

# The Relationship of Labor, Capital, Balance and Benefit with The Evolution of The Labor Factor in Economic Thought, and Society's Conceptualization of Labor

Halil İbrahim Gül<sup>1</sup>

<sup>1</sup> Affiliation 1; hibrahimgul@karatekin.edu.tr

\* Correspondence: h\_ibrahimgul@hotmail.com; 05059109952

**Abstract:** From ancient times to the present, labor has undergone significant changes both in use and in practice. Labor, which is only a simple factor in the first periods, appears more complex and more functional in the later periods. After the formation of economic theories, labor began to be used as a dependent or independent variable in these theories. With the development of economic theories, theories such as labor-value, labor-utility, labor-time, labor-population, labor-human capital have been developed and continue to be developed. Labor has not only continued its development in economic theories, but has also changed in the way societies use it. Labor, which is a moral and social concept, has moved away from this meaning over time and its economic dimension has gained more importance. From now on the concept of labor will find its place in different meanings, in different uses and in different fields.

**Keywords:** Economic thought, Labor, Capital, Utility, History

## 1. Introduction

Economics is a science that based on the recent past has not completed its formation yet. Many of the words and concepts in modern economics found their place in different disciplines before economics became an independent science. Many concepts of contemporary economic theories can be seen in the ancient and medieval economies. Concepts such as balance, conflict, harmony, justice, equality have taken places for themselves in philosophy, sociology and logic, as well as in economic theories. However, important issues of economics such as labor, capital, interest, price, and utility, which have been discussed since ancient Greece, have been important factors in economic theory and economic thought.

In the study, it has been tried to be explained how the concept of labor, which is accepted as one of the production factors, is understood in economic theories and the place of labor in the Ottoman economy, which is accepted as a different economic model from the ancient, medieval, Islamic world, Europe and America. In order to understand the use of labor concept today, it is extremely important to know how societies with social, cultural, legal, linguistic and religious differences use this concept and what they see labor as a reward. While explaining the historical cruise of the concept of labor, it has been tried to be denoted the concepts emerged or acted with or affected by labor. By emphasizing the relationship between labor and human capital, it has been stated that these two concepts are inseparable parts.

The approach of economics to labor before becoming a branch of science is expressed. And also the differentiation and the diversification of the usage areas and the development of the labor as a word after becoming science is emphasized. In addition, the causes and consequences of the labor and labor-value theories in Orthodox and heterodox

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economics in the developments of the economic literature after the industrial revolution are emphasized. The effect of the phenomenon of globalization on labor and employment in economic geography has been another subject that has been emphasized. The topics can be described as conceptual process, theoretical process and social process.

## 2. Labor and Human Capital

There is no agreed definition that clearly explains the concept of human capital. However, it can be defined as using the knowledge, skills and experience of individuals in a service or production phase. (Keskin, 2011, 128). It is an undeniable fact that Smith, Mill and Marshall contributed to the introduction of the concept of human capital to economics. However, recent economists have carried the concept of human capital to a different dimension. (Karataş, Çankaya, 2010, 38).

Labor and human capital are the basic reason of economics and are interconnected and complementary. The concept of labor, which comes from the Latin alphabet, meant to struggle, to be under heavy burden, to hurt (Ercan, Özar, 200, 30). The concepts of labor and laborer are different from each other. Labor is mental and physical work. A laborer is a person who uses the labor to create a surplus value. Therefore, (L), which is the symbol of modern economics, is not only the symbol of labor, but also the symbol of the laborer. (Gurak, 2015,3). Mental labor can also be divided into technology-producing and technology-using labor. Therefore, this situation should be taken into account in labor value utility theories. (Gurak, 2015,5). The human capital symbol is shown as (H). In some production models, it has begun to be formulated together with labor. (Gurak, 2015,8). Human capital has become an indispensable concept of newly formed economic models. According to Lucas, the only source of economic growth is human capital (Gurak, 2015, 10). While classical and neoclassical economists define the concept of human capital as a person's knowledge, skill and superiority; With the second half of the 20th century, the concept of human capital gained a new identity by being defined as all kinds of investments made by individuals for themselves. In particular, the phenomenon of education has revealed the fact that it will provide individuals with significant gains in the long run. Krueger carried the labor-human capital relationship to the theories of the proportion of labor. In calculating the share of labor, he focused on the facts of raw labor and human capital. (Ozdemir, 2019, 50).

