

Tuesday, September 29, 2020

Question 1

1. Identify whether each of the following illustrates moral hazard or adverse selection. Who are the principals and agents?¹
 - (a) Hurricane Harvey damaged a house in Spring, TX which had been repaired more than nineteen times. The house, which is insured by the National Flood Insurance Program, is worth \$42k, but the cost of repairs have reached \$912k.
 - (b) A corporate executive seeking to move is approached by a number of recruiters. While she would prefer a compensation package with a higher proportion of common stock — even if that means that her base salary is lower — she is hesitant to consider offers from companies too eager to offer the preferred compensation scheme.
2. Background checks are a solution to which of the two types of problems?

Question 2

What is the *civil-military problematique*?

Question 3 According to Saunders, what characteristics of a leader determines whether and how he or she initiates military operations?² Do you agree or disagree with her case studies?

Question 4 Which of the three models developed by Allison would you associate with each of the following empirical findings?³ Remember, Model I is the rational actor model; Model II is the Organizational Process Model; and Model III is the Bureaucratic (Government) Politics Model:

1. Keohane and Victor argue that climate policy occurs in a “regime complex”, where climate cooperation occurs among diverse loosely-coupled organizations with different functional and organizational objectives. The climate regime complex produces adaptable and flexible policies, but these policies must be developed under strict domestic political constraints.⁴

¹Deborah D Avant. “Are the reluctant warriors out of control? Why the US military is averse to responding to post-cold war low-level threats”. In: *Security Studies* 6.2 (1996), pp. 51–90; Elizabeth N Saunders. “No Substitute for Experience: Presidents, Advisers, and Information in Group Decision Making”. In: *International Organization* 71.S1 (2017), S219–S247.

²Elizabeth N Saunders. *Leaders at war: how presidents shape military interventions*. Cornell University Press, 2011.

³Graham T Allison. “Conceptual models and the Cuban missile crisis”. In: *American political science review* 63.3 (1969), pp. 689–718.

⁴Robert O Keohane and David G Victor. “The regime complex for climate change”. In: *Perspectives on politics* (2011), pp. 7–23.

2. Using a survey of bureaucrats in Ghana, Brierley finds that when politics hold tools to punish bureaucratic malfeasance, they can incentivize bureaucrats to extract rents to fund the politicians' campaigns.⁵

⁵Brierley2002.