

# Public Policy and Rent-seeking behaviour

EC3060 Economics of Policy Issues

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Question:

**How can political processes  
affect redistribution of income  
or wealth?**

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- **Rent:** personal benefit that a person receives beyond that necessary to provide incentives to perform particular tasks

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# Use of resources

- The use of resources in rent-seeking is socially wasteful
- Resources that could be productively used are directed toward trying to influence distribution rather than to produce goods/services

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- Rent-seeking is the consequence of the presence of government
  - Rent-seeking is a response to the perceived inclination of political decision makers to respond positively to requests for favours

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# Two types of competition

- Socially beneficial competition
  - Competition in markets to provide goods
- Socially wasteful competition
  - Competition to determine winners of a rent-seeking contest
- **Rent seeking is competition for privilege**

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**What is the relationship between  
the Excess Burden and Rent-  
seeking incentives??**

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# Summing up

- Voting and redistribution
  - Political behaviour and public policy
  - Public policy and rent-seeking behaviour
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