Economists debate whether labor and human capital are the same or different. While a group of economists think that it is unfair to use human capital in theories, others emphasize its difference from labor (Gurak, 2015, 11). The most important difference that distinguishes human capital from labor is to be biased. In other words, the individual himself decides where, how and under what conditions the human capital will be employed. Labor, on the other hand, is separated from human capital because it is neutral and static (Karataş, Çankaya, 2010, 43).

The idea that human capital is an important player for economics intensified in the 1960 and then began to be used more in economic theories. In the model they developed, Mankiw and Solow proved the effect of human capital on growth as well as the labor factor (Akça, 2013, 41).

Just like labor, it should not be ignored that human capital also differs around the world. Human capital is divided into groups according to development categories. Human capital, which is divided into three groups, does not contribute in the same extent in every country. Therefore, there is a direct relationship between human capital and development (Keskin, 2011, 137). The labor factor displaces in two ways. Labor migration and brain drain. While labor migration appears as a physical concept, brain drain appears as a

human capital concept (Akça, 2013, 47). In particular, brain drain plays an important role in the development of countries. Informality affects employment of the labor factor in human capital. Particular or complete informality, especially in developing countries, causes tax loss. The labor suffers because of being deprived of social security rights and reduced the tax (Önder, 2001, 245).

### 3. Labor-Value and Labor-Benefit Relationship

General approach among economists is the division of labor-value theory into two groups: Objective and subjective. With these theories, the relationship between labor value and labor benefit has been tried to reveal. Objective theories use concepts such as cost, exchange value and social cost while subjective theories use utility, value in use and psychological factors.

The phenomenon of wage for labor emerged after modern capitalism, that is to say, after the industrial revolution. Wage system has been important in terms of implementation such as feudalism and slavery (Doğruyol, Aygınlı, 2015, 265).

The first used definition of labor turned into the theory of labor-value and then labor-utilities. Schools of economics have interpreted labor according to their own ideas and ideologies and based them on a theory. Smith's study of labor in two periods has guided other economists. Especially after the industrial revolution, land and capital played an important role in determining the value in the period of capital accumulation. Thereby labor ceased to be a phenomenon that created value on its own and labor has become controllable. The concept of directing and commanding the labor first was introduced to the economy by Smith (Bocutoğlu, 2012, 131). Ricardo developed Smith's argument and stated that value arises from scarcity of labor, and related it to the law of diminishing returns and the theory of rent (Bocutoğlu, 2012, 132). The theory of labor-value in classical economics appears as surplus value in Marxism and as marginal utility in Marginalists. Jevons's law of diminishing marginal utility carried the value, the labor and the utility entirely to new extent. He questioned why a commodity is valuable, whether if it is because of labor spent or of scarce. He established the relation between labor and utility by stating that the good with high marginal utility is more valuable than the one with low marginal utility (Genç, Çağlayan, 2016, 672). Since the mid-19th century, industrial production increased rapidly, small producers began to disappear, large firms took over the market, and monopolistic formations emerged. This situation paved the way for the emergence of the utility-value theory in economics. Unlike Smith, Ricardo and Marks, Jevons Menger and Walras tried to explain the exchange value with the benefit idea put forward by Bentham (Aydın, 2011, 9). While putting labor at the center of his theory, Marx stated that value is acquired as a result of labor, and apportionment is hidden in value. According to Marx, the difference between the value of a good and the value of the factors consumed to produce that good is residual (Öztürk, 2010, 71). Labor-value and utility-value theories seemed oppose to each other in labor-value and utility relationship. A significant break in the concept of utility appeared with Jevons, Gossen, and Dupuit,

The question: "Is the benefit can be measured or not?" Started a discussion among the economists. (Bocutoglu, 2012, 142) These theories, which entered the economics literature as ordinal and cardinal utility, carried the labor-utilities relationship to another dimension. Menger explained the labor-value relationship as a subjective result that changes from person to person, but not an objective one. It has been stated that the value has nothing to do with production. The same good might be very valuable for some individuals and worthless for others (Bocutoğlu, 2012, 146). With this approach, Menger pointed out that the labor-value-benefit relationship is a subjective situation.

On the other hand, Ibn Khaldun, one of the pioneers of eastern philosophy, expressed that labor and value are two inseparable parts. Ibn Khaldun likened labor to goods or commodity, and saw it as a commodity to be bought and sold. He described the value that emerged as a result of labor as the real value of labor. According to him, the value could be obtained as much as the spent effort (Haldun, 2004, 520). This approach of Ibn Khaldun to labor and value would be courier to sequential labor value theories. It is noteworthy that such an approach was introduced from outside of Europe before economics became a science.

Technological innovations were ignored in the labor-balance relationship theories for the explanation of the production function. They first started to be mentioned together with production, human capital and capital by Solow. (Gurak, 2015,9).

