The Structural Basis of Social Inequality[1]

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This article discusses the concept of rent and its use in analysis of inequality in society. Rents are resources that provide advantages for incumbents of social positions that are independent of the characteristics of the incumbents. Inequalities created by rents generate interests in the protection and the acquisition of advantages that can be said to form "objective" interests attached to positions in social structure. Rent, therefore, is the basis for the formation of classes, in the general meaning of conflict groups. The article also discusses rents not located in positions in social structure but based on natural abilities.

INTRODUCTION

Social stratification research studies the processes that generate inequality in society, the consequences of inequality for individual behavior and social change, and the movement of individuals and families in social structure or social mobility. The study of stratification processes and structures is a core concern in sociology; indeed it has been argued that

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the study of social stratification is as central to sociology as the study of kinship systems is to anthropology (Runciman 1974), providing the major concepts and independent variables for theory and research both at the individual and at the societal level.

The research achievements of sociological stratification research have been impressive, and we have accumulated much knowledge about individual socioeconomic attainment and movement in social structure. Methodologically, this area of research has been the arena for most important recent methodological advances in sociology, particularly in the development of statistical techniques for quantitative data analysis (causal models, regression analysis, and log-linear analysis). In contrast to these methodological and research achievements, there has been much less concern recently about theoretical issues.

Many of the relevant theoretical ideas for the sociological study of stratification processes and structures originate with economists studying inequality in income and earnings or political scientists studying inequality in power. The distinctive approach by sociology to the study of inequality is probably the idea that social structure is somehow relevant for the creation of inequality. Even though this idea is shared by most sociological stratification researchers, it is not an idea that has received much attention and conceptual elaboration.

There are two ways in which the idea that social structure is relevant for the creation of inequality can be understood. One conception of the relevance of structure, often used in labor market research, is one where "structural effects" reflect that people, because of their location in a social structure, change their effort and skills and thus become more or less productive. These effects might, for example, be produced by the incentive structures and training arrangements developed in internal labor markets.

There is, however, another conception of how social structure creates inequality. The idea is that properties of positions in social structure are relevant for how much income and other rewards occupants of these positions obtain independently of the characteristics of these occupants. Thus the advantage or disadvantage of a location in social structure is obtained independently of how this location influences the economic productivity of an individual. These kinds of advantages and disadvantages are those that we ordinarily think about when we talk about class advantages or disadvantages. In Marxist theory, for example, capitalists obtain an advantage merely from occupying the position of being a capitalist because this enables them to exploit workers and create a disadvantage for them. Such advantages and disadvantages can be called "pure" or unmediated structural effects on inequality. These effects are the topic of this article.

The idea of a pure structural effect on inequality seems an important idea, for, if it is true, it means that even if we know everything there is to know about individual behavior and performance, we cannot fully account for observed inequality without knowing about the properties of the positions people occupy. It also seems a useful idea for it has the promise of making it possible to link the processes creating inequality to the transformation of social structure. When structure directly matters for inequality (i.e., when advantages and disadvantages are associated with positions in social structure), conflicts about the distribution of these advantages will be directed at changing social structure. Therefore, structural effects on inequality may be an endogenous source of change in social structure.

The Marxist theory of class is the main example of a structural theory of inequality explaining how structure generates inequality and social change. Inequality is generated by structural relations, and advantages and disadvantages are attached to positions in social structure. The personal characteristics of capitalists and workers do not matter much for the process that generates inequality. The inequality creates antagonistic interests that are, so to speak, attached to the positions, which are empty places. These antagonistic interests create conflicts that may change social structure.

The Marxist class theory is a model of a structural theory of inequality, but it is not a theory that has fared well with respect to evidence or with respect to the logical status of the theory. The main problem, I think, is with the core theory of exploitation, which is based on a dubious economic theory of value, the labor theory of value.

The defects of the Marxist theory of inequality should not imply the abandonment of structural theories of inequality. The labor theory of value is not essential for the idea of advantages and disadvantages associated with positions in social structure. What is essential is the idea of an advantage obtained by getting access to a position in social structure irrespective of the behavior of the occupant of this position. In other words, it is an advantage the individual has not earned. Such advantages are what we usually call profits. And, indeed, the Marxist theory is a theory about the pursuit of profits.

Profit is not a precise concept. What we ordinarily call profit is the surplus of revenue minus costs obtained in the sale or production of some good and the term is often used to include a component of payment to capital, or interest, earned as a payment for past savings and a component of a wage to the person obtaining the profit for his management or entrepreneurial activities. These two components reflect past and current behavior of the individual in terms of savings, willingness to take risks, and her current efforts and abilities as an entrepreneur. These payments to capital and labor may be considered necessary and earned. In addition, profit may include a payment that is in excess of what is needed to obtain the service of capital and labor. This is the component that is of interest here. A good example is the pure profit obtained from the mere possession of a monopoly to produce something or possession of a license that gives exclusive right to the sale of something. These excess profits are not needed to secure the availability of a good, they are not earned, and their payment may make everyone else less well off, so that welfare would increase if such excess profits were eliminated.

This "pure profit" component is called economic rent in economic theory. This is a more precise term than profit. I have found the idea of economic rent in the sense of pure profit to be very useful for the analysis of how social structure creates inequality and interest conflicts in society.[2] I hope to show that, when inequalities result from possession of rent-generating economic resources, they satisfy the main requirements of a structural theory of inequality—inequalities created by rents are created independently of the efforts and abilities of the people occupying positions in social structure.

In the first section, I discuss the general concept of rent. The second section covers the main social structures and processes associated with rent creation and rent seeking, while the third section addresses rents on natural abilities. Finally, I argue that the relevance of rent to social conflicts over distribution of rents depends on the duration of the advantages created by assets or resources that create rents.

THE CONCEPT OF RENT

The concept of rent has been defined in several different ways, often implying very different ideas.[3] All the definitions share the idea that rent is a payment for the use of an economic resource to the owner of this resource.[4] Owners of productive resources (in Marxist language, of the means of production) must be compensated for the employment of what they own, or they will not employ the resource or let it be employed by someone else. Thus the owners of labor power need to be compensated for their effort, the owners of capital need to be compensated for their past willingness to save rather than consume, and landowners need to be compensated for letting someone cultivate their land. In a market

[2] Another reason for using the term "rent" is that the term "profit" as commonly used does not cover all the advantages that are of interest here. Advantages obtained from mere ownership of, e.g., land are not usually called profits.

[3] A review of concepts and theories may be found in Bye (1940).

[4] The owner may be the same person as the user. As argued below, it is often useful to separate the two roles.

economy, the compensation will derive from the revenue received on the sale of what was produced with the resource.

As in other theoretical treatments of the topic, I use the term "rent" to denote a specific component of the payment to an economic resource. This component is the "surplus" or pure profit obtained from owning the resource. It is useful to consider the classic example of land as a rent-producing resource to illustrate this idea.

Suppose a landowner leases a piece of land to a tenant, who uses the land to produce corn. The landowner receives as payment part of the revenue from the tenant's sale of the corn he produced. Part of this payment might be an interest payment on the capital invested in the land, another part a wage payment for whatever labor the owner expends managing the land. In addition, there may be an amount that is simply a pure profit to the landlord for the use of the land. This pure profit is economic rent as noted above. It is the component of a payment for the use of a resource that does not compensate the owner for an expenditure of effort or for past savings. It is a payment that recognizes mere ownership (i.e., the ability to control access to a resource). The landowner will not have expended any effort or sacrificed any consumption for this part of the payment. He is being paid for his ability to enforce his ownership.

