

Ugo Pagano

University of Siena

## The work-leisure divide and the search for inclusive institutions\*

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### **Abstract**

*Even in the most advanced societies, individuals seem to live in mutually exclusive social and economic spheres. During their leisure time, there is an increasing supply of all sorts of goods that should allow all sorts of happy activities. During their work time they feel used as increasingly flexible means of production. Institutions, which include consumption, are often excluding production. Institutions, which include production, are often excluding consumption. Standard economic theory has become a powerful ideology justifying this divide. The paper challenges this ideology and proposes a more general approach where in principle all human activities can contribute to final utility as well as to production. Our approach can give a rationale for policies favoring inclusive institutions that try to overcome the work-leisure divide.*

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Comments very welcome at [ugopagano@gmail.com](mailto:ugopagano@gmail.com)

## 1. Introduction.

The institutions of our society suffer from a particular type of exclusivity. Some institutions are supposed to be places where we satisfy our needs. Other institutions are supposed to be the locus of production activities and be evaluated according to their capability to enhance production efficiency. Typically families, clubs and all sorts of associations are dedicated to the first type of activities while firms, business corporations and all sorts of service providers are dedicated to the second type of activities. In the first case the performance of the institutions is judged on the basis of their capability to generate utility for their members, in the second case the performance is related to the benefits that the institutions can provide for its owners or its users.

This common-sense divide between leisure and work is typical of capitalist societies. An asset becomes capital when it is able to provide an income stream for each owner and its value is given by this future income stream<sup>1</sup>. When this income stream is greater than the deterioration of capital, capital can generate other capital and a form of capital accumulation takes place. The institutions geared towards this process of capital accumulation are clearly distinguishable from those where the individuals satisfy their needs.

A clear-cut distinction is less evident in non-capitalist societies where the production of goods and their consumption does often happen within the same institution. In this case both the needs of the people and the production of the goods are included in the same institution. However, whether how the needs of individuals and production of goods are mixed in these institutions depends very much on the level of inequality and the power relations which characterize them. Within these institutions some individuals may be excluded the activities satisfying some basic needs and be only be used to produce goods and services.

Orthodox economic theory has provided a well-known justification for this divide. It shows how so-called consumption decisions can be separated from production decisions and how these decisions can be independently taken by consumers and by profit-maximizing firms. In the next section we show how a standard neoclassical model, leading to this result, is based on a *dichotomous assumption* about human activities which can a priori be divided into leisure and work. In other words, in variables influencing only the objective function and variables affecting only the production function.

The third section of the paper removes an aspect of the dichotomous assumption and shows the consequences that work cannot affect (directly and not only as forgone leisure) both the utility and the production function. The separation between activities into different typologies of institutions becomes much more difficult. A firm managing the resources by simply equalizing their productivity in each task of the organization brings about an allocation of work which is inconsistent with the maximization of social welfare. Workers' needs must be included in the decision-making processes of the organization.

The fourth section takes the analysis one step further and assumes that all human activities can affect both the utility and the production function. We will argue that a modern economy, friendly with the environment and with human nature should rely on a different type of individuals which consider always both the utility and productive aspects of their activities.

Finally the last section shows how society's institutions cannot be dedicated exclusively to leisure or to work and including both the effects of each activity on production and well-being is a necessary step to improve the life of the individuals.

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<sup>1</sup> See Pistor (2019) and Hodgson (2015). Pistor points out how an increasing number of assets have acquired the characteristic of capital.

## 2. Orthodox Theory and the standard division between work and leisure.

We will start by considering a very simplified standard model of resource allocation. Following the neoclassical tradition it could be interpreted as the problem of Robinson Crusoe allocating his time on his island or as the problem faced by a society taken as a whole.

We assume that Utility depends only on two variables leisure  $y_0$  and consumption  $y$ . We have only one resource  $X$  that can be either be allocated in two productive uses  $x_1$ , and  $x_2$  to produce  $y = f(x_1, x_2)$  or left idle as  $x_0$  and transformed in an equal amount  $y_0$  ( $g$  is an identical function).

