise between maximizing utilitarian welfare ($\sum_{i \in N} C_i \cdot u_i$) and egalitarian welfare (maximizing the utility of the agent with smallest utility; notice that the conditional egalitarian rule is a refinement). This can be seen when considering the family of $g$-welfare functions $\sum_{i \in N} C_i \cdot \text{sgn}(p) \cdot u^p$ for $p \neq 0$ where the limit $p \to 0$ corresponds to $\sum_{i \in N} C_i \cdot \log(u_i)$ and $p \to -\infty$ approaches egalitarian welfare.

The equivalence between conditional egalitarian welfare and Nash welfare extends to a larger class of $g$-welfare functions. This is shown by the following theorem, proved in Appendix C.1.

**Theorem 10.** *Let $g : \mathbb{R}_{\geq 0} \to \mathbb{R} \cup \{-\infty\}$ be a function that satisfies the following conditions:*

1. *$g$ is strictly increasing on $\mathbb{R}_{\geq 0}$ and differentiable on $\mathbb{R}_{>0}$, and*
2. *$xg'(x)$ is non-increasing on $\mathbb{R}_{>0}$.*

*Then, the equilibrium distribution maximizes $g$-welfare among all decomposable distributions.*

Property (1) ensures that social welfare is indeed increasing when an individual's utility increases and small changes in individual utilities only cause small changes in the total social welfare. Property (2) implies that increasing utilities are discounted "at least logarithmically" when being translated to welfare.

In particular, Theorem 10 holds for all $g$-welfare functions $\sum_{i \in N} C_i \cdot \text{sgn}(p) \cdot u^p$ with $p < 0$. However, it ceases to hold when $p > 0$, as the following proposition (whose proof is deferred to Appendix C.2) shows.

**Proposition 2.** *For each $p > 0$, maximizing the $g$-welfare with respect to $g(u) = u^p$ subject to decomposability does not always return the equilibrium distribution.*

Theorem 10 stresses the fact that *EDR* can be motivated not only from a game-theoretic and axiomatic point of view, but also from a welfarist perspective.

## 8. Discussion

Under the assumption that donors' preferences can be modeled using Leontief utility functions, *EDR* turns out to be an exceptionally attractive rule for funding charitable organizations. It satisfies many desirable properties and can be computed via convex programming. In the case of binary weights, *EDR* maximizes a wide range of possible welfare functions and can be computed via linear programming or simple spending dynamics. These results stand in sharp contrast to the previously studied case of linear utilities, where a far-reaching impossibility has shown the incompatibility of efficiency, strategyproofness, and a very weak form of fairness (Brandl et al., 2021). The literature in this stream of research has produced various rules such as the *conditional utilitarian rule*, the *Nash product rule*, the *random priority rule*, or the *sequential utilitarian rule* which trade off these properties against one another (Bogomolnaia et al., 2005; Duddy, 2015; Aziz et al., 2020; Brandl et al., 2021, 2022).

An important question is to which extent our results carry over to concave utility functions (such as Cobb-Douglas), which offer a natural middle-ground between linear and Leontief utilities. Proposition 1 and Remark 3 show that equilibrium existence and uniqueness as well as convergence of the best-response-based spending dynamics also hold for a large class of strictly concave utility functions. However, our other results break down for strictly concave utilities. For example, equilibrium distributions might fail to be efficient and the rule returning the equilibrium distribution is not strategyproof.

Leontief preferences can be refined by breaking ties between distributions lexicographically, similar to leximin utilities. More precisely, rather than only caring about the minimum of $\delta(x)/v_{i,x}$ for $x \in A$, agents can rank all distributions according to the leximin relation (Definition 8) among the vectors $(\delta(x)/v_{i,x})_{x\in A}$. Remarkably, all of our results for general Leontief valuations carry over to these utility functions by adapting the proofs accordingly. It should be noted, however, that lexicographic Leontief preferences are discontinuous.

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# ONLINE APPENDIX

## A. Welfare-maximizing distributions

Let $g$ be a strictly increasing function. The *$g$-welfare* of a distribution $\delta$ is defined as the following weighted sum:

$$g\text{-welfare}(\delta) := \sum_{i \in N} C_i \cdot g(u_i(\delta)).$$

Quantifying welfare enables us to compare and rank all possible utility vectors, which by Lemma 3 induces a social welfare ordering over all distributions $\delta \in \Delta(C_N)$ by $g$-welfare$(\delta)$.

Inversely, every continuous social welfare ordering without any "welfare dependencies" between the agents' utilities can be represented by a $g$-welfare function; see Chapter 2 in the book by Moulin (1988) for a detailed discussion. Additionally weighting agents by their contributions, we arrive at the very expressive class of $g$-welfare functions.

A distribution is called *$g$-welfare-maximizing* if it maximizes the $g$-welfare, i.e., it always chooses a maximal element of the corresponding social welfare ordering. Clearly, every $g$-welfare-maximizing distribution is efficient. When $g$ is concave (equivalently: when the induced social welfare ordering satisfies the Pigou-Dalton principle), a $g$-welfare-maximizing distribution can be found by solving a convex program where the variables are $(u_i)_{i \in N}$ and $(\delta_x)_{x \in A}$:

$$\begin{aligned}
&\text{maximize} \sum_{i \in N} C_i \cdot g(u_i) && \text{subject to} \qquad (11)\\
&\sum_{x \in A} \delta_x \leq C_N \\
&u_i \leq \delta_x / v_{i,x} && \text{for all } i \in N, x \in A_i\\
&u_i \geq 0 && \text{for all } i \in N\\
&\delta_x \geq 0 && \text{for all } x \in A.
\end{aligned}$$

The following technical lemmas prove uniqueness of the welfare-maximizing distribution when $g$ is strictly concave (and strictly increasing).

