Abstract
The long prevalent paradigm of neoclassical economics, often conjoined in unholy matrimony with neoliberal concepts of politics, is currently being questioned from a myriad of critical voices, inside and outside of academic departments. Notwithstanding their diverse tonalities and intonations, all these voices come together in one powerful accord, i.e. that the malfunctioning of our economic system is endemic, i.e., a practical consequence of a theoretical misconception of what economics is, or ought to be. The strikingly consonant criticisms demand nothing short of a paradigm change in economics, away from a materialistic and towards a humanistic conception of human labor. While the still prevalent neoclassical account of human work is physicalistic and describes economic activity through metaphors of mechanic work, what we need, instead, is a humanistic account of the purposes and forms of human labor. In what follows, I will establish this thesis by 1) a deconstruction of the mechanistic paradigm of economics, and 2) by sketching the advantages of a humanistic approach to economic activity.

Crises are chances for change. The recent economic crisis makes no exception. Followed by a host of immediate practical changes in the regulatory framework of the global economy, especially within the financial sector, its lasting influence may, however, rather lie elsewhere: in triggering theoretical reflections on how we do business and why we work. The long prevalent paradigm of neoclassical economics, often conjoined in unholy matrimony with neoliberal concepts of politics, is currently being questioned from a myriad of critical voices, inside and outside of academic departments. Notwithstanding their diverse tonalities and intonations, all these voices come together in one powerful accord, i.e. that the malfunctioning of our economic system is endemic, to wit, a practical consequence of a theoretical misconception of what economics is, or ought to be.

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1. The Mechanistic Paradigm of Conventional Economics

For centuries, from Plato to Smith, economic thinking was deeply embedded within moral philosophy, receiving from it the necessary promptings for prescribing to human beings the relevant purposes for economic activity. Answers to the question “Why do we work?” were qualitative and teleological in nature. Economic philosophy informed us first about the natural needs and the moral goals of human life; only then and thereafter the requisite economic conditions to satisfy said needs and to reach said goals were laid out, and problems of a quantitative nature were pondered (Bonar 1893).

From this human-oriented approach to economics, which in its anthropology and in its sociology availed itself of the rich methods of the liberal arts, economic thinking departed in the early 19th century. In an effort to become just as “scientific” as their colleagues in the natural sciences, economists began to sever their discipline from its moral and socio-political moorings and attached themselves ever more to the methodological apparatus of physics and mathematics (Wieser 1884). In an attempt to analyze economic problems “purely,” i.e., without resorting to extrinsic values or doctrines, economists looked increasingly to the mathematical models of physics in search of a new paradigm (Walras 1909). The enormous success that the discipline of mechanics had celebrated in the late 18th century inspired John Stuart Mill (1806-1873), Auguste Comte (1798-1857), and numerous others to describe economic structures as quasi-mechanical laws that were to be translated into the language of mathematics, thus affording economics a hitherto unavailable degree of precision and rigor.

While mathematical mechanics gave the new paradigm its formal aspect, utilitarianism contributed the material side, with the effect that the entire discipline of economics was soon recast as a “mechanics of utility and self-interest” (Jevons 1871, 90). Motivated by the forces of pain and pleasure, human behavior seemed a natural phenomenon like any other, open to empirical observation and technical manipulation. This view coincided, moreover, with a strong emphasis on self-interest as the main driver of human action, which Bentham believed to be “predominant over all other interests put together” (Bentham 1954, 421). In order to make utility theory fit for mathematical treatment, William Stanley Jevons (1835-1882) changed Bentham’s definition of utility as a function of an (immaterial) increase in personal happiness into denoting “the abstract quality whereby an object serves our purpose, and becomes entitled to rank as a commodity” (Jevons 1871, 44-45). This allowed him to “treat the Economy as a Calculus of Pleasure and Pain” (ibid., VII).