The problem can therefore be formulated as follows:

Max:

$$U(y_0, y)$$

Subject to

$$y_0 = x_0$$

$$y = f(x_1, x_2)$$

$$x_0 + x_1 + x_2 = X$$

We obtain the usual Lagrangian

$$L = U(y_0, y) - \lambda_0 [y_0 - x_0] - \lambda [y - f(x_1, x_2)] - \lambda_r [x_0 + x_1 + x_2 - X]$$

and the following conditions:

$$\partial U / \partial y_0 = \lambda_0 \quad (1)$$

$$\partial U / \partial y = \lambda \quad (2)$$

$$\lambda_0 = \lambda_r \quad (3)$$

$$\lambda (\partial y / \partial x_1) = \lambda_r \quad (4)$$

$$\lambda (\partial y / \partial x_2) = \lambda_r \quad (5)$$

Substituting (3) in (1) and (2) in (4) and (5) we obtain:

$$(\partial U / \partial y_0) = \lambda_r \quad (6)$$

$$(\partial U / \partial y) (\partial y / \partial x_1) = \lambda_r \quad (7)$$

$$(\partial U / \partial y) (\partial y / \partial x_2) = \lambda_r \quad (8)$$

(6), (7) and (8) imply:

$$(\partial U / \partial y_0) = (\partial U / \partial y) (\partial y / \partial x_1) = (\partial U / \partial y) (\partial y / \partial x_2) \quad (9)$$

and in particular:

$$(\partial y / \partial x_1) = (\partial y / \partial x_2) \quad (10)$$

Suppose that  $\lambda, \lambda_o, \lambda_r$  are the prices given to a consumer maximizing the difference between utility and costs:

$$U(y_o, y) - \lambda_r y_o - \lambda y \quad (11)$$

and to a profit maximizing producer:

$$\lambda y - \lambda_r x_1 - \lambda_r x_2 \quad (12)$$

Also in this case we obtain:

$$\partial U / \partial y_o = \lambda_r \quad (1)$$

$$\partial U / \partial y = \lambda \quad (2)$$

$$\lambda (\partial y / \partial x_1) = \lambda_r \quad (4)$$

$$\lambda (\partial y / \partial x_2) = \lambda_r \quad (5)$$

This shows that a market, where the individuals take their decisions at the shadow prices (that is the lagrangian multipliers of the optimization problem) of the resources, can achieve the same conditions of the original optimization problem

These conditions imply again also:

$$(\partial U / \partial y_o) = (\partial U / \partial y) (\partial y / \partial x_1) = (\partial U / \partial y) (\partial y / \partial x_2) \quad (9)$$

and

$$(\partial y / \partial x_1) = (\partial y / \partial x_2) \quad (10)$$

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(10) can be obtained by maximizing:

$$\lambda y - \lambda_r x_1 - \lambda_r x_2 \quad (12)$$

The maximization of profits implies an optimal allocation of the resource within the firm. The marginal productivity of the resource should be the same in each use. Preferences are not relevant to achieve this condition which appears to be driven only by technological efficiency

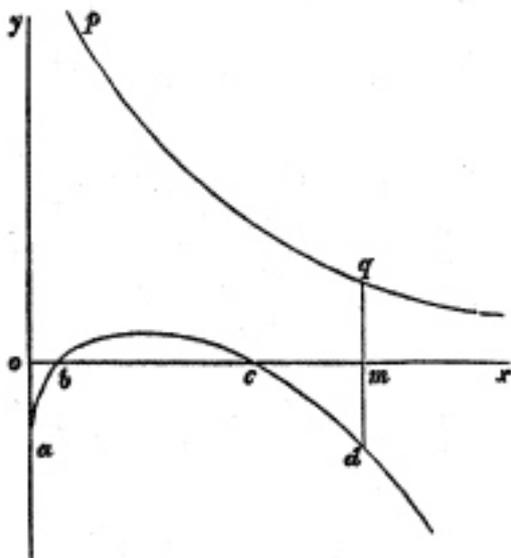
On the basis of some prices different individuals can coordinate optimally as if they were a unique Robinson Crusoe.

