Entrepreneurial Stewardship: Why Some Profits Should Be Used to Benefit Others

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ABSTRACT: Entrepreneurs should act as stewards of entrepreneurial rent. Entrepreneurial rent is the difference between the ex post value of a venture and its ex ante costs. It is the result of competition among buyers and sellers within the market process rather than the sole efforts of the entrepreneur. As a result, entrepreneurs should allocate entrepreneurial rent for the benefit of other market participants rather than consuming it for themselves. The moral obligation to steward entrepreneurial rent is consistent with traditional bases of property rights and the norm of social welfare maximization, and it applies to corporations and their shareholders, as well as individual entrepreneurs.

KEY WORDS: entrepreneurship, stewardship, rent, profits, property

This article presents and defends a concept that it will call "entrepreneurial stewardship." In general, a steward is someone who acts for the benefit of the collective rather than one's self (Davis, Schoorman, & Donaldson, 1997). A steward of a resource has an obligation to exercise control over the resource mainly for the benefit of others, and with due regard to their interests rather than the interests of the steward (Lucy & Mitchell, 1996). Entrepreneurial stewardship refers to the idea that entrepreneurs have a moral obligation to act as stewards of entrepreneurial rent. Entrepreneurial rent refers to "the difference between a venture's ex post value (or payment stream) and the ex ante cost (or value) of the resources combined to form the venture" (Rumelt, 1987: 17). Unlike accounting profit, which is the difference between total revenue and total cost, entrepreneurial rent is what is left over after accounting for all underlying economic costs of an entrepreneurial venture, including the costs of labor and capital. Because it allows the entrepreneur to consume a portion of total revenue as compensation for labor and/or capital, entrepreneurial stewardship is compatible with entrepreneurial activity motivated by self-interest rather than pure charity. However, insofar as the entrepreneur profits beyond compensation for labor and capital, this article argues that they have a moral obligation to act as a steward of such *extra* profit by refraining from consuming it for themselves, which this article defines as the allocation of a resource in accordance with one's own interests rather than the interests of others. Instead, entrepreneurs should allocate entrepreneurial rent in accordance with the interests of other market participants. Any coincidence of the interests of the entrepreneur and of other market participants ought to be a side effect rather than the intended aim of the entrepreneur.

Entrepreneurial stewardship is an umbrella concept that is intended to be broad and ecumenical enough to be compatible with both rights-based and consequentialist moral theories. Although the concept of entrepreneurial stewardship requires

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entrepreneurs to allocate entrepreneurial rent in accordance with the interests of other market participants rather than consuming it for themselves, it is insufficient on its own to provide any further concrete guidance about how they ought to do so. Exactly what entrepreneurs should do with entrepreneurial rent will depend on the specific moral theory used to make the determination, along with the particulars of the entrepreneurial venture and its context. For instance, utilitarian theories may require entrepreneurs to allocate entrepreneurial rent to maximize social welfare, whereas rights-based theories may require that entrepreneurs identify the relevant individuals and business entities whose interests ought to prevail over the interests of the entrepreneur. And depending on the nature of the market in which one participates, the production process of the entrepreneur, the investment one undertakes, etc., it may even be appropriate under some moral theories for entrepreneurs to reinvest entrepreneurial rent in other ventures. As a result, a discussion of the practical implications of entrepreneurial stewardship is beyond the scope of this article. Rather than attempting to provide a comprehensive list of all possible applications of entrepreneurial stewardship according to various moral theories, this article will merely attempt to demonstrate the plausibility of the concept by focusing on one possible justification of the concept and showing how it is compatible with other major moral theories.

Entrepreneurial stewardship is also a moral obligation and not necessarily a public policy recommendation. A moral obligation provides reasons for how we *should* act, whereas a public policy recommendation provides reasons for how a political authority should set its policies based on how we *will* act. As a moral obligation, entrepreneurial stewardship does not merely suggest that stewarding entrepreneurial rent would be virtuous or supererogatory. It requires entrepreneurs to allocate entrepreneurial rent for the benefit of other market participants rather than consuming it for themselves. Nevertheless, entrepreneurial stewardship does not necessarily lead to the conclusion that a political authority should enforce the moral obligation through policy measures. Aside from general concerns about governmental intervention in markets and other private affairs, there may be significant practical limitations to the feasibility of using public policy tools to impose the moral obligation of entrepreneurial stewardship on unwilling actors. For instance, even if there were good moral reasons to impose a tax on entrepreneurial rent, it may not be possible for a public authority to institute an efficient and well-functioning system to collect and redistribute taxes on entrepreneurial rent. Of course, the moral obligation to steward entrepreneurial rent might help to justify adopting or eliminating certain public policy measures, but an analysis of such measures is beyond the scope of this article. This article only argues that entrepreneurial stewardship gives rise to a moral obligation for entrepreneurs to refrain from consuming entrepreneurial rent and to allocate it for the benefit of other market participants. It makes no claims about whether or not others should confiscate entrepreneurial rent from entrepreneurs or compel them to give it away against their will.

This article proceeds as follows. The first section outlines the scope of entrepreneurial stewardship by defining the core concepts of entrepreneurship and entrepreneurial rent. It argues that entrepreneurial rent is a distinct type of profit created by the market process and that it is distinguishable from compensation for the entrepreneur's labor. The second section presents a positive argument in favor of entrepreneurial stewardship. It argues that the right to self-ownership, which is a core tenet of theories that place significant importance on private property rights, leads to the conclusion that market participants should have a collective right to entrepreneurial rent. The third section discusses various rights-based objections to entrepreneurial stewardship. It argues that traditional bases for respecting property rights, such as autonomy or desert, do not apply to entrepreneurial rent because entrepreneurial rent is created by the market process. The fourth section discusses entrepreneurial stewardship and its effects on social welfare. It argues that entrepreneurial stewardship does not necessarily interfere with the efficient allocation of resources and can be made compatible with the moral obligation to maximize social welfare. Lastly, because corporations play an important entrepreneurial function within the modern economy, the fifth section discusses entrepreneurial stewardship within the corporate context. It discusses the cost of equity capital and argues that a corporation's shareholders acquire the stewardship obligation when the corporation transfers entrepreneurial rent to them.

THE SCOPE OF ENTREPRENEURIAL STEWARDSHIP

A popular image of the entrepreneur is someone who starts one's own business. However, at least for the purposes of this article, an entrepreneur is any economic actor that discovers, evaluates, and exploits opportunities to create future goods or services by engaging in the market process (Kirzner, 1973; Shane & Venkataraman, 2000). In this view, entrepreneurship is an economic function rather than a personal or social identity. As a result, entrepreneurship is not synonymous with starting one's own business. Merely starting one's own business is not sufficient to classify someone as an entrepreneur. For instance, creating a social enterprise that sells donated goods to the needy for whatever price they are able to pay is not engaging in entrepreneurship because there would not be any meaningful engagement in the market process. More importantly, starting one's own business is not necessary to classify someone as an entrepreneur. Existing businesses may—and often do—regularly engage in entrepreneurship. Lastly, because entrepreneurship is an economic function, entrepreneurs need not be individuals. Corporations and other business entities will often engage in entrepreneurial activities, and, as a result, entrepreneurial stewardship is applicable for not only individuals but also other economic entities as well.

Entrepreneurs discover opportunities to create future goods or services by engaging in the market process. Market competition has the tendency to bring the allocation of resources to an equilibrium, i.e., a point where resources are valued at a level equal to their economic cost. Under hypothetical conditions of general equilibrium where all opportunities for gains from trade are exhausted, there is no room for entrepreneurship (Kirzner, 1997). However, markets are never in perfect equilibrium. Instead, real-world markets are better described as a process. The market process is "a series of systematic changes in the interconnected network of market

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decisions… generated by the flow of market information released by market participation" (Kirzner, 1973: 10). Market participation consists of a competition among multiple buyers and multiple sellers who seek to maximize their holdings by buying for as little as possible and/or selling for as much as possible. Buying and selling in the market generates information about the preferences of other buyers and sellers. Equipped with information about buyer and seller preferences, entrepreneurs discover, evaluate, and exploit opportunities to create future goods or services that can better satisfy buyer or seller preferences. As entrepreneurs exploit such opportunities, they bring the market process closer to the hypothetical general equilibrium by unlocking more efficient ways of allocating scarce resources.