Freed from the intricacies of qualitative utility evaluations, the vexing problem of societal utility optimization was translated into the simpler one of quantitative maximization in commodity consumption. Later changes in the utility concept, such as Alfred Marshall’s move away from direct commodity consumption towards the indirect willingness to pay for goods (Marshall 1890), did not change too much in the outcome: Economics had turned (moral) concerns of “better” versus “worse” into a (technical) calculus of “more” over “less;” and this move had immense consequences for the conceptualization of human labor.
a) The *Homo Oeconomicus*: a Mechanic Account of Human Activity

The *homo oeconomicus*-model epitomizes like no other theorem the peculiarities and the flaws of the neoclassical approach to economic behavior (Kirchgaessner 1991). No less accurate but far more entertaining than contemporary textbook definitions is the satirical depiction that Thorstein Veblen (1857-1923) renders of this creature as “that of a lightning calculator of pleasures and pains, who oscillates like a homogeneous globule of desire of happiness under the impulse of stimuli that shift him about the area, but leave him intact.” Veblen ridicules this impersonal being as an unhistorical “isolated, definitive human datum, in stable equilibrium except for the buffets of the impinging forces that displace him in one direction or another.” The essential passivity of said creature is, according to Veblen, in direct contrast with the essentially active and self-activating nature of human life. The *homo oeconomicus* “spins symmetrically about his own spiritual axis until the parallelogram of forces bears down upon him, whereupon he follows the line of the resultant.” Thus, the *homo oeconomicus* knows no past and aspires to no particular future; moving through life without any meaningful trajectory so that “[w]hen the force of the impact is spent, he comes to rest, a self-contained globule of desire as before.” (Veblen 1898, 389)

Hardly anyone has, of course, ever met one such *homo oeconomicus*, and economists are hence quick to state that their model is not meant to depict reality but rather, like a myth, help us decipher and interpret reality better (Friedman 1953). Belief in mythical beings is rarely wholly benign, however; and the use of “models that are highly artificial, seriously oversimplified, or blatantly false” (Cartwright, 2006, 239f.) should always be questioned. For the model of the *homo oeconomicus* invites us to respond to human reality in a peculiar way. It describes work as something extrinsically, not internally, motivated. Human activity is being portrayed as a transitory phase in pursuit of blissful inactivity, as a mechanic reaction to the prodding of outside incentives, not as a voluntary expression of an intrinsic desire to relate to one’s life-world in a meaningful way.

Observations of actual markets and people – especially recent research in behavioral economics, the cognitive sciences and neuro-economics (Fehr et al. 2005) – have, however, unanimously documented: Human decision-making proceeds constantly outside the logic of the *homo oeconomicus*-model, both below the same (i.e., based upon non-rational impulses) and above the same (i.e., driven by moral reasons superseding technical rationality). The oft-lamented prognostic failures of the *homo oeconomicus*-model are indicative of its inadequacy to capture the contextualized richness, the internal complexity and especially the cognitive as well as cultural dimension of human economic agency (Brodbeck 2000). Still, notwithstanding its negligible descriptive and prognostic merits, the *homo oeconomicus*-model holds a remarkably elevated status in economic pedagogy and management education because, in being amenable to a mathematical treatment, it complements well the physicalistic garb of conventional economic wisdom (Robinson 1962).

Faulty theories, however, are nothing to trifle with. When, on one hand, some aspects of reality, which can be used for its transformation (e.g., moral resources), are ignored, whereas, on the other, certain elements (e.g., material incentives) are being overemphasized, then the resulting theorem is bound to turn into a “self-fulfilling prophecy” (Argyris 1973). Theoretical gaffes thus prepare the path for practical blunders: Emphasizing pseudo-necessities and downplaying real freedoms, economic theory has long
since contributed to obfuscation of the true reach of individual and collective autonomy in business affairs (Dierksmeier 2009). The last economic crisis, triggered as it was by irresponsibility and misconduct, testifies to the detrimental effects of theories that explain human behavior in the rigid logic of self-centered utility-pursuit, as I will expound below.

b) The Morals of the *Homo Oeconomicus*

In most contemporary firms, the nominal owners (i.e., shareholders) have little control over managerial decision-making, and so managers do not always make shareholders’ interests their own. Instead they tend to serve also a host of alternative goals, some benign (meeting societal expectations of professional respectability and responsibility) and some rather self-serving (such as money-grabbing). Importantly, though, therein they appear strikingly untroubled by the allegedly iron laws of profit-maximization. This striking violation of the mechanistic dogma of the neoclassical creed led economists to reflections noteworthy both for their theoretical sophistication and their practical folly.