In a competitive economy, others ordinarily discover that an excess profit is available from owning a particular resource and then increase the use or the supply of that resource. This increase in supply reduces the excess profit and eventually makes it disappear. The persistent existence of the rent occurs when the supply of the resource cannot increase, either for some reason created by nature or one created by social organization. Consequently, modern economic theory often defines rent as payment for a resource that is in fixed supply (Alchian 1987). An alternate definition states that rents, being payments for resources that are in fixed supply, will be payments different from and usually exceeding the amount needed to attract the resource to the particular employment (see, e.g., Buchanan 1980). Usually we are interested in payment over and above the amount needed, though it is possible to conceive of negative rents.

Classical economists restricted the use of the term "rent" to income received for the ownership of land. Rent is "that portion of the produce of the earth which is paid for the use of the original and indestructible powers of the soil" (Ricardo [1821] 1951, p. 67). The association of rent with land and agricultural production may explain why much of modern economics does not have much to say about rents.[5] The association with

[5] The neglect is far from complete. There is a quite large recent literature on rent seeking or the pursuit of rent-producing property (e.g., Buchanan, Tollison, and Tullock 1980; Rowley, Tollison, and Tullock 1988; Tullock 1989).

land is probably also the reason for the neglect of the concept by stratification theorists. It is not easy, otherwise, to understand why sociologists, so preoccupied with structure and structural effects, have ignored the concept. Rent provides the key concept in a structural theory of inequality because rent is obtained independently of the efforts of whoever owns rent-producing resources. A theory of inequality based on the concept of rent satisfies the requirement of a structural theory of inequality—rents attached to positions in social structure provide advantages obtained independently of the efforts of persons occupying these positions. An intelligent and hardworking owner receives the same rent as an imbecilic and lazy owner of a rent-producing resource (say a piece of land). This key role for the concept of rent would, of course, be of limited interest if rent were only important in an agrarian society.

The concept of rent is in no manner restricted to payments for the use of land. Rent also may appear in the payments for (1) the use of capital and labor; (2) the use of unique combinations of capital and labor, such as those created by certain technologies; and (3) unusual and rare individual abilities that cannot be developed by training alone (musical talents, artistic creativity, athletic ability, etc.). Rent thus may be obtained from any productive asset. The salient characteristic is that a component of the payment obtained from using the asset is obtained independently of the effort and past actions of the person who has the right to that income.[6] However, land eases the discussion of rent because land shows transparently how rents are created. Below, I discuss certain important aspects of rents, often returning to the use of land as the example of a rent-producing property.

Use Rights and Benefit Rights

In the example of the tenant and the landlord, the tenant pays an owner, the landlord, for the use of the land. There is a separation of the landlord's right to the benefit from owning the land and the tenant's right to use the land. The separation of ownership and use is, of course, not required. A farmer who works his own land may also receive a pure profit or rent, in addition to the wage for his labor and the interest on capital he has invested in his production. The benefit and the use rights are then fused.

[6] Of course, it may be that the acquisition of the property reflects efforts and sacrifices of some ancestor of the owner (landlord) and the return on ownership therefore is only the payment for these past efforts and sacrifices. This makes the existence of rent a question of what is the unit of analysis, the family or the individual owner. The issue is discussed further below.

Property is a bundle of rights, and property is sociologically and economically interesting when the rights are to resources that create streams of income and opportunities. Some of these rights may be rights to dispose of the resource, some are rights to enjoy the benefits accruing from the use of the resource, and finally there may be rights in the use of the resource. These various rights need not be fused in a single actor (Coleman 1990), and the distinction between benefit and use rights may be particularly salient for social organization. These distinctions are both transparent and likely with rent-producing resources, for the rent benefit can be obtained independently of the efforts of persons involved. The right to the rent benefit thus can be easily exchanged, as when a group of peasants trades away rents from use of their lands to a landlord, in exchange for the benefit of protection (which is one scenario for the emergence of feudalism).

There are a variety of ways in which the separation of benefit and use rights may take place. In the case of land, these ways define various tenancy arrangements and define, in general, important features of the social structure we call feudalism, to be discussed below. A patent is another example of the separation of benefit and use rights to rent-producing properties. Also, I show below how the separation creates interesting social arrangements around the distribution of rents on unusual talents.

Differential Rents

Consider again the production of bushels of corn, but assume, for simplicity, that they are produced by farmer-owners. A certain amount of labor will be expended to produce one bushel, and the farmer uses equipment that represents a capital commanding a certain rate of interest. The revenue from corn is decided by supply and demand in the usual manner, and, as the demand increases, the price per bushel increases. To the classical economists, the main cause of an increase in demand would be an increase in population.

Farmers presumably will only produce and sell corn if revenue exceeds costs of production. As demand increases, revenue increases and every farmer will wish to sell more corn. To sell more corn, more needs to be produced. Assume, for the sake of the argument, that there is a certain upper limit to the amount of corn that can be produced per acre. When this limit is reached, an increase in production can only be obtained by increasing the amount of land under cultivation. If new land is not available, or if feudal lords force peasants to stay on their land, rent will emerge.

The price of corn will not depend on where it is produced (unless, of course, the quality of corn varies by where it is produced), but the amount of labor and capital needed to produce a bushel will vary with the fertility of the soil. Therefore, rent will vary with the fertility of land. Consider Ricardo's formulation:

> On the first settling of a country, in which there is an abundance of rich and fertile land . . . there will be no rent, for the reason stated why nothing is given for the use of air and water, or for any other gift of nature which exists in boundless quantity. . . . It is only, then, because land is not unlimited in quantity and uniform in quality, and because of progress of population, that land of an inferior quality, or less advantageously situated, is called into cultivation, that rent ever is paid for the use of it. When in the progress of society, land of the second degree of fertility is taken into cultivation, rent immediately commences of that of the first quality, and the amount of that rent will depend on the difference in quality of these two portions of land. . . . When land of the third quality is taken into cultivation, rent immediately commences on the second. . . . At the same time, the rent of the first quality will rise, for that must always be above the rent of the second, by the difference between the produce which they yield with a given quantity of capital and labor. (Ricardo 1951, pp. 69–70)

The quotation raises two issues that have loomed large in the discussions about the concept of rent. First, it is tempting to conclude from this statement that rent really is a payment for "fertility," that is, the original productive powers of the soil. Rent is "the income derived from the free gifts of nature" (Marshall [1920] 1949, p. 63). This understanding can be misleading since rent depends on other assets than those created by nature. Second, since fertility can be augmented by labor and fertilizer, and rent is the difference between revenue and the costs of labor and capital, the resulting variability of fertility inevitably creates some slipperiness in the determination of rent. Ricardo tried to clarify this by seeing rent as the difference in revenue from land of different quality, when the variation induced by labor and capital is assumed away. This concept has become known as *differential or Ricardian rent.*

Differential rents mean that the owner of the most fertile land will increase his income when the owner of poorer land enters production because demand is so high that the cultivation of the poorer land is worthwhile. Cultivation is worthwhile when the revenue from the poorer land is sufficient to compensate its owner for his effort and investments. If we assume that a certain number of hours of work are needed to cultivate the poorer land, fewer hours are needed to bring about the same revenue from the more fertile land. In other words, the owner of the fertile land needs to work less than the owner of the poor land to obtain the same level of welfare. The idea of differential rents then suggests an interdependence between the owners of poor and rich land, specifically that the owner of the more fertile land profits from the presence of the poorer land. The owners of the rich land may therefore be said to exploit the owners of the poorer land. This is the Neomarxist definition of exploitation proposed by Roemer (1982).

