Notes from Joel's comments on model set-up

- Need to make period 0 much bigger: encompass everything executives do

    - Then repeated game is leg and lobby with lobby choosing e, leg choosing τ
    - If leg chooses $\tau \leq \tau^a$, repeat
    - Else go to a punishment period

- On page 28, I present as $e_b = 0$, no break; e_a and $\tau = \tau^a$. Need to integrate into one decision

Notes from phone call with Joel, 9/17

- Add to equilibrium selection argument that players condition only on tariff levels

    - Also T is policy variable, determined by WTO-like actor
    - PPE
    - tariff cap
    - etc.

- Within a period, players in same country take advantage of more information (leg knows what lobby did); players condition on what they know from that period and tariff level from past periods

    - $\Rightarrow$ PPE from period to period

- Change language throughout to make clear it's a subgame-perfect Nash-reversion within a period

- Be more careful about how foreign responds (already taken care of in repeated game support for main construction–done on 9/17)

- For main nash-reversion construction: by definition, continuation payoffs don't depend on what we do today

    - During punishment sequence, don't condition on what happens from period to period

- In asymmetric case, can I make punishments such that players don't condition on lobbying effort across periods? Would need to condition everything on leg's response (higher tariff than it's supposed to choose)

- Be clear that a period is one play of the stage game

    - Phase is one part of the stage game

- Set up with: I'm looking at repeated game. Here's information set up. Discount factor. ...

Intro re-write

- Now my short punishments don't rest on renegotiation

  - So now, for main analysis, must assume that we're constraining attention to a certain class of punishments: symmetric, and "Punish for T periods then go back to cooperation"
  - Can I show that mine are optimal in this class?

- New section on asymmetric punishments (addresses, in part, Giovanni's #7)

  - Constrain to T-period class, now asymmetric—punish deviator more
  - There is literature on this (see new-lit.tex)

    * Bown 2002/2004: I don't think there's any reason to constrain to reciprocal "legal" punishments
    * Martin and Vergote: timing. But I don't think their contemporaneous is realistic. They have the same welfare level in punishment, just redistributed across players
    * Hungerford 1991: one country retaliates for past defection (?)
    * Bagwell (2008): commensurate vs. disproportionate retaliation
      · disproportionate retaliation can compensate trading partner, who otherwise loses trade volume
      · here, degree of disproportion increases in size of original violation: has to compensate for larger trade volume loss (p.15 of pdf)
    * Cotter and Mitchell (1997): different punishments for each country

  - In this setting, you can achieve lower $\boldsymbol{\tau^a}$ with asymmetric

- Editor point 2: when determining $\bar{e}$, I need to take into account that τ^b depends on $\bar{e}$

  - It is true that the severity of the punishment for deviating does not depend on τ^b, and that this means that τ^b will maximize current payoff (actually, continuation value?). So clearly τ^b is a function of e^b
  - Need to explain mechanics of $\bar{e}(\tau^B)$ relationship MUCH better

    * Make Corollary 1 into Lemma 1 just before Result 1; add new Lemma 2; old Lemmas 1 and 2 renumbered to 3 and 4
    * Improved discussion in sections 2-4

- Note on providing intuition for when trade agreements can be made (i.e. when an interior solution exists from section 4)

For letter

- thank him

- "I want to be very clear that I understand that my previous discussion did not make clear [sic]"

Smaller points

- Reviewer 1, #2 goes away with renegotiation

- Need thorough lit review of finite punishments

  - Green Porter in game theory

  - Is there anything in trade?

- fix discounting to $\frac{1-\delta^T}{1-\delta}$ (period after punishment is discounted δ^T) and $\frac{\delta-\delta^{T+1}}{1-\delta}$ (period after punishment is discounted δ^{T+1}) in draft

- Clarify assumption that legislature's unilateral optimization problem has unique solution

Midwest, April 2015

- James Lake: what about collusion between the lobby and legislatures?

- Maurizio: "trade war" should be to MFN