Instead of lauding managers for altruistic efforts and reprimanding them for egotistic undertakings, a number of theoreticians did the exact opposite: reproaching (as socialistic) acts of “altruistic” Corporate Social Responsibility (Lantos et al. 2003), while justifying the self-serving squandering of corporate resources (as incentives). In the 1980s and early 1990s, the academic vogue was the view that managers, in fact, *had to* violate the interests of shareholders and society. Deductions from the *homo oeconomicus*-model ushered in such sophisticated confusion: Since, according to its premises, managers, too, were but “maximizing agents,” forever in pursuit of utility gains, they ought to be expected to act in a strictly self-serving manner. With managers (“agents”) seen as nothing but rational maximizers of self-interest, what could keep them from violating the fiduciary responsibility the business owners (“principals”) vested in them (Khurana 2007)?

Naturally, without extrinsic rewards, a *homo oeconomicus* does not work on behalf of another’s interests, let alone the common good. Since such wayward “agents” cannot be monitored comprehensively enough to ensure that they always keep their contractual promises to act in the best interest of their “principals” (as maximum supervision creates maximum agency costs) the restoration of neoclassical orthodoxy was sought, and found, in tying the (supposedly solely selfish) interests of management to the (supposedly solely selfish) interests of shareholders (Jensen 1993).

Clinging forever to the behavioral assumptions of the *homo oeconomicus*-model, notable economists promulgated that a compensation policy alone “that ties the CEO’s welfare to shareholder wealth helps align the private and social costs and benefits of alternative actions and thus provides incentives for CEOs to take appropriate actions” (Jensen et al. 1990a). Contrary to public opinion and its “fuzzy sense” of fairness, unwavering adherents to the neoclassical faith declared that, actually, CEOs were still underpaid, else they would not underperform. CEOs, we were informed, just as anybody, “prefer to make more money than less” (Jensen et al. 1990b, 144-145) and so, when making corporate decisions, a manager, ever the old *homo oeconomicus*, “compares only his *private* gain and cost from pursuing a particular activity” (Jensen et al. 1990a, 226; italics in the original). Consequently, the economist is to make an intellectual *salto mortale* and assume that when CEOs fail, they do so because the incentives for
succeeding had not yet been high enough (Galbraith 2004).

Yet worse was still to come. Not the fact that the managers pocketed the money, which, according to doctrine, they owed to shareholders, was seen as the foremost problem; for such a misdemeanour, neoclassical economists chose to believe, could still be ameliorated by awarding the managerial *homo oeconomicus* better pecuniary stimuli (Jensen et al. 1990b, 139).

In the eyes of the stalwarts of neoclassical dogmatism the real problem was that new definitions of corporate ‘success’ cropped up, broader than mere bottom-line gains, such as maintaining employment in times of crisis, making sustained contributions to communities and ameliorating environmental pressures. Such introjections of morals must, of course, be rejected as undermining the rigid rationality behind efficient business (Sundaram et al. 2004). One can feel the pangs of the orthodox mind. “This is a serious problem”, we are admonished, and in all earnest, because said “successes” might at times come at the expense of shareholder value” (Jensen et al. 1990a, 252). Needless to say, the neoclassical church did not tolerate such heresy. Wherever the seeds of ethics have spread so far, the Holy Inquisition of “LBO associations and venture capital” (Jensen 1993, 869) was called in to identify and eradicate such weeds of ‘moral fuzziness’.

