

PROPERTY RIGHTS, EXTORTION AND THE MISALLOCATION OF TALENT

PUBLICATION FACTS

JOURNAL

EUROPEAN ECONOMIC REVIEW

PUBLICATION DATE

2017

VOLUME/ISSUE

98

PAGES

86-110

AUTHORS

Ranasinghe, Ashantha

ABSTRACT

Extortion is a severe obstacle to doing business in many countries, varying both in its frequency and magnitude across establishments. This paper presents a model of extortion to account for these features and assess its quantitative effects. In the model, entrepreneur capital is subject to extortion which affects the extensive and intensive margins of entrepreneurship. Extortion rates are endogenous and hump-shaped across entrepreneurs despite common property rights. The quantitative analysis is guided by micro-level evidence related to extortion in Poland and yields a number of implications broadly consistent with establishment-level facts in developing economies. For measures of property rights within a plausible range, output losses can be upwards of 10 percent.(C) 2017 Elsevier B.V. All rights reserved.

Web Of Science
Times Cited

13

Journal Citation
Indicator

0.79