

Glossary entry: Rent

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Rent is income derived from the ownership or control of a scarce asset rather than from productive effort or risk-taking. It arises when someone can charge others for access to land, property, natural resources, legal rights, financial assets, or market power.

In economics, rent does not only refer to payments for housing or land. It describes a broader category of income that results from ownership and privilege rather than from the creation of new value.

Its key characteristics include the following.

First, rent arises from control over scarcity.

Rent exists because access to something limited, such as land, minerals, intellectual property, infrastructure or market position, can be restricted. The owner of that asset can then charge others for its use.

Second, rent does not require productive activity.

Unlike wages, which depend on labour, or profits that may arise from productive investment, rent can be earned simply by holding an asset. Income flows because others must pay to use or access what the owner controls.

Third, rent extraction redistributes rather than creates value.

Rent is often a transfer of income from one part of the economy to another rather than the result of new production. High rents can therefore reduce overall economic efficiency by diverting resources away from productive activity.

Fourth, rent encourages asset accumulation and inequality.

Because rents generate income without requiring additional work, wealth tends to accumulate among those who already own valuable assets. Over time, this concentrates economic and political power.

Fifth, rent is often protected by law and institutions.

Property rights, regulatory structures and intellectual property regimes can reinforce rent extraction by limiting competition and securing exclusive control over assets.

From a Funding the Future perspective, modern economies are increasingly dominated by rent extraction rather than productive activity. Housing costs, financial fees, monopoly pricing and intellectual property charges all represent forms of rent that transfer income without expanding real output.

Reducing rent extraction is therefore central to building a fair and resilient economy. This can involve taxation of land and wealth, stronger competition policy, regulation of monopolies and access to finance, and public ownership of essential infrastructure so that access to key resources is determined by social need rather than private privilege.

See also economic rents.