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**AT WHAT COST DO WE ‘RENT’?**

SLAUGHTERHOUSE ‘23

On November 14, 2022, *Global News* correspondent [Kathryn Mannie](https://globalnews.ca/author/kathryn-mannie/) reported that U.S. Department of Labor officials had begun inquiries into the employment practices of PSSI, or the Packers Sanitation Services Incorporated company, based on assertions that it was hiring children to clean slaughterhouses and meat packing facilities in the midwest. Receiving a tip from local law enforcement agents, the Wage and Hour division of the DOL initiated interviews with several

PSSI employees including nearly 100 of the suspiciously young workers. These meetings soon revealed that the employees spoke Spanish as their first language, ranged in age from 13 to 17, and were either middle school or high school students. The investigators also found that at least three young workers suffered serious injuries while employed by PSSI.

<https://globalnews.ca/news/9276291/child-labour-slaughterhouse-pssi-nebraska-minnesota/>

These inquiries–which began in August of 2022, which prompted a formal complaint by the DOL on November 9, 2022, and which culminated in formal charges against PSSI under the Fair Labor Standards Act of 1938–led finally to civil money penalties assessed to the company in the amount of $1.5M in February of 2023. The penalty amount represents PSSI having violated the FLSA law that prohibits employing children, particularly in such hazardous occupations as cleaning slaughtering machines in meat packing facilities, and having them work overnight shifts and often for more than eight hours. The news release from the DOL states,

“The child labor violations in this case were systemic and reached across eight states, and clearly indicate a corporate-wide failure by Packers Sanitation Services at all levels,” explained Principal Deputy Administrator of the Wage and Hour Division, Jessica Looman. “These children should never have been employed in meat packing plants and this can only happen when employers do not take responsibility to prevent child labor violations from occurring in the first place.”

“Our investigation found Packers Sanitation Services systems flagged some young workers as minors, but the company ignored the flags. When the Wage and Hour Division arrived with warrants, the adults, who had recruited, hired and supervised these children, tried to derail our efforts to investigate their employment practices,” said Wage and Hour Regional Administrator Michael Lazzeri in Chicago.

Under the Fair Labor Standards Act, the department assessed PSSI $15,138 for each minor-aged employee who was employed in violation of the law. The amount is the maximum civil money penalty allowed by federal law.

<https://www.dol.gov/newsroom/releases/whd/whd20230217-1>

Coincidentally, the FLSA–which was presented many times by then President Roosevelt and his labor secretary Frances Perkins to Congress until it was finally passed in 1938–was the one bill that Perkins hoped would “transform the horror of the Triangle Shirtwaist fire” into the primary worker safety net it functions as today. In fact, having witnessed the actual 1911 tragedy, Perkins was hired, at the suggestion of former President Theodore Roosevelt, as the executive secretary of the New York Factory Investigating commission later that same year, a group that was formed “to study not only fire safety, but other threats to the health and well-being of industrial workers and the impact of those threats upon families.” <https://francesperkinscenter.org/learn/her-life/>

By 1938, Frances Perkins had become “the most prominent state labor official in the nation, and worked closely with FDR to address the “frightful injustice of economic conditions which will allow men and women who are willing to work to suffer the distress of hunger and cold and humiliating dependence.” Pointing to “the fire at the Triangle factory” as “the day the New Deal was born,” she was wildly driven, with FDR, to “find out what makes involuntary employment,” and to “contribute in some small part” to “[programs] of human betterment.”

<https://francesperkinscenter.org/learn/her-life/>

The current Solicitor of Labor for the DOL, Seema Nanda, notes that, “The Department of Labor has made it absolutely clear that violations of child labor laws will not be tolerated,” and that,

“No child should ever be subject to the conditions found in this investigation. The courts have upheld the department’s rightful authority to execute federal court-approved search warrants and compelled this employer to change their hiring practices to ensure compliance with the law. Let this case be a powerful reminder that all workers in the United States are entitled to the protections of the Fair Labor Standards Act and that an employer who violates wage laws will be held accountable.”

<https://www.dol.gov/newsroom/releases/whd/whd20230217-1>

This is the sort of corporate governance-bungling that shareholder capitalists counsel against, and concur even with stakeholder capitalists, unreservedly, that the courts have dutifully “upheld the rightful authority of the DOL to execute federal warrants,” and have “compelled [PSSI] to ensure compliance with the law.” The PSSI infringements listed in the eight page ‘Consent Order and Judgment'' entered by the U.S. District Court of Nebraska, are actually transgressions against the rule of law, and neither shareholder nor stakeholder capitalists condone such legal misconduct.

