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Hiding the Rentier Elephant in Plain Sight: The Epistemology of Vanishing Rent

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Abstract

Economic rent is defined as excessive financial returns made possible by control or monopoly over a particular market. A minority of economists suggest that we live in an era of "rentier capitalism" characterized by exploitative extreme wealth. Their arguments are framed in new and powerful ways, but their focus has a long heritage, flowing back to classical economists such as Adam Smith who criticized the wealthy for reaping "where they never sowed." While interest in rentierism is growing, other economists, including on the left, disagree that rentier gains underpin most extreme fortunes today. I introduce the concept of "ignorance pathways" to raise new points about the perceptual divide between those who "see" rent and those who do not. Mapping different ignorance pathways within modern economic thought, I theorize the reasons for why rentier returns remain "unseen". Terminology is policy: it is harder to make a policy case for redistributing rentier returns when the contentious object of scrutiny — in this case "rent" — is believed to be something that does not exist.

Keywords: Rentier Capitalism; Economic Inequality; Exploitation; Ignorance Studies; Billionaires.

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1 Introduction

> I don't see anyone on the [Forbes 400] list whose ancestors bought a great parcel of land in 1780 and have been accumulating family wealth by collecting rents ever since. (Bill Gates, 2014)

> I don't look at the world today and see that the commanding heights of capitalist power are occupied by rentiers or passive rent extractors. (J.W. Mason, 2021a)

You have probably heard of the first person quoted above: Bill Gates doesn't need an introduction. The second quote is from an economist known in academic circles, but less so outside of them. J.W. Mason is a left-wing economist who works at City University of New York, and who has a popular blog breaking down some of his important work in macroeconomics. He supports valuable socialist causes, contributing articles to the left-wing US magazine *Jacobin* with headings such as "Why college should be free;" "Why rent control works," and "Karl Marx and the corporation." But when it comes to a topic that preoccupied classical economists in the eighteenth and nineteenth century — the question of how much wealth is "productively" earned, versus how much accrued from rentier gains — Mason's position aligns closely with that of Bill Gates. As the quotes above indicate, they agree that "rent" is not a major source of wealth concentration today. Other people disagree with them.

Albeit with nuanced differences among their arguments, a growing number of scholars insist that rentier gains do underpin the fortune of billionaires like Gates (Christophers, 2020; Hudson, 2011 & 2014; Piketty, 2014; Mazzucato, 2018). My aim is not to establish who is "right". Indeed, one of my arguments is that definitive, incontestable answers on either side might be impossible, because categories such as "rentier extraction" and "unearned wealth" are descriptive, mutable classifications, rendered more "real" as a result of legal, political, and disciplinary shifts that have made rentiers more apparent in some sectors and eras than in others. Like children riding on a carousel, the visibility of rents dip in and out of sight depending on statistical measurements and disciplinary axioms that make the problem more apparent at different times.

This article tracks the phenomenon of disappearing and reappearing rent over a 200-year period. This historical scope is useful for a few reasons. First, it helps to correct a tendency in some recent studies in economic sociology to make untenable assumptions about the nineteenth century, including the claim that what distinguishes neoliberalism is the active use of the state to subsidize and steer market activities. Such analyses neglect the fact that western governments were also interventionist in the nineteenth century, a period wrongly seen as a time when the market was more "disembedded" than it really was (Stahl, 2019; Watson, 2018; McGoey, 2019). Second, the scope illuminates a historical shift central to understanding why "rentier" wealth ceased to be a primary focus of neoclassical economists over the twentieth century: the marginal turn in theories of economic value and economic productivity which entrenched new understandings of income distribution.

Studies have shown how the marginal turn led to a major paradigm shift in the twentieth century onwards: labour theories of value subscribed to by classical economists such as Smith, Ricardo and Marx were replaced, in mainstream economic theory, by "subjective" theories of income distribution influenced by John Bates Clark and other marginalist thinkers. This shift occurred despite even right-leaning economists such as Frank Knight and Joseph Schumpeter perceiving severe problems with Clark's formulation, namely that it side-lines the role of both luck and the law in benefiting some individuals and groups over others (McGoey, 2017;

Schumpeter, 1972[1954]). The marginalist turn's implications when it comes to labour theories of value have been noted across the social sciences (Mazzucato, 2018), but more attention is needed to how changing understanding of economic value relate to disciplinary and public perceptions of the existence of economic rent.

I argue that despite recent interest in rentierism from heterodox and mainstream economists, these studies are the exception. The common tendency today is to restrict rent to financial rents. This cleanses fortunes made through, for example, retail sales at companies such as Amazon of the type of moral disrepute that earlier classical economists associated with land monopolies and usury. Other studies have called attention to the political economic origins of rentier power today (Arboleda & Purcell, 2021; Birch, 2019; Birch & Cochrane, 2021; Christophers, 2020), as well as moral implications of the rise of rentiers who "extract" rather than adding value to society (Mazzucato, 2018; Sayer, 2014, 2020). But this previous work does not focus on the epistemological points that I raise.

