

Rent Seeking and Constitutional Political Economy: Organizations, Rules, and the Control of Rent-Seeking Losses

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I. Rent Seeking, Institutions, and Formal Organizations

The term “rent seeking” has two at least two meanings. First there is the meaning in editorials and policy circles, which refers to the subset of interest group activities that involve the pursuit of unearned profits or influence (e.g. “rents”). Second, there is the original meaning which concerns the use of scarce resources in contests in which the resources are “wasted” in the sense that the same resources could have been used to create a larger social surplus or a Pareto superior move. Tullock (1967) notes examples from both private life (crime) and public policy (tariffs) in his original analysis of what became known as rent seeking in the next decade.

Some confusion between these two quite different definitions arises because losses from the political favors produced by special interest lobbying (the first definition) tend to have both conventional “Harberger” dead weight losses (a triangle in the usual diagrams) and also competitive losses of the sort associated with the second definition (a rectangle in the usual diagrams). The second definition is more general than the first and so includes a variety of other contests in which resources may be said to be wasted, as in status seeking, crime, war, and, occasionally, romance. In many such cases, the investments of rival contestants exceed the benefits generated by their efforts both for themselves and others.

The term institution also has more than one definition. Indeed there are so many definitions that the term loses meaning. For the purpose of this paper, I will focus on the subset of institutions that involve more than one person and are more or less designed by

human beings to advance particular purposes, namely formal organizations. Formal organizations usually have a beginning and sometimes an end. Most formal organizations are founded by formateurs who adopt rules for making group decisions and rules for recruiting and rewarding team members. In this sense, formal organizations—from sporting clubs to multinational corporations, from village councils to international organizations—may be said to have a constitution, a standing body of rules that is taken more or less for granted for day-to-day decisionmaking and for the selection and rewarding of members of the organization.

This paper provides an overview of how organizational designs have been influenced by the possibility of rent-seeking losses—that is, with losses associated with wasteful forms of competition. It is not a summary of past research, but rather attempts to develop some general implications of past research on rent-seeking contests and on constitutional political economy. Recent examples of the literature that I have in mind include the collection of rent-seeking papers assembled by Congleton, Hillman and Konrad (2008) and part I of *Perfecting Parliament* (Congleton 2011).

James Buchanan has often contrasts behavior in games under given rules and behavior with respect to the selection of those rules. That distinction has played a relatively small role in the rent-seeking and organizational literatures, although it indirectly helps to clarify the nature and origins of many rent-seeking contests. That is to say, rent seeking occurs because of standing rules that directly or indirectly create contests, rules which are often selected by persons outside the game of interest.

However, not all contests are products of intent. Those that are designed by the formateurs and governing bodies of organizations are products of intent. In such cases, rent-seeking games often are designed to benefit from the efforts of rent seekers. Such designed games may increase or reduce inter- and intra- losses from rent seeking for the participants and outsiders, but they do so because the activities encouraged by the contest reward structures advance the rule-maker's interests.

Other rent-seeking contests emerge unintentionally as accidental consequences of nature and the rules adopted by formateurs and organizational governments. In such cases, both the extent and kind of wasteful competition that emerges is unintentional and the result

is somewhat more likely to be a source of genuine rent-seeking losses. Although some aspects of “natural” games are beyond the control of the contestants, most games have rules that can and are controlled by organizational governments. It is this which allows rent-seeking losses to be potentially controlled. However, this also implies that rent-seeking losses are substantially endogenous in that they emerge because of or from the choices available to persons in society.

Avoiding rent-seeking losses may be desirable overall, but if some persons or groups profit from rent-seeking activities, such unproductive contests may well reflect stable political or organizational equilibria among such “rent extractors.”

This remainder of this paper analyzes how and why formateurs and organizational governments attempt to control or at least influence a broad array of rent-seeking contests. The analysis of this paper suggests that “rule makers” often, but not always, have private or organizational reasons to adopt rules that limit rent-seeking losses.

My focus on formateurs and organizational governments contrasts with a social contract approach, in which the whole of a society or an organization participates in the decision process through which the rules of the game are created.

The Rules of a Game and the Form and Extent of Competition Induced

In game theoretic terms, the rules of a game define the payoff functions and the set of persons eligible to participate in the game(s) of interest. These rules indirectly determine the extent of the investments in a given contest by influencing the returns from alternative strategies at the margin and on average and thereby the game’s equilibrium strategies. Not all contests consume resources, but many do, and not all of those contests generate profits for the average participant or for those outside the contest. Indeed, losses are often generated for the average participant and for many outside the contest of interest. The costs of and benefits of different forms of competition vary widely.

