In this article, R Rajagopalan reviews some of the recent literature on rent-seeking and points out the relevance of the insights of this literature for the on-going policy debates on economic reforms.

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in artificial ways, through government action or cartels. Though profitable privately, such ‘rent-seeking’ activities may be socially wasteful. We can illustrate the distinction between profit-seeking and rent-seeking through an example.

Suppose a firm in what is currently a competitive industry were to become a monopoly overnight. Figure 1 illustrates the predicted consequences. The price will increase from the competitive level $P_c$ to the monopoly profit maximizing level $P_m$ while the quantity will come down from $Q_c$ to $Q_m$. The consumer surplus will decline by the sum of the rectangle $T$ and triangle $H$. Area $T$ is a pure transfer to producers and the net welfare loss is only the so called Harberger triangle $H$. This much is what can be called the implications identified by the standard theory. Empirical estimates by Harberger (1954) and others indicated that such welfare losses were insignificant to the extent of wondering whether the economics profession till then created a mountain out of a molehill. Mundell (1962) remarked that ‘unless there is a thorough re-examination of the validity of the tools upon which these studies are founded... someone will inevitably draw the conclusion that economics has ceased to be important.’

Perhaps the critical insights are to be gained by examining the processes of monopolization or the sources of monopoly. Figure 1 can also be used to illustrate the improvement in welfare through creative destruction, even if it results in a (temporary) monopoly. Suppose Figure 1 now represents the state of the market for a product very recently introduced into the market by an innovative entrepreneur. Even if he sets his price at $P_m$, as a standard monopolist, he creates a net increase in welfare represented by the consumer surplus triangle $CS$. The transfer rectangle $T$ and the Harberger triangle $H$ are irrelevant because this market did not exist earlier.

Tullock focused on the monopolization of an existing market: would the firms not expend resources in trying to become a monopolist and thus capture the transfer represented by the (Tullock) rectangle $T$? Therefore, in addition to the Harberger triangle $H$, much more quantitatively important welfare losses may arise in the expenditure of scarce resources in such rent-seeking activities. Ironically, if one assumes that such rent-seeking activities themselves are competitive, the entire area $T$ might be spent in trying to capture $T$ (full rent dissipation). If the monopoly is expected to last over a long time period into the future, a parallel argument can be made using the capitalized values of $T$ and $H$.

In a regulated monopoly context, consumers too can organize and resist monopoly rents. In such a case, the regulated price $P_r$ will be fixed by the regulator somewhere between $P_c$ and $P_m$ and the predicted rent-seeking cost will be slightly higher than $T$ but split between the monopoly and the consumers (we are ignoring the free rider problems in organizing the consumers). Such activities by the consumers are called rent-avoidance or rent-protection activities.

If political entrepreneurs are to resolve such conflicts, they will in turn extract their pound of flesh. They can even threaten an existing monopoly unless..., and thus indulge in ‘rent-extraction’ (McChesney, 1987). This implies that even an incumbent monopolist has to expend resources for rent-defence.

We turn to some of the controversies regarding the rent-seeking literature in the next section. However, it will be useful to report some estimates of the rent-seeking costs from the literature to satisfy ourselves of the significance of these controversies. Harberger’s seminal paper estimated the welfare cost of monopoly, in terms of triangles $H$, in the US manufacturing sector to be around just 0.1 per cent of GNP. Posner (1975) estimated that on the average, the Harberger triangles were only between 3 per cent to 6 per cent of the Tullock rectangles $T$. Thus, if rent-seeking is assumed to be competitive, the welfare loss inclusive of $T$ would be between 1.3 to 3.3 per cent of GNP.

Such welfare losses are likely to be much higher in countries with more interventionist governments. For example, Krueger (1974) put together estimates of rent-seeking costs of 7.3 per cent of GNP for India and around 15 per cent of GNP for Turkey. Mohammad and Whalley (1984) classified the distortions in India into those concerning product, capital, labour, and foreign trade markets and estimated the rent-seeking costs to be as much as 30 per cent to 45 per cent of GNP. Tufaour et al. (1991), using an identical procedure for Ghana, estimated rent-seeking costs at around 20 per cent of GNP. Though obviously crude, these estimates definitively indicate that rent-seeking activities could constitute a significant part of several national economies. In fact, Olson (1982)

![Figure 1](image-url)
argues that the gradual build-up of rent-seeking activities in stable societies leads to 'organizational sclerosis' and, hence, is one of the factors contributing to the rise and decline of nations. If so, the proportion of resources devoted to rent-seeking activities in various countries has obvious relevance to the ongoing convergence debate and for economic reforms.

