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Dissertation Title: Three Essays on the Macroeconomic Impacts of Rent Seeking

Abstract:
The first chapter of the dissertation focuses on the political economy of rent seeking. Using examples from the modern economy, it identifies the conditions under which rent seeking opportunities occur, the kinds of workers that partake in rent seeking, and how rent seeking individuals fit within the broader US economy. Changes in the level of rent seeking can result from both technological innovation and changes in regulation. The primary finding is that rent seeking opportunities are largely only available to credentialed workers and, as such, predominantly impact the high-skill labor market.

The second chapter examines the theoretical mechanisms by which rent seeking can impact the macroeconomy using different macroeconomic closures. The main findings are that changes in the level of rent seeking impact the economy by altering the income distribution and reducing the average productivity of the labor force. Changes in the income distribution impact the savings rate and can have employment effects in the long run. In addition, changes in the level of rent seeking reduce the average productivity of workers by luring them from activities that contribute to the production of output to rent seeking activities.

The final chapter uses data from the Integrated Postsecondary Education Data System to analyze the impact that changes in rent seeking have on the US economy. Increases in rent seeking, indicated by a change in the distribution of degree completions by major, are shown to have a negative effect on the growth rate of real personal income per capita in the 48 contiguous states. This finding is robust to a number of different econometric specifications. Students’ responses to employment opportunities are analyzed during the dot com bubble using the difference in differences approach to show that students are quick to respond to employment opportunities when selecting majors and to mitigate concerns of state spillovers.