

# Public Investment in a Rent-Seeking Economy

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## Abstract

This paper treats a rent-seeking economy with public investment in which both private and public sectors act rent-seeking activities. If there exists only private sectors' rent-seeking, the intensity of rent-seeking competition correlates positively with the aggregate production in the economy: as shown by the foregoing literatures, a bigger pie causes a more intensive conflict. However, if there is public sectors' rent-seeking too, the opposite correlation could occur; that is, the pie is small, but the conflict is heavy. The main lesson from our analysis is that there are two causes which determine the intensity of rent-seeking competition. The one is the size of a pie, and another is the attractiveness of rent-seeking activity relative to the one of alternative use of labor. Therefore, even if the pie is small, the rent-seeking competition could be heavy if the alternative use of labor is less attractive.

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