**Lemma 12.** *For every strictly concave, strictly increasing function $g$, every constant $t \in (0,1)$, and every two distributions $\delta \neq \delta'$,*

$$g\text{-}welfare\left(t\delta + (1-t)\delta'\right) \quad > \quad \min(g\text{-}welfare(\delta'), g\text{-}welfare(\delta)).$$

*Proof.* For every agent $i \in N$, by the concavity of the minimum operator,

$$u_i\left(t\delta + (1-t)\delta'\right) \geq t u_i(\delta) + (1-t) u_i(\delta).$$

Therefore,

$$g\text{-welfare}\left(t\delta + (1-t)\delta'\right) \geq \sum_{i \in N} C_i \cdot g\left(t \cdot u_i(\delta) + (1-t) \cdot u_i(\delta')\right)$$

$$
\begin{aligned}
&> t\sum_{i\in N} C_i \cdot g(u_i(\delta)) + (1-t)\sum_{i\in N} C_i \cdot g(u_i(\delta'))\\
&= t \cdot g\text{-welfare}(\delta) + (1-t)\cdot g\text{-welfare}(\delta')\\
&\geq \min(g\text{-welfare}(\delta'), g\text{-welfare}(\delta))
\end{aligned}
$$

where the first inequality follows from monotonicity and the second one from strict concavity. □

**Lemma 13.** *For every strictly concave, strictly increasing function $g$, there is a unique $g$-welfare-maximizing distribution.*

*Proof.* Assume for contradiction that there exist two different $g$-welfare-maximizing distributions $\delta$ and $\delta'$. Since both distributions are efficient, by Lemma 3 they induce two different utility vectors $(u_i(\delta))_{i\in N}$ and $(u_i(\delta'))_{i\in N}$. By Lemma 12, for any $t \in (0,1)$,

$$
\begin{aligned}
g\text{-welfare}\left(t\delta + (1-t)\delta'\right) &> \min(g\text{-welfare}(\delta'), g\text{-welfare}(\delta))\\
&= g\text{-welfare}(\delta') = g\text{-welfare}(\delta).
\end{aligned}
$$

This contradicts the assumption that $\delta$ and $\delta'$ are $g$-welfare-maximizing. □

## B. Proofs of auxiliary lemmas for Theorem 6

**Theorem 6.** *Given a profile $P$, let $\mathcal{S} = (i_0, i_1, i_2, \dots)$ be an infinite sequence of agents updating their individual distributions via best responses such that there is a bound $K \in \mathbb{N}$ on the maximal number of rounds an agent has to wait until she is allowed to redistribute. Then, the redistribution dynamics converges to the equilibrium distribution, i.e., $\lim_{t\to\infty} \delta^t = \delta^*$.*

**Lemma 8.** *For any sequence $\mathcal{S}$, it holds that $\Phi(\delta^{t+1}) > \Phi(\delta^t)$ for all $t$.*

*Proof.* First, observe that an agent's best response going from $\delta^t$ to $\delta^{t+1}$ can be described by the following continuous process: as long as the agent spends a positive amount on a non-critical charity, transfer money from such a charity to all critical charities equally, until either (i) at least one more charity becomes critical, or (ii) the agent no longer spends a positive amount on a non-critical charity. This process can be interpreted as a sequence of transfers, where each transfer of amount $\varepsilon > 0$ goes from a charity $x$ with higher weighted distribution to a charity $y$ $\left(\frac{\delta(x)}{v_{i,x}} > \frac{\delta(y)}{v_{i,y}}\right)$ such that after the transfer, the weighted distribution of the former charity remains at least as high as that of the latter: $\frac{\delta(x)-\varepsilon}{v_{i,x}} \geq \frac{\delta(x)+\varepsilon}{v_{i,y}}$.

For each $t$, since the difference between $\delta^t$ and $\delta^{t+1}$ is caused by transfers, and each amount $\varepsilon$ transferred from one charity to another charity causes a change of $\varepsilon$ in distribution for both charities, it suffices to prove that each transfer increases the potential, i.e., $\Phi(\delta^\varepsilon) - \Phi(\delta) > 0$ for arbitrary $\delta \in \Delta(C_N)$ and $\varepsilon > 0$ where $\delta$ and $\delta^\varepsilon$ denote the distributions before and after the transfer.