For example, advancement within a con-man or marketing organization might reflect the relative ability of organizational members to fool others into purchasing substandard goods and services. Advancement within terrorist organizations might reflect the relative abilities of members to induce terror on other’s outside the organization. Such incentive

systems impose negative externalities on non members. In contrast, most sports team encourage greater competence at the sport (game) in which they play, which tends to produce greater entertainment for those watching the games. In the latter case, intra-organizational competition for advancement produces positive rather than negative externalities.

Inter-organizational competition may also generate positive or negative externalities. For example, Tullock (1967) suggests lobbying and contests between criminals and potential victims often produce negative externalities in the form of higher prices. Other rules may encourage productive forms of competition between organizations. For example, the competitive contests focused on by most economists involve an essentially costless form of competition (price competition) that creates great benefits for consumers in the form of lower prices and greater product variety, although it drive profits (rents) for firms toward zero.

In most of the contests analyzed by the rent-seeking literature, there are no externalities, but average returns for contestants tend toward zero, while resources are consumed without producing anything of value for those outside the contest. These contests are often negative sum games for the participants, who would wish to escape from them, but somehow cannot. Negative externalities are not necessary for contests to generate losses, such losses simply provide additional reasons for reducing rent-seeking activities or changing them into more productive ones.

II. Formal Organizations and the Internal Rules for Team Members

In the case of formal organizations, most of the rules are consciously adopted by their founders and senior managers (their central governments). Both the rules and conditional payoffs of “the game” are manipulated by management to achieve the desired team behavior and to maximize the rewards obtained by members of the organization’s government or its owners, subject to the constraints of survivorship. Survivorship requires that an organization be self-sustaining in the sense that it retains its membership and

generates sufficient surplus (net revenues) to support both its management and team members.

Governments of large organizations tend to be complex. To simplify the analysis and discussion, it will be assumed that the senior managers are residual claimants on their organization's surplus. In proprietary organizations (dictatorships and small businesses) this is a reasonable first approximation of owner-manager interests. In larger firms and democratic government, this is less so, although electoral pressures of stockholders and citizens tend to align CEO-Board interests with those of the true residual claimants (principals).

The profits (rents) of senior management take a variety of forms according to their particular interests, their process of decisionmaking, and the external environment in which they operate. In the Hobbesian context, being a member of a defensive organization's government may simply increase a leader's probability of survival. In contemporary Western society, the rewards of control over an organization normally include increased consumption and investment possibilities (income), authority, and status within the organization. In organizations formed to advance political purposes, "profits" include influence over public policy, status, and generous expense accounts. In multidimensional organizations, the rewards of high office include a broad array of rewards.

To simplify the analysis, it is assumed that the subjective value of all the rewards of high office can be represented as a single number representing utility or the local currency (dollars, euros, etc.) that could be used to purchase or produce equivalent value. This is the usual representations of firm leaders (by economists) and a common representation of politicians (by political scientists).

Intra-Organizational Rent-Seeking Dilemmas and Solutions

In the absence of the "artificial" rules of formal and informal organizations, individuals can often profit by using resources under their control to improve their own welfare at the expense of others in the organization and the organization itself. In a large subset of such cases, the losses imposed on others exceed the gains of those seeking profits or rents.

These counterproductive activities may be regarded as shirking (Alchian and Demsetz, 1972) or intra-organizational rent seeking (Hillman and Katz, 1987). Intra-organizational rent seeking occurs when a team member or manager uses organizational resources for personal gain at the expense of others (reductions in team output and income). Intra-organizational rent seeking includes solo activities (goofing off) and competitive ones (apple polishing, rumor mongering, sabotaging rivals, and bribery). The resources diverted to such purposes reduce what could have been used to advance organizational goals, and so somewhat reduce the output produced and/or surplus realized from it.

Successful organizations have rules that link rewards to particular behaviors or outcomes (artificial incentive structures), which largely avoid such losses. These can be used to solve a variety of PD-like shirking and rent-seeking problems as well as various coordination problems.

The matrices below illustrate the basic dilemma and a common solution in which an artificial reward system is developed to address the problem. The problem here is that “potential labor” is misdirected into the production of leisure or other benefits of interest to team members, reducing output and team member welfare in equilibrium. Solutions to the shirking problem require rules that condition rewards on behaviors and outcomes in a manner that aligns the interests of team members with those of the organization.