Marshall ([1920] 1949) objected to the interpretation of differential rents as meaning that the rich farmer is better off because of the presence of the poor farmer. He argued that if the land of the poor farmer was removed from production, say by a flood, the rich farmer would not be any better off. This is obviously correct. However, there is an interdependence among actors introduced by rent-producing resources that derives from these resources being in fixed supply, by definition. The rich farmer has more of this resource, the poorer less. Therefore, the poor farmer would be better off if land were redistributed so that everyone had land of the same fertility.

True and Quasi Rent

To classical economists, rents were usually seen as created by land, though Ricardo also considered mining for rare minerals and metals. Marx never considered rent in any other context but land, despite his preoccupation with profits. It was the creator of neoclassical economics, Alfred Marshall, who generalized the concept of rent to cover payment to resources other than land. When other rent-generating resources are considered, it is apparent many important types are not in fixed supply so that the rent is transient. A main example is a new technology for the production of something. This new technology may initially create a rent to the owner of the technology. However, others will imitate the technology or discover other equally or more productive resources. The initial fixed supply of the advantage of the new technology will disappear and with it the rent.

To allow for the temporal nature of rents, Marshall introduced a distinction between true rents and quasi rents. True rents are permanent rents. This would cover payments for the use of land and for natural or innate rare talents of abilities where the rent-producing resource cannot be expanded or only expanded very slowly. Quasi rents are payments to resources for which the supply is in some degree sensitive to price and therefore likely to be increased if excess profits are available. The component of quasi rent in a payment for the use of such an asset is a matter of the lifetime of the asset. The shorter the lifetime of an economic resource, the more sensitive the supply of this resource will normally be to price. Therefore, the larger the component of interest in the payment for the resource, the smaller is the component of quasi rent. In Marshall's formulation, "Thus our central doctrine is that interest on free capital and quasi rent on an old investment of capital shade into one another gradually; even the rent of land being not a thing by itself, but the leading species of a large genus; though indeed it has peculiarities of its own which are of vital importance from the point of view of theory as well as of practice" (Marshall [1920] 1949, p. 342).

The temporal dimension of rents has crucial importance for the type of social organization that emerges around the creation and distribution of rents. I show below that feudal society may be seen as the social organization based on the distribution of permanent rents from land. However, social structures and processes are, of course, also very relevant for when a rent source becomes rent producing and for how permanent the rent will be. This is clearly seen in the type of socially created rents called monopoly rents.

Monopoly Rents and Rent Seeking

"Artificial" or social constraints on production create monopoly rents. The monopoly may have emerged "naturally" because of increasing returns to scale creating prohibitive costs of entering production for others, as in the production of automobiles. Often monopolies are created by governments through licenses or patents. Finally, social associations, such as trade unions or industry associations, who agree to regulate the production of something, create monopolies. In all these cases the supply of a product will not be sensitive to price, and rents will appear and persist unless the monopoly is broken. The situation is illustrated in figure 1.

For the sake of clarity, assume that the monopolist is working with production conditions that generate constant returns to scale so that average costs equal marginal costs. Nothing essential in the present argument depends on this assumption. Under perfect competition, output and price would be q_c and p_c and the price will correspond to the cost of the product. The monopolist is able to charge a price p_m above the price p_c that would prevail with perfect competition. This will cause an increase in revenue equal to the rectangle L. This is an increase in the income of the producer over and above the amount needed to bring forth the production, that is, a rent. In addition to the creation of the rent and the corresponding increase in inequality, there will be a reduction in the wealth of society, for less is produced at the price p_m. The size of this loss is represented by the triangle D in figure 1. This is the "deadweight loss" due to monopoly rents and a welfare cost to society, which is a social waste of resources.

The increase in revenue to the monopolist, represented by the size of the rectangle L, is, of course, an advantage others might want. If others

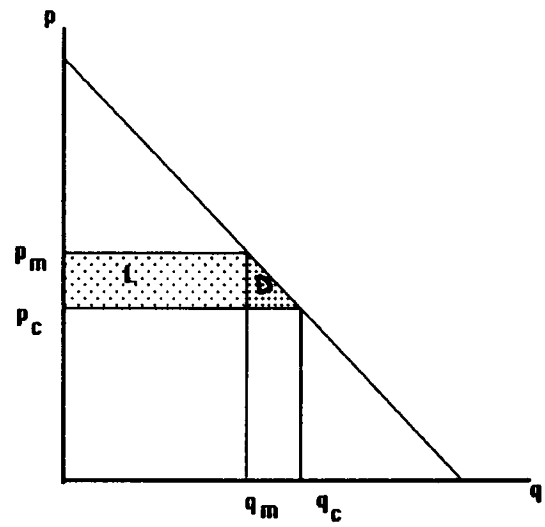

FIG. 1.—Revenue and welfare loss under monopoly and competition

therefore successfully enter the market, the resulting competition might eventually erase the monopoly rent, lowering the price to p_c and increasing the quantity to q_c. This temporary advantage to the initial producer is therefore a quasi rent in Marshall's terminology.

This scenario, of course, assumes that others can enter production. If there are prohibitive entry costs created by production technologies, governments, or trade associations, competition will be about obtaining the monopoly. Such competition has been termed *rent seeking*. The efforts and other costs involved in trying to acquire the rent-producing property or resource of course reduce the benefit of the monopoly. Indeed, those who wish to acquire the monopoly should be willing to pay the equivalent of the benefit to obtain it, so that the rent benefit completely disappears. The costs of rent seeking do not increase the production of society and therefore represent wasted resources (Tullock 1980). This waste is in addition to the waste represented by the deadweight loss.

The nature of the rent seeking depends on whether the monopoly can be traded in the market or not. If it can be traded, the value of the monopoly will equal its discounted future earnings. The sale may create a large transfer of wealth to those who obtained the monopoly first, and subsequent owners will not realize a rent. For example, it is often argued that rents received by farmers, as agricultural subsidies, produce higher land values, and therefore higher interest payments eliminating the initial advantage. The elimination of the monopoly rent does not mean that the competitive situation is recreated. The capitalization of the monopoly does not eliminate the welfare loss due to the monopoly. Further, once established, the rent-creating monopoly is difficult to eliminate, even when the monopoly is fully capitalized and the rent has disappeared. An example described by Tullock (1980) is a taxi medallion system, similar to the one in New York City. The medallions are sold, producing large gains to the initial owners, but only normal rates of returns to subsequent owners. Their existence creates a welfare loss to consumers. This loss can be reduced only by removing the restriction on taxi driving, something that is almost impossible to do without forcing losses on the present owners of medallions.

Composite Rents

In addition to rents created by nature and by monopolies, there is a third type of rent. These are rents created when two separate resources are so specific to each other that payment to their joint use exceeds the payment for each resource in separate use. Such rents are called composite quasi rents by Marshall. Marshall's prime example of composite rents is the joint advantage to owners and employees of an advantageous market position. A more specific example is the joint rent received when a mill is built by a water source. If there is only one site for the location of the mill, the rents to the mill and the water source cannot be clearly distinguished: "in that case, should the water power and the site belong to two different persons, there is nothing but 'higgling and bargaining' to settle how much of the excess of the value of the two together over that which the site has for other purposes shall go to the owner of the latter" (Marshall [1920] 1949, p. 520).

Composite rents create important transaction-cost problems and therefore a vast variety of institutional arrangements. They may be seen as creating many of the labor market structures, such as internal labor markets, which have interested sociological research on labor markets. I further develop these consequences below.

