Academic Bubbles*

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Abstract

We develop a model of how a principal motivates innovation by contracting researchers to generate ideas that improve economic productivity. Because individual effort is unobservable, the principal relies on career incentives tied to peer recognition, measured through citations to a scientist's publications. However, because citations increase with the number of researchers working on a topic, they create coordination incentives that can distort effort. As a result, researchers may inefficiently over-coordinate their efforts. This can give rise to "academic bubbles" in which researchers continue to work in areas with little prospect of advancing knowledge. To explore the implications of the model, we empirically analyze the selection of topics in research on the genetic determinants of human disease. We document that crowding on a narrow set of topics inflates citation impact, with patterns that point to career concerns as a driver of misallocated scientific effort.

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1 Introduction

Scientific progress crucially depends on the development of new ideas. Researchers are motivated by the prospect of receiving credit for their contributions, which is primarily awarded to those who are first to make a discovery public (Merton, 1957; Hill and Stein, 2025b). This priority-based system converts ideas into reputation, which in turn shapes career advancement (Tuckman and Leahey, 1975; Diamond Jr, 1986; Abbott et al., 2010; Ellison, 2013). In practice, however, credit is assigned through citations, which reflect the judgment of peers who decide which ideas are worth building upon (Merton, 1968; Dasgupta and David, 1994). This system offers a practical solution to a challenging problem: assessing research quality across fields with different methods, audiences, and standards. After all, what better way to quantify the significance of an idea than by measuring its influence on other experts, as captured by objective citation counts?

Beyond shaping individual careers, citations play a deeper role in the organization of science. In the absence of centralized coordination, academia relies on the choices of independent investigators, each pursuing their own research interests (Polanyi, 1962). These choices collectively determine which problems are studied and which are ignored, with lasting consequences for public health and economic growth. Citations help steer this process by concentrating recognition and resources on topics seen as important or timely (Merton, 1968). In principle, this system should reward researchers for pursuing the most socially valuable questions (Strevens, 2003). This logic supports a longstanding faith in scientific institutions as vehicles for maximizing public benefit (Aghion et al., 2008; Dasgupta and David, 1994). It also informs how recent declines in research productivity are interpreted. If incentives are working as intended, then the observed slowdown in discovery must imply that the easy ideas have been explored, and what remains is harder to find (Bloom et al., 2020; Park et al., 2023).

However, there is growing concern that citations might also distort the direction of scientific progress. In systems where career advancement depends heavily on citation counts (Hager et al., 2024), researchers face pressures to avoid exploratory topics that attract little recognition (Wang et al., 2017) and instead gravitate toward popular areas where citation potential is greatest (Packalen and Bhattacharya, 2017). As Bhattacharya and Packalen (2020) argue, reliance on citations in evaluation skews the balance toward incremental work in established fields. The result is a coordination trap: researchers cluster around familiar problems not because they are the most promising, but because they offer the clearest path to professional reward. This dynamic raises the possibility that the observed slowdown in breakthrough innovation may stem less from ideas becoming harder to

find than from incentives that steer scientists toward crowded domains with diminishing returns.

In this paper, we explore this possibility by framing academic research as a contracting problem between a principal (society) and many agents (researchers). The principal seeks to incentivize each agent to exert costly effort to conduct research, but cannot directly observe either that effort or the importance of the topic the researcher chooses to pursue, at least not until the topic matures. By contrast, publications and citations are readily observable and, as a result, contractible. While basing rewards on these imperfect signals may be necessary to sustain scientific effort, doing so can distort incentives. Researchers with career concerns may rationally gravitate toward less promising but heavily studied topics to secure highly cited publications. We develop a formal model that examines this mechanism and then document empirical patterns in genetic research that parallel its central implications, providing evidence consistent with our theory.

In the model, a population of researchers can exert costly effort over time to explore new topics or to produce findings within an existing one. Each active topic is either significant, meaning it increases economic output, or insignificant, meaning it reduces it. A topic's true value is revealed only upon maturation, which requires continued research activity. At inception, each new topic comes with a noisy binary public signal indicating whether it is promising, that is, likely to be significant, or speculative, that is, unlikely to be so. Topics remain unresolved until they mature, though a promising topic may also be downgraded if a negative signal arrives before maturation. Both discovery and maturation follow Poisson processes, with arrival rates increasing in the number of researchers working on the topic. Discovery captures exploration, while maturation captures the resolution of a topic, and both are accelerated by researchers' attention.

Researchers in our model are motivated by both societal value and career advancement. We allow them to care about the importance of their work through a share in economic output and a preference for "prestige," which rises with success on significant topics and falls with failure. At the same time, they respond to citations, the dominant measure of academic recognition. This creates coordination incentives that can distort effort. Researchers are drawn to crowded topics where citations are easier to earn and where their work is more likely to mature. As a result, exploration is insufficient not only because private risk aversion exceeds social risk aversion, but also because of strategic interaction. This dynamic leads to the over-investment in speculative topics and the neglect of new ones. It represents a novel form of moral hazard in teams (Holmstrom, 1982) and parallels the distortions highlighted in the multi-tasking framework of Holmstrom and Milgrom (1991).

Our model is fully tractable and delivers several key insights. First, when career concerns are mild, researchers focus only on promising topics and abandon speculative ones. In contrast, when career concerns are strong, researchers continue to pursue speculative topics to maturity. Working on an active topic—even one unlikely to be significant—generates citations, while searching for new promising topics does not. As a result, strong career incentives reduce the informational value of citations and lower overall research productivity. Promising topics that initially attract attention continue to be researched even when negative signals make it common knowledge that they are unlikely to be significant. We refer to this persistence as an "academic bubble," defined as a topic that continues to attract research effort despite common knowledge that its expected social value is low. Yet in the absence of career incentives, effort may be too low to sustain productive research. In that case, academic bubbles may be a necessary cost of motivating socially beneficial effort.

To test implications of the model, we identify a setting, the study of the genetic determinants of human disease, which closely parallels its structure. The space of inquiry includes a large but finite set of genes, each of which may or may not contribute to a human disease. Researchers face a choice between working on genetic targets that are already under investigation or exploring new genes, mirroring the model's distinction between entering crowded topics or seeking out new, potentially significant ones. We find that publications on more studied genes receive higher citation rates and that crowded genetic areas continue to disproportionately attract researchers even after accounting for their ex-ante likely scientific importance. However, researchers with plausibly weaker career concerns (because they are already tenured or employed directly by the National Institutes of Health rather than by universities) are more likely to pursue novel genetic targets rather than focusing on heavily studied ones. These findings align with the model's predictions and suggest that scientific effort may be at least partially misallocated in a domain of high societal relevance.

These theoretical and empirical findings provide a new perspective on the widely cited decline in idea generation, as documented by Bloom et al. (2020) and Park et al. (2023), among others. The problem may not be that ideas are growing scarce, but rather that researchers are increasingly disincentivized from searching for them. Instead of exploring new ground, the current system of scientific rewards encourages concentrating on already crowded topics (Bhattacharya and Packalen, 2020). This interpretation of scientific stagnation offers a more hopeful outlook. If the slowdown in research dynamism stems from incentives rather than from fundamental limits on human ingenuity, then changing how we evaluate and reward scientific work could help restore the pace of discovery.

Our paper contributes to several distinct but connected literatures. Most broadly, it advances our

understanding of the rate and the direction of scientific progress (Nelson, 1962). The distortions we examine do not hinge on information externalities (Hoelzemann et al., 2025), economic spillovers (Akcigit et al., 2021), congestion costs (Hopenhayn and Squintani, 2021), racing dynamics (Bryan and Lemus, 2017), the higher costs of novel projects (Carnehl and Schneider, 2025), or differences in researchers' preferences for autonomy (Aghion et al., 2008). Instead, we contribute to a growing body of work showing that the institutional structure of science and how science is evaluated can generate misallocation of efforts (Azoulay et al., 2011; Dasgupta and David, 1994; Hill and Stein, 2025a; Wang et al., 2017). To our knowledge, we are among the first to offer a general equilibrium characterization of how citation-based incentives generate coordination across researchers and shape the direction of scientific progress.

Our paper also relates to the literature on agency problems in innovation. Holmstrom (1989) examines the internal conflict within firms where innovation competes with other operational demands, while Bolton and Harris (1999) identify countervailing free-rider and encouragement effects when innovation occurs in teams. Manso (2011) studies optimal contracts between a principal and an agent, showing that insurance against failure is essential to sustaining innovative effort. Aghion et al. (2013) similarly argue that institutional ownership can promote innovation by reducing career risk for managers. Like these frameworks, we emphasize the value of insurance in supporting innovation. However, our focus is on a different mechanism: the general equilibrium effects of the implicit insurance provided by career incentives based on accolades from peers. In our setting, distortions in the direction of scientific discovery arise from coordination rooted in shared career concerns. Researchers benefit from concentrating on the same topics, even when the likelihood of success is low. This dynamic creates contract externalities embedded in the informal relationship between individual researchers and the academic community.

Finally, our work also connects to the literature on resource misallocation (Hsieh and Klenow, 2009). For example, Eisfeldt and Rampini (2006) show that capital misallocation is countercyclical, while reallocation tends to be procyclical. Glode and Lowery (2016) highlight how resources can be wasted on zero-sum transfers in the financial sector. Other work focuses on the misallocation of attention due to the cost of acquiring information (e.g., Sims, 2003). While these studies emphasize the inefficient allocation of production inputs or attention, we examine a different margin: the consequences of how effort in science and innovation is allocated (Acemoglu, 2023; Myers, 2020).

2 Model

Researchers engage in research in continuous time, with $t \geq 0$. They work on topics that ultimately prove to be either significant or insignificant. Research accelerates the process through which topics mature, meaning they are either revealed to be unproductive or begin to raise economic output by increasing total factor productivity (TFP). This process generates publications that contribute to the maturation of the topic. These publications, which can be understood as peer-reviewed papers, also attract citations and generate citations for others. Researchers have a claim on economic productivity, seek prestige from working on topics that ultimately prove significant, and receive compensation based on citations to their work. These objectives can align, but they may also be in conflict.

2.1 Fields and Topics

There are L fields in which $N \geq 2$ researchers can potentially conduct research. Not all fields are active at a given time, and we assume $L \gg N$ so that the set of fields is large relative to the number of researchers. At some time t_j^l, a researcher publishes a seminal paper j in field l, which establishes a topic indexed by its inception time. This publication can be interpreted as an academic journal article. The arrival of a new topic is governed by a compound Poisson process dJ_t^l with compensator $\lambda e_{lt} dt$, where $e_{lt} = \sum_{n=1}^{N} e_{lt}^n$ and $e_{lt}^n \in \{0, 1\}$ denotes the effort that researcher n devotes to field l. Each field can host only one active topic at a time. If a researcher does not wish to work on the current topic, they must redirect their effort to another field. Allowing multiple topics per field or modeling a finite but large set of potential topics would not meaningfully alter the model's predictions. In the context of biological sciences, for example, each human gene can be viewed as a field. Within a gene, researchers may study how it relates to a particular disease, which corresponds to a topic. Some genes may attract active investigation, while others may be unexplored.

Once a topic in a field is developed, other researchers can begin working on it. Let $r_{nt}^l \in \{0, 1\}$ indicate whether researcher n is working on the topic in field l at time t. A researcher can either work on an existing topic or search for a new one, but not both simultaneously. For all $t \geq t_j^l$, the total number of researchers working on the topic is $r_{lt} = \sum_{n=1}^{N} r_{nt}^l$. Each of them produces a publication within the topic, and each publication cites others in the same line of work. The topic matures at a random stopping time $\tau_j^l > t_j^l$, governed by a second Poisson jump process dB_t^l with compensator $\lambda r_{lt} dt$. The more researchers contribute, the faster the topic matures. This

rate may exceed the rate at which new topics are discovered. In academic research, topic maturity corresponds to a publication that resolves or decisively critiques the central questions posed by the literature.

When a topic matures, it either results in a significant discovery that advances the field or an insignificant one that does not. This outcome is indexed by $\pi_{lj} \in \{0, 1\}$, where $\pi_{lj} = 1$ indicates that the topic is significant. The true value of π_{lj} is hidden and remains unknown to researchers until the topic matures. At the time of inception, all researchers observe a binary public signal, $S_{lj} \in \{0, 1\}$, which is drawn randomly and provides imperfect information about whether the topic is likely to be significant. The signal satisfies $\Pr(S_{lj} = 1 \mid \pi_{lj} = 1) = q_1$ and $\Pr(S_{lj} = 1 \mid \pi_{lj} = 0) = q_0$, where $q_0 < q_1$. The prior probability that a new topic is significant is given by p. Using Bayes' Rule, the posterior belief that a topic is significant after observing the signal S_{lj} is:

$$\Pr(\pi_{lj} = 1 \mid S_{lj} = 1) = \frac{\Pr(S_{lj} = 1 \mid \pi_{lj} = 1) \Pr(\pi_{lj} = 1)}{\Pr(S_{lj} = 1 \mid \pi_{lj} = 1) \Pr(\pi_{lj} = 1) + \Pr(S_{lj} = 1 \mid \pi_{lj} = 0) \Pr(\pi_{lj} = 0)},$$
$$\Pr(\pi_{lj} = 1 \mid S_{lj} = 0) = \frac{\Pr(S_{lj} = 0 \mid \pi_{lj} = 1) \Pr(\pi_{lj} = 1)}{\Pr(S_{lj} = 0 \mid \pi_{lj} = 1) \Pr(\pi_{lj} = 1) + \Pr(S_{lj} = 0 \mid \pi_{lj} = 0) \Pr(\pi_{lj} = 0)},$$

from which it follows that:

$$\Pr(\pi_{lj} = 1 \mid S_{lj} = 1) = \frac{pq_1}{pq_1 + (1-p)\, q_0} = p_1,$$
$$\Pr(\pi_{lj} = 1 \mid S_{lj} = 0) = \frac{p\,(1-q_1)}{1 - pq_1 - (1-p)\, q_0} = p_0.$$

The consequences of a topic being significant or insignificant are discussed in the sequel. Note that the unconditional probabilities of each signal realization are given by $\Pr(S_{lj} = 1) = pq_1 + (1-p)q_0$ and $\Pr(S_{lj} = 0) = 1 - pq_1 - (1-p)q_0$.[1]

After a topic is discovered, researchers may generate new information beyond the initial signal S_{lj} that updates their beliefs about the topic's significance. We model this by introducing a second signal that may arrive before the topic matures. This second signal arrives according to a Poisson process dL_t^l with compensator ξdt, updating researchers' beliefs about the topic. For simplicity, we assume this second signal is always a negative update and applies only to topics that initially received a positive signal. When this negative update arrives, it reduces the perceived probability that the topic is significant to p_0, equivalent to the belief researchers would hold had they observed a low

[1] In principle, one could allow for persistence in topic success by assuming that the likelihood a new topic is significant is positively correlated with the significance of the last topic that matured in that field.

initial signal, $S_{lj} = 0$. This second signal can enhance economic efficiency by enabling researchers to reassess whether active topics are worth pursuing. At the same time, this parsimonious structure helps to highlight a key inefficiency introduced by career concerns, which we examine in detail below.[2]

We can then define the following pseudo-probability process $p_{lt} \in \{0, p_0, p_1\}$ with the law of motion

$$dp_{lt} = \left(\Pr\left(\pi_{lj} = 1 \mid S_{lj}\right) - p_{lt-}\right) dJ_t^l + \left(p_0 - p_{lt-}\right) dL_t^l + \left(0 - p_{lt-}\right) dB_t^l, \tag{1}$$

where dB_t^l, dL_t^l, and dJ_t^l are three jump processes. The first updates p_{lt} to the conditional probability that the topic is significant, $\Pr(\pi_{lj} = 1 \mid S_{lj})$, when a new topic is discovered. The second update occurs when a topic with an initially high signal receives a negative signal, thereby reducing the perceived likelihood that the topic is significant. The third process resets p_{lt} to zero when the current topic in field l matures. Because signal arrival rates increase with the number of researchers working on a topic, the model exhibits social learning and experimentation behavior similar to social bandit strategies.

The cumulative citations received by a researcher who works on the current topic in field l from time s to t' are given by $\int_s^{t'} (t - s) r_{lt}\, dt$. Accordingly, the expected citations from the publication initiated at time t_j^l in a topic that matures at τ_j^l, denoted by V_{j,t_j}, are

$$V_{j,t_j} = \mathbb{E}\left[\int_{t_j^l}^{\tau_j^l} (\tau_j^l - t_j^l) r_{lt}\, dt \,\middle|\, \mathcal{F}_{t_j}^c\right] = \mathbb{E}\left[\int_{t_j^n}^{\infty} e^{-\lambda \int_{t_j^n}^{t} r_{ls} ds} (t - t_j^n) r_{lt}\, dt \,\middle|\, \mathcal{F}_{t_j}^c\right], \tag{2}$$

where $\mathcal{F}_t^c$ is the filtration capturing the common knowledge available at time t. The second equality follows from the memoryless property of Poisson counting processes. Since at most one topic can be active in a field at any given time, we omit the topic index j from the researcher count r_{lt}.

2.2 Researchers

A researcher aims to publish articles throughout her career and to earn citations. Each researcher is born at some time t with type $n \in \{1, \ldots, N\}$. Since only one researcher of each type exists at any time, we refer to her simply as researcher n. She retires at a random time T_i^n, determined by a Poisson shock process dQ_{nt} with compensator ηdt, and is immediately replaced by a new researcher of the same type.

[2] Instead of assuming this second signal is publicly observed, we could allow for sequential awareness among researchers (e.g., Abreu and Brunnermeier, 2003). This alternative structure would give rise to strategic delay in abandoning topics that are privately revealed to be speculative, and to heterogeneity in the timing of the abandonment decision.

At each instant, a researcher chooses which topic to work on. Let $r_{nt}^l \in \{0,1\}$ indicate whether the researcher is working in field l at time t. If she instead chooses to search for a new topic, such a topic may arrive according to the Poisson process described above. Let $e_{lt}^n \in \{0,1\}$ indicate whether the researcher is exploring field l for a new topic at time t. A researcher incurs a cost $\kappa > 0$ in certainty equivalent utility each instant she spends working on an active topic or exploring for a new one. The cost is the same in both cases, but a researcher searching for a new topic also bears the additional risk that the topic never arrives, and the payoff remains zero.

We assume that researcher n is risk-averse and has career concerns tied to her citation count, C_{nt}, and prestige or esteem, β_{nt}, which reflects promotions, awards, and broader recognition. Her compensation has two components: (1) a time-varying wage c_{nt}, which will later be linked to current output, and (2) a path-dependent high-powered incentive component, $\phi_X(\log \beta_{nt} + C_{nt})$, accumulated over her career. At each instant, the researcher also incurs an effort cost of $\kappa \sum_{l=1}^{L}(r_{nt}^l + e_{lt}^n)$ to engage in either active research or topic discovery. Let $\boldsymbol{r}_t^n = [r_{1t}^n, \ldots, r_{nt}^l]$ be the vector of binary efforts the researcher devotes to active topics, and let $\boldsymbol{e}_t^n = [e_{1t}^n, \ldots, e_{Lt}^n]$ represent efforts toward discovering new topics, subject to the current availability of topics. Let ι_L denote the $L \times 1$ vector of ones. Following Holmstrom (1989), we assume the researcher has Constant Absolute Risk Aversion (CARA) flow preferences over compensation and effort:

$$u\left(c_{nt}, \beta_{nt}, C_{nt}, \boldsymbol{r}^n, \boldsymbol{e}^n\right) = -\beta_{nt}^{-\gamma\phi_X} e^{-\gamma(c_{nt}+\phi_X C_{nt})+\kappa(\boldsymbol{r}^n+\boldsymbol{e}^n)'\iota_L}, \tag{3}$$

where γ is the coefficient of absolute risk aversion over total compensation. The researcher has a subjective discount rate $\rho > 0$, and we assume $\rho + \eta > \lambda N$, meaning that discounting exceeds the maximum arrival rate of jump events.

If researcher n works on topic j in field l, then her citation count evolves according to the law of motion

$$dC_{nt} = \sum_l r_{lt} r_{nt}^l \, dt - C_{nt-} \, dQ_{nt}, \tag{4}$$

which reflects that researchers cite one another when working on the same topic. This creates a strategic complementarity: the marginal return to working on a topic increases with the number of other researchers working on it. If the topic matures and is significant (i.e., $\pi_{lj} = 1$), the researcher receives accolades such as promotions or awards. Her prestige β_{nt} evolves according to:

$$d\beta_{nt} = \beta_{nt-} \sum_l \pi_{lj} r_{lt-}^n \, dB_t^l + (1 - \beta_{nt-}) \, dQ_{nt}, \tag{5}$$

as an additional benefit. The citation count is initialized at zero and prestige begins at one when the researcher starts her career. We summarize the researcher's cumulative status as $X_{nt} = \log \beta_{nt} + C_{nt}$, which evolves as:

$$dX_{nt} = \sum_l r_{lt} r^l_{nt}\, dt + \sum_l \pi_{lj} \log\left(1 + r^n_{lt-}\right) dB^l_t - X_{nt-}\, dQ_{nt}, \tag{6}$$

with initial condition $X_{n0} = 0$. Researcher n's preferences over compensation are expressed as $-e^{-\gamma c_{nt} - \gamma \phi_X X_{nt}}$. Note that career rewards are not modeled as a fixed supply. For instance, if all researchers were to initiate new topics without contributing to active ones, the total pool of rewards would shrink, as citations would become scarce.

Finally, we assume that each researcher has an outside option upon entering the profession at time T^n_{i-1}. This alternative career requires no effort and, for simplicity and stationarity, provides a constant flow of δ/γ consumption. The outside option delivers an expected value $U^0_{T^n_{i-1}}$ given by

$$U^0_{T^n_{i-1}} = -\mathbb{E}\left[\int_{T^n_{i-1}}^{T^n_i} e^{-\rho(t - T^n_{i-1})} e^{-\delta}\, dt \,\middle|\, \mathcal{F}_{T^n_{i-1}}\right] = -\frac{e^{-\delta}}{\rho + \eta}. \tag{7}$$

As a result, researcher n faces a participation constraint (PC):

$$U_{nT^n_{i-1}} \geq -\frac{e^{-\delta}}{\rho + \eta}\ (PC) \tag{8}$$

Since a researcher can be born at any instant, and the participation constraint is most binding when no active topic is available, we must verify that the constraint is satisfied in the absence of an active topic.

A researcher i of type n, born at time T^n_{i-1} (with $T^n_0 = 0$), solves the following optimization problem:

$$\begin{aligned} U_{nT^n_{i-1}} &= \sup_{\boldsymbol{r}^n, \boldsymbol{e}^n,\, (\boldsymbol{r}^n_t + \boldsymbol{e}^n_t)' \iota_L \leq 1\, \forall t} \mathbb{E}\left[\int_{T^n_{i-1}}^{T^n_i} e^{-\rho(t - T^n_{i-1})} \left(-e^{-\gamma c_{nt} - \gamma \phi_X X_{nt} + \kappa (\boldsymbol{r}^n_t + \boldsymbol{e}^n_t)' \iota_L}\right) dt \,\middle|\, \mathcal{F}_{T^n_{i-1}}\right] \\ &= \sup_{\boldsymbol{r}^n, \boldsymbol{e}^n,\, (\boldsymbol{r}^n_t + \boldsymbol{e}^n_t)' \iota_L \leq 1\, \forall t} \mathbb{E}\left[\int_{T^n_{i-1}}^{\infty} e^{-(\rho+\eta)(t - T^n_{i-1})} \left(-e^{-\gamma c_{nt} - \gamma \phi_X X_{nt} + \kappa (\boldsymbol{r}^n_t + \boldsymbol{e}^n_t)' \iota_L}\right) dt \,\middle|\, \mathcal{F}_{T^n_{i-1}}\right], \end{aligned} \tag{9}$$

subject to the PC constraint (8), using the memoryless property of Poisson processes. Each researcher fully internalizes how her own actions and those of others shape her career trajectory. Researchers also understand how firms generate output and, therefore, internalize the contribution of their work to production. This may reflect private returns, such as royalties or institutional

rewards, or may be interpreted as a direct preference for producing socially valuable research. The latter interpretation is particularly relevant when the value of research lies in the provision of public goods or the improvement of policy. The special case where $\phi_X = 0$ corresponds to a researcher who is only concerned with her impact on economic output.

2.3 Growth

While citations and prestige represent the private returns to research, these efforts also promote economic growth, which benefits the broader economy. This connects our model to the endogenous growth literature. Alternatively, one may interpret output as the profits of the firms where researchers are employed. We capture this by letting aggregate productivity, A_t, evolve according to the law of motion:[3]

$$dA_t = \sum_{l=1}^{L} (2\pi_{lj} - 1)\, dB_t^l. \tag{10}$$

This expression implies that aggregate productivity rises when a significant topic matures and falls when an insignificant one does. The decline in productivity reflects that firms rely on research to guide product development and strategic decisions. When a topic proves unimportant, prior investments based on it are revealed to have been wasted. This can be interpreted as a correction following speculative misallocation. Although there is already an opportunity cost to pursuing failed research, allowing aggregate productivity to fall in such cases makes this cost explicit without complicating the model. Since the key mechanisms remain unchanged, modeling this drop adds realism without affecting the qualitative results.

The representative firm has an output given by: $Y_t = A_t K$, where capital $K > 0$ is fixed in the economy. As discussed in Section 2.2, researcher i receives a share of total output as part of their compensation, given by $c_{nt} = \phi_A \left(Y_t - Y_{T_{i-i}^n} \right)$. De-trending by output at the instant the researcher is born, $Y_{T_{i-i}^n}$, helps maintain stationarity of the contract over time, so that later generations of researchers do not earn a high wage by virtue of being born after high output growth.

In what follows, we assume that the conditional probability that a topic is significant given a low signal, p_0, is sufficiently small. Specifically, we require $p_0 < \frac{1}{2}$. By l'Hôpital's rule, this implies $p_0 \leq \frac{1}{2} < \frac{1-e^{-\gamma\phi_A K}}{1-e^{-2\gamma\phi_A K}}$ for any $\phi_A > 0$, since the function $\frac{1-e^{-x}}{1-e^{-2x}}$ is increasing in x. By contrast, we assume that $p_1 \geq \frac{1-e^{-\frac{\gamma}{N}K}}{1-e^{-2\frac{\gamma}{N}K}} \geq \frac{1}{2}$.

[3] We could allow the productivity jump to depend on the number of researchers on a given topic, r_{lt}. However, this would bias researchers toward coordinating on the same topic and amplify the social cost of doing so when the topic is insignificant. To avoid this, we assume that the jump in productivity is independent of the number of researchers working on the maturing topic.

2.4 Relationship Among Drivers of Compensation

Prestige and economic output play similar roles in motivating researchers, as both increase only when a significant topic matures. The key difference lies in how they relate to the value of a research paper. Economic output is directly tied to the magnitude of a publication's contribution, whereas prestige can be substantial even when the economic value of the research is modest. While this distinction is not central to the baseline analysis, the framework allows successful outcomes to influence payoffs flexibly.

In the main analysis, we focus on citations. Unlike prestige or economic output, citations are not necessarily associated with doing useful research, but they are observed continuously and serve as a primary performance measure. We place risk aversion on the citation-based component of pay to capture the asymmetry between a failed career and academic survival, as compared to the difference between survival and academic stardom. This reflects an aversion to downside risk in career outcomes.

2.5 Equilibrium Definition

We consider a Markov Perfect Equilibrium in which each researcher fully internalizes the impact of her actions on her own career, the careers of others, and the aggregate economy. A strategy for a researcher of type n is a sequence of publication efforts $\{\vec{e}_t^n, \vec{r}_t^n\}_{t=T_{i-1}^n}^{T_i^n}$ that solves the dynamic program in Equation 9. An equilibrium is a fixed point in which researchers' conjectured intensities $\{\hat{e}_{lt}, \hat{r}_{lt}\}_{l,t}$ match actual intensities $\{e_{lt}, r_{lt}\}_{l,t}$—that is, all researchers have rational expectations about the evolution of the game.

This setup defines a mean-field Nash Equilibrium, where the relevant "mean fields" are the number of researchers in each field, $\{e_{lt}, r_{lt}\}_{l,t}$. A researcher's problem is Markov in $L + N + 1$ state variables: the L probabilities p_{lt} that each topic is significant, which also indicate whether a field is currently active; the N researcher statuses X_{nt}; and aggregate productivity A_t. However, as we will show, the optimal closed-loop policies depend on a reduced state space. This allows strategies to be not only Markov, but also recursive. We initialize the economy at $t = 0$ with no active topics.