The Rent-Seeking Dilemma for Team Production			Organizational Solution to the Rent-Seeking Dilemma		
	Team Member B			Team Member B	
	Work	Shirk		Work	Shirk
Work (A)	3, 3	1, 4	Work (A)	3+R, 3+R	1+R, 4-P
Shirk (A)	4, 1	2, 2	Shirk (A)	4-P, 1+R	2-P, 2-P

The cell entries are utilities, the rank order of subjective payoffs for the team members (A, B). The dilemma in the “natural case” is that both team members shirk rather than work.

In the game on the right, the reward structure fails to do so, and mutual shirking by team members is the Nash equilibrium outcome. In the game on the left, the organization’s management has created a reward (R) for work and a penalty (P) for shirking that may solve

the problem. Team members will avoid shirking if $3 + R > 4 - P$ and $1 + R > 2 - P$. Note that $R = 1$ and $P = 1$ are sufficient to solve this intra-organizational rent-seeking problem.

Economics implies that where several methods can be used to achieve the same end, manager-residual claimants will use the combination that is least costly. In many cases, the reward and penalty rules adopted will be multidimensional. They will use a variety of rewards and punishments and attempt to reduce a broad range of unproductive activities.

Conditional rewards include praise, bonuses, and promotion to higher office. Punishments similarly include disapproval, shame, reductions in pay, and eviction from the organization.

Organizations that efficiently control intra-organizational rent seeking will have a competitive advantage over firms that fail to do so, because they can produce more output from the same resources and survive larger emergencies. A well-motivated management has incentives to adopt efficient solutions to intra-organizational rent-seeking problems, because such solutions increase organizational surplus, which can be used to increase emergency reserves and organizational robustness and also to reward senior management.¹

The “gains from rule-making” suggest that intra-organizational rent-seeking tends to be reduced in the long run by internal systems of rewards and punishments that encourage productive activities and discourage unproductive ones. Survivorship requires that intra-organizational rent-seeking losses be reduced to levels compatible with generating an organizational surplus, although the multiplicity of modes of rent seeking and the difficulty of monitoring imply that not all such losses can be avoided.

¹ It bears noting that not all motivational devices are equally available to institutional designers. Contests between fellow employees may be devised between fellow employees to maximize the effects of these incentive devices, so that raises and promotions are determined by relative rather than absolute performance. Note that solutions may not be pecuniary—cash incentives—in the usual sense. Firms, economic interest groups, and criminal gangs, all attempt to build loyalty to their respective organizations and attempt to promote an internal work ethic.

III. Conflict between Organizations and External Rules of Conflict

Reducing or eliminating intra-organizational rent-seeking losses does not fully solve the rent-seeking dilemma, because conflict between organizations can also generate rent-seeking losses.

Organizations routinely interact with one another in more or less rule-bound settings, rules that associate different rewards with different organizational strategies. For example, criminal gangs compete with each other for turf and membership. Historically, control over public policy has often taken place among rival interest groups who attempt to bribe and/or threaten their way into power. Similarly, most nation states, until recently, contested national borders to expand their tax and population bases. Such competitive activities can consume substantial resources, while generating little net benefit for those participating in these large scale, inter-organizational, contests.

In civilized societies, a variety of unproductive activities are discouraged through national laws of various sorts and, to a lesser extent, through international treaties. Civil and criminal laws discourage stealing and murdering their customers and rivals. The punishments associated with these laws alter relative returns among competitive activities with the result that firms compete with one another for resources to attract and retain team members and to expand sales, through price and quality competition, which are productive forms of competition. Similarly, political parties in well-functioning democracies are discouraged from assassinating their rivals, and so invest in persuasive campaigns to increase their share of votes and authority relative to other parties. Rules regarding freedom of worship discourage religious organizations from investing in holy wars, and thereby increase the relative attractiveness of investing in proselytizing campaigns to attract new members. Similarly, international treaties can encourage countries may compete with one another for advantage through diplomatic contests, rather than open warfare.

Unfortunately, the ability of treaties to do so is somewhat limited. Military organizations, alliances, and terrorists are thus less constrained by external rules than most other kinds of organization. However, even many military contests often have implicit rules that make

some strategies and weapons less rewarding to employ than others. War crimes may be punished after the battles are won.

