Human Flourishing and the Subjective Dimension of Work

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Abstract: Because economic models affect economic decisions, and these decisions affect our social reality, the models have spillover effects and their assumptions can actually manifest in reality. The Biblical account of the human person in the book of Genesis reveals that human work takes on both exterior (objective) and interior (subjective) meaning. This article highlights how models in economics and finance have assumed away the subjective dimension of work, and explores the consequences of this self-limiting assumption. Existing models limit our understanding of human work to the objective dimension characterized by trade-off logic, where actions benefiting a principal come at the expense of the agent (or other stakeholder). Compensation must be paid to the agent to induce the effort/action that leads to the loss in utility. The subjective dimension of human work, grounded both in science and scripture, introduces a fundamentally new type of economic logic, which stands alongside the “logic of costly effort.” Under this new type of “logic of interior meaning and engagement,” actions that benefit the agent can in fact also benefit the principal. Dropping the assumption that such situations cannot exist is an important preliminary step towards a more humane economy.

This article considers the Christian understanding of the subjective dimension of human work and the implications for economics, finance, and the modern firm. The biblical account of people profoundly captures the fullness of human nature and the role of work and economy in developing the full person. People’s reality is both individual and collective, encompassing their subjective interior and objective exterior dimensions of reality.

The Sabbath was created for man not man for the Sabbath. Similarly, the Genesis account of human work instructs that humans are the proper subject of work; that is, humanity was not created for work but rather work for humanity. This issue is important because economic models affect economic decisions, and these decisions help shape social reality. Current economic and financial models are problematic because

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they are self-limiting: They close off certain outcomes by assuming they cannot exist. That is, self-limiting models lead to self-limiting realities in firms and financial markets. This notion is sometimes referred to as economic “performativity” or “reflexivity” and is described by Albert Bandura:

As psychological knowledge is put into practice, the conceptions on which social technologies rest have even greater implications. They can affect which human potentialities will be cultivated and which will be left undeveloped. In this way, theoretical conceptions of human nature can influence what people actually become.¹

Anthony Giddens argues that there exists a form of reflexivity or mutual reinforcement among our models, decision-making, and social environment.² For example, Donald MacKenzie and Yuval Millo suggest prices in US options markets conformed more closely to prices estimated from the Black-Scholes model after the model gained widespread acceptance, since the model was not simply used to explain option prices but was also used by traders and thus influenced prices.³ One consequence of reflexivity in financial markets is that self-limiting models will lead to self-limiting realities.⁴

This article considers this view’s financial and economic implications and, in particular, seeks to understand whether the subjective dimension of human work is compatible with existing economic frameworks.

The Objective and Subjective Dimensions of Work:
The Biblical Account

Saint John Paul II describes the objective nature of work — in which work enables human dominion over the earth — in *Laborem Exercens*: “There thus emerges the meaning of work in an objective sense, which finds expression in the various epochs of culture and civilization.”⁵ The objective dimension is concretely expressed in subduing the earth but at all times remains under God’s original ordering. As John Paul states:

The expression “subdue the earth” has an immense range. It means all the resources that the earth (and indirectly the visible world) contains and which, through the conscious activity of man, can be discovered and used for his ends. And so these
words, placed at the beginning of the Bible, *never cease to be relevant*. They embrace equally the past ages of civilization and economy, as also the whole of modern reality and future phases of development, which are perhaps already to some extent beginning to take shape, though for the most part they are still almost unknown to man and hidden from him.\(^5\)

John Paul goes on to describe the biblical foundation for this objective dimension of human work, noting:

While people sometimes speak of periods of “acceleration” in the economic life and civilization of humanity or of individual nations, linking these periods to the progress of science and technology and especially to discoveries which are decisive for social and economic life, at the same time it can be said that none of these phenomena of “acceleration” exceeds the essential content of what was said in that most ancient of biblical texts. As man, through his work, becomes more and more the master of the earth, and as he confirms his dominion over the visible world, again through his work, he nevertheless remains in every case and at every phase of this process within the Creator’s original ordering. And this ordering remains necessarily and indissolubly linked with the fact that man was created, as male and female, “in the image of God.” This *process is*, at the same time, *universal*: it embraces all human beings, every generation, every phase of economic and cultural development, and *at the same time* it is a process that takes place *within each human being*, in each conscious human subject. Each and every individual is at the same time embraced by it. Each and every individual, to the proper extent and in an incalculable number of ways, takes part in the giant process whereby man “subdues the earth” through his work.\(^7\)

But each person is also the subject of work, and human dignity and economic value form the basis for determining the full value of human work:

Man has to subdue the earth and dominate it, because as the “image of God” he is a person, that is to say, a subjective being capable of acting in a planned and rational way, capable of
deciding about himself, and with a tendency to self-realization. As a person, man is therefore the subject of work. As a person he works, he performs various actions belonging to the work process; independently of their objective content, these actions must all serve to realize his humanity, to fulfil the calling to be a person that is his by reason of his very humanity.\textsuperscript{8}

