Reviewer #1: "Tea Leaf Elections" is a well-written, well-executed paper examining authoritarian responses to unexpected defeats. The paper smartly identifies a contradiction in the literature, which it could highlight better, in which some suggest that autocrats use information from poor performances to provide additional spending to placate the opposition (e.g. Miller), while others predict a punishment regime (eg Magaloni). The paper should be commended for its clarity and attention to detail and its contribution to this important literature. I also appreciate the contextual evidence provided throughout the paper from interviews to bolster the plausibility of the empirical results. If the paper can sharpen its theoretical contribution, bolster the existing findings with additional evidence from previous elections and allay concerns that the results are not artifacts of a revised 2015 Budget Law, it should definitely be published in a top-tier journal.     
  
Framing and theory: I would change the informational framing. The paper spends a great deal of time talking about the informational tradeoffs between manipulation and information, which is discussed elsewhere in the literature (Malesky and Schuler 2011, Miller 2013, Rozenas 2015). However, this paper does not seem to be about the informational tradeoff, but rather about the response to the information the regime thinks it is getting through the elections. It seems that despite manipulation in Vietnam, which arguably renders the information about the results unclear, the regime must decide to either disregard the information, use it to punish behavior, or use it to placate a nascent opposition movement. To the extent to which information should impact this story we should see no effect of the election on transfers. If the election is so electioneered that the results cannot be interpreted, we would expect the regime to simply ignore the results given that the results provide little information on the relative popularity of the regime. Indeed, given the Rozenas story, wouldn't we expect high levels of manipulation (in the form of electioneering) to lead to unusable results?

The Rozenas story itself does not completely rule out the informational value of manipulated elections. Information as featured in this story is strictly information about the relative strength of the regime vis-à-vis the opposition. As operationalized in the model, it is a public signal generated by both the closeness of the regime’s victory as well as the level of manipulation employed. It is no surprising then that winning in a manipulated election conveys less useful information about the regime’s strength than it would have in a fair election, just like how scoring high on an easy test says less than doing it on a hard one.

Yet, there are more kinds of information that could come from elections, many of which do come out clearly even in manipulated elections. For example, if regime leaders need to know which of their agents are more loyal and committed, then the degree to which they engage in manipulation on behalf of the leaders could be a valuable information (Rundlett and Svolik 2012). In addition, if the level of manipulation is known, and is uniform across regions, then comparing the performance of the party across regions still provides good information about the distribution of the regime’s strength. In this particular example, the high level of electioneering would not necessarily hurt the information from elections, because comparing a performance of 90% versus one of 98% is still informative, even though neither poses any risk for the regime.

At the same time, the bigger idea about a tradeoff between manipulation and information, which is consistent with previous accounts such as by Wintrobe (2001), still poses theoretical challenges to my argument. In the original manuscript I have not properly engaged with this challenge. Therefore, in the revised manuscript, I have expanded on the literature review to discuss the conditions in which more manipulation actually leads to better information (as has happened in Vietnam). I argue that when authoritarian regimes selectively manipulate certain aspects of elections but leave some others free, then what is left untouched by election manipulation may still influence election results even when they do not existentially challenge the regime. Very good information can then be learned about these factors. In other words, high level of manipulation may facilitate the informational function of authoritarian elections if restricted to a subset of available strategies. In this paper, the CPV’s electioneering strategy clearly exemplifies this selective manipulation: it restricts competition to only pre-screened candidates, tips the balance heavily in favor of central candidates, but ultimately still steps back from ballot-stuffing on the election day even though it could have done so easily.

Related to this, I did not find footnote 17 on the explanation for the potential difference between Mexico's punishment regime and Vietnam very convincing. Indeed, this is the heart of the paper, which should be fleshed out more. The paper suggests "The difference in context is that no organized opposition exists in Vietnam, which means that central candidate defeats reflect only dissatisfaction towards the CPV and not affinity to any particular opposition party." Of course, in the hybrid contexts of Egypt, Singapore, and Mexico one may not know if votes for the opposition are votes against the incumbent or for the opponent. However, it is not immediately clear why it matters if voters are rebelling against the incumbent or supporting the opponent with regards to the punishment regime vs. placation strategy. Could it have something to do with the fact that the regime does not feel as threatened by the losses in these areas, because the party still retains control in a  
single-party context? Therefore, the regime does not need to threaten the districts that go to the opposition in the same way? The paper could make a stronger theoretical contribution if it cuts back on the information story and develops this theory of hybrid vs. single-party regimes further.  It might then be able to generalize the theory and argument outside of Vietnam and make a contribution to the broader authoritarian institutions literature.