3 Equilibrium

In this section, we construct the equilibrium of the research game. Our central proposition concerns the behavior of the N researchers. We apply the dynamic programming principle to characterize each researcher's optimal policy. Given CARA preferences and the linear evolution of status, the

absolute level of a researcher's status does not influence her decision. As a result, all researchers follow identical policies in equilibrium. A researcher's choice depends only on whether there is an active topic and, if so, on the signal S_{lj} it received about its significance. We refer to an active topic with a high signal ($S_{lj} = 1$) as *promising*, given its high likelihood of being significant. An active topic with a low signal ($S_{lj} = 0$) is referred to as *speculative*, because of its lower likelihood of producing a valuable outcome. We then have the following key proposition:

Proposition 1. *The optimal research policy for the N researchers has the following properties:*

- *If there is a promising active topic, then all researchers work on that topic until either it matures or negative news arrives.*
- *If no promising topic is active and career concerns are sufficiently strong (i.e., $\phi_X \geq \phi_X^*(\phi_A)$ that is decreasing in ϕ_A), then all researchers work on any available speculative topic until it matures; otherwise, they search for a new topic.*
- *If no topic is active, then all researchers search for a new topic and are indifferent about which field to search in.*
- *This is an equilibrium if the effort cost κ is sufficiently small; otherwise, no research is conducted. Specifically, if speculative topics are researched, then $\kappa \leq \min\{\kappa_1, \kappa_1^*\}$. If speculative topics are not researched, then $\kappa \leq \min\{\kappa_2, \kappa_2^*\}$, where κ_1 and κ_2 are defined in equations* (A.35) *and* (A.36)*, and κ_1^* and κ_2^* are defined in equations* (A.38) *and* (A.41)*, respectively.*

In contrast, in the absence of career concerns ($\phi_X = 0$), researchers abandon speculative topics and instead attempt to discover a new topic whenever no promising topic is active.

Proposition 1 shows that the equilibrium in our mean-field research game is surprisingly simple. All researchers concentrate on any active promising topic that has received a high signal ($S_{lj} = 1$), continuing until it matures. These topics are most likely to be significant, which increases both aggregate output and individual prestige. Coordinating on the same topic also maximizes citation accumulation. As a result, there is at most one active high-signal topic at any point in time.

The more interesting case arises when a topic has received a low signal ($S_{lj} = 0$), or when negative news arrives about a topic that was initially promising. Without career concerns, researchers would abandon such speculative topics and focus instead on discovering new, more promising ones. Since the conditional probability that a speculative topic is significant (p_0) is small, the socially optimal action is to stop working on it and continue searching. In the presence of career concerns, however, researchers may continue working on speculative topics through to maturity. This behavior is

career-enhancing for two reasons. First, speculative topics generate citations, while searching for new topics does not. Second, speculative topics yield prestige if they succeed, but do not reduce status if they fail. As a result, researchers may continue to invest in topics that are no longer considered valuable from a societal perspective. This leads to the emergence of academic bubbles: topics that persist because they serve individual careers, even when they no longer advance scientific knowledge.

However, rewarding citations and prestige helps relax the researcher's participation constraint (8) and ensures it is always incentive compatible to exert effort. This is because such rewards improve expected career and topic-specific payoffs. This is especially important when effort costs κ and risk aversion γ are high, or when the likelihood of discovering a significant topic (p_0 and p_1) is low. Risk aversion over citations and prestige dampens the incentive to explore. This effect is similar to the mechanism in Jones (1995), where private risk aversion exceeds social risk tolerance, discouraging innovation. The lower the likelihood that research yields meaningful results, the harder it becomes to sustain research effort. We summarize these insights in the following proposition:

Proposition 2. *An increase in the reward for career advancement, ϕ_X, or in the probability that topics are significant, p_0 and p_1, relaxes a researcher's participation constraint. In contrast, higher effort costs κ and higher risk aversion γ (for γ sufficiently large) tighten the constraint.*

Our analysis has several important implications. First, citation counts in academia may be difficult to interpret when they reflect career concerns. Researchers may prefer to work on topics that are unlikely to be significant simply because such topics generate citations more reliably than riskier new ones. As a result, citations need not indicate social impact or, if economic growth is the relevant outcome, long-term value. Moreover, career incentives may shape the behavior of academic journals. Journals that internalize the citation motive (Card and DellaVigna, 2020) may prefer to publish articles from speculative fields, knowing these will attract attention regardless of the underlying social value. This can shift editorial priorities away from research that is most promising from a societal perspective.

Second, when career concerns are strong, researchers may allocate excessive effort to speculative topics that eventually fade out, resulting in a clear form of misallocation. This behavior can distort the direction of scientific progress and offers an alternative explanation for the observed decline in research productivity and novelty (Bloom et al., 2020; Park et al., 2023). However, our model also implies that disciplines with more informative signals about topic quality—those with high p_1 and low p_0, such as the natural sciences—are less vulnerable to this dynamic. In such fields, career

incentives must be especially strong to induce inefficient crowding in speculative areas.

Third, the model generates testable predictions about heterogeneity in researcher behavior. Researchers with weaker career concerns should crowd into less popular topics, since they face less pressure to accumulate citations.[4] For example, we expect to observe a drop in crowding after tenure and among researchers who operate in environments where citation impact is not the primary measure of success. Moreover, if we can measure the potential significance of a topic, we should find that less career-driven researchers are overrepresented in areas with high potential that are not currently heavily studied. However, if most researchers face strong career incentives, the correlation between objective significance and publication output may be weak or even undetectable. In Section 5 and 6, we demonstrate that research on the genetic determinants of disease provides such a setting. Here, there is both a plausible measure of topic significance and observable variation in career incentives among researchers.

Ultimately, our findings highlight the importance of recognition systems in science. Citations allocate credit broadly across contributors, and recent evidence indicates that follow-on publications receive about 79% as many citations as those that were first to the finding (Hill and Stein, 2025b). This pattern implies that the prevailing system does not operate in a winner-take-all environment. In our setting, such diffuse recognition strengthens the coordination motive by allowing researchers to obtain meaningful credit even when they enter crowded lines of work. More selective forms of recognition, such as prizes or awards that concentrate credit on the most influential contribution, may weaken this incentive and promote exploration, consistent with the arguments in Dasgupta and David (1994). When diversification across topics is socially valuable or when society is risk-averse over innovation outcomes, selective recognition can limit the persistence of academic bubbles. In environments with limited financial or institutional resources, it may also offer a more targeted alternative to citation-based incentives.

In Online Appendix A, we demonstrate that our insights remain valid even if signals about topic significance arrive gradually. In that case, there exists a threshold probability below which a topic is abandoned, and we provide a sufficient condition for this threshold to decrease as career incentives strengthen, leading researchers to persist longer on speculative topics. Relatedly, this suggests that our empirical application in genetic research, where objective measures of therapeutic potential are available, constitutes a conservative context in which to evaluate the model's implications.

[4]The model can be extended to include researchers with different levels of career concern. The qualitative implications remain similar, so we focus on the homogeneous case for clarity.

4 Career Concerns as a Contracting Outcome

In this section, we microfound the implicit academic contract that rewards publications and citations as the solution to an underlying agency problem. We extend our model by assuming that effort is not only costly for researchers but also unobservable and non-contractible from the perspective of the principal (i.e., society). This assumption is realistic because scientific discovery is inherently difficult and much of the research process is not visible in the resulting publication. Moreover, the principal does not observe any signals about a topic until it matures. Because researchers contribute indirectly to shared knowledge and rely on one another to advance topics, the research environment resembles a moral hazard in teams problem from a social perspective (Holmstrom, 1982).

We express the flow utility of researcher n as

$$u\left(w_{nt}, \vec{e}_t^{\,n}, \vec{r}_t^{\,n}\right) = -e^{-\gamma w_{nt} + \kappa(\vec{e}_t^{\,n} + \vec{r}_t^{\,n})' \iota_J},$$

where w_{nt} denotes the researcher's compensation paid by the social planner, the vectors $\vec{r}_t^{\,n}$ and $\vec{e}_t^{\,n}$ represent the effort that researcher n allocates to active topics and to the search for new topics, respectively, and the vector ι_J is an $J \times 1$ vector of ones. The researcher's effort is subject to the attention budget constraint $(\vec{e}_t^{\,n} + \vec{r}_t^{\,n})' \iota_J \leq 1$.

We assume that the principal is risk-neutral and can commit at time 0 to a compensation scheme that maximizes the expected present value of output net of payments to researchers. The principal has a subjective discount rate ρ and chooses contract loadings subject to a researcher's participation and incentive compatibility constraints.

As is standard, we restrict attention to affine compensation contracts and consider contracts of the form:[5]

$$w_{nt} = \phi_0 + \phi_A Y_{nt} + \phi_X X_{nt}. \tag{11}$$

That is, we look for the choice of ϕ_0, ϕ_A, and ϕ_X that a principal would offer. Formally, the

[5]We abstracted from a constant wage component, ϕ_0, in Section 2 and 3 to focus on how rewarding performance through ϕ_A and ϕ_X impacted researchers' incentives. As we will see, although ϕ_0 helps with satisfying a researcher's participation constraint, it has no impact on incentive compatibility constraints for conducting research because it does not respond to research outcomes.

principal solves:

$$U_P = \sup_{\{\phi_0,\phi_A,\phi_X\}} \mathbb{E}\left[\int_0^\infty e^{-\rho t}\left(Y_t - \sum_{n=1}^{N} w_{nt}\right) dt\right], \tag{12}$$

subject to: researcher problem in equation (9).

Because all researchers are ex-ante identical, this suprlus maximization problem nests the dual of the problem of maximizing welfare by varying δ subject to a resource constraint. At time 0, we assume that no researcher has accumulated status and that no research topic is active.

In the first-best outcome in which researcher effort is observable, the principal would choose $\phi_A = \phi_X = 0$ because researchers are risk-averse, and ϕ_0 so that the participation constraint binds, i.e., $\phi_0 = \frac{\delta+\kappa}{\gamma}$. In addition, the principal has all N researchers work on only promising topics provided that the cost of effort, κ, is not too large; otherwise, the principal prefers that no research is conducted. This is summarized in Proposition 3.

Proposition 3. *In the first-best economy, the principal chooses $\phi_0 = \frac{\delta+\kappa}{\gamma}$ and $\phi_A = \phi_X = 0$, and all N researchers conduct research on only promising topics. This is optimal if $\kappa \leq \kappa^{FB}$, where κ^{FB} is given in equation* (A.53)*; otherwise, no research is conducted.*

Because research is effectively informally conducted in teams, a researcher's incentive to exert effort depends heavily on the number of others actively researching, and these incentives are weaker when the number of active researchers is small. Since effort is unobservable, researchers have an incentive to shirk; the failure to discover a new topic or to bring an existing topic to maturity may be attributed to bad luck rather than insufficient effort. Under asymmetric information, the first-best allocation may no longer be attainable, and thus incentive-compatible contracts may be needed.

We now consider a second-best economy in which effort is unobservable and restrict the principal to condition compensation only on output, Y_t, and not researcher status, i.e., $\phi_X \equiv 0$. Proposition 4 characterizes the optimal contract loadings, ϕ_0 and ϕ_A, in this special case. Similar to the first-best equilibrium, it is optimal for researchers to work on only promising topics. However, because researcher effort is now private information, the principal must reward the researcher with a fraction of output to ensure that exerting effort continuously is incentive compatible.

This proposition highlights two potential sources of inefficiency. With contracts that pay out only based on successful research projects, research becomes a public good within the group of researchers working on a topic, and thus researchers will have an incentive to free ride as long as their share of the rewards does not sufficiently compensate them for their individual effort. This

free-riding can lead the principal to actually prefer a smaller-than-optimal group of researchers to be working on the project, balancing the inefficiency of leaving researchers idle with the benefit of reducing the incentives to free ride. A second potential inefficiency also comes from the joint nature of research effort. Research projects may be very unlikely to succeed with only one researcher even if they would be efficient projects to pursue with N (or even $M^\star$) researchers.

Proposition 4. *In the second-best economy in which $\phi_X \equiv 0$, the principal employs $M^\star$ active researchers, and:*

- *if there is a promising active topic, all active researchers work on this topic until it matures;*
- *if no promising topic is active, all researchers search for a new topic and are indifferent between searching in the same or different fields;*
- *the principal sets*

$$\phi_0 = \frac{1}{\gamma}\left(\delta + \kappa + \log\left(1 - M^\star\left(1 - e^{-\kappa}\right)\right)\right), \tag{13}$$

and ϕ_A according to equation (A.73)*, and chooses the number of active researchers $M^\star \leq \min\{\lfloor \frac{e^\kappa}{e^\kappa - 1} \rfloor, N\}$ to maximize its objective* (A.72)*;*

- *if $\kappa > \kappa^{CF}(\phi_A)$, where*

$$\kappa^{CF}(\phi_A) = -\log\left(1 - \frac{\lambda^2\left(pq_1 + (1-p)\,q_0\right)\left(1 - p_1 e^{-\gamma\phi_A K} - (1-p_1)\,e^{\gamma\phi_A K}\right)}{(\rho+\eta)\,(\rho+\eta+\xi)}\right) \tag{14}$$

is increasing in ϕ_A, then zero active researchers constitutes a Nash Equilibrium. This equilibrium is Pareto inferior to the equilibrium in which M researchers conduct research.

Importantly, Proposition 4 also establishes that the inability of the principal to observe a researcher's effort limits its ability to incentivize her to conduct research because of the incentives to free-ride off the efforts of other researchers. In the first-best economy (Proposition 3) all N researchers work on research, but with incentive constraints the principal can hire at most $M \leq \min\{\lfloor \frac{e^\kappa}{e^\kappa - 1} \rfloor, N\}$ researchers, given the cost of effort, κ. In addition, if κ is not too small, i.e., $\kappa > \kappa^{CF}(\phi_A)$ where $\kappa^{CF}(\phi_A)$ is given in equation (14), and the other $N - 1$ researchers choose not to exert effort, then the remaining one also finds it optimal to not exert effort. This outcome arises because the benefits of research are shared, while the cost of effort is borne privately. In this case, zero active researchers constitutes a Nash Equilibrium, and there is therefore a coordination failure among researchers. Since this critical $\kappa^{CF}(\phi_A)$ is increasing in ϕ_A, this potential for coordination failure limits how low the rewards to effort can be while still guaranteeing effort.

The possibility of free-riding and coordination failures introduces a role for the principal to offer a richer incentive-compatible contract that supports a better second-best outcome. Since effort is unobservable, contracts must be based on observable measures such as publications and citations. Because this output is observable, the principal can also determine when a research topic proves successful. Therefore, contracts can either reward researchers continuously based on citation accumulation or only upon the successful maturation of a significant topic. The latter approach requires saving output to fund delayed rewards, which exposes researchers to considerable risk. These constraints limit the feasibility of high-powered incentives and may induce distortions that still prevent the first-best from being achieved.

These frictions open the possibility that a contract generating academic bubbles may be second-best, even if it diverts researchers from more socially valuable lines of inquiry. The standard trade-off in contract theory applies here: paying researchers only when output rises offers strong incentives to pursue promising topics but requires large transfers to risk-averse agents. When researchers are highly risk-averse and effort is costly, and when output changes are infrequent or difficult to verify, contracts that reward citations—and thus create career concerns—can be optimal despite their inefficiencies.

Proposition 5 characterizes the key features of the contract, which nests the contract characterized in Proposition 4 under the restriction $\phi_X \equiv 0$, that provides the highest payoff to the principal while eliminating all coordination failure equilibria. In addition to the participation and incentive compatibility constraints binding, the principal chooses the contract loadings to balance the marginal cost of higher compensation with the marginal benefit of relaxing researchers' participation and incentive compatibility constraints. Importantly, compared to the case in which $\phi_X \equiv 0$, the ability to pay researchers for status lifts the restriction that the number of active researchers cannot exceed $\lfloor \frac{e^\kappa}{e^\kappa - 1} \rfloor$ imposed by the free-riding friction when effort is unobservable. By rewarding effort even when it does not directly lead to a topic's discovery or maturation, the status incentive limits a researcher's return to free-riding on the efforts of the other active researchers.

Proposition 5. *The principal maximizes its payoff subject to eliminating coordination failure equilibria by choosing the research contract such that:*

- *If κ is sufficiently small, the principal sets ϕ_0 according to equation* (A.88) *and ϕ_A and ϕ_X to satisfy equations* (A.85) *and* (A.93)*, and researchers work only on promising topics.*
- *If κ is sufficiently large and the optimal $M^\star > 1$, the principal sets ϕ_0 according to equation* (A.89) *and ϕ_A and ϕ_X to satisfy equations* (A.86) *and* (A.94)*, and researchers work on any active topic.*

- *If ϕ_A is sufficiently small that there is a risk of coordination failure, the principal must choose $\phi_X \geq \underline{\phi}_X$ to eliminate coordination failure.*
- *The optimal choice of $M \in \{1, ..., N\}$ solves the objective* (A.87) *given the optimal contract loadings.*

Proposition 5 shows that the optimal contract depends on the cost of effort, κ. When research is relatively cheap (κ is small), the principal can implement a socially efficient outcome by keeping ϕ_X low enough to discourage work on speculative topics. However, when research is sufficiently costly, the principal must reward all research to maintain incentive compatibility. The principal may also need to set the loading on status ϕ_X large enough to make even speculative research individually optimal to prevent coordination failures.

If the principal does not believe the coordination-failure equilibrium will occur, the first part of the proposition still holds without the lower bound on ϕ_X. Thus, free riding alone, without concern for coordination failure, will require rewards for prestige, not just success, in the second-best equilibrium.

5 Empirical Analysis

Our model clarifies how incentive structures shape the allocation of research effort and the conditions under which academic bubbles arise. It delivers three testable predictions: (i) crowded topics receive more citations, (ii) this effect is causal, and (iii) researchers with weaker career concerns are more likely to explore less-studied topics. We now examine these implications, in turn, in a setting where both topic importance and researcher choices can be observed.

5.1 Researching the Genetic Roots of Human Diseases

Our empirical analysis focuses on biomedical research on the relationship between genetic mutations and human diseases. This setting is well-suited to our purposes because the universe of potential research targets is observable ex ante, allowing us to study how researchers allocate attention across topics (Gates et al., 2021; Stoeger et al., 2018). The space of possible fields, namely the set of human protein-coding genes, is large but well-defined, with approximately 19,000 candidate genes available for study. Moreover, the social value of successful research in this area is well established. Genes that harbor disease-causing mutations often serve as effective drug targets, increasing the likelihood of developing successful therapies (Nelson et al., 2015).

This setting aligns closely with our theoretical framework. On the one hand, scientists face a choice between continuing to investigate well-studied genetic targets or exploring novel ones. Some genes are densely studied, raising the risk of inefficient crowding on a narrow set of topics (Edwards et al., 2011). Although incentives to establish priority in new areas exist (Hill and Stein, 2025a), researchers continue to focus on a relatively small subset of human genes (Gates et al., 2021). Domain experts consider this puzzling, given widespread recognition that promising drug targets may lie among understudied genes (Richardson et al., 2024; Stoeger et al., 2018). At the same time, prior work shows that articles on genes studied more frequently are more likely to appear in higher-impact journals (Pfeiffer and Hoffmann, 2007), suggesting that career concerns may tilt researchers toward crowded areas.

On the other hand, this setting offers quantifiable ex ante measures of a gene's scientific importance. Genes harboring mutations associated with a disease are more likely to be biologically relevant to the underlying disease process and, therefore, to constitute promising research targets (Haynes et al., 2018; Richardson et al., 2024). The growing availability of large-scale genomic databases makes it possible to identify such gene-disease associations in a data-driven manner, yielding measures of scientific importance that are not influenced by historically accumulated scientific attention (Tranchero, 2026). This feature allows us to test whether researchers cluster in crowded areas because those genes are in fact more ex ante promising, or whether they end up implicitly coordinating on less promising ones, reflecting the potential emergence of academic bubbles.

Our model implies several testable predictions about how researchers may select topics in this setting. First, if crowding confers a citation advantage, we should observe that the number of citations a paper receives depends not only on the scientific importance of the gene it studies but also on how many other papers are being written about that gene. Second, we should see a causal relationship: increases in the number of papers on a gene should lead to more citations for work on that gene, even holding its scientific potential constant. The result is a potential misalignment between the ex ante promise of a gene—such as its predicted relevance to disease—and the volume of research it attracts.

Finally, the model predicts cross-sectional differences tied to career incentives. Researchers under stronger career pressures should be more likely to cluster in crowded areas, while those less constrained should explore less-studied genes. As detailed in what follows, we measure variation in these incentives by comparing researchers at different career stages (tenured versus untenured), facing different career incentives (universities versus NIH's Intramural Research Program), or

working in institutions where research output carries different weight in career advancement (more or less research-oriented universities).

5.2 Data

We assembled a dataset of all scientific papers that study human protein-coding genes. Gene-specific publications are identified using NIH's PubTator3 (Wei et al., 2024), which applies natural language processing to extract gene mentions from all articles indexed by PubMed. For ease of analysis and interpretation, we focus our main analysis on publications studying only one gene (although all results are robust to examining multiple genes, see Appendix Table C.5). This yields a sample of 857,025 papers published between 1980 and 2018. Scientific and clinical citation data come from NIH's iCite database,[6] whereas data on citations from USPTO patents are drawn from Marx and Fuegi (2020). Information on the principal investigator (PI), generally listed last in the authorship order, is obtained from Author-ity 2018 (Torvik and Smalheiser, 2021), which provides high-quality author disambiguation for PubMed articles. Finally, institutional affiliations for each PI are drawn from OpenAlex (Priem et al., 2022).

To measure the ex ante scientific importance of a gene, we follow prior biomedical literature (Haynes et al., 2018) and use the number of distinct diseases with which it has been associated in genome-wide association studies (GWAS). GWAS are hypothesis-free case-control studies that compare the DNA of individuals with and without a given condition to identify mutations correlated with the disease (Tranchero, 2026). By design, GWAS do not restrict attention to a predefined set of genes, ensuring that the resulting measure is not shaped by the historical allocation of research effort (Visscher et al., 2012). Genes harboring mutations co-occurring with many conditions are more likely to play central roles in disease biology and therefore constitute more promising research targets (Haynes et al., 2018; Stoeger et al., 2018). We obtain these data from the *Target Illumination GWAS Analytics* (TIGA) platform (Yang et al., 2021), which aggregates evidence across studies to generate counts of gene-disease associations.[7] This measure serves as our baseline proxy for scientific importance and is independent of past publication patterns. In Online Appendix B, we replicate all results using an alternative measure based on molecular data, which captures the probability that a gene is expressed (i.e., activated) in the presence of a disease.

Table 1 reports descriptive statistics. Papers in our sample receive, on average, 2.85 academic citations per year, though the distribution is highly skewed, with a right tail extending to more

[6]The data are publicly available at: `https://icite.od.nih.gov/analysis`.
[7]The data are publicly available at: `https://unmtid-shinyapps.net/shiny/tiga/`.

than 700 citations annually. For each calendar year, we rank genes by their cumulative publication counts up to that point. The average publication in our sample studies a gene that lies within the top eight percent of the most studied ones. Roughly 23% of publications focus on understudied genes, defined as genes whose cumulative publication count falls below the median at the time of publication. Genes are linked to an average of 40 diseases by GWAS, but the distribution is wide, ranging from none to nearly one thousand. Most human genes have a similar counterpart in the mouse, known as an ortholog, which allows them to be studied in laboratory mice. We will use whether a gene has a mouse ortholog as a source of variation in crowding by researchers into genes in our instrumental variable (IV) approach. Senior PIs account for 90% of our sample, while NIH intramural scientists authored only 1.5% of the publications. Finally, papers receive, on average, 0.09 clinical citations and 0.001 patent citations per year, highlighting the relative selectivity of translational uptake compared to academic impact.

6 Results

6.1 Crowdedness and Citations in Genetic Research

We begin by documenting that crowdedness is a salient feature of research in the genetic space, as captured in our data. We rank genes by the total number of publications over the sample period and plot the number of publications by rank in Panel (a) of Figure 1. The distribution is skewed, with a handful of genes attracting the vast majority of research while most receive little or none. Is this concentration efficient, with effort directed toward the most scientifically promising genes? To assess this, we examine how many conditions have been associated with each gene in GWAS studies. Panel (b) plots the same ranking against the logarithm of the number of diseases related to each gene. Although publication counts and GWAS associations are positively correlated (Appendix Figure C.1), many promising genes are neglected, while others with limited therapeutic potential continue to draw substantial attention. This misalignment echoes prior work showing that numerous important genes remain overlooked (Stoeger et al., 2018; Richardson et al., 2024).

The discrepancy between publication volume and ex ante scientific importance indicates that private rewards may not align with the scientific value of the genes researchers choose to study. To assess this possibility, we estimate whether papers on underexplored genes receive fewer citations even after controlling for the number of diseases related to them. Our main specification is:

$$y_{i,t} = \alpha + \beta \cdot \text{crowdedness}_i + \theta \cdot \text{importance}_i + \mu_{j,t} + d_c + a_p + \varepsilon_{i,t}, \tag{15}$$

where the dependent variable $y_{i,t}$ is the number of citations received per year by paper i. Our main independent variable, crowdedness$_i$, is defined as the percentile of the cumulative publication count for the focal gene and captures how extensively that gene has been studied. The variable importance$_i$ is our time-invariant proxy for the scientific importance of gene i. The specification includes journal-by-year fixed effects $(\mu_{j,t})$, Medical Subject Headings (MeSH) disease-class fixed effects (d_c), and PI fixed effects (a_p). We report heteroskedasticity-robust standard errors in parenthesis.[8] In the most stringent version, publications are compared within the same PI, disease class, and journal-by-year cell.

The results are presented in Table 2. We invert the gene rank so that higher values correspond to less studied genes and find a statistically significant decline in citation impact for publications on these genes. In the most stringent specification with PI fixed effects, publishing about the least studied gene (top percentile) rather than the most studied gene (bottom percentile) is associated with 0.9 fewer citations per year, relative to a mean of 2.85. Strikingly, this effect persists even after controlling for scientific importance, consistent with our key theoretical prediction. Although scientific importance is directionally associated with higher citations, the coefficient is imprecisely estimated. In Panel B, we re-estimate the specification using a dummy indicating whether the gene had received a below-median number of publications at the time of publication and find similar results: papers on below-median genes receive 0.2 fewer citations per year.

Figure 2 visualizes these patterns by plotting yearly citations against the number of disease associations for each gene. Although the relationship is only weakly positive, there is a clear discontinuity in favor of crowded genes at every level of importance, indicating a systematic citation penalty for papers on understudied genes. In Appendix B, we show that this pattern is robust to using our alternative proxy for ex ante genetic potential based on molecular data about differential gene expression. The corresponding binscatter in Appendix Figure C.1 and regressions in Appendix Table B.1 indicate that the result is not an artifact of the measure used. Overall, these findings are consistent with earlier evidence from Pfeiffer and Hoffmann (2007), who show that more frequently studied genes are more likely to appear in higher-impact journals. Our analysis extends this result by showing a citation advantage for articles in crowded research areas, which persists even after accounting for journal and author fixed effects.

[8] OLS results are robust to alternative choices, such as clustering at the gene or journal level. When clustering at the gene level under our IV specification, statistical significance attenuates because of the persistence of research activity within genes and the limited number of effective clusters, but point estimates remain stable across specifications.

6.2 Is the Effect of Crowdedness on Citations Causal?

Our analyses reveal a strong relationship between the crowdedness of a genetic domain and the citation impact of papers, even after controlling for ex ante scientific importance. Although our baseline specification includes stringent controls, genes might differ along unobserved dimensions that affect both how many papers are written and how many citations those papers receive. To address this concern, we implement an instrumental variable strategy that uses predetermined gene characteristics to isolate the causal effect of crowdedness on research impact.

In particular, we require a source of variation that predicts crowdedness (first stage) while affecting citation outcomes only through that channel (exclusion restriction). We exploit variation in how easy it is for human genes to be studied in laboratory mice, which is the most common animal model in biomedical research. Specifically, we define an indicator equal to one if a human gene has a mouse *ortholog*, that is, a counterpart gene inherited from a common ancestor and performing similar functions across species (Gabaldón and Koonin, 2013). Genes with a mouse ortholog are more experimentally convenient because they can be investigated in the most common animal model. Thus, researchers direct more effort toward such genes. Conversely, roughly 10% of human protein-coding genes lack such a counterpart for evolutionary reasons. These genes have historically been understudied for reasons of convenience rather than scientific importance (Stoeger et al., 2018; Richardson et al., 2024), making the absence of a mouse ortholog a plausibly exogenous determinant of crowdedness.

