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Investigating the Impact of Property Rights on Rent-seeking in Selected OPEC and OECD Countries

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EXTENDED ABSTRACT

INTRODUCTION

Governments intervene in the economy because of correcting market failures and providing public goods, externalities, asymmetric information and increasing efficiency. But sometimes these intervention lead to the emergence of rent-seeking behavior. Rent-seeking has many bad effects, For example reducing creativity and innovation, spreading the individual rules and regulations, Prevalence of bribery and bribery, and distorting the structure of economic and social motivation and welfare loss. Therefore, it is important to identify the factors that influence the rent-seeking. By investigating and controlling these factors, it is possible to reduce the formation of rent-seeking and lead the economic growth and development.

METHODOLOGY

This article investigates the influencing factors on rent-seeking in two groups of selected oil exporting countries (OPEC) and selected countries from the Organization for Economic Cooperation and Development from 1996 to 2017. For this purpose, panel data regression is used. At first, by using Hadri-Rao test (a valid test that is including structural failure), the stationary of the data is checked and other pre-estimation tests are performed. Then, due to cross-sectional dependence, heterogeneity of variance and autocorrelation between the disturbance term in both groups of selected oil exporting countries and selected countries of Organization for Economic Cooperation and Development, the considered patterns are estimated using the Driscoll-Cray method.

FINDINGS

The empirical findings of this article indicates that in both mentioned groups, property rights, democracy and GDP per capita have a negative and significant effect, and military and inflation have a positive and significant effect on rent-seeking. The results also show that in the selected countries of the Organization for Economic Cooperation and Development, with the increase in education, the rent-seeking decreases. In addition, the increase in education has a significant and positive effect on rent-seeking exporting countries. Also, in oil exporting countries, oil rent has a positive and significant effect on rent-seeking. This result means that, with the increase of oil rent in these countries, people's motivation to do productive work decreases and they do more distribution activities.

CONCLUSION

The results of this study shows that property rights have a negative and significant effect on the formation of rent-seeking in both groups. With an increase of 1 unit in property rights, the formation of rent-seeking activities in Petroleum Exporting Countries decreases by 0.06 units and in the Economic Cooperation and Development countries, it decreases by 0.152 units. Military has a positive and significant effect on rent-seeking in both categories. With the increase of 1 unit in military, the possibility of rent-seeking in OPEC increases by 0.938 units and in OECD by 0.374 units. Also, an increase of 1 unit of democracy decreases of 0.911 and 0.197 units of rent-seeking in the OPEC and OECD groups, respectively, and has a significant effect. The next variable is education. In oil-exporting countries, education has a positive and significant effect on rent-seeking, and if one unit of education increase, rent-seeking increases by 0.119 units. But in OECD countries, education has a negative and significant effect on the formation of rent-seeking, and with an increase of 1 unit of education, rent-seeking decreases by 0.1 unit. The next factor is GDP per capita, which increases by 1 unit and it causes rent-seeking in both OPEC and OECD countries increase by 0.0001 units, and this effect is significant. In addition, oil rent in OPEC countries has a positive and significant effects on formation of rent-seeking. If the oil rent increases by 1 unit, the formation of rent-seeking increases by 0.146 units. Finally, inflation in both categories of countries has a positive and significant effect on rent-seeking. When the inflation increases by 1 unit, rent-seeking is increased in OPEC and OECD by 0.101 and 0.264, respectively.

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