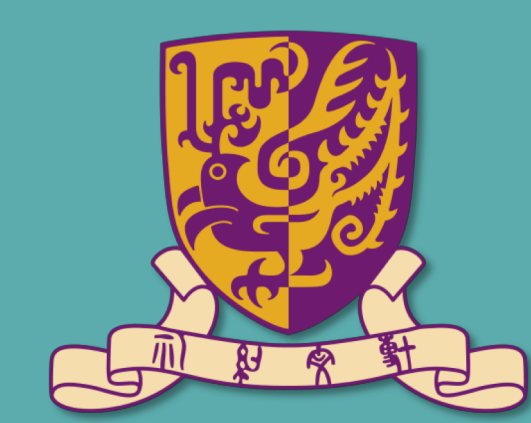


# ARE YOU AN ENTREPRENEUR OR A RENT-SEEKER?



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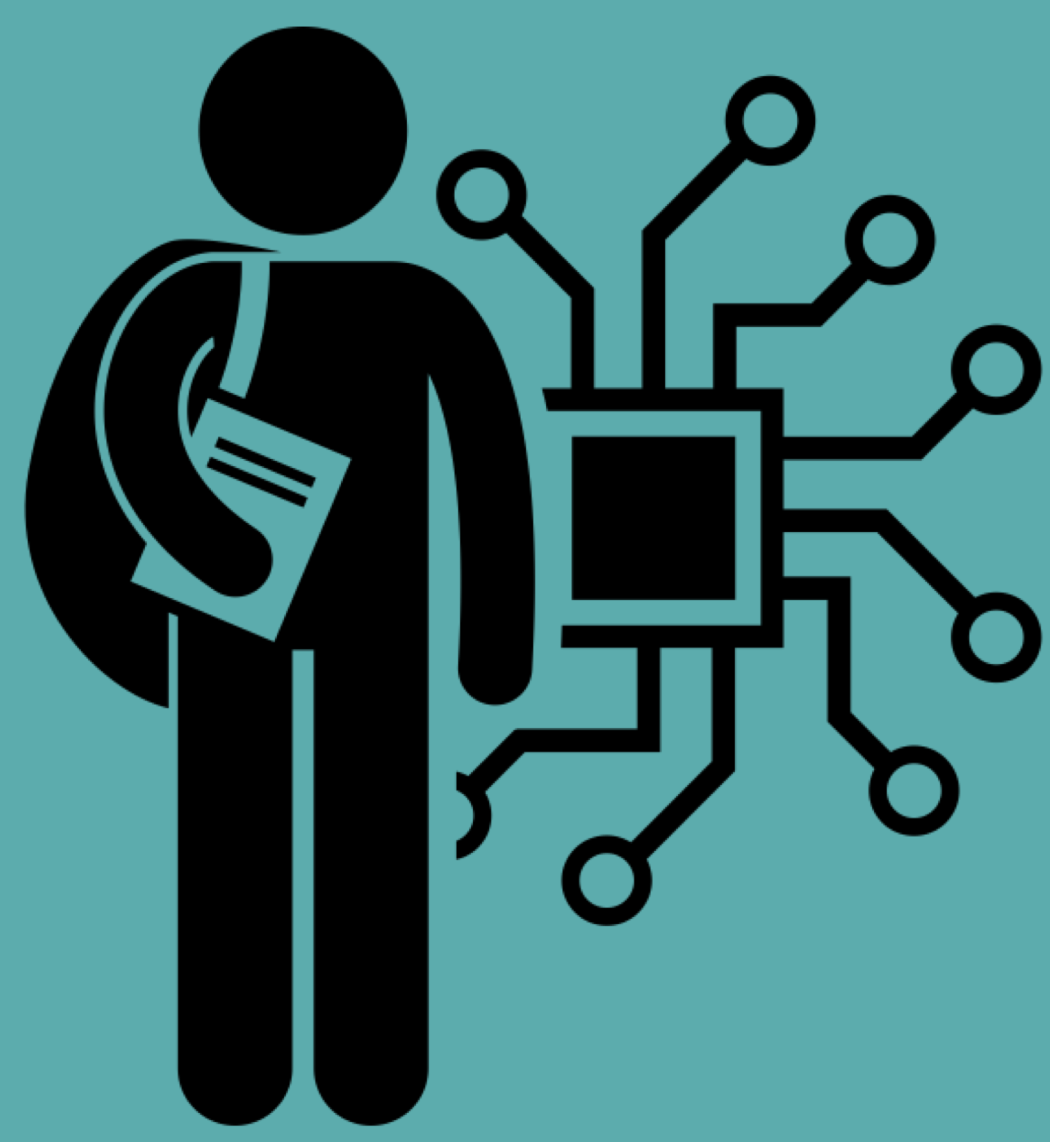

