

# Veblen effects, political representation, and the reduction in working hours over the 20th century

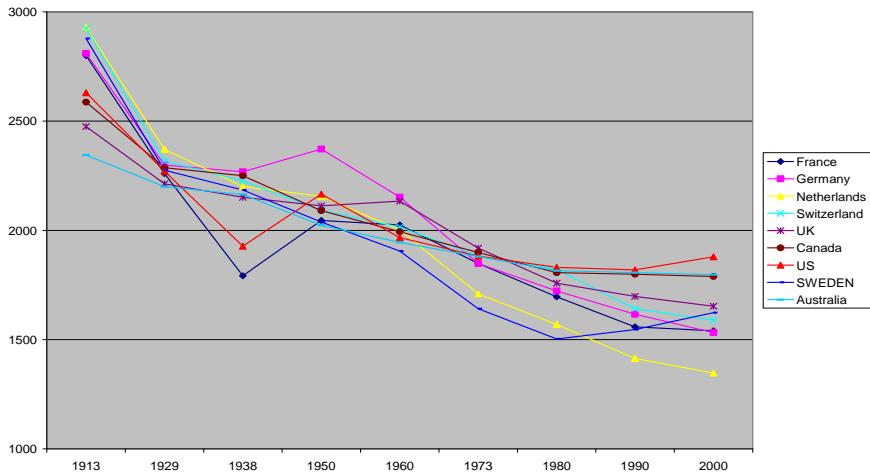
Seung-Yun Oh, Yongjin Park, and Samuel Bowles

September 16, 2010

# Historical trend

secular decline in work hours during 20th century

### Annual Work Hours



# How to explain these trends?

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## 3 Sociological insights from Thorstein Veblen

- Individuals care about their consumption relative to others.
- "Pecuniary emulation" of the "conspicuous consumption" of the rich.
- Veblen effects: the influence of a desire to emulate the consumptions standards of the rich on an individual's allocation of time.

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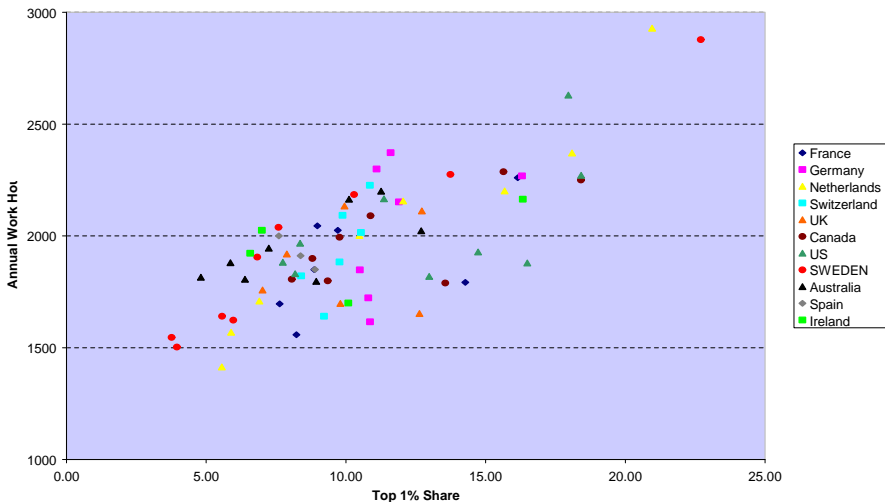
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## 4 Insights from Political science: Political representation

- If employers offer longer hours than the work hours desired by employees, trade unions may bargain directly with employers to limit the length of the working day, and political parties representing workers may advocate government interventions to reduce work hours.