The model which we have just considered can be subject to many critical observations. One is that there is no mechanism for which these prices could emerge from market interactions. They are

simply an outcome of an optimizing problem. We will however not consider these types of objections but we will rather concentrate on a different characteristic of the process of decentralization which makes Robinson behaving in a schizophrenic way and an economy, following these principles affected by some form of social schizophrenia.

Robinson does not consider his own preferences for his own productive activities. He derives his utility only from consumption and leisure. He can become some sort of capitalist employing himself and seeking the maximization of shareholder value. As a capitalist he maximizes profits. In this way he gets as a consumer the maximum amount of leisure and consumption. As the employee of himself he ignores his needs and allocates his energies as if he was steel or iron.

### 3. Introducing production preferences in the standard model



In a famous figure Jevons (figure 9 p. 173)<sup>2</sup> considered a problem similar to that encountered by Robinson Crusoe. Also in this case a product useful was being produced and a decreasing curve was expressing the decreasing pleasure gained by additional units of the product. Labor was first painful and later pleasurable (from b to c) and then again painful. At point m the pleasure of additional production was matched by the pain of additional labor ( $qm = dm$ ) and the an imaginary Robinson Crusoe would have stopped working.

After that statement, Jevons model was moving from this Benthamian calculus of pleasure of pain to the standard condition that an independent would reach when maximizing his utility and in the following pages was producing the standard condition requiring the marginal disutility of labour to be equalized with the marginal utility of its product.

<sup>2</sup> Jevons (1871) continued the Smithian tradition of taking into account the preferences for work that were ignored by the Austrian School. On this point and the debates between the two schools see Pagano (1985).

In our little model this condition is not immediately evident. We can however show that a similar condition can be derived from the model. However, in many respects, the two conditions are fundamentally different.

Remember that:

$$y_0 = x_0$$

Given the total resource constraint:

$$x_0 + x_1 + x_2 = X$$

if we keep  $x_2$  constant an increase of  $x_1$  will imply a decrease of  $x_0$  of the same amount. We have therefore that:

$$(\partial U / \partial y_0) = - (\partial U / \partial x_1)$$

and because of (9):

$$-(\partial U / \partial x_1) = (\partial U / \partial y) (\partial y / \partial x_1) \quad (13)$$

This seems to imply the standard Jevons condition according to which the independent worker works until the marginal disutility of labour is equal to the marginal utility of its product. However, in this case the marginal disutility of labour must be interpreted in a different way. It is an opportunity cost due to an alternative use of the unit of the resource. It is not the real-life particular use of that unit that is causing, at the same time, disutility and productivity.

Let us consider the following example where leisure and the two tasks add up to 24 hours.

That is:

$$x_0 + x_1 + x_2 = X$$

is satisfied by the following numbers:

$$16 + 2 + 6 = 24$$

A change of the values such as:

$$15 + 3 + 6 = 24$$

will affect the utility level

By contrast the change:

$$16 + 3 + 5 = 24$$

will not have any effect on the disutility of labor. A decrease of the forgone leisure from 16 to 15 hours matters, whereas an increase of a task of one unit compensated by the decrease of a task of another unit does not matter.

The main difference between Jevons and the modern approach is that Jevons is referring to the pain or pleasure of a real-life activity. By contrast, the standard textbook model which we have considered is consistent with the Walrasian view where utility is only derived from the resources that you keep for yourself and not from the one that you have sold<sup>3</sup>. In the standard framework each resource that is sold and used in production involves disutility in the sense of forgone self-consumption and the disutility of forgoing this consumption must be obviously equal to the utility of keeping the resource.

This approach fails to see the difference between resources such as human labor and other resources. In the case of the latter the only thing that matter for utility are the units of the resource that you keep for yourself.

What you rent or sell to others only matters insofar as it allows you to acquire other resources that you can consume. If you rent your house to somebody, you care about the income and the way in which it is maintained but you do not care or even know about the particular uses they will make of your houses (using for instance a room to sleep or to watch television).

