

**Class, Exploitation and Economic Rents:
reflections on Sørensen's "Toward a Sounder Basis for Class Analysis"**

Erik Olin Wright
Department of Sociology
University of Wisconsin, Madison

January 2000

Abstract

In his paper, "Toward a Sounder Basis for Class Analysis" Aage Sørensen endorses the traditional Marxist idea that exploitation is central to understanding the ways in which class relations generate inequalities and antagonisms of material interests, but proposes that the Marxist approach to exploitation be replaced by one which identifies exploitation with economic rents. While agreeing with Sørensen on the desirability of an exploitation-centered class analysis, this article criticizes his proposal to reduce exploitation to economic rents on two principle grounds: (1) Sørensen's proposal fail to distinguish between situations in which exploiters *actively need* the exploited and situations in which they *simply gain advantages at the expense of* the exploited. Both of these situations generate antagonistic material interests, but in only the former is it the case that material welfare of the exploiter depends upon some level of cooperation by the exploited. (2) Sørensen's approach fails to recognize the ways in which the ownership of capital, even in the absence of monopoly rents, generates antagonisms of material interests with workers. The article elaborates an alternative proposal to Sørensen's which recognizes the connection between rents and exploitation but rejects the equation of the latter with the former.

The concept of “exploitation” has been at the core of the Marxist tradition of class analysis, but to many people this concept now seems like esoteric and irrelevant radical jargon. Particularly since the abandonment by most Marxists of the labor theory of value as a coherent framework for economic analysis, the concept of exploitation has come to seem more like a heavy-handed piece of antiquated rhetoric than a rigorous tool for understanding the inner workings of class relations in capitalist society.

Aage Sørensen (2000) argues that Marxists are correct in placing exploitation at the center of class analysis since an exploitation-centered concept of class has a much greater potential for explaining the structural foundations of social conflicts over inequality than does its principle rival, the material “life-conditions” conception of class.¹ But he also believes that existing concepts of exploitation are seriously compromised due to an absence of rigorous theoretical foundations. To solve this problem he proposes rehabilitating the of the concept of exploitation by closely identifying it with the economic concept of rent. This, he believes, retains the fundamental sociological meaning of exploitation while giving the concept much more theoretical precision and analytical power.

I share with Sørensen the commitment to reconstructing an exploitation-centered concept of class (Wright, 1979, 1985, 1989, 1997). And, like Sørensen, I believe that a rigorous concept of exploitation can be elaborated without the use of the labor theory of value. I have also argued that there is a close link between the concept of economic rent and various forms of exploitation. I disagree, however, that exploitation can be fruitfully defined simply in terms of rent-generating processes, or that a class analysis built on such foundations will be satisfactory. The objective of

this paper is to explain why I feel rent alone does not provide an “sounder basis” for class analysis.

In the next section I will briefly summarize the central ideas of Sørensen’s proposal. This will be followed by an explication of an alternative conceptualization of exploitation which sees exploitation as not simply rent-generated advantages, but advantages that involve the appropriation of labor effort of the exploited by exploiters. The paper will conclude with a discussion of the complex relationship between rent and exploitation.

Sørensen’s model of rent-based exploitation

Sørensen begins by endorsing what might be called the root meaning of exploitation in Marx: “Exploitation, for Marx and here, means that there is a causal connection between the advantage and disadvantage of two classes. This causal connection creates latent antagonistic interests which, when acted upon as a result of the development of class consciousness, creates class conflict.” (Sørensen mss, p2). The pivot of this definition is the idea of *antagonistic interests*: “Interests may be said to be antagonistic when the gain of one actor, or a set of actors, excludes others from gaining the same advantage.” (Sørensen mss, p1). An exploitation-centered concept of class, therefore, sees class relations as structured by processes of exploitation which causally generate antagonistic interests.

