

# Introduction to 'rent-seeking behavior

[Literature](#), [Russian Literature](#)



Rent Seeking Behavior Affiliation Rent seeking happens to be one of the most significant insights within the previous 50 years of economics as well as, unluckily, among the highly inappropriate labeled. The idea came up with Gordon Tullock back in 1967, and introduced in 1974 by Ann Krueger (David, 2008). The idea of rent seeking seems simple, however, it is powerful. Rent seeking behavior is trying to acquire benefits for oneself through the political arena. One does so through acquiring a subsidy for the good they manufacture or even for belonging to a certain class of people, through obtaining a tariff on some good they manufacture, or through obtaining a special directive, which hinder their competitors. The elderly, for instance, look for higher social security payments. Unluckily, where rights over property are weakened as well as where someone's ownership of goods or wealth becomes debatable, other individuals could acquire more through attempts to appropriate such wealth than through manufacturing themselves. Such behavior is known as rent seeking (Forbes, 2013).

There is no good reason as to why economists use this term “rent”. It means payments to a production factor in excess of the amount needed to keep the factor within its current use. The word is used to illustrate government lobbying by individuals in order to achieve special privileges. It can be called privilege seeking (Dutton, 2014).

Other examples of rent seeking include: the limitation of access to profitable occupations as in modern certifications as well as licensures. Taxi licensing happens to be referenced as a rent seeking instance. Licenses issuing limits the overall tax services supply (instead of making sure of equality or competence) threatening rivalry in livery vehicles, illegal taxes or

unregulated taxes causes the taxi service transactions a compulsory transfer of a fraction of the payment from consumers to operators of taxi business. The rent seeking concept may as well apply to bureaucrats' corruption in their splitting as well as extracting rent/bribe for their application of legal, however, optional for awarding the illegitimate or legitimate benefits to their clients. Tax officials may happen to receive bribes for having reduced tax payers' tax burden for instance (Dutton, 2014).

It has been well known that individuals lobby the government for some privileges. The insight of Tullock was that privilege lobbying expenditures are high and they dissipate gains to the recipients and lead to inefficiency. For instance, a firm that deals with steel spends a million dollars lobbying as well as advertising for steel import restrictions, the money it gain as a result of success, most probably more than a million dollars, is not a net increase. The one million restrictions seeking cost has to be deducted from these gains. Despite the fact that that this sort of expense is rational according to the spending firm's narrow point of view, it is a representative of real resources use to acquire transfer from others, hence a poor loss to the whole economy.

In 1974, Krueger independently discovered her studies idea of poor economies within which the governments regulated the economic lives of the citizens heavily. There were so extensive regulations such that a government possessed the authority to create rents that are equivalent to a national income's huge percentage. For instance in 1964, India came up with rent equivalent to 7. 3% of the economy of the nation. There were about 15% of rents from import license only of the county's gross national product

in Turkey 1968. Krueger decided not to estimate the percentage of dissipated among these rents. This is the dilemma with emerging nations. However, developed markets are subject to rent seeking too. Rent seeking does significantly contribute to the income inequality in the US by lobbying for government plans which allow the powerful and wealthy attain income, to reward them for having created wealth, however, through taking hold of the major part of the wealth that could have been produced with absence of their efforts (John, 2009).

Rent seeking behavior is not healthy in the long term growth. While a nation gets to be dominated increasingly by organized interest groups, the country loses its financial fatality the declines. Government provided benefits rent seekers do spent up to the benefit amount in turn so as to attain such benefits, within the absence of, for instance, collective action constraints (Friesian, 2014).

## References

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