With this perverse conclusion, we have come full circle. After – first – reducing the scope of the discipline to physicalistic parameters, management theory – second – shifted the notion of corporate success from the qualitative satisfaction of the needs of society and consumers to the quantitative maximization of shareholder interests, which – third – were counterfactually (i.e., against the manifest evidence of ethical investment funds, ethically-oriented stockholder associations and moral initiatives by numerous individual shareholders), reduced from their multi-dimensional objectives to nothing but one-dimensional goals, i.e. pecuniary gains, in order to reject – fourth – each and every alternative economic purpose that either shareholders or the public might have to the extent that – fifth – corporate action in harmony with social interests could be dismissed as both irrational and illegitimate.

The results of said approach became unpleasantly patent during the recent economic crisis. Without recourse to intrinsic accounts of why and wherefore to work, the extrinsic orientations behind economic activity could ride roughshod over the invocation of managerial and corporate responsibilities. Neoclassical economics inspired neo-liberal economic policies whose rampant deregulations turned a *hausse* of speculative greed rapidly into a *baisse* of manifest gloom. Ultimately, the scintillating boom of all those elegant, one-dimensional (quantitative) management schemes around profit-maximization turned out to be but an ugly bane. Overshadowing its important multi-dimensional (qualitative) tasks, the methodological reductionism of mechanistic economics had induced an under-complex perception first and an inept management second of our social and economic realities. The nature of managerial work, through losing its productive societal orientation, became socially destructive.

2) Humanistic Concepts of Labor

The single-minded focus towards profit-maximization that preceded the crisis, due to an autistic economics whose barren descriptions of economic reality blocked the power of moral prescriptions, barred any and all ascriptions of moral freedom and responsibility on part of management. The apparent
deficits in corporate responsibility went hand in hand with the academic elimination of its intellectual premises; for lack of an intellectual realization of the import of responsible freedom on human action, its practical realization in acts of free responsibility failed to transpire. It is high time, thence, to reorient business theory towards the real human being. Instead of modeling human labor, against all empirical evidence, as the reactive mechanics of a homo oeconomicus with narrowly materialistic preferences, the broad and wide scope of human interests, the radical nature of human freedom and its concomitant responsibility should be moved (back) into the center of economic theory.

Once the elementary and responsible freedom of each economic actor (customer as well as manager, employer as well as employee, regulator as well as entrepreneur, shareholder as well as stakeholder) is realized theoretically, its practical realization can properly be thematized (investigated, deliberated, taught, managed). The economy is, after all, not a normatively neutral field, governed by technical rationality alone. Since, instead, ethical concerns are of paramount interest for the everyday operations of business, they should also be adequately reflected in economic theory. We should, in other words, reintroduce into economics sensitivity for the normative dimension of human work. Instead of searching perpetually for an extrinsic causa efficiens of human labor, we should focus on the intrinsic causa finalis that drives human activity. What is it that human beings want to achieve with their labor? Why and wherefore do we work?

a) A Humanistic Conception of Work

If we cling to the simple fact that economic activity is first and foremost human action and that the latter cannot be adequately conceptualized by an outside perspective alone but needs qualitative insights into the nature of human subjectivity – its perceptions, perspectives, and purposes – in order to make human work truly intelligible, then it becomes apparent how crucial it is that economics return to employ methods akin to human nature. Instead of deducing its theories from counterfactual assumptions about a fictional homo oeconomicus, economics should rather observe the real, socially as well as culturally embedded, and morally oriented human being (Dierksmeier 2009).

When we want to know why human beings work, and what for, we need to take seriously the mentalist conceptions of our philosophical self-interpretations—e.g., as the natural expression of a relational self that only in altercation with its social and natural environs can realize both practically and intellectually its vocation to autonomy through object-mediated activity. We need to proceed, in other words, much more from the phenomenology of human freedom and its self-directed goals than trying to translate economic activity into the vocabulary of mechanic necessities imposed upon us from without.

