
Preface

Resources can be used unproductively to claim output or wealth that already exists or to seek policies that create privileged benefits. Such unproductive behavior is known as rent seeking. Much of rent seeking involves government or political decisions and is therefore in the domain of political economy but rent seeking also takes place in personal relations and within firms and bureaucracies.

The contributions in this volume are intended to be accessible to students, researchers, and policy practitioners, although the chapters in Part II require familiarity with techniques used in economic modeling. Because each chapter is preceded by a summary, we can be quite brief in describing the contents of the chapters.

Part I consists of two introductory chapters by the editors. Chapter 1 is an introduction to the concept of rent seeking and its roots in human behavior. Chapter 2 places rent seeking, in conjunction with rent creation and rent extraction, in the context of the political economy.

Part II is concerned with contest models. Chapter 3 by Ngo Van Long is an overview of rent-seeking contests. Chapter 4 by Gil Epstein and Shmuel Nitzan reviews models in which policies are contested and contests provide personal benefit for policymakers. Chapter 5 by Giuseppe Dari-Mattiacci, Eric Langlais, Bruno Lovat and Francesco Parisi describes consequences of asymmetries among rent seekers. In Chapter 6 by Sabine Flamand and Orestis Troumpounis, rent seeking is by interest groups or coalitions. Chapter 7 by Karl Wärneryd describes how organizational structure affects rent seeking. Chapter 8 by Yosef Mealem and Shmuel Nitzan describes the design of contests for rent extraction when the contest designer can choose between all-pay auctions and lottery contest-success functions. In Chapter 9 by J. Atsu Amegashie, there is sabotage in contests. Chapter 10 by Roman Sheremeta extends the theory of contests to behavioral dimensions. Together the chapters in Part II provide a comprehensive overview of theoretical models of contests involving rents.

Part III describes applications of the theory. Chapter 11 by William Shughart and Diana Thomas uses rent seeking to explain why government regulation of industry can result in 'capture' of the regulatory process. Chapter 12 by Arye Hillman considers why there have been dual expositions of the conduct of international trade policy with exclusion and inclusion of rents. Chapter 13 by Michael Brooks shows how rent seeking fundamentally changes the welfare conclusions of the theory of public finance. Chapter 14 by Robert Deacon and Ashwin Rode relates the resource curse to rent seeking. Chapter 15 by Rune Jansen Hagen describes the relation between rent seeking and development aid. Chapter 16 by Roland Vaubel explains why rent seeking is basic to understanding incentives, behavior and consequences of international organizations. Chapter 17 by Francesco Parisi and Barbara Luppi places rent seeking in the context of judicial institutions.

Part IV provides case studies of different societies. Chapter 18 by Dennis Mueller compares rents in the United States and Europe. Chapter 19 by Martin Paldam

describes rents in a modern welfare state, Denmark. Chapter 20 by Mark Levin and Georgy Satarov describes rent seeking in Russia. Chapter 21 by John Mukum Mbaku and Mwangi S. Kimenyi describes Africa. Chapter 22 by Chen Kang and Liu Qijun describes China. Chapter 23 by Sugata Marjit and Vivekananda Mukherjee describes India. Chapter 24 by Thomas Moutos and Lambros Pechlivanos places modern Greece in a rent-seeking perspective. Chapter 25 by George Tridimas takes us back in time to ancient Greece and Athens. The chapters in Part IV show that principles associated with rents and rent seeking explain behavior and outcomes across locations and through time.

Part V describes the relation between rent seeking and institutions. Chapter 26 by Randall Holcombe places the theory of rent seeking in a context of constitutional political economy and contrasts the ‘politics-as-exchange’ and rent-seeking approaches to political decisions. Chapter 27 by Roger Congleton describes how potential rent-seeking losses have informed the institutional designs of all durable organizations; were this not the case, rent dissipation would have eliminated the net benefits of organizations and society would have returned to various Hobbesian jungles in which all potential net gains are dissipated through conflict.

The contributions in this volume provide a ‘companion’ for research on rent seeking and related rent creation and extraction. Together the chapters show that the scope of rent-related incentives and behavior is broad and central to the study of economics, politics, culture, public administration and history.

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