3. Controversial Issues

There are several unresolved issues in and uneasy responses to the rent-seeking literature. Intuitively, rent-seeking activities seem morally objectionable as they are typically presumed to promote transfers from the consumers/the poor/the small, as the case may be, to the producers/the rich/the powerful. They may distort the economy and thus diminish welfare through inefficient resource allocation. They divert scarce resources from productive activities. But how do we draw a line between profit-seeking and rent-seeking in a concrete case? How can one classify activities into productive and unproductive categories? How to define waste? Is the entire rent really fully dissipated in reality? If so, what are the concrete mechanisms of rent dissipation?

These reflect, to a large extent, the continuing dilemma of choice between the state and markets as both are in their own ways 'inefficient instrumentalities' for development. Especially in the context of developing countries, policy makers have to adjust to the reality. Can we expect the government to work efficiently in conditions of adverse incentives, corruption, and over-centralization? How can markets work well without an institutional framework and tradition of enforcing contracts and property rights? (Klitgaard, 1991). Motives of economic agents and government functionaries apart, the environments in the developing countries are characterized by what can be called 'poverty of information'— in terms of inadequacy as well as asymmetry. Market institutions often lack information on prices, quantities, and quality; and governmental institutions have to make do with inadequate information on outputs and outcomes.

Scope of Rent-seeking Activities

Should rent-seeking cover only rents contrived through government intervention or should it include rents from all 'imperfections' in the market?

To the extent the literature originated from the insight that scarce resources might be used up in creating and capturing rents which would not have existed in a competitive market, we should include all activities directed at interventions in the market to create rents— both through government and private action. For example, there is nothing different in principle in the expenditure of resources by a local mafia to guard its territory and the expenditure of resources by certified professionals like doctors to guard their turfs.

The moment we are open to rent-seeking within the private sector, the problem is how to identify it. Can we presume rent-seeking activities whenever we see a firm with some degree of market power? Market power could result from cartels at the worst and innovation at the best. Confining ourselves to lobbying for government interventions, suppose the teachers were to lobby the Indian Government to enforce universal compulsory primary education. Even though success may improve career prospects of the teachers, would we call their lobbying a rent-seeking activity?

Therefore, of the several definitions of rent-seeking discussed in Brooks and Heijdra (1989:32-33), the most satisfactory one seems to be the one by Buchanan: 'The term rent-seeking is designed to describe behaviour in institutional settings where individual efforts to maximize value generate social waste rather than social surplus.'

Quantitative Importance

What is the actual depth and magnitude of rent-seeking activity? McPherson (1984) forcibly argues against exclusive reliance on self-interest alone as a basis for explaining economic behaviour — not so much because it is wrong but because it is incomplete. Especially in the context of rent-seeking, where we place the policy makers in the continuum between public interest to self-interest seeking makes a dramatic difference to the quantitative significance and the qualitative nature of rent-seeking. The prevailing levels of morality in any society do shape economic behaviour. They also evolve with the opportunities for moral behaviour offered by the existing character of the economic institutions and their functionality. Exploration of the implications of motivations other than self-interest for economic behaviour may be as insightful as the 'economic imperialism' of trying to explain all human behaviour in terms of contrived self-interest. For, if we were to presume that rents are available from the government to the agent offering the highest bribe and that there is free competition among bribe givers, we are ensuring full rent dissipation by definition rather than by empirical estimation. By the infinite regress argument, even if the bribe at the first stage is a pure transfer, there will be competition to become a public servant. That is to say rent-seeking will take place at the next level and so on ensuring full rent dissipation.

Even assuming totally self-interested behaviour, how realistic is the infinite regress argument of rent-
seeking at every margin? Using game theory in a multi-period context, Rogerson (1982) shows that differences in organization costs among rent-seekers, incumbency advantages, and risk aversion would seriously undermine the presumption of full rent dissipation. Are we becoming any wiser on the exact mechanisms and reach of rent-seeking activities?