Economic actions, after all, stem from human agents, who act from a concern for the human weal and woe. People work because they want to better themselves and their life-world. A descriptive framing of their economic activity without an understanding of the prescriptive dimension inherent to the intentions that guide them, must fail. Hence, economics must be enlightened by moral philosophy. If humans act from values, then a mechanistic conception of labor that methodologically excludes said values is nothing short of unscientific. It attributes causality to extraneous aspects for lack of sensitivity to the intrinsic aspect of human agency. Focussing on material data alone, such an approach overlooks the
very factor behind the facts, i.e. the autonomous human being (Dierksmeier 2003b).

Recent advances in behavioural economics, empirical game theory, neuro-economics as well as in various fields of psychological and sociological research on economic agency give reason to hope that a more integrative approach to economics is near. Replacing the simplistic mechanistic anthropology of the *homo oeconomicus* with a renewed concern for the complicated and interconnected dimensions of human life in relation with nature, society, and culture, with the historicity of human existence and the uncertainty and fluidity of human knowledge about itself and its life-world, is so much more auspicious precisely because the subjects that drive the economy are, to repeat, not merely animated maximization-algorithms but human beings in deep and manifold relations with their socio-cultural contexts. By replacing the reductionist model of the *homo oeconomicus* with an economics based on the relational nature of the *conditio humana*, economics will, it stands to reason, not only become more humane but also more realistic and relevant too (Dierksmeier 2009).

b) Practical Outcomes of a Humanistic Conception of Work

In the last 40 years, the mechanistic paradigm of economics has increasingly been undermined by its all too apparent incapacity to prognosticate adequately the march of economic events. More and more voices are currently joining the choir of those who hold that economics, as a discipline dealing with human behavior, should operate less with methods gleaned from the observation of inanimate physical objects and orientate itself rather towards models proven successful in interpreting the lively actions of free subjects (Dierksmeier 2003b). Lest we continue to progress into the wrong direction, today’s research efforts should be directed towards finding more and better qualitative definitions of corporate and economic success, taking a conscious recourse to the idea of freedom, as the inexorable foundation of all human labor and economic agency.

What we need, and what a humanistic approach – based as it is on the premise of human autonomy – affords, is a global debate about the appropriate goals of economic activity. To be sure, living in multi-cultural societies, composed of diversely motivated citizens, we cannot simply return to conceptions that aim for a single, uniform metaphysical answer to the question about our ultimate economic goals. Instead the qualitative suggestions of past metaphysical theorems as well as the quantitative tool-kit of present-day economics should be used in a free and open (as well as perennial) democratic discourse about the future course of our economies. The *procedural* character of incorporating human purposes and objectives into economic thinking is all-important (Turnbull 1994). We need meta-economic procedures that integrate everyone (where possible through active participation, where impossible at least through passive representation) in the making of economic decisions that affect each and all (Carver and Bartelson 2010).

Such participation, in fact, serves not only as a normative touchstone but also, pragmatically, as yardstick of good governance. Both the validity and the success of complex economic interactions hinge ever more on the participation of all stakeholders. Not incidentally, discourses in the political and in the economic hemisphere run parallel in this regard: More and better stakeholder-democracy appears to be requisite for the improvement of organizational behavior both in the public realm and in the domains of

It is not at all difficult to spell out tangible consequences of this humanistic approach to the management of labor: a re-framing of “human resource management” as the management of human relations, centered on active subjects, not passive objects, i.e. as a theory of human capabilities, and not of human capital (Boselie 2010); a clear pledge for more participation rights for employees in general (Parker 2002) and for specific advances towards better financial, operational, informational, and co-determinative participation in particular (Sacconi 2010); efforts for employee empowerment and education (Manville and Ober 2003) as well as in favor of more humanized and diversity-friendly workplaces (Sharma and Bakshi 2009) and a healthier conception of work overall, better integrated in and balanced with our private lives (Collier and Esteban 1999).