We find support for the relevance of our instrument (columns 1 and 3 of Table 3), as indicated by the large F-statistics. Human genes that can be studied in laboratory mice are 1.33-1.47 percentage points less likely to be understudied in our sample. Relative to the sample mean of 0.232, this corresponds to a 5.7-6.3% decrease. The key identifying assumption is the exclusion restriction: conditional on our GWAS-based measure of ex ante scientific promise, as well as journal-by-year, disease-class, and PI fixed effects, the presence of a mouse ortholog affects citation outcomes only through its effect on crowdedness. Although this assumption cannot be tested directly, we can assess one important threat to its validity — that papers on genes with mouse orthologs may simply be of higher intrinsic quality. In Appendix Table C.1, we examine whether articles studying such genes are more likely to appear in prestigious journals. The estimates rule out a systematic relationship, suggesting that the instrument does not operate through differences in paper quality.

We then estimate the following 2SLS regression:

$$y_{i,t} = \alpha + \beta_{2SLS} \cdot \widehat{\text{crowdedness}}_i + \theta \cdot \text{importance}_i + \mu_{j,t} + d_c + a_p + \varepsilon_{i,t}, \tag{16}$$

where the variables are the same as in Equation 15, except that $\widehat{\text{crowdedness}}_i$ denotes the fitted measure of crowdedness from the first stage. Table 3 reports the results. As expected, the OLS estimates are attenuated relative to the 2SLS estimates. The instrumented coefficients are sizable and should be interpreted as a LATE for the subset of genes whose research intensity responds to mouse orthology. In Panel A, the estimates capture the change in citations associated with a one percentile decrease in crowdedness. In practice, however, the variation induced by the instrument is smaller and mouse orthology shifts predicted crowdedness by 0.36 percentile points. Based on the most restrictive specification, this implies a citation penalty of 0.09 citations per year, or 3.2% of the sample mean.

A potential concern with our IV strategy is that mouse orthology may affect citations not only by increasing crowdedness, but also by making papers on those genes intrinsically more citable. Genes with mouse orthologs may be easier to validate experimentally or more therapeutically relevant, both of which could raise citation impact independently of the dynamics captured by our model. To address this concern, in Appendix Table C.3 we report estimates that control for the number of other major model organisms in which each gene can be studied. This control captures broader experimental tractability and helps account for the possibility that genes conserved in other species are of higher biological importance. The results remain robust and we continue to find a significant citation penalty. These findings are consistent with the interpretation that crowdedness itself shapes citation impact, rather than simply reflecting other unobserved characteristics of the genetic topic under study.

6.3 Heterogeneity in Researchers' Career Incentives

While the aggregate results suggest that scientists may concentrate on crowded genetic topics to avoid a citation penalty, this alone does not establish that the penalty drives their choices. Scientists might be intrinsically motivated to study important genes, regardless of their impact on citation counts. To assess the role of career incentives more directly, we conduct a series of descriptive heterogeneity analyses that test whether researchers facing stronger career pressures, or greater incentives to maximize citation impact, are less likely to work on uncrowded genes. These analyses provide a suggestive way to explore whether the citation penalty can be a mechanism underlying our results.

A first source of heterogeneity is whether the principal investigator (PI) is likely tenured. Tenure reduces career risk by providing long-term job security, which in turn lowers researchers' sensitivity to short-term citation incentives and allows them to pursue less common directions (Manso, 2011; Tripodi et al., 2025). We proxy for tenure by coding PIs as senior if they have been publishing for at least seven years, but results are similar using different cut-offs (Online Appendix Table C.4). Consistent with this mechanism, Panel A of Table 4 shows that senior researchers are systematically more likely to publish on less studied genes, both by moving up the inverse percentile ranking of crowdedness (columns 1 and 2) and by focusing more often on genes with a below-median number of publications (columns 3 and 4). This relationship is visualized in panel (a) of Figure 3, which plots the likelihood that a paper is authored by a senior PI against the crowdedness of the focal gene. Taken together, these results suggest that by alleviating career pressures, tenure reduces sensitivity to citation penalties and encourages researchers to explore less-studied genes.

The second source of heterogeneity we examine is whether the paper's PI is affiliated with the NIH Intramural Research Program. Unlike academic researchers, intramural scientists are employed and funded directly by the NIH (Azoulay et al., 2013). In terms of our model, they are directly monitored by the NIH and do not face the up-or-out pressures of academia, which often push researchers toward short-term publication impact.[9] Consistent with this prediction, we find that NIH-affiliated PIs are significantly more likely to publish on less-studied genes (Panel B of Table 4). The second panel of Figure 3 shows the positive relation between the likelihood of a paper having an NIH-affiliated author and the featuring of less studied genes. These findings complement prior evidence that intramural researchers generate more novel scientific output (Xu et al., 2025) and suggest that scientists not facing the incentives of traditional academic careers are more willing to explore less trodden parts of the genetic landscape.

Finally, we examine the role of university research prestige. Researchers at top institutions are often embedded in larger laboratories that depend on a steady flow of publications and grants to sustain personnel (Zhang et al., 2022). Such labs tend to favor established lines of work over disruptive exploration, since their scale creates incentives to avoid failure (Wu et al., 2019). In addition, novel contributions are more likely to appear in lower-impact journals, making them less attractive under tenure systems in elite departments (Wang et al., 2017). To test whether these dynamics shape topic

[9]Even more importantly, NIH intramural researchers do not compete in the "extramural" grant mechanisms available to university researchers. The NIH characterizes the intramural program as offering long-term funding and intellectual freedom to support higher-risk research (Azoulay et al., 2013), in contrast to traditional competitive grants that may discourage such work (Azoulay et al., 2011).

selection, we restrict our sample to papers with U.S.-based PIs and compare those affiliated with the top 10 universities to others. The results, shown in panel (c) of Table 4, provide some evidence that researchers outside the most highly ranked departments are more likely to study less common genes. Although the within-author variation across rankings is limited, the binscatter in Figure 3 shows a suggestive association.

Taken together, the heterogeneity analyses suggest that career pressures may play a role in driving researchers toward crowded genes. PIs who are tenured or employed within the NIH intramural program, and thus less exposed to citation-based incentives, are significantly more likely to publish on less-studied genes. By contrast, researchers at elite universities, where career and resource pressures are most intense, show a tendency to remain in crowded areas. The consistent pattern across these comparisons attunes with the model's predictions that citation concerns discourage exploration, and help explain why attention clusters on genes that are already heavily studied rather than those that are more likely to be scientifically important.

6.4 Impacts on Downstream Innovation

We next examine how the allocation of scientific attention shapes downstream developments in medicine. We focus on two paper-level outcomes that capture potential real-world impact rather than academic recognition. The first is the number of citations a paper receives from clinical studies, a crucial step in translating discoveries into therapeutic applications. Clinical research is likely to draw on papers that study the most scientifically significant genes. In practice, because it builds on the broader scientific literature, it may inherit its biases, particularly the tendency to concentrate on already crowded genes. To test which force dominates, we re-estimate our main specification using clinical citations as the dependent variable. The results, reported in the first panel of Table 5, mirror those for academic citations: papers on less-studied genes consistently receive fewer clinical citations, even after controlling for the number of diseases associated with the gene. This suggests that the misallocation of attention in basic science persists into the translational stage, with direct consequences for medical progress. Online Appendix Figure C.2 illustrates this result.

The second outcome we consider is the number of citations a paper receives from firm patents. Unlike academic citations, patent citations may be less sensitive to how concentrated prior research is, since corporate inventors are motivated by the most commercially promising applications for drug development. Accordingly, we estimate our main specification using citations from USPTO

patents as the dependent variable. The results, reported in the bottom panel of Table 5, show that patent citations are indeed less influenced by whether a gene is heavily studied. Using the percentile rank, papers on less-studied genes attract more patent citations, while the below-median indicator yields less precise estimates. We visualize these findings in Figure C.2, again showing no systematic bias of patent citations toward crowded genetic areas. Taken together, the evidence suggests that firms searching for commercially valuable innovations draw more heavily on research in less-studied genes, highlighting how academic incentives can steer attention away from precisely those targets with the greatest potential for industrial application.

6.5 Robustness Checks

A. Alternative Proxy of Genes' Scientific Importance: In Online Appendix B, we replicate all main analyses using an alternative measure of scientific importance based on the probability that a gene is differentially expressed in human disease. This proxy captures the likelihood that a gene is "switched on" in disease contexts, providing molecular evidence complementary to our baseline GWAS-based measure. The data are obtained from Northwestern University's *Find My Understudied Genes* database (Richardson et al., 2024). Results are robust and papers focusing on less-studied genes continue to experience a significant citation penalty, even after controlling for differential expression in human diseases.

B. Including Publications Studying Multiple Genes: Online Appendix Table C.5 extends the analysis to include publications that study multiple genes simultaneously. For these papers, we assume that researchers allocate their attention equally across all genes mentioned and compute the average measure of scientific importance and crowdedness across them. The main findings are unaffected by this change, confirming that the citation penalty for less-studied genes is not driven by our focus on monogenic publications.

7 Conclusion

In this paper, we model the process of academic inquiry and show that rewarding publications and citations can lead to excessive coordination among researchers and, in some cases, the formation of academic bubbles. Empirical evidence from genetics research supports both that concentrating on well-studied areas increases citations and that stronger career incentives predict greater crowding by researchers into these areas. Both patterns are consistent with our model's mechanisms. Although our analysis cautions against interpreting citation-based metrics as unbiased indicators of scientific

value, incentives based on them may be necessary to motivate researchers, particularly when they are risk-averse, effort is costly, and the likelihood of discovering a promising topic is low.

More broadly, our findings underscore the importance of considering researcher incentives when evaluating the quality and impact of scientific work. From a principal-agent perspective, the decline in breakthrough ideas documented by Bloom et al. (2020) and Park et al. (2023) may reflect distorted incentives rather than diminishing scientific returns, as previously suggested by Bhattacharya and Packalen (2020). If research stagnation stems from the structure of incentives rather than the limits of human creativity, then rethinking how we evaluate and reward researchers may help revitalize scientific progress.

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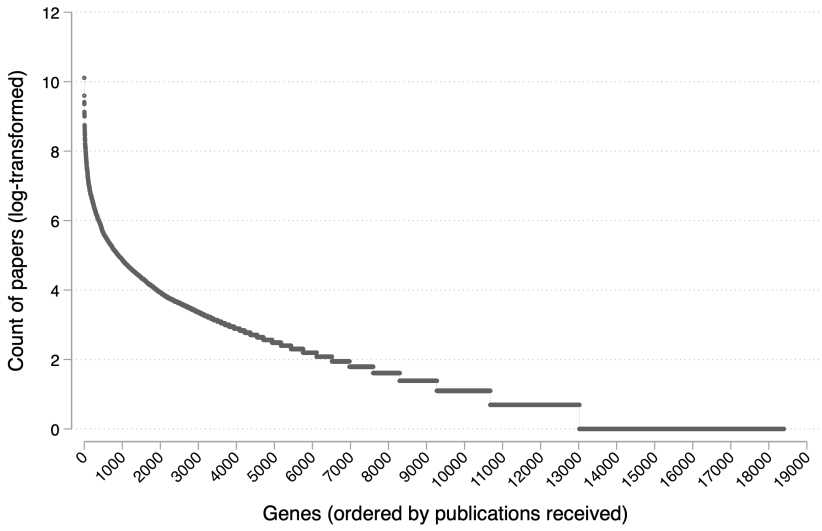
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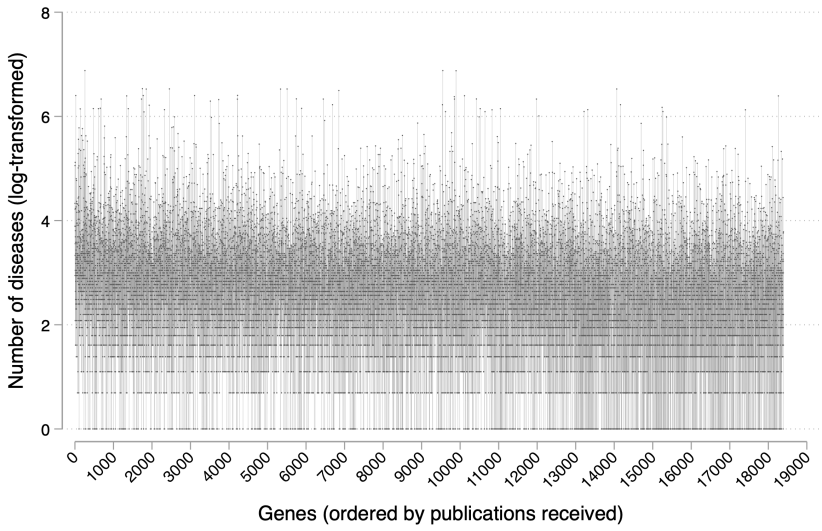
8 Figures and Tables

Figure 1: Research is Concentrated on Few Genes, While Many Disease-Relevant Genes Remain Neglected.

(a) *Count of Scientific Publications on Each Gene*

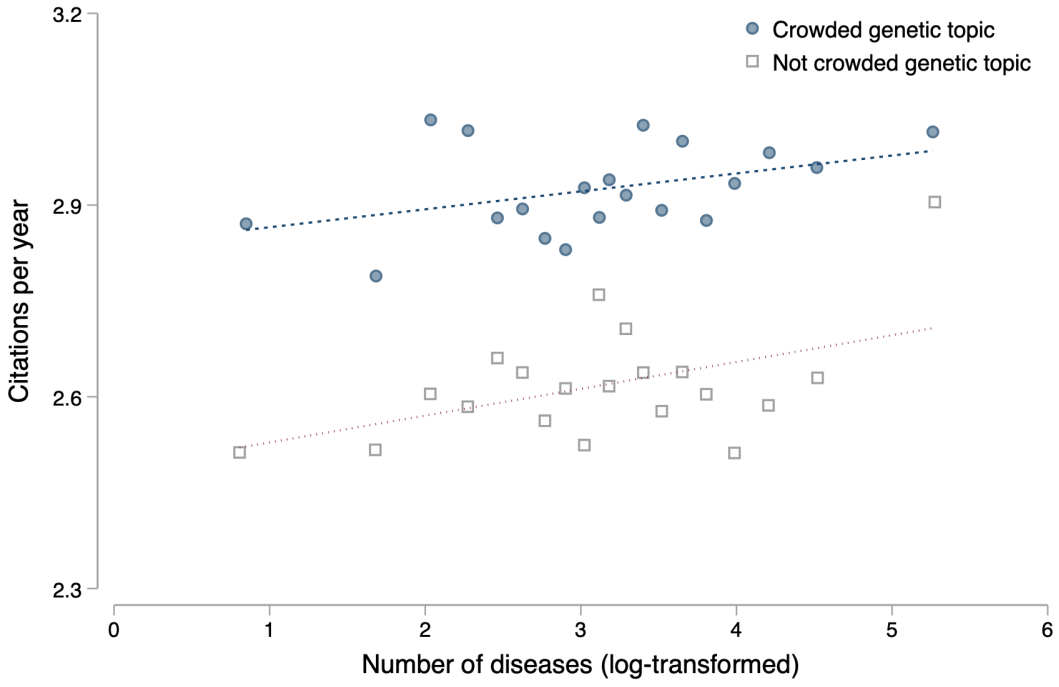


(b) *Count of Diseases Associated with Each Gene*



Note: The figure compares the cross-sectional distribution of scientific effort across human genes with the number of diseases associated with mutations in those same genes. Panel (a) shows the count of publications targeting each gene on the Y axis, with genes on the X axis sorted from the most to the least studied. Panel (b) shows the count of human diseases associated with each gene on the Y axis, with genes on the X axis sorted from the most to the least studied. Both panels present the genes sorted in the same way on the X axis to facilitate the comparison. The sample is the full analysis sample as defined in the text. See text for details.

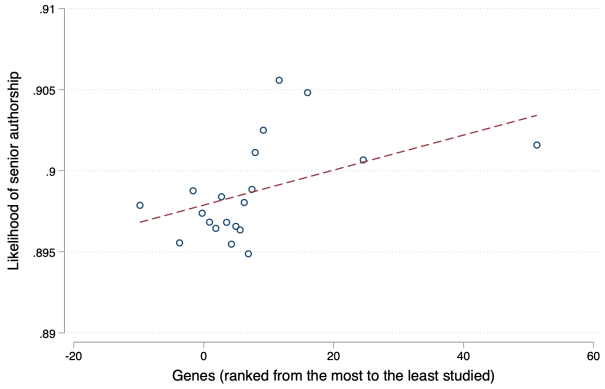
Figure 2: Publications in Crowded Genetic Fields Receive More Citations, Irrespective of the Likely Ex Ante Disease Importance of the Gene.



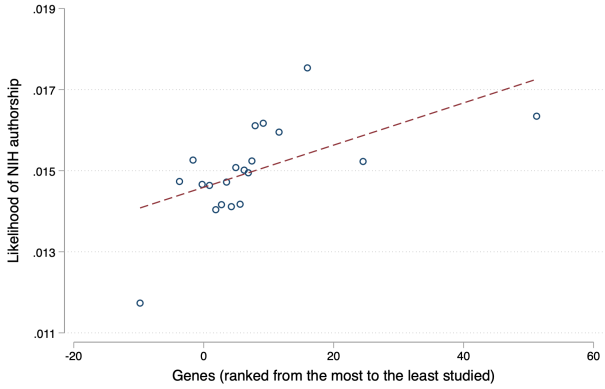
Note: This figure plots the relationship between yearly citations received by a publication and the biological importance of the gene it studies. The importance of a gene is proxied by the number of diseases associated with it in unbiased, data-driven GWAS studies. The plot is presented as a binned scatterplot, separately for genes below and above the median of publications received at the time of publication. For both groups of genes, we residualize yearly citations and biological importance with respect to an indicator for each journal-year bin. We divide the sample into 20 equal-sized groups based on the ventiles of the biological importance measure and plot the mean of yearly cites against the mean of importance in each bin. The sample is the full analysis sample as defined in the text. See text for details.

Figure 3: Researchers With Plausibly Fewer Career Pressures Explore Less Studied Genes.

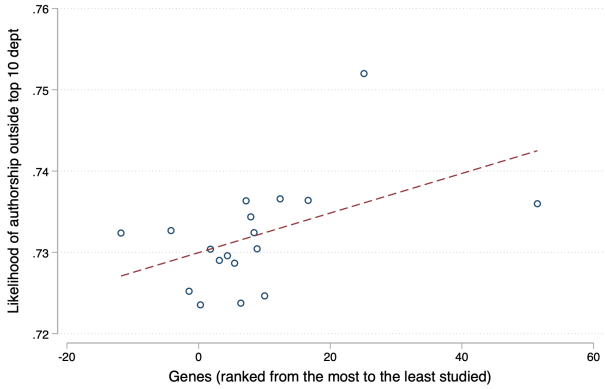
(a) *Senior Authors and Exploration of Less Studied Genes*



(b) *NIH Intramural Authors and Exploration of Less Studied Genes*



(c) *Authors in Less Prestigious Universities and Exploration of Less Studied Genes*



Note: This figure shows the likelihood that a publication features a senior author (panel (a)), an NIH intramural researcher (panel (b)), or a researcher affiliated with a less prestigious university (panel (c)), as a function of how much prior research has been conducted on the gene studied. The x-axis divides genes into 20 equal-sized bins based on their rank in the distribution of prior publications, from the most to the least studied. The plotted values are residualized with respect to journal-year fixed effects. The sample is the full analysis sample as defined in the text. See text for details.

Table 1: Descriptive Statistics.

	mean	median	std. dev.	min.	max.	N
Citations per Year	2.853	1.364	6.939	0.000	750.400	857,025
Inverse Study Rank	7.454	2.000	14.413	0.000	99.000	857,025
Understudied (0/1)	0.232	0.000	0.423	0.000	1.000	857,025
Gene-Disease Associations	40.333	23.000	67.141	0.000	971.000	857,025
Has Mouse Ortholog (0/1)	0.917	1.000	0.276	0.000	1.000	857,025
Other Important Orthologs	0.954	1.000	0.989	0.000	4.000	857,025
Senior Author (0/1)	0.899	1.000	0.302	0.000	1.000	851,796
NIH Author (0/1)	0.015	0.000	0.121	0.000	1.000	857,025
Outside Top 10 University (0/1)	0.732	1.000	0.443	0.000	1.000	136,529
Clinical Citations per Year	0.091	0.000	0.431	0.000	107.800	857,023
Patent Citations per Year	0.001	0.000	0.016	0.000	3.500	857,025

Note: This table reports summary statistics at the paper level for 857,025 publications focusing on one human protein-coding gene between 1980 and 2018. *Citations per Year*: annual forward citations received from other academic articles (source: NIH iCite). *Inverse Study Rank*: inverted percentile rank of cumulative publication counts on the focal gene in the publication year, where higher values indicate less-studied genes (1 = most studied and 100 = least studied). *Understudied (0/1)*: indicator equal to one if the focal gene's cumulative publication count falls below the median of the year-specific cross-gene distribution at the time of publication. *Gene–Disease Associations*: number of diseases associated with the focal gene in data-driven genome-wide association studies (GWAS), drawn from TIGA (Yang et al., 2021). *Has Mouse Ortholog (0/1)*: indicator equal to one if the human gene has an ortholog in laboratory mice (*Mus musculus*), used in the instrumental variable analysis. *Other Important Orthologs*: count of other major model organisms for research (yeast, *Caenorhabditis elegans*, fruit fly, and zebrafish) in which the human gene has an ortholog. *Senior Author (0/1)*: indicator equal to one if the last author (PI) has at least seven years of publishing history. *NIH Author (0/1)*: indicator equal to one if the PI is affiliated with the NIH Intramural Research Program. *Outside Top 10 University (0/1)*: indicator equal to one if the PI is not affiliated with a top 10 U.S. biomedical department, based on the 2006 CWTS Leiden Rankings. *Clinical Citations per Year*: annual forward citations received from clinical trial publications (source: NIH iCite). *Patent Citations per Year*: annual forward citations received from USPTO patents, based on data from Marx and Fuegi (2020). See text for details.

Table 2: Citation Penalty to Papers Focusing on Less Studied Genes.

Panel A: Percentile Rank

	(1) Citations	(2) Citations	(3) Citations	(4) Citations
Inverse Study Rank	-0.0127***	-0.0122***	-0.00927***	-0.00924***
	(0.000503)	(0.000537)	(0.000867)	(0.000866)
Scientific Importance				0.0000847
				(0.000175)
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	No	Yes	Yes	Yes
Principal Investigator FE	No	No	Yes	Yes
N	832,994	790,650	604,906	604,906

Panel B: Dummy Version

	(1) Citations	(2) Citations	(3) Citations	(4) Citations
Understudied (0/1)	-0.393***	-0.359***	-0.219***	-0.218***
	(0.0164)	(0.0174)	(0.0275)	(0.0275)
Scientific Importance				0.000131
				(0.000175)
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	No	Yes	Yes	Yes
Principal Investigator FE	No	No	Yes	Yes
N	832,994	790,650	604,906	604,906

Note: *, **, *** denote significance at the 5%, 1%, and 0.1% level, respectively. Cross-sectional OLS regressions at the publication level. Robust std. err. in parentheses. *Citations*: average yearly scientific citations received by the publication; *Inverse Study Rank*: inverted percentile rank of cumulative publication counts on the focal gene in the publication year, where higher values indicate less-studied genes; *Understudied (0/1)*: indicator equal to one if the focal gene's cumulative publication count falls below the median of the year-specific cross-gene distribution at the time of publication; *Scientific Importance*: count of diseases linked to mutations in the gene, as identified by unbiased genome-wide association studies (GWAS); *Journal-Year FE*: fixed effect for articles published in a scientific journal in a given year; *Disease Class FE*: fixed effect for disease codes from the MeSH tree; *Principal Investigator FE*: fixed effect for the last author of the article, usually denoting the PI of the project. Note that the inclusion of PI fixed effects reduces the sample size. See text for details.

Table 3: Citation Penalty to Papers Focusing on Less Studied Genes Using an Instrumental-Variable Approach.

Panel A: Percentile Rank

	(1) Inverse Study Rank	(2) Citations	(3) Inverse Study Rank	(4) Citations
Mouse Ortholog (0/1)	-0.356***		-0.361***	
	(0.0634)		(0.0925)	
Inverse Study Rank		-0.454***		-0.254*
		(0.0994)		(0.121)
F-Statistic (First Stage)	31.558		15.241	
Scientific Importance	Yes	Yes	Yes	Yes
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	No	No	Yes	Yes
N	790,650	790,650	604,906	604,906

Panel B: Dummy Version

	(1) Understudied (0/1)	(2) Citations	(3) Understudied (0/1)	(4) Citations
Mouse Ortholog (0/1)	-0.0147***		-0.0133***	
	(0.00183)		(0.00263)	
Understudied (0/1)		-11.036***		-6.877*
		(1.979)		(3.098)
F-Statistic (First Stage)	63.947		25.806	
Scientific Importance	Yes	Yes	Yes	Yes
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	No	No	Yes	Yes
N	790,650	790,650	604,906	604,906

Note: *, **, *** denote significance at the 5%, 1%, and 0.1% level, respectively. Cross-sectional OLS regressions at the publication level. Robust std. err. in parentheses. *Citations*: average yearly scientific citations received by the publication; *Inverse Study Rank*: inverted percentile rank of cumulative publication counts on the focal gene in the publication year, where higher values indicate less-studied genes; *Understudied (0/1)*: indicator equal to one if the focal gene's cumulative publication count falls below the median of the year-specific cross-gene distribution at the time of publication; *Mouse Ortholog (0/1)*: 0/1 = 1 for protein-coding genes with an ortholog gene in the mouse, which allows them to be studied using the laboratory mouse, hence increasing their experimental convenience; *Scientific Importance*: count of diseases linked to mutations in the gene, as identified by unbiased genome-wide association studies (GWAS); *Journal-Year FE*: fixed effect for articles published in a scientific journal in a given year; *Disease Class FE*: fixed effect for disease codes from the MeSH tree; *Principal Investigator FE*: fixed effect for the last author of the article, usually denoting the PI of the project. Note that the inclusion of PI fixed effects reduces the sample size. Both panels report the Kleibergen-Paap F statistic for the first-stage regression. See text for details.

Table 4: Researcher Characteristics and Exploration of Less Studied Genes.

Panel A: Senior Researchers

	(1) Inverse Study Rank	(2) Inverse Study Rank	(3) Understudied (0/1)	(4) Understudied (0/1)
Senior Author (0/1)	0.267***	0.331*	0.00990***	0.0125**
	(0.0536)	(0.166)	(0.00161)	(0.00461)
Scientific Importance	Yes	Yes	Yes	Yes
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	No	Yes	No	Yes
N	785,891	604,906	785,891	604,906

Panel B: NIH Intramural Researchers

	(1) Inverse Study Rank	(2) Inverse Study Rank	(3) Understudied (0/1)	(4) Understudied (0/1)
NIH Intramural Author (0/1)	0.582***	0.500*	0.0202***	0.0184**
	(0.164)	(0.252)	(0.00429)	(0.00642)
Scientific Importance	Yes	Yes	Yes	Yes
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	No	Yes	No	Yes
N	790,650	604,906	790,650	604,906

Panel C: Researchers in Lower-Ranked Institutions

	(1) Inverse Study Rank	(2) Inverse Study Rank	(3) Understudied (0/1)	(4) Understudied (0/1)
Author Outside Top 10 Dept (0/1)	0.251*	-0.0276	0.00927**	0.00972
	(0.117)	(0.375)	(0.00320)	(0.00968)
Scientific Importance	Yes	Yes	Yes	Yes
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	No	Yes	No	Yes
N	111,566	80,520	111,566	80,520

Note: †, *, **, *** denote significance at the 10%, 5%, 1%, and 0.1% level, respectively. Cross-sectional OLS regressions at the publication level. Robust std. err. in parentheses. *Inverse Study Rank*: inverted percentile rank of cumulative publication counts on the focal gene in the publication year, where higher values indicate less-studied genes; *Understudied (0/1)*: indicator equal to one if the focal gene's cumulative publication count falls below the median of the year-specific cross-gene distribution at the time of publication; *Senior Author*: 0/1 = 1 if the last author of the publication has been active in publishing for at least 7 years (and thus is likely tenured); *NIH Intramural Author*: 0/1 = 1 if the last author of the publication is affiliated exclusively with the NIH; *Outside Top 10 Dept*: 0/1 = 1 if the last author of the publication is affiliated with a U.S. university whose biomedical departments are outside the top 10 in the 2006 CWTS Leiden rankings; *Scientific Importance*: count of diseases linked to mutations in the gene, as identified by unbiased genome-wide association studies (GWAS); *Journal-Year FE*: fixed effect for articles published in a scientific journal in a given year; *Disease Class FE*: fixed effect for disease codes from the MeSH tree; *Principal Investigator FE*: fixed effect for the last author of the article, usually denoting the PI of the project. Note that the inclusion of PI fixed effects reduces the sample size. Panel A has a smaller sample because it is restricted to papers whose PI's seniority could be established. Panel C has a smaller sample because it is restricted to papers whose PI is affiliated with a U.S. university. See text for details.

