Economic "Rent," Artificial Intelligence, and Runaway Trains

by Anne Emerson, November 10, 2026

This essay will explain why the competition to win at cutting-edge machine-technological progress is bad for all of us! Yes, even you who are paid so much you can't walk away! Wouldn't it be nice if you could work less, play more, get more loving respect, and do more of what you really like to do?

When I was a student of economics, I bought a book, "Macro Models for Developing Countries." If it's still on my shelves, I haven't seen it lately. But those models are almost certainly one-sector models. When I decided to model my explanation for "Leaving the Farm," I ALWAYS intended to use the two-sector model that is more commonly found in what we might call "National Income Analysis" than any of the models usually referenced in "Development Economics."

The two-sector model analyzes a "capital-intensive sector" and a "labor-intensive sector." It is, therefore, a Capital-Labor type model. It had its origins in the work of W. Arthur Lewis, a black man from Antigua at the University of Manchester, in the 1950s and 1960s. Folks believed in "the army of the unemployed" leaving the fields and going to work in the factories. You may see, from that description, that it arose from the idea that workers and capitalists were two different entities. The advent of almost-universal education has muddied the waters a little - well, a lot!

I suspect that there is unfounded resistance to my model because it reflects the leftist approach that prefers support for workers against capitalists. That is unfortunate. I have identified the economic forces that MAKE inventions attractive to educated people; it happens to the financial detriment of ordinary labor, or "personal services." All of us need both; the same forces are operating in ALL countries that believe in winning the battle for the cutting edge. The pressure to innovate, and to ignore the people who still need to care for others in situations where there is little advance in productivity, is global. TV was talking about Nvidia yesterday. I found this on-line:

NVIDIA Annual Revenue and Net Income (Fiscal Years 2023–2026)

Fiscal Year	Total Revenue	Net Income (Profit)	YoY Revenue Growth
2023	$26.97B	$4.37B	—
2024	$60.92B	$29.76B	+125.9%
2025	$130.50B	$72.88B	+114.2%
2026	$215.94B	$120.07B	+65.5%

Data source: Google Finance

Nvidia's profits have been approximately half of revenues for the past three years. I told Chuck that the technical term for that is "rent," or Economic Rent, and the reason for the rent is "uniqueness." So, what a lot of these cutting-edge folk do is what we might call "rent-seeking." You are very likely to confuse economic rent with a monthly rental payment for housing. It is not the same thing, at all!

I WILL attempt to explain it to you, using a type of asset that is more tangible than ownership of a corporation - real estate. We have all heard about "Location, location, location." WHEN people start to value beach-front property, IF you were the first to buy it, you can probably re-sell it for more than it cost to build it, because the location itself has value. The difference between the cost to build it (what comparable homes would cost to build, in other nearby locations) and what you can sell it for, over and above what those other homes are selling for, is called "rent." It's a technical term, and it takes a while to wrap one's head around it.

So, getting in first to any new idea or experience that is catching on will usually generate economic rent. Entrepreneurs like to do that. It is called "rent-seeking behavior," but in everyday language it means reaping the benefits of being first to enter a new market that turns out to make a lot of money.

Economic theory expects that, as more people get in on the new market, the amount of rent will decline until profits in the new industry (or location) match those across the board. In the case of real estate, what usually happens is that the value of the land goes up relative to other plots of land, even as the value of building materials stays about the same across all plots of land. Getting a social policy to stick in the way that legislators want, in the presence of rent-seeking behavior, is quite difficult because often the value of an underlying asset (say, land or minerals) goes up, regardless of what we might have wanted to do.

(Usually, we want to keep prices down for some people, but if the economy pushes land or mineral prices up when regions get more desirable, it doesn't work. Asset prices increase, input costs are the same for everyone, and the social policies operating on real estate in the region experience a "squeeze." Revenues don't keep up with costs, because the price at the top of the demand tree is "too low.")

In the USA, the way we protect agricultural land is with zoning laws. AS SOON AS businesses put pressure on local governments to re-zone the land, there is a great incentive to build - even on prime agricultural land - because one can make more profit with a factory than from selling fruits and vegetables. The first builder to buy the land will almost certainly get a terrific economic rent from the change in the zoning laws. This is pretty much regardless of what types of buildings go up. But

there will be MORE economic rent from, say, a data center or a chip factory than from housing. (A chip factory requires specialized labor, too, and many US workers do not have the work ethic of Asian workers. Etcetera.)

I hope I have shown you the tip of the iceberg here. I repeat, it's global! And the people running these large corporations tend to have the characteristics of political leaders rather than merely of businesspeople. They jockey for power; they surround themselves with yes-men; they "grow" their empires; they start to feel entitled. They gamble on what will be the next best thing.

If they a) choose wrong or b) lose out to a competitor, they may lose big. The economic system is supposed to be able to handle that; but (I submit) only if the main actors are small. For example, the CEO of Nvidia might be "too important to lose."

A political analyst was recently giving us the "Key Man" dilemma. Boards of Directors need to plan for succession. If they put all their hopes on one person, their situation is quite unstable. I understand that Nvidia shareholders are suing!

I don't know why they are suing, but here's another thing – profits are supposed to be shared with investors. It is not reasonable for profit to be retained within the corporation and not paid out as dividends to shareholders, over a period as long as three years. In my opinion!

Oh – about runaway trains. That's metaphorical. It's the idea that we can chase success at the cutting edge too quickly. If we are determined to be the first train into the next station, we may travel too fast and run off the tracks. If you don't like the railway analogy, I think the Titanic analogy will work too. The Titanic was the unsinkable ship that DID sink.

The story of how it happened is a caution for anyone trying to do too much too soon. There's a movie called "Titanic" that romanticizes the story, but if you listen closely, you should hear that the engineers designed several chambers under the ship, to take on water and not pass the water to the next chamber, so that ONE breach of a chamber would not sink the ship. An iceberg scraped the side of the ship and breached (made a hole in) FOUR chambers. AND the rudder was too small, so the large ship could not be turned away from the iceberg in time.

In sum – chasing the big bucks because you are a smart cookie is rather like the old proverb, "Pride comes before a fall."