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Profit maximization or bullshit – where between labour economics and Graeber may employments be?

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The fundamental assumption of labour economics that firms maximize their profits through employment has been challenged through David Graeber’s “Bullshit Jobs”. We compare the epistemological foundations and empirical grounding of the two concepts. After the methodological paradigms have been explored, the paper looks at the five categories of bullshit jobs that Graeber qualifies and at their contribution to added value on the company and the societal level. Neither the mere assumption of rationality and complete information which labour economists usually pursue nor the complete trust in the narratives of unhappy employees are likely to reveal the full truth. The apparent contradictions can mainly be attributed to the high degree of complexity of the labour world.

Key words: work; labour economics; bullshit jobs
JEL classification: J21, J28, B55

1. Introduction

Among the many important impulses in economic theory that came from non-economists (e.g., Kahneman, 2003; Pickett and Wilkinson, 2009; Ostrom, 2010), anthropologist David Graeber’s (2013; 2018) contribution on ‘bullshit jobs’ is suited to form a particular challenge to conventional labour economics. He claims that a large share of jobs is ‘so completely pointless, unnecessary or pernicious that even the employee cannot justify its existence’ (p.8). According to Dur and van Lent (2019), 17% of all employees doubt if their jobs are useful. While Graeber attributes the rise of useless jobs both to what he calls ‘managerial feudalism’ and to the interests of government, the existence of a large number of jobs that do not contribute to social welfare would refute that the invisible hand of markets steers transactions towards efficient outcomes.

While Graeber’s theory has been considered by political scientists (Glaser, 2014), philosophers (Wakeham, 2017) and even management scholars (Spicer, 2017), economists have hardly commented on it. Richards (2019) has warned about rising unemployment if all bullshit jobs should disappear. This, however, misses the point of the question of why markets would develop a heap of professions that are unnecessary and produce ‘smart people who end up doing stupid things at work’ ( Alvesson and Spicer, 2016, p.47). This contribution intends to compare Graeber’s observations with mainstream theory of labour economics to a point where such a comparison can result into a fruitful synthesis.

For this purpose, it will first be necessary to review the epistemological foundations of traditional labour economics. Through a review of mainstream economic textbooks and papers, it will be made clear why the foundations of labour economics do not take account of bullshit jobs. Section 3 compares these findings with Graeber’s epistemological foundations. In Section 4, we attempt to find economic explanations for the five types of bullshit jobs that Graeber distinguishes. Section 5 develops reasons for the growth of bullshit jobs compatible with economic paradigms before Section 6 concludes the research.

2. Why bullshit jobs perish in the world of labour economics
Normativity is at the core of the argument we are entering, even though normativity is relatively rare in social sciences. While economists in general have a more strongly founded framework for normative conclusions than sociology and political sciences, it is probably fair to say that welfare economics, being based on utilitarianism (Beckerman, 2011), is the only consolidated scale to carry out such an analysis in an economic mind-set. The question we will have to tackle is if labour with a zero or even negative utility can sustain on the market or may even be a constitutive pillar of the system. “The leading text for one-semester courses in labor economics” (Ehrenberg and Smith, 2018; 2) clearly draws the conclusion that this cannot be the case from a company’s perspective:

“The fundamental assumption of labor demand theory is that firms – the employers of labor – seek to maximize profits. In doing so, firms are assumed to continually ask “can we make changes that will improve profits?” (Ehrenberg and Smith, 85 f.)

This basic pillar of labour economics seems to be so firm that several textbooks confer at this point. Cahuc and Zylberberg (2004), for example, formulate:

“The basic assumption is that firms utilize the services of labour by combining them with other inputs, such as capital, for example, in order to maximize the profits they derive from the sale of their products.” (p. 173 f.)

In this model world of complete information and full rationality, people will only be employed if the added value they generate exceeds the wage they receive. If conditions change and, for example, output prices decrease so that the employee’s output is worth less than the salary they receive, the person will be laid off as soon as possible. That way, not a single bullshit job will emerge.

Every economist concedes that there are limits to this model world. This includes Ehrenberg and Smith (2018) who mention several categories of frictions which limit a labour world in which all professions have found their equilibrium wage. These frictions include

- costs of mobility which lead to identical job profiles with different wages,
- quasi-fixed costs that catches some employers in unprofitable production processes
- limits in the daily work time that a person can be employed.