The account of human work in Genesis instructs that man is the proper subject of work: that is, man was not created for work but, rather, work exists for man. John Paul notes:

This does not mean that, from the objective point of view, human work cannot and must not be rated and qualified in any way. It only means that the primary basis of the value of work is man himself, who is its subject. This leads immediately to a very important conclusion of an ethical nature: however true it may be that man is destined for work and called to it, in the first place work is “for man” and not man “for work.” Through this conclusion one rightly comes to recognize the pre-eminence of the subjective meaning of work over the objective one.\textsuperscript{9}

This is a challenging teaching that raises the hackles of many economists. And yet, it is fully consistent with modern social science.

The Objective and Subjective Dimensions of Work:

The Scientific Account

A key empirical discovery by modern social science is that people progress systematically through stages of growth and development, and that meaningful work arises or emerges as a key source of human growth — and key determinant of human “utility” — only after other needs are met. These stages characterize not only the physical stages of development that occur over the human life span but also intellectual and cognitive stages,\textsuperscript{10} stages of psychosocial development,\textsuperscript{11} stages of moral development,\textsuperscript{12} stages of faith,\textsuperscript{13} and stages of human consciousness.\textsuperscript{14}

Abraham Maslow\textsuperscript{15} was one of the first to highlight the notion of “self-actualization,” which he defined as the realization of personal growth, being fully engaged in one’s work, and living out one’s mission. In short, a desire “to become everything one is capable of becoming” is one of the highest human needs.\textsuperscript{16}
In the social science context, human needs are classified as either deficiency needs or growth needs. A feeling of lack motivates human action concerning deficiency needs (e.g., “I am thirsty, so I seek water”). As deficiency needs are satisfied, the motivation for further action decreases (e.g., “I am no longer thirsty, so I no longer seek water”). However, with growth needs, a feeling or sense of fulfillment motivates human action. As growth needs are satisfied, the motivation for further action increases. Learning, engagement at work, self-actualization, and the pursuit of the transcendent are all growth needs.

One reason that *homo economicus* is not fully human is because “economic man” does not seek self-actualization. Because growth needs are implicitly assumed not to exist, economic and financial models almost never include them. More specifically, following a tradition going back to Max Weber, Irving Fisher, and Lionel Robbins, human growth needs and the subjective dimension of human work are reduced to the objective dimension, and the subjective dimension itself is assumed not to matter, and so it is not taken into account.

The Objective and Subjective Dimensions of Work:

**Pareto Optimality**

Pareto optimality is a common measure of the efficiency of resource allocations in an economy. A resource allocation is said to be Pareto efficient if it is impossible to make someone better off without making at least one other person worse off. The simple thought experiment presented below illustrates a key idea: the economic logic of trade-offs provides an incomplete foundation for understanding the human role in the modern market economy and inhibits the ability to judge which outcomes are efficient or optimal.

*Background context for the thought experiment: DTE Energy*

In a *Harvard Business Review* article, Robert E. Quinn and Anjan V. Thakor describe the financial benefits to a firm by having a transcendent higher purpose and the resulting meaning and engagement among workers. The article details the transformation of DTE Energy, a firm with a CEO who was skeptical of using the firm’s resources to give employees a sense of purpose or meaning. DTE employees had low levels of engagement and, when the 2008 recession hit, CEO Gerry
Anderson “knew that he needed a more committed workforce but did not know how to get one.” DTE board member and CEO of United Services Automobile Association (USAA) Joe Robles asked Anderson to visit a USAA call center and observe the level of engagement when people connect to the higher purpose of their work. Every USAA employee undergoes an “immersive four-day cultural orientation” and makes a pledge to provide extraordinary service, a training that is “no small investment, since the company has more than 20,000 employees.” (USAA is incorporated as a mutually held insurance company, meaning that the customer owners bear this investment cost.)

At DTE, company leaders decided to try a similar approach, producing a video capturing DTE’s contribution to the people and communities it serves and following up with an integration of this greater purpose in orientations, training programs, corporate meetings, and events. Employee engagement rose, and the firm’s financial performance improved. Quinn and Thakor ask:

Why did purpose work so well after other interventions had failed? Anderson had previously tried to shake things up by providing training, altering incentives, and increasing managerial oversight, with disappointing results. It turned out that his approach was to blame — not his people.

That’s a hard truth to recognize. If, like many executives, you’re applying conventional economic logic, you view your employees as self-interested agents and design your organizational practices and culture accordingly, and that hasn’t paid off as you’d hoped.

