

# Made markets: entrepreneurial rent-seeking and institutional change in the forestry sector

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The paper aims to enhance the understanding of the role played by institutional entrepreneurship, by means of rent-seeking in the evolution of forestry markets. Forestry markets are analysed using heterodox approaches of economic theory that see markets as a set of institutions that emerge spontaneously from complex, largely uncoordinated processes, which oppose “human actions” to “human design”. The institutional design of markets allows for institutional changes by way of innovation which means that actors can make a profit from violating institutional practices in a socially legitimized way (Beckert, 1999:787). In this respect, the main emphasis of the paper is that the creation and evolution of markets is shaped by the interplay between profit-seeking and rent-seeking activities performed by market actors. The conventional entrepreneurial activity, recognised since Schumpeter, leads to the introduction of new combinations of resources and technology into the market (Douhan and Henrekson, 2007:4). At the same time, since markets are *organized and structured* by institutions, rent-seeking activities are expected to occur from entrepreneurs perceiving opportunities to capture rents by changing the institutional boundaries of the market. Consequently, forestry markets cannot simply emerge and evolve, but they are the result of a form of entrepreneurship that reaches beyond product or technological innovation (Lawrence et al., 2002:283). The proposed research takes into account that the efficacy and efficiency of forestry markets depends on how ‘the rules for markets’ and ‘the rules within markets’ are created, maintained or transferred. Decisive rules of the game in forestry markets are property rights which determine marketability and enforcement options. Rent-seeking is thereby perceived as the entrepreneurial creation or discovery of rents, resulting from efforts spent in ongoing market and political processes to influence the allocation of property rights in a continuous path-dependent spontaneous evolution (Benson, 2005:109). Hence, this research proposes a framework for analysing entrepreneurial rent-seeking activities in political processes and market transactions intended to create opportunities for profit-seeking through a redefinition of property rights.

***keywords:*** rent-seeking, institutional entrepreneurship, property-rights, forestry markets

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