Economics should never be described as a monolithic theoretical block. It is important that several economists concede that there are additional limits to the rationality of employments. Arguably, the most influential model in this respect is the principal-agent model, even if it has not made into Ehrenberg and Smith’s textbook. This approach uses the fact that an employee’s output is not linearly tied to her effort. As a random variable also interferes into the output (Stiglitz, 1989), it is possible for the employee to be less productive than possible.

As important as the contribution of principal-agent theory is, it does not lift the notion that employers will only employ if this increases the firm’s profit. It only explains why the added value a worker generates may be lower than possible.

3. Why Graeber claims that bullshit jobs persist

Economists usually use theoretical consideration as their starting point. This explains their conclusion that jobs with a zero utility do not exist, as no rational employer would pay for them. Graeber answers the question how to identify a bullshit job through the opposite way, by mere written witness. Graeber is not too bothered with methodological questions and argues that the employees themselves are the best judges of the question of whether their
work is bullshit. This leads into dangerous terrain, as the following quotation demonstrates where Graeber cites a person writing to him:

‘Freelance Academic Translator: Over the years, I have translated papers from just about every academic discipline – from ecology to corporate law, social science to computer science. The vast majority of it is of no discernible value to humanity whatsoever.’ (Graeber, 2018, p.206).

If the translator cited should be correct in her judgement, then not only is her job a bullshit job, but also the jobs of the ‘vast majority’ of the researchers who produce the results translated by her, as the translator only makes accessible what the researchers developed. While we should be open to the notion that almost all academics (probably including myself and David Graeber) produce nothing but bullshit, large amounts of evidence about the positive societal effect of research (Wooding et al., 2004; Garcia-Romero, 2006; Donelson and Resutek, 2012; Hall et al., 2014) indicate otherwise. It is probably true that employees themselves are the best judges of the usefulness of their job, but they may fail. They may, as perhaps also in the example above, believe they do something useless while, in fact, they are supporting society significantly.

Table 1 makes the underlying information problem explicit. In addition to the case in which a jobholder is unable to see the factual societal value of what she is doing, the opposite may also be the case. While I may be convinced that my research generates ample returns to society, at the end of the day it may be entirely useless. As behavioural research indicates that many of us are systematically overconfident (Johnson and Fowler, 2011; Libby and Rennekamp, 2011; Malmendier and Taylor, 2015), it may be more likely that people overestimate the impact of their work to society than the opposite.

Table 1: The information problem of bullshit jobs

Without being already able to judge who in the debate is right, it is by now easy to see why the different approaches lead to different conclusions. Within the current theoretical framework of labour economics, it simply is impossible to concede that bullshit jobs exist. We assume all agents as rational, and why would a rational agent employ somebody for wasting her time? Graeber, however, does not ask this question. He simply listens to people who claim that their bosses do just that: paying them for no value in return.

4. Qualifying the contradiction

Before dealing with Graeber’s challenge to labour economics in depth, it is important to raise a distinction about which Graeber himself is not very clear in his work. For an employer it will be important whether a worker generates utility for her company. This does not imply that the worker also generates utility for society as a whole. Table 2 displays the different possibilities in that respect. Consider the market introduction of another headache tablet with acetylsalicylic acid as its active component. The introduction of such a me-too-product (Geroski, 2003), for example, may well generate sales and therefore financial benefits for the production company. As it presses other products out of the market, these negative externalities are likely to have a neutral effect for society. In other cases, an employee may generate considerable benefits for his environment, but due to, for example, inappropriate pricing, the company may still go bankrupt.

Table 2: Distinguishing different levels of utility
This distinction between the company and the societal levels is important, also with respect to the standpoint of labour economics. Only the claim that jobs exist in the right column of Table 2 would be refuted by labour economists because it contradicts the central axiom of individual rationality. However, economists are comfortable with the assertion that, due to a lack of appropriate policies, negative externalities persist and some jobs that generate profits for the company end up to make society as a whole worse off.

In turn, it will be important to specify Graeber’s claim. Are the positions he describes bullshit jobs, because they fail to increase societal utility, or because they do not benefit the respective company? While Graeber does not answer this question directly, it is helpful to get to the concrete categories of bullshit jobs that Graeber presupposes. While David Graeber sees more than one way to group the large amount of jobs he considers as bullshit, he chose to put them into five categories. It is worthwhile to follow the author and his arguments in this attempt to structure reality.

4.1 Flunkies

‘Flunky jobs are those that exist only or primarily to make someone else look or feel important’ (Graeber, 2018, p.28). Graeber describes handsome young men in flashy uniforms in feudalist and post-feudalist settings. While it is difficult not to sympathise with Graeber’s notion that these young men waste their time because they do not contribute anything useful to society, it is also difficult to ignore the entire economic literature about signalling when dealing with the role of flunkies in society.

