

Cyberslacking, Business Ethics and Managerial Economics

Walter Block

ABSTRACT. Often, new technology brings in its train unprecedented problems. As far as computers, e-mail and the internet are concerned, this certainly holds true in many arenas. But there is one aspect of this new technology which does not present additional difficulties: cyber-slacking. The managerial challenges posed by employees using these amenities for job search, shopping sprees, personal relationships, in a word, general goofing off, have long ago already been overcome by employers. There is "nothing new under the sun" in at least this one dimension of the computer age.

Nothing new under the sun

According to some pundits, cyberslacking presents a new and unique managerial problem. They wax on eloquently to the effect that this is a new and never before encountered challenge for managers. It is the contention of the present article, in sharp contrast, that "there is nothing new under the sun" in this regard; that each and every so called new obstruction presented by our new ways of communicating with each other electronically has been successfully faced by businessmen in the past.

According to Friedman (2000, p. 1562), "Cyberslacking involves visiting pornographic sites and news sites, shopping, stock trading, vacation planning, gaming, chatting, in other

words, engaging in general non-business Internet activities on company time and using company resources." In addition, this practice includes looking for a new job on the internet, comparing present salaries and working conditions with that available elsewhere purely as a matter of curiosity, doing homework on company time, exchanging e-mail with friends, etc., etc.

But there is nothing on this list of activities which was unknown before the advent of personal computers, e-mail, the web and all the rest. Pornography, surely, was a staple of pre "modern" days, with calendars of naked women adorning the walls of many offices and factories. How many comedic sketches on TV made use of a man reading, ostensibly, a business related journal, while inside was tucked something very different? As for "news sites," has no one ever seen an employee reading old fashioned "news sites," e.g., newspapers and magazines, while on the job? Yes, in days of yore one could not shop while still at the desk or workbench. But an employee could peruse advertisements in the aforementioned newspapers and magazines, clip them out, and plan on a shopping spree. Stock trading was accomplished in the days of our working grandparents by telephoning a stock broker while on company time. Vacation planning, too, was not unknown in the days of typewriters. Chatting, forsooth, was a staple around the water cooler (this was before the appearance of designer bottled water for those readers unfamiliar with this appliance). As for gaming, the computers have no monopoly over chess, checkers or solitaire. Similarly, there were always want adds for those looking for a new position, and job comparison shopping; homework could be done with pen and ink

Walter Block is Full Professor in, and Chairman of, the Department of Economics and Finance at the University of Central Arkansas, Conway AR 72035; wblock@mail.uca.edu, 501 450 5355. He has published numerous articles in business ethics, economics, environmentalism, and is the author of the book *Defending the Undefendable*.

while at work, and exchanging e-mail with friends had its parallels with snail mail, courtesy of the post office.

Friedman (2000, pp. 1562–1563) claims to find a disanalogy in the fact that “there are indirect costs as well: increased Internet use, beyond what is necessary for the business, requires (sic) purchase of additional bandwidth and consumption of unneeded resources. Increased Internet usage brings security problems as well. The more web sites visited unnecessarily... the greater the exposure to viruses . . . Corporate intelligence is also at risk . . .”

But all of these phenomenon have their counterparts in the pre computer era. Writing letters to friends on typewriters or by hand used up stationary and typewriter ribbons, or pens, and added to the wear and tear of these writing implements. If bygone era employees were not “taking care of business,” security problems could also arise. A company with excessive goofing off on the part of its workforce would be subject to loss of business intelligence and exposed not to viruses, but to theft, pilferage, etc. Conceivably, the modern problem may be more costly than before, but this is surely a difference of degree, not kind.

Morality

Is cyber (or any other kind of) slacking on the job immoral? Is it akin to theft?

Friedman appears to be of two minds on this. On the one hand, he (2000, p. 1562) characterizes such acts as “indirect theft,” and states (2000, p. 1563), “A fair extension of the notion of stealing to embrace more than property, but in fact anything whatsoever that is of value to an individual or organization, is in order. The time employees misuse, but for which they are compensated, as well as the monetary value of Internet access privileges via company equipment are properly considered objects of theft. Something of economic value has obviously been stolen.”