Conclusion

In conclusion, rent is any advantage or surplus created by nature or social structure over a certain period of time. The creation of such advantages I shall call rent creation. The pursuit of them, once they are in existence, is rent seeking. Because rents can be obtained without active participation by individuals in production, they allow for the transparent separation of benefit and use rights and therefore create distribution processes that are independent of the efforts and abilities of individuals and tied to aspects of social structure. Further, rents are created by resources in fixed supply so they are zero-sum and therefore likely to create antagonistic interests and social conflicts. These properties of rents suggest that rent creation and rent seeking will be intimately connected to social structure. The next section will discuss some general ideas about rent creation and rent seeking and their connection to social structure.

THE SOCIAL CONSEQUENCES OF RENT CREATION AND RENT SEEKING

The structural arrangements surrounding the distribution of rents are different, depending on what type of resource produces the rent. The main part of this section will discuss the social structures associated with the main types of rents.

It is useful, for the development of the ideas, to first assume an imaginary society.[7] In this society, all transactions take place in a perfect market, and the system has reached a state of perfect competitive equilibrium.[8] All income would derive either from work or from interest on investments: "efforts and sacrifices [which] are the real costs of a thing" (Marshall [1920] 1949, p. 293). Assume further that this society exists only for one period—the lifetime of its inhabitants—and that all individuals have identical abilities. There would be different preferences about the allocation between consuming and saving. Some will save early in life to enable a higher level of consumption later in life. Some would make this investment in their own productivity by acquiring skills and education. They will receive a return on this investment that would be no different from the return on other investments.

There will be no socially structured inequality in this imaginary society. Some will be better off than others in the cross section, but these differences would equalize over time: lifetime incomes or wealth will be

[7] These assumptions are useful for clarifying the arguments. They in no manner imply that such a society is to be preferred over other societies.

[8] Things are produced in our imaginary society for sustenance and pleasure. It is production that may create rents. In this respect the society differs from the one assumed by Coleman in *Foundations of Social Theory* (1990). In Coleman's basic model of social exchange there is no production of new resources. Actors vary in their interests in resources and in the amount they possess, and transactions of control over resources may result in a more optimal allocation of resources. However, the sum of resources remains constant; indeed throughout they are normalized to sum to one. For this reason, the derived quantities "power of an actor" and "value of a resource" also are relative quantities. Coleman's concept of the power of an actor indeed can be seen as defining the basic dimension of stratification in a society where all transactions are an exchange of existing resources and nobody devotes any effort to producing new ones.

identical for all. If we modify the scenario slightly by allowing people different tastes for work versus leisure and different tastes for pleasant versus unpleasant work, more inequality in money income would emerge because of the choices people make. All these differences will be a matter of choice and not of location in social structure.

Our imaginary society in perfect competitive equilibrium will create no rents. The absence of rent is linked to a peculiar aspect of our imaginary society: there will be no incentives to competition. This is Hayek's insight (1948). Since there are no excess profits or rents when markets completely conform to the assumptions of the perfect market of neoclassical economic equilibrium theory, there is no competition in the sense of the definition provided by Samuel Johnson: "the action of endeavoring to gain what another endeavors to gain at the same time" (quoted in Hayek 1948, p. 96). The absence of rents as payment for resources in at least temporarily fixed supply will make this action quite unfeasible.

With the Hayek-Johnson conception of competition, two actors want the same thing. If A obtains the advantage, B will be excluded from it. Their interests can be said to be antagonistic as the outcome of their competition is zero-sum.[9] The existence of rents, however temporary, is therefore the condition for the creation of zero-sum competition. The resulting antagonistic interests create the social consequences of rents.

Rents are therefore positional goods (Hirsch 1976). Competition for such goods establishes queues where rank in the queue decides the probability of obtaining the goods. The efforts and investments of the rent seekers who do not obtain the good are therefore wasted; these efforts do not result in the production of other resources. The typical example is competition for a job or position where access to the position is rationed by an education or skill requirement. The rationing produces a rent and the resulting advantage is an incentive for job seekers to invest in education. The investment of some will provide an incentive for others to invest even more. The interdependence created by rent seeking therefore typically results in overinvestment in whatever is needed to obtain the good. The wastage is particularly serious when the requirement for access to the position is only partially relevant for the performance in the position. The classic example is the over investment in preparation for the examinations used to ration access to the bureaucracy in imperial China.

[9] It is tempting to take the consequences of this observation and restrict the use of the term "interest" to only such antagonistic interests. Persons would then have no interests in our imaginary perfectly competitive society, only preferences. Everyone can realize these preferences in a manner that does not depend on the actions of others. However, this restriction on the term interests is probably awkward. For example, interest is a basic element in Coleman's theory of action that assumes a perfect market for exchange with no production.

The rewards for those people who did rise to high positions were very great. However, only a very small minority of those who took the examination succeeded. As noted by Buchanan (1980) in his discussion of this system, the preparation for the examination was of little or no use in any walk of life other than government.

Rent seeking as zero-sum competition for positional goods is produced in what I have called vacancy competition for closed positions in a social structure (Sørensen 1983). The reasons positions are closed vary. Access may be regulated by professions, by unions, or by occupational licensing. They may also be closed without the assistance of outside agents because of the existence of composite rents that would disappear if positions were freely available—a situation I discuss below.

The interdependence of the actions of candidates for the closed positions has interesting consequences for the allocation of effort. Since access is based on rank and since ranks have only ordinal metrics, the total level of investment in the competition has no bearing on the outcome. This creates opportunities for strategic behavior. If candidates can make a collective agreement to keep the competition at a low level of effort, say in a promotion system, they may achieve the same outcome at lower costs. This may account for the quiet life in some bureaucracies, but such collective agreements form a standard prisoners' dilemma problem, where there will be strong incentives to break the agreement and therefore overinvest in the competition. Another solution to the overinvestment problem is the use of ascriptive criteria. If only the king's oldest son can become king, fighting for the throne is reduced.

Rent seeking thus has externalities as action to acquire a rent-producing resource will have consequences for other actors in the system. The point is noted in the definition of rent by Marshall quoted above. More elaborately, he argues,

> So again a manufacturer or trader, owning both land and buildings, regards the two as bearing similar relations to his business. Either will afford him aid and accommodation at first liberally; and afterwards with diminishing return, as he endeavors to force more and more from them. And when he comes to decide whether to obtain [additional] space by taking an extra piece of land or by building his factory a floor higher, he weighs the net income derived from further investments in the one against that to be derived by the other. . . . But, there is a difference from the point of view of society. If one person has possession of a farm, there is less land for others to have. His use is not in addition to, but in lieu of the use of a farm by other people: whereas if he invests in improvements in land or in buildings on it, he will not appreciably curtail the opportunities of others to invest capital in like improvements. (Marshall 1949, p. 358)

Below, I consider these consequences by the main sources of rent: (1) the free gifts of nature that produce rents on land, (2) those created by monopolies and in socialism, and (3) composite rents. The free gifts of nature to individuals that produce rents on unique abilities and talents pose a special problem because of their inalienability and will be discussed after the other types.

Land

Land is the resource that has generated most of the literature on rent because creation of rent from land seems particularly transparent. Not only will imbecilic and lazy landlords obtain the same income from rent in tenant systems as intelligent and energetic landlords, but also, rent receivers will usually have done nothing special to obtain the right to the benefit other than "choosing" the right family in which to be born.[10]

The transparent separability of usage and benefit right allowed by land makes it likely that the two will indeed be separated. The separation may be achieved by force, when a conqueror demands a tribute from the conquered, or by exchange, when those, who hold the joint right, exchange the benefit right to someone from their midst specializing in providing military protection. Either account of the creation of feudalism seems plausible. Evidently, the use of force will always be a likely outcome because of the zero-sum nature of land. Interests in land are clearly antagonistic.