Table 5: Clinical and Patent Citations to Papers Focusing on Less Studied Genes.

Panel A: Percentile Rank

	(1) Clinical Cites	(2) Clinical Cites	(3) Patent Cites	(4) Patent Cites
Inverse Study Rank	-0.00111***	-0.000713***	0.000007***	0.000006**
	(0.000026)	(0.000034)	(0.000002)	(0.000002)
Scientific Importance Control	Yes	Yes	Yes	Yes
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	No	Yes	No	Yes
N	790,650	604,906	790,650	604,906

Panel B: Dummy Version

	(1) Clinical Cites	(2) Clinical Cites	(3) Patent Cites	(4) Patent Cites
Understudied (0/1)	-0.0414***	-0.0264***	0.000228***	0.000209**
	(0.000904)	(0.001303)	(0.000053)	(0.000069)
Scientific Importance Control	Yes	Yes	Yes	Yes
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	No	Yes	No	Yes
N	790,650	604,906	790,650	604,906

Note: †, *, **, *** denote significance at the 10%, 5%, 1%, and 0.1% level, respectively. Cross-sectional OLS regressions at the publication level. Robust std. err. in parentheses. *Clinical Cites*: average yearly citations from clinical studies received by the publication; *Patent Cites*: average yearly citations from USPTO patents received by the publication; *Inverse Study Rank*: inverted percentile rank of cumulative publication counts on the focal gene in the publication year, where higher values indicate less-studied genes; *Understudied (0/1)*: indicator equal to one if the focal gene's cumulative publication count falls below the median of the year-specific cross-gene distribution at the time of publication; *Scientific Importance*: count of diseases linked to mutations in the gene, as identified by unbiased genome-wide association studies (GWAS); *Journal-Year FE*: fixed effect for articles published in a scientific journal in a given year; *Disease Class FE*: fixed effect for disease codes from the MeSH tree; *Principal Investigator FE*: fixed effect for the last author of the article, usually denoting the PI of the project. Note that the inclusion of PI fixed effects reduces the sample size. See text for details.

Appendix: Proof of Propositions

Proof of Proposition 1:

In what follows, let $\mathcal{A}_t$ be the set of active fields at time t, and $\mathcal{E}_t$ its complement (i.e., the set of inactive fields), $R_{-n,lt}$ the number of researchers working in active topic l other than researcher n, and $\boldsymbol{X}_{-nt}$ the vector of statuses of other researchers. In addition, let $\boldsymbol{u_i}$ be $L \times 1$ Euclidean basis vector that is all zeros except for the i^{th} entry that is 1.

For simplicity, we begin with the special case in which $\xi = 0$ and $\kappa = 0$, and no negative news ever arrives after a topic has an initial high signal, $S_{lj} = 1$. We then consider the more general case.

Step 1: Researcher n's Hamilton-Jacobi-Bellman Equation

Recall that the state variable X_{nt} to be the status of researcher n with law of motion by Ito's Lemma

$$dX_{nt} = \sum_l r_{lt} r^l_{nt} dt + \log\left(1 + \sum_l \pi_{lj} r^n_{lt-}\right) dB^l_t - X_{nt-} dQ_{nt}. \tag{A.1}$$

A new researcher begins with a X_{nt} of $X_0 = 0$ because they have an initial citation of 0 and prestige of 1. In addition, we recognize her consumption is per capita output, i.e., $c_{nt} = \phi_A A_t K$.

To condense notation, let $\boldsymbol{p}_t = [p_{1t}, ..., p_{Lt}]'$ to be the vector of pseudo-probabilities of significance for each of the L fields (which also indexes which fields are active), and $\boldsymbol{X}_{-nt}$ to be the vector of other researchers' statuses $X_{n't}$. Let $\partial_y g$ denote the first partial derivative of the function g with respect to y, respectively, and $\nabla_{\boldsymbol{z}} g$ the gradient of g with respect to the vector $\boldsymbol{z}$. Further, let $\boldsymbol{u_i}$ be $L \times 1$ Euclidean basis vector that is all zeros except for the i^{th} entry that is 1.

The value function of the researcher $V_{nT^n_{i-1}}(t, X_{nt}, \boldsymbol{p}_t, \boldsymbol{X}_{-nt}, A_t)$ for a researcher n born at time T^n_{i-1} then satisfies the Hamilton-Jacobi-Bellman (HJB) Equation according to the Dynamic Programming Principle

$$\begin{aligned} 0 \geq \sup_{\boldsymbol{r}^n, \boldsymbol{e}^n, (\boldsymbol{r}^n_t + \boldsymbol{e}^n_t)' \iota_L \leq 1 \ \forall \ t} & -e^{-(\rho+\eta)\left(t - T^n_{i-1}\right)} e^{-\gamma\phi_A\left(A_t - A_{T^n_{i-1}}\right)K - \gamma\phi_X X_{nt} + \kappa(\boldsymbol{r}^n_t + \boldsymbol{e}^n_t)'\iota_L} dt \\ & + \mathbb{E}\left[dV_{nT^n_{i-1}}(t, X_{nt}, \boldsymbol{p}_t, \boldsymbol{X}_{-nt}, A_t)\right]. \end{aligned} \tag{A.2}$$

The HJB equation remains valid for random optional stopping times, and consequently is equipped to handle researcher retirement.

Let us conjecture that researcher n's value function takes the form

$$V_{nT_{i-1}^n}\left(t, X_{nt}, \boldsymbol{p}_t, \boldsymbol{X}_{-nt}, A_t\right) = -e^{-(\rho+\eta)\left(t-T_{i-1}^n\right)-v_a\left(A_t-A_{T_{i-1}^n}\right)-v_n X_{nt}} f_n\left(\boldsymbol{p}_t, \boldsymbol{X}_{-nt}\right).$$

We can then expand this HJB Equation by Ito's Lemma and factor out the $e^{-(\rho+\eta)t-v_a A_t-v_n X_{nt}}$ terms to arrive at

$$\begin{aligned}
0 \geq \sup_{\boldsymbol{r}^n, \boldsymbol{e}^n, (\boldsymbol{r}_t^n+\boldsymbol{e}_t^n)'\iota_L \leq 1 \ \forall \ t} \Bigg\{ & - e^{v_a\left(A_t-A_{T_{i-1}^n}\right)+v_n X_{nt}-\gamma\phi_A\left(A_t-A_{T_{i-1}^n}\right)K-\gamma\phi_X X_{nt}+\kappa(\boldsymbol{r}_t^n+\boldsymbol{e}_t^n)'\iota_L} \\
& + v_n f_n\left(\boldsymbol{p}_t, \boldsymbol{X}_{-nt}\right) \sum_l \left(R_{-n,lt} + r_{nt}^l\right) r_{nt}^l \\
& - \lambda \sum_{l \in \mathcal{A}_t} \left(R_{-n,lt} + r_{nt}^l\right) \left(\left(\frac{p_{lt} e^{-v_a}}{\left(1+r_{nt}^l\right)^{v_n}} + \left(1-p_{lt}\right) e^{v_a} \right) f_n\left(\boldsymbol{p}_t - p_{lt}\boldsymbol{u_l}, \boldsymbol{X}_{-nt-} + \boldsymbol{\Delta X}_{-nt}\right) - f_n\left(\boldsymbol{p}_t, \boldsymbol{X}_{-nt}\right) \right) \\
& - \sum_{l \in \mathcal{E}_t} \lambda \left(E_{-n,lt} + e_{lt}^n\right) \left(\mathbb{E}\left[f_n\left(\boldsymbol{p}_t + p_{lj}\boldsymbol{u_l}, \boldsymbol{X}_{-nt}\right)\right] - f_n\left(\boldsymbol{p}_t, \boldsymbol{X}_{-nt}\right)\right) + \left(\rho+\eta\right) f_n\left(\boldsymbol{p}_t, \boldsymbol{X}_{-nt}\right) \\
& - \sum_{i,l} \left[\nabla_{\boldsymbol{X}_{-n}} f_n\right]_i \left(R_{-n,lt} + r_{nt}^l\right) r_{it}^l - \sum_{n' \neq n} \eta \left(f_n\left(\boldsymbol{p}_t, \boldsymbol{X}_{-nt} - X_{-n't}\boldsymbol{u_{n'}}\right) - f_n\left(\boldsymbol{p}_t, \boldsymbol{X}_{-nt}\right)\right) \Bigg\},
\end{aligned} \tag{A.3}$$

where $R_{-n,lt}$ and $E_{-n,lt}$ are the number of researchers researching and investigating in each topic without researcher n, respectively. The second term reflects the marginal impact of an increase in citations on the researcher's status. The third is the jump in the researcher's value function that accumulates when a topic matures. The fourth is the researcher's value function when a new topic is discovered. The fifth is the flow discounting in value from subjective discounting and the instantaneous probability of the researcher's retirement. The sixth term reflects the growth in the status of other researchers and the last term reflects the stochastic their retirement. The inequality becomes an equality under the optimal policy.

Matching coefficients on the A_t and X_{nt} terms, we find that

$$v_a = \gamma\phi_A K,$$

and

$$v_n = \gamma\phi_X,$$

which confirms the conjecture.

Step 2: Optimal Research Policies

Suppose researcher n chooses in which topic to research only among active fields. Again, we take the convention that $R_{-n,lt}+1$ represents the number of researchers in topic l with researcher n, and $R_{-n,lt}$ the number without researcher n, and similarly with e_{lt}. Their optimal choice is then

$$\begin{aligned} v_{nt}^{R} = \sup_{l \in \mathcal{A}_t} \Big\{ & -\lambda p_{lt} e^{-\gamma \phi_A K} \left((R_{-n,lt}+1)\, 2^{-\gamma \phi_X} - R_{-n,lt} \right) f_n \left(\boldsymbol{p}_t - p_{lt} \boldsymbol{u_l}, \boldsymbol{X}_{-nt-} + \boldsymbol{\Delta X}_{-nt} \right) \\ & - \lambda \left((1-p_{lt})\, e^{\gamma \phi_A K} f_n \left(\boldsymbol{p}_t - p_{lt} \boldsymbol{u_l}, \boldsymbol{X}_{-nt-} + \boldsymbol{\Delta X}_{-nt} \right) - f_n \left(\boldsymbol{p}_t, \boldsymbol{X}_{-nt} \right) \right) - \sum_i \left[\nabla_{\boldsymbol{X}_{-n}} f_n \right]_i r_{nt}^{l} \\ & + \gamma \phi_X \left(R_{-n,lt}+1 \right) f_n \left(\boldsymbol{p}_t, \boldsymbol{X}_{-nt} \right) \Big\}, \end{aligned} \tag{A.4}$$

for fields in which $p_{lt} \in (0,1)$. The $\sum_{i,n'} \left[\nabla_{\boldsymbol{X}_{-n}} f_n \right]_i r_{n't}^{l}$ reflects that researcher n internalizes that they can raise the status of other researchers by investigating in field l because $r_{lt} = \sum_{i=1}^{N} r_{it}^{l}$. The first and last terms reflect that the researcher internalizes that their choice of field impacts the number of researchers working in that field, and consequently the citations of other researchers. It is immediate that the benefit of researching a given active topic is increasing in the number of other researchers in the topic (i.e., r_{lt}).

If the researcher instead tries to investigate their own topic, then the payoff from this is risky endeavor is

$$v_{nt}^{E} = \sup_{l \in \mathcal{E}_t} -\lambda \left(\mathbb{E} \left[f_n \left(\boldsymbol{p}_t + p_{lj} \boldsymbol{u_l}, \boldsymbol{X}_{-nt} \right) \right] - f_n \left(\boldsymbol{p}_t, \boldsymbol{X}_{-nt} \right) \right). \tag{A.5}$$

The optimal choice for researcher n is to research an active topic if $v_{nt}^{R} > v_{nt}^{E}$ and to research a new topic if $v_{nt}^{R} \leq v_{nt}^{E}$.

Notice now that v_{nt}^{E} and v_{nt}^{R} are independent of X_{nt} for researcher n. By symmetry, then, $v_{n't}^{E}$ and $v_{n't}^{R}$ are independent of $X_{n't}$ for researcher n'. If no researcher's optimal research policy depends on his status, then by rational expectations, researcher n recognizes that researcher n''s research policy does not depend on his own status. Consequently, researcher n does not need to keep track of researcher n''s status, or that of any other researcher. Consequently, by this argument, it must be the case that $f_n \left(\boldsymbol{p}_t, \boldsymbol{X}_{-nt} \right) = f_n \left(\boldsymbol{p}_t \right)$, which is the same for all researchers, and equations (A.4) and (A.5) simplify to

$$v_{nt}^{R} = \sup_{l \in \mathcal{A}_t} \Big\{ -\lambda \left(p_{lt} e^{-\gamma \phi_A K} \left(\left(R_{-n,lt} + 1 \right) 2^{-\gamma \phi_X} - R_{-n,lt} \right) + \left(1 - p_{lt} \right) e^{\gamma \phi_A K} \right) f_n \left(\boldsymbol{p}_t - p_{lt} \boldsymbol{u_l} \right) + \left(\lambda + \gamma \phi_X \left(R_{-n,lt} + 1 \right) \right) f_n \left(\boldsymbol{p}_t \right) \Big\}, \tag{A.6}$$

and

$$v_{nt}^{E} = \sup_{l \in \mathcal{E}_t} -\lambda \left(\mathbb{E} \left[f_n \left(\boldsymbol{p}_t + p_{lj} \boldsymbol{u_l} \right) \right] - f_n \left(\boldsymbol{p}_t \right) \right). \tag{A.7}$$

where

$$\mathbb{E} \left[f_n \left(\boldsymbol{p}_t + p_{lj} \boldsymbol{u_l} \right) \right] = \Pr \left(S_{lj} = 1 \right) f_n \left(\boldsymbol{p}_t + p_1 \boldsymbol{u_l} \right) + \Pr \left(S_{lj} = 0 \right) f_n \left(\boldsymbol{p}_t + p_0 \boldsymbol{u_l} \right), \tag{A.8}$$

$\Pr \left(S_{lj} = 1 \right) = pq_1 + \left(1 - p \right) q_0$, and $\Pr \left(S_{lj} = 0 \right) = 1 - pq_1 - \left(1 - p \right) q_0$. Because the value of investigating a new topic is always non-negative, a researcher will always prefer to investigate rather than not research at all. Consequently, the optimal choice of topic is always a non-empty set for all time.

Step 3: Researcher n's Maximized Hamilton-Jacobi-Bellman Equation

Let l_{nt}^{*} be the optimal topic for researcher n to research at time t. From the researcher's Hamilton-Jacobi-Bellman Equation (A.3), the researcher's maximized Hamilton-Jacobi-Bellman equation can be expressed as

$$0 = -1 + \left(\gamma \phi_X r_{l_{nt}^{*} t} r_{nt}^{l_{nt}^{*}} + \lambda \sum_{l} \left(r_{lt} + e_{lt} \right) + \rho + \eta \right) f_n \left(\boldsymbol{p}_t \right) - \sum_{l \in \mathcal{E}_t} \lambda e_{lt} \mathbb{E} \left[f_n \left(\boldsymbol{p}_t + p_{lj} \boldsymbol{u_l} \right) \right] - \lambda \sum_{l \in \mathcal{A}_t} r_{lt} \left(p_{lt} \left(1 + r_{nt}^{l} \right)^{-\gamma \phi_X} e^{-\gamma \phi_A K} + \left(1 - p_{lt} \right) e^{\gamma \phi_A K} \right) f_n \left(\boldsymbol{p}_t - p_{lt} \boldsymbol{u_l} \right), \tag{A.9}$$

Because researchers will always either research an existing or a new topic from Step 2, $\sum_l \left(r_{lt} + e_{lt} \right) = N$. Substituting this and the expectation (A.8) into equation (A.9), we arrive at

$$\begin{aligned} 0 = & -1 + \left(\rho + \eta + \gamma \phi_X r_{l_{nt}^{*} t} r_{nt}^{l_{nt}^{*}} + \lambda N \right) f_n \left(\boldsymbol{p}_t \right) \\ & - \lambda \sum_{l \in \mathcal{E}_t} e_{lt} \left(\left(pq_1 + \left(1 - p \right) q_0 \right) f \left(\boldsymbol{p}_t + p_1 \boldsymbol{u_l} \right) + \left(1 - pq_1 - \left(1 - p \right) q_0 \right) f_n \left(\boldsymbol{p}_t + p_0 \boldsymbol{u_l} \right) \right) \\ & - \lambda \sum_{l \in \mathcal{A}_t} r_{lt} \left(p_{lt} \left(1 + r_{nt}^{l} \right)^{-\gamma \phi_X} e^{-\gamma \phi_A K} + \left(1 - p_{lt} \right) e^{\gamma \phi_A K} \right) f_n \left(\boldsymbol{p}_t - p_{lt} \boldsymbol{u_l} \right). \end{aligned} \tag{A.10}$$

Step 4: Incentives to Coordinate on Research Activities

We first consider the incentives to investigate different new topics. Notice that all inactive research fields are ex ante identical, and therefore deliver equivalent value to all researchers. As such, $f_n(\boldsymbol{p}_t + p_{lj}\boldsymbol{u_l}) = f_n(\boldsymbol{p}_t + p_{l'j}\boldsymbol{u_{l'}})$ if $l, l' \in \mathcal{E}_t$. Consequently, we have that for all $n \in \{1, ..., N\}$

$$v_{nt}^E = \mathbb{E}\left[f_n(\boldsymbol{p}_t + p_{lj}\boldsymbol{u_l})\right] - f_n(\boldsymbol{p}_t) = \mathbb{E}\left[f_n(\boldsymbol{p}_t + p_{l'j}\boldsymbol{u_{l'}})\right] - f_n(\boldsymbol{p}_t) \ \forall\, l, l' \in \mathcal{E}_t.$$

Further, because the total value in the Hamilton-Jacobi-Bellman Equation (A.10) of investigating new research topics for researcher n is

$$\sum_{l \in \mathcal{E}_t} \lambda e_{lt} \left((pq_1 + (1-p)q_0) f(\boldsymbol{p}_t + p_1 \boldsymbol{u_{l'}}) + (1 - pq_1 - (1-p)q_0) f(\boldsymbol{p}_t + p_0 \boldsymbol{u_{l'}}) - f(\boldsymbol{p}_t) \right),$$

it follows that any combination of the full profile of investigative efforts $\{e_{lt}^n\}_{n=1, l \in \mathcal{E}_t}^N$ will deliver the same expected value because it is ultimately the sum of efforts that matters because of the linearity of topic arrivals across fields. To see this, suppose there are 2 researchers and there are two fields, 1 and 2, that are both inactive. Then, if both researchers only investigate field 1,each earns an expected value from investigating of

$$2\lambda \left((pq_1 + (1-p)q_0) f_n(p_1, 0) + (1 - pq_1 - (1-p)q_0) f_n(p_0, 0) - f_n(0,0) \right),$$

while if one researcher investigates field 1 and one field 2, each earns an expected value from investigating of

$$\begin{aligned}
&\lambda \left((pq_1 + (1-p)q_0) f_n(p_1, 0) + (1 - pq_1 - (1-p)q_0) f_n(p_0, 0) - f_n(0,0) \right) \\
+&\lambda \left((pq_1 + (1-p)q_0) f_n(0, p_1) + (1 - pq_1 - (1-p)q_0) f_n(0, p_0) - f_n(0,0) \right) \\
=&2\lambda \left((pq_1 + (1-p)q_0) f_n(p_1, 0) + (1 - pq_1 - (1-p)q_0) f_n(p_0, 0) - f_n(0,0) \right),
\end{aligned}$$

because both fields deliver the same conditional continuation value regardless of in which a new topic is discovered. Consequently, any combination of efforts to investigate new topics delivers the same value, and only the total effort is identified. Further, conditional continuation values are the same for all inactive topics.

We now consider the incentives to investigate different active topics. In contrast to the case of inactive topics, researchers are not indifferent between researching one active topic l versus another l' because each may garner different citation counts. Notice that in the absence of career concerns

(i.e., $\gamma\phi_X = 0$), active researchers are indifferent to which active topic they research with the same probability of being significant p_{lj} because any combination of research efforts $r^{l\ N}_{ntn=1,l\in\mathcal{A}_t}$ will deliver the same expected value. To see this, suppose there are again 2 researchers and there are two fields, 1 and 2, that are both active and likely significant (i.e., $p_{1j} = p_{2j} = p_1$). Then, if both researchers only research field 1,each earns an expected value from researching of

$$2\lambda\left(\left(p_1 e^{-\gamma\phi_A K} + (1-p_1)\, e^{\gamma\phi_A K}\right) f_n\left(0, p_1\right) - f_n\left(p_1, p_1\right)\right),$$

while if one researcher works on field 1 and one on field 2, each earns an expected value from researching of

$$\begin{aligned}
&\lambda\left(\left(p_1 e^{-\gamma\phi_A K} + (1-p_1)\, e^{\gamma\phi_A K}\right) f_n\left(0, p_1\right) - f_n\left(p_1, p_1\right)\right)\\
+&\lambda\left(\left(p_1 e^{-\gamma\phi_A K} + (1-p_1)\, e^{\gamma\phi_A K}\right) f_n\left(p_1, 0\right) - f_n\left(p_1, p_1\right)\right)\\
=&2\lambda\left(\left(p_1 e^{-\gamma\phi_A K} + (1-p_1)\, e^{\gamma\phi_A K}\right) f_n\left(0, p_1\right) - f_n\left(p_1, p_1\right)\right),
\end{aligned}$$

because both fields deliver the same conditional continuation value regardless of in which one matures. Consequently, any combination of efforts to investigate active topics delivers the same value, and only the total effort is identified. Further, conditional continuation values are the same for all active topics.

However, in the presence of career concerns (i.e., $\gamma\phi_X > 0$), researcher n is no longer indifferent toward which topic he researches because of the flow benefit $\gamma\phi_X r_{lt} f_n\left(\boldsymbol{p}_t\right)$ from the r_{lt} additional citations and the $\left(1 + r^l_{nt}\right)^{-\gamma\phi_X}$ term in the $p_{lt}\left(1 + r^l_{nt}\right)^{-\gamma\phi_X} e^{-\gamma\phi_A K} f_n\left(\boldsymbol{p}_t - p_{lt}\boldsymbol{u_l}\right) - f_n\left(\boldsymbol{p}_t\right)$ benefit from the field maturing. Both of these additional forces favor coordinating on the same topic as other researchers.

Consequently, in the presence of career concerns, all researchers who research an active field coordinate on the same field with the highest likelihood of being significant, i.e., a field for which $p_{lj} = p_1$ before a field for which $p_{lj} = p_0$, although on which specific field they coordinate is indeterminate.

Because all researchers behave in a symmetric manner and do not distinguish between active topics that received a high signal $S_{lj} = 1$ or between active topics that received a low signal $S_{lj} = 0$, we can shrink the state space into the number of active fields that received a high signal $S_{lj} = 1$, L_1, and the number of active fields that received a low signal $S_{lj} = 0$,L_0. The number of inactive fields is then $L - L_1 - L_0$. It follows $f_n\left(\boldsymbol{p}_t\right) = f\left(L_1, L_0\right)$. Further, because all researchers prioritize

researching an active topic with a high signal over that with a low signal or investigating, we need only consider the case where $L_1 \in \{0, 1\}$.

Step 5: Solving for the Maximized Hamilton-Jacobi-Bellman Equation

Because all researchers face the same incentives to research, it follows that all researchers will either research an active topic or all will investigate a new topic. Suppose they all investigate a new topic, in which case there is no active topic with a high signal $S_{lj} = 1$, and consequently $L_1 = 0$ (otherwise they would research it instead). Then, because all new topics deliver $f(1, L_0)$ with probability $pq_1 + (1-p)q_0$ and $f(0, L_0 + 1)$ with probability $1 - (pq_1 + (1-p)q_0)$, it follows that researcher n's value Hamilton-Jacobi-Bellman Equation in this case is

$$\begin{aligned} f(0, L_0) = &\frac{1 + \lambda N (pq_1 + (1-p)q_0) f(1, L_0)}{\rho + \eta + \lambda N} \\ &+ \frac{\lambda N (1 - pq_1 - (1-p)q_0) f(0, L_0 + 1)}{\rho + \eta + \lambda N}. \end{aligned} \tag{A.11}$$

Similarly, if all researchers research an active topic that received a high signal $S_{lj} = 1$ and $L_1 = 1$, then researcher n's value Hamilton-Jacobi-Bellman Equation in this case is instead

$$f(1, L_0) = \frac{1 + \lambda N \left(p_1 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + (1-p_1) e^{\gamma\phi_A K}\right) f(0, L_0)}{\rho + \eta + \gamma\phi_X N + \lambda N}. \tag{A.12}$$

Finally, if all research an active topic that received a low signal $S_{lj} = 0$, which will only occur if $L_1 = 0$ and there is no active topic with a high signal $S_{lj} = 1$, then researcher n's value Hamilton-Jacobi-Bellman Equation in this case is

$$f(0, L_0) = \frac{1 + \lambda N \left(p_0 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + (1-p_0) e^{\gamma\phi_A K}\right) f(0, L_0 - 1)}{\rho + \eta + \gamma\phi_X N + \lambda N}. \tag{A.13}$$

Because researchers will always research an active topic that that received a high signal $S_{lj} = 1$, we can substitute equation (A.12) (shifting the L_1 index forward by 1) into (A.11) to find

$$\begin{aligned} f(0, L_0) = &\frac{1 + \lambda N (pq_1 + (1-p)q_0) \frac{1 + \lambda N \left(p_1 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + (1-p_1) e^{\gamma\phi_A K}\right) f(0, L_0)}{\rho + \eta + \gamma\phi_X N + \lambda N}}{\rho + \eta + \lambda N}. \\ &+ \frac{\lambda N (1 - pq_1 - (1-p)q_0) f(0, L_0 + 1)}{\rho + \eta + \lambda N} \end{aligned} \tag{A.14}$$

We now have two cases depending on whether it is preferable to research an active topic that received a low signal $S_{lj} = 0$ or to continue investigating until researchers discover a topic that received a high signal $S_{lj} = 1$.

Case 1: It is preferable to research topics with low signals to investigating new topics. In this case, we also have that $L_0 \in 0, 1$, and we can recover $f(0,1)$ from equation (A.13) and substitute it (shifting the L_0 index forward by 1) into equation (A.14) to find

$$f(0,0) = \frac{1 + \frac{\lambda N}{\rho+\eta+\gamma\phi_X N+\lambda N}}{\rho + \eta + \lambda N\left(1 - \frac{\lambda N}{\rho+\eta+\gamma\phi_X N+\lambda N}\nu\right)}, \tag{A.15}$$

where

$$\begin{aligned}\nu = &\left(1 - pq_1 - (1-p)\,q_0\right)\left(p_0 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + (1-p_0)\,e^{\gamma\phi_A K}\right)\\ &+ \left(pq_1 + (1-p)\,q_0\right)\left(p_1 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + (1-p_1)\,e^{\gamma\phi_A K}\right)\\ &> 0.\end{aligned}$$

For the solution to be well-defined, we require that

$$\rho + \eta + \lambda N\left(1 - \frac{\lambda N}{\rho + \eta + \gamma\phi_X N + \lambda N}\nu\right) > 0.$$

Consequently, the optimal research policy for all researchers is to coordinate to research any active topic, then investigate a new topic once it has matured.

