

Rent-seeking and endogenous property rights selection: an experiment

Presenter: Dr. Klarizze Anne Martin Puzon*

June 20, 2017

Seminar overview

We study experimentally a rent-seeking game where players can compete over a given resource. In the first stage, selected members of the group determine the level of property rights for the resource. The protected fraction of the resource is equally shared among group members. In the second stage, what is not shared is competed for in a proportional prize rent-seeking game. In the spirit of the “democracy premium”, we consider three institutions varying in the extent by which subjects participate in the first stage: vote (all group members participate), leader (only one member decides), and baseline (an outsider decides). To test robustness, we also vary the initial level of the resource: scarce or abundant. In general, we find that voting reduces total rent-seeking efforts. For groups that are allowed to vote, even if they implement weak protection in the first stage, they are able to compete less in the second stage. For the leader and baseline treatments, in contrast, there is an observed overinvestment to rent-seeking even if property rights selection was costless. These experimental results are stronger when the resource suddenly becomes abundant than when scarce.

*Researcher at SLU, Sweden.
<http://sites.google.com/site/klarizzeamp>

Contact: klarizze.puzon@slu.se &