So it goes.

“The inanity of that phrase,” The New Yorker contributor Susan Lardner says in her classic 1969 review of *Slaughterhouse Five*, “suggests how futile it is to attempt to discover an appropriate response to either a single death or even to a hundred and thirty-five thousand. [Kurt] Vonnegut exploits it shrewdly, counting here and there on the reader to resist pure fatalism, and elsewhere depending on the reader’s fatalistic sense of humor.”

<https://www.newyorker.com/magazine/1969/05/17/dresden>

Althoughthe PSSI incidents did not claim the young lives of their below-age employees, the mere fact that its governing officials refused to recognize legally-binding safety measures and protections makes it extraordinarily difficult to respond agonistically or with fair deference to the negligible justifications PSSI might furnish. It is also, frankly, tough to “resist pure fatalism” or to rely on some “fatalistic sense of humor” to endure the confounding folly PSSI exhibited in this unfortunate scenario. Nevertheless, I turn now to a quick study of the motives of corporations, and to the economic loopholes that might ‘allow for’ their occasional shady misdeeds.

AGGREGATE and/or INDIVIDUAL AGENCY

There is some appreciable debate about the general makeup, purposes, and motives of any corporation, most of which centers on whether the *corporation itself* is to be regarded as ‘an aggregate’ of the various individuals associated with that company or as ‘a juridical person’ that must be treated ‘as if it were’ an actual individual entity. This dispute might seem odd, but from the legal perspective, its outcome is vital to decisions made in the law courts about the ‘liability’ of *corporate* criminal activity. In her detailed article, “The Supreme Court and the Pro-Business Paradox,” Elizabeth Pollman writes,

Corporations have long posed conceptual difficulties in a variety of doctrinal contexts. From the first cases involving corporate claims for protection under the U.S. Constitution, to early recognition of corporate criminal liability a century later, the Supreme Court has an extensive history of inquiring into the nature of corporations and what that answer might tell us about their rights and responsibilities. It has often come up short in this regard — for example, using thin characterizations of corporations as “artificial entities” or “creatures” given their separate legal personality, or as “associations of persons” or “aggregates” given the human interests at stake. At times, the Court has ignored or dismissed as irrelevant the corporate identity of a rights claimant or litigant, or it has simply acted pragmatically, such as to discard an “old and exploded doctrine” that no longer fit societal realities regarding corporate liability.

<https://harvardlawreview.org/print/vol-135/the-supreme-court-and-the-pro-business-paradox/>

If the ‘corporation’ is deemed by the courts as an ‘aggregate’ of individuals, then any corporation finding itself in legal trouble might shift the blame of the transgressions to an employee or other associated individual parties, as was the case in 2010 when an oil drilling rig exploded and sank in the Gulf of Mexico, which resulted in the deaths of 11 workers and petroleum leaks extending over more than 57,000 square miles. The principal culprit, British Petroleum Company Limited, or BP, agreed to its share in causing the disaster, and ultimately reached an agreement with the DOJ to plead guilty to 14 criminal charges including manslaughter, and to pay penalties totaling more than $4.5 billion, which was in addition to the $7.8 billion that BP paid out to individual victims of the oil spill. However, BP quickly identified failures of their partner companies, Halliburton and Transocean, and also named individual BP employees as responsible players, an action that was meant to soften the blow on the company ‘itself’. Even though BP did not avoid huge penalties for their corporate governance failures, by portraying themselves as an ‘aggregate’ company of individual parties, they did succeed in relieving a portion of the financial burden and also in paving the way for future marketing schemes.

In this vein, it is amusing to note that the marketing schemes BP has developed, some 13 years after the mishap, lean toward having audiences view the corporation as a ‘juridical person’, one that has taken responsibility for the mess and that has made enormous strides in maintaining a new-found friendship with the environment. My cynicism is quite detectable, I know, but I do think a pattern has emerged over the years that evidences the motives a corporation appropriates when it shows itself as an ‘aggregate’ of individuals or as having singular ‘personhood’. That is, in times of legal trouble, corporations tend to exhibit characteristics of an assemblage of related individuals, which becomes a convenient avenue for laying blame away from the company image or byname. In periods of legal well-being, however, corporations mainly demonstrate themselves as gigantic persons, which avails them the claim that the company on the whole is behaving well.