Imagine, for instance, that Robinson, a coconut grower, and Friday, a pineapple grower, are the only two economic actors on an island. If Robinson and Friday were to engage in trade by haggling over the price of coconuts and pineapples, they would not be engaging in the market process. The market process requires more than the competition between buyers and sellers over the surplus associated with an economic exchange. It requires buyers competing with other buyers and sellers competing with other sellers. If, on the other hand, Robinson and Friday awake one day to encounter Xury, who possesses both coconuts and pineapples, the allocation of coconuts and pineapples on the island can be accomplished through the market process. Since there would be at least two suppliers and two buyers for each resource in such a scenario, each party's preference to maximize their holdings can lead to a competition among all three inhabitants of the island to buy for the lowest price and sell for the highest price. Robinson's participation within such a competitive process will generate information about Friday and Xury's preferences. For instance, he might discover that Friday would be willing to sell his pineapples for cheaper if someone were to buy them in bulk or that Xury is willing to pay a premium for tropical drinks. Robinson would act as an entrepreneur if he were to then exploit this knowledge to create future goods or services. He might buy pineapples in bulk for cheap and then create and sell canned pineapples for cheaper than fresh pineapples, or he might buy fresh pineapples and combine them with his coconuts to create a tropical drink for sale. By engaging in the buying and selling of resources based on information gained from market participation, Robinson would help the inhabitants of the island make more efficient use of pineapples and coconuts, assuming that certain basic conditions for a well-functioning market are met.

Entrepreneurs create future goods or services under conditions of uncertainty. Uncertainty is a technical concept that is distinguishable from risk (Knight, 1921). Risk refers to the likelihood of an outcome within a *known* distribution of possible outcomes, whereas uncertainty refers to the likelihood of an outcome within an *unknown* distribution of possible outcomes. For instance, betting one's money on the outcome of a roll of the dice entails the assumption of risk without any uncertainty because the probability of the hoped-for outcome follows an entirely known distribution of possible outcomes. On the other hand, ancient travelers undertaking an expedition to explore a previously unknown part of the world did so mostly under conditions of uncertainty because none of them could have known what possible outcome awaited them in the unexplored world. Of course, aside from such extremes, most human activity in the world today entails a degree of risk and uncertainty, but some activities nevertheless mostly entail risk whereas others mostly entail uncertainty. For instance, selling earthquake insurance in southern California mostly entails risk rather than uncertainty, because we can analyze historical data to estimate the likelihood that an earthquake will occur within a specified time period. Since the probability of an outcome is fairly well-known, the risk of a future earthquake can be priced in the market today, albeit imperfectly, and compensation for assuming the risk of a future earthquake can be thought to be a function of the market for the assumption of risk. On the other hand, entrepreneurship mostly entails operating under conditions of uncertainty. Future demand for goods or services within the market process does not follow any known distribution of possible outcomes. As a result, even with robust historical data, entrepreneurs undertake a venture to produce goods or services for sale in the future without anything approaching a known probability of future demand, particularly when the venture entails some novelty or innovation. Furthermore, assuming that the market for entrepreneurial inputs works reasonably well, today's prices for the entrepreneur's inputs will have already incorporated the price of the known risks associated with purchasing them. As a result, the primary function of entrepreneurship is to incur present-day costs in anticipation for future revenues under conditions of uncertainty rather than risk (Knight, 1921).

Uncertainty within the market process presents entrepreneurs an opportunity to capture entrepreneurial rent. Entrepreneurial rent is a specific type of economic rent generated by the market process. Although there are various definitions of economic rent (Schneider & Valenti, 2011; Wessel, 1967), it generally refers to payments that exceed the minimum level required to make a scarce economic input available for use (Schoemaker, 1990). However, whereas other forms of economic rent are determined by comparing the value of different resources in a static world, entrepreneurial rent is determined by comparing ex ante costs, i.e., the costs associated with the venture at the time they were incurred, with ex post returns, i.e., the value of the returns associated with the venture at the time that they are realized (Rumelt, 1987). Ex ante costs are incurred under conditions of uncertainty *prior* to knowing the market demand for future goods or services, whereas ex post returns are realized *after* the uncertainty is removed. Entrepreneurial rent results from the disjuncture between what the markets will pay for resources under current conditions and what a successful entrepreneur realizes in the future after having made necessary investments under conditions of uncertainty. Although the prices of goods and services in the market incorporate current expectations of future demand, market prices cannot reflect the actual demand in the future with any degree of certainty. As a result, entrepreneurial rent is possible when future demand ends up being higher than current expectations. In the example above, Robinson might undertake a venture to create a tropical drink without knowing how much he will be able to charge for them. He nevertheless may do so because he is more optimistic about the future demand for pineapples and coconuts than others on the island. He might be optimistic because he is confident in the future demand for the innovative product—the tropical drink—that he alone can envision, or he might simply be a more optimistic person. Regardless of what the reasons for his optimism may be, what matters is that Robinson is optimistic about his chances of beating the market. Whereas others on the island are charging $1 per serving for pineapples and coconuts based on their current and expected supply and demand, Robinson might believe that he will be able to charge more for the combination of pineapples and coconuts in the future than what it would cost him to purchase them today. If he purchases pineapples at $1 per serving and incurs an additional $1 in costs associated with growing his coconuts and creating his drink, his per serving ex ante cost for his venture would be $2 because these investments were all made under conditions of uncertainty. Yet, if he manages to convince Xury to purchase a new tropical drink for $3 per serving, the uncertainty is removed at that point. His ex post return will be $3 per serving, and he will have captured an entrepreneurial rent of $1 per serving.

Entrepreneurial stewardship focuses only on entrepreneurial rent rather than more broadly on all forms of economic rent because it is intended to be an umbrella concept that is compatible with both rights-based and consequentialist theories. A moral obligation to steward all forms of economic rent would not be compatible with some moral theories. For instance, imagine that Wilt is an owner of a beautiful and unique acre of land. Although the going rate for an acre of land is $50, Elgin is a property developer willing to pay $75 for Wilt's land due to its unique location. If Wilt sells his land to Elgin for $75, $25 would be a form of economic rent that he would capture due to the unique characteristics of his land, assuming that $50 would be the minimum amount required to make it available for economic use. Putting aside for a moment what Wilt should do with the rent that he captures, an obligation to refrain from consuming any kind of economic rent would put Elgin, the entrepreneur, in a difficult situation. Any future sale of the developed land to others would require Elgin to keep only $50 of the proceeds attributable to the land itself. Neither could Elgin profit from his unique skills or talents, since such profit would also be economic rent that accrues from the characteristics of his labor. As a result, Elgin would need to add value to the land only due to the sheer quantity of labor valued at the lowest possible labor rate in society (Mack, 1992). Developing land would thus be a no-win scenario for Elgin. The best he could do would be to receive compensation for the lowest possible rate for his labor while also taking a $25 loss on the land. Although some consequentialist moral theories might nevertheless require Elgin to take such a loss if it would adequately benefit others, some rights-based moral theories would argue that it would be unfair to require Elgin to suffer such a loss for the sake of benefiting others. On the other hand, appeasing such rights-based theories by allowing him to purchase Wilt's land at a price at which he wouldn't suffer any loss—while nevertheless prohibiting Elgin from consuming the $25 in economic rent—would result in his purchasing it for $50. But such a result would undermine the market process of efficiently allocating scarce resources, because, despite its unique beauty and potential, Wilt's land will sell for a price that is equal to the price of inferior land. Although it is by no means perfect, the price mechanism within the market process is the best available means of coordinating information about buyer and seller preferences to maximize the social value of scarce resources (Hayek, 1945). Without the difference in price to signal to Wilt that Elgin places a higher value on the land than other buyers, Wilt would be much more likely to sell his land to someone who would not value it as much as Elgin. Although such a conclusion may be acceptable to certain accounts of entrepreneurial stewardship that prioritize rights over consequences, it is not acceptable to utilitarians and others who permit some tradeoff between rights and welfare. Fortunately, both pitfalls can be avoided by limiting the focus of entrepreneurial stewardship to only entrepreneurial rent, which refers to the difference between ex post gains and ex ante costs of the venture. By recognizing the full market value of the ex ante costs of an entrepreneurial venture within the calculation of entrepreneurial rent, entrepreneurial stewardship allows entrepreneurs to pay the full market value of their inputs and to allocate a portion of their ex post revenues to fully cover the ex ante costs of their inputs before incurring any stewardship obligations. Regardless of the potential disagreements about what entrepreneurs should do with other portions of their income, the following sections will argue that both rights-based theorists and consequentialist theorists can agree on a moral obligation to steward entrepreneurial rent.