The structure is as follows. First, I survey recent work on "rentier capitalism" from Christophers and others who argue that rentier extraction is a real but underexamined reality of capitalist exchange today. Then I examine the opposite view from economists on both the right and left who suggest that "rentierism" is rarer than scholars such as Christophers claim, providing context to Mason's comment in the epigraph above, where he —- much like Bill Gates —- suggests that rentier gains are *not* a central feature of the "commanding heights" of wealth accumulation today. My last section introduces the concept of "ignorance pathways", defined as socio-historical mappings of how a phenomenon came to be imperceptible or ignorable in the present, to theorize the origins and social implications of this perceptual divide.

2 Seeing Rent

In economics teaching and mainstream research, economic rents are broadly defined as an excess of payment to the owner of a factor of production above the cost needed to bring that factor into use of production. This definition, while succinct at first glance, raises key deeper questions that lie at the heart of ongoing social sciences debates over the pervasiveness of rentier gains. Different elements make rent a nebulous phenomenon: including 1) determining what is an "excessive" payment, and 2) extricating and delineating which political resources are most instrumental, including patents and other political entitlements, in enabling exclusive ownership of an asset. Bringing these political elements into clearer focus has been a key goal of recent work of rentierism from political economists who have added nuance to the general definition above. Christophers, for example, defines rent as: "income derived from the ownership, possession or control of scarce assets under conditions of limited or no competition" (Christophers, 2020, p. xxiv; Standing, 2016, offers a similar definition).

Christophers emphasizes that "like all important economic concepts, 'rent' is blurred at the margins. There is no cut-and-dried distinctions" (2020, p. xxv). This blurriness has led different economists to emphasize different conceptions of rent in different periods. Keynes, for example, treats rent as a mostly financial phenomenon, primarily derived from financial speculation in global markets. This treatment led him to suggest in his *General Theory of Employment, Interest and Money* (1935) that the state could and should take stronger control of different types of private financing (Watkins, 2010; McGoey, 2018). He thought a state-led system could battle problems such as usury, leading eventually to the "euthanasia of the rentier, and, consequently, the euthanasia of the cumulative oppressive power of the capitalist to exploit the scarcity-value of capital" (Keynes, 2017[1935], p. 326). As Pettifor (2008) points

out, Keynes was critical of financial rentierism because, much like the problem of land rents and absentee landlord entitlements that worried classical economists, it "rewards no genuine sacrifice, any more than does the rent of land".

Keynes's phrase "scarcity-value" is the key for understanding a major shift that took place in attitudes to rent over the nineteenth century and into the early decades of the twentieth century. Classical economists treated rent as chiefly linked to land rents, and thus generated when the fixed supply of land conferred advantages on owners regardless of any effort by the owner. Dictionaries and encyclopaedia definitions are a useful resource for understanding classical treatments of rent because they offer a "consensus" understanding of mainstream attitudes in different eras. The current online Britannica entry for "rent", for example, written by Boulding et al. (1998), explains that for classical economists such as Smith "rent was the income derived from the ownership of land and other natural resources in fixed supply."[1]

Smith's analysis is introduced in Volume 1 of *Wealth of Nations* (1997[1776]), where he offers an influential perspective on land fertility and its effect on the supply and demand of agricultural produce. Smith recognized that demand for agricultural produce led owners to exploit as much land as possible, cultivating even the most unpromising, least fertile land when the expense of doing so was at least marginally covered by the prices that any produce could command on the market. When it came to weaker land, the profit might be negligible: the price might barely offset the expense and effort of having to coax out sellable produce from comparatively arid, fruitless soil. But that price then conferred additional benefits for owner when it came to their *most* fertile land, because the price differential there was much more advantageous for them. The price achieved from weak land reflected "zero rent", whereas, at the other extreme, the most fertile land commanded the same price for a greater abundance of produce, leading to higher rewards for owners — a "free gift of nature" despite no extra effort on their part (Boulding et al., 1998). Later, this "free gift" of nature would come to be known in economics as "natural capital", defined as "natural resources capable of producing a surplus stock or profit without direct human intervention" — although without recent scholars of natural capital necessarily tracing their definition to Smith's earlier understanding of rent (Wolloch, 2020; see also Battistoni, 2017).

The Britannica entry on "rent" is, understandably, a clinical, dispassionate assessment of consensus views on rent in "classical" and "modern" economic thought. But the inclusion of the phrase "free gift" is open to misinterpretation because it implies that classical economists were neutral or even approving of the use of nature's "gifts" for personal gain. But the opposite is true. Smith censured landowners in *Wealth of Nations*, writing that as "soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce" (1997[1776], p. 47). Smith recognized, as did his contemporaries, including James Maitland, the eighth Earl of Lauderdale (1759–1839), a distinction between private profits and public wealth that later Marxist thinkers dubbed the "Lauderdale Paradox", derived from Maitland's book, *An Inquiry into the Nature and Origin of Public Wealth and into the Means and Causes of its Increase* (1804), where Maitland argued that an increase of private fortunes tends to decrease the wealth available to the general public (Clark & Foster, 2010). A similar concern underpins Piketty's $r > g$ formula, which he uses to show that private returns to capital in most advanced

1. The Britannica entry on "rent" is attributed to four authors — K. Boulding, P. Kleinsorge, O. Schmitt and J. Pen, and with every refreshing of the webpage, different names appear to the reader as "first" author. I have used "Boulding" in the in-text citation because he is the first author alphabetically. Last accessed April 2021.

economics today are growing at much higher rates than overall national wealth, worsening inequality (Piketty, 2014).