Either way, companies adopt descriptions of themselves in order to advance their motives and objectives, which only makes sense for corporate governance decisions. If companies can shift their identities depending on the legal circumstances in which they find themselves, then they are more able to project an image to the public that is positive and sustainable, whether it is or not. This and similar issues are taken up by Pollman,

The [Supreme Court] has continued this struggle with corporations in the twenty-first century. With rising globalization, technological development, and complexity in business organizations, the divergence grows between the Court’s characterizations or abstractions and the realities of corporations. For example, blockbuster cases on corporate rights in the Roberts Court era, such as *Citizens United v. Federal Election Commission* and *Burwell v. Hobby Lobby Stores, Inc*., paint a picture of corporations as “associations of citizens” and as rights bearers for “the humans who own and control [them].” People do not, however, typically look at their 401(k) account and think about civic participation in expressive associations. Nor does one generally think of a national chain with hundreds of stores as the same as its small handful of shareholders. While expanding corporate rights to political spending and religious liberty, the Court’s opinions in these cases gave little sense of the distance between its view of corporations and their reality to everyday people who participate in them and bear the weight of their activity.

<https://harvardlawreview.org/print/vol-135/the-supreme-court-and-the-pro-business-paradox/>

By extending the view of corporations *from* either an aggregate of disparate employees or an enormous juridical person *to* some cluster of rights-bearing ‘citizens’, the Court has effectively transmitted the actual constitutional rights of actual, corporeal, and real citizens *to* an abstracted or ‘artificial entity.’ For Pollman, this expansion of corporate rights often causes the Court to be at cross purposes “with internal activity in corporate law and governance,” and to have “narrowed the pathways to [their] liability.” While “many shareholders and stakeholders have become vocal participants,” and have applied more “pressure on corporations to rein in the use of their rights to mitigate risks,” Pollman says, the Court continues to widen the gap between the realities of any corporation and the liabilities they might subsume.

So it goes.

The widespread dispute about the definition of ‘corporation’ has morphed into the general and more practical discussion of the purpose of corporations, which has come into rather binary focal points. In 2019, the *Business Roundtable*, a strong [lobbyist](https://en.wikipedia.org/wiki/Lobbyist) association whose members are [chief executive officers](https://en.wikipedia.org/wiki/Chief_executive_officers) of major [U.S.](https://en.wikipedia.org/wiki/United_States) companies, presented the following brief statement to help fuse the two positions in question,

**Statement on the Purpose of a Corporation**

Americans deserve an economy that allows each person to succeed through hard work and creativity and to lead a life of meaning and dignity. We believe the free-market system is the best means of generating good jobs, a strong and sustainable economy, innovation, a healthy environment and economic opportunity for all.

Businesses play a vital role in the economy by creating jobs, fostering innovation and providing essential goods and services. Businesses make and sell consumer products; manufacture equipment and vehicles; support the national defense; grow and produce food; provide health care; generate and deliver energy; and offer financial, communications and other services that underpin economic growth.

While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders. We commit to:

* Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
* Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.
* Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
* Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
* Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.
* Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.

<https://system.businessroundtable.org/app/uploads/sites/5/2023/02/WSJ_BRT_POC_Ad.pdf>

This statement seems to hold promise for those who champion ESG, or ‘environmental, social, and governance’ policies, but the statistics show that the statement did not improve ESG efforts, that some high-ranking corporate executives, including Jeff Besos, have since bailed out of the agreement, and that stakeholder theory really did not win the day over shareholder theory as the statement suggests it had. In his article, “Has The Business Roundtable Statement Transformed Capitalism?” Alex Edmans argues that although five or six positive reforms in governance might have been influenced in part by the statement, three underlying assumptions that have been made in connection with these successes are simply not true. Briefly, Edmans notes that while the BRT statement might have influenced ‘legislation of ESG’, ‘sustainability metrics’, ‘use of metrics in incentive plans’, ‘shareholder activism’, ‘stock selection based on ESG criteria’, and ‘redefining shareholder and manager obligations’, the presuppositions that ESG fulfillment always improves financial performance, that ESG performance is measurable, and that stakeholder theory requires exiling shareholder capitalism are all unfounded and amount to little more than wishful thinking.

<https://www.promarket.org/2021/09/07/business-roundtable-shareholder-capitalism-promise/>

The sticky issue here, in my mind, has to do with ESG backers hiding the “non-financial motives” that genuinely drive their governance-activism, and with basing their advocacy instead on “the claim that [ESG] will definitely boost profits.” The consequences of obscuring motives are bound to render the BRT virtually meaningless, and are likely to damage the ESG project in the long term. In his sum-up, Edmans says,

There has been strong appetite and decisive action towards stakeholder capitalism, but this energy has not been backed up by expertise. [In fact], stakeholder capitalism has become such a popular topic that many talking heads have jumped on the bandwagon without conducting careful research on it, or at least examining the research.