Another aspect of the labor-value-benefit relationship is that labor supply and demand are affected positively or negatively due to the tax factor. The effect of post-tax wage levels on national income escalations are quite high (Önder, 2001, 248). Therefore, the role of tax on labor should not be ignored.

#### **4. Labor in Economic Systems**

##### **4.1. Labor in Ancient Ages' Economies**

Labor examined in two parts as pre-Socratic and post-Socratic in ancient economies. Concepts such as balance, harmony, rhythm and conflict were mentioned before Socrates. So that the role of labor was indirectly focused on. Modern economic concepts were too used in the philosophies of Aristotle and Plato. Economic concepts such as labor, value, property, price were the mainly focused on concepts of the first age (Bocutoğlu, 2019, 6-14). In the philosophy of the first age, the concept of labor was accepted as a social and moral value, and the gains in return for labor were given importance. Therefore, dealing with trade was not recommended as it could lead to enrichment.

##### **4.2. Labor in the Economies of The Middle Ages**

Medieval perception, which developed under the influence of scholastic thought, had a perspective that places labor at the center of earnings, encourages agriculture and pushes trade into the background. This period, which had a self-sufficient production structure, came to the forefront with the Lords' using and directing the labor power as they wished. Church doctrine directed the society by creating a monopoly on issues such as property, labor, wealth, competition, work, trade and trade volume (Günay, 2020, 78). Especially the economic views of Aquinas Oresme and Williams of Ocham are valuable. Aquinas, by talking about fair price and interest, put labor at the center of these two economic facts (Bocutoğlu, 2019, 14-17). In the late Middle Ages, the labor factor became more valuable than it was before in its history. 14th century, The Plague Epidemic that broke out in Europe had wiped out a third of the labor force. Therefore, the production decreased in parallel with the number of individuals to be employed (Guran, 2014, 51). On the contrary to 14<sup>th</sup> the current Covid 19 epidemics has created a surplus of labor, triggered the unemployment and trivialized the labor. In addition to investments in labor and education for economic development, investments in health have become extremely important.

##### **4.3. Labor in Islamic Societies**

Concepts such as labor, benefit, value and wealth in Islamic societies were mostly based on moral values. In Islamic economic thought and practice, these concepts have been interpreted as human moral and life. The thoughts of Ibn-i Haldun and Ghazali have been

felt in the formation of Islamic economics philosophy (Yıldırım, Kılıç, 2019, 103). Like many of the Islamic philosophers, Ghazali and Ibn Khaldun also expressed their views in this direction. The importance of labor and work was emphasized in terms of Islam. Halal earnings, business ethics and work were accepted as worship. On the other hand just like medieval Europe, there also was a religious teaching in Islamic geography. Abu Yusuf's economic views influenced many people at this point. According to Abu Yusuf, the use of the labor factor in agricultural production would create the surplus value so that labor would find the value it deserves. This thought is quite similar to the Physiocracy teaching (Günay, 2020, 82). Ibn-i Khaldun divided society into nomadic and urban, and argued that the value of labor in this societies would be different from each other. It was emphasized that Bedouin societies could use the labor to earn their living, whereas the urban society increased production by turning to different business lines, and as a result, they could reach welfare from production increase. He stated that labor will play a critical role as Bedouin or nomadic societies become urbanized over time and with the addition of new labor force and new production areas (Haldun, 2004, 157). Ibn Khaldun argued that labor can be used in every field as a production factor and argued that the earnings obtained as a result of an effort in agriculture, trade and crafts will greatly reduce the income inequality between individuals, otherwise an effortless earning will lead to income inequality (Haldun, 2004, 523). Ibn-i Haldun emphasized the importance of using labor in the commercial field, contrary to his Christian contemporaries and the previous Christian religious belief (church doctrine) (Çopoğlu, Kuran, 2019, 134).

