# Section 4: Rent Dissipation as a Mode of Thinking

Rent dissipation is not only a phenomenon, but also can be used as a mode of thinking. The ownerless income will dissipate because self-interested people will compete to own it. There is a Cantonese saying that “There is impossible to be such a big frog on the street”, which implies that if there is a big frog on the street, people will naturally try to catch it to cook. It is similar to the saying “Money doesn't grow on trees.”

As a mode of thinking, there are two uses for rent dissipation.

(1) If there seems to be ownerless income, there must be some hidden constraints behind that imply there is actually no income or the cost of obtaining the income is higher than it. There is a true story in ancient China that can best illustrate this point. Once some children found that there were full of plums on an ownerless tree by the roadside. They all ran to climb the tree to pick the plums except one who said, “These plums must be sour.” After the other children picked the plums and tasted, they found indeed so. They asked the smart child why he could knew in advance. He answered, “If the plums were sweet, would not they be picked long ago?”

From this ancient story to the reality nowadays, mango trees are planted as green trees in many southern cities, which attract many people to climb the trees to pick them when the fruit season comes. In fact, these green trees only bear green mangos that are small and sour compared with the mangos as fruit. Even so, as long as there is such a little profit, people will take the risk of falling from trees to climb and pick, so that some cities consider replanting other green trees without fruits.

This use of rent dissipation helps the economists who are engaged in economic explanation or empirical test to realize that there may be constraints they do not notice.

(2) If there is ownerless income in an economic analysis, it must be wrong. It is a quick and accurate way to judge whether a theory is right or wrong. A theory that is mathematically proved is only right in logical reasoning from the premise to the conclusion. However, because there is not content in mathematics, it is impossible to guarantee or verify the economic implication of the premise and conclusion. By contrast, as a mode of thinking, there are rich economic implications for rent dissipation that are directly related to the postulate of self-interest. Therefore, an analysis that is wrong seen from rent dissipation must be wrong in the economic implications against the postulate of self-interest.

Attention: That the ownerless income will be dissipated by competition means that it will drop to zero marginally, not that it will all dissipate, because there will still be income (rent) within the margin that cannot be dissipated by competition. Take the example of fishing on the high seas, anyone can fish, but if one has particularly better fishing skill and will get much higher fishing income that cannot be dissipated by the other competitors, so he is the owner of the higher fishing income (rent). Strictly speaking, the rent is the return for his superb fishing skill that is unique to him, and others cannot overcome this threshold to compete with him without learning or talent, so the higher fishing income is a monopoly rent.