[https://www.promarket.org/2021/09/07/business-roundtable-shareholder-capitalism-promi se/](https://www.promarket.org/2021/09/07/business-roundtable-shareholder-capitalism-promise/)

The BRT and its supposed advancement of the ESG and stakeholder agendas, again in my view, has been effective only in its procuring *marketing success* as an agent of *governance reform*. Even Tariq Fancy, former Chief Information Officer for sustainable investing at BlackRock has said that the BRT proclamation is “marketing hype, public relations spinning, and disingenuous promise-making.”

The first step stakeholders and other ESG advocates should take, then, to become firmly established within corporate governance, Felicity Hawksley says in her article, “Beware the ESG Backlash,” is for the

managers to communicate to investors that some of the decisions that they make–like, say, refusing to buy cheap cotton from Xinjiang province where Uyghurs are being held in detention centers, or investing in expensive electric vehicles–may initially depress profits.

<https://www.jamaicaobserver.com/business/beware-the-esg-backlash/>

In other words, for stakeholders and ESG to become relevant, corporate managers must approach shareholders with honest intentions and with full transparency. In short, stakeholder capitalists are required to run their ESG plans through shareholder capitalist investors by communicating in upfront and genuine ways.

The second step toward ESG legitimacy, Hawksley says, is for businesses to collaborate more with government agencies and abandon “the idea that the ‘free market’ will fix all ESG issues.” During the recent pandemic, for example, the pharmaceutical companies worked closely with government officials to “[deliver] multiple vaccines in record time and [to avert] myriad terrible outcomes via systemic intervention.” In these ‘states of exception’, Hawksley asserts, massively powerful and rather dubious businesses can and often do cooperate with government requests and mandates. <https://www.jamaicaobserver.com/business/beware-the-esg-backlash/>

A third and last step toward stakeholder and ESG success, suggests Hawksley, is for businesses to “refrain from making statements that [they cannot uphold] and that [cannot be] compared against their actions.” And just as “Tanusree Jain at Trinity Business School points out,” Hawksley states, “having their bluff called on these statements could lead companies to suffer from massive reputational damages that they might find it difficult to recover from.” The general tenor, then, among those who have assessed the BRT statement and its actual progress in the business sector is that it functions, practically on all counts, as a marketing tool for promulgating the idea that the signatories and their corporations are well on their way to full ESG and stakeholder ethical substantive positions. In essence, the BRT statement is a wonderful example of *disguised antagonism* insofar as shareholder capitalists have merged with stakeholder capitalists not to show acquiescence to their values and projects but simply in order to shed them from their proverbial backs.

<https://www.jamaicaobserver.com/business/beware-the-esg-backlash/>

So it goes.

ECONOMIC JUSTICE AND ECONOMIC RENT

Having frustrated holder theorists’ attempts at achieving consensus regarding corporate governance, I whirl the discussion around to what philosophers have written about the ideas of justice and economic justice, and then to what economists have said about this strange term called ‘economic rent’. The aim here is to discern and articulate the myriad ways corporations orchestrate their governance to obtain what I call ‘unearned income,’ the acquisition of power by the decrease of expenditures.

First, philosophers posit that ‘justice’, in addition to possessing common attributes, has at least four contrasting elements that embroil human agents seeking to act justly. Broaching the questions about the scope of justice, philosophers usually ask about “*when* principles of justice take effect, *among whom*,” and at *what cost*. What philosophers have particularly noted about justice is that it presents itself to agents as either “conservative of existing norms and practices,” or as “[generative] of reforming those norms and practices.” Under this split, justice works to foster respect for the rights people deserve because of *existing laws*, or justice provides reason to *change* existing “laws, practices, and conventions [often] quite radically.” The former is perhaps utilized by shareholder theorists, while the latter is typically employed by stakeholder capitalists.

<https://plato.stanford.edu/entries/justice/#JustAgen>

Philosophers have also noticed that justice serves either as a root “principle for *assigning distributable goods* of various kinds to individual people,” or as a “*remedial* principle that applies

when one person wrongly interferes with another’s legitimate holdings.” For stakeholder theorists, justice should be understood as the ethical grounds for the distribution of wealth, in its many forms, to all individuals that have an interest in the company. The shareholder view holds that the distribution of wealth should be permitted when and if some legal violation has caused the loss of ‘already-owned’ property.