Case 2: It is preferable to investigate new topics than to research topics with low signals. In this case, we never use equation (A.13). Instead, we recognize that $f(0, L_0 + 1) = f(0, L_0) = f(0)$ (we can ignore the count of low signal topics), i.e., the new topic with a low signal is abandoned, and equation (A.14) reduces to

$$f(0) = \frac{1 + \frac{\lambda N}{\rho+\eta+\gamma\phi_X N+\lambda N}\left(pq_1 + (1-p)\,q_0\right)}{\rho + \eta + \lambda N\,(1-\chi)}, \tag{A.16}$$

where

$$\chi = 1 - \left(pq_1 + (1-p)\,q_0\right)\left(1 - \frac{\lambda N\left(p_1 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + (1-p_1)\,e^{\gamma\phi_A K}\right)}{\rho + \eta + \gamma\phi_X N + \lambda N}\right) > 0,$$

which is decreasing in $\gamma\phi_X$, and it follows that

$$f(1) = \frac{1 + \lambda N\left(p_1 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + (1-p_1)\,e^{\gamma\phi_A K}\right) f(0)}{\rho + \eta + \gamma\phi_X N + \lambda N}. \tag{A.17}$$

For the solution to be well-defined, we require that

$$\rho + \eta + \lambda N (1 - \chi) > 0.$$

Consequently, the optimal research policy for all researchers is to coordinate to research only active topics with high signals $S_{lj} = 1$, and to investigate a new topic otherwise.[10]

Step 6: Pecking Order for Research Activities

We have already identified that all researchers will prioritize researching topics with high signals $S_{lj} = 1$. We now need to examine when an individual researcher has incentive to research an active topic with a low signal. The marginal value of researching the active topic, v_{nt}^R, from equation (A.6) in this case simplifies to

$$v_{nt|S_{lj}=0}^R = (\lambda + \gamma \phi_X r_{lt}) f(0,1) - \lambda \left(p_0 2^{-\gamma \phi_X} e^{-\gamma \phi_A K} + (1 - p_0) e^{\gamma \phi_A K} \right) f(0,0), \quad \text{(A.18)}$$

while the marginal value of investigating from equation (A.5) is

$$v_{nt}^E = -\lambda \left((p q_1 + (1-p) q_0) f(1,1) + (1 - p q_1 - (1-p) q_0) f(0,2) - f(0,1) \right). \quad \text{(A.19)}$$

For it to be preferable to investigate new topics and ignore active topics with low signals, we require that $v_{nt}^E \geq v_{nt|S_{lj}=0}^R$, i.e.,

$$\begin{aligned} &\gamma \phi_X r_{lt} f(0,1) - \lambda \left(p_0 2^{-\gamma \phi_X} e^{-\gamma \phi_A K} + (1 - p_0) e^{\gamma \phi_A K} \right) f(0,0) \\ \leq &- \lambda \left((p q_1 + (1-p) q_0) f(1,1) + (1 - p q_1 - (1-p) q_0) f(0,2) \right). \end{aligned} \quad \text{(A.20)}$$

Considering we are in Case 2 from Step 5, we recognize $f(0,2) = f(0,1) = f(0,0) = f(0)$, and substituting with equations (A.16) and (A.17), condition (A.20) when one researcher deviates for one instant to research the active topic (i.e., $r_{lt} = 1$) (and assuming $\rho + \eta + \lambda N (1 - \chi) > 0$)

[10] This characterization fails in the extreme case that all fields have active topics with low signals, in which case there is a bottleneck and researchers are forced to complete one of these fields to then investigate to try to discover a high signal field. We consequently consider L to be sufficiently large that this happens with an arbitrarily low probability.

reduces to

$$0 \geq \gamma\phi_X + \lambda\left(1 - p_0 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} - (1-p_0)\, e^{\gamma\phi_A K}\right) - (p_1 - p_0)\left(e^{\gamma\phi_A K} - 2^{-\gamma\phi_X} e^{-\gamma\phi_A K}\right)\lambda N \frac{\lambda\left(pq_1 + (1-p)\, q_0\right)}{\rho + \eta + \gamma\phi_X N + \lambda N}. \tag{A.21}$$

This is a conservative condition because if one researcher has incentive to deviate, then $m > 1$ researchers have stronger incentive to deviate through the higher citation count to deviating.

Suppose there are no career incentives (i.e., $\phi_X = 0$), then the condition (A.21) reduces to

$$1 - p_0 e^{-\gamma\phi_A K} - (1-p_0)\, e^{\gamma\phi_A K} - (p_1 - p_0)\left(e^{\gamma\phi_A K} - e^{-\gamma\phi_A K}\right)\frac{\lambda N\left(pq_1 + (1-p)\, q_0\right)}{\rho + \eta + \lambda N} \leq 0. \tag{A.22}$$

Given that $p_1 > p_0$ by construction, and $e^{\gamma\phi_A K} > e^{-\gamma\phi_A K}$, it follows that the final term on the left-hand side of condition (A.22) is negative. Further, since $1 - p_0 e^{-\gamma\phi_A K} - (1-p_0)\, e^{\gamma\phi_A K}$ is increasing in p_0 and negative when $p_0 < \frac{1-e^{-\gamma\phi_A K}}{1-e^{-2\gamma\phi_A K}}$, we have that for $p_0 < \frac{1-e^{-\gamma\phi_A K}}{1-e^{-2\gamma\phi_A K}}$, condition (A.22) is satisfied and researchers will never research an active topic with a low signal $S_{jl} = 0$.

By contrast, suppose researchers have career concerns (i.e., $\phi_X > 0$). Let RHS represent the right-hand side of condition (A.21). It is immediate because $p_0 < \frac{1}{2}$ that $\frac{dRHS}{d\phi_A} < 0$, so that a higher ϕ_A tightens this condition. It is also immediate that

$$\frac{dRHS}{d\phi_X} = \gamma + \gamma\lambda\left(p_0 - (p_1 - p_0)\frac{\lambda N\left(pq_1 + (1-p)\, q_0\right)}{\rho + \eta + \gamma\phi_X N + \lambda N}\right) 2^{-\gamma\phi_X} e^{-\gamma\phi_A K}\log 2 + \gamma N\,(p_1 - p_0)\left(e^{\gamma\phi_A K} - 2^{-\gamma\phi_X} e^{-\gamma\phi_A K}\right)\left(pq_1 + (1-p)\, q_0\right)\left(\frac{\lambda N}{\rho + \eta + \gamma\phi_X N + \lambda N}\right)^2$$

which is increasing in ϕ_X for ϕ_X sufficiently large. Consequently, there is a critical ϕ_X, $\phi_X^*(\phi_A)$, that is decreasing in ϕ_A, such that for $\phi_X \geq \phi_X^*(\phi_A)$, condition (A.21) fails and researchers will instead research active topics that receive low signals. Further, if $p_0 \geq \frac{\lambda N(pq_1+(1-p)q_0)}{\rho+\eta+\lambda N(1+pq_1+(1-p)q_0)} p_1$, then $\frac{dRHS}{d\phi_X} \geq 0$, and for $\phi_X < \phi_X^*(\phi_A)$, condition (A.22) is satisfied.

Step 7: Transversality and Sufficiency

It is a necessary condition that the value function satisfy the transversality condition

$$\lim_{T\to\infty} \mathbb{E}\left[V_{nT_{i-1}^n}\left(T, X_{nT}, \boldsymbol{p}_T, \boldsymbol{X}_{-nT}, A_T\right)\right] = \lim_{T\to\infty} \mathbb{E}\left[-e^{-(\rho+\eta)\left(T - T_{i-1}^n\right) - \gamma\phi_A K A_T - \gamma\phi_X X_{nT}} f\left(L_0, L_1\right)\right] = 0. \tag{A.23}$$

It is immediate from Step 5 that $f(L_0, L_1) \geq 0$ is bounded. Because status X_{nt} is non-negative,

$-e^{-\gamma\phi_X X_{nt}}$ is bounded from above by 0 and below by -1. In addition, $-e^{-(\rho+\eta)\left(T-T^n_{i-1}\right)-\gamma\phi_A K A_T}$ is bounded from above by 0 and, given the jumps in A_t are finite and (at maximum) arrive slower than the rate of discounting $\rho+\eta$, it follows that $-e^{-(\rho+\eta)\left(T-T^n_{i-1}\right)-\gamma\phi_A K A_T}$ is also bounded in expectation from below. Consequently, the transversality condition (A.23) is satisfied.

Standard arguments establish that it is sufficient that the value function $V_{nt}\left(X_{nT}, \boldsymbol{p}_T, \boldsymbol{X}_{-nT}, A_T\right)$ satisfies the Hamilton-Jacobi-Bellman Equation (A.10) and the transversality condition (A.23) for it to solved researcher n's problem and delivers value $U_{nT^n_{i-1}}$.

Consequently, we have solved the researcher n's problem and, as a consequence, the full equilibrium in the special case in which $\xi = 0$.

Step 8: The Case in which $\xi > 0$ and $\kappa > 0$

We can draw insights from the special case in which $\xi = 0$ to discern the equilibrium in which $\xi > 0$, and negative news about promising topics can arrive. This is true regardless of effort cost κ.

It is immediate that the best situation for researchers still is that there is a promising topic that received an initial signal of $S_{lj} = 1$. Amplified by career concerns, all researchers will research any active topic with a high signal. However, there is now the possibility that topic will receive a second, negative signal before it matures. Because researching an active promising topic is preferable to researching a speculative topic or investigating a new topic, researchers will research the topic until either it matures or the negative signal arrives.

If a negative signal arrives, then by the memory-less property of Poisson processes, this is equivalent to the arrival of new speculative topic. As such, our analysis for whether the researchers research the speculative topic or abandon it remains valid.

The normalized value of an active promising topic consequently now satisfies

$$f\left(1, L_0\right) = \frac{e^{\kappa} + \lambda N\left(p_1 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + \left(1-p_1\right) e^{\gamma\phi_A K}\right) f\left(0, L_0\right) + \xi f\left(0, L_0+1\right)}{\rho+\eta+\xi+\gamma\phi_X N + \lambda N}, \quad \text{(A.24)}$$

while that of investigating is

$$f\left(0, L_0\right) = \frac{e^{\kappa} + \lambda N\left(p q_1 + \left(1-p\right) q_0\right) f\left(1, L_0\right) + \lambda N\left(1 - p q_1 - \left(1-p\right) q_0\right) f\left(0, L_0+1\right)}{\rho+\eta+\lambda N}, \quad \text{(A.25)}$$

We again have two cases depending on whether it is preferable to research an active topic that received a low signal $S_{lj} = 0$ or to continue investigating until researchers discover a topic that

received a high signal $S_{lj} = 1$.

Case 1: It is preferable to research topics with low signals to investigating new topics. We can repeat our procedure in Step 5 in this case to find

$$f(0,0) = \frac{1 + \frac{\lambda N}{\rho+\eta+\gamma\phi_X N+\lambda N}}{\rho + \eta + \lambda N(1 - \lambda N\theta)} e^{\kappa}, \tag{A.26}$$

where

$$\begin{aligned}\theta = &-\frac{pq_1 + (1-p)q_0}{\rho + \eta + \gamma\phi_X N + \xi + \lambda N}(p_1 - p_0)\left(e^{\gamma\phi_A K} - 2^{-\gamma\phi_X} e^{-\gamma\phi_A K}\right) \\ &+ \frac{p_0 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + (1-p_0) e^{\gamma\phi_A K}}{\rho + \eta + \gamma\phi_X N + \lambda N},\end{aligned} \tag{A.27}$$

and

$$f(0,1) = \frac{e^{\kappa} + \lambda N\left(p_0 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + (1-p_0) e^{\gamma\phi_A K}\right) f(0,0)}{\rho + \eta + \gamma\phi_X N + \lambda N} \tag{A.28}$$

Notice that because $\frac{\partial\theta}{\partial\phi_X} < 0$, given that $p_0 \leq \frac{1}{2} < p_1$, we have that $\frac{\partial f(0,0)}{\partial\phi_X} < 0$.

For the solution to be well-defined, we require that

$$\rho + \eta + \lambda N(1 - \lambda N\theta) > 0.$$

Case 2: It is preferable to investigate new topics than to research topics with low signals. We can repeat our procedure in Step 5 in this case to find that

$$\begin{aligned} f(0) &= \frac{e^{\kappa}}{\rho + \eta + \lambda N(pq_1 + (1-p)q_0)\frac{\gamma\phi_X N + \lambda N\left(1 - p_1 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} - (1-p_1)e^{\gamma\phi_A K}\right)}{\rho+\eta+\xi+\gamma\phi_X N+\lambda N(1+pq_1+(1-p)q_0)}} \\ &= \frac{1 + \frac{\lambda N(pq_1+(1-p)q_0)}{\rho+\eta+\xi+\gamma\phi_X N+\lambda N}}{\rho + \eta + \lambda N(1-\omega)} e^{\kappa}, \end{aligned} \tag{A.29}$$

where

$$\omega = 1 - (pq_1 + (1-p)q_0)\left(1 - \frac{\lambda N\left(p_1 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + (1-p_1)e^{\gamma\phi_A K}\right) + \xi}{\rho + \eta + \xi + \gamma\phi_X N + \lambda N}\right), \tag{A.30}$$

which is again decreasing in ϕ_X, and that

$$f(1) = \frac{e^{\kappa} + \lambda N\left(p_1 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} + (1-p_1)e^{\gamma\phi_A K}\right) f(0) + \xi f(0)}{\rho + \eta + \xi + \gamma\phi_X N + \lambda N}, \tag{A.31}$$

from which follows that

$$f(0) - f(1) = \frac{e^{\kappa}}{\lambda N\left(pq_1 + (1-p)\,q_0\right) + (\rho+\eta)\,\frac{\rho+\eta+\xi+\gamma\phi_X N+\lambda N(1+pq_1+(1-p)q_0)}{\gamma\phi_X N+\lambda N\left(1-p_1 2^{-\gamma\phi_X} e^{-\gamma\phi_A K}-(1-p_1)e^{\gamma\phi_A K}\right)}}. \tag{A.32}$$

Notice again that because $\frac{\partial\omega}{\partial\phi_X} < 0$, we have that $\frac{\partial f(0)}{\partial\phi_X} < 0$.

We can further derive the necessary and sufficient condition for a researcher not to deviate to research an active speculative topic (i.e., $r_{lt} = 1$) instead of investigating a new one. Based on our derivation in Step 6, we can substitute equations (A.29) and (A.31) into condition (A.20), recognizing $f(0,2) = f(0,1) = f(0,0) = f(0)$ and assuming $\rho + \eta + \lambda N(1-\omega) > 0$, to find

$$\begin{aligned} 0 \geq\ & \gamma\phi_X + \lambda\left(1 - p_0 2^{-\gamma\phi_X} e^{-\gamma\phi_A K} - (1-p_0)\,e^{\gamma\phi_A K}\right) \\ & - (p_1 - p_0)\left(e^{\gamma\phi_A K} - 2^{-\gamma\phi_X} e^{-\gamma\phi_A K}\right)\lambda N \frac{\lambda\left(pq_1 + (1-p)\,q_0\right)}{\rho+\eta+\xi+\gamma\phi_X N+\lambda N}. \end{aligned} \tag{A.33}$$

Analogous arguments to those in Step 6 establish that for $p_0 < \frac{1-e^{-\gamma\phi_A K}}{1-e^{-2\gamma\phi_A K}}$, a researcher would never deviate to research a speculative topic when there are no career incentives, i.e., $\gamma\phi_X = 0$. Similarly, there is a critical ϕ_X, ϕ_X^*, such that for $\phi_X \geq \phi_X^*$, condition (A.33) fails and researchers will instead research active topics that receive low signals. Noticeably, these results do not on the effort cost, κ.

The equilibrium strategies we characterized in the special case when $\xi = 0$ and $\kappa = 0$ therefore remain valid when $\xi > 0$ and $\kappa > 0$.

What remains to be shown is that the benefits of research for a researcher exceed the effort costs. Notice that researching an active topic must yield (weakly) conditionally more value to a researcher than investigating to find a new topic. Consequently, we need only show that a researcher wishes to investigate a new topic despite the effort cost.

Substituting our verified solution, $V_{nt}\left(X_{nt}, \boldsymbol{p}_t, \boldsymbol{X}_{-nt}\right) = -e^{-(\rho+\eta)t - v_a A_t - v_n X_{nt}} f_n\left(L_1, L_0\right)$, the Hamilton-Jacobi-Bellman equation for investigating a new topic is given by

$$\begin{aligned} 0 \geq \min\{ & 1 + \lambda(N-1)\left(\left(pq_1 + (1-p)\,q_0\right) f(1,0) + \left(1 - pq_1 - (1-p)\,q_0\right) f(0,1) - f(0,0)\right) \\ & - (\rho+\eta)\,f(0,0)\,, \\ & e^{\kappa} - \gamma\phi_X N f(0,0) + \lambda N\left(\left(pq_1 + (1-p)\,q_0\right) f(1,0) + \left(1 - pq_1 - (1-p)\,q_0\right) f(0,1) - f(0,0)\right) \\ & - (\rho+\eta)\,f(0,0)\}. \end{aligned}$$

Consequently, we need only verify the one-shot deviation principle that

$$\begin{aligned} 1 \quad \geq \quad & e^{\kappa} + \lambda \left(\left(pq_1 + (1-p) q_0 \right) f(1,0) + \left(1 - pq_1 - (1-p) q_0 \right) f(0,1) - f(0,0) \right) \\ & - \gamma \phi_X N f(0,0), \end{aligned} \tag{A.34}$$

for it to be optimal for a researcher to always engage in research.

Case 1: When active speculative topics are researched to maturity, condition (A.34) substituting with $f(0,0)$ from equation (A.26) reduces to

$$\kappa \leq \kappa_1 = -\log \left(1 + \frac{\lambda \frac{\rho + \eta - \gamma \phi_X N^2}{\rho + \eta + \gamma \phi_X N + \lambda N} - \gamma \phi_X N - \lambda \left(1 - \lambda N \theta \right)}{\rho + \eta + \lambda N \left(1 - \lambda N \theta \right)} \right). \tag{A.35}$$

Case 2: When active speculative topics are abandoned, $f(0,1) = f(0)$ and $f(1,0) = f(1)$, and condition (A.34) from equations (A.29) and (A.31) reduces to

$$\kappa \leq \kappa_1 = -\log \left(1 - \frac{\lambda (pq_1 + (1-p) q_0) + \gamma \phi_X N \frac{\rho + \eta + \xi + \gamma \phi_X N + \lambda N (1 + pq_1 + (1-p) q_0)}{\gamma \phi_X N + \lambda N \left(1 - p_1 2^{-\gamma \phi_X} e^{-\gamma \phi_A K} - (1-p_1) e^{\gamma \phi_A K} \right)}}{\lambda N (pq_1 + (1-p) q_0) + (\rho + \eta) \frac{\rho + \eta + \xi + \gamma \phi_X N + \lambda N (1 + pq_1 + (1-p) q_0)}{\gamma \phi_X N + \lambda N \left(1 - p_1 2^{-\gamma \phi_X} e^{-\gamma \phi_A K} - (1-p_1) e^{\gamma \phi_A K} \right)}} \right). \tag{A.36}$$

Step 9: The Participation Constraint

Notice that the participation constraint (8) is tightest when there is no active topic. Consequently, if it is satisfied in this case, then it will also be satisfied when there is an active topic. We again have two cases, depending on whether it is preferable to research an active topic that received a low signal $S_{lj} = 0$ or to continue investigating until researchers discover a topic that received a high signal $S_{lj} = 1$.

Case 1: It is preferable to research topics with low signals to investigating new topics. At inception, when there is no active topic, a researcher's value function because $X_{nT^n_{i-1}} = 0$ and $c_{nT^n_{i-1}} = \phi_A A_{T^n_{i-1}} K$

$$V_{nT^n_{i-1}} \left(T^n_{i-1}, X_{nT^n_{i-1}}, A_{T^n_{i-1}} \right) = -f(0,0) \geq -\frac{e^{-\delta}}{\rho + \eta},$$

from which it follows that we require from equation (A.26)

$$\frac{1 + \frac{\lambda N}{\rho + \eta + \gamma \phi_X N + \lambda N}}{\rho + \eta + \lambda N \left(1 - \lambda N \theta \right)} e^{\kappa} \leq \frac{e^{-\delta}}{\rho + \eta}, \tag{A.37}$$

where the left-hand side is decreasing in ϕ_X. We can rewrite the participation constraint as

$$\kappa \leq \kappa_1^* = -\delta - \log\left((\rho+\eta)\frac{1+\frac{\lambda N}{\rho+\eta+\gamma\phi_X N+\lambda N}}{\rho+\eta+\lambda N\left(1-\lambda N\theta\right)}\right). \tag{A.38}$$

Consequently, given conditions (A.35) and (A.38), we can express the necessary condition as

$$\kappa \leq \min\{\kappa_1, \kappa_1^*\}. \tag{A.39}$$

Case 2: It is preferable to investigate new topics than to research topics with low signals. At inception, when there is no active topic, a researcher's value function because $X_{nT_{i-1}^n} = 0$ and $c_{nT_{i-1}^n} = 0$ is

$$V_{nT_{i-1}^n}\left(T_{i-1}^n, X_{nT_{i-1}^n}, A_{T_{i-1}^n}\right) = -f\left(0\right) \geq -\frac{e^{-\delta}}{\rho+\eta},$$

from which it follows that we require from equation (A.26)

$$\frac{1+\frac{\lambda N(pq_1+(1-p)q_0)}{\rho+\eta+\xi+\gamma\phi_X N+\lambda N}}{\rho+\eta+\lambda N\left(1-\omega\right)}e^{\kappa} \leq \frac{e^{-\delta}}{\rho+\eta}, \tag{A.40}$$

and the left-hand-side is again decreasing in ϕ_X. We can rewrite the participation constraint as

$$\kappa \leq \kappa_2^* = -\delta - \log\left((\rho+\eta)\frac{1+\frac{\lambda N(pq_1+(1-p)q_0)}{\rho+\eta+\xi+\gamma\phi_X N+\lambda N}}{\rho+\eta+\lambda N\left(1-\omega\right)}\right). \tag{A.41}$$

Consequently, given conditions (A.36) and (A.41), we can express the necessary condition as

$$\kappa \leq \min\{\kappa_2, \kappa_2^*\}. \tag{A.42}$$

Proof of Proposition 2:

We consider both cases depending on whether it is preferable to research an active topic that received a low signal $S_{lj} = 0$ or to continue investigating until researchers discover a topic that received a high signal $S_{lj} = 1$.

Case 1: From Step 8 of the proof of Proposition **1,** $f\left(0,0\right)$ is decreasing in ϕ_X. It is also immediate that $f\left(0,0\right)$ is increasing in κ. In addition, θ in equation (A.27) is increasing in γ for γ sufficiently large because $p_0 < \frac{1}{2} < p_1$, and therefore so is $f\left(0,0\right)$. It is also immediate that θ is decreasing in p_0 and p_1, and therefore so is $f\left(0,0\right)$.

Consequently, the left-hand-side of the participation constraint (A.37) is decreasing in ϕ_X, p_0,

and p_1, relaxing the constraint, and increasing in κ and γ for γ sufficiently large, tightening the constraint.

Case 2: From Step 8 of the proof of Proposition **1,** $f(0)$ is decreasing in ϕ_X. It is further immediate that $f(0)$ is increasing in κ. In addition, we recognize that ω from equation (A.30) is increasing in γ for γ sufficiently large, and therefore so is $f(0)$, while it is decreasing in p_1, and therefore so is $f(0)$.

Consequently, the left-hand-side of the participation constraint (A.40) is decreasing in ϕ_X and p_1, relaxing the constraint, and increasing in κ and γ for γ sufficiently large, tightening the constraint.

Proof of Proposition 3:

Because a researcher is risk-averse, effort is contractable, and the principal is risk-neutral, the cheapest contract that the principal can offer is one that entails a constant wage, i.e., it insulates a researcher from research risk.

This constant wage, ϕ_0, is chosen so that the RU binds

$$-\frac{e^{-\gamma\phi_0+\kappa}}{\rho+\eta} = -\frac{e^{-\delta}}{\rho+\eta}, \tag{A.43}$$

from which follows that $\phi_0 = \frac{\delta+\kappa}{\gamma}$.

Because effort is contractable, the principal can choose how many researchers are active. The objective of the principal then reduces to choosing how many $M \leq N$ researchers are active and solves

$$\sup_{M\leq N} \mathbb{E}\left[\int_0^\infty e^{-\rho t}\left(A_t K - M\phi_0\right) dt\right]. \tag{A.44}$$

Let $e^{-\rho t}U_P(A,S)$ be the per capital value the principal derives from researcher n, where $S=\emptyset$ if there is no active topic, $S=1$ if there is an active promising topic, and $S=0$ if there is an active speculative topic. The Hamilton-Jacobi-Bellman Equation governing the principal's value when there is no active topic is

$$\begin{aligned} 0 = {} & \lambda M\left(\left(pq_1+(1-p)q_0\right)U_P(A_t,1) + \left(1-pq_1-(1-p)q_0\right)U_P(A_t,0) - U_P(A_t,\emptyset)\right) \\ & + A_t K - \frac{\delta+\kappa}{\gamma}M - \rho U_P(A_t,\emptyset). \end{aligned} \tag{A.45}$$

Its value when there is an active promising topic similarly has law of motion

$$0 = \lambda M \left(p_1 U_P \left(A_t + 1, \emptyset \right) + \left(1 - p_1 \right) U_P \left(A_t - 1, \emptyset \right) - U_P \left(A_t, 1 \right) \right) + A_t K - \frac{\delta + \kappa}{\gamma} M + \xi \left(U_P \left(A_t, 0 \right) - U_P \left(A_t, 1 \right) \right) - \rho U_P \left(A_t, 1 \right). \tag{A.46}$$

If speculative topics are researched, we can conjecture that

$$0 = \lambda M \left(p_0 U_P \left(A_t + 1, \emptyset \right) + \left(1 - p_0 \right) U_P \left(A_t - 1, \emptyset \right) - U_P \left(A_t, 0 \right) \right) + A_t K - \frac{\delta + \kappa}{\gamma} M - \rho U_P \left(A_t, 0 \right), \tag{A.47}$$

otherwise $U_P \left(A_t, 0 \right) = U_P \left(A_t, \emptyset \right)$,

We now consider two cases depending on whether only promising or all topics are researched.

Case 1: Suppose researchers only pursue promising topics, and prefer to investigate a new topic than to research a speculative topic. Let us conjecture that

$$U_P \left(A_t, S \right) = u_0 \left(S \right) + u_{A_t} \left(S \right) A_t - \frac{\delta + \kappa}{\rho \gamma} M,$$

and $U_P \left(A_t, 0 \right) = U_P \left(A_t, \emptyset \right)$. Substituting these conjectures into equations (A.78) and (A.79), we find

$$u_{A_t} \left(\emptyset \right) = u_{A_t} \left(1 \right) = \frac{1}{\rho} K,$$

and

$$U_P \left(A_t, S \right) = - \frac{u \left(s \right)}{\rho} \lambda M \left(1 - 2 p_1 \right) \frac{1}{\rho} K + \frac{1}{\rho} A_t K - \frac{\delta + \kappa}{\rho \gamma} M,$$

where

$$u \left(\emptyset \right) = \frac{\lambda M \left(p q_1 + \left(1 - p \right) q_0 \right)}{\rho + \xi + \lambda M \left(1 + p q_1 + \left(1 - p \right) q_0 \right)},$$
$$u \left(1 \right) = \frac{\rho + \lambda M \left(p q_1 + \left(1 - p \right) q_0 \right)}{\rho + \xi + \lambda M \left(1 + p q_1 + \left(1 - p \right) q_0 \right)}.$$

If there is no active topic and we initialize all statuses at zero, then $U_{P0} = U_P \left(A, \emptyset \right)$ satisfies

$$\rho U_{P0} = A K + \left(\frac{\lambda}{\rho} \frac{\lambda M \left(p q_1 + \left(1 - p \right) q_0 \right)}{\rho + \xi + \lambda M \left(1 + p q_1 + \left(1 - p \right) q_0 \right)} \left(2 p_1 - 1 \right) K - \frac{\delta + \kappa}{\gamma} \right) M, \tag{A.48}$$

where $p_1 \geq \frac{1}{2}$.