The central problem, then, is figuring out what properties of social relations in fact generate such antagonistic interests. Sørensen argues, correctly I believe, that the traditional

Marxist strategy of basing such an account in the labor theory of value is unsatisfactory. He proposes a simple and straightforward alternative by identifying exploitation with economic rents. Owning assets of various sorts gives people a stream of income – call this returns on owning the asset – when those assets are deployed in production or exchanged in a market. The “value” of the asset to an individual is defined by the total returns one obtains from that asset during the period in which one owns it. We can then define a special counterfactual: the returns to the asset under conditions of “perfect competition”. Any return to the asset above this counterfactual is a rent: “The difference between the actual price and the competitive price is what is called an *economic rent*....Rents are payments to assets that exceed the competitive price or the price sufficient to cover costs and therefore exceeding what is sufficient to bring about the employment of the asset.” (Sørensen mss, p20)

Perfect competition is a quite demanding condition. It implies *perfect information* and a complete *absence of any power relations* between actors within a market. Economists are used to including the power condition in discussions of competitive markets. This is where the contrast between competitive and monopolistic markets comes from. Much less attention is generally paid to the information conditions. If actors in a system of exchange and production have incomplete information, the contracts are not costlessly enforceable (since resources must be devoted to monitoring compliance with contracts). In general in such situations the empirical prices in exchange relations will deviate from the prices that would pertain under conditions of perfect information, thus generating rents associated with transaction costs.

With this standard economic definition of rents in hand, Sørensen then proposes to define exploitation in terms of rents: “I propose to restrict exploitation to inequality generated by ownership or possession of *rent-producing assets*. Rent-producing assets or resources create inequalities where the advantage to the owner is obtained at the expense of nonowners. These nonowners would be better off if the rent-producing asset was redistributed or eliminated.” (Sørensen mss, p14). *Exploitation class* is thus defined as “structural locations that provide rights to rent-producing assets.” (Sørensen mss, p4).

This definition of exploitation class produces some startling conclusions that run quite counter to the conventional intuitions of most class analysts:

- Capitalist property relations by themselves do not generate classes. “In perfectly competitive markets, with no transaction costs, there are no permanent advantages or above-market returns, to be obtained at the expense of somebody else. Thus class location would be irrelevant” (Sørensen mss, p7). Strictly speaking, within Sørensen’s framework the claim here should be even stronger: it is not simply that class location would be irrelevant; there would be no class locations at all. A capitalist market economy with perfect competition would be a classless society.
- When labor unions negotiate “solidarity wages” in which wage differentials are reduced by raising the wages of unskilled workers, unskilled workers become an exploiting class: “The main effect of unions is to reduce wage inequality. Unions are especially effective at decreasing the wage spread between more or less productive workers. Unions may

create substantial rents to low skilled or otherwise less productive workers.” (Sørensen mss, p.42

- The existence of a high minimum wage increases exploitation in a society and renders workers at or near the minimum wage an exploiting class. A strong welfare state also increases exploitation; welfare recipients are an exploiting class.
- While some of the increase in inequality in the last two decades in many capitalist societies may reflect a redistribution of rents from one category of actors to another (particularly when capitalists are able to capture a higher proportion of what Sørensen calls “composite rents”), mostly this increasing inequality reflects a reduction in rents: “The increase in inequality is very much driven by an increase in wages and earnings of the highest paid and stagnation or decline for others. The stagnation and decline follow from rent destruction.” (Sørensen mss., p.45). This implies less exploitation in the system under neoliberal, deregulated labor markets and thus a move towards a classless society.

Sørensen recognizes that these conclusions are deeply counter-intuitive. He responds by arguing that in capitalist societies reducing exploitation may in fact be a bad thing for many ordinary people. “Nothing,” he writes, “guarantees that efficient labor markets create good lives. Rents are required in modern society to provide decent standards of living for the poorest part of the population. These rents are provided from the state in the form of income support and other welfare goods.” Ironically, then, the elimination of class and exploitation increases human misery,

and thus a humane capitalist society is one which fosters certain kinds of antagonistic class interests, particularly by strengthening state-sanctioned forms of exploitation.

There is nothing intrinsically wrong with bold, provocative, counter-intuitive claims. Indeed, the hallmark of the best sociology is discovering properties of social relations which go against conventional wisdom and thus counteract the definition of sociology as “the painful elaboration of the obvious”. Nevertheless, when such striking counter-intuitive claims are made they may suggest that there are problems and missing elements in a theoretical proposal. This, I will argue, is the case in the simple equation of exploitation and rents.