The Waste Hypothesis

In the literature on rent-seeking and the related one on Directly Unproductive Profit Seeking (DUP), there is a tendency to either define outright or implicitly assume that rent-seeking or DUP activities are unproductive or wasteful. While this may not be a serious lacuna in a strictly economic, partial equilibrium, static view of these activities, it is debatable whether it will be so in a broader, general equilibrium, and dynamic perspective.

The first professional blinker is the view that any activity, either legal or illegal, directed at pure redistribution is a wasteful activity. This presumption is justified only if there is an overwhelming consensus in the society that the existing distribution of wealth is 'fair' and that it is conducive for sustained growth in welfare. The relationship between inequality and growth is complex and is still an open issue. Meanwhile, plausible explanations in terms of rent-seeking have been offered for the abolition of import of slaves into the US, the abolition of child labour in UK (Anderson and Tollison, 1984), and the current debate on the abolition of child labour in some of the developing countries. If rent-seeking were indeed the motivation for all the above, can we really say that rent-seeking is wasteful? Even if rent-seeking takes a wholly illegal form, rent-seeking may be totally justifiable in a highly iniquitous society (De Soto, 1989).

Another characteristic bias of the rent-seeking literature is the long standing 'materiality bias' of economics as a field of enquiry (Boss, 1990). Some activity is classified as 'production' or 'productive' only if it results in something new, preferably a physical product. Samuels and Mercuro (1984) offer a scathing criticism of the rent-seeking literature in this regard.

If one takes a view of economics and law together as they impinge on this matter, the bottom is knocked out of the rent-seeking literature. First of all, it is only the rights attached to them in law which gives significance and in some cases even define a physical product. Therefore, by changing these rights, one can change the value of any good. The prevailing market prices for products are in reality only values attached to such rights defined in law. Therefore, prices and hence all those implications derived therefrom are not absolute, predetermined or independent of law. It follows that there is no way to unambiguously classify activities as profit-seeking and rent-seeking.

As any society evolves, there is need for property rights to be created in goods which were earlier abundant (e.g. clean air), inn resources (e.g., cyberspace, genetic engineering), and new bundles of property rights in existing assets (public utilities like telecom) and so on. Activities devoted to them are as productive as those producing new goods and services. In a democratic society, lobbying provides information and performs a preference aggregation role too. We cannot take democratic governance as a given but at the same time consider activities directed at influencing the government as necessarily wasteful.

Some doubts about waste arise as we move from a partial equilibrium to a general equilibrium context. Similarly, could not some activities which are apparently unproductive or wasteful in a static sense in fact be productive in a strategic and/or dynamic sense? In any case, should we not let the market decide? If somebody is willing to pay the market prices for the resources used in a 'wasteful' activity, who is to be the judge?

Welfare Impacts

Let us for a moment rule out redistribution and redefinition of property rights as legitimate goals of public policy. Let us assume, we are interested in maximizing aggregate output and in accelerating economic growth as policy goals. Is it then evident that rent-seeking is welfare reducing?

Varian (1983), using a two-goods model demonstrated that if rent-seeking activity in one market (say, whisky), rent-seeking cost depends on the supply condition in the whisky market and hence need not equal the value of the rent. Even otherwise, part of the cost will be preserved as additional surplus by whisky producers. In addition, rent-seeking and DUP literature assume that the utility derived by the policy maker by consuming the gifted whisky has no 'social utility.' In other words, in aggregating individual welfare into aggregate welfare, the analyst has to somehow decide what and whose interests count. How is this consistent with the assumption that redistribution has no value?

The important insight from DUP literature is even more interesting even if the rent-seeking activity is a total waste (as if all the whisky was simply poured down the drain): if the original economy itself was distorted, rent-seeking waste might in fact be welfare improving! (Bhagwati, 1982). This might arise when some of the resources used in rent-seeking have a negative shadow cost. Whether it is in fact so depends on the factor intensities of the rent-seeking activity.
In a dynamic context of creative destruction, rent-seeking activity in ensuring the appropriability of rents from innovations may improve welfare directly as discussed in Section 2 but also indirectly through spillover effects in other industries.

4. Recent Literature: A Progress?
The collapse of the socialistic block, the widespread structural adjustments, and the spate of liberalizations across the globe seem to imply that the insights of the rent-seeking literature have at last struck a sympathetic chord in practical policy makers. But, has the recent literature resolved any of the controversies discussed in the previous section? Have any new issues come up? Has there been any empirical work on tracing the actual mechanisms of rent-seeking?