An important challenge to conceptualizing entrepreneurial rent is the difficulty of separating out entrepreneurial rent from compensation for the entrepreneur's labor. As noted above, all underlying economic costs must be included in the calculation of entrepreneurial rent, including compensation for labor and capital. However, although the ex ante costs of capital can be determined by the market for capital, complications can arise in determining the costs associated with the entrepreneur's labor. There may be good reasons to resort to the market process to determine compensation for labor (Heath, 2018). And if it were the case that, like the price of other goods and services within a modern economy, compensation for entrepreneurial labor ought to be determined through the market process, determining the amount of compensation for entrepreneurial labor can be difficult since the entrepreneur does not sell his services in the labor market. One seeming solution might be to postulate a market for entrepreneurship consisting of potential entrepreneurs who seek to supply their services to meet a societal demand for eliminating existing inefficiencies in the market (Casson, 1982). If such a market were to exist, entrepreneurship would merely be a type of labor in which one acts to eliminate social inefficiencies, and entrepreneurial rent would be compensation determined by a specific type of labor market.

However, entrepreneurial rent is fundamentally different from market-based compensation because markets coordinate the allocation of resources by setting prices ex ante, i.e., by directing where resources will go; whereas entrepreneurial rent is only realized ex post, i.e., once the resource has been allocated. The allocation of labor in society according to the market process tracks relative supply and demand by utilizing the price of labor to inform the labor allocation decisions of workers. Suppose, for instance, that the supply of workers for job A were twice as high as the supply of workers for job B, and that employer B was willing to pay twice as much as employer A. In a well-functioning market, more laborers will do what they can to be suitable for employer B, and thus increase the labor supply for job B, because they know that employer B is paying a higher price than employer A. In other words, wages must be knowable prior to labor allocation if they are to be determined through the market process. If wages were unknowable, the price mechanism would not be able to coordinate the allocation of labor, thus undermining what it would mean for there to be a market for labor at all. And since entrepreneurs undertake entrepreneurial ventures under conditions of uncertainty, they do so without the ability to know the amount of entrepreneurial rent ex ante. As a result, it could not be the case that entrepreneurial rent could constitute market-based compensation for entrepreneurial labor.

Instead, if compensation for entrepreneurial labor must be determined by a market process, it might be possible to conceptualize compensation for entrepreneurial labor indirectly within the market for capital as the *expected return* of an entrepreneurial venture ex ante. Within such an approach, entrepreneurial rent would be the portion of profits that exceeds the expected return of an entrepreneurial venture. When pricing the costs of various economic inputs, even the most idealized market process would not reduce the expected return of an entrepreneurial venture to nothing more than the costs of capital. Returning to the example above, if coconuts and pineapples each cost $1 per serving, Robinson would not be willing to mix pineapples and coconuts to create a tropical drink if he expects it to sell for only $2 per serving. Since pineapples and coconuts cost $2 per serving themselves, selling a mixture of pineapples and coconuts for $2 per serving would entail performing the service of mixing those two ingredients for free. Instead, if there were already a well-functioning market for tropical drinks, one would expect to pay more than $2 per serving to account for the cost of labor. If tropical drinks were to cost $2.50 within such a hypothetical market, the cost of the entrepreneur's labor would amount to $.50 per serving. Of course, there wouldn't be an actual market for the entrepreneur's product at the time that the entrepreneur's labor is incurred. However, there are market-based approaches within the market for capital to price future goods or services based on current expectations. For instance, if Robinson were to request financing from investors to fund his tropical drink venture, economic actors like venture capital firms will make their investment decisions based on the expected return of his venture. So, again, suppose that Friday's tropical drinks were to cost $2 per serving in raw capital inputs like pineapples and coconuts and that a venture capital firm purchases a 40 percent stake in his tropical drink venture based on a valuation of the business that incorporates an assumption that it will be able to charge $2.50 per serving. Given the uncertainty of undertaking a venture like this, such an assumption would be informed by both historical data and future projections based on current market conditions rather than any known probability of different possible outcomes. Nevertheless, in such a scenario, the cost of capital and labor associated with the venture would amount to $.50 per serving. Given the venture capital firm's 40 percent stake, one can roughly estimate the cost of entrepreneurial labor to be $.30 per serving, with the cost of capital equaling $.20 per serving. If, however, the eventual cost of tropical drinks ends up being $3 per serving due to market conditions in the future, Friday's venture will capture $.50 in entrepreneurial rent per serving, translating into $.30 for Friday and $.20 for the venture capital firm.

Of course, entrepreneurial stewardship does not require that compensation for entrepreneurial labor be determined by a market process. Certain moral theories might allow or even require that non-market principles play at least a partial role in determining just compensation for labor (Moriarty, 2012). As a result, rather than conceptualizing entrepreneurial rent as the excess of the expected value of a venture at the time that costs are incurred under conditions of uncertainty, it also might be possible to account for the ex ante costs of labor and/or capital based on theories of just compensation. In either case, what is important is that there are existing methods of including compensation for entrepreneurial labor and the assumption of risk within the calculation of entrepreneurial rent. Furthermore, as a practical matter, distinguishing between ex ante costs and ex post realized gains is likely to be a complicated accounting problem that will depend on both the particularities of the venture and the contingencies of its social context. For instance, rather than calculating entrepreneurial rent for each unit of a future good or service, it might be more plausible to account for entrepreneurial rent as the *cumulative* difference between the gains associated with the venture at the time that they are realized and the costs at the time that they are incurred. From this perspective, entrepreneurs would begin to capture entrepreneurial rent only after they have recouped the entirety of their ex ante costs. Nevertheless, regardless of how the ex ante costs of capital and labor are conceptualized or how the accounting problem is resolved as a practical matter, entrepreneurial rent is a portion of profits that is conceptually distinct from the ex ante costs associated with economic inputs, including capital and labor. Entrepreneurial stewardship applies to only this conceptually distinct portion of an entrepreneur's profits.

Lastly, the possibility of entrepreneurial rent—and the resulting moral obligation of entrepreneurial stewardship—exists even in a well-functioning market because uncertainty is inherent within the market process. A well-functioning market is one without any market failures, which are defined as instances "in which the competitive market … fails egregiously to produce an efficient outcome." (Heath, 2006: 549). Of course, one may be able to capture entrepreneurial rent by causing a market failure. For instance, a producer may be able to capture entrepreneurial rent by raising artificial barriers to entry to a market, thus leading to an inefficient outcome. One may also be able to capture entrepreneurial rent simply by being the beneficiary of a market failure caused by some other source. A natural disaster that temporarily halts the supply of essential goods, for instance, might allow some merchants to raise prices for their goods and thus capture entrepreneurial rent merely because they were in the right place at the right time. There are good reasons to think that entrepreneurs should not benefit from market failures, and it seems likely that any benefit from egregious market imperfections ought to be stewarded as well. However, uncertainty is an inherent aspect of the market process because, as noted above, future supply and demand does not follow any known distributions of possible outcomes. And because entrepreneurs undertake ventures under conditions of economic uncertainty, the potential for entrepreneurial rent will always exist, even within well-functioning markets. This article will assume a well-functioning market when discussing entrepreneurial stewardship to rule out other potential moral restrictions to the ways in which an entrepreneur can benefit from imperfections in the market process.