The rent benefits may be and usually are further subdivided in feudal society so that the elaborate system of dependencies characteristic of feudalism prevails: Emperors receive tributes from kings, who obtain tributes from lords, and large lords obtain tributes from smaller lords. All live on the backs of the tenant peasants who use the land. Feudalism therefore can be said to exist by a basic relationship of exploitation that is transparent and upheld by force. It is of interest to note that feudalism may be seen as an inverted corporate actor in the conception of corporate actors provided by Coleman (1990). According to Coleman, those with usage rights, the managers, are argued to be the most powerful. In the feudal social structure, those with usage rights are the least powerful.

The feudal social structure created by the partitioning of rent from land is further complicated because land usually has several uses—grazing, hunting, foresting, cultivation. These uses may create a further partitioning of benefits and usage rights. The result is a complicated system of rights where nobody has complete property rights over anything, but few have no rights at all. Even serfs had certain rights that could be

[10] The independence of rent payment from individual contributions makes it a tempting target for taxation and much of the discussion of rent by classical economists involves the effect of taxation of land rent.

transferred (Plankans 1989). This system forms a stable structure as long as rents are created. It will therefore prevail unless rent seeking destroys the rents.

The main form of rent seeking that destroys rent from land is purchase based on the capitalization of the rent, that is, the discounted future benefits of the land. This will reduce the benefit of the land to the normal interest on capital. Such capitalization assumes that rights can be recombined to form simple property rights so that the partitioning of benefit rights, which is the foundation of feudal society, disappears. There was, presumably for this reason, legal prohibition against the sale of land in medieval Europe (Bloch 1962). There was also little use for money capital, and only when this changed did the prohibitions against sale of land become ineffective.

Without trade, the main forms of rent seeking in this system will be either the use of force or, alternatively, joining the unit that holds the benefit. This unit was clearly the family. Individual lives were unpredictable and often short. The main concern in preserving the rent benefit is to secure the match between a family and a set of rights. Land is immovable and partitioning of land to individuals reduces the benefit. Individual lives therefore are subordinated to families. This is true at all levels of the system, though the reward of prestige or honor for unusual collective contributions by individuals might confound the image. Families are entered by birth or by marriage. They form the main mechanisms for preserving rents and seeking rents.

The main strategy to preserve the match between the family and a set of rights is to produce heirs and to regulate inheritance.[11] A first requirement is to get married. Families regulate marriage by strategies of exclusion that have become the defining criteria of status groups (Weber 1968), if not classes (Schumpeter 1956). Marriage is the main mechanism, other than the use of force, by which outsiders may obtain a right to rent. Marriage creates opportunities of expansion of these rights as well as threats of diffusion of the rights.

The problem in producing heirs is to ensure that there are enough of them but not too many. Mortality was very high in former times, both of women and of infants and children, but so was fertility. This creates a large variance and the problem is to reduce the impact of this variance. When the problem is too many potential heirs, this may be done by sending excess sons into warfare and the clergy and excess daughters to monasteries. Inheritance rules make priorities among surviving heirs, rules such as unigeniture, with primogeniture the most common. These

[11] For an elaboration of this argument, see Sørensen (1988).

rules were especially strict where population pressure combined with severe limits on the availability of land (Yver 1966), that is, when the rent-generating properties of land were especially pronounced.

The problem may instead be too few surviving heirs. In Europe, assortative mating combined with religious kinship restrictions on marriage often produced heirless properties. The Catholic Church made very restrictive kinship rules about who could marry, with prohibitions up to the seventh degree, and also prohibition of adoption. The restrictions created wealth for the church (Goody 1983) as rent benefits were deeded to the church by heirless owners of such benefits. They also created the opportunity for higher-level actors in the system to use heirless rent benefits to provide promotion opportunities for lower-level families, as when a king would deed heirless rights to deserving other families, and in this manner enhance the dependencies in the system.

Social structures formed around the distribution of rents from land will be stable, though there may be a fair amount of mobility of families because of marriage and the extinction of families. The social structure can be changed only by changing the basic process of exploitation that defines it. There will be much use of force in the pursuit of rents and revolts by those creating rent payments with their labor. However, these conflicts do not usually change the basic structure because they do not change the basic mechanism for the creation of advantage rooted in the fixed supply of land. The main threat to the structure is the elimination of rents because of the capitalization of land. Such capitalization became possible by the increased relevance of money capital, with the emerging commercialization of trade and goods production.

Capitalist Production

Capitalist production generates rents as monopoly rents, as shown above. These tend to be quasi rents, unless the monopoly advantage somehow can be preserved. The pursuits of such rents nevertheless may be said to be the bases for market competition, as argued above, and the fundamental source of the dynamism of capitalism. The initial rent is often created by a "gift of nature," in the form of an idea for a new product or a new technique of production. Others will imitate the idea or the technique, and the resulting competition erodes the rent according to the standard scenario.

That rents on innovations are temporary do not mean they are irrelevant for distribution. Indeed, they are very important for the distribution of wealth. Thurow (1975) shows that many of the largest fortunes (about half) in the United States are created in very short spans of time (often less than five years) by successful entrepreneurs, who then capitalize the initial rents. The remaining fortunes are created by inheritance; they may, of course, often have their origin in an innovation.

The temporary nature of rents makes the separation of benefit rights and usage rights much less transparent in capitalism than it is in feudalism. This poses a problem of how to define exploitation in capitalism. This was Marx's problem. He found a solution that recreated the separation from feudalism by using the labor theory of value and granting labor the right to all value produced. This includes the value produced by capital, conceived of as "dead labor." All profits, even if they are only normal interest on capital, then become a surplus created by labor and appropriated by the capitalist without the use of force but with the use of the right to profit on private property. This conception does not require monopolies for the creation of surplus. The surplus created by labor will be a universal feature of capitalism, which will derive its nature from the relentless pursuit of ever-falling rates of profit. The labor theory of value then succeeds in defining exploitation in much the same manner as in feudalism. It becomes an aspect of structural positions defined by the property right to the means of production that grants the capitalist the right to benefit from the surplus value produced by labor. By assigning profits the same characteristics as rents from land, Marx creates a conception of permanent exploitation in capitalism that has the same basic features as in feudalism.

The problem with this scenario is the labor theory of value. It has few supporters, even among Marxists. If interest on capital is not conceived as a type of rent but as the payment needed to bring about investment, there will be no unavoidable unnecessary surplus in capitalism, except those created by monopolies. The question is whether there is an alternative theory of exploitation to the one based on the labor theory of value. A candidate for such a theory is the one proposed by Roemer (1982), already mentioned, that seems very much inspired by Ricardo's discussion cited above. Roemer (see also Roemer 1988) generalizes this idea, using game theory to define exploitation as any inequalities produced by unequal possessions of productive resources. The criterion becomes one of dividing the resources equally—if a group will be better off by withdrawing with their share of the resources, they are said to be exploited. This very general conception suggests that all inequalities in productive assets generate exploitation, however temporary their nature. Inequalities in education are thus said to create skill exploitation, even inequalities that result from investments in the manner described by human capital theory. It may be argued against this idea that cross-sectional inequalities do not necessarily imply inequality in a longer time frame.

The plausibility of the theory therefore depends on the time frame adopted. I discuss this issue in a later section.