On the other hand, Friedman (2000, p. 1563) gives it as his opinion “If, however, the apparent Internet addict somehow still renders value to the

company, perhaps even as a result of the cyber-activity, which might foster subconscious problem solving or provide a necessary break from drudgery or intense creative endeavor; there is obviously then no swindle.” He even (2000, p. 1564) goes on to positively characterize “the widespread tendency to use the web for healthy relaxation or occasional business, yes, even for moderate cyberslacking. Productivity might actually increase with such a corporate culture.”

So, which is it? Theft, or increased productivity? The problem with putting the matter in this way is that the answer could well be “both.” This is because the two of them are not contrary to each other. That is, it is like asking of an object, which is it?, round or blue, as if the answer had to be one or the other. Rather, there are two entirely separate questions involved in cyber slacking. In order to make sense of this phenomenon, we must consider them separately.

Whether it is theft or not depends, entirely, upon the contact in force, whether explicit or implicit. If the employer posts signs on the walls to the effect that time wasting (whether of the cyber or old fashioned variety) will be considered theft, and offenders will be fired, and stipulates this in all its employment contracts, there is an easy answer to the question. Then, yes, cyber slacking is explicit theft in such contexts. If not, then it is not explicit theft.

What about implicit theft? This, too, depends upon the contract in force. By implicit contract I mean, paradigmatically, a situation where we go into a restaurant, order and eat a meal, and then, when presented with the bill protest on the ground that we were never given a meal contract to sign beforehand. The menu, I claim, constitutes an implicit contract to pay the price stated. Similarly, in the other direction, if a man goes into a fast food chain, and orders a burger, there is an implicit contract which can only be overridden explicitly, as to price. For example, if, after he has consumed the burger he is presented with a bill for \$1 million (no menu has been presented to him, there are no prices posted on the wall), this should not be upheld in any rational court of law, on the ground that there was no explicit contract which superceded the implicit one for a “reasonable” price.

Consider as an early slacker Smith's (1776, p. 9) famous (at least within the realm of economics) boy who, bored with his job, placed a string in such a manner so that it would do the job assigned to him, so that he could go out and play:

"In the first fire-engines, a boy was constantly employed to open and shut alternately the communication between the boiler and the cylinder, according as the piston either ascended or descended. One of those boys, who loved to play with his companions, observed that, by tying a string from the handle of the valve which opened this communication to another part of the machine, the valve would open and shut without his assistance, and leave him at liberty to divert himself with his play-fellows."

Is this boy a hero, or is he to be condemned by his employer for job neglect and theft? It all depends. If there is an explicit contract in force prohibiting such "slacking," then the latter, if the employer wishes to pursue it. If not, then it is not theft (or services). Management may of course fire an employee¹ who acts in this manner; however, he should not be counted as guilty of theft since, for one thing, the job he was hired to do was being done, albeit not by him, but by the string he set up. There is another consideration as well. Whether theft of services occurred in the case of this inventive boy depends upon expectations, and there are no clear ones which apply to this situation. Here, as a matter of law, we must resort to the concept of innocent until proven guilty (Rothbard, 1990).

If a complete stranger goes to the premises of a business, and walks out with a typewriter under his arms without paying for it, this is as clear a case of robbery as we are ever likely to be presented with. However, if he is an employee of that firm and undertakes the exact same physical act, then, in the absence of any explicit contract between employer and employee, things are much less clear. Again, possibly, this should also be considered theft; after all, the typewriter, say, will have the owner's seal affixed to it. On the other hand there is always the possibility that the firm has inaugurated a policy whereby such implements can be borrowed by its workers either to engage in company business on its

behalf while at home, or, even, purely for the personal enjoyment of the employee, as part of a fringe benefit. Context, expectations, implicit contracts – in the absence of explicit rules or contracts – all figure, heavily, in the legal analysis of such an act.

Hidden employer monitoring?

What of the legitimacy of an employer spying² on employees to reduce or eliminate their cyber (or other) slacking? Again, the same analysis holds. If there is in force an explicit contract or agreement between the two allowing or preventing this behavior, then our answer is clear: whatever is specified in this document determines the propriety or not of surreptitious surveillance.