The case of resources such as your time is completely different. You cannot rent the resource, get utility from what you keep and otherwise be indifferent about the real use that they make of it. The worker cannot sell her own labour-power and walk away. Each use and each level of use of the resource that you have rented will in this case affect your utility.

Thus, for the case of resources such as labor we have to assume that the levels of each use of the resource will affect welfare. The same activities which influence the production function will also appear as arguments of the utility function. We have therefore to reformulate our model as follows:

Max

$$U(y_o, y, x_1, x_2)$$

$$y_o = x_o$$

$$y = f(x_1, x_2)$$

$$x_o + x_1 + x_2 = X$$

We will also assume that the function  $U(y_o, y, x_1, x_2)$  is additively separable that is:

$$U(y_o, y, x_1, x_2) = U_c(y_o, y) + U_p(x_1, x_2)$$

So that in principle the “consumer choice” about the consumption and leisure, is independent of the “producer choice” arising from the fact that different task levels involve different (dis)utility.

From this we obtain

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<sup>3</sup> Walras (1977) had this version of the utility function which acted as a compromise between the British and the Austrian versions of the marginalist revolution (Pagano 1985).

$$\partial U/\partial y_o = \lambda_o \quad (1')$$

$$\partial U/\partial y = \lambda \quad (2')$$

$$\lambda_o = \lambda_r \quad (3')$$

$$\partial U/\partial x_1 + \lambda (\partial y/\partial x_1) = \lambda_r \quad (4')$$

$$\partial U/\partial x_2 + \lambda (\partial y/\partial x_2) = \lambda_r \quad (5')$$

which become substituting (3') in (1') and (2') in (4') and in (5'):

$$(\partial U/\partial y_o) = \lambda_r \quad (6')$$

$$\partial U/\partial x_1 + (\partial U/\partial y) (\partial y/\partial x_1) = \lambda_r \quad (7')$$

$$\partial U/\partial x_2 + (\partial U/\partial y) (\partial y/\partial x_2) = \lambda_r \quad (8')$$

From which we obtain:

$$(\partial U/\partial y_o) = \partial U/\partial x_1 + (\partial U/\partial y) (\partial y/\partial x_1) = \partial U/\partial x_2 + (\partial U/\partial y) (\partial y/\partial x_2) = \lambda_r \quad (9')$$

and in particular:

$$\partial U/\partial x_1 + (\partial U/\partial y) (\partial y/\partial x_1) = \partial U/\partial x_2 + (\partial U/\partial y) (\partial y/\partial x_2) \quad (10')$$

which means that the sum of direct and indirect utility must be the same in each use.

Comparing condition (10') with

$$(\partial y/\partial x_1) = (\partial y/\partial x_2) \quad (10)$$

we can see how taking into account producers' preferences involves a radical change of the conditions necessary to have an optimal allocation of the resource among the two productive uses. When we ignore the preferences of human beings for their own productive activities, the only thing that matters is the result of these activities but not the activities themselves. In this case it makes sense to organize and to allocate them according to their productivity, that is according to the effect that that the activity has indirectly on human welfare by increasing the amount of some useful product. This implies that the marginal productivity of the resource should be the same in each use. Otherwise, the product could be increased by moving the resource from the less productive to the more productive uses.

By contrast when we take into account that all human activities, including those that allow the production of useful products, affect our welfare directly we cannot simply equalize the marginal productivity of the resource in each use (i. e. its indirect benefit via the production of a useful product) . We have to add to it the direct effect that performing that activity has on human welfare. This is clearly evident when we compare (10) with (10') which state that the sum of the direct and indirect utility of the resource should be the same in each use.

We have seen that profit maximizing employer maximizing (12) will equalize the marginal productivity of the resource while ignoring the direct effect that the real activities performed by the people embodying it have on human welfare. In other words, he will choose technologies and allocate humans as if they were iron or a machine. A price system giving the scarcity price, implicit in the resource constraint of a resource, is not enough to decentralize decisions to profit maximizing producers. In order to achieve the same purpose prices for each level of use of the resource should be taken into account. We will see that in any case they imply the demise of shareholder value and

profit maximizing as criteria to manage resource within the firm. Let us however see how the prices for the uses of the resource can be defined to take into account producers' preferences. We need to set prices  $w_1$  e  $w_2$  for the two uses of the resource  $x_1$  e  $x_2$ .