To see this, note that

$$\begin{aligned}
\Phi(\delta^\varepsilon) - \Phi(\delta) &= (\delta_i(x)-\varepsilon)\log\left(\frac{v_{i,x}}{\delta(x)-\varepsilon}\right) + (\delta_i(y)+\varepsilon)\log\left(\frac{v_{i,y}}{\delta(y)+\varepsilon}\right) \\
&+ \sum_{j\in N\setminus i:\delta_j(x)>0} \delta_j(x)\log\left(\frac{v_{j,x}}{\delta(x)-\varepsilon}\right) + \sum_{j\in N\setminus i:\delta_j(y)>0} \delta_j(y)\log\left(\frac{v_{j,y}}{\delta(y)+\varepsilon}\right) \\
&- \delta_i(x)\log\left(\frac{v_{i,x}}{\delta(x)}\right) - \delta_i(y)\log\left(\frac{v_{i,y}}{\delta(y)}\right) \\
&- \sum_{j\in N\setminus i:\delta_j(x)>0} \delta_j(x)\log\left(\frac{v_{j,x}}{\delta(x)}\right) - \sum_{j\in N\setminus i:\delta_j(y)>0} \delta_j(y)\log\left(\frac{v_{j,y}}{\delta(y)}\right) \\
&= \sum_{j\in N:\delta_j(x)>0} \delta_j(x)\log\left(\frac{\delta(x)}{\delta(x)-\varepsilon}\right) + \sum_{j\in N:\delta_j(y)>0} \delta_j(y)\log\left(\frac{\delta(y)}{\delta(y)+\varepsilon}\right) \\
&\quad + \varepsilon\left(\log\left(\frac{v_{i,y}}{\delta(y)+\varepsilon}\right) - \log\left(\frac{v_{i,x}}{\delta(x)-\varepsilon}\right)\right) \\
&= \delta(x)\log\left(\frac{\delta(x)}{\delta(x)-\varepsilon}\right) + \delta(y)\log\left(\frac{\delta(y)}{\delta(y)+\varepsilon}\right) \\
&\quad + \varepsilon\left(\log\left(\frac{v_{i,y}}{\delta(y)+\varepsilon}\right) - \log\left(\frac{v_{i,x}}{\delta(x)-\varepsilon}\right)\right) \\
&> 0
\end{aligned}$$

as the last term is nonnegative by $\frac{\delta(x)-\varepsilon}{v_{i,x}} \geq \frac{\delta(y)+\varepsilon}{v_{i,y}}$ and the first two terms sum up to something strictly positive which can be seen by using $\log(1+x) > \frac{x}{1+x}$ for $x > -1$ and $x \neq 0$:

$$\begin{aligned}
\delta(x)\log\left(\frac{\delta(x)}{\delta(x)-\varepsilon}\right) + \delta(y)\log\left(\frac{\delta(y)}{\delta(y)+\varepsilon}\right) &> \delta(x)\cdot\frac{\frac{\varepsilon}{\delta(x)-\varepsilon}}{1+\frac{\varepsilon}{\delta(x)-\varepsilon}} + \delta(y)\cdot\frac{\frac{-\varepsilon}{\delta(x)+\varepsilon}}{1+\frac{-\varepsilon}{\delta(x)+\varepsilon}} \\
&= \delta(x)\cdot\frac{\varepsilon}{\delta(x)} + \delta(y)\cdot\frac{-\varepsilon}{\delta(y)} \\
&= 0.
\end{aligned}$$

□

**Lemma 9.** *For any sequence $\mathcal{S}$, round $t \geq 0$, and agent $j \in N$,*

$$d_j(\delta^t) \leq d_{i_t}(\delta^t) + d_j(\delta^{t+1}).$$

*Proof.* If $d_j(\delta^t) \leq d_{i_t}(\delta^t)$, the statement holds trivially. Hence, assume that $d_j(\delta^t) > d_{i_t}(\delta^t)$. In particular, $j \neq i_t$.

Let $\tilde{\delta}_j^{t+1}$ and $\tilde{\delta}^{t+1}$ be the (hypothetical) individual distribution of agent $j$ and the overall distribution had she been able to implement her best response at round $t$.

Denote the sets of charities that would be affected by agent $j$'s best response at $\delta^t$ by $A_j^- := \{x^- \in A_j : \tilde{\delta}_j^{t+1}(x^-) < \delta_j^t(x^-)\}$ and $A_j^+ := \{x^+ \in A_j : \tilde{\delta}_j^{t+1}(x^+) > \delta_j^t(x^+)\}$.

Then,

$$\frac{\tilde{\delta}^{t+1}(x^-)}{v_{j,x^-}} \geq \frac{\tilde{\delta}^{t+1}(x^+)}{v_{j,x^+}} \text{ for all } x^- \in A_j^- \text{ and } x^+ \in A_j^+\text{; and} \tag{12}$$

$$\tilde{\delta}_j^{t+1} = 0 \text{ for all } x \in A \text{ with } u_j(\tilde{\delta}^{t+1}) < \frac{\tilde{\delta}^{t+1}(x)}{v_{j,x}} \tag{13}$$

hold by definition of best responses.

Now, a lower bound for $d_j(\delta^{t+1})$ is given by the amount shifted from charities in $A_j^-$ under $j$'s best response in round $t+1$. Again, denote by $\tilde{\delta}_j^{t+2}$ and $\tilde{\delta}^{t+2}$ agent $j$'s best response in round $t+1$ and the corresponding overall distribution; note that both (12) and (13) hold also with $t+1$ replaced by $t+2$.

Consider first the special case in which agent $i_t$ did not change her contribution to charities in $A_j^- \cup A_j^+$, that is, $\delta^t(x) = \delta^{t+1}(x)$ for all $x \in A_j^- \cup A_j^+$. If $d_j(\delta^{t+1}) < d_j(\delta^t)$, then a smaller amount is transferred from charities in $A_j^-$ and to charities in $A_j^+$ in $j$'s best response at $\delta^{t+1}$ than in $j$'s best response at $\delta^t$, so by (12), there exist charities $x^- \in A_j^-$ and $x^+ \in A_j^+$ such that $\tilde{\delta}^{t+2}(x^-) > \tilde{\delta}^{t+2}(x^+) \geq v_{j,x^+} \cdot u_i(\tilde{\delta}^{t+2})$ and thus, $\tilde{\delta}_j^{t+2}(x^-) > 0$. This contradicts (13) with $t+2$ instead of $t+1$. Thus, $d_j(\delta^{t+1}) \geq d_j(\delta^t)$ and the claim follows.