Suppose, now, that there is no contract in force specifying such activity. Is it then legitimate? My claim, here, is that something of the same order concerning expectations now applies to employer spying: that there will be none, unless specifically allowed. That is to say, it is my reading of employer – employee relationships that in the absence of any specific agreement to the contrary, eavesdropping, hidden cameras, and other accoutrements of the cloak and dagger set would properly be interpreted as invasive. This applies to the employer secretly monitoring the modern day practice of web surfing as well as to the more traditional peeping, such as overseeing the lavatory use of unsuspecting employees.

Productivity

An entirely separate question from the legality or morality of cyber (or other) shirking is whether it improves productivity. Consider, again, Adam Smith's boy with the string. On the one hand, he has clearly increased production. For with a cheap piece of string, he has totally replaced himself, thus allowing the employer to replace him, and the economy to grow.³ On the other hand, if the other boys witness such unpunished behavior, they will be inclined to disregard their duties; if they are unable to match the creative

genius of the first boy (as will all too often be the case) productivity may well decline. There is no axiomatic way to determine which of these effects will be the stronger.

Take another case. Suppose there are two employees, both on an eight hour shift. One works steadily, all throughout the day. The other engages in either cyber or old fashioned slacking for four hours, and then works twice as hard, or efficiently, for the other half day. At the end of their labors, they have each produced exactly the same amount for their employer. Is this a plausible scenario? Certainly. We have all slacked off in some way or other, and then worked "twice" as hard, to make up for lost ground. Whether the goofing off or the inspired (or perspired) bout outweighs the other is impossible to say.

The bottom line, at least as a first approximation, is that inputs are largely irrelevant to success in business; outputs are pretty much all that count. That is, for all intents and purposes it doesn't matter much how much so called neglect of duty takes place at the work bench or assembly line; what is of vital importance, in contrast, is the quantity and quality of the goods and services which are forthcoming. Of course, this is not to deny that the two are hardly unrelated to one another; other things equal, the harder people work, the less they slack off, the more they produce. But the point is, other things are not necessarily equal. Being given a modicum of independence may or may not help increase the number of goods and services which come tumbling off the assembly line. It is a matter of managerial skill to be able to adopt the correct policy to any given business situation.

It is of course more than conceivable that additional final product can be had out of workers at the lower end of the skill distribution by severely penalizing dereliction of duty, while at the upper end, where more initiative and brainwork is required, the best policy on the part of the administration may be one of benign neglect; that is, to entirely ignore the issue of shirking for parts of the day, as long as the job gets done. But again, there is no guarantee that this should be the case, nor, even, that it would not be reversed (e.g., the brainier workers need more control) in some cases.

Yes, it seems obvious to some that cyber slacking would lead to lower productivity. Even the very term "slacking" seems to indicate this. One difficulty, however, with this way of looking at the matter is that it is mired in the Marxian labor theory of value. In this view, goods and services have value in accordance with how much labor has been inputted into them. But this is entirely erroneous, as can be seen by the fact that a mud pie, and a cherry pie, may take an identical amount of labor to create, but one is worthless, the other valuable.⁴ Or, alternatively, that a good idea may come about through dint of hard work, or, while in the midst of doing what to outsiders might be considered a waste of time.

Another way of seeing the fallacy in supposing that "slacking" necessarily leads to poorer results is to borrow a leaf from the labor economist's analysis of fringe benefits or working conditions. Consider equation (1).

$$\$wage + wc = \text{total wage} \quad (1)$$

It indicates that money wages (\$ wage) plus the amount spent on working conditions (typically, air conditioning, rugs, drapes, canteen, etc.) together comprise the total wage. For example, equation (2)

$$\$500 + \$100 = \$600 \quad (2)$$

specifies a total wage of \$600, a money wage of \$500, and expenditures on working conditions of \$100.

