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Institutional Change, Education, and Population Growth: Lessons from Dynamic Modelling

Authors

[Authors and affiliations](#)

Gustav Feichtinger , Andreas Novak, Franz Wirl

Chapter

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Abstract

This is one of the first papers that links population growth, education, and institutional change within a dynamic optimization. The basic premise is, following interesting papers of Boucekkine with different co-authors dealing with the Arab Spring, that elites manage first the ruling and then the transition to a ‘democratic’ government. We are less optimistic concerning the economic efficiency of domestic resource use and, more importantly, extend this framework by accounting for (endogenous) population growth. These extensions render the survival of any elite much less feasible than without population growth. Only a (cynical) elite worrying about the size of the population allows for a long-run and interior outcome. Therefore, the rulers and the elite have to account for a second phase in which they lose control over a country’s (financial) resources. If the elite lacks sufficient stakes in the second phase, it will ‘take the money and run’, i.e., no investment, at least close to the (endogenous) terminal time.

Keywords

Elites two stage optimization population growth lack of long-run interior solutions

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Notes

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