Case 2: Suppose researchers pursue both promising and speculative topics, and prefer to research them to investigating a new topic. We again conjecture that

$$U_P\left(A_t, S\right) = u_0\left(S\right) + u_{A_t}\left(S\right) A_t - \frac{\delta + \kappa}{\rho\gamma} M,$$

and substitute this conjecture in equations (A.78−A.80) to find

$$u_{A_t}\left(\emptyset\right) = u_{A_t}\left(1\right) = u_{A_t}\left(0\right) = \frac{1}{\rho} K,$$

and

$$U_P\left(A_t, S\right) = A_t K + u_0\left(s\right) - \frac{\delta + \kappa}{\rho\gamma} M,$$

where

$$\begin{aligned}
u_0\left(\emptyset\right) &= \frac{\lambda M}{\rho}\left(2\frac{\lambda M\left(pq_1 + \left(1-p\right)q_0\right)}{\rho + \xi + \lambda M}\frac{\rho + \lambda M}{\rho + 2\lambda M}\left(p_1 - p_0\right) + \frac{\lambda M}{\rho + 2\lambda M}\left(2p_0 - 1\right)\right) K, \\
u_0\left(0\right) &= \frac{\lambda M}{\rho + \lambda M}\left(2p_0 - 1\right)\frac{1}{\rho} K + \frac{\lambda M}{\rho + \lambda M} u_0\left(\emptyset\right), \\
u_0\left(1\right) &= 2\frac{\lambda M}{\rho + \xi + \lambda M}\left(p_1 - p_0\right) K + \frac{\lambda M}{\rho + \xi + \lambda M} u_0\left(0\right).
\end{aligned}$$

If there is no active topic and we initialize all statuses at zero, then $U_{P0} = U_P\left(A, \emptyset\right)$ satisfies

$$\rho U_{P0} = AK + \left(\frac{\lambda}{\rho}\left(2\frac{\lambda M\left(pq_1 + \left(1-p\right)q_0\right)}{\rho + \xi + \lambda M}\frac{\rho + \lambda M}{\rho + 2\lambda M}\left(p_1 - p_0\right) + \frac{\lambda M}{\rho + 2\lambda M}\left(2p_0 - 1\right)\right) K - \frac{\delta + \kappa}{\gamma}\right) M. \tag{A.49}$$

Recognizing that

$$\frac{\rho + \xi + \lambda M}{\rho + \xi + \lambda M\left(1 + pq_1 + \left(1-p\right)q_0\right)} \geq \frac{\rho + \lambda M}{\rho + 2\lambda M}, \tag{A.50}$$

we have that

$$\begin{aligned}
& \frac{\lambda M\left(pq_1 + \left(1-p\right)q_0\right)}{\rho + \xi + \lambda M\left(1 + pq_1 + \left(1-p\right)q_0\right)}\left(2p_1 - 1\right) \\
\geq\ & \frac{\lambda M\left(pq_1 + \left(1-p\right)q_0\right)}{\rho + \xi + \lambda M}\frac{\rho + \lambda M}{\rho + 2\lambda M}\left(2p_1 - 1\right) \\
=\ & 2\frac{\lambda M\left(pq_1 + \left(1-p\right)q_0\right)}{\rho + \xi + \lambda M}\frac{\rho + \lambda M}{\rho + 2\lambda M}\left(p_1 - p_0\right) + \frac{\lambda M}{\rho + 2\lambda M}\left(2p_0 - 1\right) \\
& + \frac{\lambda M}{\rho + 2\lambda M}\left(1 - \frac{\left(\rho + \lambda M\right)\left(pq_1 + \left(1-p\right)q_0\right)}{\rho + \xi + \lambda M}\right)\left(1 - 2p_0\right),
\end{aligned} \tag{A.51}$$

from which follows because $p_0 \leq \frac{1}{2}$ that

$$\begin{aligned}
& \frac{\lambda M \left(pq_1 + (1-p)\, q_0\right)}{\rho + \xi + \lambda M \left(1 + pq_1 + (1-p)\, q_0\right)} \left(2p_1 - 1\right) \\
\geq\ & 2\frac{\lambda M \left(pq_1 + (1-p)\, q_0\right)}{\rho + \xi + \lambda M} \frac{\rho + \lambda M}{\rho + 2\lambda M} \left(p_1 - p_0\right) + \frac{\lambda M}{\rho + 2\lambda M} \left(2p_0 - 1\right) \\
& + \frac{\lambda M}{\rho + 2\lambda M} \frac{\xi}{\rho + \xi + \lambda M} \left(1 - 2p_0\right), \\
\geq\ & 2\frac{\lambda M \left(pq_1 + (1-p)\, q_0\right)}{\rho + \xi + \lambda M} \frac{\rho + \lambda M}{\rho + 2\lambda M} \left(p_1 - p_0\right) + \frac{\lambda M}{\rho + 2\lambda M} \left(2p_0 - 1\right), \qquad \text{(A.52)}
\end{aligned}$$

and therefore U_{P0} is larger in Case 1 for any M. As such, the principal wants all active researchers to research only promising topics.

In Case 1, U_{P0} is increasing in M, and the principal wants all N researchers to be active.

This is an equilibrium provided $U_{P0} \geq 0$ in Case 1, which imposes for N researchers

$$\kappa \leq \kappa^{FB} = \frac{\gamma}{N} AK + \frac{\lambda\gamma}{\rho} \frac{\lambda N \left(pq_1 + (1-p)\, q_0\right)}{\rho + \xi + \lambda N \left(1 + pq_1 + (1-p)\, q_0\right)} \left(2p_1 - 1\right) K - \delta. \qquad \text{(A.53)}$$

Proof of Proposition 4:

Let the value function for researcher n in the second-best economy with costly effort be $e^{-(\rho+\eta)t} v_n\left(A_t, L_1, L_0\right)$, where L_0 is again the number of active speculative and L_1 is the number of active promising research topics. We assume for now that it is optimal for the principal for $M \leq N$ researchers to conduct research.

Researching Active Topics: For it to be optimal to have researcher n research an active speculative topic if $M - 1$ other researchers are actively researching it at time t, it must be the case by the Hamilton-Jacobi-Bellman Equation for researcher n that

$$\begin{aligned}
& \lambda M \left(p_0 v_n\left(A_t + 1, L_1, L_0 - 1\right) + \left(1 - p_0\right) v_n\left(A_t - 1, L_1, L_0 - 1\right) - v_n\left(A_t, L_1, L_0\right)\right) \\
& \qquad - e^{-\gamma\phi_0 - \gamma\phi_A\left(A_t - A_{T_{i-1}^n}\right)K + \kappa} - \rho v_n\left(A_t, L_1, L_0\right) \geq \\
& \lambda \left(M - 1\right) \left(p_0 v_n\left(A_t + 1, L_1, L_0 - 1\right) + \left(1 - p_0\right) v_n\left(A_t - 1, L_1, L_0 - 1\right) - v_n\left(A_t, L_1, L_0\right)\right) \\
& \qquad - e^{-\gamma\phi_0 - \gamma\phi_A\left(A_t - A_{T_{i-1}^n}\right)K} - \rho v_n\left(A_t, L_1, L_0\right). \qquad \text{(A.54)}
\end{aligned}$$

Conjecturing $v_n(A_t, L_1, L_0) = -e^{-\gamma\phi_0 - \gamma\phi_A\left(A_t - A_{T_{i-1}^n}\right)K} h_n(L_1, L_0)$, condition (A.54) reduces to

$$e^{\kappa} + \lambda\left(\left(p_0 e^{-\gamma\phi_A K} + (1-p_0)\, e^{\gamma\phi_A K}\right) h_n(L_1, L_0 - 1) - h_n(L_1, L_0)\right) \leq 1. \tag{A.55}$$

If having a speculative topic is valuable to researchers, then it must be the case that $h_n(L_1, L_0) < h_n(L_1, L_0 - 1)$. In addition, because $p_0 < \frac{1}{2}$, we have that $p_0 < \frac{1-e^{-\gamma\phi_A K}}{1-e^{-2\gamma\phi_A K}}$ and consequently $p_0 e^{-\gamma\phi_A K} + (1-p_0)\, e^{\gamma\phi_A K} > 1$. These two observations imply that

$$\left(p_0 e^{-\gamma\phi_A K} + (1-p_0)\, e^{\gamma\phi_A K}\right) h_n(L_1, L_0 - 1) - h_n(L_1, L_0) > h_n(L_1, L_0 - 1) - h_n(L_1, L_0) > 0,$$

and because $\kappa > 0$ that condition (A.55) fails.

It is therefore not optimal for researchers to research a speculative topic for any M. Given that the principal also achieves a higher value when researchers research only promising topics from Proposition 3, it follows no speculative topics are researched in equilibrium.

By contrast, for it to be optimal to have researcher n research an active promising topic, it must be the case by the Hamilton-Jacobi-Bellman Equation for researcher n that

$$\begin{aligned}
&\lambda M\left(p_1 v_n(A_t + 1, L_1 - 1, L_0) + (1-p_1)\, v_n(A_t - 1, L_1 - 1, L_0) - v_n(A_t, L_1, L_0)\right) \\
&\qquad -\rho v_n(A_t, L_1, L_0) + \xi\left(v_n(A_t, L_1 - 1, L_0 + 1) - v_n(A_t, L_1, L_0)\right) \\
&\qquad\qquad -e^{-\gamma\phi_0 - \gamma\phi_A\left(A_t - A_{T_{i-1}^n}\right)K + \kappa} \geq \\
&\lambda(M-1)\left(p_1 v_n(A_t + 1, L_1 - 1, L_0) + (1-p_1)\, v_n(A_t - 1, L_1 - 1, L_0) - v_n(A_t, L_1, L_0)\right) \\
&\qquad -\rho v_n(A_t, L_1, L_0) + \xi\left(v_n(A_t, L_1 - 1, L_0 + 1) - v_n(A_t, L_1, L_0)\right) \\
&\qquad\qquad -e^{-\gamma\phi_0 - \gamma\phi_A\left(A_t - A_{T_{i-1}^n}\right)K},
\end{aligned} \tag{A.56}$$

where the second-to-last term in each expression reflects the possibility that bad news arrives about the topic. Because this arrival is independent of the number of active researchers in the topic, it does not meaningfully impact the optimality condition.

Conjecturing that $v_n(A_t, L_1, L_0) = -e^{-\gamma\phi_0 - \gamma\phi_A\left(A_t - A_{T_{i-1}^n}\right)K} h_n(L_1)$ (where we drop the L_0 argument because it is never optimal to research a speculative topic), condition (A.56) reduces to

$$e^{\kappa} + \lambda\left(\left(p_1 e^{-\gamma\phi_A K} + (1-p_1)\, e^{\gamma\phi_A K}\right) h_n(L_1 - 1) - h_n(L_1)\right) \leq 1. \tag{A.57}$$

This is a key condition we will evaluate after solving for a researcher's value function.

Investigating a New Topic: In this case, in equilibrium, there will be either zero or one active promising topics. For it to be optimal for $M \leq N$ researchers to investigate a new topic, there cannot be an active promising topic and it must be the case that the Hamilton-Jacobi-Bellman Equation for researcher n's value function, $e^{-(\rho+\eta)t}v_n\left(A_t, L_1\right)$, satisfies

$$\begin{aligned}-e^{-\gamma\phi_0-\gamma\phi_A\left(A_t-A_{T_{i-1}^n}\right)K+\kappa}+\lambda M\left(pq_1+(1-p)\,q_0\right)\left(v_n\left(A_t,1\right)-v_n\left(A_t,0\right)\right)\\ -\left(\rho+\eta\right)v_n\left(A_t,0\right)\geq\\ -e^{-\gamma\phi_0-\gamma\phi_A\left(A_t-A_{T_{i-1}^n}\right)K}+\lambda\left(M-1\right)\left(pq_1+(1-p)\,q_0\right)\left(v_n\left(A_t,1\right)-v_n\left(A_t,0\right)\right)\\ -\left(\rho+\eta\right)v_n\left(A_t,0\right),\end{aligned} \tag{A.58}$$

where $pq_1+(1-p)\,q_0$ is the probability a new topic is promising,

$$\left(\rho+\eta+\lambda M\right)v_n\left(A_t,0\right)=-e^{-\gamma\phi_0-\gamma\phi_A\left(A_t-A_{T_{i-1}^n}\right)K+\kappa}+\lambda M\left(pq_1+(1-p)\,q_0\right)\left(v_n\left(A_t,1\right)-v_n\left(A_t,0\right)\right), \tag{A.59}$$

and

$$\begin{aligned}\left(\rho+\eta\right)v_n\left(A_t,1\right)=-e^{-\gamma\phi_0-\gamma\phi_A\left(A_t-A_{T_{i-1}^n}\right)K+\kappa}+\lambda M\left(p_1v_n\left(A_t+1,0\right)+\left(1-p_1\right)v_n\left(A_t-1,0\right)-v_n\left(A_t,1\right)\right)\\ +\xi\left(v_n\left(A_t,0\right)-v_n\left(A_t,1\right)\right)\end{aligned} \tag{A.60}$$

are the value functions conditional on investigating and researching an active promising topic, respectively. The last term in equation (A.60) reflects the arrival of negative news. We conjecture $v_n\left(A_t,L_1\right)=-e^{-\gamma\phi_0-\gamma\phi_A\left(A_t-A_{T_{i-1}^n}\right)K}h_n\left(L_1\right)$, from which follows condition (A.58) reduces to

$$1-e^{\kappa}+\lambda\left(pq_1+(1-p)\,q_0\right)\left(h_n\left(0\right)-h_n\left(1\right)\right)\geq 0, \tag{A.61}$$

equation (A.59) reduces to

$$h_n\left(0\right)=\frac{e^{\kappa}+\lambda M\left(pq_1+(1-p)\,q_0\right)h_n\left(1\right)}{\rho+\eta+\lambda M\left(pq_1+(1-p)\,q_0\right)}, \tag{A.62}$$

and equation (A.60) reduces to

$$h_n\left(1\right)=\frac{e^{\kappa}+\lambda M\left(p_1e^{-\gamma\phi_AK}+\left(1-p_1\right)e^{\gamma\phi_AK}\right)h_n\left(0\right)+\xi h_n\left(0\right)}{\rho+\eta+\xi+\lambda M}, \tag{A.63}$$

which confirms the conjecture. Combining equations $(A.62)$ and (A.63), we find

$$h_n\left(0\right)=\frac{e^{\kappa}}{\rho+\eta+\lambda M\left(1-p_1e^{-\gamma\phi_AK}-\left(1-p_1\right)e^{\gamma\phi_AK}\right)\frac{\lambda M(pq_1+(1-p)q_0)}{\rho+\eta+\xi+\lambda M(1+pq_1+(1-p)q_0)}}, \tag{A.64}$$

and

$$h_n(0) - h_n(1) = \frac{e^{\kappa}}{\lambda M\left(pq_1 + (1-p)q_0\right) + (\rho+\eta)\frac{\rho+\eta+\xi+\lambda M+\lambda M(pq_1+(1-p)q_0)}{\lambda M\left(1-p_1e^{-\gamma\phi_A K}-(1-p_1)e^{\gamma\phi_A K}\right)}} > 0. \quad \text{(A.65)}$$

Substituting equation (A.65) into condition (A.61), condition (A.61) becomes

$$\frac{\lambda\left(pq_1 + (1-p)q_0\right)}{\lambda M\left(pq_1 + (1-p)q_0\right) + (\rho+\eta)\frac{\rho+\eta+\xi+\lambda M+\lambda M(pq_1+(1-p)q_0)}{\lambda M\left(1-p_1e^{-\gamma\phi_A K}-(1-p_1)e^{\gamma\phi_A K}\right)}} \geq 1 - e^{-\kappa}. \quad \text{(A.66)}$$

The Two Incentive Compatibility Constraints:

Substituting equations (A.64) and (A.65) into condition ($A.57$), we arrive at the optimality condition to research an active promising field

$$\frac{1}{M}\frac{\rho+\eta+\xi+\lambda M\left(pq_1 + (1-p)q_0\right)}{\lambda M\left(pq_1 + (1-p)q_0\right) + (\rho+\eta)\frac{\rho+\eta+\xi+\lambda M+\lambda M(pq_1+(1-p)q_0)}{\lambda M\left(1-p_1e^{-\gamma\phi_A K}-(1-p_1)e^{\gamma\phi_A K}\right)}} \geq 1 - e^{-\kappa}. \quad \text{(A.67)}$$

For it to be optimal to investigate to find new topics and to research any active promising topics, conditions (A.66) and (A.67) must both be satisfied. However, notice that if condition (A.66) is satisfied, (A.67) is also satisfied. Consequently, we need only focus on condition (A.66).

The Participation Constraint:

Finally, because researchers are born with zero status and the participation constraint (8) is tightest when there is no active promising topic, it is sufficient that

$$-e^{-\gamma\phi_0}h_n(0) \geq -\frac{e^{-\delta}}{\rho+\eta}, \quad \text{(A.68)}$$

for the participation constraint to be satisfied, which reduces from equation (A.64) to

$$\frac{\lambda M\left(pq_1 + (1-p)q_0\right)}{\lambda M\left(pq_1 + (1-p)q_0\right) + (\rho+\eta)\frac{\rho+\eta+\xi+\lambda M+\lambda M(pq_1+(1-p)q_0)}{\lambda M\left(1-p_1e^{-\gamma\phi_A K}-(1-p_1)e^{\gamma\phi_A K}\right)}} \geq 1 - e^{\gamma\phi_0-\delta-\kappa}. \quad \text{(A.69)}$$

The Principal's Problem:

It is straightforward to modify the principal's expected payoff at time 0 when only promising topics

are researched from equation (A.81) to account for the output incentive ϕ_A. In this case, U_{P0} is[11]

$$\rho U_{P0} = A\left(1-M\phi_A\right)K + \left(\frac{\lambda}{\rho}\frac{\lambda M\left(pq_1+(1-p)\,q_0\right)(2p_1-1)}{\rho+\xi+\lambda M\left(1+pq_1+(1-p)\,q_0\right)}\left(1-M\phi_A\right)K-\phi_0\right)M$$
$$+\left(A+\frac{(2p_1-1)\,\frac{\lambda M}{\rho}\frac{\eta\lambda M(pq_1+(1-p)q_0)}{\rho+\xi+\lambda M(1+pq_1+(1-p)q_0)}\lambda M\left(pq_1+(1-p)\,q_0\right)}{\rho\left(\rho+\eta+\xi+\lambda M\right)+(\rho+\eta)\,\lambda M\left(pq_1+(1-p)\,q_0\right)}\right)\phi_A MK, \tag{A.72}$$

and the principal chooses $\{\phi_0,\phi_A,M\}$ to maximize U_{P0} subject to researchers' participation and incentive compatibility constraints, conditions (A.69) and (A.66), respectively.

Because the incentive compatibility condition (A.66) will bind, it follows that ϕ_A satisfies it with equality, from which follows that ϕ_A solves

$$1-p_1e^{-\gamma\phi_AK}-(1-p_1)\,e^{\gamma\phi_AK}=\frac{(\rho+\eta)\,\frac{\rho+\eta+\xi+\lambda M+\lambda M(pq_1+(1-p)q_0)}{\lambda M\left(\frac{e^\kappa}{e^\kappa-1}-M\right)}}{\lambda\left(pq_1+(1-p)\,q_0\right)}. \tag{A.73}$$

However, notice that if condition (A.66) holds with equality, then this implies that

$$\frac{\lambda M\left(pq_1+(1-p)\,q_0\right)}{\lambda M\left(pq_1+(1-p)\,q_0\right)+(\rho+\eta)\,\frac{\rho+\eta+\xi+\lambda M+\lambda M(pq_1+(1-p)q_0)}{\lambda M\left(1-p_1e^{-\gamma\phi_AK}-(1-p_1)e^{\gamma\phi_AK}\right)}}=M\left(1-e^{-\kappa}\right). \tag{A.74}$$

Because the left-hand side of equation (A.74) is less than or equal to 1 because $p_1\geq\frac{1-e^{-\frac{\gamma}{N}K}}{1-e^{-2\frac{\gamma}{N}K}}\geq\frac{1}{2}$, it must be the case that $M\left(1-e^{-\kappa}\right)\leq 1$ for a solution to exist.

Consequently, $M\leq\min\{\lfloor\frac{e^\kappa}{e^\kappa-1}\rfloor,N\}$; otherwise, the contract cannot be incentive compatible for

[11] The last term is the expected present-discounted value of the savings to the principal from resetting output compensation to zero when a researcher retires. For an individual researcher type n, this savings is $C\left(A_0,A,S\right)$ for a researcher born when productivity is A_0, and satisfies the HJB system of equations:

$$\left(\rho+\eta+\lambda M\left(pq_1+(1-p)\,q_0\right)\right)C\left(A_0,A,\emptyset\right)=\phi_AA_0K+\eta C(A,A,\emptyset)+\lambda M(pq_1+(1-p)q_0)C(A_0,A,1),$$
$$(\rho+\eta+\xi+\lambda M)C(A_0,A,1)=\phi_AA_0K+\eta C(A,A,1)+\lambda M(p_1C(A_0,A+1,\emptyset)+(1-p_1)C(A_0,A-1,\emptyset))+\xi C(A_0,A,\emptyset),$$

from which follows by conjecture and verify that

$$\begin{aligned}C\left(A_0,A,\emptyset\right) &= (2p_1-1)\,\frac{\lambda M}{\rho}\frac{\eta}{\rho}\frac{\lambda M\left(pq_1+(1-p)\,q_0\right)}{\rho+\xi+\lambda M\left(1+pq_1+(1-p)\,q_0\right)}\beta\phi_AK+\frac{\eta}{\rho}\beta\phi_AKA\\ &\quad+\frac{\rho+\eta+\xi+\lambda M\left(1+pq_1+(1-p)\,q_0\right)}{\lambda M\left(pq_1+(1-p)\,q_0\right)}\beta\phi_AKA_0.\end{aligned} \tag{A.70}$$

where $\beta=\frac{\lambda M(pq_1+(1-p)q_0)}{\rho(\rho+\eta+\xi+\lambda M)+(\rho+\eta)\lambda M(pq_1+(1-p)q_0)}$. If the initial productivity state is A, then the total savings to the principal, $B=MC\left(A,A,\emptyset\right)$ is

$$B=\left(A+(2p_1-1)\,\frac{\lambda M}{\rho}\frac{\eta\lambda M\left(pq_1+(1-p)\,q_0\right)}{\rho+\xi+\lambda M\left(1+pq_1+(1-p)\,q_0\right)}\beta\right)\frac{M}{\rho}\phi_AK, \tag{A.71}$$

researchers.

Because the participation constraint (A.69) will also bind, it follows from conditions (A.66) and (A.69) when they hold with equality that ϕ_0 satisfies

$$\phi_0 = \frac{1}{\gamma}\left(\delta + \kappa + \log\left(1 - M\left(1 - e^{-\kappa}\right)\right)\right), \tag{A.75}$$

where again $M \leq \min\{\lfloor \frac{e^\kappa}{e^\kappa - 1} \rfloor, N\}$ when ϕ_A satisfies condition (A.66) with equality.

The two constraints identify ϕ_0 and ϕ_A and impose an endogenous upper bound on M.

The principal therefore chooses $M^\star \leq \min\{\lfloor \frac{e^\kappa}{e^\kappa - 1} \rfloor, N\}$ to maximize its objective (A.72) where ϕ_A and ϕ_0 are given by equations (A.73) and (A.75), respectively.

Potential for Coordination Failure

We need only verify that condition (A.66) fails when $M = 1$. Substituting for $1 - e^{-\kappa}$ with equation (A.73) into condition (A.66) when $M = 1$ and it fails, we require that

$$M < \frac{(\rho + \eta)(\rho + \eta + \xi)}{\lambda^2 (pq_1 + (1-p)q_0)\left(1 - p_1 e^{-\gamma\phi_A K} - (1 - p_1) e^{\gamma\phi_A K}\right)}. \tag{A.76}$$

Because $M \leq \frac{e^\kappa}{e^\kappa - 1}$, condition (A.76) implies

$$\kappa > \kappa^{CF}(\phi_A) = -\log\left(1 - \frac{\lambda^2 (pq_1 + (1-p)q_0)\left(1 - p_1 e^{-\gamma\phi_A K} - (1 - p_1) e^{\gamma\phi_A K}\right)}{(\rho + \eta)(\rho + \eta + \xi)}\right). \tag{A.77}$$

If $\kappa > \kappa^{CF}(\phi_A)$, then zero active researchers constitutes a Nash Equilibrium Notice that $\kappa^{CF}(\phi_A)$ is increasing in ϕ_A.

That zero versus N active researchers constitutes a Pareto inferior equilibrium is immediate because all researchers are ex-ante identical and, by revealed preference, the principal prefers to actively investigate and research promising topics than to not.

Proof of Proposition 5:

Step 1: Principal's Indirect Utility Function

Let $e^{-\rho t} U_P(A, X, S)$ be the per capital value the principal derives from researcher n, where $S = \emptyset$ if there is no active topic, $S = 1$ if there is an active promising topic, and $S = 0$ if there is an active speculative topic. For the moment, we abstract from the resetting of the output incentive when a

researcher retires. The Hamilton-Jacobi-Bellman Equation governing the principal's value when there is no active topic

$$0 = \lambda M \left(\left(pq_1 + (1-p) q_0 \right) U_P \left(A, X, 1 \right) + \left(1 - pq_1 - (1-p) q_0 \right) U_P \left(A, X, \emptyset \right) - U_P \left(A, X, \emptyset \right) \right) + \frac{1}{M} \left(1 - \phi_A \right) AK - \phi_X X - \phi_0 + \eta \left(U_P \left(A, 0, \emptyset \right) - U_P \left(A, X, \emptyset \right) \right) - \rho U_P \left(A, X, \emptyset \right). \quad \text{(A.78)}$$

Its value when there is an active promising topic similarly has law of motion

$$\begin{aligned} 0 = & \lambda M \left(p_1 U_P \left(A+1, X + \log 2, \emptyset \right) + \left(1 - p_1 \right) U_P \left(A-1, X, \emptyset \right) - U_P \left(A, X, 1 \right) \right) \\ & + \frac{1}{M} \left(1 - \phi_A \right) AK - \phi_X X - \phi_0 + \xi \left(U_P \left(A, X, \emptyset \right) - U_P \left(A, X, 1 \right) \right) \\ & + \partial_X U_P \left(A, X, 1 \right) M + \eta \left(U_P \left(A, 0, 1 \right) - U_P \left(A, X, 1 \right) \right) - \rho U_P \left(A, X, 1 \right). \end{aligned} \quad \text{(A.79)}$$

If speculative topics are researched, we can conjecture that

$$\begin{aligned} 0 = & \lambda M \left(p_0 U_P \left(A+1, X + \log 2, \emptyset \right) + \left(1 - p_0 \right) U_P \left(A-1, X, \emptyset \right) - U_P \left(A, X, 0 \right) \right) \\ & + \frac{1}{M} \left(1 - \phi_A \right) AK - \phi_X X - \phi_0 \\ & + \partial_X U_P \left(A, X, \emptyset \right) M + \eta \left(U_P \left(A, 0, \emptyset \right) - U_P \left(A, X, \emptyset \right) \right) - \rho U_P \left(A, X, \emptyset \right); \end{aligned} \quad \text{(A.80)}$$

otherwise $U_P \left(A, X, 0 \right) = U_P \left(A, X, \emptyset \right)$,

We now consider two cases depending on whether only promising or all topics are researched. This is determined by each researcher's incentive compatibility constraint such that if career incentives, ϕ_X, are sufficiently high, then all topics are researched, while if it is not, then only promising topics are researched to maturity.

Case 1: Suppose researchers only pursue promising topics, and prefer to investigate a new topic than to research a speculative topic. Let us conjecture that

$$U_P \left(A, X, S \right) = u_0 \left(S \right) + u_A \left(S \right) A + u_X \left(S \right) X - \frac{\phi_0}{\rho},$$

and $U_P \left(A, X, 0 \right) = U_P \left(A, X, \emptyset \right)$. Substituting these conjectures into equations (A.78) and (A.79), we find

$$\begin{aligned} u_A \left(\emptyset \right) = u_A \left(1 \right) &= \frac{1}{\rho M} \left(1 - \phi_A \right) K, \\ u_X \left(\emptyset \right) = u_X \left(1 \right) &= - \frac{\phi_X}{\rho + \eta}, \end{aligned}$$

and

$$U_P(A,X,S) = \frac{u(S)}{\rho}\left(\lambda(2p_1-1)\frac{1}{\rho}(1-\phi_A)K - M(1+\lambda p_1 \log 2)\frac{\phi_X}{\rho+\eta}\right) + \frac{1}{\rho M}(1-\phi_A)AK - \frac{\phi_X}{\rho+\eta}X - \frac{\phi_0}{\rho},$$

where

$$u(\emptyset) = \frac{\lambda M(pq_1+(1-p)q_0)}{\rho+\xi+\lambda M(1+pq_1+(1-p)q_0)},$$
$$u(1) = \frac{\rho+\lambda M(pq_1+(1-p)q_0)}{\rho+\xi+\lambda M(1+pq_1+(1-p)q_0)}.$$

If there is no active topic and we initialize all statuses at zero, then $U_P = U_P(A,0,\emptyset)$, and adding back the subsidy the principal receives resetting the output incentive when a researcher retires, the principal's indirect utility, $U_{PP} = MU_P$, is

$$\begin{aligned} U_{PP} = &\left(A + \frac{\lambda M}{\rho}\frac{\lambda M(pq_1+(1-p)q_0)}{\rho+\xi+\lambda M(1+pq_1+(1-p)q_0)}(2p_1-1)\right)\frac{1}{\rho}(1-\phi_A)K - \frac{\phi_0 M}{\rho}, \\ &- \frac{M}{\rho}\frac{\lambda M(pq_1+(1-p)q_0)}{\rho+\xi+\lambda M(1+pq_1+(1-p)q_0)}(1+\lambda p_1\log 2)\frac{\phi_X}{\rho+\eta}M \\ &+ \left(1 + \frac{(\rho+\lambda M)\left(1+\lambda M\frac{\lambda M(pq_1+(1-p)q_0)}{\rho+\lambda M(1+pq_1+(1-p)q_0)}(2p_1-1)\right)}{\rho+\lambda M(1+pq_1+(1-p)q_0)}\eta\right)\frac{\phi_A}{\rho+\eta}MAK, \end{aligned} \tag{A.81}$$

where $p_1 \geq \frac{1}{2}$ and the subscript P indexes only promising topics.