Instead of trying their hands at ever more complicated, heteronomous incentive schemes, employers need to understand the simple truth that work is something which, on autonomous terms, humans give gladly and generously. Quantitative incentives are necessary only where qualitative motifs for economic activity lack. Their power to distort our sense of responsibility and our concern for the common good is strongest where extrinsic motivation has crowded out our intrinsic craving for meaningful activity. Then, indeed, labor is sheer toil and paid employment becomes a form of alienation. If, however, the requisite self-objectification in our professions allows for intensified (educative and emancipative) personification, i.e. when people perceive their work as a truly humanizing and dignified activity, its extrinsic pecuniary remuneration will become distinctly secondary to its primary, i.e. intrinsic rewards. There is no dearth of drive and direction for humane work (Dierksmeier and Pirson 2009).

Thus explains a humanistic approach to labor what remains utterly inexplicable through the lens of conventional economics: the enormous productivity and path-breaking ingenuity of cooperatives, economies of communion, and of Social Entrepreneurs (Elkington et al. 2008). From a neoclassical angle, these socially committed forms of business appear as mere niche markets, where the aberrant behavior of moral mavericks and spiritualistic renegades temporarily suspends the iron logic of the homo oeconomicus. Instead, a humanistic economics reads these behaviors not as statistical deviations from a stolid principle of profit-maximization but rather as its conscious inversion, as a purposive return to the moral orientation and the social orchestration of economic agency. Through the lens of humanistic economics, morally conducted businesses no longer appear as the exception but as the (normative) rule of entrepreneurial behavior (Dierksmeier 2003c).

By extension, for management education this shift from a materialistic to a humanistic perspective entails a re-orientation of management pedagogy towards qualitative and ethical considerations. Paramount to all such concerns, however, must be that no singular approach is being touted as the one and only dimension valid for each and every economic concern. The true foundation of all economic practice and of economic theory is human freedom and its deliberate determination of what matters most (Dierksmeier 2003c). Since the criteria we choose in order to evaluate our economic goals are based ultimately on the intellectual as well as practical foundation of human freedom, we must forever stay clear of a technocratic understanding of economics. Economics is not physics. Its subject matter is not inert matter impassively subject to eternal laws but a culturally and politically malleable social form of collaborative behavior whose contours depend deeply upon our collective choices. For this reason, we
ought to progress into a new era of *democratic* economics that makes a self-reflective use of our economic freedom in order to suggest ever new alternatives to the factual as well as epistemic *status quo* (Sen 1998).

When an open discourse about the qualitative aims of society defines the quantitative goals of economic politics, academic management theory can help design the appropriate parameters to advance in the direction of such goals (Lowe 1977). In line with this concept of a concurrent, procedural ethical orientation of management, we should recast economics as a self-reflective and self-critical *social* science (Boulding 1969), with the idea of responsible freedom as its lodestar. Only if we allow this paradigm change to affect the *entire* realm of business education instead of relegating such deliberations to business ethics, CSR, and sustainability classes alone, can a renewed management education effect the social changes that so many today await from the impending era of humanistic management. Then and thus might we see a shift from past concerns for *quantitative liberty* alone (i.e. freedom of choice, realized by a more-over-less attitude towards financial means) towards more respect for *qualitative liberty* (the protection and promotion of socially and biologically sustainable forms of freedom) in business and society (Dierksmeier 2007).

In light of the idea of qualitative freedom as a form of liberty that we all, collectively, have reason to value, management theory can develop the intellectual tools it needs in order to employ quantitative methods in the service of normative evaluations arising from well-reasoned, circumspect, and balanced judgments on the pressing concerns of humanity. We can glean that such humanistic management is possible from the astounding successes of the *Social Business* sector (Dierksmeier and Pirson 2010). Reality, after all, proves possibility. Business in the pursuit of shared human concerns may, moreover, solve the staid motivation problem that still vexes most debates on human resources management (HRM). For few and far between are those who are not eager to work in humane environs and for humanitarian causes (Dierksmeier 2003a).
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