

Rent-seeking and government

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In the book "Government Failure: A Primer in Public Choice" written by Tullock, Seldon and Brady (2002, published by Cato Institute, Washington DC), chapter 4 was entitled "The cost of rent-seeking", written by Prof. Gordon Tullock. Dr. Tullock defined the words "rent seeking" as "the use of resources for the purpose of obtaining rents for people where the rents themselves come from some activity that has negative social value."

Examples of rent-seeking are (a) trade protectionism, where the protected local industry benefits but the local consumers are worse off; (b) private monopolies, and (c) direct income transfers by government where A is taxed and B receives the money. The real cost of rent seeking, according to Tullock, comes from the distortion of the voting process. People vote for politicians and legislators who promise them special local projects, barely realizing that the cost of high taxes from many other taxpayers elsewhere, and the high taxes that they themselves pay to finance the special local projects elsewhere, is high.

But the indirect damage of rent-seeking, he says, is even worse than direct damage. Example of indirect damage is drawing a big number of intelligent and energetic people into an activity that has no social product, or may have a negative social product (example, political lobbying for special privileges and protections).

I would say that around 95 percent of all forms of government restrictions, from bureaucratic procedures in starting a business, to erecting rigid labor laws like setting up high minimum wages mandated by Congress, to welfarism financed by high and complicated taxes, are rent-seeking in nature. They are tying productive people's hands, siphoning off if not outrightly confiscating, their income and savings, and transferred to people often driven by envy and too lazy to accept personal responsibilities on things that ought to be their private domain. The huge government bureaucracy and long layers of politicians that stand in-between the people whose incomes are confiscated and the beneficiaries who wait for such wealth transfer, also eat up precious social resources.