Smith and his immediate successors did not treat the wealth of nations as a "full-sum" game, where private wealth for some inevitably enriches a wider polity. Ironically, pithy extracts about the invisible hand are cherry-picked from *Wealth of Nations* today to insist that Smith *did* see an intrinsic connection between private fortunes and public wealth, but any close reading of *Wealth of Nations* leads to a far more nuanced conclusion (Norman, 2018; McGoey, 2019). Smith was critical of usury, calling for ceilings on interest rates and government regulation of extortionate lending, suggesting that he had a prescient, earlier awareness of the problem of financial rentierism. But he largely focused on land rent, as opposed to later thinkers such as Keynes who emphasized unearned gains from financial speculation.

In light of this historical shift, scholars such as Dirk Bezemer and Michael Hudson (2016) suggest that a key goal of economics should be "capturing the specific forms that 'unproductive' revenues take in a particular era" (p. 752). Following the classical focus on land rents, mid-twentieth century scholars like Keynes tended to emphasize rents from stock market speculation, while for Bezemer and Hudson, a key source of rentier wealth today is mortgage and other types of household debt, something that has skyrocketed in the past half-century. This approach to rent — which treats understanding of different types of rent in a sort of evolutionary way, with earlier classical attitudes to land rent seen as gradually expanding to include other types of "unearned" income — has some explanatory advantages, discussed below. But it also has epistemological limitations, discussed in my final section.

The main analytical advantage is that it underscores a key historical shift, which was the realization that rents could be generated not simply from resources that were physically scarce, like land, but also from resources that are *made* scarce to benefit private interests, including through different types of intellectual property protection and other government licenses, a problem that Henry George perceived with railroad contracts in the nineteenth century. This led "institutional schools" of economic theory and policy-making, strongly influenced by Georgian thought, to propose policies intended to curb rentier gains through different forms of anti-trust laws, nationalization, and by taxing rents from "unearned" income such as capital gains more severely than other forms of income (McGoey, 2017; Mazzucato, 2018).

For Keynes, the "artificial" quality of this type of "scarcity-value", the fact that legal and political conventions alone — rather than physical limits like land availability — made it possible for rentiers to monopolize even something that had no fixed limits on it struck him as an even more pernicious type of unearned gain than land rents. The illusory nature of financial rents, the fact that they are generated from the 'cumulative oppressive power of the capitalist' rather than a physical limit like land scarcity, made him confident that financial rents were likely to be better curbed by governmental intervention in the future — a view that was bolstered by successful efforts over the early twentieth century across western advanced industrial nations to tame rentier power through various taxation and policy measures. In the UK, from the 1940s to 1970s, as Christophers (2020) writes, "both financial and landed-property interests — the dominant rentiers of the past — were effectively shackled" (p. 4). The "big 5" banks were tightly regulated by the state, which dictated liquidity requirements and lending prioritizes, and many companies came under public ownership, a pattern reversed in the 1980s (Millward, 1997).

In the US, marginal tax rates exceeded 70 percent on the top earners, a policy deliberately imposed, as two leading economists of income inequality describe, to "constrain the immoderate, and especially unmerited, accumulation of riches" (Saez & Zucman, 2019). Today, although there are growing proposals are growing increase taxes on the wealthy, endorsed most

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recently by the IMF (Inman, 2021), there hasn't been, until very recently, nearly the same public condemnation of rentier gains that prevailed in the early to mid-twentieth century. The very idea of "unmerited" accumulation of wealth is far less common today than in the nineteenth century, when "unearned" gains from both inherited wealth and gains from stock speculation were widely held in disrepute, leading industrial magnates like Andrew Carnegie to lie about having engaged in stock speculation, routinely denying having made money from the stock market when really he had (Nasaw, 2006).

A curious transformation has taken place: rather than the rentier being euthanized, it is the belief that rentiers *exist* that has disappeared, obliterated from mainstream economic theory — extinguished as a core, central focus of analysis despite financial rents growing on a scale that would have astonished Keynes.

Only a minority of economists in mainstream and heterodox traditions focus on the problem of rentier wealth. One of them is Mariana Mazzucato who argues that the wealthy are often rewarded not for genuine value-creation but rather from extracting wealth from the public. The way that "value" is taught in mainstream economics programmes and understood by policy-makers helps to enable "value-extracting activities to masquerade as value-creating activities" (Mazzucato, 2018, p. xviii).

Hudson makes a similar point, detailing shifts in economic theory that have led "unearned income" — a key concept in the nineteenth and early twentieth century — to disappear from economic thought, leading to destructive economic activity being accepted as "value-creation" because it contributes to measurements of GDP and making nations appear wealthier even when wealth is concentrated in fewer hands. Hudson sees the finance sector as acting like a parasite on the "real" economy, with managers "squeezing out higher profits by downsizing and outsourcing labor[...] In due course, the threat of bankruptcy is used to wipe out or renegotiate pension plans, and to shift losses onto consumers and labor" (Bezemer & Hudson, 2016, p. 747; see also Hudson, 2014 and Baker et al., 2018).