Consider now the general case, in which agent $i_t$ may have changed her contribution to some charities in $A_j^- \cup A_j^+$. We claim that the total transfer of $i_t$ and then $j$ (i.e., $d_{i_t}(\delta^t) + d_j(\delta^{t+1})$) cannot be less than the transfer if $j$ were to act alone (i.e., $d_j(\delta^t)$). The reason is similar to the previous paragraph: If this total transfer is less than $d_j(\delta^t)$, then there exist charities $x^- \in A_j^-$ and $x^+ \in A_j^+$ such that $\tilde{\delta}^{t+2}(x^-) > \tilde{\delta}^{t+2}(x^+) \geq v_{j,x^+} \cdot u_j(\tilde{\delta}^{t+2})$ and $\tilde{\delta}_j^{t+2}(x^-) > 0$, which is a contradiction. Hence, $d_{i_t}(\delta^t) + d_j(\delta^{t+1}) \geq d_j(\delta^t)$, as desired. □

**Lemma 10.** *For any sequence $\mathcal{S}$ and agent $j \in N$, $\lim_{t\to\infty} d_j(\delta^t) = 0$.*

*Proof.* We prove the equivalent statement: $\lim_{t\to\infty} \max_{i\in N} d_i(\delta^t) = 0$. Assume for contradiction that there exists $\gamma > 0$ such that for all $T > 0$ there exists $T' \geq T$ with $\max_{i\in N} d_i(\delta^{T'}) \geq \gamma$.

Recall that $\phi^*$ is the limit of the increasing potential $\Phi(\delta^t)$ as $t \to \infty$. Choose some $T$ such that $\phi^* - \Phi(\delta^T) < \frac{\gamma^2}{4C_N K^2(m-1)^2}$ and $T' \geq T$ with $\max_{i\in N} d_i(\delta^{T'}) \geq \gamma$.

By Corollary 4, $\sum_{\ell=T'}^{T'+K} c_\ell \geq \max_{i\in N} d_i(\delta^{T'}) \geq \gamma$. Thus, there exists some $t \in \{T'+1, \ldots, T'+K\}$ with $c_t \geq \gamma/K$. Consequently, in round $t$, agent $i_t$ transfers at least $\varepsilon = \gamma/(K(m-1))$ from some charity $x$ to some other charity $y$.

The upper bound on $\log(1+x)$ from Lemma 8 can be refined to $\log(1+x) > \frac{x}{1+x} + \frac{x^2}{(2+x)^2}$ for $x > -1$ and $x \neq 0$, so we get

$$\Phi(\delta^{t+1}) - \Phi(\delta^{T'}) \geq \Phi(\delta^{t+1}) - \Phi(\delta^t)$$

$$
\begin{aligned}
&> \delta^t(x)\frac{\left(\frac{\varepsilon}{\delta^t(x)-\varepsilon}\right)^2}{\left(2+\frac{\varepsilon}{\delta^t(x)-\varepsilon}\right)^2} + \delta^t(y)\frac{\left(\frac{-\varepsilon}{\delta^t(y)+\varepsilon}\right)^2}{\left(2+\frac{-\varepsilon}{\delta^t(y)+\varepsilon}\right)^2} \\
&= \delta^t(x)\frac{\varepsilon^2}{(2\delta^t(x)-\varepsilon)^2} + \delta^t(y)\frac{\varepsilon^2}{(2\delta^t(y)+\varepsilon)^2} \\
&> \delta^t(x)\frac{\varepsilon^2}{(2\delta^t(x)-\varepsilon)^2} \\
&> \frac{\varepsilon^2}{4\delta^t(x)} > \frac{\varepsilon^2}{4C_N} > \phi^* - \Phi(\delta^T) \\
&> \phi^* - \Phi(\delta^{T'})
\end{aligned}
$$

This implies $\Phi(\delta^{t+1}) > \phi^*$. But this is impossible, since $\Phi(\delta^t)$ is increasing with $t$ and converges to $\phi^*$.

Thus, $\lim_{t\to\infty} d_i(\delta^t) = 0$ for every agent $i$. □

# C. Proofs omitted from Section 7

## C.1. Proof of Theorem 10

**Theorem 10.** *Let $g : \mathbb{R}_{\geq 0} \to \mathbb{R} \cup \{-\infty\}$ be a function that satisfies the following conditions:*

1. *$g$ is strictly increasing on $\mathbb{R}_{\geq 0}$ and differentiable on $\mathbb{R}_{>0}$, and*
2. *$xg'(x)$ is non-increasing on $\mathbb{R}_{>0}$.*

*Then, the equilibrium distribution maximizes $g$-welfare among all decomposable distributions.*

The proof requires some additional definitions and lemmas and proceeds as follows. First, we show that it is sufficient to prove the statement for *reduced* profiles (Definition 12 and Lemma 16), which are profiles in which each agent approves only charities that receive the same amount in the equilibrium distribution. Then we prove that, in any reduced profile, the equilibrium distribution $\delta^*$ maximizes $g$-welfare, not only in the set of decomposable distributions, but even in a larger set of *weakly decomposable* distributions (Definition 11). To do this, we prove that, for any weakly-decomposable distribution $\delta \neq \delta^*$, there exists a modification $\delta'$, which is weakly-decomposable but has a higher $g$-welfare than $\delta$.

