

# Andrea Canidio

## *Presentation Title*

### **Optimal Political Institutions in the Shadow of Conflict** (with Joan Esteban)

## *Abstract*

Two groups with conflicting interests independently choose their investment. In case of peace, common political institutions distribute the resulting output as a function of these investments. However, each group may unilaterally trigger a conflict, whose outcome also depends on the players' investments. We assume full information and full commitment. Despite this, political institutions capable of maintaining peace may not exist. Furthermore, to maintain peace, political institutions may distort the players' investments away from their first best level. Therefore, we provide a novel explanation to why rational players may engage in an inefficient conflict, and to why inefficient political institutions exist.

## *Keywords*

Endogenous political institutions, conflict, international institutions, international agreements

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