An alternative definition of exploitation

The definition of exploitation I will elaborate shares much with that proposed by Sørensen. Like Sørensen, I argue that exploitation generates antagonistic interests in which the material welfare of exploiters is causally dependent upon harms to the material interests of the exploited. I also believe that this causal dependence is rooted in the ways in which productive assets of various sorts are owned and controlled. And, like Sørensen, I argue that defining class in terms of exploitation rather than simply material conditions of life provides the richest conceptual foundations for linking an account of material inequality with an account of social conflict. Where we differ is in two respects: first, I do not think that rents in and of themselves provide a full account of the explanatory mechanisms of exploitation, and second, I think capitalism generates antagonistic class interests even under the imaginary conditions of perfect competition. The first

of these points involves examining the ways in which exploitation involves the appropriation of “labor effort” rather than simply “advantage”; the second involves showing how capitalist property relations generate antagonisms even under perfectly competitive markets.

Exploitation and the appropriation of labor effort

Exploitation, as I will define the concept, exists when three criteria are satisfied (see Wright, 1997: 9-19 for details):

- (1) *The inverse interdependent welfare principle*: the material welfare of exploiters causally depends upon the reductions of material welfare of the exploited.²
- (2) *The exclusion principle*: this inverse interdependence of welfares of exploiters and exploited depends upon the exclusion of the exploited from access to certain productive resources.
- (3) *The appropriation principle*: Exclusion generates material advantage to exploiters because it enables them to appropriate the labor effort of the exploited.

Exploitation is thus a diagnosis of the process through which certain inequalities in incomes are generated by inequalities in rights and powers over productive resources: the inequalities occur, in part at least, through the ways in which exploiters, by virtue of their exclusionary rights and powers over resources, are able to appropriate labor effort of the exploited.³ If the first two of these principles are present, but not the third, what might be termed

nonexploitative economic oppression may exist, but not exploitation. The crucial difference is that in nonexploitative economic oppression, the advantaged social category *does not itself need* the excluded category. While the welfare of the advantaged does depend upon the exclusion principle, there is no on-going interdependence of their activities with those of the disadvantaged. In the case of exploitation, the exploiters actively need the exploited: exploiters depend upon the effort of the exploited for their own welfare.

Sørensen explicitly rejects this third criterion and thus rejects the proposed distinction between exploitative and nonexploitative oppression. He writes:

Wright (1997) proposes a related definition of exploitation though it is not formulated in terms of the concept of rent. In addition to the causal link between advantages and disadvantages of classes, Wright requires that the advantaged class depend on the fruits of labor of the disadvantaged class for exploitation to exist. Thus when the European settlers displaced Native Americans they did not exploit by obtaining an advantage at the expense of native Americans; they engaged in “nonexploitative economic oppression.” (Wright, 1997: 11). The European settlers clearly created antagonistic interests that brought about conflict so it is not clear what is added by the requirement of transfer of the fruits of labor power.

One way of seeing “what is added by the requirement of transfer of the fruits of labor” is to contrast historical situations in which exploitation occurs with those characterized by nonexploitative oppression. Consider the difference in the treatment of indigenous people in

North America and Southern Africa by European settlers. In both places the first two criteria above are satisfied: in both there is a causal relationship between the material advantages of settlers and the material disadvantages of indigenous people; and in both this causal relation is rooted in processes by which indigenous people were excluded from a crucial productive resource, land. In Southern Africa, however, the third principle was also present: the settler population appropriated the fruits of labor of the indigenous population, first as agricultural labor working the land and later as mineworkers, whereas in North America the labor effort of indigenous people was generally not appropriated.