<https://plato.stanford.edu/entries/justice/#JustAgen>

The theories of justice, philosophers have further discovered, can also “be distinguished according to the relative weight they attach to *procedures* and substantive *outcomes*.” In the PSSI case, for instance, the courts made absolutely certain that search warrants, indictments, and document-language were ‘procedurally’ justifiable. That is, the *processes* by which the plaintiffs brought PSSI to justice needed to be as just as the result itself. Granted, the courts in this case were looking to produce an outcome in which PSSI would be found guilty and would be justly punished, but this does not mean that the courts assumed that the “procedure itself had no independent value.” To some legal theorists,

We can ask of a procedure whether it treats the people to whom it is applied justly, for example, by giving them adequate opportunities to advance their claims, not requiring them to provide personal information that they find humiliating to reveal, and so forth. Also, studies by social psychologists have shown that in many cases people care more about being treated fairly by the institutions they have to deal with than about how they fare when the procedure’s final result is known.

<https://plato.stanford.edu/entries/justice/#JustAgen>

To other legal theorists, however, the procedures must indeed be just, but only inasmuch as they are the justifiable means by which any just *outcome* is reached. In this sense, justice is obtained solely by achieving a just verdict.

A fourth distinction within the justice concept can be made regarding its *comparative* and *non-comparative* forms. According to one theoretical faction, “justice takes a comparative form when, to determine what is [justly] due to one person, [there is the] need to look at what others can also claim.” Within the world of corporate governance, this form of justice applies to wage reforms, opportunities for upward movement, possibilities for implementing corrective rules, and so on. Most stakeholder theorists privilege this form of justice. However, to other theorists, this type of justice is outweighed by the *non-comparative* form, which “determines what is due to a person merely by knowing relevant facts about that particular person.” This form is most often adopted by shareholder theorists, since they give primacy to those persons they know to be in the positions of power and influence, namely, the company investors/shareholders.

<https://plato.stanford.edu/entries/justice/#JustAgen>

The conceptual jump from theories of justice to notions of economic justice is not all that tedious, but it does require asking slightly different questions. For justice theorists, questions about scope are normally asked, such as,

Who can make claims of justice, and who might have the corresponding obligation to meet them? Does this depend on the kind of thing that is being claimed? If comparative principles are being applied, who should be counted as part of the comparison group? Do some principles of justice have universal scope–they apply whenever agent *A* acts towards recipient *B*, regardless of the relationship between them–while others are contextual in character, applying only within social or political relationships of a certain kind?

<https://plato.stanford.edu/entries/justice/#JustAgen>

But for philosophers of ‘economic justice’, these questions do not go quite far enough to address the unique characteristics of businesses and their governance practices. The early writings of the philosopher Axel Honneth, for example, aim to introduce the hypothesis that justice on the whole might play out better if it is understood in terms of *recognition* rather than exclusively in the sense of *redistribution*.” For Honneth, “justice as recognition is understood expansively so that it can also capture issues of *economic justice*, the thought being that the harm inflicted when labor is not adequately rewarded to a worker can be understood as a failure to offer that worker adequate recognition of [her] [individual worth] and social contribution.” The idea here is that in ‘failing to recognize’ any worker as having agency and value on par with other workers, business officers automatically “assign an identity that is not [her] own,” the result of which is the license for those officers to compensate the worker at an ‘economically unjust’ rate.

* Fraser, Nancy and Axel Honneth, 2003. *Redistribution or Recognition?* London. Verso. Print.

By contrast, fellow theorist Nancy Fraser contends that “recognition and redistribution are seen as two mutually irreducible but jointly necessary conditions for social justice,” and so, only the processes by which each is achieved are dissimilar. To affect *recognition*, Fraser argues, “requires cultural shifts in the way different forms of identity and different types of achievement are valued.” This undertaking is quite unlike the process for engendering *redistribution*, which calls for wholesale “institutional changes,” especially within corporate governance structures– whether shareholder or stakeholder based. Taken together, then, ‘recognition and redistribution’ are conditional for realizing both social and economic justice.

* <https://plato.stanford.edu/entries/justice/#JustAgen>

Most philosophers agree that justice as recognition is internally complex. The superb professor of political science and economic discourse and justice, Jacinda Swanson, outlines in her article, “Recognition and Redistribution: Rethinking Culture and the Economic,” the path she takes to grapple with these complexities. She writes,

In the course of my critique, I propose a somewhat different approach to analyzing the causes of various forms of oppression and the relation between different emancipatory struggles. Among other things, I argue that social relationships need to be disaggregated further, into more than just two categories, and that the economic and the cultural (as well as the political) should be analyzed as always complexly overdetermining each other.

