

Stop Rentseeking

Rent-seeking refers to the behavior of individuals or groups expending resources to achieve public policy decisions that transfer wealth in favor of them and at the expense of others. Some examples:

- A business or group of businesses might lobby the government to implement regulation providing them with financial benefits or special privileges over their business competitors.
- A nonprofit organization might seek for the government to spend taxpayer money on their pet cause, such as protecting the environment or researching a disease.
- A workers' union might want the government to force employers to provide higher wages, more benefits and greater job security.

While the rent-seekers should be faulted for the behavior, it is the government granting rent-seekers what they want that is the real problem. As it shells out more benefits and privileges, government has to collect more taxes to administer and pay for them, thus vastly increasing its size and scope.

Why we oppose rent-seeking:

Rent-seeking is theft. A rent-seeker wants to achieve a wealth transfer in his favor without having to provide value in return. In a mixed economy, companies and organizations find it more effective to petition the government for protection (i.e. subsidies, tariffs, entry barriers, regulations, etc.) than to compete by providing goods and services that consumers want to pay for. Since in a free market the choices of other individuals might not go in his favor, the rent-seeker would rather have the government initiate force against those individuals. The free market, on the other hand is predicated upon and respects individuals' free choices. No one has to pay for what he does not want and derives no benefit from.

Rent-seekers hinder the dynamism of the free market. The free market creates win-win situations. I trade with you something I have but want less for something you have that I want more, e.g. I trade my money with IBM for a laptop computer. In doing so, both IBM and I are better off. By contrast, when the government initiates force in favor of a rent-seeker, it makes everybody but the rent-seeker worse off. It leaves the rent-seeker's competitors worse off, because the rent-seeker now has a government-enforced advantage, whether it be a government-approved monopoly, or stifling regulations faced by would-be entrepreneurs. Because market forces and signals are hindered and distorted it leaves consumers worse off. They are forced to pay higher prices for lesser quality goods and services.

Rent-seeking harms economic growth. While rent-seeking is profitable for those who succeed at it, overall it wastes resources and destroys wealth. Instead of companies investing their money in new technology, new jobs, offering consumers better products and better prices, or increasing their employees' pay, the money ends up in the pockets of lobbyists and the politicians able to grant favors. Consumers are forced to pay more for goods and services and taxpayers have to foot the bill to pay for the rent-seeker's government-enforced advantage. Moreover, successful rent-seeking by some encourages others to engage in the same behavior because they either want to gain political power as well or they want to even out the advantages others have already gained against them through rent-seeking. So, over time, as government arbitrarily favors one group over another and expands in size in order to pay for rents, rent-seeking erodes the mechanisms that make economic growth and wealth creation possible: the impartial rule of law, limited government and individual rights.