Does this matter? It doesn't matter, perhaps, if all we are concerned with is the sheer presence or absence of "antagonistic interests", for in both instances there surely was deep antagonism. But the dynamics of the antagonism are fundamentally different in the two cases: In North America, because the settler population didn't need Native Americans, they could adopt a strategy of genocide as a way of responding to the conflicts generated by the exclusion of indigenous people from the land. There is a morally-abhorrent folk expression in American culture which reflects this quality of antagonism: "the only good Indian is a dead Indian." No comparable expression exists for workers, slaves or other exploited classes. One might say "the only good slave is a docile slave" or "the only good worker is an obedient worker", but it would make no sense to say "the only good worker is a dead worker" or "the only good slave is a dead slave." Why? Because the prosperity of slave owners and capitalists depend upon the expenditure of effort of those whom they exploit. Sørensen's definition of exploitation does not distinguish

between what I call exploitative and nonexploitative oppression and thus does not capture this strong sense in which *exploiters depend upon and need the exploited*.

This deep interdependence makes exploitation a particularly explosive form of social relation for two reasons: First, exploitation constitutes a social relation which simultaneously pits the interests of one group against another and which requires their ongoing interactions; and second, it confers upon the exploited group a real form of power with which to challenge the interests of exploiters. This is an important point. Exploitation depends upon the appropriation of labor effort. Because human beings are conscious agents, not robots, they always retain significant levels of real control over their expenditure of effort. The extraction of effort within exploitative relations is thus always to a greater or lesser extent problematic and precarious, requiring active institutional devices for its reproduction.⁴ Such devices can become quite costly to exploiters in the form of the costs of supervision, surveillance, sanctions, and so forth. The ability to impose such costs constitutes a form of power among the exploited.

Our first conclusion, then, is that a concept of exploitation based solely on the notion of rent misses the ways in which exploiters are not merely advantaged because of the disadvantages of the exploited, but are dependent upon the exploited. This dependency is a central feature of class relations.

Class, Exploitation and “perfect competition”

In Sørensen’s rent-centered concept of class and exploitation, a capitalist market economy with

perfect competition (which also requires perfect information) would be a classless society since all returns to assets would be exactly equal to their costs of production⁵. There would therefore be no rents and thus no exploitation or class.

Traditional Marxist conceptions of class and exploitation are sharply at odds with this diagnosis. In the framework of the labor theory of value it was easy to demonstrate that workers were exploited even under conditions of perfect competition. What happens when we abandon the labor metric of value?

Let us examine the three criteria for exploitation specified above in a capitalist economy with perfect competition in which there are only two categories of economic actors, capitalists who own means of production -- and thus have the effective power to exclude others from access those assets -- and workers who own only their labor power. We will not call these "classes" yet because we first need to see if the three criteria for exploitation are satisfied. For simplicity, let us assume that capitalists are pure rentiers: they invest their capital in production and receive a rate of return on those capital assets, but they do not work themselves (managers are thus simply a type of worker in this simple case). Are the inverse interdependent welfare principle and the exclusion principle satisfied in this case? Is the material welfare of capitalists causally dependent upon the exclusion of workers from access to capital assets? The test here is whether or not it is the case that workers would be better off and capitalists worse off if property rights were redistributed so that workers would no longer be "excluded" from capital.⁶ It seems hard to argue that this is not the case: in the initial condition capitalists have a choice of either consuming their

capital or investing it, as well as the choice of whether or not they will work for earnings.

Workers only have the latter choice. To be sure, they can borrow capital (and in a world of perfect information they would not need collateral to do so since there would be no transaction costs, no monitoring costs, no possibility of opportunism), but still workers would be better off owning capital outright than having to borrow it.

In Sørensen's analysis of rent-based exploitation he argues that where rent-producing assets exist "nonowners would be better off if the rent-producing asset was redistributed or eliminated". (Sørensen mss p14). What we have just noted is that where capital assets are privately owned and unequally distributed – in particular, where one group of agents have no capital assets and another group has sufficient capital assets to not need to work – then, even if those assets do not generate rents it is still true that "nonowners would be better off if the income-producing asset was redistributed."⁷

What about the third criterion for exploitation: the appropriation principle? Does it make sense to say that in a system of perfect competition with perfect information and equilibrium prices, rentier capitalists appropriate the "labor effort" of workers. As Sørensen correctly points out, in such an imaginary system, in equilibrium workers who expended more effort would be paid more, workers who shirked would be paid less, and (according to standard marginalist reasoning) the amount they were paid for their effort level would exactly reflect the price of the product they produced with that effort. This is the kind of reasoning which has always lead neoclassical economists to deny the existence of exploitation in capitalism.