Taking on such prominent scholars as Nancy Fraser, Iris Marion Young, and even Judith Butler throughout the piece, Swanson alleges that most ideas about various forms of justice suffer from stopping just short of “theorizing the complex interconnections among economics, politics, and culture,” and instead tend to define justice in binary categories, like economic justice and distributive justice. For Swanson, even Fraser, who seeks “to define justice as involving issues of both economic distribution and cultural recognition,” and “to indicate that these two irreducible aspects of justice are not necessarily incompatible,” disregards the more comprehensive form of theorizing, which “holds that every practice or phenomenon in society is *overdetermined*–or is fundamentally constituted and not just [determined] or influenced by a complex set of political, cultural and economic processes.”

C:/Users/dbjag/Downloads/Recognition%20and%20Redistribution.pdf

This theorizing method, as I have tried to argue, consequently abandons “the search for root or singular causes” of economic injustices “in favor of concrete explorations of the specific and numerous processes constituting and enabling any phenomenon.” I think Swanson is just brilliant on this point, and I suggest with her that whenever philosophical forms are pressed into two categories and “are not theoretically disaggregated,” they necessarily “do not illuminate the possible tensions and compatibilities between different struggles,” particularly economic ones. It is compulsory, I strongly avow, to reside theoretically *between* the complex ethical positions on justice, economic justice, cultural justice, and all other processes or phenomena that might occupy our thinking about the *conditions for their existence*.

C:/Users/dbjag/Downloads/Recognition%20and%20Redistribution.pdf

This type of theorizing is intellectually taxing, but it affords philosophers an opening into the ethical substantive positions that would otherwise remain outside their perspectives. In my interrogation of ‘economic justice’, for example, as it relates to the question, “At what cost do we do business?” I stumbled across scholarly discussions about ‘economic rent,’ which I had earlier assumed had no linkage to my inquiries, but which has an intriguing amount to do with economic justice, and not merely from a negative standpoint.

To Aaron Pacitti and Michael Cauvel–whose journal article, “Rent-Seeking Behavior and Economic Justice: A Classroom Exercise” broadly argues that “understanding the [complexities] of rent-seeking behavior helps fill the gap between economics and politics”–the varieties of *rent* are wide and, therefore, can only be described in their category-specific positions. I will discuss three of these categories in more detail below, but for now, I propose that a useful working grasp of economic rent involves “the amount *paid* to the owner of a factor of production over the *cost* that is to be necessarily incurred on utilizing such elements in the production process.” In math terms, ‘economic rent’ equals the agreed-upon-amount paid by the consumer (*when that amount far exceeds the market value of the product*) minus the cost spent by the producer to make the product (*when that cost is far below the typical amount to produce the product*). Originally, the concept of economic rent concerned land ownership and the production of natural goods. Two major economists, Adam Smith and David Ricardo, offered insights into the general makeup and logic of what they called, *the rent of land* and simply *rent*, respectively. In 1776, Smith writes,

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. The wood of the forest, the grass of the field, and all the natural fruits of the earth, which, when land was in common, cost the laborer only the trouble of gathering them, come, even to him, to have an additional price fixed upon them. He must then pay for the license to gather them; and must give up to the landlord a portion of what his labor either collects or produces. This portion, or, what comes to the same thing, the price of this portion, constitutes *the rent of land* ....

Smith, Adam. 1977. *The Wealth of Nations*.*?* Chicago. UChicago Press. Print.

Then, in 1809, Ricardo writes,

[Rent] is the difference between the produce obtained by the employment of two equal quantities of capital and labor. The process of economic development, which increases land use and eventually leads to the cultivation of poorer land, principally benefits landowners.

Ricardo, David. 2004. [*On the Principles of Political Economy and Taxation*](https://en.wikipedia.org/wiki/On_the_Principles_of_Political_Economy_and_Taxation). Dover. Print.

In sum, both thinkers agree in principle that because owners control the place of production, the means of production, and the products themselves, they “enjoy the [economic advantage](https://en.wikipedia.org/wiki/Economic_advantage) obtained by using the site in its most productive use, relative to the advantage obtained by using marginal, that is, the best rent-free [site] for the same purpose, given the same [inputs](https://en.wikipedia.org/wiki/Input_(economic)) of [labor](https://en.wikipedia.org/wiki/Labour_economics) and [capital](https://en.wikipedia.org/wiki/Capital_(economics)).”

I suspect that for Ricardo, more so than Smith, ‘rent’ constitutes such a premium above the actual market value, and such a devaluation of labor and other production costs, that owners gain income that is almost exclusively ‘unearned’. For Ricardo, such income is “attained without any expenditure or effort on behalf of the resource holders or in excess of their opportunity cost.” For Smith too, such ‘rent of land ownership’ unveils the owners as “reaping” an income they “did not sow,” neither in the creation of the place of production nor in the labor needed to produce, although this may not be an indictment as much as it is a matter of what private property owners regularly do.