Another reformulation of Marx's exploitation concept would be to conceive of capitalists and workers creating a composite rent that is distributed in a way that is disadvantageous to workers. This, of course, assumes that there are composite rents to share for everyone and that workers generally are at a disadvantage in the bargaining over this rent. Neither assumption seems universally valid. However, it could be argued that workers, as a class, are at a disadvantage since they have no alternative employment. Such a definition of exploitation has been offered by Cohen (1988). It shares some of the metaphysics of the labor theory of value.

It is difficult to sustain the idea that there is a permanent "hidden" form for rent or surplus in capitalist production in the manner conceived of by Karl Marx. This means that the rent seeker usually needs the assistance of the state to preserve an advantage: the granting of a license or some other form of protection from the entry of competitors. The state has always been heavily involved in creating advantages that are monopoly rents. In the early phases of industrialism, all production was regulated by the state, or the monarch, producing mercantilism. This economic organization preserves the dependencies of feudalism; what the king grants, he can also take away. It enriches the king by providing him a share of the rent created by the monopoly and the license, and it makes court lobbying an essential activity of entrepreneurs. It is therefore perhaps the prototypical rent-seeking society, where substantial resources are invested in the pursuit of rent-generating monopolies (Baysinger, Ekelund, and Tollison 1980), over and above investments in the production of goods. The system is destroyed by the weakening of the monarch, as in 17th- and 18th-century England, or by revolution, as in France, to produce capitalism and unfettered competition.

Modern capitalism has not eliminated rent seeking. Particularly transparent examples of rent-producing monopolies, which will not be erased by competition, are those created by government regulations of economic activity. Examples are licensing by the state of certain economic activities—import or export licenses, certain occupational or professional activities, production subsidies, a regulation that constrains competition by increasing costs of entry, and many other forms of economic regulation. Rent seeking will be about obtaining the license or about bypassing the restrictions imposed by the license. In the absence of market exchange, competition for the license or regulation creates a variety of lobbying activities directed at securing the licenses or the advantage. Such activities will usually be economically wasteful, that is, they represent a loss of resources, rather than a transfer. Krueger (1974) shows that the gains obtained by those organizing foreign exchange regulations in India and Turkey amount to 7% of GNP in one case and 15% in the other. These social losses, produced by rent seeking created by government regulations, form an important topic for public policy analysis (see many of the contributions in Buchanan, Tollison, and Tullock [1980]).

The rationale for state creation of monopoly rents is usually that some public benefit will be obtained by the regulation that otherwise will be lost: competent doctors, safe cars, and the family farm. The advantages may or may not be capitalized, depending on whether the advantage can be traded. If the advantage is capitalized, the rent disappears. The main costs will then be the deadweight monopoly loss (i.e., the welfare triangle described earlier). This cost, and the "cost" of often not being able to eliminate the advantage once it is established, should be compared to the public benefit—a comparison that usually is not feasible.

A Note on Socialism

The elimination of private property and collective control over the economy offer the possibility of eliminating the private appropriation of rents and the unfair advantages caused by private control over rent-producing resources. This promise of socialism is not easy to achieve. The complete state control over the economy provides vast opportunities for rent creation, and much political and social activity under socialism can be conceived of as rent seeking (Clark and Wildavsky 1991; Szelényi 1981; Walder 1986). The nomenclatures in many socialist countries were formula for the allocations of housing, travel privileges, purchasing privileges, and educational advantages and may be considered elaborate instruments for the allocation of rents tied to positions independent of the particular performances of the incumbents of these positions, once they had gained access to them.[12]

The analysis of socialist societies as rent-producing machines is a challenging and important task that will not be attempted here. There are difficulties to overcome. The analysis of rents in market society provides a basis for the identification of rents in comparison with prices and returns under free competition, however hypothetical this standard often

[12] A nomenclature is not an invention of socialism, but a remnant of feudalism. The Kingdom of Denmark, e.g., still publishes a "Court and State Calendar" that is a nomenclature listing by rank of all the main offices in the society (bishops, professors, judges, civil servants, etc.). The ranks determine few privileges, by now. They do decide to which royal parties the incumbents of the various offices are invited.

may be. Such a basis is lacking in socialist society where prices and returns are set administratively. This does not mean that one cannot, conceptually, conceive of unearned advantages.

Composite Rents

Composite rents derive from a unique combination of two productive assets or resources so that the combination produces a greater payment than each resource would obtain in separate use. They are of particular interest in the analysis of labor market structures.

It is well established that there are substantial interindustry wage differences that are very stable over time. Similar workers are paid unequal wages in different industries. The differentials are substantial and apply to all workers employed, whatever their occupations (Krueger and Summers 1987). This poses a problem for standard competitive theory. Standard theory would suggest that the differences are due to unmeasured quality characteristics of workers or to compensating differentials, or to both. Krueger and Summers find the evidence inconsistent with these explanations. One reason is that the differentials apply to all workers, including those that presumably perform similar tasks in different industries, such as secretaries and managers. The differentials are strongly related to product market characteristics: more profitable industries—those with more monopoly power and capital intensive industries—pay higher wages. This suggests the earlier explanation by Marshall in terms of composite rents, that is, the joint advantage to owners and employees of an advantageous market position. It is also well established that there are very stable differences in real returns to capital among different industries (Thurow 1975) though these real returns are capitalized and equalized in financial markets.

The problem now becomes one of explaining why owners will share the rent. Krueger and Summers suggest an explanation in terms of efficiency wage theory—workers who are paid better are more productive. This higher productivity would eliminate the rent, but firms may pay efficiency wages in some categories and then face an equity constraint that leads them to pay higher wages even where the efficiency elements are not important (Krueger and Summers 1987). The general importance of fairness in wage setting is stressed in the efficiency wage model developed by Akerlof (1982), inspired by Homans (1954) and reference group theory. As noted by Krueger and Summers, workers plausibly evaluate the fairness of their wage package based on how other workers fare.

The importance of efficiency wages is also stressed by Wright. In his first class scheme (Wright 1979), he uses an explanation that is tantamount to an efficiency wage explanation for the higher wages of "semi-autonomous" workers, and in his latest class scheme (Wright 1989) proposes a "loyalty rent" as the explanation for the wage advantages of managers. However, these explanations do not suggest interindustry differences.

The efficiency wage explanation of rent sharing turns the problem inside out: if the higher productivity is obtained, the rent benefit for the workers has disappeared. The phenomenon of substantial interindustry wage differences—and the composite rents that seem to follow these differentials—therefore remains an "anomaly" (Thaler 1989; Solow 1990) with only partial explanations.

Composite rents also appear when workers have obtained specific on-the-job training and therefore are more productive in one firm than in another (Becker 1964). Also, monitoring and agency problems may create opportunities for composite rents. This will cause a surplus that would disappear if the match between the firm and the worker is dissolved, so that employment relations become closed (Sørensen 1983). There are two types of solutions to these problems. One is to try to eliminate the composite rent by organizing production so that the transaction cost problems disappear and employment relations become open. With respect to specific skills, this would imply eliminating the use of such skills. Removing composite rents in this manner amounts to a deskilling that might be consistent with evidence and theory—a property that is not apparent for the original deskilling ideas made prominent by Braverman (1974). A general trend toward deskilling has never been established, despite many attempts, nor does it make theoretical sense that employers inevitably stand to gain by reducing the general level of skills required. However, reducing composite rents due to specific on-the-job training would be a plausible strategy.