Renewed interest in rentier gains has grown in tandem with recognition that income inequality is worsening in nearly every nation globally (OECD, 2012). Books like Piketty's *Capital* (2014) and Christophers' *Rentier Capitalism* (2020) have placed inequality and the rents that exacerbate it "squarely in the spotlight" (Christophers, 2020, p. xix). Piketty's book is not primarily focused on rentier wealth, but it helps to unbury the obscured role that rents play in the economy by showing, much as the Lauderdale Paradox suggests, that private wealth often drains rather than increases public wealth. It was not an entirely new argument, but rather reinforced the message of earlier data he and colleagues had collected for decades (c.f. Piketty & Saez, 2003). Scholars such as Lisa Keister have also raised similar concerns (Keister, 2005; Hacker & Pierson, 2010). But Piketty's book was a catalyst sparking wider interest in what Keynes described as the "outstanding faults of the economic society in which we live[...] its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes" (2017[1935], p. 323).

Piketty's (2014) book compelled even the largest winners in today's economy to acknowledge that inequality is a problem, including Bill Gates. But there's a key difference: Gates does not concede that inequality is driven by rentier, exploitative gains. The remark from Gates that I quote at the outset of this article comes from his review of Piketty's book, where he agrees with Piketty on some points, but also criticizes what he calls "important flaws" — namely, Piketty's emphasis on rentier gains. Gates writes:

> Contrary to Piketty's rentier hypothesis, I don't see anyone on the list whose ancestors bought a great parcel of land in 1780 and have been accumulating family

> wealth by collecting rents ever since. In America, that old money is long gone — through instability, inflation, taxes, philanthropy, and spending (Gates, 2014).

Gates's argument is questionable on two fronts. Firstly, he underestimates the role the inherited wealth and other intergenerational transfer play in wealth concentration in the US economy today, accounting for estimated 35 to 45 percent of all wealth in the nation, sharply reinforcing racial and class-based forms of disadvantage (Feiveson & Sabelhaus, 2018; Pfeffer & Killewald, 2018; Sawhill & Rodrigue, 2015).[2] Secondly, even if he *did* acknowledge the major role that inheritance plays in wealth divides today, his view would still be a narrow understanding of rent, because his definition is limited to inheritance from "old money", rather than rentier gains from patent protections, for example.

It's not surprising that Gates would insist that most wealth today is not "rentier" in the sense of being unearned wealth. His stance is characteristic of the mega-rich, reflecting a longstanding tendency in different eras to insist that one's accumulation is more ethical than earlier generations, such as Carnegie's tendency to lie about having made money from stock speculation at a time when doing so was viewed disapprovingly by wider society, or John D. Rockefeller Sr's insistence that his wealth "was a gift from God" while shielding himself from evidence of worker exploitation at his mining camps. When called to testify before the Walsh Committee on Industrial Relations held over 1913–1915, Rockefeller Sr said that the best way to support workers was through "fair wages", but when asked by the Committee chair, Frank Walsh, whether he was aware of his workmen's complaints of working in dehumanizing, underpaid conditions, Rockefeller Sr replied, "No sir. That would not come to me. That would be a matter of detail that would come to the proper officials" (Walsh Commission, 2017[1916], p. 8303; see also Arnove & Pinede, 2007).

Rockefeller's son also testified. When questioned about the Ludlow Massacre of 1914, where dozens of people died at the Rockefeller-owned Colorado Fuel and Iron Company, including women and 11 children, Rockefeller Jr, like his father, professed to have no knowledge of draconian, harsh management commands that gave rise to a strike, angering Walsh who exclaimed: "Is it a part of your plan not to learn or to even hear of these conditions?" (New York Times, 1915). Both father and son insisted that wages and working conditions were "fair" and morally defensible, while insulating themselves from any evidence otherwise — a recurring pattern in modern industrial relations (McGoey, 2019).

Similarly today, when Gates insists, wrongly, that "old money" plays no significant role in today's economy, or when he restricts the definition of rent to land rents from inherited estates, it's not a surprising stance given that his own fortune grew from advantageous patent protections and financial speculation that created artificial scarcity for wider society while his own fortune mushroomed.

What is more surprising is agreement from the political left, leading to an unusual and little-discussed epistemic alliance that requires more analytical attention. When left-wing economists agree that many large fortunes today are not rentier in nature, it helps to legitimates the *absence* of rentierism as an "objective" reality, rather than a self-invested perspective. In epistemological terms, it confers an "ignorance alibi" on billionaire beneficiaries, helping them to insist that a phenomenon does not exist, rather than being simply imperceptible by those who have an incentive not to see it (McGoey, 2012 & 2019).

My final section explores the historical origins and the social implications of the see-sawing visibility of rentier gains. Building on work by Hudson, Mazzucato and others, I explore the

2. Thanks to DT Cochrane for a helpful suggestion here and additional reference suggestions.

relationship between the marginalist turn in the late nineteenth century and the "vanishing" of rent today. But I also highlight limitations in recent work on rentierism that scholars like Mason have seized upon, leading to an impasse in understandings of rent that has important but neglected epistemological and social implications.