Nevertheless, even under these conditions the following is true: 1) the only labor effort performed in the system is by workers; 2) capitalists appropriate that product and thus appropriate the “fruits of labor effort” of workers;⁸ 3) for any given wage level capitalists have an interest in getting workers to expend more labor effort than workers would spontaneously want to expend; 4) if workers owned their own means of production, capitalists would find it more difficult to get workers to work as hard for a given level of wages. In a purely competitive capitalist economy, therefore, there are still antagonistic interests over the expenditure and appropriation of labor effort.

Class, exploitation and rents

If one accepts the arguments above, then the simple equation of exploitation with economic rents is an unsatisfactory basis for class analysis. This does not mean, however, that the concept of economic rent is irrelevant to class analysis, but simply that it bears a more complex relationship to the problem of exploitation. Let us examine two specific examples: employment rents derived from transaction costs in the employment contract, and solidarity rents generated by union power.

In Sørensen’s analysis, the employment rents workers receive because of transaction costs in the employment relation count as a form of exploitation rendering such workers an exploiting class. In the analysis proposed here, in general employment rents constitute one of the ways workers are able to mitigate their own exploitation.

Here is the basic argument: Where imperfect information exists -- which is the usual

condition of labor contracts -- capitalists are generally prepared to pay employment rents to workers in order to extract adequate labor effort from them. The mechanism in play here has been carefully elaborated by Bowles and Gintis (1990) following earlier work on efficiency wages by Akerloff and Yellen (1986) and others: Because of imperfect information in the labor market and labor process capitalists are forced to spend resources on enforcing the labor contract (through supervision, monitoring, etc.) in order to detect shirking. Catching workers shirking is only useful for capitalists if workers care about being punished, especially about losing their jobs. The salience of the threat of being fired for shirking increases as the cost of job loss to workers increase. Paying workers an employment rent -- a wage significantly above their reservation wage -- increases the cost of job loss and thus the potency of employer threats. The costs to employers to extract labor effort thus consist of two components: the costs of catching workers shirking (monitoring costs) and the costs of making job loss hurt (employment rents).⁹ The “employment rent” is thus a wage premium workers are able to get because of their ability to resist capitalist attempts at extracting labor effort. In conditions of perfect (and thus costlessly acquired) information, the capitalist capacity to appropriate effort is enhanced since workers lose this ability to resist. Rather than seeing employment rents as a form of exploitation by workers it is thus more appropriate to see it as the outcome of resistance to exploitation by workers.

As a second example of the relationship of rents and exploitation to class, consider the role of unions in reducing wage differentials among nonmanagerial employees. In Sørensen’s provocative characterization of this phenomenon, employed low skilled workers – the principal

beneficiaries of the solidarity wage – are an exploiting class. In terms of the labor-effort appropriation formulation of the concept of exploitation one would want to ask: “who is exploited by these low skilled workers”?¹⁰ There are three principle candidates: unemployed low-skilled workers, skilled workers, and capitalists.

An argument can certainly be made that unemployed workers are potentially harmed by solidarity wages. By raising the wages of low paid workers, employers are likely to hire fewer low-skilled workers than they would do in unregulated labor markets. Solidarity wages – like minimum wages, job security protections and other such institutional arrangements – create labor market rigidities which advantage insiders at the expense of outsiders. But does this warrant the claim that employed low-skilled workers with solidarity wages “exploit” the unemployed? In terms of the proposed definition of exploitation adopted here, they do not. The key question is this: If the unemployed simply disappeared – if they migrated for example – would the material welfare of the employed low-skilled go down or up? If anything the welfare of employed low-skilled workers would go up if the “reserve army of the unemployed” were to decrease. Unemployed workers in this situation may be subjected to a form of nonexploitative oppression by being denied access to jobs, but they are not exploited.