In this case:

a consumer who maximizes:

$$U(y_o, y, x_1, x_2) - \lambda_r (y_o - x_o) - \lambda y + w_1 x_1 + w_2 x_2 \quad (18)$$

subject to:

$$x_o + x_1 + x_2 = X$$

and a producer maximizing:

$$\lambda y - w_1 x_1 + w_2 x_2 \quad (20)$$

obtain the following conditions.

From (18) we obtain:

$$\partial U / \partial y_o = \lambda_r \quad (1')$$

$$\partial U / \partial y = \lambda \quad (2')$$

$$\partial U / \partial x_1 + w_1 = \lambda_r \quad (21)$$

$$\partial U / \partial x_2 + w_2 = \lambda_r \quad (22)$$

and from (20) we have:

$$\lambda (\partial y / \partial x_1) = w_1 \quad (23)$$

$$\lambda (\partial y / \partial x_2) = w_2 \quad (24)$$

Replacing in (21) and (22) the values of  $w_1$  e  $w_2$ , which we obtain from 23 e and 24, we have:

$$\partial U / \partial x_1 + \lambda (\partial y / \partial x_1) = \lambda_r \quad (4')$$

$$\partial U / \partial x_2 + \lambda (\partial y / \partial x_2) = \lambda_r \quad (5')$$

Conditions 1'-5' can therefore again be obtained by decentralized producers.

However, the prices  $w_1$  and  $w_2$  are well different from the unique price  $\lambda_r$  which allows to take optimizing decisions in situations where we ignore the preferences that the agents directly have for the uses of the resource. Resources prices must in this case necessarily change when these uses change. Each price is appropriate for a certain level of each use. This implies that markets cannot have any internal allocation of labor driven by shareholder value and profit maximization. If the allocation of the managers is driven by these motives they must re-contract the wage for each level of different uses.

A huge number of transactions would be necessary and the efficiency, or even the feasibility, of such an institutional arrangement is very doubtful. The firm conceived as a profit-maximizing

institution, working in the interest of the shareholders, is an institution excluding from its decision-making process the persons who spend their life working in the organization. Only a culture and/or an ideology, which assumes that people have no preferences for their own working life (and are only interested in leisure), can justify these institutions excluding these needs in their decision-making processes. It is very unfortunate that this ideology turns out to be the standard economics which most textbooks offer to our students.

The standard ideology of these years, as well as standard economic theory, has been that firms should profit maximize and they should be managed in the interests of shareholders. Maximizing productivity, that is allocating employees in such tasks that their marginal productivity should be equalized as if they were iron or coal, has been the natural corollary of this ideology. Workers' preferences for a decent, interesting and creative work were seen at most as a way to increase workers' productivity and not as a legitimate goal that an organization should try to fulfil.

This argument ignored the fact that, even if labour was painful, it was not homogeneously so. Its pain could be greatly reduced by choosing tasks, and in general an organization of work, which would best fit the preferences of the workers. A market for each use of labour would imply the absence of firms and a continuous bargaining between the suppliers and utilizers of productive services. Labour could not be bought according to a price corresponding to the scarcity of a particular skill and then allocated to achieve productivity. A price for each level of use would deny the very existence of a firm, intended as an institution alternative to the market<sup>4</sup>. The only alternative is to change the objective function of the organization in such a way that its revenue and the welfare of its workers are both taken into account. In other words, we should look for organizations that are such that both the direct (dis)utility of a task and its indirect utility are taken into account.