Islamic economic practices accept neither labor as a factor of production like socialism nor capital as it is in capitalism. He claims that production can be made by combining both of them. He bases his claim both on the holy book and the words of the prophet (Habergertiren, 2005,51). An economy that earns money only by operating capital cannot find a place for itself in Islamic economics. On the contrary, capital and labor were seen as inseparable from each other. The concept of labor in Islamic economics is more inclusive than it is in modern economics. Tradesmen, craftsmen and artisan who produce goods and services, whether large or small, are considered within the concept of labor (Korkut, 2020, 228). Likewise, the concept of worker differs from the one which is still valid today. He gave great value to workers and labor. Islamic societies or the administrations focused on the necessity of not wasting the labor along with wastage and providing the necessary tools and equipment for the continuation of life (Çayiroğlu, 2014, 172). Economists, who chose Islamic economics as their system, are of the opinion that the deficiencies in the free market economy and other economic systems will not occur in Islamic economics. Providing social justice is one of the economic clause of Islam. Because the labor market's real value of labor supply and demand depends on this clauses (Efe, 204). The damage of justice would get the rich richer and the poor poorer. Along with the mentioned result; interest rates, inflation, monopolization, and the formation of pressure groups are among the top reasons why Islamic economics supporters oppose the market economy. Therefore, the experience of these negativities led the supporters of Islamic economics to the idea that it causes unemployment by affecting the labor factor. While Islamic economists were creating a free market, labor and capital-based market, they believed that only labor-oriented theories were introduced in Socialism and Marxism. So the real profit was prevented (Çayiroğlu, 2014, 170). One of the cornerstones of Islamic economics is that it forbids any other income over income from labor. In other words, it is noteworthy that interest income, which is not directly equivalent of labor, is prohibited by certain provisions. However, many interest theories have been put forward in other economic schools (Ersoy, 2015, 45).

Ghazali, another Islamic philosopher, worked on the philosophy of Islamic economics. Ghazali explains the concept of labor very close to classical economics of A. Smith in means of division of labor and specialization. He put forward the idea that people earn

their living via their labor, so that labor itself is a value. The idea came very close to the value concept in economics (Yıldırım, Kılıç, 2019, 104). Ghazali evaluated the benefit according to the result of the wealth that obtained in turn for effort and labor (Orman, 1984, 98). Utility in economics is the way needs are met. It is a feeling that gives pleasure and happiness to the person when it is satisfied, and pain and sadness when it is not (Dinler, 2020, 118) Ghazali, on the other hand, expressed benefit as worldly and otherworldly. In other words, he emphasized that a benefit obtained in return for labor could be useful as long as he lives, but not for the hereafter. It could be beneficial for both or vice versa (Orman, 1984, 100). In the same way, Ibn-i Khaldun emphasized the division of labor as Ghazali and approached modern economic theories. Ibni Khaldun stated that individuals spend effort in different business lines to ensure their lives. He emphasized that the product produced through labor reach from the society to another via trade, so the needs would met and the benefit emerges (Yıldırım, Kılıç, 2019, 104). Ibn Khaldun made wealth a variable dependent on labor. He stated that more amount of labor increases, wealth and welfare. As a result, luxury consumption would increase. He also predicted that population growth would increase the amount of labor, which would lead to an increase in wealth (Haldun, 2004, 534)

#### 4.4. Labor in Ottoman Economy

The fact that agriculture and commerce were in a very good condition in the classical period Ottoman economy was due to the importance given to labor. Labor had a much better place in the Ottoman economic organization than it is in the West. The wages in Ottoman Empire were two and a half times more than the European wages. After the industrial revolution, Europe got richer, but deep injustices emerged in the payment of labor. Although the Ottoman Empire could not industrialize in this process, wage injustices were not observed. Some modern economic models were applied to the late Ottoman economy and the contribution of labor was tried to be measured. Except classical Ottoman economics, the Cobb-Douglas model was used to determine the labor-capital relationship in the Ottoman production structure in the last period of 19<sup>th</sup> and the first quarter of 20<sup>th</sup> century. The relationship between production and labor capital in the last period of the Ottoman Empire was tried to be shown (Çiftçi, Seymen, 2011, 1093).

Traditional Ottoman economics based largely on Islamic understanding of the labor factor. The Ottoman labor market manifested itself in the form of futuwwa and predominantly ahi organization. Likewise, the formation of the labor market and labor incomes were shaped on the basis of Islam (Tabakoğlu, 1987, 116). Another feature of the Ottoman labor market is slave labor. Slave labor occupies an important place in the Ottoman economy based on agricultural labor. Slave labor application continued until the end of the 19th century. Slave employment was used in different agricultural branches in different periods. It has been seen that the freeing (mükatepe) system by mutual agreement in slave employment was applied in the Ottoman labor market. Slaves were used both domestically and in production. Another form of slave employment practiced in the Ottoman Empire was migrant slavery. Particularly, forced migrations from the Caucasus can be given as an example (Özbay, 2009, 153-154). The concept of labor was diverged from the classical Ottoman thought in 19<sup>th</sup> century and renewal period. It is seen that the modernization and the Ottoman economic thought were covered in the newspapers and magazines of the period. The disposed topics were mostly about Western economic thought, especially about Smith-Ricardo economic models (Karağlu, 2013, 277). Along with 19<sup>th</sup> century people who put forward economic ideas began to be seen in the Ottoman economy with the effect of politics. Although he is known as a man of letters, it is important that Namık Kemal put forward his economic thoughts. Namık Kemal mentioned the labor factor indirectly by emphasizing the population growth. Another economist, Ohannes Pasha, emphasized that wealth was obtained through trade. However, he did not think like the