<https://www.ucl.ac.uk/bartlett/public-purpose/research/economic-rents>

The ramifications of economic rent, to my purposes here, inflect *unearned income* to be more loosely understood as *unearned advantage*, that is, the ‘edge’ corporate owners derive from business schemes that temporarily “disturb economic equilibrium,” which raises significant and unequal differences between actors in economic, cultural, and political fields. From this view, ‘economic rent’ can itself be shown to be distinct from strictly economic terms, such as *profit* and *surplus value*, but not altogether unattached from them. Furthermore, using *unearned advantage* to portray ‘economic rent’ lessens the degree of negative criticism of the term, which helps in the effort to signify its various traits. That said, I move now to three categories of ‘economic rent,’ while keeping in mind that this sorting is meant to show distinctions *and* similarities and not to firm up terms in any concrete way.

DIFFERENTIAL, SCARCITY, AND ENTREPRENEURIAL RENTS

Among the several types of ‘economic rent’ recently identified by scholars, I parse out three–differential rent, scarcity rent, and entrepreneurial rent. The first, ‘differential rent’ arises because of the *differences* *in productivity* of the factors of production, and *differences in costs* of the labor and capital needed to produce. In classical economics, the fertility of the land, which was considered ‘freely given by nature’, posed a *difference* in productivity when landlords were able to extract payment from consumers that exceeded the value of the land and what it could produce, regardless of the condition of its fertility. Of course, ‘intramarginal land’, or the greater fertility soil, meant better land value and higher prices, but even ‘marginal land’, the least fertile soil, brought ‘rent’ since the land was free in the first place. So long as the cost of the land, the supply price, was less than the value of the product, ‘rent’ was acquired.

Since the supply price of the land was effectively nothing, the entire income from the land was ‘rent,’ but two other key factors of production would eventually need to be factored into the ‘rent’ equation, namely, labor and capital. Unlike land, the supply price of labor and capital was “responsive to the price that is offered for [them],” and thus, “rent was redefined as the return to any factor of production over and above its [entire] supply price.” This meant that the cost of labor and the amount of capital required to operate the farming business would need to be lower than the price consumers would agree to pay for the items of production. The *difference* between what landowners paid out in supply costs and what they gained in revenue determined the ‘rent’ that was accrued.

<https://www.britannica.com/money/topic/rent-economics>

All this might not seem applicable to current scenarios, but I submit that ‘differential rent’ can be seen in the PSSI case study already mentioned, albeit negatively so. The PSSI managers doubtless concurred that because labor costs had reached such high levels within their company, the need to employ workers who would agree to low wages and difficult hours was paramount. And so, they hired children whose financial situations were desperate and upon whom they could depend to maintain secrecy. The ‘rent’ PSSI received, therefore, was the *difference* between the effect of clean working spaces and the low cost of labor. The *unearned advantage*, incidentally, was achieved by keeping the reason for the low wages secret from other companies and the law.

The second ‘economic rent’, *scarcity rent*, pertains to the unearned advantage companies obtain by having possession of either rare or finite resources whose price value is greater than the cost of ‘using up’ those resources. Any *extra* profit, or rent, companies can attain by holding and then selling ‘scarce’ resources is typically based on consumers who are willing to pay high prices for commodities that will become unavailable to future generations. Even though owners of such scarce resources clearly have an advantage within their specific market, they do bear the higher costs of either cultivating these resources for immediate distribution or storing the resources for subsequent sales openings, assuming that this is an option.

The burden of ‘scarcity rent,’ though, really is on consumers since they must choose to either purchase the commodity immediately and pay very high prices as well as deplete the store of exhaustible resources, or wait until the commodity prices decrease and risk their availability. In either case, ‘scarcity rent’ impacts business owners, consumers, environments, cultures, and political agendas in strikingly important ways.

The third ‘economic rent,’ *entrepreneurial rent*,” entails a more positive version of ‘rent’ that occurs when innovators develop transformative products or when managers invest corporate monies for better advertising, machinery, technology, or worker training. These developments or investments often result in higher prices or lower costs in the long run, particularly when they are innovative enough to be imitated. Until that time, though, the company innovators and managers must rely on ‘unearned advantages,’ or *entrepreneurial rent*, as their revenue.