Entrepreneurship and Rent-seeking
Baumol (1990) starts with the premise that entrepreneurs always play some substantial role in economic growth. However, he argues that it is better to define entrepreneurs simply as 'persons who are ingenious and creative in finding ways that add to their own wealth, power and prestige.' Contrary to conventional attributions, all his activities need not add anything to the social product. He may even be a total parasite.

Baumol adds innovations in technology transfer and rent-seeking procedures as additions to the list of the activities of an entrepreneur identified by Schumpeter (1950): introduction of a new good, new method of production, opening up of a new market, conquest of a new source of raw material, and carrying out of a new organization of any industry. The size of the group of entrepreneurs and more significantly, their allocation among the above activities will depend upon the relative pay-offs they face in their respective contexts — technological, political, and social. Baumol offers the following three propositions:

* The rules of the game that determine the relative pay-offs to different entrepreneurial activities do change dramatically from one time and place to another (1990:899).

* Entrepreneurial behaviour changes direction from one economy to another in a manner that corresponds to the variation in the rules of the game (ibid).

* The allocation of entrepreneurship between productive and unproductive activities, though by no means the only pertinent influence, can have a profound effect on the level of innovation in the economy and the degree of dissemination of its technological discoveries (op. cit: 909).

Baumol goes on to give historical evidence from Ancient Rome, Medieval China, the Earlier and Later Middle Ages for the above propositions. In short, Baumol accords a place for rent-seeking within entrepreneurial activities, as evidenced empirically in economic history. However, Davidson and Ekelund (1994) question whether such rent-seeking entrepreneurial activities can ever be considered 'unproductive.' Instead, these activities help in the evolution of property rights consistent with social, economic, and technological developments.

Rent-seeking and Growth
The endogenous growth theories have had their fallouts on the rent-seeking literature too. Murphy, Shleifer, and Vishney (1991) follow a logic similar to Baumol without actually including rent-seeking in entrepreneurship but as an alternative to it. If people choose occupations which offer them the highest returns, the ablest will choose occupations where returns to being superstars are the highest. In the economic sphere, they organize others for an activity so that they can spread their ability advantage over a larger scale. That activity could be either entrepreneurship or rent-seeking. Both provide increasing returns to talent where the exact pay-offs depend on the market size (bigger the better), firm size (weak diminishing returns to scale implying bigger firms), and the availability of suitable compensation contracts which help capture the returns to talent. If the best pay-offs and hence the best talent chooses entrepreneurship, they innovate and induce growth. If they become rent-seekers, they retard growth.

They construct a simple two sector endogenous growth model, where one sector is the rent-seeking sector which simply redistributes through higher taxes. People form a continuum of talent in the range [a1, a > 1. Let us assume that goods producing sector offers the best rewards to talent. They show that in equilibrium, starting from the most talented, people will become entrepreneurs till a cut-off talent level a1 < a; of the balance people will become rent-seekers up to a talent level a3 < a3; the least talented, i.e., those in the range of [a1, a2] will become workers in either sector. If rent-seeking sector is the most rewarding, the best talent will choose that sector. In this case, the best talent level among entrepreneurs will be lower, at a1 rather than at a as in the first case.

Endogenous growth is brought in through the specification that the ratio of the level of technology in the productive sector in period t to the level of technology in period t-1 is equal to the highest talent in the productive sector in period t-2. This is like saying that yesterday’s best practice is today’s common knowledge.
It automatically follows that a society which rewards rent-seeking more than entrepreneurship will grow at a lower rate than otherwise.

While insightful, there are severe problems in empirical testing characteristic to most of the endogenous growth theories. For example, the authors take the proportion of college students who are lawyers (engineers) as a surrogate for the rewards to rent-seeking (entrepreneurship) in a country. They dig up a rather simplistic empirical support for the negative effect of lawyers (by implication, reward to rent-seeking) on growth in a cross-country regression.

Developing their position further, Murphy, Schleifer, and Vishney (1993) argue that since rent-seeking exhibits very natural increasing returns, multiple equilibria (good and bad) may be equally sustainable. This can happen even when all technologies including rent-seeking are constant returns to scale as long as rent-seeking shows what they call 'general equilibrium' increasing returns (i.e., relative to the other sectors) in the relevant range of proportion of rent seekers. They also classify rent-seeking into private and public rent-seeking. They conjecture that innovators are more vulnerable to public rent-seeking which would thus retard growth.