mercantilists. Influencing by Smith's theories of division of labor and specialization, he put forward ideas in the fields of labor, division of labor, specialization, utility and value (Karağlu, 2013, 284). He also expressed an opinion on the benefit and value of wealth. Mehmet Cavit, on the other hand, accepted labor as the dependent variable of capital. He stated that the lack of capital accumulation would negatively affect the use of labor. He also predicted that labor alone is not enough in the formation of wealth but new products and new applications are the source of wealth. Another thinker, Ahmet Mithat Efendi, said that the source of wealth is in commerce and emphasized that the evaluation of the labor factor in this field would contribute significantly to create surplus value. Ahmet Mithat Efendi accepted nature, sun, air, water, soil and plants as factors of production and claimed that spending effort on them would occur wealth accumulation and accordingly increase the benefit level of the society (Yıldırım, Kılıç, 2019, 108). In the last period, contrary to Ottoman economic thought, production factors were kept under control by the state in traditional practice. The fact that the state, where mostly labor-intensive agriculture came to the fore, did not experience the Proto-industrial period. That's why the labor factor could not be evaluated in different areas that would create added value (Genç, 2003, 382).

#### 4.5. Labor in Modern Economic Thought

The concepts of labor and value are the engines of microeconomics. When we look at the historical process, it is an important fact that labor is explained with many economic concepts. Labor completes or reveals many economic concepts (Aydın, 2011, 3). Therefore, it has an important place in the story of economics as a discipline before and after the industrial revolution. Therefore, the story of labor in modern economics will be examined as pre- and post-industrial.

#### 4.6. Labor Before the Industrial Revolution

Before the industrial revolution, labor and employment did not find enough place and was not sufficiently studied as an economic factor. The place of labor in society was perceived as worthless or unimportant. After the industrial revolution, with the development of the production and circulation mechanism, a controversial concept of labor has developed (Ercan, Özar, 200, 30). After the industrial revolution, labor concepted theories have been put forward in the form of minimum subsistence limit both in the classical and socialist schools. Advocates of the minimum subsistence theory could not come together on a common point. Because the increasing importance of human capital necessitated the revision of these theories later on (Doğruyol, Aygınlı, 2015, 268). In mercantilist economic practices, labor mostly came to the fore in obtaining commercial incomes. They believed that the wealth of the country consisted of the gold and the silver. Therefore, providing this wealth is directly proportional with population density. Mercantilists considered the population density very important in terms of easy access to the labor factor. The density of population would ensure greater availability of labor and also pave the way for the emergence of cheap labor for mercantilists' desire. Furthermore, mercantilists exploited child labor and lowered the working age to 9 (Bocutoğlu, 2019, 18-22). Unlike mercantilism, labor played disdistinctively an important role in increasing agricultural production in Physiocracy school before the industrial revolution. Physiocrats, who highly value the agricultural production, drew attention to the importance of the labor factor for increasing and providing of agricultural products in the form of surplus value (Bocutoğlu, 2019, 31-39). While the Mercantilists honoured the labor of the merchant class and the capital, the Physiocrats honoured agricultural labor.

#### 4.7. Labor After the Industrial Revolution

##### 4.7.1. Labor in Orthodox Economics

Labor found itself in different dimensions in Smithian, Ricardian and Marxian economics. The spread of the market economy or capitalism, brought a different dimension to labor. Analyzes based on the concept of labor gained weight in economic theories. The last period of 19<sup>th</sup> century has been a breaking point for labor theories. Marginalism, which started to make itself felt in this period, and neoclassical economics brought a new dimension to labor theories with its marginalist approach (Ercan, Özar, 200, 31). The marginalist and neoclassicals viewed labor as a commodity. The view hand in hand with. The reflection of labor supply and labor demand on the market formed the basic framework of economic analysis. With this analysis in the labor market, the analysis of concepts such as income effect, substitution effect, leisure time and work has gained importance. Likewise, it has come to the fore that producers should pay attention to the employment of the labor factor in line with the law of marginal utility and diminishing returns, so that they would know their input costs. However, wage, which is a reward for labor, emerges as an important player. The increase or decrease in wages has affected the employment policies of the producers and has led them to seek new ones (Ercan, Özar, 200, 32).