One point to keep in mind is that the employer cares not one whit how the total wage is divided up into money wages and expenditures on working conditions; he only has eyes for the bottom line, the total wages he must spend on his work force. In order to see this, consider the following cases. First, assume the employees are a bunch of immigrants, working in the domestic country, but sending the lion's share of their earnings to their families abroad. To them, money spent on fringe benefits are fripperies, worth virtually nothing to them, while the size of the pay packet means all. To them, in effect, equation (2) implies a total wage of only \$500,

since they ignore the \$100 ostensibly spent for their creature "comfort." They have a marginal revenue productivity, in equilibrium, of \$600, otherwise they would not be earning that amount in total. This means they would desert their present employer for a money wage of as little as \$501 (or more). Under these conditions, a different firm employing them will be able to earn a pure profit of \$600-\$501, or \$99 in the time period under consideration. This will act as a magnet, drawing other employers to reduce expenditures on working conditions, and increase take home pay. If there are enough of these workers to staff an entire operation, their present employer, if he does not mend his ways and allocate money more in line with the desires of his workers, is in dire danger of losing them all to a "raiding" corporation.

Second, assume that the employees are a bunch of rich yuppies, "beautiful" people, whose parents subsidize their earnings. They do not really need the \$500 take home pay, and would be willing to accept only, say, \$400, if the employer would spiff up the factory (personal trainers, happy hours, latte coffee machines, etc.) to the tune of \$200. Any employer not catering to their wishes, again, risks losing them to a more accommodating competitor.

Another point to keep in mind is that cyber "slacking," for all intents and purposes, may be analyzed as if it were but one more aspect of working conditions. It matters little whether the working conditions money is spent on piped in music or painted walls or comfortable chairs for the employees, or on the encouragement of their "illicit" use of the internet while on company time.

When we put these two considerations together, we arrive at the insight that it is to the employer's best interest to tailor the level of cyber slacking, just as in the case of the other aspects of working conditions or fringe benefits, to the wishes of the employees. On the assumption that recreational use of the internet increases productivity, this conclusion follows necessarily,

since both worker satisfaction and the amount of goods and services forthcoming from the employees will increase. But this holds true even in the case where cyber slacking actually reduces goods and services produced, provided only that the workers value this more than they do the lost income to themselves.

Public policy?

How many free market economists does it take to change a light bulb? None. They leave it to market forces.

At the end of the day there is no right or wrong answer to the question of whether the profit maximizing strategy leads in the direction of quelling slacking, actually promoting it,⁵ or being indifferent to it. As we have seen, it is entirely an empirical matter, with no principles at all unambiguously pointing in any direction or other. No broad managerial advice, then, will suffice for all business. Each must learn, through a trial and error process, which style works best. Happily, to the extent that there is a free enterprise system undergirding the efforts of all entrepreneurs, we can be assured that the appropriate techniques — whatever they are — will emerge and survive.⁶

A similar analysis applies to the issue of whether universities ought to adopt tenure as a managerial policy. Much heat but little light has emanated from both sides of this debate, each one intent on showing that tenure either provides flexibility and "academic freedom," on the one side, or intellectual arteriosclerosis on the other. The answer arising from this quarter is that there is no one solution to this problem. All that can be said is that if institutions of higher learning are all privatized, and if some adopt tenure and others not, then a market test will determine whether one policy is unambiguously better than the other, or whether profits can be earned, and the enterprise survive and prosper under both systems.⁷

Notes

¹ For the argument that management may fire workers "at will" provided there are no labor contracts in force preventing this, see Block (1991, 1996a, 1996b), Kauffman (1992), Petro (1957), Poulson (1982), Reynolds (1982, 1984, 1987), Hutt (1973, 1989).

² For an analysis of the legal environment in this regard, see Rosenberg (1999).

³ On the benefits of labor saving innovations which make jobs redundant, see Hazlitt (1979).

⁴ Marxists typically reply to such refutations of their theory with the claim that they mean "socially useful" labor, not any old labor such as that incorporated into a mud pie. But this renders their claim sterile and tautologous: the amount of socially necessary labor now becomes the result of value, not its cause. For a refutation of this Marxist doctrine, see Bohm-Bawerk (1959); see particularly his Part I, Chapter XII, "Exploitation Theory of Socialism-Communism."

⁵ Some companies actually institutionalize slacking off, with happy hours, free or subsidized lunches, weight and exercise rooms, trainers, basketball courts, etc.

