

RENT-SEEKING THROUGH REVOLVING DOORS

Relevant for: Ethics | Topic: Ethics in Private and Public relationships

Many people today view government officials as benevolent guardians of public interest. “From revolving doors to regulatory capture? Evidence from patent examiners,” a 2018 paper by Haris Tabakovic and Thomas G. Wollmann circulated by the National Bureau of Economic Research, however, suggests that the reality may be far different from this common belief.

The paper argues that there is a “revolving door” between the government and the private sector, through which people who work for the government later move on to jobs in the private sector and vice versa. This often leads to a serious conflict between public and private interests.

Government officials with dreams of landing high-paying jobs in the private sector in the future, for instance, have a very good reason to neglect their official duties. A top bureaucrat with the powers to affect how existing regulations are applied may favour certain private companies that promise to offer him high-paying employment in the future.

This risk of regulatory capture makes it quite hard to rely on government regulators to regulate private businesses in a fair manner. While all this is known to most economists, the paper tries to find hard data to prove its actual truth.

In particular, the authors study data from the U.S. Patent and Trademark Office to find out whether examiners favour the patent applications filed by certain companies over others. They find that patent examiners “grant significantly more patents to the firms that later hire them”, clearly suggesting the presence of strong rent-seeking behaviour.

In further support of their thesis, the researchers also find that ‘revolving-door examiners’ are more likely to grant patents to companies that are located near their residences. This clearly suggests that the personal interests of patent examiners affect their official decisions. ‘Revolving-door examiners’ are also found to be more likely to grant patents to friendly firms when hiring for positions is strong.

The study raises serious questions about the ability of the government to act as an arbiter of intellectual property rights. In fact, if the findings of the study are to be believed, it may be said quite strongly that government regulators are actively working to undermine the public interest.

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Last week Ram Kadam, a BJP MLA from Maharashtra, told the men in an audience that if they were interested in women who didn't reciprocate the feeling,

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