The second solution is to reduce the importance of composite rents created by transaction-cost problems while maintaining closed employment relations to outsiders by using organizational devices that increase effort. A large organizational literature on internal labor markets may be seen as analyzing organizational solutions to the "higgling and bargaining" problem posed by the composite rent. A prominent solution is the creation of promotion schemes to elicit effort. Promotion schemes capitalize on the interdependence of effort created by zero-sum competition associated with positional goods that are the wage and earnings differential provided by promotion ladders.

Promotion ladders create positive and negative rents as employees are either paid below or above their competitive wage depending on their seniority in the system. This does not mean that workers will obtain an overall surplus (except whatever share they get in a composite rent) over their lifetimes. As with investments in education, the cross-sectional distribution does not inform about the long-term advantage obtained.

RENTS ON NATURAL ABILITIES

Natural abilities shall be understood as these "free gifts of nature" in the form of genetic endowments that result in the ability to produce something in demand. To the extent that these abilities are not acquired or augmented by training, they create rent.

Abilities are inalienable possessions of the person. The benefits derived from them can only be obtained with the active participation of the person. The social organization of the employment of these abilities is therefore either by direct participation in the market or in employment relations where the person exchanges the right to employ the abilities and other contributions for a wage. Natural abilities therefore do not produce rents that can be attached to social position independently of the persons occupying these positions. Therefore, we do not obtain zero sum conflicts about the distribution of rent-producing resources and structural antagonistic interests. However, it is still possible to trade away the benefit rights, and rents on natural abilities therefore become socially organized.

It is useful to distinguish between general ability and specialized abilities for which there may or may not exist a demand. General ability, creating higher productivity in many employments, will result in higher wages. Such higher productivity may alternatively be obtained by training. The training costs needed by the less able create a surplus for the able that is a rent. The trained may notice this and secure a monopoly on a particular employment that prevents the untrained, but equally productive, from obtaining the benefit. Credentialism may therefore be conceived of as a device of the less able to eliminate rents for the able. This is the reverse of the explanation usually given for professional certifications and occupational licensing. These restrictions are ordinarily seen as rent-producing rather than rent-eliminating social organization.

Ability also facilitates training and therefore may produce a rent by lowering training costs. Indeed, the usual conception of general ability is intelligence or ability to learn. There is an interesting property of rents generated this way. Assume that the only effect of ability is to lower training costs. The returns on the training investment for trained people will be decided by the average training costs. Those who because of superior ability have low training costs, will then receive a rent that is proportional to the difference between their training costs and the average training costs. These differential rents might be seen as being produced by the participation of the less able in the training, in the same manner as the differential or Ricardian rents obtained from land.

With general ability this separation into usage rights and benefit rights is difficult because of the confounding of training and ability. Specialized talents pose less of a problem in this respect because the difference is usually clearer between the wage obtained from employment where the specialized talent is utilized and the wage obtained where it is not used. There is therefore more of an opportunity for exchanges involving the rent, including exchanges that involve the exclusive employment of the resource by another party. Team sports and the employment of artists by courts, in former times, are good examples.

The reason for trading benefit rights for rents from specialized talents is that these talents pose a particular problem. There needs to be a demand or an audience for the talent. Persons born with unusual abilities for pitching will not obtain rents in Europe, where baseball is largely unknown and considered boring where it is known. Even when there is a demand, the person with the specialized ability often cannot identify and create this audience alone. Thus, he or she will need to seek the employment of someone who has the capacity to produce an audience—a prince, in former times, an agent or an organization, in modern times. The result is a clear case of the creation of a composite rent, as defined above. The artist or athlete cannot obtain any part of the rent without the audience. The producer of the audience cannot obtain any benefit without the artist or athlete. The outcome of the bargaining over the composite rent between the audience-producing organization and the person with the specialized talent will depend on the relative power of the two parties. One important issue is the degree to which the benefit right for the rent can be transferred to third parties, another is the degree to which the talent can be separately identified. This is especially difficult in team sports and other collective productions.

Specialized talents sometimes produce goods that are nondivisible and nonexcludable. Once the good is produced, nobody can be excluded from getting the good. Such goods do not have prices and the benefits cannot be monetarized. Rents on the provision of such goods are therefore not obtained by money income. I propose they are provided in the form of prestige. An example of a good of this nature produced by a specialized talent is heroism for which the reward is honor or "Ehre" (Weber 1968). Heroism can be institutionalized by attempting to monopolize the lifestyles that produce heroes, such as knightly behavior. This seems the real scenario proposed by Weber in his few, but widely used, remarks about "status groups." The concepts and terminology have been completely confused by sociologists because of a poor translation and lack of familiarity with the knightly tradition.[13]

Prestige rent is a very highly valued reward, the pursuit of which produces zealots and sometimes self-destruction. There are subsystems of society where prestige is the most salient reward. Academia is a main example where production of new knowledge is the most important activity, and there would be severe losses from making the products of this activity excludable. The absence of market prices results in prestige becoming the main reward and high prestige becoming the measure of exceptional ability. Rent seeking in academia, therefore, produces egomaniacs and much destructive behavior.

In general, rent seeking is complicated when rents are obtained from innate ability because of the inalienability of the rent-generating resource. The main rent-seeking processes are assortative mating, creation of substitutes, and pursuits of illusion. Assortative mating is tricky because genetic endowments are difficult to ascertain and more difficult to perpetuate. The chances of success are increased by developing socialization strategies that facilitate the identification of ability. These facilitative and substitute strategies can be monopolized as "cultural capital." In other words, culture may be seen as a substitute for ability that generates monopoly rents when effective strategies can be adopted for excluding others from the monopoly. Separate schools and segregation of lifestyles are the main strategies where monopolization of cultural capital is effective, as it seems to be in France (Bourdieu 1977).

The pursuit of illusion in search of ability rents comes about in the following fashion, already noted by Adam Smith. Suppose a very able person obtains exceptionally high earnings in a given occupation. People will ignore lower earnings for others in the occupation and attribute the high earnings to the occupation and not its exceptional incumbent. In other words, they will attribute the rent to the position and not the person. This produces an oversupply of candidates for the position or occupation, and the phenomenon is a prime example of social waste produced by rent seeking.

RENTS, INTERESTS, AND TIME

I claimed in the introduction that the promise of a structural theory of inequality is to link processes of distribution to processes of social change,

[13] For an attempt at clarification, see Sørensen (1994). An especially serious confusion is created by the use of the term "occupational prestige," which refers to measurements of something that definitely is not honor but a measure of the general welfare provided by an occupational position.

where these changes are caused by interest conflicts generated by the distribution of advantage. I have tried to show that resources generating rents satisfy the main criterion for a "structural" advantage, that is, an advantage that can be obtained independently of the efforts of the person occupying the structural position providing the advantage. These positions may be defined by relations of property, by force, or by employment relations.

To create social conflicts, advantages should create interests "attached" to positions in social structure. The advantages need to be created by rents. Advantages that are normal returns on investments, that is, savings and sacrifices in Marshall's terminology, should not generate antagonistic interests because a redistribution of the investment activities does not create a redistribution of advantages.[14] In other words, obtaining such advantages is not exploitation, where the disadvantaged would be better off by sharing in the resources that generate the advantage. The example of education has already been mentioned several times: if returns to education do not include rents, lifetime earnings will be the same for all, in equilibrium. Equalizing education will not produce a change in the distribution of lifetime advantages.