So you now face a choice: You can double down on that approach, on the assumption that you just need more or stricter controls to achieve the desired impact. Or you can align the organization with an authentic higher purpose that intersects with your business interests and helps guide your decisions. If you succeed in doing the latter, your people will try new things, move into deep learning, take risks, and make surprising contributions.

Many executives avoid working on their firms’ purpose. Why? Because it defies what they have learned in business school and, perhaps, in subsequent experience: that work is fundamentally contractual, and employees will seek to minimize personal costs and effort.”
Quinn and Thakor describe a process of employee engagement that defies the either-or logic of conventional economic models, illustrating that an engaged and inspired workforce is possible. For one executive, this meant he began to realize that the purpose of his firm was not only to satisfy customers and create shareholder value but also to “treat employees like valued human beings” — that is, recognize their inherent human dignity. Such a realization opens the possibility for firms to better promote integral human development for employees. Quinn and Thakor state: “Conventional economic logic tends to rely on external motivators. As leaders embrace higher purpose, however, they recognize that learning and development are powerful incentives. Employees actually want to think, learn, and grow.”

Economists frequently argue that all this is already embedded in a firm’s production possibility frontier, the curved graph representing all possible production outcomes for a firm. After all, firms operating to maximize their value know they must treat employees and suppliers well and be honest in their dealings with customers.

While persuasive, this argument is incomplete for at least two reasons. First, treating these stakeholders well may be fully consistent with shareholder wealth maximization, but operating with a mindset to maximize shareholder wealth will not always lead to the optimal outcome. This can occur because firms (such as DTE Energy) have misunderstood what shareholder wealth maximization really means, and the self-limiting economic and financial models have likely contributed to this. One reason for this misunderstanding is that firms are relying on models that do not account for the interior or subjective dimension of human work, even though the DTE Energy anecdote suggests they are highly value relevant. A second, related reason is that the models deny, or at least obscure, the reality that the size of the pie is not fixed; value can be created for other stakeholders without coming at the expense of shareholders.

A simple thought experiment
The evidence that firm culture, social capital, and a sense of higher purpose and meaning are good for employees and shareholders leads to a simple thought experiment. Consider a firm that is “value optimized” in the conventional sense, with all decisions made to maximize shareholder wealth (for example, a firm such as DTE Energy in 2008).

In the context of neoclassical economic models, a firm like DTE is assumed to have two key stakeholders: workers, and shareholder or
owners. A trade-off assumption is made for each stakeholder: diminishing marginal utility of wealth is assumed for workers, and diminishing marginal returns are assumed for firms and their shareholders. Worker utility comes from two sources that have a hardwired inverse relationship: leisure and consumption. Diminishing marginal utility for workers means each extra dollar earned provides less marginal utility for the worker. Shareholders of the firm are also assumed to want only two things: consumption today or in the future. Just as the worker faces a trade-off between labor and leisure, there is also an embedded trade-off between current and future consumption for the shareholders.

The firm sits at the intersection between workers and shareholders. A key decision for the firm is how to invest resources for future production, and all possible production levels are represented by the curved production possibility frontier in Figure 1 (the trade-off assumptions about worker and shareholder utility are embedded in this figure). The firm’s optimal production decision balances, or brings into equilibrium, these trade-offs.

One of Irving Fisher’s great contributions is a separation principle that provides an elegant solution to a challenging problem: how to invest the firm’s resources when different shareholders have different preferences (e.g., want different levels of current and future consumption). The slope of the capital market line in Figure 1 represents the rate at which shareholders can borrow or lend in the capital markets. The optimal level of production for the firm is represented by the point \( (P^*_0, P^*_1) \) in Figure 1, where the capital market line is tangential to the firm’s production frontier. Fisher noted that in a perfect capital market, shareholders can borrow or lend to adjust their individual compensation from point \( (P^*_0, P^*_1) \), so that the utility of all shareholders is maximized when the market value of the firm is maximized. Figure 1 thus captures the intuition behind Milton Friedman’s famous dictum that business’s social responsibility is to increase profits.

Returning to the thought experiment, suppose that the firm can spend $1 billion on a program to facilitate greater employee engagement, a sense of higher purpose, greater job satisfaction, and employee happiness, and that it will generate exactly $1 billion in additional profit and therefore has a net present value of $0. Where is the point associated with the outcome if the firm makes this investment? It is point \( (P^*_0, P^*_1) \).
Figure 1. The production possibility frontier and optimal output

Source: Author.

Because the net present value of this project is zero, nothing changes in Figure 1, and rational shareholders in this model must be indifferent between investing and not investing in this zero net present value project. In fact, the definition of a zero net present value project is that it adds no value to the firm. But of course, something has changed, even though it does not show up in the figure: employees are better off, employee utility is higher, and shareholders are no worse off. Yet, the point \((P^*_0, P^*_1)\) represents two different outcomes: one is Pareto optimal, and one is not.