What about skilled workers? It is certainly the case that in conditions of solidarity wages the wages of skilled workers are, at least statically, lower than they would be in the absence of union-generated reductions of wage differentials. There are two reasons why it still does not make sense to say that they unskilled exploit the skilled in this context. First, one of the reasons for the

solidarity wage is the belief that it enhances overall class solidarity and thus shifts the balance of power between organized workers and capitalists in favor of workers. In the long run this advances the material interests of both skilled and unskilled workers. Second, if in the absence of the solidarity wage skilled workers would themselves be recipients of union-generated rents, then what the solidarity wage really does is simply reduce the rents acquired by skilled workers and redistributes some of these to unskilled workers. Even if one regards rents per se as a form of exploitation, this would not constitute a form of exploitation *of* skilled workers *by* the unskilled, but of the economic agents who pay the rents to the skilled workers in the first place.

If solidarity wages are viewed simply as a redistribution of rents from the skilled to the unskilled, then this suggests that perhaps the unskilled are exploiting capitalists since, after all, capitalists are paying the wages. But capitalists – under the definition of exploitation being used here – are themselves exploiters of workers by virtue of appropriating the fruits of labor of workers. The rent component of the solidarity wage – like the more general wage premium of employment rents – should therefore in general be thought of as a mitigation of capitalist exploitation rather than a form of exploitation in its own right.

Both of these examples show that once the appropriation of labor effort is added as a criterion for the concept of exploitation, the relationship between class, exploitation and rents become much more complex. In some cases rents might still be directly a form of exploitation. The rents that a land owner charges a tenant farmer constitute a direct appropriation of the labor effort of the farmer, for example. In other cases, rent-acquisition is better thought of as a way of

mitigating exploitation. It is for this reason that in general I have argued that employees who are the recipients of various forms of rents within their earnings should be regarded as occupying “privileged appropriation locations within exploitation relations” (Wright 1997: 22).¹¹ The concept of economic rent therefore can play a useful role in the theory of class and exploitation, by clarifying range of mechanisms by which exploitation is enhanced or counteracted, but not by reducing the concept of exploitation simply to advantages obtained by asset-owners under conditions of imperfect competition and imperfect information.

References

- Akerloff, George and Janet Yellen. 1986. *Efficiency Wage Models of the Labor Market*. New York: Cambridge University Press.
- Bowles, Samuel and Herbert Gintis. 1990. "Contested Exchange", *Politics & Society*, June.
- Cohen, G.A. 1988. The Labour Theory of Value and the Concept of Exploitation. in G.A. Cohen, *History, Labour and Freedom* (Oxford: Clarendon Press), pp.209-238
- Sørensen, Aage. 2000. Toward a Sounder Basis for Class Analysis. *American Journal of Sociology*.
- Stiglitz, Joseph E. and Andrew Weiss. 1981. "Credit Rationing in Markets with Imperfect Information." *American Economic Review* 71: 393-410
- Wright, Erik Olin. 1978. *Class, Crisis and the State*. London: New Left Books
- Wright, Erik Olin. 1985. *Classes*. London: Verso
- Wright, Erik Olin. 1989. *The Debate on Classes*. London: Verso
- Wright, Erik Olin. 1997. *Class Counts: Comparative Studies in Class Analysis*. Cambridge: Cambridge University Press, 1997

Endnotes

1. Sørensen proposes a three-fold classification of class concepts: purely *nominal* class concepts define classes in terms of arbitrary demarcations in systems of stratification; *life conditions* concepts of class “make claims about the empirical existence of observable groupings with identifiable boundaries” sharing common material conditions of existence (Sørensen mss. p4); *exploitation* concepts of class define classes as conflict groups with inherently antagonistic interests. To this typology I would make two further sub-distinctions: within the life conditions concept of class I would distinguish between class concepts that are built around common material conditions of life as such and those that are built around common *opportunity for achieving* material conditions of life (or what is sometimes called “life chances”); within the exploitation concept of class I would distinguish between class concepts that are built around antagonistic interests over material advantages as such, and concepts that emphasize the *interactive interdependency* of classes. This paper is primarily about this distinction within the family of exploitation-centered class concepts.
2. It is often noted that in a market economy both parties to an exchange gain relative to their condition before making the exchange. This applies to ordinary market exchanges of commodities and also to the employment exchange: both workers and capitalists gain when an exchange of labor power for a wage occurs. Such mutual gains from trade can occur and it can still be the case that the magnitude of the gains from trade of one party is at the expense of another party. As it has often been noted (in a quote attributed to the British economist Joan Robinson), “the one thing worse for workers than being exploited in capitalism is not being exploited in capitalism”.