In sum, entrepreneurial stewardship applies to a broad class of economic actors in a narrow class of circumstances. Anyone who engages in the market process to create future goods or services is an entrepreneur. Out of those who engage in economic production or allocation, only those who do so outside of the market process should not be considered entrepreneurs. Employees of a business, for instance, should not be considered entrepreneurs because they engage in economic activity within the firm under the employer's direction rather than within the market process (Lee, 2017). However, despite such a broad definition of entrepreneurs, the circumstance under which entrepreneurial stewardship applies is limited only to the realization of entrepreneurial rent. Entrepreneurs do not necessarily have an obligation to steward all types of economic rent, such as the above-average returns associated with a more productive economic input. Neither do they necessarily have an obligation to refrain from paying themselves or their financiers. Instead, entrepreneurial stewardship applies only to extra profits that exceed all ex ante costs associated with the entrepreneurial venture. Thus, whereas every economic actor is potentially an entrepreneur, a substantially smaller percentage of entrepreneurs could ever be obligated to steward entrepreneurial rent.

WHY ENTREPRENEURIAL STEWARDSHIP?

Before arguing that entrepreneurs do not have any special claim to entrepreneurial rent, which is the task of the sections after this one, this section will first argue that the right to self-ownership leads to the moral obligation to steward entrepreneurial rent. The right to self-ownership refers to the idea that "nobody but me has the right to dispose of me or to direct my actions" (Waldron, 1988: 398). Although this right is discussed primarily in political philosophy as a justification for certain kinds of property regimes, such discussions are "not… about self-ownership at all, but rather about the downstream political implications of self-ownership" (Thrasher, 2020). Rather than a political right, the right to self-ownership is fundamentally a *moral* right to one's own body, actions, and resources with which one has a special relationship. To make claims about the right to self-ownership is thus often "merely a way of talking about autonomy" (Pateman, 2002: 20), and the right itself is compatible with not only libertarianism but also various accounts of egalitarianism (Otsuka, 1998) and Marxism (Cohen, 1995). In fact, disagreements between various political conclusions can be thought to be disagreements about the particular incidents of and limits to the moral right to self-ownership rather than its acceptance or rejection (Taylor, 2005). Nevertheless, a robust account of the right to self-ownership remains a core tenet of libertarian theories that tend to be the most resistant to restrictions on private property rights. Putting aside some strong objections to its plausibility (e.g., Arneson, 1991; Sobel, 2012), this section will argue that even such a robust right to self-ownership would lead to the conclusion that market participants should have a collective right to entrepreneurial rent because it is a benefit associated with the collective labor of market participants rather than just the entrepreneur. By arguing that entrepreneurial stewardship follows from even such a principle, this section seeks to provide an argument that can be acceptable to even those who remain committed to libertarian principles. To be clear, the argument in this section is not intended to be an exhaustive argument for entrepreneurial stewardship. There are likely other reasons stemming from a variety of moral theories that would support entrepreneurial stewardship. This section merely provides one reason to support entrepreneurial stewardship given the absence of other reasons to the contrary, which will be discussed in the next sections.

A robust account of the moral right to self-ownership includes an exclusive right to the natural benefits associated with one's labor. Although some accounts refer to the right to self-ownership simply as an analogue to a slave owner's legal rights to his slave (Cohen, 1995), most plausible accounts ground the right on the importance of securing one's autonomy or liberty interests. Some have argued that one's autonomy or liberty interests underlying the right to self-ownership does not secure the right to benefit from the exchange of our talents and energies because what we can receive from others is contingent on a variety of factors outside of the sphere of our control (Christman, 1991). From this perspective, the right to self-ownership protects only the right to do what we please with ourselves and our property, not the right to what we can gain from its exchange. However, even if such accounts were correct, there are still ways in which one can benefit from one's talents and energies independently from what others are willing to exchange for one's labor. Such benefits, which this article will refer to as *natural benefits*, are the realization of the purpose with which one applies one's talents and energies to resources to which others have no right. We do not lose our right to our own talents and energies merely because we direct them toward a particular purpose. Otherwise, the right to our talents and energies would be meaningless since we could not direct them in any way without losing our right to them. And since labor is nothing more than the application of one's talents and energies to bring about an intended purpose, we do not lose our right to the natural benefits associated with our labor when we apply our talents and energies to realize a purpose without infringing on anyone else's right. For instance, I might work to create a song because I wish to enjoy hearing myself sing it. The enjoyment of my singing is a benefit associated with my labor, because it was the purpose for which I applied my talents and energies. Moreover, it is a natural benefit, because neither the creation of the song nor the actual singing was contingent on anything to which others had a right. In such an instance, I would not wrong you by refusing to allow you to enjoy the natural benefits associated with my labor, just as I would not wrong you by refusing to allow you to take my kidney for your benefit.

Of course, one's right to the entire result of one's labor also depends on the claims that others might have on the resource inputs with which one mixes one's labor. If I were to labor alone with resource inputs that I exclusively own, the entire result of my labor would constitute a natural benefit, and thus rightfully belong exclusively to me under the right to self-ownership. Similarly, when I mix my labor with an unowned resource, the right to self-ownership would likely grant me an exclusive right to the entire result of my labor, provided that I avoid waste and leave enough and as good for others (Locke, 1690; Nozick, 1974), because my claim to the result, even though it would not consist entirely of natural benefits, would be unopposed by any legitimate claims that others can make on it. However, when I mix my labor with something to which you have an exclusive right, the right to self-ownership is insufficient to determine how much of the result belongs to me rather than you because the resulting benefit of the mixture would not be a natural benefit. But this does not mean that I have lost all rights to the result of my labor, unless I intended to

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do so. The right to self-ownership grants the laborer an exclusive right to the natural benefits associated with their labor, because granting others a right to the result would frustrate the laborer's autonomy or liberty interests in having directed their talents and energies toward their intended purposes. This is why some Marxist arguments rely on the right to self-ownership to argue that capitalists exploit laborers when they appropriate the value of the labor for themselves (Cohen, 1995). Similarly, you would frustrate my autonomy or liberty interests if you were to attempt to claim the entire result of the mixture of my labor with your property for yourself. Although my rightful claim to the result of my labor might be indeterminate when I mix it with your property, it does not simply disappear. Of course, my right to self-ownership does not frustrate our ability to determine our individual rights to the mixture of my labor with your property by agreeing to a particular distribution. For instance, it is entirely consistent with the robust right to self-ownership for me to give up any future claims to the product of my labor—including the value that would be theoretically equivalent to the natural benefits of my labor—as a part of an agreement to work in your factory in exchange for a specified salary. But what happens without such an agreement? Suppose, for instance, that you grant me the right to mix my labor with your property in exchange for an ownership right to be specified in the future. What should be my ownership right to the result of my labor until such a right is specified?

In the absence of a distributive agreement between exclusive owners of various resource inputs for mixture, ownership rights to the final product of the mixture should be assigned provisionally to the owners as a collective until they reach a distributive agreement. Any other way of assigning an ownership right to the mixture of your property and my labor would violate at least one of our ownership rights. Without any distributive agreement, neither you nor I can make a rightful claim to the entirety of the result of the mixture because my self-ownership right and your property right give each of us at least some claim to a portion of the result. More importantly, assuming that you had an exclusive right to your property, neither could anyone else make any claim to the result. Although each of our individual rights to the result will be indeterminate, what is certain is that there is no part of the entire result that does not belong to at least one of us. Others do not have any claim to the result of the mixture of your property and my labor. A third party would wrong us both if she were to appropriate the result of the mixture of my labor with your property without our consent in the same way that I would wrong you if I were to appropriate the entire result for myself. In a way, the benefits associated with mixing my labor with your property can be considered provisionally as natural benefits of our collective activity. Although my self-ownership right only secures an exclusive right to the natural benefits of my labor, your exclusive right to your property acts as a similar boundary to the benefits associated with your property. Because there is no other input to the mixture to which others can make a legitimate claim, the entire result should belong to us as a collective in the same way that the natural benefits of my labor should belong to me. Since the only indeterminacy in the rightful ownership of the result of the mixture of my labor and your property is in how it is distributed between us, the entire result should be provisionally set aside for us as a collective until we can reach a distributive agreement.