In terms of the simple model which we have considered before this involves decentralizing the decisions to a consumer maximizing:

$$U_c(y_0, y) - \lambda_r y_0 - \lambda y$$

And to a firm maximizing:

$$U_p(x_1, x_2) + \lambda y - \lambda_r x_1 - \lambda_r x_2$$

Because of the additive separability of the utility function

we would again achieve the conditions

$$\partial U / \partial y_0 = \lambda_r \quad (1')$$

$$\partial U / \partial y = \lambda \quad (2')$$

$$\partial U / \partial x_1 + \lambda (\partial y / \partial x_1) = \lambda_r \quad (3')$$

$$\partial U / \partial x_2 + \lambda (\partial y / \partial x_2) = \lambda_r \quad (4')$$

which implies that:

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<sup>4</sup> Coase (1937) has convincingly argued that the firm exists when its allocation system replaces the price mechanism.

$$\partial U/\partial x_1 + (\partial U/\partial y) (\partial y/\partial x_1) = \partial U/\partial x_2 + (\partial U/\partial y) (\partial y/\partial x_2) \quad (10')$$

An inclusive organization is one that includes in its objective function both the direct and the indirect effects of work or, in other words, does not exclude the preferences of the workers for their own working activities from the decision making process of the organization. This organization should equalize the sum of the marginal (dis)utility of work and of the marginal utility of the product of work in each use. It should not simply equalize the latter as maximizing shareholder. It should take into account its overall effect on human welfare which involve that the sum of the direct and indirect utility is equalized in each use.

#### 4. An Economics and an Economy founded on different Robinsons?

In economics leisure is an empty space that is not filled with any activity and work is an activity that is only done with the purpose of allowing us to obtain useful things.

In real life leisure is a set of enjoyable activities which we carry out for their own sake and work is an activity which is partially done not as an end in itself but as way to be able to carry out other activities.

Let us imagine that in his island Robinson performs two activities. He eats food ( $x_1$ ) and goes hunting ( $x_2$ ).

Therefore, he maximizes:

$$U(x_1) \quad (25)$$

$$x_1 = f(x_2) \quad (26)$$

$$x_2 = X \quad (27)$$

which imply:

$$(\partial U / \partial x_1) = \lambda_1 \quad (28)$$

$$\lambda (\partial x_1 / \partial x_2) = \lambda_r \quad (29)$$

As a consumer Robinson maximizes:

$$U(x_1) - \lambda_1$$

and obtains (28)

As a producer Robinson maximizes:

$$\lambda_1 x_1 - \lambda_r x_2$$

and obtains (29).

Thus, Robinson the hunter and Robinson the eater can take decisions as different individuals. Eating gives Robinson utility and he is never satiated. Hunting provides the means for eating and he hunts until the marginal revenue of hunting equals its cost due to the limited amount of his energies.

However, this picture is rather misleading.

Robinson's life is more similar to a circular process. In order to go hunting he has to eat and in order to eat he has to hunting. Each activity is a necessary input in the other. Robinson utility is directly influenced by the amount and quality of his eating and hunting. Describing one activity (eating) as unproductive and the other (hunting) as non-influencing his utility is clearly unsatisfactory. The problem needs to be re-formulated in the following way:

Maximize:

$$U(x_1, x_2)$$

$$x_1 = f(x_2)$$

$$x_2 = f(x_1)$$

$$x_1 + x_2 = X$$

The first order necessary conditions for optimality become:

$$\partial U / \partial x_1 + \lambda_2 (\partial x_2 / \partial x_1) - \lambda_1 = \lambda_r \quad (30)$$

$$\partial U / \partial x_2 + \lambda_1 (\partial x_1 / \partial x_2) - \lambda_2 = \lambda_r \quad (31)$$

Observe that  $\partial U / \partial x_1$  and  $\partial U / \partial x_2$  are the direct effects that each activity has on Robinson's utility.  $\lambda_2 (\partial x_2 / \partial x_1) - \lambda_1$  and  $\lambda_1 (\partial x_1 / \partial x_2) - \lambda_2$  are the indirect net benefits which each activity has via its interdependence with the other activity. In both cases the sum of the direct and indirect effect is equal to shadow price of the resource.

If  $x_1$  has no influence on production and is no part of productive resource (30) becomes (28).

