

# REIMAGINING THE ECONOMY: TOWARD A HUMAN-CENTRIC APPROACH

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The classical economics of the 17<sup>th</sup>, 18<sup>th</sup>, and early 19<sup>th</sup> centuries emphasized land, trade, and merchant activity as the fundamental sources of economic value. In the late 19<sup>th</sup> century, responding to broad the social transformation that was the British Industrial Revolution, a new school of economic thinking redirected the focus of production theory in economics toward an industrial model. In this model—which became known as neoclassical economics—labor as a commodity was paired with similarly inert capital as the two core factors of production. As the neoclassical school gained prominence in the 20<sup>th</sup> century, it transformed economics from a humanistic and philosophical discipline into one structured around empirical tests of mathematically generated hypotheses. The ensuing proliferation of mathematically based concepts, models, and theories had a significant, if often subliminal, influence on leaders and decision-makers in both private and public organizations. Over time, this process led to the sidelining of human agency—not only in economic theory but in many practical contexts.<sup>1</sup>

Recent technological advances in the digital, physical, and biological realms have generated new forms of value creation that have the potential to revolutionize economic activity in ways as fundamental as those of the Industrial Revolution. However, this next industrial revolution also poses a risk of further sidelining human agency, which in the process will exacer-

bate inequality and create new forms of exclusion. The dramatic advances we are witnessing daily thus raise difficult questions about the role of human beings in the next economy.<sup>2</sup> As we navigate the ever more complex and tech-driven world we live in, the theories we have inherited from a prior generation are sidelining human agency and threatening to constrain the thinking

of leaders and decision-makers in ways that may be detrimental to humankind's long-term wellbeing.

In this essay, we propose a conceptual way out of the trap of the Western industrial model. We do this by juxtaposing the industrial model against what we refer to in this special issue as the human economy.

In recent years, a number of scholars and practitioners have embraced the concept of the human economy as an approach to economic activity that better accounts for the myriad social, cultural, and ecological dimensions of economic life. Consider these diverse but related definitions of the human economy:

- A diverse and complex domain of social and economic relations, practices, and institutions that transcend the market and

other formal institutions embedded in global value chains<sup>3</sup>

- A form of economic activity that prioritizes social wellbeing and ecological sustainability over maximizing profit<sup>4</sup>
- An economy in which people meet their material needs outside the framework of the market<sup>5</sup>
- A way of organizing economic activity that puts human beings and their social and cultural relations at the center and responds to the needs and aspirations of diverse communities<sup>6</sup>

Proponents of a human-centered economy argue that it offers a more holistic and inclusive approach to economic activity than that offered by the industrial model—one where the economic system serves human needs rather than the other way around. A human-centered economy acknowledges the value of activities that

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traditional economic indicators, such as gross domestic product, do not easily or readily capture.<sup>7</sup>

The approach we take in this essay follows in the intellectual tradition of Peter Drucker. Throughout his long and illustrious career, Drucker argued that a human-centered approach to management is crucial to long-term organizational success.<sup>8</sup> We similarly argue that a human-centered approach to the economy as a whole should be founded on the centrality of people. To this end, we offer three guiding principles for a human-centered economy that suggest a way to develop a more equitable, sustainable, and resilient society.

## **1. BEFRIEND ALGORITHMIC LEADERSHIP BEFORE IT MASTERS YOU.**

While algorithmic leadership has its benefits, we must also consider its potential limitations and unintended consequences. It should be viewed as a tool to enhance and inform decision-making, not as a replacement for human agency and leadership. It is important to befriend algorithmic leadership before it masters us, as we need to be proactive in guiding the development and implementation of new technologies to align with our values and priorities.

As algorithms become increasingly sophisticated, they pose a risk that human agency will be sidelined as leadership is replaced by decision-making machines.<sup>9</sup> While it is acceptable to delegate labor to machines, delegating decision-making to algorithms raises questions about the role human leaders play in organizations and governments.<sup>10</sup> This development has a number of far-reaching ethical implications, especially regarding human well-being.