Entrepreneurial rent is the result of a mixture of the labor exerted by all participants within the market process, and it thus should be set aside for the collective benefit for all market participants until they can reach a distributive agreement. Entrepreneurial rent is sometimes described as something that is created from nothing (Kirzner, 1995). Of course, the creation of entrepreneurial rent can be traced back to prior events involving economic actors and their property. Nevertheless, it is created from nothing in the sense that it cannot be attributed to any individual economic input. Entrepreneurial rent is the result of the market process within which market participants respond to intertemporal changes in the underlying material conditions and their preferences. An entrepreneur offering a product and a buyer willing to pay for the product are obviously necessary to create entrepreneurial rent. However, actions taken by other market participants as they compete for economic resources are also necessary inputs to the creation of entrepreneurial rent. Without other sellers competing with the entrepreneur to sell their products and other buyers competing to buy the entrepreneur's products, the entrepreneur would not be able to command a price that leads to entrepreneurial rent. The very possibility of entrepreneurial rent thus arises out of a complex interaction of buyers, would-be buyers, sellers, and would-be sellers in the market that cannot be attributed to any single individual. In other words, the market process itself, which is constituted by the collective labor of market participants, creates entrepreneurial rent rather than any one individual. And given the mixture of various labor and property inputs associated with the market process, it is impossible to attribute any portion of entrepreneurial rent back to any individual participant within the market process, including the entrepreneur. As a result, just as it would be the case when I mix my labor with your property, entrepreneurial rent should be held for the benefit of all market participants until they can agree on a distributive agreement for assigning rights to it.

It might seem odd to think that market participants labor in order to create entrepreneurial rent. After all, the entrepreneur labors to create their products or services whereas market participants do not offer similar contributions. Given such a discrepancy, the entrepreneur's labor to create a product or service for sale in the market should give them a unique claim to the result of their labor—the product or the service—that other market participants should not have. However, the same discrepancy does not extend to entrepreneurial rent. A self-ownership claim to entrepreneurial rent must be grounded in the labor associated with the creation of entrepreneurial rent, which is distinct from the creation of the product or service that is being sold. And it is the market participants, taken as a whole, who labor to create entrepreneurial rent through the various exchanges that take place to make entrepreneurial rent possible, not merely the entrepreneur. As noted above, labor is the application of one's talents and energies to bring about an intended purpose. And although market participants do not intend to create the final product of the entrepreneurial venture in the way that the entrepreneur intends, all market participants share the same intent to capture as much economic surplus as possible. Sellers who participate within the market process intend to create and capture producer surplus by taking advantage of the competition among multiple buyers, even if they are not successful in doing so. Furthermore, buyers who participate within the market

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process intend to create and capture consumer surplus by taking advantage of the competition among multiple sellers. When entrepreneurs successfully capture entrepreneurial rent, it is not for the lack of the buyers trying to capture it for themselves in the form of a consumer surplus. Buyers only fail to do so due to the competition they face with other buyers. Active market participation is thus an application of one's talents and energies to create and capture the economic surplus that results from the market process, including entrepreneurial rent. And once the entrepreneur's labor to create their products or services, which should be fully captured as part of the ex ante cost of the venture, is excluded from their labor to create entrepreneurial rent, there is no categorical difference between the labor input of the entrepreneur from other market participants, all of whom labor to capture as much economic surplus as possible.

More importantly, regardless of whether or not there are any differences between the labor of the entrepreneur and of other market participants to create entrepreneurial rent, entrepreneurial rent should be stewarded for the benefit of all market participants because there is no distributive agreement between the entrepreneur and other market participants. Any possible difference in the labor contributions of various market participants are certainly relevant to their agreement on the terms of distribution. But, as argued above, until such an agreement is in place, entrepreneurial rent should be held provisionally for the benefit of all market participants. Furthermore, since one's right to self-ownership cannot be overridden by the interests of others, what is required to rebut the provisional assignment of entrepreneurial rent to all market participants is a unanimous agreement among all market participants. And given a wide array of views about the good and the right in the modern world, there can realistically be no actual distributive agreement at all. Of course, market participation occurs within a broader context of political and legal arrangements that grant the entrepreneur legal rights to the entire proceeds of an entrepreneurial venture after accounting for taxes and other legal liabilities. But given that it is impossible to survive in most parts of the world without participating in markets, merely participating within the market process does not imply a tacit agreement to the institutional status quo. In fact, there is considerable controversy and disagreement about the appropriate level of taxes and price controls in all jurisdictions in the world. There are certainly some market participants who object to the distributive status quo but are coerced to participate within the market process because they have no other choice. More importantly, one's acceptance—coerced or otherwise—of the entrepreneur's legal right to entrepreneurial rent does imply one's assent to give up one's own moral right to it. Given the difficulty of translating the moral obligation of entrepreneurial stewardship into concrete policy proposals about delineating property rights, it is perfectly reasonable to accept the entrepreneur's legal right to entrepreneurial rent while nevertheless demanding that he ought to steward it because he has no moral right to it. And widespread support and arguments for various forms of corporate social responsibility and the existence of initiatives like Warren Buffett's Giving Pledge provide evidence that there is a not-insignificant number of market participants who think that the entrepreneur has a moral obligation to steward entrepreneurial rent for the benefit of others, regardless of the legal property regime.

Of course, given the impossibility of reaching anything close to unanimity among all market participants, it might be more reasonable to think that moral rights to entrepreneurial rent ought to be specified by a hypothetical agreement between reasonable market participants instead. However, although some hypothetical agreements will require more from entrepreneurs, no reasonable hypothetical agreement would require anything less than entrepreneurial stewardship. Take, for instance, a maximin principle that would require any existing economic inequalities in society to offer the greatest benefit to its least advantaged members (Rawls, 1971). Given the fact that entrepreneurs can already lay claim to the expected value of an entrepreneurial venture as compensation for their own labor, it is highly implausible that granting them a moral right to the additional gains realized from market participation would offer the greatest benefit to the least advantaged members of society. The same goes for alternatives such as expected-utility maximization (Harsanyi, 1975), which would only support the entrepreneur's moral right to the expected value of an entrepreneurial venture rather than entrepreneurial rent, or minimax relative concession (Gauthier 1986), which would actually support the confiscation of all economic rent, not merely entrepreneurial rent. Instead, it is far more plausible that a reasonable recognition of both the artificial nature of economic activity and the bounded morality of economic actors would result in an agreement to allow each economic community to impose its own rules for governing entrepreneurial rent (Donaldson & Dunfee, 1999). In other words, the most reasonable hypothetical agreement among market participants about the distribution of entrepreneurial rent would be to agree to not have a distributive agreement at all and instead, to rely on economic communities to come to actual agreements. And given that the absence of a distributive agreement is sufficient to justify a provisional collective right to the result of collective labor, everyone who participates in the market process should have a provisional collective property right to entrepreneurial rent, not the entrepreneur alone. When the entrepreneur captures entrepreneurial rent, they should thus act as a steward and allocate it for the benefit of other market participants.

ENTREPRENEURIAL STEWARDSHIP AND RIGHTS

This section will argue that the entrepreneur has no special moral right to consume entrepreneurial rent for themselves. As mentioned above, the right to self-ownership is not without its detractors. And once the right to self-ownership is set aside, it might seem as if entrepreneurial stewardship violates the entrepreneur's ownership right to property that a buyer has freely and willingly transferred to them. However, such an objection begs the question. Entrepreneurial stewardship does not refer to the entrepreneur's moral obligation to steward his rightful property. Instead, it refers to the entrepreneur's moral obligation to steward entrepreneurial rent in their possession because it is not their rightful property, morally speaking. Such a moral obligation would only interfere with the entrepreneur's ownership right to entrepreneurial rent if they had the moral right to own it in the first place. And the mere fact that the buyer transfers property to the entrepreneur does not necessarily make the entrepreneur the rightful owner to the entirety of what has been transferred as a moral matter. As an analogy, take the seller's role in collecting sales tax from the buyer in most modern economies. The mere fact that the buyer transfers enough money to the seller to cover both the price of the purchased item and the sales tax does not grant the seller a legal right to the sales tax. Instead, the seller has only a custodial right to the collected sales tax and a legal obligation to transfer the tax to the government because the money that was transferred to them was never legally theirs at all. Similarly, it might be that the entrepreneur has a moral obligation to steward entrepreneurial rent because the entrepreneur has no moral right to it. As a result, what is required is an analysis of whether or not the entrepreneur has a moral right to the entirety of what buyers willingly transfer to them as their own. The results of such an analysis, this section will argue, show that the entrepreneur does not have a better claim to entrepreneurial rent than any other participant in the market process.