Connelly et al. (2011, p.40) begin their seminal contribution about signalling with descriptions how ‘a college football coach visits area high schools in a Hummer limousine emblazoned with the school’s logo to denote a resource-rich environment to prospective recruits’ and how ‘leaders of a young firm in an initial public offering (IPO) stack their board with a diverse group of prestigious directors to send a message to potential investors about the firm’s legitimacy’. This is not far away from Graeber’s description of Jack, whose job it was to make calls emphasising that he was calling potential customers on behalf of a broker. Jack himself wrote that ‘the reasoning behind this would be that the brokers themselves would seem, to the potential client, to be more capable and professional if they were so damn busy making money that they needed an assistant to make this call for them’ (Graeber, 2018, p.33). In the last two examples, one by Connelly and one by Graeber, people are used to signal the resourcefulness of a company.

In management literature, signalling is considered a strategy to overcome information asymmetries (Nayyar, 1990; Dewally and Ederington, 2006; Montiel et al., 2012). Signals help customers and voters to distinguish professional companies from less professional ones or to know which potential candidate for a political post is most promising. In addition, it is also widely acknowledged that ‘signalling results in greater returns’ (Terlaak and Kind, 2006, p.589).

This leads to a phenomenon that may be telling for the bullshit job theory. While jobholders will be right that their activity does not generate value added in the classical sense, their position generate signals that may lead to better-informed decisions by customers. Thus, the flunkies may contribute to societal welfare just by being there, seemingly wasting their time.

4.2 Goons

A second group of bullshit jobholders has been called ‘goons’ by Graeber ‘because they feel they lack positive value but also because they see them as essentially manipulative and
aggressive’ (Graeber, 2018, p.37). Graeber names jobs in the military, in telemarketing and in PR as obvious cases in point. As goons sell products or offer services that essentially nobody needs, intuition would tell us that a world without such jobs would essentially be a better world.

Some economists would use the argument developed for signalling above and also apply it to the market for advertising. Kopf et al. (2012), for example, designed a conceptual framework that links advertising to information and information to economic growth. More precisely, Anand and Schachar (2011, p.205) claim that ‘exposure to a single advertisement decreases the consumer’s probability of not choosing her best alternative by approximately 10 per cent’.

We should at least be open, however, to the fact, that there may be a contradiction between a company’s objective and society’s objective. Even in the world of advertising, this is not a new idea. As early as 1968, McLure remarked that ‘if preferences are distorted by misleading advertising, consumers can be expected to make decisions which are suboptimal’ (p.477). McCormick and Stone (2007) consider the regulation of food advertising as a central tool of fighting obesity. Finally, Fiedler (2018) uses gambling and Mann et al. (2019) uses children’s snacks as cases in point where it seems obvious that advertising does more bad than good and should be banned.

While Graeber’s proposition that a world without advertising would be a better world may be controversial, fewer people would doubt that a world without militaries would be a better place. Many economists have shown that the existence of armies can only be understood by using game theory (Leonard, 1994; Cothren, 2002; Beckmann and Reimer, 2014). Governments are caught in an equilibrium, fearing to be dominated should they release their own armed forces.

It becomes increasingly clear that Graeber’s goons often work in the best interests of their employers, be it a company or a government, but still to the damage of society as a whole, at least from the global perspective. Ultimately, there apparently are considerable negative externalities, both in the case of advertising and in the case of militaries, that are not internalised yet. They turn a job that is generating added value for somebody into a bullshit job from a global perspective.

4.3 Duct tapers

Many jobs exist ‘because of a glitch or fault in the organization’ (Graeber, 2018, p.40), which leads to employments ‘whose main or entire job is to deal with the damage’ (p. 44). The examples from this part of Graeber’s book in the absurdity partly relate to something well known from socialist countries in the past. The planned economy became infamous for a large number of jobs that did not contribute anything to productivity, but rather occupied people with tasks that, even if performed in a perfect way, were tautological at best (Gürtler et al., 1990). Agricultural cooperatives, for example, would have their party secretaries who would not help to milk or to harvest. Graeber’s book reminds us that it took three clerks to buy a piece of meat in a Soviet department store (p.8). More recent examples from China (Anonymous, 2011) include bus line monitors who watch people entering buses or receipt stampers who transfer supermarket receipts, by stamping them, into official documents.