If  $x_2$  does not affect utility so that  $\partial U / \partial x_2 = \lambda_2 = 0$  (31) becomes (29)

We have however seen that these extreme cases are rather misleading.

(30) and (31) imply (32)

$$\partial U/\partial x_1 + \lambda_2 (\partial x_2/\partial x_1) - \lambda_1 = \partial U/\partial x_2 + \lambda_1 (\partial x_1/\partial x_2) - \lambda_2 = \lambda_r \quad (32)$$

What matters for an activity approximating leisure or work are the values of the derivatives above  $\partial U/\partial x_1$  can be greater, equal or less than  $\partial U/\partial x_2$  and as a consequence (because of 32)  $\lambda_2 (\partial x_2/\partial x_1)$  can be less, equal or greater than  $\lambda_1 (\partial x_1/\partial x_2) - \lambda_2$

In the first case when:

$$\partial U/\partial x_1 \geq \partial U/\partial x_2 \quad \text{and} \quad \lambda_2 (\partial x_2/\partial x_1) \leq \lambda_1 (\partial x_1/\partial x_2)$$

we can say that some of the eating give us more (dis)utility than hunting but this is compensated by the fact the positive effect of hunting on eating is greater than the positive effect of eating on hunting. Thus in this case hunting is approximating the idea of work and eating leisure.

However, we may not exclude that the venison has a horrible taste and Robinson eats only to survive and hunt – an activity which he likes. In this case:

$$\partial U/\partial x_1 \leq \partial U/\partial x_2 \quad \text{and} \quad \lambda_2 (\partial x_2/\partial x_1) \geq \lambda_1 (\partial x_1/\partial x_2)$$

In this case, hunting approximates the idea of leisure whereas eating the distasteful food may become some sort of hard work.

In other words, as Adam Smith had pointed:

*'hunting and fishing, the most important employments of mankind in the rude state of society, become in its advanced state their most agreeable amusements, and they pursue for pleasure what they once followed from necessity' (Smith, 1976, p. 113).*

Observe how in the Smithian approach leisure, is not a black hole where all activities, reduced to absolute idleness have no productive benefits. They are real life activities which we end up doing in excess with respect to their positive effects on other activities.

There is no way to split Robinson's time in pure work and pure leisure. For this reason, a continuum of organizations is likely to exist. To use Jevons' language they will certainly mix the pleasures and the pains of their activities in different ways. However, no organization will be able to rely on half-unproductive Robinsons enjoying an empty leisure or on productive Robinsons ignoring the effects that their working lives have on their welfare. Even if referring to eating and hunting the example seems strange the prices  $\lambda_2$ ,  $\lambda_1$  and  $\lambda_r$  could divide the activities among different Robinsons, possibly trading one with the other. However they could not divide Robinson in two machine one productive without preferences and the other unproductive with preferences.

## 5. Conclusion.

Recent years have seen an increasing commodification of productive organizations traded with increasing frequency on financial markets.

In the American brand of capitalism managers have stopped being seen as agents that should act as trustees of multiple shareholders including their workers.

In the European variety of capitalism the rights of the unions and of the workers have been under an increasing attack<sup>5</sup>.

This ideology creates exclusive institutions where numerous people do not see their needs qua producers included in the organization. It is an ideology which does only consider the preferences which the individuals have for leisure and consumption goods and ignores the needs of individuals qua producers. If firms and corporation have almost by definition an internal life there cannot be a price for each one of their activities which is carried within them. Continuous bargaining for each type and level of tasks would contradict their very existence. For this reason, productive organizations cannot have as their objective only the profit motive. They must be inclusive organizations taking into account in their objective functions the (dis)utility arising from working activities.

When neoclassical theory is used as an ideology to justify exclusive institutions based only on profit maximization and shareholder value it betrays its own motto that individuals' preferences should always matter. It is a necessary, but forgotten, consequence of that motto these preferences should be exercised also in the sphere of production.

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<sup>5</sup> See Milhaut and Pistor (2008) and Landini Pagano (2019).

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