WAGE LABOR, UNPAID LABOR, AND INVOLUNTARY LABOR

I want to consider here the argument that in some real way ‘labor’ affords corporations the unearned advantage over workers insofar as the transactions between them normally confers the reduction of worker agency and the increase of owner power. For many philosophers, wage labor “refers to the socio-economic relationship between workers and employers in which the workers sell their labor-power under an employment contract, which usually occurs in a [labor market](https://en.wikipedia.org/wiki/Labour_economics) where [wages](https://en.wikipedia.org/wiki/Wage) or [salaries](https://en.wikipedia.org/wiki/Salary) are [market-determined](https://en.wikipedia.org/wiki/Market_economy).” The argument maintains that when seen as a commodity, labor only confirms the Marxist “stigmatization of the wage system of private capitalism as *wage-slavery*.”

<http://www.compas.ox.ac.uk/fileadmin/files/Publications/working_papers/WP_2009/WP0966%20Steinfeld.pdf>

This argument might appear extreme. And yet, when workers exchange their labor for money paid in wages, the “work-product generally becomes the [undifferentiated property](https://en.wikipedia.org/wiki/Work_for_hire) of the employer,” and the workers themselves become wage-dependent. As Marx notes, the reversal of such wage-dependency inaugurates the moment when “individuals confront each other as free persons,” which means “there can be no production of [surplus value](https://en.wikipedia.org/wiki/Surplus_value), and without the production of surplus value there can be no capitalist production, and hence no capital.”

<https://www.marxists.org/archive/marx/works/1847/wage-labour/ch04.htm>

Again, this is an outermost position and not one that I necessarily hold, but it is handy when contemplating other extreme labor practices, such as *unpaid labor*, or work that does not receive financial remuneration. I was directed to this type of labor by students at Marymount University, whose insights came from the 2006 film *The Pursuit of Happyness* which details the travails of ‘unpaid internships’ among other unhappy things. While I understand that interns sell their labor for the experience of working, I find it laughable, if not illegal, that internships openly engage workers for absolutely no wages whatsoever, and that in some cases workers actually pay out to work–transportation costs, wardrobe costs, and ‘springing for Starbucks coffee’ costs from time to time. This is ‘economic rent’ at its peak.

Actually, it is not. Perhaps the most egregious form of ‘economic rent’ is located within *involuntary labor*, the form of labor that forces persons to work against their wills, and of course, without financial compensation. The obvious example of this type is human trafficking, which “involves the use of force, fraud, or coercion to obtain some type of labor or commercial sex act.” The less apparent type of ‘involuntary labor,’ however, involves the prison system, notably those institutions that are privately owned and exist for profit. Another film, *13th*, which was released in 2016, traces prison environments through the loophole in the 13th amendment, which reads,

Neither slavery nor involuntary servitude, ***except as a punishment for crime*** whereof the party shall have been duly convicted, shall exist within the United States, or any place subject to their jurisdiction.

In brief, prison owners, especially ones in the private sector, exploit the exception to this law for purposes involving free and involuntary labor.

<https://www.archives.gov/milestone-documents/13th-amendment#>

So it goes.

The following page includes the rubrics for **The Holder Games** which will be used by students in lieu of a **third essay** project.

**Holder Games**

T**he goal for each team is to have the highest possible *stock price* for their corporation at the end of three rounds. In each round, students must allocate a budget across three types of activities:**

1) Physical investment, which acts as a proxy for efforts by firms to increase productive capacity, improve productivity, or develop new products (purchasing physical capital or undertaking research and development).

2) Stock buybacks, which directly increase a company’s stock price and can serve as a proxy for other types of financial activity unrelated to the firm’s production.

* 3) Rent-seeking activities, which are lobbying efforts and political investments to
* gain a favorable government contract or policy (tax cuts, trade protection, price
* floors, barriers to entry in their industry, or non-enforcement of antitrust law).

**Students have a baseline budget of $1000 in each round, but they can earn additional funds to spend in some cases, described below. To simplify choices for students and make computation easier, funds can only be spent in $100 increments.**

**Each firm’s share price begins at a baseline of 100 points and increases if the firm successfully completes an investment project, uses funds to repurchase its own stock, or wins a rent from the government. The payoffs of each activity are as follows:**

* 1) *Physical investment* increases the firm’s stock price by 35 points for each $100 spent in three separate rounds.
* 2) *Stock buybacks* increase the stock price by 10 in the following round for each $100 spent.
* 3) *Rent-seeking* activities function as an auction, in which the government rewards the highest bidder. The team that spends the most on rent seeking in a given round gains a 110-point increase in their stock price and an additional $500 to spend in the following round.

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