Pareto optimality requires only that resources be allocated such that it is impossible to reallocate them to make any individual better off without making at least one individual worse off. Pareto optimality itself is not limited by the assumption that human utility is restricted
to the objective dimensions of work. Thus, by reducing human utility to wealth and consumption, the economic and financial models are blind to certain key dimensions of reality that relate to human flourishing. These dimensions simply do not show up on the radar.

The Subjective Dimension of Work and the Logic of Human Engagement

Models that ignore the subjective aspects of work, such as meaning or engagement, may falsely identify resource allocations as optimal when they are not. This is because engagement logic is fundamentally different from the trade-off logic of effort. The difference is that under the conventional economic logic of costly effort, a given amount of money is paid to the effort-averse agent, who then provides a certain amount of effort. The logic of engagement goes beyond the standard principal-agent logic in which:

the principal (the employer) and the agent (the employee) form a work contract. The agent is effort-averse. For a certain amount of money, he or she will deliver a certain amount of labor, and no more. Since effort is personally costly, the agent underperforms in providing it unless the principal puts contractual incentives . . . in place to counter that tendency.28

External effort is always costly to the employee but beneficial to the firm’s owners, which embeds an adversarial relationship between the two parties in publicly owned firms. Benefits to one party come at the expense of the other.

In contrast, an “internal” good such as meaning and employee engagement leads to greater satisfaction and higher utility for the employee and improves firm performance, which benefits the owners. This is illustrated in Figure 2. The right-hand side captures the “standard” view of human utility, the labor-leisure trade-off (rooted in human deficiency needs), and the impact of labor on firm value. The left-hand side illustrates how meaning or engagement at work can increase employee well-being without necessarily coming at the expense of other stakeholders.29
Figure 2. The logic of costly effort and engagement

Note: The right-hand side illustrates the impact of costly effort on worker utility (top figure) and firm output (bottom figure) and corresponds to the existing financial and economic framework. The left-hand side illustrates the impact of engagement on worker utility (top figure) and firm output (bottom figure).
Source: Author.

Conclusion
Anthropology in the book of Genesis highlights the unchanging dimensions of human experience that are true for all people in all times. Human work takes on both exterior (objective) and interior (subjective)
meaning. The biblical account suggests that the objective meaning must always remain subordinate to the subjective meaning, since God has ultimately created work for man, not man for work. The first step toward integrating the subjective dimension of human work into economic and financial models is to drop the assumption that it does not exist, or that the objective dimension of work can fully subsume it.

At least two generations of business leaders have been trained with models that ignore the subjective dimension of work. When these models are the basis of business decisions, they can lead to a firm’s lack of human engagement, because the idea of meaningful work lacks a legitimate framework for these business leaders.

Since 1978, Business Roundtable has periodically issued Principles of Corporate Governance, which includes language on the purpose of a corporation. Each version issued since 1997 states that corporations exist principally to serve their shareholders. October 2019 marked a notable change, when Business Roundtable stated:

It has become clear that this language on corporate purpose does not accurately describe the ways in which we and our fellow CEOs endeavor every day to create value for all our stakeholders, whose long-term interests are inseparable.\(^{30}\)

This statement was signed by the CEOs of 181 firms, many of which are publicly traded US corporations. As of the end of fiscal year 2019, this subset of firms had a combined market capitalization of $13.074 trillion, $6.654 trillion in annual revenue, $586 billion in annual net income, and 13,409,510 employees.\(^{31}\)

One can ask: “Why the change?” Is Business Roundtable just saying the same thing? Or does the new framework allow for something else? Is this not essentially the “enlightened shareholder maximization” that Michael C. Jensen described?\(^{32}\) A skeptical response to Business Roundtable is that CEOs have always known that businesses cannot treat their stakeholders poorly, and maximizing the value of the firm means not mistreating stakeholders. This article suggests that by affecting the mental models decision makers use, the change in the Business Roundtable statement may have implications beyond enlightened shareholder maximization. It may be consistent with models that implicitly recognize the subjective (interior) and objective (exterior) determinants of human flourishing.
Notes


22. Quinn and Thakor, “Creating a Purpose-Driven Organization.”

23. Quinn and Thakor, “Creating a Purpose-Driven Organization.”

24. Quinn and Thakor, “Creating a Purpose-Driven Organization.”

26. For a more comprehensive case on value relevance, see Alex Edmans, *Grow the Pie: How Great Companies Deliver Both Purpose and Profit* (Cambridge, UK: Cambridge University Press, 2020).

27. Assume, without loss of generality, a 0 percent cost of equity capital, so that the net present value of this project is zero.


29. The implications of this, and the integration of these two types of logic, are formally developed in Geoffrey Friesen, “Finance, Human Flourishing and the Logic of Stakeholder Engagement” (Working Paper, University of Nebraska–Lincoln, Lincoln, NE, 2020).