Recall that $[z] := \{1, 2, \ldots, z\}$ for each positive integer $z$.

**Definition 10.** Given any distribution $\delta$, define $\mathcal{P}(\delta)$ as a partition of the charities into subsets allocated the same amount. That is, $\mathcal{P}(\delta) := (X_1, \ldots, X_p)$ for some integer $p \geq 1$, where $\cup_{k=1}^{p} X_k = A$, and for each $k \in [p]$, all charities in $X_k$ receive the same amount, $\delta(x) = w_k$ for all $x \in X_k$, and the amounts are ordered such that $0 \leq w_1 < \cdots < w_k$.

Note that $w_1 = 0$ if and only if there exist charities that receive no funding.

**Lemma 14.** *Let $\delta^*$ be the equilibrium distribution, and $(X_1^*, \ldots, X_p^*) = \mathcal{P}(\delta^*)$ be its charity partition. For each $k \geq 1$, let $N_k^*$ be the set of agents who approve one or more charities of $X_k^*$, but do not approve any charity of $\cup_{\ell<k} X_\ell^*$. Then in equilibrium, the agents of $N_k^*$ contribute only to charities of $X_k^*$, that is:*

$$\delta^*(X_k^*) = C_{N_k^*}, \text{ and}$$
$$w_k^* = C_{N_k^*}/|X_k^*| = \delta^*(X_k^*)/|X_k^*|.$$

*Proof.* The utility of all agents in $N_k^*$ is $w_k^*$, so the set of their critical charities is contained in $X_k^*$. In equilibrium they contribute only to charities in $X_k^*$ by Lemma 1.

All charities in $X_k^*$ receive the same amount, so this amount must be $C_{N_k^*}/|X_k^*|$. □

Note that, if there are charities not approved by any agent (or approved only by agents who contribute 0), then all these charities will be in $X_1^*$, and we will have $w_1^* = C_{N_1^*} = 0$.

**Definition 11.** A distribution $\delta$ is called *weakly decomposable* if it has a decomposition in which each agent $i$ only contributes to charities $x$ with $\delta^*(x) \geq u_i(\delta^*)$, where $\delta^*$ denotes the equilibrium distribution.

With binary weights, $x \in A_i$ implies $\delta^*(x) \geq u_i(\delta^*)$, so every decomposable distribution is weakly decomposable. Therefore, it is sufficient to prove that $\delta^*$ maximizes $g$-welfare among all weakly decomposable distributions.

The set of weakly decomposable distributions is again convex and can be characterized as follows.

**Lemma 15.** *A distribution $\delta$ is weakly decomposable if and only if, for every $\ell \in [p]$,*

$$\delta\left(\cup_{k=\ell}^{p} X_k^*\right) \geq \delta^*\left(\cup_{k=\ell}^{p} X_k^*\right). \tag{14}$$

*Proof.* A distribution $\delta$ is weakly decomposable if and only if there exists a decomposition of $\delta$ where for every $\ell \in [p]$, agents of $N_\ell^*$ only contribute to charities of $\cup_{k=\ell}^{p} X_k^*$. This holds if and only if $\delta\left(\cup_{k=\ell}^{p} X_k^*\right) \geq \sum_{k=\ell}^{p} C_{N_\ell^*}$ for every $\ell \in [p]$. By Lemma 14, this is equivalent to the condition $\delta\left(\cup_{k=\ell}^{p} X_k^*\right) \geq \delta^*\left(\cup_{k=\ell}^{p} X_k^*\right)$ for every $\ell \in [p]$. □

To simplify the proof of Theorem 10, we introduce the following class of profiles.

**Definition 12.** A profile is called *reduced* if, in its equilibrium distribution $\delta^*$, for every agent $i$, there exists a $k \in [p]$ such that $A_i \subseteq X_k^*$, that is, all charities approved by an agent belong to the same class in the partition induced by $\delta^*$.

Note that, in a reduced profile, all charities approved by agent $i$ receive in equilibrium the same amount $u_i(\delta^*)$, and therefore are all critical for $i$, that is, $T_{\delta^*,i} = A_i$ for all $i \in N$.

**Lemma 16.** *If Theorem 10 is true for reduced profiles, then it is true for all profiles.*

*Proof.* Let $P$ be any profile, and $\delta^*$ its equilibrium distribution. Let $P'$ be its reduced profile where, compared to $P$, every agent $i$ has removed her approval from every charity $x$ with $\delta^*(x) > u_i(\delta^*)$. Then, $\delta^*$ is the equilibrium distribution for $P'$, too (by the same decomposition). By assumption, Theorem 10 is true for $P'$, so $\delta^*$ maximizes $g$-welfare among all distributions that are weakly decomposable with respect to $P'$. Since the equilibrium distribution is the same in $P$ and $P'$, the set of weakly decomposable distributions is the same too.

