Abstract (summary):

This dissertation examines the role of power groups in the incidence of so-called *perverse* financial liberalization and the subsequent financial crisis. I first explore country-specific developmental mechanisms and the historical formation of concentrated power groups. Next, I investigate the channels through which power groups contribute to perverse financial liberalization. These include: (i) weak institutions and sub-optimal policies of governance; (ii) connective lending and preferential treatment; and (iii) moral hazard, a "systemic" risk because of the externalities generated by financial interdependence. I also calculate output losses during crisis periods. The results demonstrate strong support for the hypothesis of a positive relation between the power group influence, perverse financial liberalization, and the severity of financial crisis.