Classical economics has made different definitions for labor. Starting from primitive labor, A. Smith talked about a new labor phenomenon that emerged with the industrial revolution. Accepting that value is created by labor, Smith defined labor as the initial price of the good, so the price could be determined by virtue of labor. Stating that labor was the only factor for production before the settled life, Smith argued that the labor ceased to be a production factor on its own after settled life engaged in agriculture (Öztürk, 2010, 61). Smith saw labor as the primary source of production and reached value from here. He defined the capital factor as an element that helps labor (Aydın, 2011, 3). Smith analyzed labor in two periods. This approach of Smith has opened the door to labor- value and labor- utility theories. After the industrial revolution in which capital accumulation started to develop, labor value theories increased (Bocutoğlu, 2012, 131) D. Ricardo also saw labor as the source of value like Smith and considered capital as accumulated labor. Ricardo talked about distribution and emphasized how much share should labor, capital, equipment and land receive from income (Öztürk, 2010, 63). In the theory of international trade, Smith and Ricardo both saw labor as the only factor that creates cost (Bayraktutan, 2003, 177). Among the classical economists, Say and Senior, who did not agree with Smith and Ricardo's labor theory of value, have brought different interpretations to value. While Say questioned the labor that is not preferred with its opportunity cost, Senior questioned whether the return of capital is labor (Bocutoğlu, 2012, 135). Another classic, Malthus, made a connection between population growth and the labor factor. He believed that the more population increases the more value of labor will decrease. So the wages will decrease to the lowest level and the purchasing power will decrease paralelly (Öztürk, 2010, 66). Malthus' theory of labor-population relation differs from the labor-population relation of Mercantilist, Physiocrat and other classical economists (Günes, 2009, 134). Opposing to Smith and Ricardo's labor theory of value, Say did not accept the criterion of invariance in the analysis. Therefore, he developed a labor theory of value that depends on the individual who is not dependent on labor. In order to support his theory, he created the opportunity cost theory (Bocutoğlu, 2019, 107). The utilitarian philosophy theory, which has found a place in classical economics, has brought a new dimension to labor and value and opened the relationship between labor and utility for discussion. Another Classic, Mill, combined labor with capital and stated that a value could be created with this combination (Bocutoğlu, 2019, 111-112). Ricardo expressed his concerns about the future of labor and predicted that mechanization could reduce the impact of labor. He emphasized



that mechanization would have a negative effect on labor and the labor factor would become worthless day by day (the economist, 2016)

Neoclassical doctrine brought a new approach to the labor theory of value and explained it with the concept of opportunity cost (alternative cost) instead of the cost identified with labor. Neoclassical Marshall emphasized that the main determinant of cost is not only the labor, but also the capital is (Bayraktutan, 2003, 178). Fisher has revealed its important role in the increase or decrease of the price of labor as an input. Irving Fisher focused on this subject and created a theory of money (Alpago, Yıldırım, 2018, 451). Jevons wanted to refute the classical and Marxian labor theories of value, thus emphasized the importance of the quality and efficiency of labor (Bocutoğlu, 2012, 145). With this statement, Jevons unwittingly pointed to the concept of human capital, which will be emphasized a lot in following periods.

The labor and surplus value approach, pioneered by classical economics that emerged after the industrial revolution. It started to change under the conditions of economy in the 20<sup>th</sup> century. The decrease in the share of labor in national income, due to the questioning of union organization and collective bargaining power, brought new interpretations (Bocutoğlu, 2013, 10).

By the second half of the 20<sup>th</sup> century, the agenda of women's employment and labor has been started. Neoclassical economics, which analyzes the labor expenditure of women's labor, has found its place in the analyzes by using income and substitution effect theories (Ercan, Ozar, 2000, 41).

Keynes doctrine, which has an important place in economics, has brought new interpretations to labor, labor supply and labor demand. He opposed the classical doctrine of labor, labor supply and labor demand. After Keynesian period, new Keynesians developed many theories through Keynes' theories and brought new approaches to goods, labor and capital markets (Füsunoğlu, Tan, 34).

In the second half of the 20<sup>th</sup> century, institutional economists introduced a new approach to labor. According to this theory, labor is not a unique market, but consists of two layers (dual labor market) where high and low wages would prevail (Ercan, Özar, 2000, 45). When it comes to the last quarter of 20<sup>th</sup> century, it is noteworthy that the share of labor income in national income has decreased continuously. However, contrary to this decrease, in the 19<sup>th</sup> century the share of labor in the national income is stable and labor and capital constitute a head-to-head national income (Bocutoğlu, 2013, 20).