Sturzenegger and Tommasi (1994) work through a specification focusing on R&D and quality improvement. There is only one incumbent but temporary monopolist in each product, established through Bertrand competition. The other firm(s) divide their time between R&D to beat the incumbent with a better product and lobbying the government for a subsidy. In such a context, they show that horizontal inequality in the access to political power between productive sectors (i.e., differences in lobbying efficiencies) is conducive for growth. But, vertical inequality in the access to political power between incumbents and potential entrants in each industry may erect barriers to entry and retard growth.

In this connection, Abbot and Brady (1991) point out the welfare improving impact of rent-seeking by an innovator. If the existing regulations prevent the introduction of a cost reducing innovation, rent-seeking to overthrow such regulations can improve welfare directly as well as indirectly through externalities on other markets. This is of course a specific instance of possible welfare impact under second-best conditions pointed out in the DUP literature and corresponds to the vertical inequality case above.

This is perhaps a good place to discuss some efforts exploring the differences between situations where rent-seeking is a specialized activity in itself and those where rent-seeking and entrepreneurship proper are complementary activities. While in reality there are some resources specialized in rent-seeking in most societies (such as full-time lobbyists, ambulance chasers, full-time thieves), to a large extent, entrepreneurs devote a part of their time to rent-seeking and even those who are primarily rent-seekers need an entrepreneurial cover.

Lu (1994) analyses the static impacts in the case of unspecialized rent-seeking. He considers two cases of rent-seeking. In one, firms face the same tax rate but each lobby for a higher share for itself in the redistribution of the tax revenue. In the second case, firms have equal shares in the tax revenue but each firm lobbies for a lower tax rate for itself. Lu shows that in either case, the proportion of resources devoted to rent-seeking and hence lost output (waste index) increases when the average tax rate increases.

Paul (1990) contrasts the two cases in an endogenous growth model emphasizing human capital accumulation as the source of growth. He shows that in the presence of a specialized rent-seeking sector, rent-seeking results in negative level effects only on output but it has no growth effects. The incentive for human capital accumulation in the productive sector is unaffected by rent-seeking. Hence, the growth rates of human capital and consequently output remain the same. In contrast, when there is no specialization, the incentive for human capital accumulation is reduced to the extent entrepreneurs cannot use their human capital full time in production. In his model, productivity in rent-seeking is not a function of the level of human capital.

Knut (1993) considers an interesting implication of the endogenous growth theories. If markets are less than fully efficient in internalizing the (endogenous) growth externalities, policy can enhance growth. If lobbying leads to desirable policies, it might be better if policies are responsive to lobbying.

The presence of rent-seeking naturally leads to the question of the impact of the endogeneity of policy. What are the combined impacts of endogeneity of growth as well as policy? In a theoretically important as well as empirically rich paper, Rama (1993) specifies a reduced form for the output 'y' of a representative firm as follows:

\[ y = A k^\alpha (l + s)^\beta (l + S)^\gamma \]

where \( k \) = capital stock of the firm, physical as well as human,

\( K \) = average capital stock of the remaining firms,

\( s \) = statutes in favour of this firm (in addition to the certificate of incorporation), and
S = average number of restrictive regulations favouring the remaining firms.

Rama assumes that $0 < \alpha_1 < 1$ and $0 < \alpha_3 < 1$, implying that there are diminishing but positive returns to firm-specific capital as well as rent-seeking. It is also assumed that $\alpha_2 > 0$ for positive spillover externality of average capital K. However, it is assumed that $\alpha_4 < 0$, to capture the negative externality of rent-seeking, and that $\alpha_3 + \alpha_4 < 0$ in line with the assumption that redistribution through restrictive regulations results in a deadweight loss. To ensure non-zero long-term growth from endogenous growth, it is also assumed that $\alpha_3 + \alpha_4 + \alpha_5 + \alpha_6 > 1$

The firm has to decide how much of its resources to allocate between productive investment $i$ and lobbying activities $I$ to maximize the present value of its net revenues. Lobbying expenditures yield additional units of $s$ at a unit cost of $\theta$ whereas $i$ leads to capital accumulation. Using first order conditions for maximization, Rama draws out the following implications for rent-seeking:

* The average number of restrictive regulations $S$ is an increasing function of the average capital stock $K$, with a higher than unitary elasticity. This is consistent with Olson’s hypothesis of ‘organizational sclerosis.’ The Harberger costs are directly proportional to $S$.

