

NOT EVEN FOR MERRIMENT

Economic Concentration and Institutions

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- Olander, P. (2015) Dynamic Economic Growth as a Constraint on Elite Behavior
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- Olander, P. (2018) Issues of Concentrated Interests - Economic Diversification and Institutional Quality
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Abstract

Institutional design is often argued to be an expression and an instrument of the will of powerful interests. In this dissertation, I examine the impact of diversification and changes in the economy on institutional outcomes. I argue that for elites to achieve the outcomes they desire, they must act collectively something that is easier in settings where elite interests are uniform and stable. When interests are more diverse or when the set of relevant actors and interests are more in flux, collective action among the elites will be harder and may give way to competition. Building on the literature on regulatory capture, free trade, corruption and institutions more broadly, I argue that a changing set of actors and competition can lead narrow interests to cancel each other out. Unable to achieve their most desired institutional outcomes they can be forced to accept more inclusive and impartial institutions as a compromise. I test this argument in three papers. First, I lay out the theory illustrating it with the diverging institutional fortunes of Ohio and Kentucky during the antebellum era. In the second paper, I use data on the diversification of production and exports to test the idea that diversification of the economy leads to more impartial institutions. The findings support the theory that it does. In the third paper, I focus on the relationship between economic diversification and democracy and deal with the objection that it may be that diversification/concentration is only a proxy for an oil curse, I do not find this is the case. In sum, the findings in this dissertation supports the claim that economic change and diversification matters for institutional outcomes.

Key Words: Institutions, quality of government, economic diversification, elites, democracy, oil curse