## Allocation of Talent

Nowadays, occupations are incredibly diversified. We can be economists, entrepreneurs, lawyers, doctors, bankers, scientists and many more.  
So, how do we make the deduction to our final choice? What factors would you consider when choosing your undergraduate major of study or when choosing your career?  
Murphy’s work on the allocation of talent concerns the factors which play into their decision-making process and the economic impact of the career choices of individuals. He examines how people’s career choices affects different measures of economic efficiency.



## Key Definitions

The research basically divided the occupational choices into two types of economic activities:

ENTREPRENEURSHIP	&	RENT-SEEKING
 <ul style="list-style-type: none"><li>• Contribution to innovation and creation in the social and economic development process</li><li>• Improvements of the skills and technology in the line of business they pursue</li><li>• Solid foundation and driving force of economic growth</li></ul>		 <ul style="list-style-type: none"><li>• The socially costly pursuit of wealth transfers</li><li>• Private returns resulting from redistribution of wealth and not from wealth creation.</li></ul>

## Factors Favoring Entrepreneurship & Rent-Seeking

How these three factors can make it an attractive choice for people:

	Entrepreneurship	Rent-Seeking
Market size	<ul style="list-style-type: none"><li>• Large markets for goods.</li><li>• Good communications and transportation that facilitate trade.</li></ul>	<ul style="list-style-type: none"><li>• Large resources go to “official” rent-seeking sectors, such as the government, or religion.</li><li>• Large wealth that is up for grabs, especially relative to smaller goods markets.</li></ul>
Firm size (diminishing returns to scale)	<ul style="list-style-type: none"><li>• Easy entry and expansion, few diminishing returns in operations, access to capital markets.</li></ul>	<ul style="list-style-type: none"><li>• Substantial authority and discretion of rent seekers (such as government officials, army, etc.) enable them to collect large sums unhindered by law or custom.</li></ul>
The nature of contracts	<ul style="list-style-type: none"><li>• Clear property rights, patent protection. No expropriation of rents by rent seekers. Ability to start firms to collect quasi rents on talent.</li></ul>	<ul style="list-style-type: none"><li>• Ability to keep a large portion of collected rents. In firms, observability of output that yields appropriate rewards.</li></ul>

### Introduction to Kevin M. Murphy

Kevin M. Murphy is a well-known economist in the United States and professor of economics at the Booth School of Business at the University of Chicago. Murphy was born in 1958. He received a bachelor's degree in economics from the University of California at Los Angeles in 1981 and a PhD degree in economics from the University of Chicago in 1986.

- 1997 “John Bates Clark Award”
- 2005 MacArthur Fellowship
- 2007 The Kenneth J. Arrow Award
- 2010 the winner of the Citation Laureates by Thomson Reuters Group

### Research Activities

The empirical analysis of inequality, unemployment, and relative wages; Economics of growth and development, the economic value of improvements in health and longevity.

“A groundbreaking empirical study of social economics involving wage inequality and labor demand, unemployment, addiction, and economic returns of investment in medical research and other areas”.

## Economic Applications

In application to economics, the allocation of talent bears enormous weight as it addresses individuals’ decision making concerning career choices as well as how individuals respond to incentives. Allocation of talent concerns not only private gains but societal returns. Murphy argues that individuals are incentivised by private returns, which need not have the highest social returns. Murphy reaches the general conclusion that the allocation of talented people to entrepreneurship is good for economic growth and their allocation to rent-seeking is bad for economic growth.