Technological change and brain drain have heralded the beginning of a new era in economic theories in the 21<sup>st</sup> century. Re-establishing period of the labor and value theories of 19<sup>th</sup> and 20<sup>th</sup> centuries with new components has begun. Along with the subject of value creation the replacement of labor by mechanization and automation has paved the way for questioning the role of labor in the production process (Alpago, Yıldırım, 2018, 448).

#### 4.7.2. Labor in Heterodox Economics

Marx opposed to the classical explanation of labor and brought a new approach to labor. He criticized the prominence of individual interests in the labor-value theories of the classics, and claimed that income inequality arises because the share of capital is more than the share of labor (Bocutoğlu, 2012, 131). The concept of time has an important place in Marx's labor theory of value. In the labor-time approach, the labor, raw materials and equipment (indirect labor) used in production and the value transferred by these two elements to the final goods formed the basis of the labor-time theory. (Bocutoğlu, 2012, 136)

Marx saw individuals' meeting their needs only with their own labor as a use-value. However, referring to surplus and exchange value, Marx emphasized that the surplus that arises out of the labor itself should be only the return of the labor. With this theory, Marx tried to show that rent, profit and interest are not the equivalent of labor but immoral (Öztürk, 2010, 72).

Apart from classical and Marxist economics, Jevons, Menger and Walras emphasized the concept of marginal utility and brought a new approach by criticizing all labor-value theories. (Öztürk, 2010, 72). Böhm-Bawerk talked about the concepts of heterogeneous and homogeneous workforce and developed a formula to eliminate the wage gap between them. He revealed that problem can be solved and the value of labor can be equalized in case heterogeneous labor power is reduced to homogeneous labor power. (Akyüz, 1980, 67).

Institutional economics, which is accepted heterodox economic as a doctrine, revealed the necessity of institutions to take place in the production function besides labor and other factors. (Gurak, 2015,9). Examining the psychological aspect of labor, which ignored by classical and neoclassical economists, Veblen changed his perspective on labor theory of value. The depreciation of labor day by day, riches' getting richer and the insignificant share of labor in the income distribution enabled Veblen and his friends to see the psychological side of labor (Doğruyol, Aydınlar, 2013, 265). Marx said that labor is there both in the nature and personality of man. Referred to the direct relationship of labor with nature, he made an explanation that private property and division of labor prevents the above-mentioned relationship. He put forward the concept of alienated labor due to the concept of alienation of capitalism, therefore he saw the emancipation of the working class as the emancipation of all humanity (Akyıldız, 2006, 12).

## 5. Economic Geography, Globalization and Labor

Issues such as wage injustices, education, family and women's labor experienced in the labor markets in the last quarter of the 20<sup>th</sup> century have found more place in economics. Thanks to these subjects, sub-sciences related to economics have been formed within the science of economics (Ercan, Özar, 2000, 24). Many models have been developed in international trade. Models based on labor and capital differed according to the conditions of each country. Changes in employment opportunities and differences in wage policies have emerged with globalization. Globalization has greatly increased the flexibility of labor and wages. (Ercan, Ozar, 2000, 41). The perpetual mobility and relocation of capital and the emergence of regional economies paved the way for the emergence of new geographical economics and theories (Ercan, Özar, 2000, 41). The ruthless competition in globalization has negatively affected the workforce by causing small scaled companies to withdraw from the market. The effect of globalization has reduced the share of labor in national income. Better-equipped and less-equipped labor markets emerged along with wage differentials (Bocutoğlu, 2013, 26). In the paradox introduced by Leontief in the middle of the 20<sup>th</sup> century, it has been proven that capital-intensive goods are imported while labor-intensive goods are exported. However, this situation has opened the door to the use of labor and capital, especially with knowledge in theories (Bayraktutan, 2003, 180). Especially In the last period of the 20<sup>th</sup> century multinational companies kept labor under pressure by directing the labor market (Özdemir, 2019, 42). According to the internal dynamics of each country after 1980, the share of labor has been guided by four factors: globalization, technological development, labor market policies and privatization policies (Özdemir, 2019, 43). In addition, in the light of globalization and digitalization, the concept of flexible working has begun to gain weight. Although this situation plays an important role in reducing company costs, it has also brought doubts in measuring the contribution of the labor factor to production. One of the causes of unemployment, which is an important problem of world economies, is the decrease in the use of labor and the

increase in technology and automation-based production. Thus, technological unemployment has emerged. Perhaps in the near future, the impact of digitalization will further aggravate this situation.