The profile $P$ differs from $P'$ by having additional approvals, which could only decrease the maximal possible $g$-welfare. But $\delta^*$ yields the same welfare in $P$ and $P'$. Therefore, $\delta^*$ necessarily maximizes $g$-welfare among all distributions that are weakly decomposable with respect to $P$, too. □

*Proof of Theorem 10.* Based on Lemma 16, we assume without loss of generality that we are given a reduced profile. Let $X_1^*, \ldots, X_p^*$, and $N_1^*, \ldots, N_p^*$ be the partitioning of charities and agents induced by the equilibrium distribution $\delta^*$, and $w_1^* < \cdots < w_p^*$ the corresponding allocations. By Lemma 14, each charity in $X_k^*$ receives $w_k^* = \delta^*(X_k^*)/|X_k^*|$, and every agent $i \in N_k^*$ has utility $w_k^*$. Since the profile is reduced, $T_{\delta^*,i} = A_i \subseteq X_k^*$ for all $i \in N_k^*$.

Let $\delta$ be any weakly decomposable distribution different than $\delta^*$. We prove that $\delta$ does not maximize $g$-welfare among weakly decomposable distributions by showing a modification $\delta'$ of $\delta$, which is weakly decomposable but has a higher $g$-welfare than $\delta$.

Since $\delta \neq \delta^*$ and both distributions sum up to $C_N$, there must be charities $x^-, x^+ \in A$ with $\delta(x^-) < \delta^*(x^-)$ and $\delta(x^+) > \delta^*(x^+)$, respectively. Consequently, one of the following two cases has to apply:

- If $\delta(X_k^*) = \delta^*(X_k^*)$ for all $k \in [p]$, let $X_r^* = X_s^*$ $(r = s)$ be a class that contains a charity $x^-$ with $\delta(x^-) < \delta^*(x^-)$.
- Otherwise, let $r$ be the largest index in $[p]$ for which $\delta(X_r^*) \neq \delta^*(X_r^*)$. Weak decomposability of $\delta$ and Lemma 15 imply that $\delta(X_r^*) > \delta^*(X_r^*)$. As $\delta(X_k^*) = \delta^*(X_k^*)$ for all $k > r$, there must be an $s \leq r$ such that there exists a charity $x^-$ in $X_s^*$ with $\delta(x^-) < \delta^*(x^-)$; choose $s \leq r$ to be the largest index with this property.

In both cases, we define $X^- \subseteq X_s^*$ as the set of all charities $x$ in $X_s^*$ with $\delta(x) < \delta^*(x)$, and $X^+ \subseteq X_r^*$ as the set of all charities $x$ in $X_r^*$ with $\delta(x) > \delta^*(x)$; both sets must be non-empty by construction. The case $r > s$ is depicted in Figure 2.

Starting from $\delta$, transfer a sufficiently small amount $\varepsilon$ uniformly from $X^+$ to $X^-$; call the resulting distribution $\delta'$. We choose $\varepsilon$ small enough such that it does not change the order relations between charities inside and outside $X^+$ and $X^-$, that is, for all $x^- \in X^-$ and $x^+ \in X^+$: $\delta'(x^+) > \delta'(x)$ for all $x \in A$ with $\delta(x^+) > \delta(x)$, and analogously, $\delta'(x^-) < \delta'(x)$ for all $x \in A$ with $\delta(x^-) < \delta(x)$. In particular, since $\delta(x^+) > \delta^*(x^+) \geq \delta^*(x^-) > \delta(x^-)$, we have $\delta'(x^+) > \delta'(x^-)$.

We claim that $\delta'$ is weakly decomposable. By Lemma 15, it suffices to show that (14) holds for $\delta'$, that is, $\delta'\left(\cup_{k=\ell}^{p} X_k^*\right) \geq \delta^*\left(\cup_{k=\ell}^{p} X_k^*\right)$ for every $\ell \in [p]$. Note that $\delta'\left(\cup_{k=\ell}^{p} X_k^*\right) = \delta\left(\cup_{k=\ell}^{p} X_k^*\right)$ for all $\ell \leq s$ and all $\ell \geq r+1$, so for these indices, (14) for

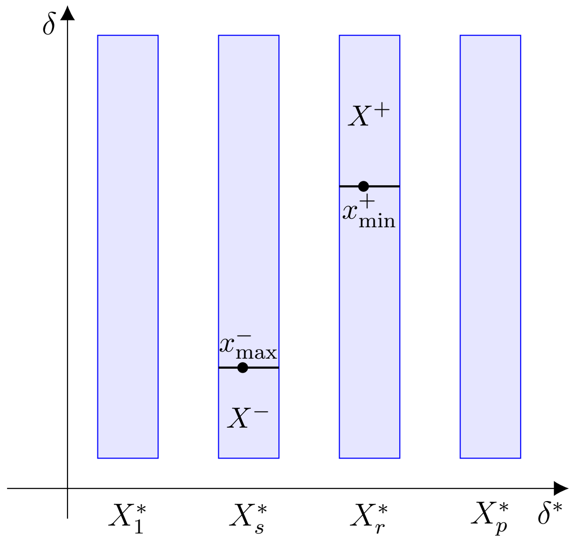


Figure 2: Charity sets in the proof of Theorem 10, for the case $r > s$. The horizontal position of a charity denotes its allocation in $\delta^*$; the vertical position denotes its allocation in $\delta$.

$\delta'$ follows from the weak-decomposability of $\delta$. It therefore remains to prove (14) for $\ell \in \{s+1, \dots, r\}$. This set is non-empty only when $s < r$, which is possible only in the second case above.