Case 2: Suppose researchers pursue both promising and speculative topics, and prefer to research them to investigating a new topic. We again conjecture that

$$U_P(A,X,S) = u_0(S) + u_A(S)A + u_X(S)X - \frac{\phi_0}{\rho},$$

and substitute this conjecture in equations (A.78−A.80) to find

$$u_A(\emptyset) = u_A(1) = u_A(0) = \frac{1}{\rho M}(1-\phi_A)K,$$
$$u_X(\emptyset) = u_X(1) = u_X(0) = -\frac{\phi_X}{\rho+\eta},$$

and

$$U_P(A,X,S) = \frac{1}{\rho M}(1-\phi_A)AK - \frac{\phi_X}{\rho+\eta}X + u_0(s) - \frac{\phi_0}{\rho},$$

where

$$u_0(\emptyset) = \frac{\lambda M}{\rho+\lambda M}u_0(0) + \frac{\lambda M}{\rho+\lambda M}\frac{\lambda M\left(pq_1+(1-p)q_0\right)}{\rho+\xi+\lambda M}(p_1-p_0)\left(2\frac{1}{\rho M}(1-\phi_A)K - \frac{\phi_X}{\rho+\eta}\log 2\right),$$

$$\begin{aligned} u_0(0) = {} & \frac{\lambda M}{\rho}\frac{\lambda M}{\rho+2\lambda M}\frac{\lambda M\left(pq_1+(1-p)q_0\right)}{\rho+\xi+\lambda M}(p_1-p_0)\left(2\frac{1}{\rho M}(1-\phi_A)K - \frac{\phi_X}{\rho+\eta}\log 2\right) \\ & + \frac{\lambda M}{\rho}\frac{\rho+\lambda M}{\rho+2\lambda M}\left(\frac{1}{\rho M}(1-\phi_A)K(2p_0-1) - \frac{\phi_X}{\rho+\eta}p_0\log 2\right) - \frac{1}{\rho}\frac{\rho+\lambda M}{\rho+2\lambda M}\frac{\phi_X}{\rho+\eta}M, \end{aligned}$$

$$u_0(1) = u_0(0) + \frac{\lambda M}{\rho+\xi+\lambda M}(p_1-p_0)\left(2\frac{1}{\rho M}(1-\phi_A)K - \frac{\phi_X}{\rho+\eta}\log 2\right).$$

If there is no active topic and we initialize all statuses at zero, then $U_P = U_P(A, 0, \emptyset)$ and adding back the subsidy the principal receives resetting the output incentive when a researcher retires, the principal's indirect utility, $U_{PP} = MU_P$, is

$$\begin{aligned} U_{PA} = {} & \frac{\lambda M}{\rho+\lambda M}\left(2\left(1+\frac{\lambda M}{\rho}\frac{\lambda M}{\rho+2\lambda M}\right)\frac{\lambda M\left(pq_1+(1-p)q_0\right)}{\rho+\xi+\lambda M}(p_1-p_0) + \frac{\lambda M}{\rho}\frac{\rho+\lambda M}{\rho+2\lambda M}(2p_0-1)\right)\frac{1}{\rho}(1-\phi_A)K \\ & - \frac{\lambda M}{\rho+\lambda M}\left(\left(1+\frac{\lambda M}{\rho}\frac{\lambda M}{\rho+2\lambda M}\right)\frac{\lambda M\left(pq_1+(1-p)q_0\right)}{\rho+\xi+\lambda M}(p_1-p_0) + \frac{\lambda M}{\rho}\frac{\rho+\lambda M}{\rho+2\lambda M}p_0\right)\frac{\phi_X M}{\rho+\eta}\log 2 - \frac{\phi_0 M}{\rho} \\ & + \left(1+\frac{(\rho+\lambda M)\left(1+\lambda M\frac{\lambda M(pq_1+(1-p)q_0)}{\rho+\lambda M(1+pq_1+(1-p)q_0)}(2p_1-1)\right)}{\rho+\lambda M(1+pq_1+(1-p)q_0)}\eta\right)\frac{\phi_A}{\rho+\eta}MAK - \frac{1}{\rho}\frac{\lambda M}{\rho+2\lambda M}\frac{\phi_X M}{\rho+\eta}M, \end{aligned} \tag{A.82}$$

where the subscript A indicates all research.

Step 2: Optimal Choice of Contract Loadings

The principal chooses $\{M, \phi_0, \phi_A, \phi_X\}$ to maximize U_P subject to the reservation utility of researchers, which depends on whether speculative topics are abandoned or researched to maturity. Based on conditions (A.38) and (A.41), these participation constraints, which will bind in equilibrium, can be expressed as

$$\frac{1+\frac{\lambda M(pq_1+(1-p)q_0)}{\rho+\eta+\xi+\gamma\phi_X M+\lambda M}}{\rho+\eta+\lambda M(1-\omega)} = \frac{e^{\gamma\phi_0-\delta-\kappa}}{\rho+\eta}, \tag{A.83}$$

when speculative topics are abandoned, and

$$\frac{1+\frac{\lambda M}{\rho+\eta+\gamma\phi_X M+\lambda M}}{\rho+\eta+\lambda M(1-\lambda M\theta)} = \frac{e^{\gamma\phi_0-\delta-\kappa}}{\rho+\eta}, \tag{A.84}$$

when speculative topics are researched.

The principal must also respect each researcher's incentive compatibility constraint, which will

also bind in equilibrium. This imposes equation (A.36) holds with equality

$$\frac{\lambda M(pq_1+(1-p)q_0)+\gamma\phi_X M\frac{\rho+\eta+\xi+\gamma\phi_X M+\lambda M(1+pq_1+(1-p)q_0)}{\gamma\phi_X M+\lambda M\left(1-p_1 2^{-\gamma\phi_X}e^{-\gamma\phi_A K}-(1-p_1)e^{\gamma\phi_A K}\right)}}{\lambda M(pq_1+(1-p)q_0)+(\rho+\eta)\frac{\rho+\eta+\xi+\gamma\phi_X M+\lambda M(1+pq_1+(1-p)q_0)}{\gamma\phi_X M+\lambda M\left(1-p_1 2^{-\gamma\phi_X}e^{-\gamma\phi_A K}-(1-p_1)e^{\gamma\phi_A K}\right)}} = M\left(1-e^{-\kappa}\right), \quad \text{(A.85)}$$

when speculative topics are abandoned, and equation (A.35) holds with equality

$$1-\left(\rho+\eta-\gamma\phi_X M^2\right)\frac{1+\frac{\lambda M}{\rho+\eta+\gamma\phi_X M+\lambda M}}{\rho+\eta+\lambda M\left(1-\lambda M\theta\right)} = M\left(1-e^{-\kappa}\right), \quad \text{(A.86)}$$

when speculative topics are researched,

Importantly, unlike the contract in Proposition 4, in which $\phi_X \equiv 0$, allowing $\phi_X > 0$ enables the principal to incentivize all N researchers to exert effort if it is desirable. This can be seen because the numerators of both constraints are increasing in ϕ_X, and can be chosen arbitrarily large such that the constraints are satisfied even for $M = N$.

The principal consequently solves the program

$$\sup_{\{M\in\{1,\ldots,N\},\phi_0,\phi_A,\phi_X\}} \max\{U_{PP}, U_{PA}\}, \quad \text{(A.87)}$$

subject to the participation constraint, equation (A.84) or (A.83), and the incentive compatibility constraint, equation (A.86) or (A.85), depending on whether speculative topics are researched.

It is immediate that the principal sets ϕ_0 to satisfy each researcher's participation constraint. This implies that ϕ_0, which does not impact the incentive compatibility constraints, can be recovered as

$$\phi_0 = \frac{\delta+\kappa}{\gamma} + \frac{1}{\gamma}\log\left(\frac{(\rho+\eta)\left(1+\frac{\lambda M(pq_1+(1-p)q_0)}{\rho+\eta+\xi+\gamma\phi_X M+\lambda M}\right)}{\rho+\eta+\lambda M\left(1-\omega\right)}\right), \quad \text{(A.88)}$$

when speculative topics are abandoned, and

$$\phi_0 = \frac{\delta+\kappa}{\gamma} + \frac{1}{\gamma}\log\left(\frac{(\rho+\eta)\left(1+\frac{\lambda M}{\rho+\eta+\gamma\phi_X M+\lambda M}\right)}{\rho+\eta+\lambda M\left(1-\lambda M\theta\right)}\right), \quad \text{(A.89)}$$

when speculative topics are researched.

Let Ξ_n be the Lagrange multiplier on the participation constraint, which from the first-order condition for ϕ_0 is given by

$$\Xi_n = \frac{\rho+\eta}{\gamma}e^{-\gamma\phi_0+\delta+\kappa}. \quad \text{(A.90)}$$

Let Σ_n be the Lagrange multiplier on the incentive compatibility constraint. Given the linearity of the principal's optimization program in ϕ_A, we can take the first-order necessary condition for the optimal choice of ϕ_A when all topics are pursued, recognizing the participation constraint binds ($\Xi_n > 0$) and substituting with it, when only promising topics are pursued

$$\begin{aligned}
0 \;=\; & -\left(A + \frac{\lambda M}{\rho}\frac{\lambda M\left(pq_1 + (1-p)\,q_0\right)}{\rho + \xi + \lambda M\left(1 + pq_1 + (1-p)\,q_0\right)}\left(2p_1 - 1\right)\right)\frac{1}{\rho}K \\
& + \left(1 + \frac{\left(\rho + \lambda M\right)\left(1 + \lambda M\frac{\lambda M(pq_1+(1-p)q_0)}{\rho+\lambda M(1+pq_1+(1-p)q_0)}(2p_1-1)\right)}{\rho + \lambda M(1 + pq_1 + (1-p)q_0)}\eta\right)\frac{1}{\rho+\eta}MAK \\
& + \Sigma_n\gamma K\frac{\left(\rho + \eta - \gamma\phi_X M^2\right)\lambda M\left(pq_1 + (1-p)\,q_0\right)\frac{\lambda M\left(p_1 2^{-\gamma\phi_X}e^{-\gamma\phi_A K} - (1-p_1)e^{\gamma\phi_A K}\right)}{\rho+\eta+\xi+\gamma\phi_X M+\lambda M(pq_1+(1-p)q_0)}}{\left(\rho + \eta + \lambda M\left(pq_1 + (1-p)\,q_0\right)\frac{\gamma\phi_X M+\lambda M\left(1-p_1 2^{-\gamma\phi_X}e^{-\gamma\phi_A K}-(1-p_1)e^{\gamma\phi_A K}\right)}{\rho+\eta+\xi+\gamma\phi_X M+\lambda M(pq_1+(1-p)q_0)}\right)^2}, \\
& - \Xi_n\frac{e^{\gamma\phi_0-\delta-\kappa}}{\rho+\eta}\frac{\lambda M\partial_{\phi_A}\omega}{\rho+\eta+\lambda M\left(1-\omega\right)}
\end{aligned} \tag{A.91}$$

where

$$\partial_{\phi_A}\omega = \gamma K\frac{\lambda M\left(pq_1 + (1-p)\,q_0\right)}{\rho + \eta + \xi + \gamma\phi_X M + \lambda M}\left(\left(1-p_1\right)e^{\gamma\phi_A K} - p_1 2^{-\gamma\phi_X}e^{-\gamma\phi_A K}\right) < 0,$$

and when speculative topics are also researched

$$\begin{aligned}
0 = & -\frac{\lambda M}{\rho+\lambda M}\left(2\left(1 + \frac{\lambda M}{\rho}\frac{\lambda M}{\rho+2\lambda M}\right)\frac{\lambda M\left(pq_1 + (1-p)\,q_0\right)}{\rho+\xi+\lambda M}\left(p_1 - p_0\right) + \frac{\lambda M}{\rho}\frac{\rho+\lambda M}{\rho+2\lambda M}\left(2p_0 - 1\right)\right)\frac{1}{\rho}K \\
& + \left(1 + \frac{\left(\rho + \lambda M\right)\left(1 + \lambda M\frac{\lambda M(pq_1+(1-p)q_0)}{\rho+\lambda M(1+pq_1+(1-p)q_0)}(2p_1-1)\right)}{\rho + \lambda M(1 + pq_1 + (1-p)q_0)}\eta\right)\frac{1}{\rho+\eta}MAK \\
& - \Xi_n\frac{e^{\gamma\phi_0-\delta-\kappa}}{\rho+\eta}\frac{\lambda M\partial_{\phi_A}\theta}{\rho+\eta+\lambda M\left(1-\lambda M\theta\right)} - \Sigma_n\frac{\left(\rho+\eta-\gamma\phi_X M^2\right)\left(\lambda M\right)^2\left(1+\frac{\lambda M}{\rho+\eta+\gamma\phi_X M+\lambda M}\right)\partial_{\phi_A}\theta}{\left(\rho+\eta+\lambda M\left(1-\lambda M\theta\right)\right)^2},
\end{aligned} \tag{A.92}$$

where

$$\begin{aligned}
\partial_{\phi_A}\theta = & -\gamma K\left(p_1 - p_0\right)\frac{\rho+\eta+\gamma\phi_X M+\lambda M}{\rho+\eta+\xi+\gamma\phi_X M+\lambda M}\left(pq_1 + (1-p)\,q_0\right)\left(e^{\gamma\phi_A K} + 2^{-\gamma\phi_X}e^{-\gamma\phi_A K}\right) \\
& + \gamma K\left(1-p_0\right)e^{\gamma\phi_A K}.
\end{aligned}$$

The optimal choice of ϕ_A in both scenarios trades off the marginal present-value cost of rewarding researchers with additional output, which includes the expected growth in output from researching, with the relaxation of the participation constraint by raising researchers' expected lifetime utility.

Finally, we can take the first-order condition to find the optimal ϕ_X when only active topics are

pursued, recognizing the participation constraint binds and substituting with it, when only promising topics are pursued

$$
\begin{aligned}
0 = & -\frac{M}{\rho}\frac{\lambda M\left(pq_1+(1-p)\,q_0\right)}{\rho+\xi+\lambda M\left(1+pq_1+(1-p)\,q_0\right)}\left(1+\lambda p_1\log\left(1+M\right)\right)\frac{M}{\rho+\eta} \\
& +\Xi_n\frac{e^{\gamma\phi_0-\delta-\kappa}}{\rho+\eta}\left(\frac{\rho+\eta+\xi+\gamma\phi_X M+\lambda M}{\rho+\eta+\xi+\gamma\phi_X M+2\lambda M}\gamma M-\frac{\lambda M\partial_{\phi_X}\omega}{\rho+\eta+\lambda M\left(1-\omega\right)}\right) \\
& +\Sigma_n\frac{\gamma M^2}{\rho+\eta+\lambda M\left(pq_1+(1-p)\,q_0\right)\frac{\gamma\phi_X M+\lambda M\left(1-p_1 2^{-\gamma\phi_X}e^{-\gamma\phi_A K}-(1-p_1)e^{\gamma\phi_A K}\right)}{\rho+\eta+\xi+\gamma\phi_X M+\lambda M(pq_1+(1-p)q_0)}} \\
& +\Sigma_n\frac{\left(\rho+\eta-\gamma\phi_X M^2\right)\gamma M\frac{\rho+\eta+\xi+\lambda M(pq_1+(1-p)q_0)\ -\lambda M\left(1-p_1 2^{-\gamma\phi_X}e^{-\gamma\phi_A K}-(1-p_1)e^{\gamma\phi_A K}\right)}{\left(\rho+\eta+\xi+\gamma\phi_X M+\lambda M(pq_1+(1-p)q_0)\right)^2}}{\left(\rho+\eta+\lambda M\left(pq_1+(1-p)\,q_0\right)\frac{\gamma\phi_X M+\lambda M\left(1-p_1 2^{-\gamma\phi_X}e^{-\gamma\phi_A K}-(1-p_1)e^{\gamma\phi_A K}\right)}{\rho+\eta+\xi+\gamma\phi_X M+\lambda M(pq_1+(1-p)q_0)}\right)^2}, \quad \text{(A.93)}
\end{aligned}
$$

where Ξ_n is given by equation (A.90) and

$$
\partial_{\phi_X}\omega=-\gamma M\left(pq_1+(1-p)\,q_0\right)\frac{\lambda M\left(p_1 2^{-\gamma\phi_X}e^{-\gamma\phi_A K}+(1-p_1)\,e^{\gamma\phi_A K}\right)+\xi}{\left(\rho+\eta+\xi+\gamma\phi_X M+\lambda M\right)^2},
$$

and when all topics are researched

$$
\begin{aligned}
0 = & -\frac{\lambda M}{\rho+\lambda M}\left(\left(1+\frac{\lambda M}{\rho}\frac{\lambda M}{\rho+2\lambda M}\right)\frac{\lambda M\left(pq_1+(1-p)\,q_0\right)}{\rho+\xi+\lambda M}\left(p_1-p_0\right)+\frac{\lambda M}{\rho}\frac{\rho+\lambda M}{\rho+2\lambda M}p_0\right)\frac{M}{\rho+\eta}\log 2 \\
& -\frac{1}{\rho}\frac{\lambda M}{\rho+2\lambda M}\frac{M}{\rho+\eta}M+\Xi_n\frac{e^{\gamma\phi_0-\delta-\kappa}}{\rho+\eta}\left(\frac{\rho+\eta+\gamma\phi_X M+\lambda M}{\rho+\eta+\gamma\phi_X M+2\lambda M}\gamma M-\frac{\lambda M\partial_{\phi_X}\theta}{\rho+\eta+\lambda M\left(1-\lambda M\theta\right)}\right) \\
& +\Sigma_n\gamma M^2\frac{1+\frac{\lambda M}{\rho+\gamma+\phi_X M+\lambda M}}{\rho+\eta+\lambda M\left(1-\lambda M\theta\right)}+\Sigma_n\left(\rho+\eta-\gamma\phi_X M^2\right)\frac{\gamma M\frac{\lambda M}{\left(\rho+\gamma+\phi_X M+\lambda M\right)^2}}{\rho+\eta+\lambda M\left(1-\lambda M\theta\right)} \\
& -\Sigma_n\left(\lambda M\right)^2\left(\rho+\eta-\gamma\phi_X M^2\right)\frac{1+\frac{\lambda M}{\rho+\gamma+\phi_X M+\lambda M}}{\rho+\eta+\lambda M\left(1-\lambda M\theta\right)}\partial_{\phi_X}\theta, \quad \text{(A.94)}
\end{aligned}
$$

where Ξ_n is given by equation (A.90) and

$$
\partial_{\phi_X}\theta=-\left(p_1-p_0\right)\left(1+\frac{\gamma M\xi}{\left(\rho+\eta+\xi+\gamma\phi_X M+\lambda M\right)^2}\right)\left(pq_1+(1-p)\,q_0\right)\left(e^{\gamma\phi_A K}-2^{-\gamma\phi_X}e^{-\gamma\phi_A K}\right).
$$

Since the incentive compatibility constraint will bind regardless of whether speculative topics are researched, we can recover Σ_n from either equation (A.91) when only promising topics are researched or (A.92) when all topics are researched. The final first-order condition, either equation (A.93) in the former case and (A.94) in the latter case.

The optimal choice of M is then found by maximizing the principal's objective for the optimal $\{\phi_0,\phi_A,\phi_X\}$ for each of the two cases.

Step 3: Incentivizing Only Promising or All Research

Notice that when $\kappa = 0$, then the incentive compatibility constraint (equation (A.86) or (A.85)) is satisfied when $\phi_A = \phi_X = 0$. Since speculative research is not rewarded, researchers efficiently only research promising topics. By continuity, researchers only research promising topics for κ sufficiently small.

By contrast, when κ is sufficiently large, either no research is conducted, i.e., it is too expensive to incentivize, or the principal must choose $\phi_X > 0$ if the optimal $M > 1$. This is because from Proposition 4, $M \leq \lfloor \frac{e^\kappa}{e^\kappa - 1} \rfloor \to 1$ as κ becomes arbitrarily large when $\phi_X = 0$. In addition, from Proposition 1, a higher ϕ_A lowers the ϕ_X required for condition (A.21) to fail, and for researching speculative topics to become optimal. Consequently, for κ sufficiently large and the optimal $M > 1$, the principal chooses ϕ_A and ϕ_X large enough to induce research of speculative topics.

Step 4: Avoiding Coordination Failure

From Proposition 4, a coordination failure can occur when M is sufficiently small, given ϕ_A. For active researching to be a dominant strategy to free-riding, the expected utility to researching must be higher. Notice that the only difference in compensation between active researchers and free-riders is that based on status, X_{it}, indexed by the contract loading ϕ_X. Consequently, to avoid coordination failure, $\phi_X > 0$.

Because researchers are awarded for self-citations, there exists a $\underline{\phi}_X$ such that if $\phi_X \geq \underline{\phi}_X$, then zero active researchers is not an equilibrium, i.e., one researcher will find it incentive compatible to research alone. However, if one researcher finds it optimal to research alone, then a second researcher must find it optimal to research with the first because this increases both citations and the likelihood of arrival and maturation of topics. By inductive reasoning, the only equilibrium is that all M researchers actively research.

Academic Bubbles

Online Appendix

Richard Lowery, Michael Sockin, and Matteo Tranchero

A Extension with Continuous Learning

In this online appendix, we consider how continually learning about an active topic's significance over time impacts researcher behavior. We characterize a more realistic version of our model by assuming that signals about the viability of a topic constantly arrive over time. As a topic is researched, researchers are likely to learn more about whether it will turn out to be significant. This change gives rise to a time-varying probability of the topic being significant. In this setting, all researchers research an active topic until the probability that it is significant falls below some critical threshold, and this threshold is decreasing in the strength of career concerns, ϕ_X.

Suppose now that there are no signals at inception about whether a topic is likely significant. Instead, all topics have an initial prior probability $p_0 = .5$ of being significant. However, as researchers work on the topic, they receive signals about whether the topic is likely to be significant. Specifically, at each instant, the new publication in topic j of field n generates a signal S^n_{jt} about the topic's significance, π^n_j, as long as it is active,

$$dS^n_{jt} = \pi^n_j dt + \sigma dZ^n_{jt} + \left(\pi^n_j - S^n_{jt-}\right) dB^n_t, \tag{OA.1}$$

where Z^n_{jt} is a standard Wiener process independent of other $Z^{n'}_{j't}$ and σ is the diffusion of the signal. It is immediate that the common-knowledge posterior about the quality of the current topic in field n given $S^n_{jk_{k\in[t_j,t]}} \in \mathcal{F}^c_t$ for $t \geq t_j$ is summarized by $p_{nt} = \mathbb{E}\left[\mathbf{1}_{\pi^n_j=1} \mid \mathcal{F}^c_t\right]$ and is given by the Wonham Filter

$$dp_{nt} = \frac{p_{nt}\left(1-p_{nt}\right)}{\sigma} d\hat{Z}^n_{jt} + \left(\pi^n_j - p_{nt-}\right)\left(dB^n_t - \lambda m^n_t dt\right), \tag{OA.2}$$

where $d\hat{Z}^n_{jt} = dZ^n_{jt} + \frac{1}{\sigma}\left(\pi^n_j - p_{nt}\right) dt$ is a $\mathcal{F}^c_t$-standard Wiener process by Girsanov's Theorem, and $dB^n_t - \lambda \mu^n_t dt$ is a martingale jump process that reveals the true π^n_j once the topic matures.

Based on our analysis in the baseline model, it is clear that if there is an active topic, all researchers will focus on working on it. However, there is now the possibility that they may abandon an active topic to investigate a new one if the likelihood that it is significant, p_{nt}, is sufficiently low. Because there will be at most one topic on which researchers are working at a given instant, we drop the n

subscript from p_{nt}, and just refer to the probability the current active topic is significant as p_t. Our key result is that the threshold probability p^* at which a topic is abandoned is decreasing in the reward for career advancement, ϕ_X. This is summarized in the following proposition.

Proposition 1. *All researchers research any active field as long the probability it is significant, p_t, exceeds a threshold p^**

$$p^* = \frac{e^{\gamma\phi_A K} - \frac{1+\gamma\phi_X/\lambda-1/N}{\rho+\eta+\lambda}e^{\kappa} - \frac{\lambda}{\rho+\eta+\lambda}\frac{\rho+\eta+\gamma\phi_X N+\lambda N}{\rho+\eta+\gamma\phi_X N+2\lambda N}\left(1+\frac{1}{2}\left(2^{-\gamma\phi_X}e^{-\gamma\phi_A K}+e^{\gamma\phi_A K}\right)+\frac{\rho+\eta}{\lambda N}\right)}{e^{\gamma\phi_A K}-2^{-\gamma\phi_X}e^{-\gamma\phi_A K}}. \tag{OA.3}$$

This threshold is decreasing in the reward for career advancement, $\gamma\phi_X$.

Proof of Proposition 1:

In what follows, we assume the effort cost, κ, is sufficiently small. It is immediate from our analysis in Proposition 1 that researchers will all research an active field before they all investigate a new one provided that the probability it is significant is sufficiently high. Consequently, to prove our claim, we focus on the case in which there is one active topic with current probability p_t of being significant, and researchers must choose whether to research it or investigate a new topic.

Let us conjecture that researcher n's value function takes the form

$$V_{nT_{i-1}^n}(t, X_{nt}, A_t, p_t) = -e^{-(\rho+\eta)\left(t-T_{i-1}^n\right)-v_a\left(A_t-A_{T_{i-1}^n}\right)-v_n X_{nt}} f_n(p_t),$$

with the convention that $p_t = 0$ if there is no active topic (i.e., $t = 0$) or the researchers abandon an active topic.

Let r_t^n be the indicator whether researcher n researchers the active topic and e_t^n the indicator whether he investigates a new topic. Factoring out the $e^{-(\rho+\eta)\left(t-T_{i-1}^n\right)-v_a\left(A_t-A_{T_{i-1}^n}\right)-v_n X_{nt}}$ from the value function, the Hamilton-Jacobi-Bellman Equation for researcher n is then

$$\begin{aligned}0 \geq \sup_{r^n, e^n, (r_t^n+e_t^n)'\iota_L \leq 1 \ \forall\, t} \Bigg\{ & -e^{v_a\left(A_t-A_{T_{i-1}^n}\right)+v_n X_{nt}-\gamma\phi_A\left(A_t-A_{T_{i-1}^n}\right)K-\gamma\phi_X X_{nt}+\kappa(r_t^n+e_t^n)'\iota_L} + v_n f_n(p_t)\sum_l \left(R_{-n,lt}+r_t^n\right. \\ & -\lambda\left(R_{-n,t}+r_t^n\right)\left(\left(p_t\left(1+r_t^n\right)^{-v_n}e^{-v_a}+\left(1-p_t\right)e^{v_a}\right)f_n(0)-f_n(p_t)\right)-\frac{1}{2}f_n''(p_t)\left(\frac{p_{nt}(1-p_{nt})}{\sigma}\right)^2 \\ & -\sum_{l\in\mathcal{E}_t}\lambda\left(E_{-n,lt}+e_{lt}^n\right)\left(f_n\left(\frac{1}{2}\right)-f_n(p_t)\right)+(\rho+\eta)f_n(p_t)\Bigg\}. \end{aligned} \tag{OA.4}$$

It is immediate that $v_n = \gamma\phi_X$ and $v_a = \gamma\phi_A K$, confirming the conjecture. The Hamilton-Jacobi-

Bellman Equation (OA.4) consequently reduces to

$$0 \geq \sup_{r^n, e^n, (r_t^n + e_t^n)' \iota_L \leq 1 \ \forall \ t} \Bigg\{ - e^{\kappa (r_t^n + e_t^n)' \iota_L} + \gamma \phi_X f_n (p_t) \sum_l \left(R_{-n,lt} + r_{nt}^l \right) r_{nt}^l - \frac{1}{2} f_n'' (p_t) \left(\frac{p_{nt} (1 - p_{nt})}{\sigma} \right)^2$$
$$- \lambda \left(R_{-n,t} + r_t^n \right) \left(\left(p_t \left(1 + r_t^n \right)^{-\gamma \phi_X} e^{-\gamma \phi_A K} + (1 - p_t) e^{\gamma \phi_A K} \right) f_n (0) - f_n (p_t) \right)$$
$$- \sum_{l \in \mathcal{E}_t} \lambda \left(E_{-n,lt} + e_{lt}^n \right) \left(f_n \left(\frac{1}{2} \right) - f_n (p_t) \right) + (\rho + \eta) f_n (p_t) \Bigg\}. \tag{OA.5}$$

We now compare the value to the researcher of investigating a current topic along with the other $N - 1$ researchers versus abandoning it to research a new one by himself. Both choices incur the effort cost κ, and therefore it is irrelevant. Similarly, new information about the current topic will arrive regardless, so it is irrelevant as well. As shown in the proof of Proposition 1, researchers are indifferent to investigating in the same or in different fields. We assume they all investigate in the same field without loss.