# Veblen effects: Top 1% Income Share and Work hours

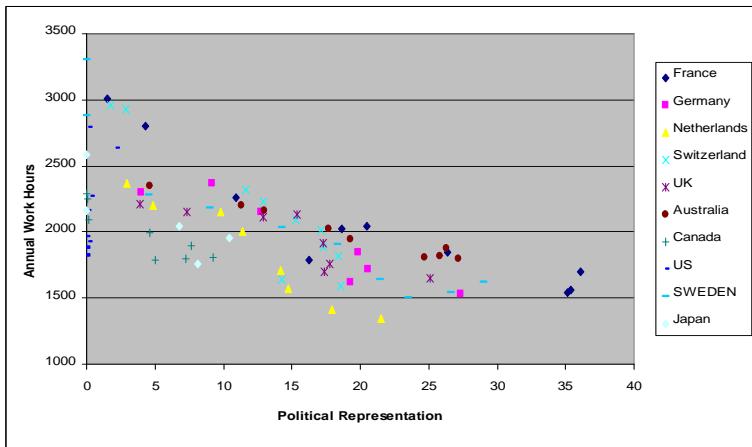
Work hours are increasing in the degree of income inequality



# Political Representation of workers

## Political representation index

- Total vote shares of democratic and leftist parties
- Accumulative effect of democracy: the number of years from the start of general male suffrage





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- Employers offer work hours.
- Workers' efforts determined by workers are not subject to a contract (Labor discipline model).
- Employers adopt monitoring technology and offer no shirking wage.
- The more the workers value their job, the lower is the no shirking wage. The value of job to the workers affects the employer's cost.

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  - Increase in top income share
  - Increases the gap between the consumption levels of an individual and the reference group
  - Reduces the individual's effective consumption (=consumption – consumption of reference group \* Veblen coefficient)
  - Raises the marginal utility of consumption relative to the marginal disutility of work hours
  - Induces workers to prefer more hours given the wage.
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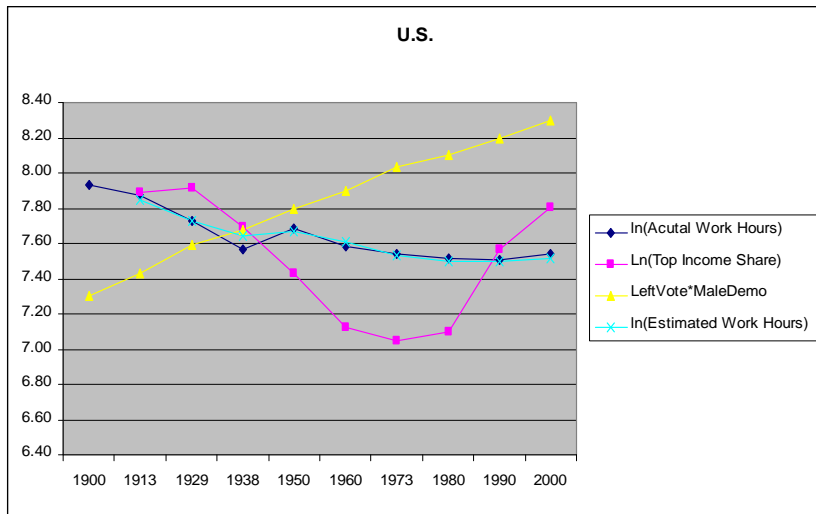
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# Empirical Results: working hours of U.S.



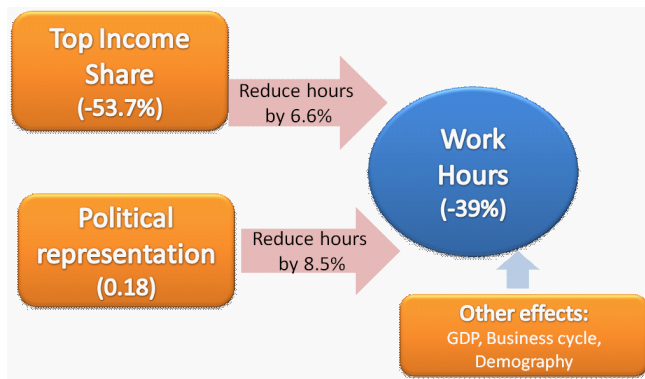
Scale Adjustment:  $\ln(\text{Top Share}) + 5$ , Political representation  $+ 7$

# Empirical Results

- How much do the changes in average values(across all countries) of Top income share and Political representation account for the changes in average Work hours over the 20th century?

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- Result based on OLS regression with country and year fixed effects.



# Acknowledgement

Sandra, Sung-Ha, and Seung-Yun would like to thank to

- our coauthor, Samuel Bowles.
- TECT for providing us an opportunity to present our work and support
- Behavioral Science Program in Santa Fe institute for the support.