Entrepreneurial stewardship interferes with neither the entrepreneur nor the buyer's autonomy or liberty interests. As mentioned above, although one's autonomy or liberty interests can secure a right to control one's labor and certain resources with which one has a special relationship, it does not secure a right to any proceeds resulting from exchanging resources under one's control (Christman, 1994). Nevertheless, if one ought to be able to control something, it might seem that one should be able to freely transfer whatever it is that one controls (Narveson, 1996). As a result, one might think that entrepreneurs should have a right to do whatever they would like with the entirety of their profits because it would otherwise interfere with the *buyer*'s freedom to transfer property directly to the entrepreneur in exchange for something that the buyer values (Narveson, 1995). Since entrepreneurial stewardship imposes a limit on how much the entrepreneur can benefit from an entrepreneurial venture, it seems to restrict buyers' freedom to transfer their property to the entrepreneur. However, entrepreneurial stewardship does not necessarily restrict buyers' freedom to transfer as much property to the entrepreneur as they would like. If the buyer wishes to transfer a set amount to the entrepreneur, entrepreneurial stewardship does not prevent them from doing so because the buyer would no longer be participating within the market process. As noted above, entrepreneurs capture entrepreneurial rent by engaging in the market process, which involves a competition to buy and sell resources among economic actors. Essential to this process is the assumption that buyers will not pay more than the market-clearing price. These buyers do not intend for the entrepreneur to consume what they transfer to the entrepreneur. Instead, they intend only to pay a price for the entrepreneur's goods or services by transferring their property into the entrepreneur's possession. Given the competitive nature of the market process, the amount that buyers are willing to pay is determined not by their intention that the entrepreneur gain a property right to it but rather by what others are willing to pay for it. As a result, a process within which buyers simply pay what they are willing to pay for a resource, even if they could pay less, is not a market process. When buyers exercise their freedom to confer a benefit to the seller simply as a function of their willingness and without any regard to other buyers and sellers in the market, they are choosing to reward, or confer a gift to, the seller. Entrepreneurial stewardship does not interfere with the freedom of a gift giver to confer a benefit on another person because a seller's revenue from

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a reward or a gift is not entrepreneurial rent. Entrepreneurial stewardship applies only to entrepreneurial rent realized from buyers who are seeking to pay as little as possible within the market process for what they wish to purchase. The entrepreneur is obligated to refrain from consuming the difference between ex ante costs and the ex post realized gains when such a difference arises due to the competition among buyers and sellers rather than the buyer's intention to transfer property to the entrepreneur.

The importance of the market process to the transaction between the entrepreneur and the buyer is also the reason that entrepreneurs do not deserve entrepreneurial rent more than other market participants. It might be tempting to think that the entrepreneur's ability to capture profits reflects their courage, intelligence, or some other special ability (Buchanan, 1985). Of course, it's not entirely clear whether one even deserves one's innate abilities and virtues to begin with (Rawls, 1971). But even if entrepreneurs deserve their innate qualities, attempts to link profits with some underlying notion of desert miss the mark because the price of a good or a service within the market is a function of relative supply and demand, not the entrepreneur's innate qualities. And although entrepreneurs' innate qualities play a role in their ability to discover and exploit opportunities to capture entrepreneurial rent, such qualities can be identified ex ante and thus be incorporated within the compensation for the entrepreneur's labor. Other arguments that rely on more institutional forms of desert based on the value that the entrepreneur adds (Becker, 1977; Sollars & Tuluca, 2018), the benefit conferred on buyers (Miller, 1990), or the efficiency with which consumer wants and needs are met (Arnold, 1987) also fail to account for the nature of the market process. The value of entrepreneurial rent is not determined by any inherent value added by the entrepreneur's labor. Even labor theories of value in classical economics (Marx, 1867; Ricardo, 1817; Smith, 1776) admit that prices at which goods are traded, i.e., their exchange value, can diverge from whatever might be the "true" or "natural" value of a good (Foley, 2000). Entrepreneurial rent is determined by the exchange value of a good, which is a function of relative supply and demand within the market process. As a result, the market process also disconnects the proportionality of the gains and losses realized from entrepreneurial ventures with the social benefits of such ventures. Just as the entrepreneur who confers a great benefit to others may not capture entrepreneurial rent if the benefit is widely available from other sources, the entrepreneur who does not confer much of a benefit at all might stand to capture a significant amount of entrepreneurial rent if they confer a small increase in a benefit through an otherwise unavailable product, particularly if the benefit is aimed at the global elite. And, of course, entrepreneurial stewardship does not preclude entrepreneurs from rightfully receiving compensation for the value of their labor. Instead, it only interferes with the right to consume the income received from participating in the market process that *exceeds* the appropriate level of compensation for said labor.

Entrepreneurs also have no special claims to entrepreneurial rents on the basis that they create or discover the opportunity to capture them. Without the entrepreneur's unique labor to create new goods or services, one might argue, there would be no possibility of entrepreneurial rent at all. While this is true, a similar claim can be

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made by other market participants as well. Without the competition within the market process among other potential buyers and sellers that determines the price at which the entrepreneur can sell their products, there would be no possibility of entrepreneurial rent either. As mentioned above, although the entrepreneur's labor to create new goods or services can justify a unique right to the goods or services, such a right does not also extend to entrepreneurial rent because it is created due to the competitive actions of *all* the participants within the market process, not just the entrepreneur. Others have suggested that a "finders-keepers principle" might ground the entrepreneur's rights to keep entrepreneurial rent (Kirzner, 2018). Since the entrepreneur discovers the opportunity to create entrepreneurial rent, the theory goes, that entrepreneur has a unique claim to it in ways that others do not. It seems odd to think that being the first to discover something could justify a unique claim to it for reasons other than more fundamental concepts like autonomy or desert, which are discussed above. Nevertheless, even if there were a separate normative grounding for discovering something as a basis for an ownership right to it, it would not justify any special claim that the entrepreneur could make to entrepreneurial rent because the entrepreneur does not discover or acquire entrepreneurial rent in isolation. For instance, even if being the first to discover a new uninhabited island would somehow grant the discoverer a unique claim to it, the one who is tasked with spotting land with a telescope does not have any unique claim to the island merely because that individual was the first to see it. Absent some prior agreement between the crew of the ship, the claim belongs to the whole crew because the discovery was the result of their collective labor, including navigation, rowing, etc. In the same way, entrepreneurial rent is captured only through collective action within the market process. Although the entrepreneur begins the discovery process by creating new goods or services, entrepreneurial rent cannot be foreseen ex ante. Instead, it is discovered only in hindsight as a matter of knowledge that is available to everyone. Once the entrepreneur brings a product to the market process, competition among buyers and sellers will dictate the price at which the product will be sold. And as the market price for the product begins to emerge within the market process, so will the existence of entrepreneurial rent, if there is any, to be recognized by anyone who is aware of the ex ante costs of the venture.

Lastly, there is no reason to think that it would be unfair to deny the entrepreneur a special right to entrepreneurial rent. Entrepreneurial stewardship sets an upper limit on what the entrepreneur may consume—the sum of ex ante costs of the venture—without setting any reciprocal limits on what the entrepreneur may lose. As a result, it might seem as if the entrepreneur unfairly bears the downside risk of a venture not being as successful as expected without the chance to benefit from a venture that is more successful than expected. Although less-than-successful entrepreneurs would still benefit from the stewardship of other successful entrepreneurs, market participants who do not engage in entrepreneurship at all would enjoy the same benefits without being exposed to the same risk. Of course, such an objection overlooks the fact that limited liability for most business entities and bankruptcy laws provide a limit to how much the entrepreneur stands to lose. From this perspective, entrepreneurial stewardship merely provides a corrective by also imposing an appropriate limit to how much the entrepreneur stands to gain. More importantly, entrepreneurial stewardship eliminates such fairness concerns by excluding compensation for capital and labor from the calculation of entrepreneurial rent. Imagine, for instance, a scenario in which the entrepreneur provides no capital to the venture and merely provides their own labor. In such a situation, the downside risk of a venture is borne fully by the providers of capital, who will demand an adequate rate of return to compensate them for their assumption of risk. The entrepreneur should be fully compensated for their labor, and the risk of not being adequately compensated due to the venture failing is a risk that is shared by all labor and capital providers to the venture, not just the entrepreneur. A different scenario involving an entrepreneur who provides a capital investment to the venture is no different, except that the entrepreneur would be compensated for both capital and labor inputs. Just as there is nothing unfair, in principle, for an employee to give up the right to the ex post result of their labor in exchange for a salary that is agreed upon ex ante, there is nothing unfair for an entrepreneur to assume responsibility for any negative ex post results of an entrepreneurial venture in exchange for adequate compensation for capital and/or labor.

