Re: Second Referee Report

Dear the second referee

First of all, thank you very much for the comments. I am really sorry for my English…
This problem is since I was a high-school student. I was actually very good at math and
biology but very bad at English and Japanese (especially classical Japanese). I'll try to
polish my language as possible as I can.

About the first comment, I actually kept the model as close as possible to the original
model presented in Acemoglu and Robinson (2006).[1] So that, I admit that I need more
general form of welfare function as the first referee also points out. A defense for my
present formulation is as follows: so long as players are risk-neutral, the strategic
structure will not be altered to change the result significantly. I guess one good thing to
introduce sophisticated production or welfare structure will be the elimination of corner
solutions. Actually I wanted to keep *easiest* comparability to the original model of
Acemoglu and Robinson (2006) for convenience of readers.

About the second comment, I would like to clarify the meaning of equation (8). If the
partial derivative of the left-hand-side of equation (8) is *defined* to be constant, the
critique of the referee is true. However, it is actually not. Equation (8) is the first order
condition, which is solved by equating the left-hand-side (LHS) and the right-hand-side
(RHS) of equation (8). Therefore, the *intersection* of LHS and RHS – the solution to the
first order condition (equilibrium) – changes as parameters in LHS change, and that is the
meaning of the partial derivative of LHS with respect to $\bar{y}$ or some other related
variables (please see also Figure 2 in my paper).

Sincerely yours,

March 24, 2010

Tetsuya Saito

Department of Economics, SUNY at Buffalo
415 Fronczak Hall, Buffalo, NY 14260
Email: tsaito5@buffalo.edu

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[1] Acemoglu, Daron and James A. Robinson, 2006. *Origins of Dictatorship and Democracy*. Cambridge,
MA: MIT Press.