

## History of economic thought: work and effort

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### Summary:

We propose to look at the history of labour in the history of economic thought (Spencer 2009). As an economist, we think of labour as an input in a production function and as a major source of income for consumption for a number of people. The labour market determines the price of labour and thus the quantities of labour supplied and demanded. Yet, the question of labour is arguably a bit more complex than other “goods” being exchanged in the market. Robert E. Prasch (2004) already asked somehow satirically, “How Is Labor Distinct from Broccoli?” and lists a number of characteristics that labour has in comparison to broccoli. In this lecture, we will discuss the particularities of labour and effort in more detail by looking at different authors and try to understand whether there is a change in perspective on labour and effort over time, and if yes, why it is so. We will equally evaluate in how far this may be of any concern for modern economics.

### Detailed Outline:

We will look in more detail at some considerations about labour that have been brought forward in the history of economic thought. We will in particular look at what has been said about the relationship between wages and labour. Interestingly, our current notion of incentives and the underlying idea that more wages will induce people to work more has not always been seen as given. To the contrary, some political economists reasoned that by increasing wages, people would work less, assuming that people are generally lazy and any kind of hard work or effort contrary to their desires (Spencer 2009). The idea that incentives would make people work not only more but also harder, because there is a fundamental variable, namely effort, that can be modulated by those who work, has arisen explicitly with the notion of efficiency wages, a concept that was coined in the late 50s of the past century, and goes back to Harvey Leibenstein (1986). And yet, it is not that previous economists did not discuss the notion of effort. To the contrary, what earlier economists said about labour, work and effort is to a large extent much more detailed than what we read today in much of economic research. In fact, as Derobert (2001) shows, it is particularly in the neoclassical economic theory of labour supply, that the analysis of labour disappeared and replaced by a calculation between leisure and income. But while any more detailed analysis of labour disappeared, the notion of effort became ever more prevalent – without however ever being explicitly defined. The crucial issue is that effort is not observable. But the idea is that effort can be modulated with incentives and people will increase effort with payment. Economists thus investigated how to set up contracts such that it is in the interest of workers/labourers/employees to choose to comply with the terms as set out in the contract, rather than to shirk. To understand these conceptual changes over time, we will read and discuss a number of economists such as Jevons, Marshall, Edgeworth, Böhm-Bawerk, Knight, Leibenstein and more modern economists such as Alchian and Demsetz, and Williamson to name a few and evaluate what we can learn from this history for today's understanding of work and effort.

**Validation mechanism:**

Essay (about 5 pages) on a chosen or assigned topic related to the history of labour in the history of economic thought and short presentation.

**References and some literature:**

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