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An Analysis of Third World Urban Housing

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**RENT SEEKING, RENT AVOIDANCE, AND INFORMALITY:  
AN ANALYSIS OF THIRD WORLD URBAN HOUSING**

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Any number of concepts and ideas have been set forth over the past two or three decades to describe and explain the various problems common to urban development in Third World countries. Perhaps foremost among these has been the notion of the urban informal economy, a topic that has generated an enormous literature and that has, despite (or even because of) considerable debate and argument, provided considerable analytic leverage when brought to bear on the topic of Third World urban development and underdevelopment. Yet while this concept has been indeed useful, it may become even more so if linked with two notions from applied economics, namely, the ideas of *rent seeking* (hereinafter sometimes referred to simply as R-S) and *rent avoidance* (R-A).

The terms, which are closely related, do not deal with the usual meaning of the term "rent", especially in the context of landlord-tenant relationships. Rather, rent here refers to "that part of the payment to an owner of resources over and above that which those resources could command in any alternative use" (Buchanan 1980: 3). Or, in other words, rent and rent seeking emerge in a situation when "an individual . . . invests in something that will not actually improve productivity or will actually lower it, but does raise his income because it gives him some special advantage or monopoly power" (Tullock 1980: 17). Examples taken from real life of R-S behavior generally involve payments made by an entrepreneur (or would-be entrepreneur) to a government to obtain the right (in the ideal, exclusive, but not necessarily so) to produce something. An importer may bribe an official or officials in order to be able to import certain goods or equipment that are necessary and valuable to them in a business enterprise. Indeed, such payments may simply be a way of doing business in some cases, where governmental bureaucracies and policies may be otherwise impenetrable or immovable. A rent-seeking economy or society is thus one in which a great many people invest money and other resources in seeking a job (or a privilege), thereby making these resources useless for any other purpose, that is, wasting them (ibid. 1980: 24). A state may also be thought of as rent-seeking if it imposes legal and other restraints, obstacles, burdens, and delays to such an extent that they make it necessary for a large percentage of its population to spend resources in rent-seeking activities or (especially, perhaps, its low-income members) to take steps to avoid such restraints.