ENTREPRENEURIAL STEWARDSHIP AND WELFARE

Even if entrepreneurs do not have any special right to entrepreneurial rent, it might seem as if entrepreneurial stewardship would make everyone worse off than they would have been otherwise. Profits, one might argue, provide the necessary incentive for economic actors to engage in entrepreneurship and thus lead to a more efficient allocation of resources (Kirzner, 1995; Van Parijs, 1995). Since entrepreneurial stewardship prohibits entrepreneurs from consuming entrepreneurial rent, one might worry that it would discourage entrepreneurship and thereby harm social welfare. Of course, such a worry risks evaluating entrepreneurial stewardship as a public policy recommendation rather than a moral obligation. How economic actors *will* behave based on the profit incentive is different from what they *should* do as a matter of morality. If morality requires entrepreneurs to refrain from consuming entrepreneurial rent, they should do so, regardless of what might be their economic incentive for engaging in entrepreneurial activity. The appropriate question is thus whether entrepreneurial stewardship is compatible with social welfare maximization as a moral principle. The answer to the question is a resounding yes.

Entrepreneurial stewardship does not require any action that would violate the social welfare maximization principle. Imagine, for instance, that Peter is a committed utilitarian who seeks to maximize the aggregate welfare of everyone in the world and that he is able to acquire $1 billion by starting a business. Entrepreneurial stewardship does not require Peter to keep or consume any of his money. He is free to give away as much as he would like to various effective charities or to find ways to use the money to benefit others as much as possible. In general, entrepreneurial stewardship fully allows the entrepreneur to make allocation decisions about what to do with entrepreneurial rent based on social welfare maximization considerations. A utilitarian articulation of entrepreneurial stewardship may require more from the

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entrepreneur, but it will not ask less of them. After all, even in the unlikely scenario that Peter is so needy that social welfare would be enhanced only by his keeping some of the profits, entrepreneurial stewardship permits him to keep a portion of his profits as compensation for labor and capital. As a result, the only potential for conflict between entrepreneurial stewardship and social welfare maximization would require Peter to be such a "need-monster" that his implausible existence would threaten the very plausibility of social welfare maximization as a moral principle.

Neither does entrepreneurial stewardship necessarily interfere with the price mechanism in allocating resources in society to their highest valued use. Artificially increasing the price paid for a resource needed for an entrepreneurial venture or lowering the price at which the combinations of such resources are sold would interfere with efficient resource allocation by distorting the information communicated to others in society through the price mechanism. However, entrepreneurial stewardship is a distributive principle that places limits on what the entrepreneur may do with entrepreneurial rent after engaging in the market process, not an allocative principle that requires entrepreneurs to interfere with the market process itself. If the social welfare benefits of the price mechanism require the entrepreneur to charge the market-clearing price for a good, there is nothing about entrepreneurial stewardship that would prevent the entrepreneur from doing so. Entrepreneurial stewardship only requires that the entrepreneur refrains from consuming the entrepreneurial rent associated with such a sale and that the entrepreneur allocates it for the benefit of other market participants instead. Charging the market-clearing price would only increase the amount of entrepreneurial rent that the entrepreneur ought to steward.

As a result, the only legitimate social welfare concern about entrepreneurial stewardship is that it would undermine the *incentives* for efficient allocation and economic development. For instance, one might worry that entrepreneurial stewardship would actively discourage entrepreneurship by distorting incentives. Because it sets an upper limit on what the entrepreneur may consume—the sum of ex ante costs of the venture—without setting any reciprocal limits on what the entrepreneur may lose, a rational entrepreneur might choose to forgo undertaking a risk even if it has a positive expected value for the entrepreneur and for society in general. But, again, it is difficult to see why such concerns are relevant to assess entrepreneurial stewardship from a moral standpoint. Worries about the incentive effects of entrepreneurial stewardship as a moral matter ultimately should be focused on the fact that entrepreneurs do not accept the social welfare maximization norm. If an entrepreneur were already motivated to increase the level of aggregate social welfare, there would be no need to incentivize them with anything else. From a utilitarian perspective, if engaging in entrepreneurship would maximize social welfare, the entrepreneur who discovers such an opportunity and is in the position to undertake the entrepreneurial venture should do so because that is what morality requires. And, as noted above, entrepreneurial stewardship does not interfere with social welfare maximization. Entrepreneurial stewardship is a part of a total package of norms that would lead to social welfare maximization rather than one that would hinder it. In fact, from a utilitarian perspective, what might be needed is not the elimination of entrepreneurial stewardship but rather the addition of the obligation to engage in entrepreneurship and/or profit seeking as much as possible, even if it might lead to potential losses for the entrepreneur.

Concerns about the elimination of entrepreneurial rent as an incentive for economic development thus conflate issues of public policy with entrepreneurial stewardship as a moral obligation. And ultimately, public policy concerns about incentives and social welfare will turn on empirical considerations. However, even as an empirical matter, it is not entirely obvious that entrepreneurial stewardship would undermine incentives that would lead to social welfare maximization. First, given some evidence that the top 1 percent of earners in the United States could have their total income taxed at over 90 percent without seeing any reduction in social productivity (Kindermann & Krueger, 2014), there is reason to think that social welfare would not be negatively impacted even if entrepreneurs were required to refrain from consuming entrepreneurial rent, which likely constitutes only a small portion of the overall income for most entrepreneurs. Second, entrepreneurial rent that would have otherwise been consumed by entrepreneurs could be employed to incentivize entrepreneurship in other ways. For instance, insurance programs funded by the redistribution of entrepreneurial rents could help to eliminate the down-side risk of entrepreneurship and correct whatever incentive distortions were caused by entrepreneurial stewardship. Public or market-based subsidies funded by entrepreneurial rents could also help allocate resources to the highest socially valued use. Third, entrepreneurs are motivated by more than merely financial reasons (Naughton & Cornwall, 2006; Shane, Locke, & Collins, 2003). Even if the prospect of entrepreneurial rent were to eliminate some of the financial incentives of entrepreneurship, entrepreneurs will continue to be motivated to engage in entrepreneurial activities by the prospect of greater autonomy, job satisfaction, status, etc. Fourth, entrepreneurial stewardship eliminates a distortion to social incentives created by the potential for entrepreneurial rent. Since market participants do not have an equal amount of wealth, the information carried by the prices of resources amplifies the preferences of the wealthy rather than the poor. Entrepreneurs who focus on opportunities to create future goods or services without a myopic focus on the potential for entrepreneurial rent might be more likely to identify opportunities that can benefit others in society more holistically. As a result, even if entrepreneurial stewardship leads to a marginal decrease in entrepreneurial ventures, it may nevertheless make up for the difference by increasing entrepreneurs who work on projects that solve pressing problems in the world rather than those that add a marginal level of convenience to the lives of the global elite.

CORPORATIONS AND SHAREHOLDERS

Entrepreneurial stewardship has important implications for corporations and their shareholders. As noted above, entrepreneurship is an economic function that involves the creation of future goods or services by engaging in the market process. Although individuals certainly engage in such functions, the complexity of modern economic production often means that a group of individuals will work together to engage in entrepreneurship through a legal entity known as the corporation. Take, for instance, Jeff Bezos, who is one of the wealthiest individuals in the world due to his involvement in the creation of Amazon.com. If anyone has ever captured entrepreneurial rent from an entrepreneurial venture, Bezos would seem to fit the bill. However, almost the entirety of Bezos' net worth is directly attributable to his ownership of stock in Amazon.com, Inc., which is a corporation created to realize his entrepreneurial vision. Even from its earliest stages and certainly continuing through the present, the value of Amazon.com, Inc. is attributable to the contributions made by its financiers, employees, suppliers, and other partners to continually discover and refine new opportunities to capture profit. And, of course, Bezos and Amazon are not unique. Most, if not all, other for-profit corporations engage in entrepreneurial activities through the aggregation of contributions made by a wide array of economic actors. As a result, any examination of entrepreneurial stewardship is incomplete without a discussion of corporations and their shareholders.