* For any given $K$, $S$ declines as cost per unit of $s$, $i.e., \theta$ increases. However, the Tullock cost which equals $S \theta$ has a hump shape, and reaches a maximum for moderate values of $\theta$.

* Using the additional property of symmetry among firms in equilibrium (i.e., $s = S$ and $k = K$), Rama derives the following: In equilibrium, the rate of return on domestic assets will be a constant but its level is an increasing function of the private cost of passing an additional regulation $6$.

Interestingly, Rama shows that even though, in the long run, ease of rent-seeking results in lower rates, it is nevertheless possible for a country where rent-seeking is rampant to show rapid growth in the initial stages of such a regime. This would then amount to an important qualification to the conclusion by Sturzenegger and Tommasi (1994) that horizontal inequalities in political access may not harm growth.

As a rare case of painstaking empirical work related to rent-seeking, Rama has combed through almost six decades of records of the regulations passed by the Parliament of Uruguay which somewhat (uniquely) identify the promoters! After the unavoidable simplifications and compromises necessary for empirical estimation, Rama finds that the average number of statutes is a significant explanatory variable in explaining the variability of growth across sectors, with the expected negative coefficient for $S$ and positive coefficient for $s$.

5. Implications for Economic Reforms in India

The one thing which is not controversial about the Indian economy is that it has failed to live up to its potential and is a laggard compared to several other countries in economic growth. Naturally, opinions differ on causes, available options, and suggested remedies. What can we learn from the rent-seeking literature?

The literature on rent-seeking sounds absolutely topical for India. Baumol’s expanded definition of entrepreneurship to include rent-seeking clarifies why JRD Tata was a hero in 1930s and a Dhirubhai Ambani is in current times. It is not so much a question of erosion of values at the individual level as much as the incentives offered by the system. Lopsided allocation of talent in India—amongst regions, sectors, professions—and brain-drain all seem to be a consequence of our unwillingness to offer better incentives to those willing to serve societal priorities. Instead, we continue to indulge in futile attempts to preach to our talented people.

It is often claimed that there was nothing wrong with our strategy/policies but only that these were not implemented properly. The insight from rent-seeking literature is that the nature of a strategy or policy itself may be the reason for its poor implementation. For example, the policy of infant industry protection may induce an infant never to grow up. The Dagli Committee Report (GOI, 1979) on Controls and Subsidies has documented how controls and subsidies have become self-perpetuating.

The current opinion in favour of liberalization and privatization is based on the "double failure" argument. ‘Market failure’ may not justify a direct role for government if ‘government failure’ is equally likely. Market failure may be the lesser evil. In this regard, bureaucrats and public sector employees are claimed to be inefficient compared to those in a private sector and that this is a contributing factor to government failure. On the other hand, rent-seeking literature implies that a change in their incentive systems may be the key: in other words, what can the bureaucrats and public sector employees gain by being efficient?

6. Conclusions

After questioning almost everything to do with the rent-seeking literature, Samuels and Mercuro (1984, p 67)
quote a book review by Kahn to express their sentiment about this literature:

an ideological tract masquerading as objective research...

... a disinterested reader will feel compelled to quarrel every inch of the way. But, the phenomenon the authors forcefully describe cries out for serious attention. Even though I found their analysis distorted, their explanations simplistic and their remedies of dubious efficacy, I commend their message...

The theoretical developments in endogeneity of growth and policy have only added more spice to the broth. Tullock (1984) suggests that exploring rent-seeking may be an avenue for doing well (as an economist) even while doing good (as a citizen). The objections that there are motives other than self-interest for economic behaviour is a caution against the tendency to get carried away by their own rhetoric among the rent-seeking theorists. The critiques arising from literature on law related to property rights are more serious. The recent rent-seeking literature has done little to address these criticisms.

Irrespective of how the above controversies are resolved and criticisms addressed, rent-seeking literature has already made two enduring contributions to policy analysis:

* The need to focus as much on 'during' as on a comparison between Ijefore' and 'after.'
* The risk that rent-seeking opportunities at the micro-level may lead over time to such a culture at the macro-level, influencing the allocation of scarce talent and resources to wasteful activities.

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