3 The Rentier Carousel and Its Social Implications

What powers the rentier carousel, bringing different conceptions of rent into sight in different periods? The answer is perceptions of economic value, and specifically shifting understandings of value over the modern period. Classical political economists such as Smith, Ricardo and Marx largely subscribed to a labour theory of value. Although Ricardo and Marx reached starkly different normative conclusions, a starting point of labour theories was Smith's argument that a commodity's price reflected a combination of three "component parts": wage, rent, and profit. As Vianello describes, Smith describes the components as "the three original sources [...] of all exchangeable value" (Smith, 1997[1776], Vol. 1, quoted in Vianello, 1990, p. 233).

Smith (1997[1776]) writes in Vol. 1 that "the natural price itself varies with the natural rate of each of its component parts, of wages, profit and rent" (quoted in Vianello, 1990, p. 233). This wording is sometimes misperceived as evidence that Smith belief that a commodity's exchange value reflected a legitimate, "natural" rightful distribution to each component part. But in reality, his *Wealth of Nations* extensively criticizes the efforts of merchant and landowner classes to gouge the proportion received as profit or rent at the expense of returns to labourers, encapsulated by Smith's famous remark that "Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labour." Smith also perceived an important point that I return to below: that the law plays a strong role in advantaging wealthier classes. He made an insightful point, for example, about what would later come to be called bargaining power, pointing out that the law unfairly favoured the owners of capital over workers when it came to "combining" (forming in early versions of unions). As he put it, there are "no acts of parliament against combining [with other merchants] to lower the price of work; but many against combining to raise it" (Smith 1997[1776], p. 65).

At the turn of the twentieth-century, theories of economic value shifted away from the classical approach. The preoccupation with how laws and acts of parliament affect the distribution of income was side-lined by the "marginal turn" which reduced Smith's stylized conception of three central economic orders (landowners, merchants and labourers) to two general factors of production: capital and labour, as well as a novel understanding of income distribution which suggested that, in situations of "perfect competition", the factors of production receive a distribution of income that is proportionate to the economic value they have contributed to the production process.

Where did the shift come from? A number of late nineteenth century economists pioneered the rise of the marginalist turn in economic thought, including Alfred Marshall and Léon Walras. But as Schumpeter, Stigler and Knight separately pointed out, the economist most responsible for new attitudes to the "natural law" of income distribution was John Bates Clark, an American economist whose influential book, *The Distribution of Wealth* (1899), developed a powerful defence of industrialist capital-owners at a time when bloody struggles over income distribution were being waged in the factories and mine camps owned by Rockefeller, Carnegie and other robber barons (Schumpeter, 1972[1954]; Stigler, 1980).

In an influential passage in *The Distribution of Wealth*, Clark (2012[1899]) suggests that the

> distribution of the income of society is controlled by a natural law, and [...] where natural laws have their ways, the share of income that attaches to any productive function is gauged by the actual product of it. In other words, free competition tends to give to labor what labor creates, to capital what capital creates. (p. 3)

Ever since his theory emerged, economists on the left and the right have raised concerns about its scientific legitimacy. Clark himself was clear that it was an idealized theory, reflecting a stylized picture of income distribution that rarely applies in practice because the "frictions" of imbalanced, real-life markets perverted any natural "law" from holding true (Morgan, 1993; Stabile, 1995). Frank Knight was concerned about the "law" from a right-wing perspective because Knight feared that it would enable labourers to use union power to flaunt disproportionate wage gains as legitimately earned (McGoey, 2017). But regardless of persistent criticism of Clark's "law" (Schumpeter, 1972[1954], for example, used scare quotes when he wrote about it — to stress that it wasn't really a law), variations of Clark's formulation took hold in mainstream economic theory, entrenching the spurious belief that one's income "naturally" reflects the economic contribution made by the recipient. The notion of "excessive" income is drained of the moral censure that Smith once attached to the wealthy reaping "where they never sowed." Today, near-identical wording to the exact phrasing that Clark used to describe the "natural" law of income distribution is repeated bestselling macroeconomic undergraduate textbooks — while Clark's stipulations about market imperfections that prevent his theory from holding in practice are either accidentally or deliberately ignored. Gregory Mankiw, for example, a long-standing Republican advisor, Harvard economist, and author of the bestselling textbook *Macroeconomics* (2013b), describes income distribution this way in his textbook: "If all firms in the economy are competitive and profit maximizing, then each factor of production is paid its marginal contribution to the production process" (p. 55).

In a different text, Mankiw acknowledges that in the real world there *are* times when the income distribution does not fairly reflect value contributions, such as when "a person's high income results from political rent-seeking rather than producing a valuable product." But he also adds a caveat, claiming that in capitalist nations such as the United States this type of rentier gains are generally rare: "My own reading of the evidence is that most of the very wealthy got that way by making substantial economic contributions, not by gaming the system or taking advantage of some market failure or the political process" (Mankiw, 2013a, p. 30; see also McGoey, 2017).