An Illustration of How Laws Reduce Rent-Seeking Losses

The productivity of rules governing inter-organizational conflict is illustrated below. The game matrices on the left illustrates a competitive problem and that on the right an rule-based incentivized solution. Two forms of the dilemma associated with the “without rules” case are illustrated. In the two-strategy symmetric version of the game illustrated in the four cells in the upper left, the equilibrium is the Hobbesian one of “attack, attack” and the result is a conventional social dilemma.

Conflict in Winner Take All Games (without rules)				A Civil Law Solution to the Hobbesian Dilemma			
Team A	Team B			Team A	Team B		
	Work	Attack	(I&A)		Work	Attack	(I&A)
Work	3, 3	0, 4	0, 5	Work	3, 3	1, 4-P	0, 5-P
Attack	4, 0	1, 1	½, 2	Attack	4-P, 0	1-P, 1-P	½, 2-P
Innovate & Attack (I&A)	5, 0	2, ½	¾, ¾	Innovate & Attack (I&A)	5-P, 1	2-P, ½ -P	¾-P, ¾-P
Innovate & Produce (I&P)	4, 3½	0, 5	0, 6	Innovate & Produce (I&P)	4, 3½	0, 5-P	0, 6-P

The cell entries are utilities, the rank order of subjective payoffs for teams (A, B) or average payoffs for team members.

In the extended game in which innovation may increase the effectiveness of attack (I&A) or the productivity of work (I&P), the equilibrium result is the even more wasteful cell of mutual innovation and attack. Solutions to the Hobbesian dilemma require changing the natural incentive structure of the inter-organizational conflict. In the game illustrated on the right, a legal system has encouraged productive work by imposing a penalty (P) on attack and rewarding productive forms of innovation. For $P > 2\frac{1}{2}$, the Nash equilibrium pattern of work and conflict is the lower left-hand cell where work and productive innovation occur rather than destructive innovation and warfare. Note that the punishments have to be

relatively high to achieve this result because of the assumed equality of the players and the winner-take-all nature of the outcome.

The solution on the right is to punish unproductive attacks such as those undertaken by criminal organizations (whose criminality is created by such laws). By reducing the returns from the “forbidden” activities relative to the others, other less wasteful or destructive activities are implicitly encouraged. The result is a decrease in wasteful forms of competition and increase in productive and/or non-destructive forms of competition.

In between these two extremes are a variety of equilibria that avoid the bleak outcomes of Hobbes, without producing the Marshallian consumer utopia. It is this world that the rent-seeking literature has focused most of its attention on.

B. Civilizing Governments

How one gets the civil solution is by no means as obvious as Hobbes’ proposed social contract. Social contracts are difficult to negotiate for a variety of reasons, including the difficulty of simply getting a large group together and organizing a debate over constitutional issues. That agreements might eventually emerge at such meetings is not impossible, but it cannot simply be assumed. In practice, it seems more likely that rules governing governmental decision making emerge from a combination of negotiations among organizations engaged in counter-productive conflict, as with peace treaties and trade agreements.

I have analyzed how governments might emerge as one of many organizations in a given region elsewhere (Congleton 2011: ch. 3). An organization that can impose rules within a given territory would, as Olson (2000) has argued, have an encompassing interest in the productivity of their territories. Their senior managers would adopt rules to curtail unproductive conflict within their territories. They might also delegate authority to subunits and to individuals, insofar as the informational problems of central management are recognized. The result would be a “profit maximizing” state, with an elite (the organization’s government) and a proletariat that works hard, competes with each other for the favor of government officials, and lives at about subsistence levels of life. North, Wallace, and Weingast (2009) refer to such states as “natural states,” Olson (2000) as “stationary bandits,”

and Congleton and Lee (2009) as “rent-extracting states.” Such states avoid rent-seeking losses within their territories in order to shift all (or most) rents to the senior members of government.

However, this possible explanation for the origin of civil law and local prosperity is not sufficient to escape from the Hobbesian dilemma unless significant natural barriers prevent these organizations from attempting to forcibly take over their neighbors. Escape from the Hobbesian dilemma requires that defense consumes far fewer resources than conquest. When technologies allow natural barriers to be overcome, or attack technologies improve relative to defense, the Hobbesian contest with its associated losses tends to re-emerge.

Conquest may well proceed until a single government controls all the territory that is feasible to control with existing technologies, as with the ancient Egyptian, Chinese, and Roman Empires. At which point, the Olsonian encompassing interest of rules may generate a civil code that encourages productive and discourages unproductive forms of competition.