When corporations engage in entrepreneurship, the determination of entrepreneurial rent requires accounting for the ex ante costs of labor of capital, both of which can take the form of equity. It is not difficult to account for a corporation's ex ante labor costs when it hires workers in the labor market. Its ex ante labor cost would simply be what it pays its workers. Neither is it particularly difficult when compensation for labor or capital takes the form of equity. Some equity holders of a corporation acquire shares of its stock as compensation for labor, known as sweat equity. In such instances, accounting for the ex ante cost of sweat equity is not significantly different from accounting for the ex ante cost of the individual entrepreneur's labor. It will need to be determined by the market for capital and/or non-market means. Other equity holders of a corporation acquire shares of its stock as compensation for capital. Although it has no similar analogue to the case of the individual entrepreneur, it is not difficult to account for the ex ante costs of equity capital either because it is determined by an existing market for capital. When a corporation requires cash to fund its ventures, it will engage in the market process to buy cash in exchange for equity. The ex ante cost of equity capital is determined by the difference between the value of the *expected* future earnings of the corporation *at the time of investment* and the amount of cash provided in exchange for equity. As a result, entrepreneurial stewardship does not raise as significant of a worry about distorting incentives for venture capital investment as one might expect. A significant majority of entrepreneurial ventures fail, and venture capitalists require significant returns from the few successful entrepreneurial ventures to subsidize others within their investment portfolio. If entrepreneurial stewardship were to prohibit venture capitalists from realizing significant returns from their investment in successful entrepreneurial ventures, it would likely destroy much of the welfare benefits of capitalism. However, since the ex ante costs of equity capital incorporate the demands of venture capitalists to realize a significant return on their investment, a significant portion of the value of corporate profits must be considered as part of the ex ante costs of the entrepreneurial venture that do not factor into entrepreneurial rent. Venture capitalists will only begin to capture entrepreneurial rent when the ex post value of the agreed-upon percentage of future earnings of the corporation begin to exceed the expected value of the corporation at the time of investment.

When shareholders of a corporation begin to capture entrepreneurial rent, they also acquire an obligation to steward it for the benefit of other market participants. One cannot transfer something to another if one does not have the right to do so. Since the corporation is a steward rather than the rightful owner of entrepreneurial rent, it has no ownership right to entrepreneurial rent that it can transfer to shareholders. Instead, it can merely transfer the right to control entrepreneurial rent as a steward. Furthermore, since the corporation has an obligation to allocate entrepreneurial rent for the benefit of other market participants, it has no right to transfer entrepreneurial rent to shareholders if it would violate such an obligation. As a result, when the corporation transfers entrepreneurial rent to shareholders, it must also transfer the stewardship obligation along with the entrepreneurial rent. When shareholders acquire the right to future earnings of a corporation in exchange for labor or capital, they thus implicitly agree to acquire the stewardship obligation attached to entrepreneurial rent. Of course, most shareholders will never have to act as stewards because the corporation is highly unlikely to transfer the control of a sufficient amount of its assets to its shareholders to exceed its ex ante costs. Instead, the capital gains of a corporation's shareholders will almost always be due to a sale of their stocks to other investors, which should include a transfer of the potential stewardship obligation to the purchaser of their stock. A discussion of the moral obligations associated with an investor's capital gains is thus distinct from a discussion of entrepreneurial stewardship and is beyond the scope of this article.

Under some circumstances, the managers of a corporation might have a fiduciary obligation to disclose the extent to which corporate assets constitute entrepreneurial rent. Given the straightforward process through which a corporation's realized entrepreneurial rent can be calculated by those who are aware of the costs associated with its labor and capital inputs, managers of a corporation should not have a difficult time accounting for entrepreneurial rent, provided that an adequate accounting method is developed. However, although some shareholders who are involved with the founding or the management of a corporation may be in a position to know if and when the corporation captures entrepreneurial rent, other shareholders and potential shareholders of a corporation will not be in such a position. As a result, most shareholders and the investing public might be vulnerable in such a way that might require the imposition of fiduciary obligations on managers (Marcoux, 2003). Among other things, fiduciary obligations include the duty to inform existing and potential shareholders of relevant information. Information about the extent to which corporate assets constitute entrepreneurial rent would certainly be relevant enough to require disclosure by managers to existing and potential shareholders. How and when managers ought to disclose a corporation's entrepreneurial rents will depend on specific circumstances and is beyond the scope of this article.

Lastly, entrepreneurial stewardship can be compatible with both the shareholder primacy and stakeholder models of the corporation. Stakeholder theorists argue that managers ought to allocate corporate assets to benefit all of the corporation's stakeholders rather than only its shareholders (Freeman, 1984, 2010). It may then be tempting to construe entrepreneurial stewardship as a variant of stakeholder theory, at least when it comes to its application to the corporate context. However, this is not the case. Some critics argue that stakeholder theory would allow for an impermissible amount of discretion for managers (Boatright, 2006; Sundaram & Inkpen, 2004). Within this view, shareholder primacy ought to be the proper norm for corporate governance because managers could otherwise "easily pursue their own agenda, one that might maximize neither shareholder, employee, consumer, nor national wealth, but only their own" (Roe, 2000: 2065). However, whatever might be the public policy considerations for corporate governance, both the stakeholder and shareholder primacy models of the corporation are compatible with entrepreneurial stewardship as a moral obligation. Managers who comply with the demands of entrepreneurial stewardship within a stakeholder model would exercise their discretion to benefit other stakeholders rather than themselves, thus eliminating the need to restrict managerial discretion. Managers who comply with the demands of entrepreneurial stewardship under a shareholder primacy model would merely transfer entrepreneurial rent, along with the obligation to steward it, solely to shareholders. Furthermore, the moral arguments for and against stakeholder theory are either compatible with entrepreneurial stewardship or differ at a more fundamental level. For instance, it might be that shareholder primacy ought to be the norm for corporate governance because any other arrangement would interfere with social welfare maximization due to managerial inadequacies and/or by increasing agency and political costs (Friedman, 1970; Hansmann, 1988; Heath & Norman, 2004). In such a case, managers ought to transfer all entrepreneurial rent to shareholders, which entrepreneurial stewardship allows. Or it might be that stakeholder theory ought to be the norm for corporate governance because non-shareholder stakeholders also have a moral claim to corporate assets (Donaldson & Preston, 1995; Freeman & Phillips, 2002; Phillips, 1997). In such a case, managers ought to prioritize the claims of a corporation's stakeholders over other market participants as stewards of entrepreneurial rent. The only types of corporate governance arguments that are not compatible with entrepreneurial stewardship are those that depend on assigning exclusive ownership rights of the corporation and its assets to either its shareholders (e.g., Velasco, 2010) or its stakeholders (e.g., Mygind, 2009) to the exclusion of other market participants. But such an incompatibility is the result of a more fundamental disagreement about the ownership rights that certain individuals or economic entities ought to have over entrepreneurial rent. Entrepreneurial stewardship rests on the moral claim that the entrepreneur—and thus, by extension, the shareholders and other stakeholders of a corporation—does not have any special ownership rights to entrepreneurial rent. Incompatibility with such a claim does not rest on any morally significant feature that distinguishes the shareholder primacy model of corporate governance from the stakeholder model.

CONCLUSION

Entrepreneurial rent is created through competition within the market process, but the spoils do not necessarily belong to the victor. Market participants have a moral right to entrepreneurial rent because they create it collectively through the market process. Entrepreneurs cannot raise any good reasons why they ought to be entitled to it rather than market participants as a whole. Considerations of autonomy, liberty, desert, the right of first acquisition, or fairness do not grant the entrepreneur any special claim to entrepreneurial rent. Neither are there any good moral reasons on welfare grounds to justify any special right for the entrepreneur to consume entrepreneurial rent. As a result, individual entrepreneurs, corporations, and anyone to whom the corporation transfers entrepreneurial rent all have a moral obligation to allocate entrepreneurial rent for the benefit of other market participants rather than for themselves.

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