This is a questionable point. Against Mankiw's claim that rentier returns are rare in advanced capitalist economies, scholars such as Hacker and Pierson (2010) have carried out detailed empirical studies of legislative changes that have compounded returns to capital at labour's expense. Across most OECD countries, labour's share of national income fell considerably over the past three decades, a problem also growing more severe in emerging major economies such as China (Burger, 2015; OECD, 2012). Today, as executive pay skyrockets, more economists have begun to resuscitate mid-century concerns about the legitimacy of standards economic theories of income distribution, reiterating concerns from 1950s and 1960s, when economists such as Joan Robinson saw marginal productivity as a brazen tool of elite power, furnishing spurious legitimacy upon excessive rewards to capital owners. "The dominance in neo-classical economic teaching of the concept of a production function," she wrote, "has been a powerful tool of miseducation" (Robinson 1953, p. 81).

Mazzucato has made the same point, pointing out that reasoning behind neoclassical income distribution theories

> is circular, a closed loop. Incomes are justified by the production of something that is of value. But how do we measure value? By whether it earns income. You earn income because you are productive and you are productive because you earn income. So with a wave of a wand, the concept of unearned income vanishes (Mazzucato, 2018, p. 12).

The marginal turn has made it easier for economics as a discipline to side-line questions of law and power in favour of idealized models of markets "as if" they were competitive (Moseley, 2012). As Katharina Pistor writes, over the twentieth century, capital accumulation owed "as much to the state and its laws as its predecessors, only that this nexus is now denied" (2020, p. 170). Contra the arguments of Mankiw, even mainstream economists such as Dani Rodrik — who accepts marginal productivity as a useful starting point — admit that it may have thwarted more study of the role of political power, including political and legal factors such as bargaining power and democratic rights, in increasing returns to labour or capital (Chu, 2016; Rodrik, 1999). In a similar vein, Robert Solow (2017) has pointed out that it is difficult to know precisely *how* disproportionate returns to capital are in today's advanced economies, or just how big a role that lobbying and other types of rent-seeking play in wealth gains, because there is "no direct measurement of rent in this sense".

In short, it's *not* that economists don't realize that marginal productivity theory is deeply flawed — they do. The interesting question isn't why its flaws aren't more obvious, but why it remains entrenched despite its flaws being *so* obvious. Many scholars within heterodox and mainstream believe, as the economist Chris Dillow puts it, that "marginal product theory doesn't make much sense as an explanation of wage levels" (Dillow, 2017). But Dillow's call to "abandon it as mental model in favour of bargaining models" remains a minority view. In epistemological terms, the theory's lack of realism immunizes it from being conclusively disproven. Take Mankiw's wording quoted above: "*If* all firms in the economy are competitive and profit maximizing, *then* each factor of production is paid its marginal contribution" (emphases added).

The "if" in this sentence is an epistemological ace up the sleeve allowing the theory's proponents to forever trump detractors by saying the theory *might* be hypothetically true if other usefully ambiguous criteria like sufficient "competitiveness" are satisfied. The inherent elasticity of the axiom militates against its own undermining. Meanwhile, returns to capital continue to flow upwards while wages for the vast majority of workers stagnate or decline in real terms — and not just *any* returns. According to standard economic theory, this upwards deluge is "earned" wealth rather than "rentier" in nature. Why? Because standard economic theory says so.

Critics of the "standard" position see the tautology at play, recognizing that if rent is unseen in standard models, the problem might be attributable not to the inexistence of rent, but to the narrowness of models for detecting it. As Christophers (2020) puts it, rentierism today is a "much more important phenomenon to contemporary capitalism than Marx or Keynes could ever have imagined, and than mainstream economics allows" (p. xxvii).

And yet, even valuable work from Christopher and others has its limits, because it doesn't address a key epistemological conundrum: *why* is "rent" less visible today than in Keynes's time? Or Robinson's? Or Marx's? Take Mazzucato's statement above, that "with a wave of a wand, the concept of unearned income vanishes." It's a little misleading, skirting the question of who gets to wave the wand, painting political struggles as inevitable or arbitrary rather than traceable to different social causes and incentives.

In contrast, I suggest that if most economists today across the political spectrum choose not to or are simply unable to "see" or model rentierism, then their myopia has a social history. In earlier work (McGoey, 2019), I introduced the notion of "ignorance pathways" as a conceptual device for charting the reasons why different societal absences are produced and maintained. Building on my earlier analyses of the social and economic uses of ignorance (McGoey 2007; 2012 & 2017; see also Bacevic, 2020; Best, 2021; Gross & McGoey, 2015; Svetlova, 2021), the concept has the following meaning: if something is unknown or ignorable, what historical "pathways" made it that way? "Ignorance pathways", in short, can be defined as social or historical explanations for how and why different phenomena come to be imperceptible in the present. In this case, the absence that needs explaining is the relative invisibility of theories of rent at the heart of the economics mainstream. Why and how did "rent" disappear? My final section engages this question.

4 Ignorance Pathways and the Sources of Rentier Myopia

It is useful to think of "unknowns" less like an empty hole, and more like a river, where the unseen is not inexistent, but rather imperceptible as a result of the rushing current, fed by multiple tributaries. To identify different "ignorance pathways" is to follow a river's many tributaries, while acknowledging that not all pathways or causes of the unknown can be typically unearthed in a singular analysis. Below, I introduce two, interrelated pathways that I suggest help to provide an analytical framework for understanding the epistemological vanishing of "rent". It's not an exhaustive analysis. Other sources of rentier myopia, including shifts in national accounting techniques, are also relevant (Hudson, 2014). But conceptually, I suggest the following framework offers at least a partial explanation for the disciplinary "vanishing" of rent. I label the two ignorance pathways "periodization myopia" and "sectoral myopia".