## 6. Conclusion

The concept of labor, which has gone through many phases beginning from the first era economies has not completed its evolution yet but taken on new roles in a developing and renewing world. Labor was seen only as a reward for working in the ancient and medieval economies, so an income obtained without labor was questioned in terms of moral values. In the medieval scholastics dominated European thought, economic, social and legal activities made themselves felt in social life, almost entirely by the direction of the church. The use of labor, trade, monetary activities were directed by the church. While agricultural activities took precedence for the employment of labor, trade was accepted in a more limited way. Glib earnings or surplus generation, or interest income have not welcomed. In the same period, the Islamic World have had a similar approach to the concept of labor. Under the guidance of the holy book and its messenger, an economic model was formed for commercial life, shopping and monetary transactions. In this model, it has been shown what is the reward of labor and what is not. From the Islamic economic experience to the present, a significant progress has been made in the use of modern economic terms and in the emergence of Islamic economic thought. In particular, philosophers such as Ghazali and Ibn Khaldun focused on the concepts such as labor, value, and utility and became close modern economics' concepts. The Ottoman Empire, which had a unique economic model, gave great importance to the work done with labor and effort. While labor was seen as the main source of agricultural production in the classical period Ottoman economy, new approaches and new interpretations began to be made about the concept of labor and the use of labor very similar to Europe in the Ottoman period of innovation. Labor-value theories of classical economics were noticed, and these theories found a place in Ottoman economic thought. The structure of the labor market in the last period of the Ottoman Empire began to be examined in modern economic theories. Although labor had come to the fore in the agricultural business line in social life before the industrial revolution, mercantilism also made itself felt more as commercial labor. The labor that started to get rid of the influence of the medieval feudalism gradually became an indispensable player of the market in the atmosphere of mercantilism and physiocracy. With the industrial revolution, the concept of labor began to find a place in economic theories and labor was accepted as a production factor. It has begun to be mentioned together with economic concepts such as labor, profit, interest, capital, value and utility and shown in economic theories. The labor has reached such a key point in theories that it has begun to be used and understood differently in economic doctrines. While labor-capital association gained weight in classical economic theories, labor was seen as the main element of production alone in socialist and Marxist theories. In institutional economics labor which also taken its physiological trait that ignored by classical marginalist and neoclassical economics, found itself. Marginals and neoclassicals approached labor from a different angle and tried to find the reward of labor by creating theories such as marginal utility and diminishing productivity. The trio of labor, value and utility has begun to play an important role in economic theories. In the following period and the second half of the 20<sup>th</sup> century and even in today, labor has continued its evolution. The development of technology has made it necessary to reconsider the labor theory of value and utility. In this period, apart from plain labor concept, labor on a macro and micro scale has emerged. Therefore, it has been come across the necessity of taking about these distinctions into account while constructing the theory. Likewise, the widespread use of human capital concept has paved the way for the establishment of new economic theories together with the concepts of labor and human capital. The existence of human capital has revealed that labor cannot be a production factor on its own, and that it requires some advantages and features. New

branches of economics such as the new family economy, which was seen as a raw material and labor source, began to develop after family realities were drawn into economy. Labor first has gained weight as the working class (proletariat) in both historical and globalization process, afterwards it has gained a single and whole (homogeneous) feature, it has changed into a new phase in recent years. It has reached to a dimension where women's labor and employment are taken into account. Previously these concepts were accepted as absent or ignored. Likewise, labor market analyzes have begun to evolve on education, marriage, having children, age factor, region, firm, union factors. Instead of labor being capital or social, the concept of career has begun to come forward. Labor has ceased to be a plain labor in the historical process and found a place for itself as macro labor and micro labor. In the experimental labor analysis, the necessity of not ignoring the family factors besides women's labor and family relation has emerged. In the calculation of the labor share, these facts have been one of the issues that occupy the economists. The use of macro and micro scale methods has led to different results in the labor share. Labor theories of value have been developed and continue to be developed by different economists in different regions at different times in the historical process. So far, only labor theory of value, labor theory of value, which sees capital and land together with labor, and labor theory of value, which claims that labor has no role, have found their place in the economic literature. Likewise, the concept of labor appears as a physical and mental phenomenon. There are two questions those waiting for their answers.

1-Which labor should have higher added value, mental or physical one?

2-Which should have priority in the employment, mental or physical labor?

It is understood that the adventure of labor has not yet ended in the history of economic thought, economic theories and economics. Undoubtedly, the concept of labor will take new places with new formations, new approaches and new applications.

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