Researcher n will consequently pursue the active topic if

$$\left(\gamma \phi_X N + \lambda (N - 1) \right) f_n (p_t) - \lambda N \left(p_t 2^{-\gamma \phi_X} e^{-\gamma \phi_A K} + (1 - p_t) e^{\gamma \phi_A K} \right) f_n (0) \geq -\lambda f_n \left(\frac{1}{2} \right). \tag{OA.6}$$

It follows from equation (OA.6) that there is a critical p_t, p^*, at which an active topic will be abandoned if $p_t \leq p^*$.

Consequently, assuming it is always optimal to conduct research rather than not, we have two regions for the Hamilton-Jacobi-Bellman Equation. For $p_t \geq p^*$, the Hamilton-Jacobi-Bellman Equation from (OA.5) in the research region is

$$\left(\rho + \eta + \gamma \phi_X N + \lambda N \right) f_n (p_t) = e^{\kappa} + \lambda N \left(p_t 2^{-\gamma \phi_X} e^{-\gamma \phi_A K} + (1 - p_t) e^{\gamma \phi_A K} \right) f_n (0)$$
$$+ \frac{1}{2} f_n'' (p_t) \left(\frac{p_{nt} (1 - p_{nt})}{\sigma} \right)^2, \tag{OA.7}$$

and in the investigate region when $p_t < p^*$, which we designate as $p_t = 0$, is

$$f_n (0) = \frac{e^{\kappa} + \lambda N f_n \left(\frac{1}{2} \right)}{\rho + \eta + \lambda N}. \tag{OA.8}$$

Substituting equation (OA.8) into (OA.7), we arrive at

$$\left(\rho+\eta+\gamma\phi_X N+\lambda N\right) f_n\left(p_t\right)=e^{\kappa}+\lambda N\left(p_t 2^{-\gamma\phi_X} e^{-\gamma\phi_A K}+\left(1-p_t\right) e^{\gamma\phi_A K}\right) \frac{e^{\kappa}+\lambda N f_n\left(\frac{1}{2}\right)}{\rho+\eta+\lambda N} + \frac{1}{2} f_n''\left(p_t\right)\left(\frac{p_{nt}\left(1-p_{nt}\right)}{\sigma}\right)^2. \tag{OA.9}$$

Notice that $f_n\left(\frac{1}{2}\right)$ in equation (OA.9) is a constant.

Let us conjecture that $f_n\left(p_t\right)$ is linear in p_t, or

$$f_n\left(p_t\right)=a+bp_t.$$

Substituting this conjecture into equation (OA.9) for $p_t=\frac{1}{2}$, we have that

$$f_n\left(\frac{1}{2}\right)=\frac{1+\frac{1}{2}\left(2^{-\gamma\phi_X} e^{-\gamma\phi_A K}+e^{\gamma\phi_A K}\right)\frac{\lambda N}{\rho+\eta+\lambda N}}{\rho+\eta+\gamma\phi_X N+\lambda N-\frac{1}{2}\lambda N\left(2^{-\gamma\phi_X} e^{-\gamma\phi_A K}+e^{\gamma\phi_A K}\right)\frac{\lambda N}{\rho+\eta+\lambda N}} e^{\kappa},$$

and

$$a=\frac{e^{\kappa}+\lambda N e^{\gamma\phi_A K}\frac{e^{\kappa}+\lambda N f_n\left(\frac{1}{2}\right)}{\rho+\eta+\lambda N}}{\rho+\eta+\gamma\phi_X N+\lambda N},$$
$$b=\frac{\lambda N\left(2^{-\gamma\phi_X} e^{-\gamma\phi_A K}-e^{\gamma\phi_A K}\right)}{\rho+\eta+\gamma\phi_X N+\lambda N}\frac{e^{\kappa}+\lambda N f_n\left(\frac{1}{2}\right)}{\rho+\eta+\lambda N},$$

confirming the conjecture. Consequently, we have for $p_t \geq p^*$ that

$$f_n\left(p_t\right)=\frac{e^{\kappa}+\lambda N\frac{e^{\kappa}+\lambda N f_n\left(\frac{1}{2}\right)}{\rho+\eta+\lambda N}\left(2^{-\gamma\phi_X} e^{-\gamma\phi_A K} p_t+\left(1-p_t\right) e^{\gamma\phi_A K}\right)}{\rho+\eta+\gamma\phi_X N+\lambda N}. \tag{OA.10}$$

Substituting our expression for $f_n\left(p_t\right)$ from equation (OA.8) an d (OA.10) into condition (OA.6) at the critical p^*, i.e., when it holds with equality, we find

$$\left(\rho+\eta+\lambda\right) f_n\left(p^*\right)=\lambda f_n\left(\frac{1}{2}\right)+e^{\kappa}. \tag{OA.11}$$

from which follows that

$$p^*=\frac{e^{\gamma\phi_A K}-\frac{\left(\gamma\phi_X N+\lambda N\right)\left(\rho+\eta+\lambda N\right)\left(\rho+\eta+\gamma\phi_X N+\lambda N\right)+\lambda\left(\rho+\eta-\gamma\phi_X N\left(N-1\right)-\lambda N\left(N-2\right)\right)\frac{1}{2}\lambda N\left(2^{-\gamma\phi_X} e^{-\gamma\phi_A K}+e^{\gamma\phi_A K}\right)}{\left(\rho+\eta+\gamma\phi_X N+2\lambda N\right)\left(\rho+\eta+\lambda\right)\lambda N}}{e^{\gamma\phi_A K}-2^{-\gamma\phi_X} e^{-\gamma\phi_A K}}. \tag{OA.12}$$

It is immediate from equation (OA.12) that if $\lambda N\left(N-2\right)>\rho+\eta$, i.e., the likelihood that a topic matures sufficiently exceeds a researcher's discount rate, then p^* to be decreasing in ϕ_X.

B Alternative Measure of Scientific Importance

In this appendix, we replicate the main analyses using an alternative proxy for the scientific importance of a gene. Whereas the baseline measure relies on atheoretical genome-wide association studies (GWAS) to capture the number of diseases associated with each gene (Tranchero, 2026), here we instead employ data on differential gene expression. Differential expression refers to systematic differences in the level of gene expression between diseased and healthy tissues. Because gene expression regulates when, where, and how much a gene product is produced, changes in expression levels for a given disease provide molecular evidence of a gene's potential biological relevance in that disease. This evidence is used in biomedical research to identify candidate biomarkers, therapeutic targets, and gene signatures for diagnostic tests (Rodriguez-Esteban and Jiang, 2017; Richardson et al., 2024).

The probability of disease-related expression for each human gene is obtained from Northwestern University's *Find My Understudied Genes* (FMUG) database (`https://fmug.amaral.northwestern.edu/`). This probability captures the average likelihood that a gene is expressed in human disease contexts, based on pooled evidence from high-throughput transcriptomic studies. Differential expression data have been widely used to prioritize genetic targets in pharmaceutical and clinical research, even though not all expression changes translate into consequential biological activity (Stoeger et al., 2018). Importantly, the FMUG measure provides a complementary dimension of biological evidence, independent of publication activity, making it a suitable alternative indicator of ex ante scientific importance.

Using this proxy yields results that are consistent with the main analysis. Panel (a) of Figure B.1 plots the probability of disease expression for each gene, ordered by the cumulative number of publications. The figure shows that the genes most frequently studied in the literature are not necessarily those with the highest probability of differential expression in human disease. Panel (b) of Figure B.1 replicates the main binscatter analysis, underscoring that papers focusing on genes with higher disease expression are only weakly associated with higher citation counts. By contrast, the strongest predictor of citations remains whether the gene is already heavily studied, reinforcing the evidence of a systematic citation penalty for less-studied genes.

Table B.1 presents regression estimates that replicate the main specifications. Across all models, papers on less-studied genes continue to receive significantly fewer citations, even after controlling for the gene's probability of differential expression. The coefficient on scientific importance is

positive and significant; however, the magnitude of the citation penalty for understudied genes remains substantial. These findings confirm that the misalignment between citation incentives and scientific importance is not specific to the GWAS-based measure but is robust to an alternative proxy rooted in gene expression biology. Taken together, the results in this appendix strengthen the conclusion that the observed citation penalty does not reflect underlying differences in biological importance. Instead, it reflects the crowding of attention onto a narrow set of already popular genes, consistent with the mechanism highlighted in the model.

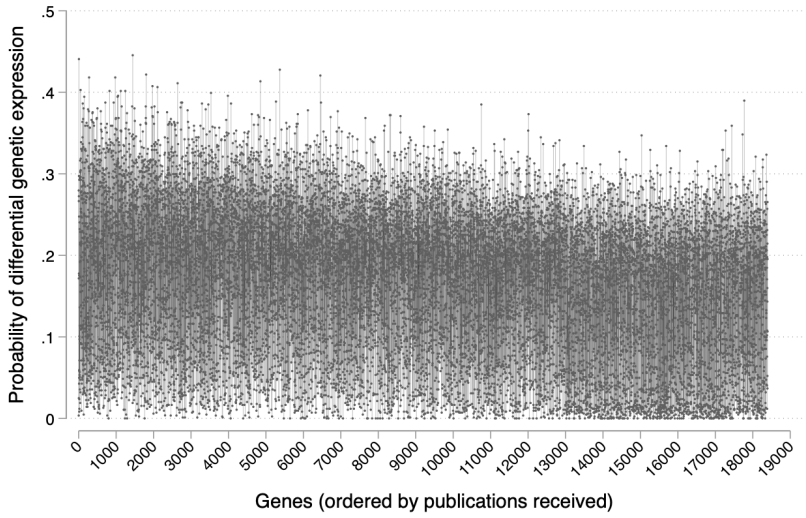
Table B.1: Citation Penalty to Papers Focusing on Less Studied Genes.

	(1) Citations	(2) Citations	(3) Citations	(4) Citations
Inverse Study Rank	-0.0121***	-0.00919***		
	(0.000537)	(0.00087)		
Understudied (0/1)			-0.359***	-0.218***
			(0.0174)	(0.0275)
Scientific Importance	0.401***	0.358**	0.424***	0.386***
	(0.0733)	(0.111)	(0.0732)	(0.111)
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	No	Yes	No	Yes
N	790,650	604,906	790,650	604,906

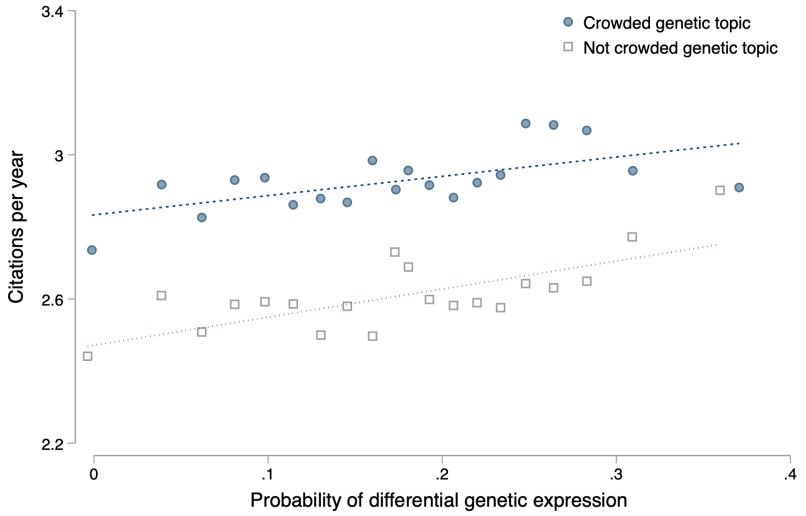
Note: †, *, **,*** denote significance at the 10%, 5%, 1%, and 0.1% level, respectively. Cross-sectional OLS regressions at the publication level. Robust std. err. in parentheses. *Citations*: average yearly scientific citations received by the publication; *Inverse Study Rank*: inverted percentile rank of cumulative publication counts on the focal gene in the publication year, where higher values indicate less-studied genes; *Understudied (0/1)*: indicator equal to one if the focal gene's cumulative publication count falls below the median of the year-specific cross-gene distribution at the time of publication; *Scientific Importance*: probability of expression of the gene in human diseases, using data from Northwestern University's Find My Understudied Genes (FMUG); *Journal-Year FE*: fixed effect for articles published in a scientific journal in a given year; *Disease Class FE*: fixed effect for disease codes from the MeSH tree; *Principal Investigator FE*: fixed effect for the last author of the article, usually denoting the PI of the project. See text for details.

Figure B.1: Robustness of the Main Analyses Using Differential Disease Expression of Genes as an Alternative Metric of Scientific Importance.

(a) *Probability of Disease Expression for Each Gene*



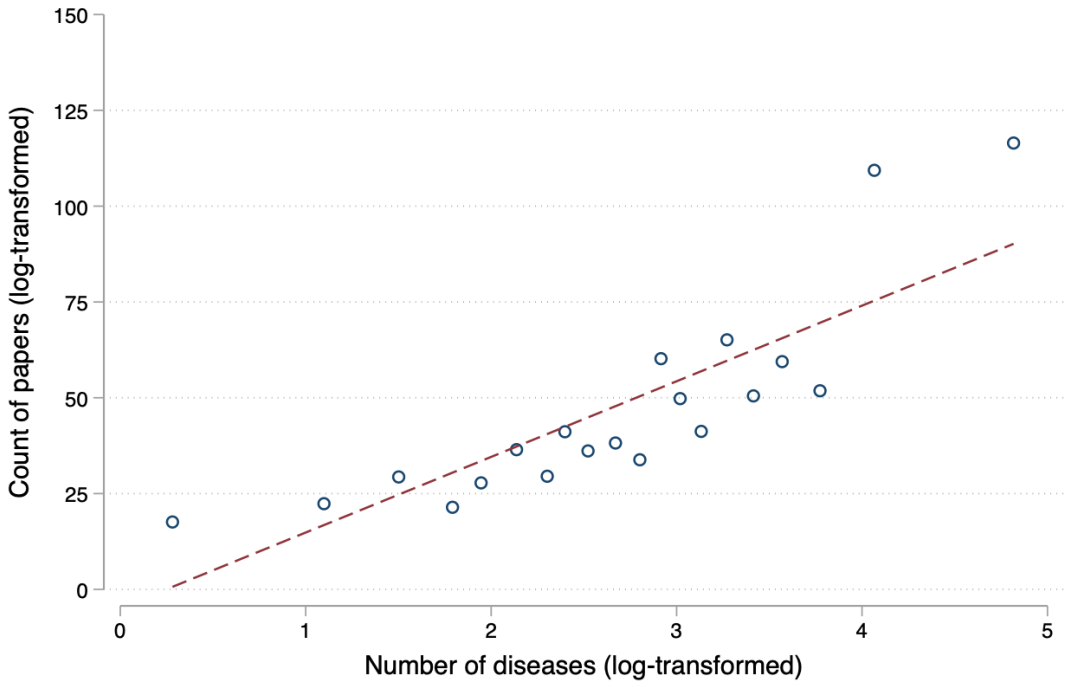
(b) *Relationship Between a Paper's Citations and the Disease Expression of the Gene Studied*



Note: The figure replicates the main results using an alternative proxy of scientific importance. Panel (a) shows the probability that a gene is expressed in a human disease on the Y axis, with genes on the X axis sorted from the most to the least studied. Genes on the X axis are sorted like in Figure 1. Panel (b) plots the relationship between yearly citations received by a publication and the biological importance of the gene it studies, proxied by the probability of being expressed in a human disease. The plot is presented as a binned scatterplot. To construct this binned scatterplot, we residualize yearly citations and biological importance with respect to an indicator for each journal-year bin. We divide the sample into 20 equal-sized groups based on the ventiles of the biological importance measure and plot the mean of yearly cites against the mean of importance in each bin. The sample is the full analysis sample as defined in the text. See text for details.

C Additional Analysis and Robustness Checks

Figure C.1: Genes Presenting Mutations Associated with More Human Diseases Receive More Publications on Average.



Note: This figure plots the relationship between the total number of papers received by a publication and the biological importance of the gene it studies. The importance of a gene is proxied by the number of diseases associated with it in unbiased GWAS studies. The plot is presented as a binned scatterplot. To construct this binned scatterplot, we residualize yearly citations and biological importance with respect to an indicator for each journal-year bin. We divide the sample into 20 equal-sized groups based on the ventiles of the biological importance measure and plot the mean of yearly cites against the mean of importance in each bin. The sample is the full analysis sample as defined in the text. See text for details.

Table C.1: Mouse Orthology and Publication in Prestigious Journals.

	(1) Top 50 Journal (0/1)	(2) Top 100 Journal (0/1)	(3) Top 200 Journal (0/1)
Has Mouse Ortholog (0/1)	0.000675	0.001039	-0.000377
	(0.000538)	(0.000791)	(0.001056)
Year FE	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes
Principal Investigator FE	Yes	Yes	Yes
N	632,471	632,471	632,471

Note: †, *, **, *** denote significance at the 10%, 5%, 1%, and 0.1% level, respectively. Cross-sectional linear probability models at the publication level. Robust std. err. in parentheses. *Top 50 Journal*, *Top 100 Journal*, and *Top 200 Journal* are indicators equal to one if the publication appears in a journal ranked in the top 50, top 100, or top 200 according to SCImago Journal Rank, respectively. *Has Mouse Ortholog (0/1)*: indicator equal to one if the human gene has an ortholog in the laboratory mouse, which allows it to be studied using the standard mouse model; *Year FE*: publication-year fixed effects; *Disease Class FE*: fixed effects for disease codes from the MeSH tree; *Principal Investigator FE*: fixed effects for the last author of the article, usually denoting the PI of the project. The estimates are small and statistically insignificant across all specifications, providing no evidence that genes with mouse orthologs are systematically more likely to be published in more prestigious journals.

Table C.2: Reduced-Form Effect of Mouse Orthology on Citations.

	(1) Citations	(2) Citations
Has Mouse Ortholog (0/1)	0.162***	0.0917*
	(0.0208)	(0.0373)
Scientific Importance	0.000234*	0.000263
	(0.000116)	(0.000176)
Journal-Year FE	Yes	Yes
Disease Class FE	Yes	Yes
Principal Investigator FE	Yes	Yes
Scientific Importance Control	Yes	Yes
N	790,650	604,906

Note: †, *, **, *** denote significance at the 10%, 5%, 1%, and 0.1% level, respectively. Cross-sectional OLS regressions at the publication level. Robust std. err. in parentheses. *Citations*: average yearly scientific citations received by the publication. *Has Mouse Ortholog (0/1)*: indicator equal to one if the focal human gene has an ortholog in the laboratory mouse, which allows it to be studied using the standard mouse model. *Scientific Importance*: count of diseases linked to mutations in the focal gene, as identified by genome-wide association studies (GWAS). *Journal-Year FE*: fixed effect for articles published in a scientific journal in a given year. *Disease Class FE*: fixed effect for disease codes from the MeSH tree. *Principal Investigator FE*: fixed effect for the last author of the article, usually denoting the PI of the project. See text for details.

Table C.3: Robustness of the Estimates to Controls for the Availability of Other Model Organisms for the Gene.

Panel A: Main Regression

	(1) Citations	(2) Citations	(3) Citations	(4) Citations
Inverse Study Rank	-0.00909***	-0.00908***		
	(0.000867)	(0.000867)		
Understudied (0/1)			-0.212***	-0.211***
			(0.0275)	(0.0275)
Scientific Importance		0.0000301		0.0000744
		(0.000175)		(0.000175)
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	Yes	Yes	Yes	Yes
Count of Orthologs FE	Yes	Yes	Yes	Yes
N	604,906	604,906	604,906	604,906

Panel B: Instrumental Variable

	(1) Inverse Study Rank	(2) Citations	(3) Understudied (0/1)	(4) Citations
Has Mouse Ortholog (0/1)	-0.858***		-0.0323***	
	(0.0936)		(0.00266)	
Inverse Study Rank		-0.160***		
		(0.0491)		
Understudied (0/1)				-4.249***
				(1.276)
F-Statistic (First Stage)	84.016		146.882	
Scientific Importance	Yes	Yes	Yes	Yes
Journal-Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	Yes	Yes	Yes	Yes
Count of Important Orthologs FE	Yes	Yes	Yes	Yes
N	604,906	604,906	604,906	604,906

Note: *, **, *** denote significance at the 5%, 1%, and 0.1% level, respectively. Cross-sectional OLS and IV regressions at the publication level. Robust std. err. in parentheses. *Citations*: average yearly scientific citations received by the publication; *Inverse Study Rank*: inverted percentile rank of cumulative publication counts on the focal gene in the publication year, where higher values indicate less-studied genes (1 = most studied and 100 = least studied); *Understudied (0/1)*: indicator equal to one if the focal gene's cumulative publication count falls below the median of the year-specific cross-gene distribution at the time of publication; *Has Mouse Ortholog (0/1)*: indicator equal to one if the human gene has an ortholog in the laboratory mouse, which allows it to be studied using the standard mouse model; *Scientific Importance*: count of diseases linked to mutations in the gene, as identified by unbiased genome-wide association studies (GWAS); *Count of Important Orthologs FE*: fixed effect for the number of other major model organisms (yeast, *Caenorhabditis elegans*, fruit fly, and zebrafish) in which the gene has an ortholog (data from NCBI); *Journal-Year FE*: fixed effect for articles published in a scientific journal in a given year; *Disease Class FE*: fixed effect for disease codes from the MeSH tree; *Principal Investigator FE*: fixed effect for the last author of the article, usually denoting the PI of the project. Panel B reports the Kleibergen-Paap F-statistic for the first stage. See text for details.

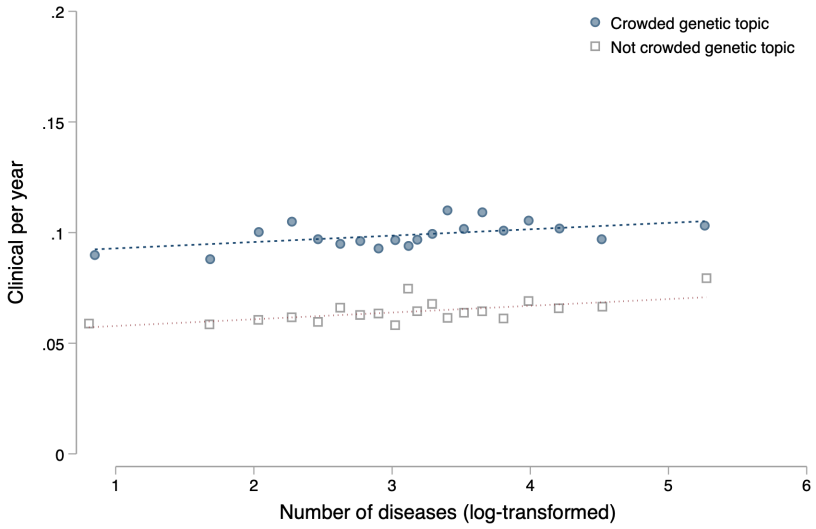
Table C.4: Alternative Definitions of Senior Authors.

Seniority definition:	(1) Inverse Study Rank $\geq$ 8 years	(2) Inverse Study Rank $\geq$ 9 years	(3) Inverse Study Rank $\geq$ 10 years	(4) Inverse Study Rank $\geq$ 11 years
Senior Author (0/1)	0.299752*	0.320932*	0.231893†	0.195456†
	(0.147457)	(0.130743)	(0.118351)	(0.107484)
Scientific Importance	Yes	Yes	Yes	Yes
Journal Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	Yes	Yes	Yes	Yes
N	604906	604906	604906	604906

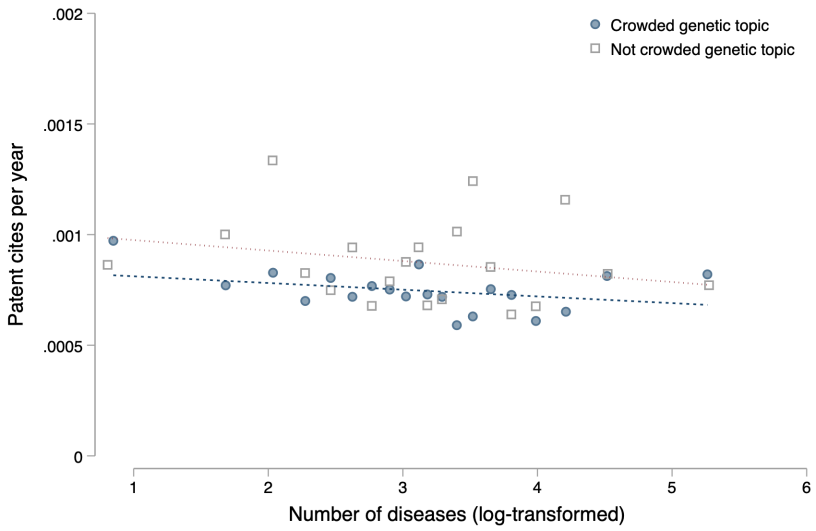
Note: †, *, **,*** denote significance at the 10%, 5%, 1%, and 0.1% level, respectively. Cross-sectional OLS regressions at the publication level. Robust std. err. in parentheses. *Inverse Study Rank*: inverted percentile rank of cumulative publication counts on the focal gene in the publication year, where higher values indicate less-studied genes (1 = most studied and 100 = least studied); *Senior Author*: 0/1 = 1 if the last author of the publication has been active in publishing for at least a certain number of years (as indicated in the column heading); *Scientific Importance*: count of diseases linked to mutations in the gene, as identified by unbiased genome-wide association studies (GWAS); *Journal-Year FE*: fixed effect for articles published in a scientific journal in a given year; *Disease Class FE*: fixed effect for disease codes from the MeSH tree; *Principal Investigator FE*: fixed effect for the last author of the article, usually denoting the PI of the project. See text for details.

Figure C.2: Clinical Research Prioritizes Well-Studied Genes, While Corporate Innovation Does Not.

(a) *Clinical Citations to a Publication and Importance of the Gene Studied*



(b) *Patent Citations to a Publication and Importance of the Gene Studied*



Note: This figure plots the relationship between yearly citations from clinical studies (panel (a)) and USPTO patents (panel (b)) received by a publication and the biological importance of the gene it studies. The importance of a gene is proxied by the number of diseases associated with it in unbiased GWAS studies. The plot is presented as a binned scatterplot. To construct this binned scatterplot, we residualize yearly citations and biological importance with respect to an indicator for each journal-year bin. We divide the sample into 20 equal-sized groups based on the ventiles of the biological importance measure and plot the mean of yearly cites against the mean of importance in each bin. The sample is the full analysis sample as defined in the text. See text for details.

Table C.5: Robustness to the Inclusion of Publications Focusing on Multiple Genes.

Panel A: Main Regression

	(1) Citations	(2) Citations	(3) Citations	(4) Citations
Inverse Study Rank (average)	-0.00958***	-0.00956***		
	(0.000673)	(0.000679)		
Understudied (share)			-0.253***	-0.252***
			(0.0216)	(0.0217)
Scientific Importance (average)		0.0000486		0.0000876
		(0.000149)		(0.000148)
Journal Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	Yes	Yes	Yes	Yes
N	1,036,692	1,036,692	1,036,692	1,036,692

Panel B: Instrumental Variable

	(1) Inverse Study Rank	(2) Citations	(3) Understudied (0/1)	(4) Citations
Mouse Ortholog (share)	-0.808***		-0.0253***	
	(0.0696)		(0.00196)	
Inverse Study Rank (average)		-0.149***		
		(0.0363)		
Understudied (share)				-4.754***
				(1.149)
F-Statistic (First Stage)	134.892		167.507	
Scientific Importance (average)	Yes	Yes	Yes	Yes
Journal Year FE	Yes	Yes	Yes	Yes
Disease Class FE	Yes	Yes	Yes	Yes
Principal Investigator FE	Yes	Yes	Yes	Yes
N	1,036,692	1,036,692	1,036,692	1,036,692

Note: †, *, **,*** denote significance at the 10%, 5%, 1%, and 0.1% level, respectively. Cross-sectional OLS regressions at the publication level including also articles focusing on multiple genes. Robust std. err. in parentheses. *Citations*: average yearly scientific citations received by the publication; *Inverse Study Rank (average)*: average inverted percentile rank of cumulative publication counts on the focal genes in the publication year, where higher values indicate less-studied genes (1 = most studied and 100 = least studied); *Understudied (share)*: share of genes whose cumulative publication count falls below the median of the year-specific cross-gene distribution at the time of publication; *Mouse Ortholog (share)*: share of gene studied with an ortholog gene in the mouse, which allows them to be studied using the laboratory mouse; *Scientific Importance (average)*: average count of diseases linked to mutations in the genes studied, as identified by unbiased genome-wide association studies (GWAS); *Journal-Year FE*: fixed effect for articles published in a scientific journal in a given year; *Disease Class FE*: fixed effect for disease codes from the MeSH tree; *Principal Investigator FE*: fixed effect for the last author of the article, usually denoting the PI of the project. Panel B reports the Kleibergen-Paap F statistic for the first-stage regression. See text for details.