IV. After Hobbes: Rent Seeking within Democracies and Dictatorships

In the contemporary setting, much of the world has escaped from the Hobbesian dilemma through a combination of effective defense (nuclear deterrence), international law, and norms regarding boundaries and sovereignty. As a consequence, the largest continuing arena of rent-seeking activities tends to be intragovernmental rent seeking. Governments have a relatively great ability to confer privileges and their associated rents, because they tend to be the largest and most powerful organization in most regions of the world. The models of rent-extracting governments developed above would still apply in cases in which senior government officials are residual claimants on their nation’s income.

However, it can be argued that not all contemporary states maximize the (risk-adjusted) rents of their rulers. The latter is largely a consequence of the emergence of democracy and the spread of liberal norms during the past two centuries and is beyond the scope of this short review (see Congleton 2011). This section explores briefly how the

institutions of government decisionmaking affect the extent of rent-seeking efforts and the extent of rent extraction within a given polity.²

As argued above, controlling intra-organizational rent seeking is a common aim of all organizational governments. However, the interests of a national government differ according to the methods through which its members rise to office and public policies are chosen. A dictatorship or aristocracy has a strong interest in “harvesting” rents (social surplus) for themselves. As a consequence, internal institutions may be designed to encourage competition for office and favor, in a manner that profits senior government officials. Monopolies and high offices may be sold to the high bidder in services and loyalty. In well-run extractive regimes, corruption below senior levels is monitored and severely punished (Congleton and Lee 2009). A dictatorship or aristocracy also has interests in preserving asymmetries in wealth and autonomy, because these asymmetries reduce threats to its rule and in this way increase organizational output and GNP. (Both investments and losses in asymmetric rent-seeking games tends to be smaller than in symmetric ones).

In contrast, senior members of a democratic state are “employees,” rather than rulers, and their compensation will tend to be the minimum that voters believe sufficient to attract competent managers to senior posts. Rent-extracting policies that favor senior officials will be opposed in most cases, because their rents normally come at the expense of middle-class voters who are pivotal members of majority coalitions. Competition in consumer-goods markets, rather than monopolies, will be encouraged to the extent possible by opening, rather than closing, markets. This is not to say that there is no rent seeking within democratic governments, only that it tends to be a residual—a sign of unsolved agency problems—rather than the principal aim of public policy by elected governments (except perhaps in the area of labor law if the median voter belongs to a union).

Efforts to curtail rent seeking is evident in a variety of election and anticorruption laws and in the requirements that many government contracts be awarded through open competitive bidding. That electoral pressures are not sufficient to completely eliminate rent-

² The extent to which governmental decisionmaking is centralized or not may also have effects on the level of rent-seeking activity (Warneryd 1998).

seeking and rent-extraction is evident in the many unbid and corruptly bid contracts that remain and in the great complexity of modern legislation that creates and hides a great range of special privileges for firms and interest groups.

Committees and Rent Seeking Losses

Another institutional device for reducing rent-seeking losses and bounding corruption is the use of committees to make a variety of decisions within parliaments and within the bureaucracy. Rent seekers will have to pay more for the favors conferred by single decisionmakers than by committees (Congleton 1984). To see this, consider the case in which two parties attempt to purchase a special privilege from a minister with complete control over the policy of interest. Suppose that the privilege is worth R to the rent seekers, and that the highest bidder wins the prize. Party 1 may bid amount $A_1 < R$, which can be beaten by Party 2's bid, $A_1 < A_2 < R$. In a single-round contest, the second mover would thus always win and the amount received by the king would be larger than the smallest bid capable of attracting his attention. In a second round, Party 1 would be inclined to raise its bid $A_2 < A_1' < R$, as would party 2 after the new bid is registered. In the limit the amount paid would tend to escalate toward R and the king would be able to extract the full "rent" associated with his authority. (Note that pre-adopting a maximal bid, A^* , would not be self-enforcing by the participants, in a sequential contest, because each player would benefit in the next round by bidding a bit more than A^* to secure the prize, as long as that bid was less than R .)

Now consider efforts to assemble a majority in a three-person council or parliament under the assumption that the votes of the members of the council or parliament are for sale. Party 1 may initiate the bidding with a bid of $(1, 1, 0)$, which would secure the votes of committee members 1 and 2 in the absence of efforts by Party 2. Party 2 may, however, bid $(0, 1.5, .25)$ which would defeat Party 1's effort by obtaining the votes of members 2 and 3. Party 1 could respond with $(.25, 0, .5)$ and so on. Note that in contrast to the two-party contest for a single minister's favor, there is no tendency for bids to escalate in a two-party auction model of parliament. In the illustration, the total bids fell in each round (from 2 to

1.75, to .75). The bids tend to de-escalate toward the lowest levels sufficient to attract a member's attention.