This general point applies to Sørensen's conception of exploitation-as-rents as well to the conception being proposed here: in situations in which capitalists obtain monopoly rents in the market it is still the case that there are mutual gains from trade by the people who purchase the products at monopolistic prices.

3. "Appropriation of labor effort" can take many forms. Typically this involves appropriating the products of that labor effort, but it may involve a direct appropriation of labor services. The claim that labor effort is appropriated does not depend upon the thesis of the labor theory of value that the value of the products appropriated by capitalists is determined by the amount of labor those products embody. All that is claimed is that when capitalists appropriate products they appropriate the laboring effort of the people who make those products.

4. The claim that, because of the antagonistic interdependency of material interests generated by exploitation, class relations *require* active institutional devices for their reproduction is at the core of the Marxist tradition of class analysis. This claim provides the basis for the attempt at building an endogenous theory of ideology and the state, either in the strong form of the base/superstructure theory of classical historical materialism or weaker forms of contemporary neo-Marxism. The theory predicts that if class relations are to be stably reproduced, there will be a tendency for forms of ideology to emerge which mask that exploitation and for forms of the state to emerge which obstruct efforts at challenging those class relations.

5. The concept of “costs of production” in this context includes such things as the “costs of deferring present consumption for greater future consumption.” Thus, in a perfectly competitive market with perfect information, the interest rate on loans and the profit rate on investments are both simply the necessary returns on the relevant assets needed to exactly compensate the owners of those assets for the “costs” of foregone consumption. (There are further complications introduced by issues of risk, but the basic idea is the same).

6. This is the test John Roemer (1983) proposes for assessing the existence of what he terms capitalist exploitation: would workers be better off and would capitalists be worse off if workers left the “game” of capitalism with their *per capita* share of capital. His answer is that in general they would be better off, and this demonstrates that within capitalism itself capitalists’ welfare occurs at the expense of workers.

7. It should be noted that if we have a competitive market in all respects except that for the perfect information condition, then the ownership of capital will also generate rents in Sørensen’s sense. That is, as Stiglitz and Weiss (1981) and Bowles and Gintis (1990) have shown, under conditions of imperfect information, interest rates in credit markets will be below the “market clearing rate” (implying that credit is rationed rather than allocated strictly on the basis of price). This implies that profits generated through the use of that credit will contain a rent component, functionally equivalent to the employment rent in nonclearing labor markets. Capitalists who deploy their own capital in production receive this rent as well. Imperfect information is the

universal condition in credit markets and thus profits will always have a rent component. Even in Sørensen's framework, therefore, the sheer ownership of capital should generate rent-based antagonisms of interestts.

8. This claim does not depend upon the strong claim that the entire value of what capitalists appropriate is a function of the amount of labor embodied in that production. G.A Cohen (1988) provides a careful defense of the view that the appropriation of the fruits of labor effort as such constitutes exploitation.

9. As Bowles and Gintis (1990) stress in their analysis of "contested exchange", the relationship between these two costs can be viewed as a "labor extraction function" within the production process. Employers can increase labor extraction by allocating more resources to monitoring (thus increasing the probability of detecting shirking) or by increasing employment rents. Employers thus, in general, face a strategic trade-off between these two costs.

10. It should be noted that throughout Sørensen's paper there is very little explicit discussion of *who* is exploited. The general idea is that for any given category of agents who receive rents of one sort or another, the complement of the category is exploited.

11. This formulation represents a change from my earlier work on class and exploitation (Wright 1985) in which I regarded both skill rents and loyalty rents (rents appropriated especially by

managers because of their control over organizational apparatuses) as distinctive forms of exploitation. For a discussion of the reasoning behind this shift, see Wright (1989: 331-340).