I have expanded the discussion on regime types in the new section of the literature review, which discusses why information gathering from elections are more common in hegemonic regimes, and most likely under single-party regimes such as Vietnam.

Regarding the difference between different regimes when it comes to punishment vs placation is that in Egypt or Mexico the regime a) needs the votes and b) has an organized opposition they need to weaken. The punishment regime accomplishes a) because it deters voters from voting the opposition again, and b) because it makes voters negatively associate the opposition party with the decrease in public service, and/or reduces the public funds that the opposition could use for their own benefits. In Vietnam the regime does not need the vote because they can already secure near-universal acquiescence and has other means to command votes if they need to. There is also no organized opposition to weaken. For these reasons, the placation strategy, which fixes the more fundamental problem of public dissatisfaction with the regime, is preferable to a punishment that would solve superficial problems that the regime does not need to solve.

Ultimately, the difference has less to do with regime type per se but more with the degree of security.

Budget Process: Another important concern is that the paper needs a more thorough description of the provincial budget negotiation process. Of concern is that a revised Budget Law was passed in 2015 that went into effect in 2016, which was the same time as the election. The paper needs to demonstrate that the budget law did not allow richer provinces, which also tend to have higher numbers of central candidate losses, to retain more revenues as part of the law thus leading to a spurious relationship between the election and the shift in transfers.

Yes it is possible that the effect of the revised State Budget Law may have an impact. Specifically, the Budget Law has the main effects: 1) changed the proportion of budget revenue that net contributors get to keep, effectively making some net receivers net contributors, and 2) capped the amount that provinces get to borrow. (cite Bao Viet Securities and VTTA)

Effect #1 has the biggest impact and can potentially confound my results. To clarify, the effect is opposite of what is suggested here: the new law did not allow richer provinces to retain more revenues; instead it made some of them contribute more to the central government budget. This still leads to possible confounding however, because other than Hanoi and Ho Chi Minh City it is the poorer provinces that tend to have more central candidate losses. If the richer provinces are both more likely to be in the control group and to surrender more of their revenue in this period, it is still likely to lead to upward bias in the estimate.

However, the effect of the bias is not likely to be detrimental. The list of provinces affected by Budget law (cite Bao Viet Securities) overlap little with our sample. Two provinces affected the most are Hanoi and HCMC, but we already excluded them. There is one serious case, however – Binh Duong. I admit that in the original analysis the effect of decreased central transfers to Binh Duong may have upwardly biased the estimate in my favor, and there is not enough evidence to know by how much. Binh Duong is already a highly influential outlier, due to the large size of the economy here. To remain very conservative, I have opted to exclude it from the main analyses. The main analysis in the paper now no longer includes Binh Duong. For the linear fixed effects analysis, the point estimates all shrink, but are large and statistically significant nonetheless (they are also much more in line with estimates for 2011 and 2007). Even more reassuringly, the balance also improves, both in terms of covariates and in terms of pre-treatment differences in outcomes. Also note that Binh Duong were not part of the RDD sample.  
  
Additionally, I am willing to be proven wrong on this, but my understanding of the Vietnamese budgets is that the transfer shares are negotiated in cycles (see page 6 on <https://www.adb.org/sites/default/files/publication/210671/adbi-wp613.pdf>). That is, transfer shares are set for 3-5 year periods. Therefore, in the analysis it would make sense that there should be no shift in the long term, given that the transfer shares are fixed for several years at a time.  
  
Empirics: One way to allay the above concerns would be to demonstrate that the results hold for previous elections. I know that vote percentage data is not available for losing candidates in previous elections, so the paper would have to rely on cruder analyses for those periods. However, the paper could still use win-loss data and transfers from the 2011 and 2007 election. If the findings are robust to those elections, the results would be much more convincing and also show that the results are not an artifact of the revised budget law. The paper could make space by moving some of the existing robustness checks to appendices.

I did analysis for 2011 and 2007 elections and presented them in the appendix.  
  
An additional point on the empirics is more conceptual. The paper suggests that poor performances drive fiscal transfers. The paper operationalizes this through wins and losses. I wonder if wins and losses are all the matters, or if a surprisingly poor result (even if the candidate wins) should also drive transfers? Would perhaps the difference in performance from previous elections for central candidates provide a better measure of "surprise" and hence the need for transfers?

Measurement problem: missing vote share data for defeated candidates in 2011 means that we would exclude from this measure defeated candidates whose vote shares are presumably lower. This would lead to non-classical measurement error.

Conceptual problem: this would make past performance a component of the measurement for treatment. It is likely that past performance would influence both the pre-treatment outcome trajectory and thus present treatment as well.  
  
Once again, this paper is very well done. While I have several important concerns, I believe this paper deserves to be in print in a top journal.