"Periodization myopia" can be defined as the tendency for blindspots to emerge as a result of the effort to differentiate between different historical eras in a way that creates politically expedient "useful unknowns" for different groups. When it comes to the perceptibility of rentierism, this problem is visible in the tendency to treat "rent" in an evolutionary way, gradually enlarging from a focus on land rents, to encompass also speculative financial rents, to mortgage and other debt rents in the present period — an approach that is analytically accurate in ways, but also has epistemological disadvantages. The main problem is it implies that land rents alone were the chief and even the exclusive focus on scholars like Smith, deflecting attention to Smith's criticism of usury and different types of monopoly trade privileges, like exclusive operating charters to the East India Company. Smith's condemnation of financial entitlements not simply economic but also moral and democratic in nature: he saw it as a duty of the sovereign to ensure that governmental protections did not fair particular groups discriminately, but rather increased the wealth shared by a larger polity (see in particular Smith, 1997[1776], Book 4; McGoey, 2019).

An evolutionary focus has fostered the mistaken impression that the primary concern of classical economists lay in the *type* of rent (e.g. land-based), rather than the *principle* behind it: the problem of unfair advantage and disproportionate gain at the expense of less powerful groups, entrenched through tiered, unfair systems of law.

This might seem like a minor problem. Economics has obviously progressed considerably since Smith's time — why does it matter that his work is routinely misrecognized? But the sidelining of Smith's insistence on the importance of government protections such as usury laws has secondary efforts — the river of unknowns grows wider — when this displacement con-

tributes to wider ignorance surrounding the classical economists' understanding of the relationship between governments and markets. Take Pistor (2020), who does make good points, cited above, about how twentieth-century economic theory obscures the "nexus" between law and capital accumulation, but who also makes erroneous claims about early classical economists, such as her statement that the

> classic economists were caught in a yesteryear's world in which value was thought to be derived from the use-value of material things, or their substance, while ignoring the actual operation of markets and businesses as well as the law. (p. 168)

This is simply not true. Smith and his peers were preoccupied by the relationship between law and capital, they saw it as key to understanding the distribution of income. Pistor is hardly alone in her mistaken understanding of classical economic thought; Stiglitz (2008) offers a similar caricature of Smith in seeking to distinguish his own work on information asymmetry in markets.

For Smith, the law was an *intra-economic* force, not *extra-economic*. His analysis was not divergent from Pistor as she implies, but rather a precursor in the same vein. While their failure to see Smith's emphasis on the law as *intra-economic* might seem trivial, I argue that the cumulative weight of this type of "periodization myopia" creates durable "useful unknowns" for other groups. For example, it eases the ability of economists in the tradition of Gordon Tullock, George Stigler, or Anne Krueger to attribute rent-seeking to extra-economic "distortions" like regulatory capture, best remedied through minimizing regulations, while side-lining both classical and contemporary perspectives on the value and necessity of governmental regulations such as usury laws (Weingast, 2017; Hudson, 2014). It makes it easier to treat the law like a hat that economists can take on and off when they want to, rather than a limb.

Although they do not use the term "periodization myopia", left-leaning critics of recent scholarship on rentier wealth have identified similar problems when it comes to historical, evolutionary efforts to differentiate between industrial and post-industrial periods. I explained earlier where the excerpt from Gates at the beginning of this article comes from, but not yet the Mason quote. It comes from a conference debate between Mason and the economist Michael Hudson held in January 2021 and later uploaded to YouTube. Hudson has long been an astute, early observer of the growth of rentier capitalism over recent decades. During their debate, Mason agrees with some of Hudson's points, acknowledging that finance has grown significantly relative to other sectors in the past 40 years, thus compounding financial rents. But he also, much like scholars in the "Capital is Power" (CASP) tradition, offers some important criticisms of Hudson's distinction between finance and the "real" economy (see also Cochrane, 2011 & 2020). Mason points out that the bifurcation between "finance" and the "real" economy risks legitimating and naturalizing exploitative aspects in non-financial sectors by making finance the bogeyman of "bad" capitalism. As Mason sees it, Hudson attributes predatory and exploitative aspects to finance in a way that makes it seem as if the "objectionable features of capitalism stem from it not being capitalist enough" (Mason, 2021b). A separate criticism from Mason is by emphasizing the power of finance today, Hudson marginalizes the centrality of finance to the rise of industrial capitalism over the eighteenth and nineteenth centuries.

These are good points. But at the same time, in challenging Hudson's views on the novelty and spread of "rentier capitalism" in the current era, Mason's own criticism reflects a different type of blindspot — something that I term "sectoral myopia". Mason opens himself up to the same criticism that he makes of Hudson: he risks implying the "productive" aspects of the

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economy are less exploitative than finance when Mason upholds "productive" activities such as retail sales as being less rentier in nature than financial extraction.