Cross-sectional inequalities, whether generated by educational investments or certain career trajectories that do not result in lifetime inequalities should not generate strong antagonistic interests. This seems to be empirically true. It is less clear how one should conceive of intergenerational transfers of wealth produced by investments. In that case, the heirs receive an advantage, at no cost to them, and redistributing the advantage would surely increase equality of opportunity. The answer to the problem depends on the conception of the basic unit of stratification. If the family is conceived of as the unit, the intergenerational transfer could be conceived of as a cross-generational allocation of savings versus consumption. If the individual is conceived of as the unit, the transfer provides a rent and creates inequality of opportunity that may be regarded as unjust.

Interests based on advantages or disadvantages caused by the distribution of rents attached to structural positions will initially be latent interests (Dahrendorf 1959). They become manifest interests and form the basis for action when discovered and adopted by the incumbents of positions. The process of adoption of interests is the process called class formation in Marxist or Weberian class analysis. It is a process where classes become actors through a series of stages, described, for example, by Giddens (1973): class awareness, class identification, class conscious-

[14] This argument, of course, assumes that interest payments on capital are not conceived of as a surplus, as Marx did.

ness, and revolutionary class consciousness. The process, as usually conceptualized, follows a simple Durkheimian scenario. Persons with similar objective interests, that is, located in similar positions in social structure, will, by the passage of time and the force of association, eventually move from no awareness to revolutionary class consciousness, where it is realized that only changing the social structure will create a redistribution of advantages and disadvantages. The scenario, of course, does not depend on the existence of "classes" that satisfy certain specific criteria. Presumably all that is needed for the scenario to be set into motion is that there are interests attached to positions, as a result of the location of advantages and disadvantages. However, for the process to unfold, the interests and the advantages that create them must have some permanency.

The permanency has two components. One is the permanency of membership in the position. This is what interested those, most prominently John Goldthorpe (1987), who adopt a so-called class formation perspective on social mobility. The other, at least as relevant as the stability of membership, should be the stability of the advantage on which interests are based. If an advantage is temporary, interests are temporary too. If an advantage in the cross section disappears over a longer time span, interests should reflect this. This link between the time trajectory of advantages and the articulation of interests seems to have been completely ignored by analysts of class formation and, more broadly, of social movements.

The elementary observation that it takes time for objective interests to become subjective motives for action has important implications. As described above, rents are often temporary or quasi rents. The articulation of interests should therefore depend on the rate of change in the amount of rent provided by a structural location. This immediately suggests that structural or class conflicts should be more severe under feudalism than under capitalism because rents are more permanent when they derive from land than when they derive from industrial production. This prediction would not hold if Marx's labor theory of value is true, since all profit then is considered rent. However, the evidence seems on the side of the prediction. No social revolution has occurred in an advanced capitalist society.

In sum, for inequality to produce interest conflict, it is necessary that the inequality is caused by the distribution of rents. Further, the articulation of these interests in action depends on the two factors: the permanency of membership in the structural positions providing advantages and disadvantages caused by the distribution of rents and, second, the stability of the rent. The shorter the duration of a quasi rent, the less stable is the basis for structural interests.

Permanent rents in modern society are usually linked to government regulations of economic activities. This is, of course, the main arena for "interest politics." These are both interests in obtaining rents and in preserving the ones already obtained. In addition, an important source of interest articulation is the interest in avoiding the losses that would occur if the restriction that initially generated a rent would be removed, though those who now own the resource obtain no rent because of the capitalization in earlier trades. Farm subsidies are good examples. The initial rents may well have been removed because of the resulting increases in the value of land. However, removing the subsidies will bring the returns below the normal rate of return, at least until land values have adjusted. Farmers therefore have a very strong incentive to try to preserve the transfer. They are good at it. (It is one of the truly embarrassing errors by Marx [(1869) 1963] to have characterized farmers in "The Eighteenth Brumaire of Louis Bonaparte" as formed by simple addition, much as potatoes in a sack form a sack of potatoes.)

Ultimately, it is an empirical question how durable a rent advantage has to be for it to be conceived of as unjust. It is also an empirical issue how long a set of persons needs to be exposed to a common set of objective interests for these persons to realize these interests and do something about them. Neither empirical issue has received attention in research by sociologists, nor anyone else for that matter. Nevertheless, they are of crucial importance for the study of structurally created conflicts over rents or structurally created advantages.

CONCLUSION

Rent is not a concept that receives much attention in modern social science, and, to my knowledge, it has received almost no attention in sociology. The neglect of the concept is surprising. Rent-generating resources have properties that mean the benefit of rent can be obtained without any effort or sacrifice by the recipients. These resources or assets therefore have the property that they can become organized in social structure in such a manner that they provide advantages for incumbents of social positions that are independent of the characteristics of the incumbents. Inequalities created by rents may become inequalities created by social structure. I have argued that this is not true of all rents. Those based on natural abilities, of course, cannot be obtained without the cooperation of individuals. However, these rents also do not depend on the efforts and investments of individuals, and they produce important types of social organizations.

Since rents may be conceived of as attributes of positions in social structure, they will generate interests in the protection and the acquisition of rents that can be said to form "objective" interests attached to positions in social structure. These interests will be antagonistic and conflict creating because of the zero sum nature of competition over rent-generating assets. Rent, therefore, is the basis for the formation of classes, in the general meaning of conflict groups. Classes based on rent-producing assets will satisfy the classic conception of class conflict as directed at changing the structural relations that create advantage and disadvantage, and therefore social change. This, of course, will involve a revision of the classic Marxist conception of classes. I have argued that such a revision is needed anyway for reasons of the empirical and of the logical adequacy of the theory.

An important characteristic of some rents, already emphasized by Marshall, is their temporary nature. This has important implications, as I have just argued, for the analyses of class formation when classes are based on such rents, as they often will be in capitalist production without permanent monopolies. Because interests based in social structure need to have some permanency to form the bases for action, temporary rents weaken class formation by weakening the basis for class action. This is an issue that seems to have been wholly neglected in research on these matters.

The analysis of rents provides a conceptual tool for the specification of the idea of structural effects on inequality. Ultimately, concepts must be translated into empirically observed variables. There are two approaches to the empirical identification of rents. One is direct measurement. This assumes that it is possible to compare observed returns to the returns that are to be expected as a result of market competition. While there are standard approaches to obtaining such calculation and examples of their use (e.g., Krueger 1974), there are also difficulties. One important one is the basic problem of identifying the unit and the time frame for the receipt of the advantage, discussed above, with the distinction between the individual and the multigenerational family as a main example. Another is the inevitable link between this approach to identification and measurement and the existence and operation of a market society—a link that may run into ideological objections by some who feel that discussions of rent imply a normative preference for a market society.[15]

The other approach to the identification of rent is the use of the actions and behaviors generated by the pursuit of rents, or rent seeking, for the identification of rent. This approach generates a focus on government and collective actions and social movements in the pursuit of advantage. It has produced a rich recent literature on regulation and the political

[15] Obviously the preferences of the major scholars in the contemporary literature on rent, Buchanan and Tullock, are not without relevance for these attributions.

economy of rent seeking of considerable interest to sociologists of stratification and political sociologists.[16] The use of this economic literature offers the opportunity of extending and generalizing research and theory in class analysis, social movements, and political sociology.

Rent offers a precise idea of advantages that are unearned. The precision does not mean that ambiguities are avoided. Estimation of rent advantages are not always easy to obtain, nor is it always evident whether or not an advantage should be considered a rent. These problems need to be addressed in research and theory. That they exist does not mean the concept should be avoided. Their very existence point to the power and the fruitfulness of the concept.

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[16] See, e.g., the contributions to Rowley et al. (1988). For a useful reader on key contributions, see Rowley (1993).

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