Our choices of $r$ and $s$ ensure that $\delta\left(\cup_{k=r}^{p} X_k^*\right) > \delta^*\left(\cup_{k=r}^{p} X_k^*\right)$ and $\delta\left(\cup_{k=1}^{s} X_k^*\right) < \delta^*\left(\cup_{k=1}^{s} X_k^*\right)$. For $\varepsilon$ sufficiently small, the same inequalities hold between $\delta'$ and $\delta^*$. Moreover, for $s < \ell \leq r$,

$$\delta'\left(\cup_{k=\ell}^{p} X_k^*\right) = \delta'\left(\cup_{k=r}^{p} X_k^*\right) + \delta'\left(\cup_{k=\ell}^{r-1} X_k^*\right) > \delta^*\left(\cup_{k=r}^{p} X_k^*\right) + \delta\left(\cup_{k=\ell}^{r-1} X_k^*\right) \geq \delta^*\left(\cup_{k=\ell}^{p} X_k^*\right)$$

where the first inequality holds because $\delta'\left(\cup_{k=r}^{p} X_k^*\right) > \delta^*\left(\cup_{k=r}^{p} X_k^*\right)$ and $\delta'(X_k^*) = \delta(X_k^*)$ for all $k \notin \{r, s\}$, and the second inequality holds because, for each $k \in \{s+1, \dots, r-1\}$, all charities $x$ in $X_k^*$ satisfy $\delta(x) \geq \delta^*(x)$ by definition of $s$. Therefore, by Lemma 15, $\delta'$ is still weakly decomposable.

We now analyze the effect of this redistribution on the agents' utilities. For that, we prove an auxiliary claim on critical charities of agents under $\delta$. Define $x^+_{\min} \in \arg\min_{x^+ \in X^+} \delta(x^+)$ as a charity from $X^+$ with minimal allocation in $\delta$ and $x^-_{\max} \in \arg\max_{x^- \in X^-} \delta(x^-)$ as a charity from $X^-$ with maximal contribution in $\delta$.

**Claim.** For every agent $i \in N$, either $T_{\delta,i} \cap X^- = \emptyset$ or $T_{\delta,i} \subseteq X^-$. Similarly, either $T_{\delta,i} \cap X^+ = \emptyset$ or $T_{\delta,i} \subseteq X^+$.

**Proof of claim.** We prove the claim for $X^-$; the proof for $X^+$ is analogous. By definition of critical charities, $T_{\delta,i} \subseteq A_i$. Since the profile is reduced, $A_i$ is contained in a single partition class. If this partition class is not the one that contains $X^-$, namely $X^*_s$, then $T_{\delta,i} \cap X^- = \emptyset$. Otherwise, $T_{\delta,i} \subseteq X^*_s$. Now, if $u_i(\delta) > \delta(x^-_{\max})$, then $\delta(x) > \delta(x^-_{\max})$ for every $x \in T_{\delta,i}$, so $T_{\delta,i} \cap X^- = \emptyset$; and if $u_i(\delta) \leq \delta(x^-_{\max})$, then $\delta(x) \leq \delta(x^-_{\max})$ for every $x \in T_{\delta,i}$, so $T_{\delta,i} \subseteq X^-$.

**Back to proof of theorem.** Denote by "losers" the agents who lose utility from the redistribution. The claim implies that all the losers have $T_{\delta,i} \subseteq X^+$; each of them loses $\varepsilon/|X^+|$. Moreover, all losers have $A_i \subseteq X^+$: this is because $A_i \subseteq X^*_r$ (since the profile is reduced), and $\delta(x_A) \geq \delta(x_T) \geq \delta(x^+_{\min})$ for all $x_A \in A_i$ and $x_T \in T_{\delta,i}$. Therefore, in equilibrium, all losers give all their contributions to charities in $X^+$. This implies that the contributions of all losers sum up to at most $\delta^*(X^+) = w^*_r \cdot |X^+|$. Then, for every loser $i$,

$$g\left(u_i(\delta)\right) - g\left(u_i(\delta')\right) \leq g\left(\delta(x^+_{\min})\right) - g\left(\delta(x^+_{\min}) - \frac{\varepsilon}{|X^+|}\right) \tag{15}$$

by concavity of $g$ (which follows from the assumption that $xg'(x)$ is non-increasing).

Denote by "gainers" the agents who gain utility from the redistribution. The claim implies that every agent with $T_{\delta,i} \cap X^- \neq \emptyset$ is a gainer; each of them gains $\varepsilon/|X^-|$. Moreover, every agent with $A_i \cap X^- \neq \emptyset$ is a gainer: this is because $A_i \cap X^- \neq \emptyset$ implies $\delta(x_A) \leq \delta(x^-_{\max})$ for at least one charity $x_A \in A_i$, and $\delta(x_T) \leq \delta(x_A)$ for all charities $x_T \in T_{\delta,i}$. Therefore, in equilibrium, every agent who contributes a positive amount to at least one charity in $X^-$ must be a gainer. So the contributions of all gainers must sum up to at least $\delta^*(X^-) = w^*_s \cdot |X^-|$. Then, for every gainer $i$,

$$g\left(u_i(\delta')\right) - g\left(u_i(\delta)\right) \geq g\left(\delta(x^-_{\max}) + \frac{\varepsilon}{|X^-|}\right) - g\left(\delta(x^-_{\max})\right) \tag{16}$$

by concavity of $g$.