The problem of "sectoral myopia" is visible in the delineation that Mason makes between passive rentiers and productive capitalists. "Looking at the Forbes 400 list of richest Americans," Mason (2021b) writes in a recent working paper,

> it is striking how rare generalized financial wealth is, as opposed to claims on particular firms. Jeff Bezos (#1), Bill Gates (#2) and Mark Zuckerberg (#3) all gained their wealth through control over newly created production processes, not via financial claims on existing ones [...] This runs against the idea of dominance by rentiers or passive rent-extractors.

It is a statement that is similar to Gates's (2014) remark: "I don't see anyone on the [Forbes 400] list whose ancestors bought a great parcel of land in 1780 and have been accumulating family wealth by collecting rents ever since".

An article by Julio Huato (2016), an economist also based like Mason at CUNY, makes a similar point, claiming that any reading of the Forbes wealth list show "that true 'masters of the universe' are not the Blankfein, Dimon, Lewis, and Cohn types. No, in fact, the true 'masters of the universe' are the Gates, Slim, Ellison, and Walton types". Like Mason, Huato makes an important point about finance, which is that it should not be upheld as uniquely parasitical when, as Huato puts it, all "capital is parasitic, whether involved in productive pursuits or not." And yet Huato and Mason both object to using a term like rentier to describe predation *within* the so-called "productive" economy, limiting their definition of rentierism to passive financial rentiers.

It is a curious position. While it may be true that the primary source of the fortunes or retail and software giants such as Walton and Gates are not ultimately rooted in finance, this still begs this question: does that mean it's not rentier wealth? The answer depends on how rentiers are defined and classified. Are rentiers merely finance-based? If so, then what about rentier returns from property rights, both IP and land-based? Or from government procurement contracts, as Christophers's work (2020) has detailed? Mason and Huato both conflate rentierism with finance and then uphold the wealth of "non-financial" elites at the top of wealth rankings to suggest that rentierism is less pronounced than other economists insist that it is. But their non-perception of "rentier" wealth *within* the fortune of Gates, Bezos or Carlos Slim reflects a type of blind-spot itself: sectoral myopia stemming from the demarcation of "finance" versus "non-financial" wealth.

To summarize, just as "periodization myopia" leads to blindspots, what I term "sectoral myopia" also obscures recognition of the pervasiveness of rent from state-sanctioned monopolistic manufacturing and service exchanges today —- but through a different pathway. That "pathway" is the problem of categorical distinctions between the finance realm and manufacturing and service sectors. Ironically, the same economists who aptly call attention to the limits of such categorical distinctions in Hudson's work don't necessarily see how the very same categorical silos lead to overly narrow, billionaire-serving portraits of who counts as a "rentier". Their work contributes to the "disappearance" of rent just as the marginal turn in value theory did over a century ago, but the erasure has different disciplinary origins, reflecting less the legacy of John Bates Clark than that of Keynes, who perhaps did more than any other modern economist to narrow perceptions of rentier gains to financial rents.

5 Conclusion

By detailing unintentional but clear parallels in the thought of heterodox *critics* of capitalism and *proponents* of capitalism, this article deepens understandings of rent, as well as contributes new insight to sociological studies of "epistemic communities" or "thought collectives", in Ludwig Fleck's sense. Most recent studies of economic thought collectives, while highly valuable, have tended to focus on *witting* communities of actors who purposefully come together to actively, if discreetly, transform ideological agendas (c.f. Mirowski & Plehwe, 2009). There are notable exceptions such as Hirschman and Popp Berman's work on "cognitive infrastructures" in economics, which shows how economic reasoning can affect policies both consciously and indirectly when the epistemic authority of economists is privileged over other professional groups (Hirschman & Popp Berman, 2014; see also Mkandawire, 2014). But arguably, there remains a general presumption that the most influential shifts in consciousness tend to result from purposeful action and alliance-building, diverting attention from the *unintentional* legitimacy that unwitting expert actors confer on other parties, forged in this case when academic insistence about the negligible importance of rentier returns in today's economy helps to validate billionaire self-interests.

What I term "sectoral myopia" can unwittingly make Bezos or Gates' fortune seem more "earned" than, say, a hedge funder, helping to cement a powerful, even if spurious, moral hierarchy when it comes to perceptions of extreme wealth. This myopia is not an ineffectual absence or a mere gap in knowledge. Rather it is a type of productive, complicit "useful unknown" (McGoey, 2019), conferring legitimacy on Gates when he claims that he can't "see" rentiers at the top of wealth rankings. It is a type of erasure that strips economic theory of a language for identifying excessive rentier returns from IP protections on software and pharmaceuticals even as these types of rents grow. The larger the rentier elephant becomes, the harder it becomes to acknowledge or describe it.

Terminological battles have pernicious policy implications. It is more difficult to tax, reclaim, and redistribute rentier returns when the contentious "object" of scrutiny — in this case rentier returns — is upheld as being something that does not exist. For the rentier to actually wane in power today, what might need to first be "euthanized" is the narrow equivalence of rentierism with finance. Until that perceptual shift takes place, an unwitting "epistemic alliance" between uber-capitalists and their staunchest critics is likely to persist, enabling today's wealthiest rentiers to convincingly deny that they deserve such a label. The rentier fades from view while the rentier carousel spins faster than ever.

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