Notice also that the nature and losses from the bid will vary with the rules that constrain (or are suppose to constrain) the behavior of members and rent seekers. If member votes are literally up for sale, then there is no Tullock-type loss from the rent-seeking game, because the efforts of the rent seekers produce benefits for the king and/or members of parliament equal to the rent-seeking expenditures (Congleton 1988). However, if votes cannot be sold at auction, rent-seeking investments must take a more roundabout form. These are likely to generate smaller benefits for the king and/or members of parliament than the amount spent. This difference would represent Tullock losses, which although smaller than those of the Hobbesian jungle may, nonetheless, be substantial (Krueger, 1974).

On the Limits of Laws to Discourage Rent Seeking and Corruption

Given this, one might wonder why such anticorruption laws exist. Such anticorruption laws may be adopted in democracies as a method of reducing parliament's interest in voting for policies other than those preferred by a majority of voters. Losses from such corrupt policies may be greater than losses from rent-seeking expenditures, per se. Similar policies might be adopted in a dictatorship as a method of reducing the rents garnered by members of parliament and increasing pressures on them to defer to the dictator's policy interests (who normally may dispense favors without running afoul of anticorruption laws). In the absence of such anticorruption laws, the wealthy will tend to dominate policy formation in either system of governance, reducing the difference between democratic and aristocratic rule.

Nonetheless, even with a wide variety of rules to curtail rent-seeking losses, the multiplicity of rent-seeking strategies in modern states is so great as to preclude a complete solution. As a consequence, although a good deal of rent seeking has been curtailed by rules promoted within democracies, much remains unaddressed. That residual, perhaps surprisingly, has encouraged the past 45 years of research on rent-seeking activities.

V. Conclusions

This paper suggests that control of rent-seeking losses has long influenced the rules applied within all sorts of formal organizations, from small firms and cooperatives to national governments and international agencies. If the welfare economists prior to 1967 undercounted the cost of tariffs, monopoly, and theft, this paper suggests that it is possible that Tullock and others exploring the normative implications of rent seeking have overstated the losses from rent-seeking activities, because so much energy and imagination has been used by organizational designers and rulers to reduce rent-seeking losses. Both rent-seeking and *cost-avoiding* efforts by *all available means* are to be expected.

This paper suggests that a good deal of progress has been made in reducing rent-seeking losses and in channeling competitive investments into contests that increase rather than reduce net benefits for organizations and societies. However, it also suggests that the multiplicity of potential rents and modes of rent-seeking implies that only a subset of those losses have been eliminated by the development of institutions.

It bears noting that Tullock and Krueger's analyses would have attracted far less interest if our collection of rules that reduce the level of rent-seeking losses did not exist. As Hobbes suggests:

“wherein men live without other security, than what their own strength, and their own invention shall furnish them withal. In such condition, there is no place for Industry; because the fruit thereof is uncertain; and consequently no Culture of the Earth; no Navigation, nor use of the commodities that may be imported by Sea; no commodious Building; no Instruments of moving, and removing such things as require much force; no Knowledge of the face of the Earth; no account of Time; no Arts; no Letters; no Society...And the life of man, solitary, poor, nasty, brutish, and short.” Hobbes (1651/2004). *Leviathan* (p. 56).

Fortunately, there are only a few places and periods where the extreme Hobbesian predictions of rent-seeking models appear to be relevant (Somalia) and others in which corruption seems to have undermined both political and economic activities (Republic of the Congo, Burundi, and Eritrea). Their relative scarcity is a testimony to the success of institutional design and evolution. However, if all rent-seeking losses had been eliminated,

rather than simply reduced, Tullock's insights about losses from conflict would clearly have attracted far less interest.

Both the work surveyed in this volume and this short overview demonstrate that a thorough understanding of rent-seeking contests should be central to our efforts to understand and improve contemporary legal and political institutions. Analysis of rent-seeking contests can explain how and why a subset of ancient laws continue to make us all better off and also suggest directions for reforms that may reduce the losses associated with the contemporary rent-seeking games that remain.

The contrast between the effects of competition among tribes and armies on the field of battle and among scientists in medical research laboratories could not be more stark. Yet, losses remain.

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