⁶ All during the writing of this piece I have been playing solitaire with myself (physical cards, not electronic) and chess (electronic, against a computer) whenever I ran into an awkward spot, or had to rephrase my presentation, or just plain old needed a break. An outside observer might well have characterized my efforts as half work, half "slacking." Yet, for all that, I did complete the research and writing necessary for publication. I have no doubt that I could have done this more quickly had I stuck strictly to "business," but I am convinced that at least some of the insights informing the piece came to me while I was otherwise engaged in these ways, and allowed my subconscious to grapple with the difficulty of explaining myself in typed words.

⁷ For further elaboration of this point see McGee and Block (1991).

References

Block, Walter: 1996, 'Labor Market Disputes: A Comment on Albert Rees' 'Fairness in Wage Distribution'', *Journal of Interdisciplinary Economics* 7(3), 217-230.

Block, Walter: 1996, 'Comment on Richard B. Freeman's 'Labor markets and institutions in

economic development'', *International Journal of Social Economics* 23(1), 6-16

Block, Walter: 1991, 'Labor Relations, Unions and Collective Bargaining: A Political Economic Analysis', *Journal of Social Political and Economic Studies* 16(4) (Winter), 477-507.

Bohm-Bawerk, Eugen: 1959 (1884), *Capital and Interest* (Libertarian Press, South Holland, IL). George D. Hunke and Hans F. Sennholz, trans.

Friedman, William H.: 2000, August, 'Is the Answer to Internet Addiction Internet Interdiction?', in H. Michael Chung (ed.), *AMCIS 2000: Proceedings of the 2000 Americas Conference on Information Systems*.

Hazlitt, Henry: 1979, *Economics in One Lesson* (Arlington House Publishers, New York).

Hutt, W. H.: 1989, 'Trade Unions: The Private Use of Coercive Power', *The Review of Austrian Economics* III, 109-120.

Hutt, W. H.: 1989, 'Trade Unions: The Private Use of Coercive Power', *The Review of Austrian Economics* III, 109-120.

Hutt, W. H.: 1973, *The Strike Threat System: The Economic Consequences of Collective Bargaining* (Arlington House, New Rochelle, NY).

Hutt, W. H.: 1973, *The Strike Threat System: The Economic Consequences of Collective Bargaining* (Arlington House, New Rochelle, NY).

Kauffman, Bill: 1992, 'The Child Labor Amendment Debate of the 1920's; or, Catholics and Mugwumps and Farmers', *The Journal of Libertarian Studies* 10(2) (Fall), 139-170.

McGee, Robert W. and Walter Block: 1991, 'Academic Tenure: A Law and Economics Analysis', *Harvard Journal of Law and Public Policy* 14(2) (Spring), 545-563.

Rothbard, Murray N.: 1990, 'Law, Property Rights, and Air Pollution', in Walter Block (ed.), *Economics and the Environment: A Reconciliation* (The Fraser Institute, Vancouver).

Petro, Sylvester: 1957, *The Labor Policy of the Free Society* (Ronald Press, New York).

Poulson, Barry W.: 1982, 'Substantive Due Process and Labor Law', *The Journal of Libertarian Studies* VI(3-4) (Summer/Fall), 267-276.

Reynolds, Morgan: 1982, 'An Economic Analysis of the Norris-LaGuardia Act, the Wagner Act and the Labor Representation Industry', *The Journal of Libertarian Studies* VI(3-4) (Summer/Fall), 227-266.

Reynolds, Morgan O.: 1984, *Power and Privilege: Labor Unions in America* (Manhattan Institute for Policy Research, New York).

- Reynolds, Morgan O.: 1987, *Making America Poorer: The Cost of Labor Law* (Cato Institute, Washington DC).
- Rosenberg, R. S.: 1999, 'The Workplace on the Verge of the 21st Century', *Journal of Business Ethics* (October), 3–14.
- Smith, Adam: 1776/1965, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Modern Library Canaan, New York).

*Economics and Finance Department,
Harold E. Wirth Eminent Scholar Chair in
Economics,
College of Business Administration,
Loyola University New Orleans,
New Orleans, LA 70118,
U.S.A.
E-mail: wblock@mail.uca.edu*