

Refereee Report (MS 393)
Chance of Revolts and Ability of Oppressions:
A comment on the Acemoglu-Robinson Model

The paper extends Acemoglu's model to show that "if the likelihood of successful oppression is sufficiently larger than a certain level of destruction rate... citizens in a dictatorial country may have a trade off between economic prosperity and domestic military threats." In the paper, the author measures economic prosperity by income.

Even though the problem is interesting, the paper has two fatal flaws. First, the author claims to find a trade off between economic prosperity and domestic military threats. However, all what he shows is that the optimal tax rate and military spending are both increasing functions of average income, which is exogenously given (proposition 3). In order to attack the problem he is interested in, income must be endogenously determined, for example, by introducing a production function.

Second, even if average income were endogenous, the proof in proposition three rest on the inequality

$$\frac{\partial}{\partial \bar{y}} \left(-\frac{\partial M}{\partial \tau} \frac{\partial F}{\partial M} \right) > 0$$

However, from equation (8), we have that $-\frac{\partial M}{\partial \tau} \frac{\partial F}{\partial M} = \frac{1}{1-\mu}$, which is constant since μ , is constant in the model. Hence, $\frac{\partial}{\partial \bar{y}} \left(-\frac{\partial M}{\partial \tau} \frac{\partial F}{\partial M} \right)$ must be zero.

The author should review the English in the paper, as some paragraphs are confusing and make it difficult to read.