The examples by Graeber are all less obvious and less visible than the examples above, citing persons whose ‘job was to transfer information about the state’s oil wells into a different set of notebooks than they were currently in’ or ‘to receive updated plane timetables via email several times a week and to copy them by hand into Excel’ (Graeber, 2018, p.43).
Such and similar examples raise the question if Graeber’s classification and description of duct tapers is the most appropriate one. In many cases, it is not fixing damage that is in the job’s focus, but rather data handling which is carried out in an extremely inefficient way, the latter providing the obvious parallels to the nonsense jobs in socialist systems.

It is obvious (and also acknowledged by Graeber (2018, p.8) that market mechanisms often kick less efficient companies out of the market, rewarding more efficient ones. However, this does not mean that inefficiencies are necessarily only short-term. It is likely that not a single company is as efficient as it could be as there is always room for improvement. In the cases displayed by Graeber, these inefficiencies appear to be larger than usual.

We know very little about the context of the narratives that are provided to make the case for the duct tapers, but we could imagine several possible narratives around the inefficiencies described. One is that they are only temporary. Either a member of the management can be convinced to improve the system or the company will be pushed out of the respective market because more efficient competitors succeed. An alternative to that would be that the company enjoys a monopolistic advantage so that it can afford several long-term inefficiencies.

4.4 Box tickers

Graeber’s narrative is full of employees that have to write reports in order to comply with either government or customer requirements. Betsy, who coordinates leisure activities in a care home, is one of them:

‘Most of my job was to interview residents and fill out a recreation form that listed their preferences. That form was then logged on a computer and promptly forgotten about forever (...) A lot of the time, I would complete a form for a short-term resident, and they would check out the next day. I threw away mountains of paper. The interviews mostly just annoyed the residents, as they knew it was just bullshit paperwork, and no one was going to care about their individual preferences’. (Graeber, 2018, p.45)

Although this is about the only information we have about Betsy’s job, it is not difficult to guess the background of the story. Care homes, being in strong competition with one another, use different marketing arguments for potential residents and their relatives. In the case above, one of the arguments made apparently was the promise ‘We care for your interests and needs’ or something similar. This may well be an important argument, as both potential residents and their relatives may fear that residents are treated as numbers rather than taking individual interests and preferences into account. To appear accountable against customers and their families, they translated this into the application of a questionnaire about the new resident’s interests, albeit not in the (much costlier) tailoring of individual offers. This way, filling in the questionnaire (which could have found useful applications) turned into an absurd exercise.

This underlying causal chain as depicted in Figure 1 is rooted in the fact that the primary need (being treated as an individual) cannot reliably be checked itself by potential customers. Therefore, proxies are used that relate only weakly to the original want. It has been shown before that such long causal chains may well lead to misallocations (Mann, 2006).

Figure 1: The causal chain of Betsy’s job in a care home

All of Graeber’s box ticker examples refer to similar causal chains with a very understandable claim at its beginning. Both customers and governments have objectives, which cannot be
checked directly, so proxies are needed to provide at least the hope of compliance. And these proxies are of different qualities.

4.5 Taskmasters

This category is the group of superiors with supposedly bullshit tasks, be it plainly handing down tasks to staff or making up new tasks that are going to be handed down. In particular, Graeber considers a lot of strategic positions as bullshit jobs because people keep other people away from what they should be doing by making them justify what they are doing. He cites ‘managerialist ideologies’ (Graeber, 2018, p.55) that are responsible for empty blabber about performance targets, audits and benchmarks.

Most business scholars would, of course, strongly disagree with Graeber’s notion. Since Schoeffler et al. (1974), it is taken for granted that strategic planning increases profitability. In the 21st century, many scientists have developed study designs to verify this effect (e.g., Kraus et al., 2006; Taiwo and Idunn, 2007; Efedioglu and Karabulut, 2010; Abdalkrim, 2013). Therefore, strategic management is considered as a core ingredient to organisational success, so that even for South African hair dressing salons the lack of a strategic vision is considered as the greatest weakness (Perks and Austin, 2013).

This coexistence of different worldviews is certainly something to be explored to understand the essence of the debate. There must be a fundamental misunderstanding, but it is not clear on which side. Either management scholars live in a self-enforcing dream world and produce managers telling them what they want to hear, or some of the managers in charge (the ones corresponding with Graeber) have an insufficient understanding of their own role in the enterprise.