Therefore, by (15) and (16), the increase in $g$-welfare from $\delta$ to $\delta'$ is at least

$$\begin{aligned} & w^*_s \cdot |X^-| \cdot \left[g\left(\delta(x^-_{\max}) + \frac{\varepsilon}{|X^-|}\right) - g\left(\delta(x^-_{\max})\right)\right] \\ & -w^*_r \cdot |X^+| \cdot \left[g\left(\delta(x^+_{\min})\right) - g\left(\delta(x^+_{\min}) - \frac{\varepsilon}{|X^+|}\right)\right]. \end{aligned} \tag{17}$$

Since $g$ is strictly concave,

$$\begin{aligned} g\left(\delta(x^-_{\max}) + \frac{\varepsilon}{|X^-|}\right) - g(\delta(x^-_{\max})) &> \frac{\varepsilon}{|X^-|} \cdot g'\left(\delta(x^-_{\max}) + \frac{\varepsilon}{|X^-|}\right); \\ g(\delta(x^+_{\min})) - g\left(\delta(x^+_{\min}) - \frac{\varepsilon}{|X^+|}\right) &< \frac{\varepsilon}{|X^+|} \cdot g'\left(\delta(x^+_{\min}) - \frac{\varepsilon}{|X^+|}\right). \end{aligned}$$

Plugging this into (17), we get that the increase in $g$-welfare is larger than

$$w^*_s \cdot |X^-| \cdot \frac{\varepsilon}{|X^-|} \cdot g'\left(\delta(x^-_{\max}) + \frac{\varepsilon}{|X^-|}\right) - w^*_r \cdot |X^+| \cdot \frac{\varepsilon}{|X^+|} \cdot g'\left(\delta(x^+_{\min}) - \frac{\varepsilon}{|X^+|}\right).$$

By our choice of $\varepsilon$, we have $w_r^* = \delta^*(x^+_{\text{min}}) < \delta(x^+_{\text{min}})$, so $w_r^* < \delta(x^+_{\text{min}}) - \varepsilon/|X^+|$ for sufficiently small $\varepsilon$. Similarly, $w_s^* = \delta^*(x^-_{\text{max}}) > \delta(x^-_{\text{max}}) + \varepsilon/|X^-|$ for sufficiently small $\varepsilon$. Therefore, the increase in $g$-welfare is larger than

$$\begin{aligned}&\varepsilon \cdot \left(\delta(x^-_{\text{max}}) + \frac{\varepsilon}{|X^-|}\right) \cdot g'\left(\delta(x^-_{\text{max}}) + \frac{\varepsilon}{|X^-|}\right)\\ -&\varepsilon \cdot \left(\delta(x^+_{\text{min}}) - \frac{\varepsilon}{|X^+|}\right) \cdot g'\left(\delta(x^+_{\text{min}}) - \frac{\varepsilon}{|X^+|}\right).\end{aligned} \tag{18}$$

By our choice of $\varepsilon$, $\delta(x^-_{\text{max}}) + \varepsilon/|X^-| < \delta(x^+_{\text{min}}) - \varepsilon/|X^+|$. By the assumption on $g$, $xg'(x)$ is non-increasing in $x$. Therefore, the expression in (18) is at least 0, so the increase in $g$-welfare from $\delta$ to $\delta'$ is larger than 0. This means that $\delta$ does not maximize $g$-welfare.

Since $\delta$ was any weakly decomposable distribution different than $\delta^*$, we conclude that $\delta^*$ maximizes $g$-welfare subject to weak decomposability in any reduced profile. By Lemma 16, the same is true in any profile. □

## C.2. Proof of Proposition 2

**Proposition 2.** *For each $p > 0$, maximizing the $g$-welfare with respect to $g(u) = u^p$ subject to decomposability does not always return the equilibrium distribution.*

*Proof.* For a fixed $p > 0$, consider a profile consisting of two agents with binary weights and approval sets $\{a\}$ and $\{a, b\}$, and respective contributions $C_1 = \max\left((2^{p-1} \cdot p)^{-1/p}, 2\right)$ and $C_2 = 1$. Since $C_1 \geq 2$, the equilibrium distribution is $(C_1, 1)$. We claim that the decomposable distribution $(C_1 + 1, 0)$ yields a higher $g$-welfare, that is,

$$\begin{aligned}&C_1 \cdot g(C_1 + 1) + 1 \cdot g(0) > C_1 \cdot g(C_1) + 1 \cdot g(1)\\ \iff &C_1 \cdot (g(C_1 + 1) - g(C_1)) > 1.\end{aligned}$$

For every $p \geq 1$, $g$ is convex, so

$$\begin{aligned}&g(C_1 + 1) - g(C_1) \geq g'(C_1) \cdot 1 = p \cdot C_1^{p-1}\\ \implies &C_1 \cdot (g(C_1 + 1) - g(C_1)) \geq p \cdot C_1^p \geq p \cdot 2^p \geq 2 > 1.\end{aligned}$$

For every $0 < p < 1$, $g$ is strictly concave, so

$$\begin{aligned}g(C_1 + 1) - g(C_1) &> g'(C_1 + 1) \cdot 1 = p \cdot (C_1 + 1)^{p-1}\\ &> p \cdot (2C_1)^{p-1} \qquad \text{(since } p - 1 < 0 \text{ and } C_1 > 1)\end{aligned}$$

and so

$$\begin{aligned}C_1 \cdot (g(C_1 + 1) - g(C_1)) &> 2^{p-1} \cdot p \cdot C_1^p\\ &\geq 2^{p-1} \cdot p \cdot \left(\left(\frac{1}{2^{p-1}p}\right)^{\frac{1}{p}}\right)^p = 1.\end{aligned}$$

In both cases, the equilibrium distribution does not maximize $g$-welfare. □