## QR Code for Our Webpage



Cantonese Narration

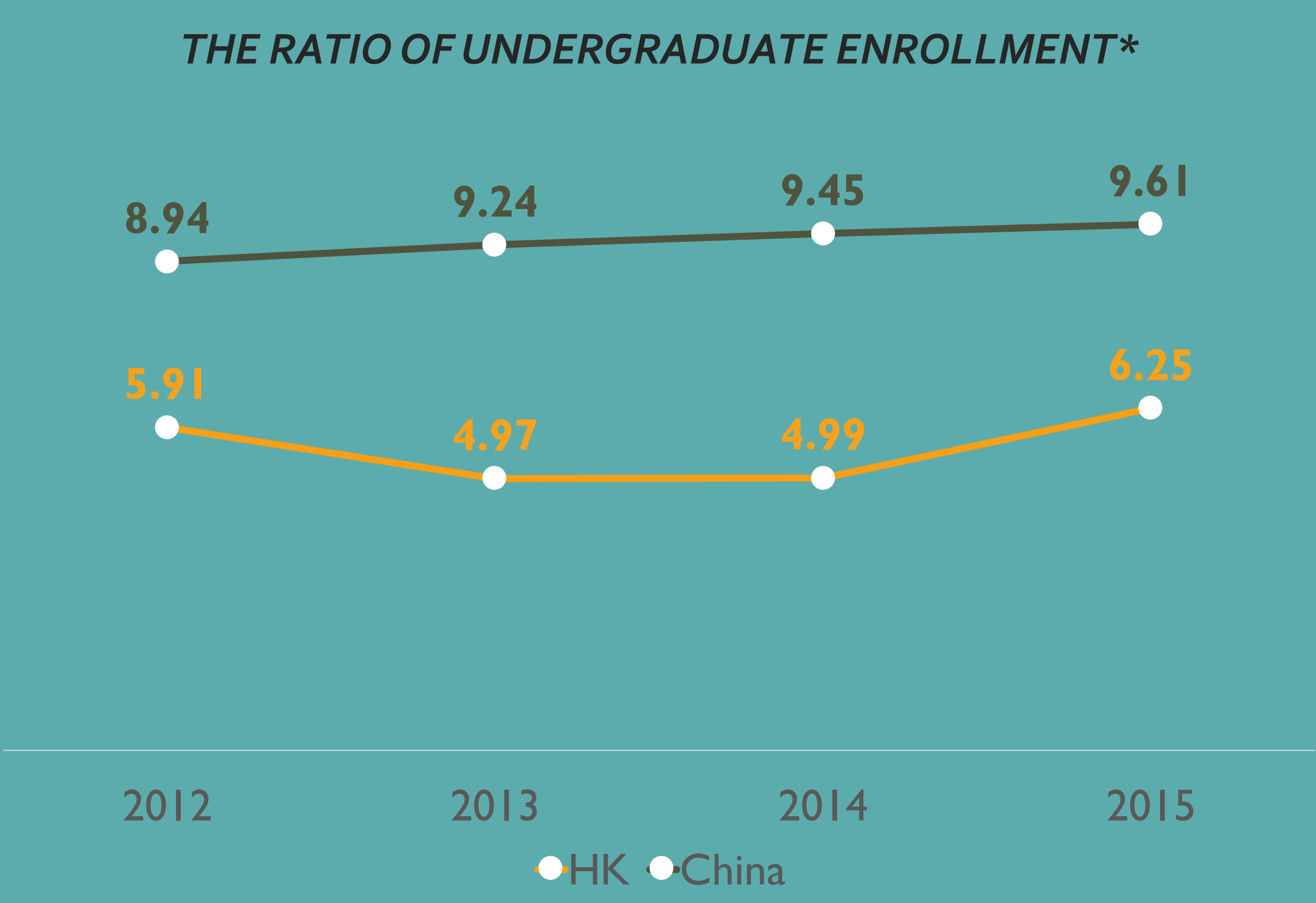


English Narration



Project Webpage

## HK & China Data



\*The ratio =  $\frac{\text{The number of undergraduate enrollment in Engineering}}{\text{The number of undergraduate enrollment in Law}}$