5. Discussion

The previous section has shown that the constellation of jobs that may be bullshit jobs can be extremely different and without doubt, it is to Graeber’s merit that he found a way of summarising the many different narratives around bullshit jobs into five categories. Going back to the question of the prevalence of bullshit on the firm or the societal level, the categorization also clarifies that flunkies and goons are well in accordance with the assumption of profit-maximizing firms. They may help their employer, even if causing societal harm. Mainly the perceived existence of duct-tapers, box-tickers and taskmasters challenge the fundamental assumptions of labour economics.

However, Table 3 makes it clear that there can be different perspectives on the societal benefit of such jobs on all levels. In all categories, good reasons can be found to argue that what employees themselves perceive as bullshit jobs may be positions that contribute significantly to a supply of valuable goods or services.

Table 3: Comparing narratives for and against jobs being bullshit

It may be helpful to approach the question of why this issue is being raised now in the 21st century as opposed to long before. To obtain clarity on this, it helps to go back 200 years, to when a large proportion of the world’s population worked as peasants. It would have been difficult to argue that these peasants did bullshit jobs. It was very obvious that the production of potatoes, milk or maize would serve basic needs of themselves and their environments.
The increasing complexities of our society have been discussed in many realms such as medical work (Hafferty and Castellani, 2010), the economy as a whole (Arthur, 2015) and even when coping with spare time (Henderson and Gibson, 2017). This development of an ever more complex organisation of society and the increasing division of work tasks have radically changed the clarity about the benefit of jobs. There still are a large number of jobs that clearly generate added value. Graber himself names haircutters as a case in point. However, societal evolution has reached a point at which this clarity about the usefulness of jobs increasingly vanishes.

As mentioned above, one of Graeber’s weakest points is that he strongly focuses on the expertise of the jobholders themselves, who may have strong biases. Harry, for example, is described as using some of the time at his job as a ‘project assessor’ to write his own novel (Graeber 2018, p.138). Not only is it questionable whether the job Harry describes as bullshit – determining the effects of laying off teachers – is necessarily as useless as Harry perceives, it is likewise questionable whether the activity Harry describes as useful – writing a novel – really contributes to societal welfare. Will anyone read Harry’s novel? Will they enjoy it?

A second weak point in Graeber’s argument is that he attributes the rise of bullshit jobs not to the rise in complexity, but to the economic system, which he calls managerial feudalism. However, no company benefits from creating jobs that do not do any benefit to the company. Regardless if the company is owned by shareholders or a patron, there is some rationale in the viewpoint of labour economists. The owners will always have an interest in reducing labour costs for any given output. Therefore, they will be interested in identifying bullshit jobs and eliminating them, as long as they fall into the right column of Table 1 (i.e., they do not generate extra profits). For concluding from the aspects above, it is therefore necessary to distinguish again between jobs with a positive impact for the company and jobs without a positive impact for society.

Nevertheless, Graeber provides an extremely precious challenge for the overly simplistic ideology of labour economics. The fact that no rational and fully informed actor would pay a person for creating bullshit, is no sufficient proof that added value is generated by every single job.

6. Conclusions

The complexity of the world, including the market for labour, has increased to a degree that it has become impossible for many positions to judge if they contribute positively to the company’s objectives, let alone to societal welfare. It is important to give a voice to those who are convinced that their jobs are useless, but it is, of course, an oversimplification to take their view as fact.

Graeber is not only owed credit for introducing us into the world of perceived bullshit jobs but also for placing them into categories. This has contributed considerably to understanding the different anatomies of possible bullshit jobs. Table 4 summarises questions that are caused from the narratives collected by Graeber. Referring back to the categorisation in Table 1, it is important to distinguish if the doubts over a position’s usefulness refer to the company level or the societal level.

Table 4: Fields of attention in Graeber’s bullshit job categories
Flunkies, duct tapers and taskmasters are not in the interest of employers, so they have every reason to double-check if such positions are prevalent in their company. If some middle management only employs to impress with its high number of subordinates, if some positions are only necessary because the organisation suffers from inefficiencies, or if some positions lack a clear profile, then the company would essentially perform better without them.

This does not apply to goons and box tickers, for whom it will often be in the best interest of the company that the bullshit jobs exist. Here it is the government that should take its supervising function. If it becomes really obvious that a product does not serve any purpose and misleads consumers, this product should be banned. In less severe cases, it may be more appropriate to tax it. Both steps will decrease the number of goons considerably. And strict consumer protection policies should take care that promises are not only kept on paper (by box-tickers) but in reality.

It is impossible to tell how many bullshit jobs really exist. But it is possible, both in businesses and in administrations, to reduce their number.

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