To address these challenges, we must consider how to integrate increasingly sophisticated and self-improving algorithms into a human-centered economy. We must

view algorithms as tools that, rather than replacing human decision-makers, can enhance and inform decision-making. While algorithms and robots may make more effective choices and produce more optimal results than humans, we commit a severe long-term error when we measure progress solely in terms of perceived near-term gains economic efficiency.

One of the main problems with algorithmic decision-making is the potential for bias and the lack of human input. While algorithms can process large amounts of data and identify patterns that humans may miss, they are also prone to perpetuating existing biases and inequalities in the data. This occurs for several reasons. First, algorithms are designed to learn from historical data in which the biases and inequalities prevalent in the past are necessarily present. If not consciously addressed, this bias encoding causes the errors of the past to be reflected in predictions about the future.<sup>11</sup> Second, algorithms can inadvertently create feedback loops that reinforce existing biases.<sup>12</sup> Third, most algorithms are “black boxes,” meaning that humans do not easily understand their internal workings and decision-making processes. This makes identifying and addressing specific algorithmic biases a challenging task.<sup>13</sup>

Although algorithmic leadership may offer clear benefits in terms of efficiency and optimization, a human-centric view requires us to take seriously the limitations and unintended consequences of such an approach. We must ensure that algorithms are designed and implemented in ways that prioritize human well-being. It thus is essential to invest in the development of fair and unbiased algorithms, and to ensure transparency and accountability in their deployment. This includes employing diverse training data, conducting regular audits, and involving stakeholders in the development and evaluation process.<sup>14</sup> It also is vital to consider the implications for

power dynamics within organizations and governments, and the potential for a loss of human agency in the economy.<sup>15</sup>

Ultimately, we must recognize that algorithms are a tool, not a replacement for human agency and leadership. In a human-centered economy, we must work together to ensure that technology aligns with our values and priorities. Although technology may strive to improve itself, we should not rely on technology alone to improve its performance against a value function or a policy. We instead must guide technology and its implementation to align with our cultural norms and values.<sup>16</sup>

## **2. GO BEYOND WESTERN-CENTRIC ECONOMIC IDEAS AND NARRATIVES.**

Western ideas about the economy cannot be generalized globally. Joseph Henrich's argument about the co-evolution of culture and social institutions underscores the need to recognize that Western economic theories are vastly different from how the vast majority of humans have thought about themselves and their economies throughout history. We should not take for granted our individualism, conformity to social norms, and reliance on abstract thinking. We should instead embrace diverse perspectives and incorporate alternative economic models and practices that align with different cultures and values.

As Henrich stated in his seminal book, the way of thinking and working in the WEIRD parts of the world—that is, the Western, educated, industrialized, rich, and democratic nations—differs significantly from the way the majority of the world organizes and scales its societies.<sup>17</sup> The psychological and social characteristics associated with the WEIRD parts of the planet have had a profound impact on how humans think and behave, thereby shaping many of the concepts, models,

theories, institutions, and practices we take for granted.

The trouble with having such a narrow perspective is that it limits our understanding of what constitutes an economy. Western economic activity has focused primarily on monetary transactions and quantitative measures of economic growth. However, traditional economic practices in many non-Western cultures prioritize community wellbeing, sustainability, and equitable distribution of resources. The following are examples of this:

- In various African societies, the concept of *Ubuntu* emphasizes the interconnectedness of humanity by promoting cooperation, mutual support, collective progress, and shared prosperity.<sup>18</sup> *Ubuntu* fosters a system in which collaboration and the affirmation of others take precedence over individual gain.<sup>19</sup>
- In Pacific Island cultures, the practice of reciprocity and gift-giving establishes and maintains social relationships while fostering communal prosperity.<sup>20</sup>
- The Andean concept of *Ayni* fosters balance between individuals contributing to the common good and those receiving assistance in return.<sup>21</sup> It is deeply ingrained in Andean culture and promotes mutual support and shared responsibility.<sup>22</sup>

These ideals contrast with the Western model, which often prioritizes individual profit and growth at the expense of communities and the environment. By incorporating elements of non-Western economic practices such as those described above, economic models could be developed that are neither agency-free nor amoral. This would enhance our understanding of how to create an economy that is more centered around collective human needs and the common good.

A human economy should recognize the wealth of economic models and practices that exist worldwide, many of which are rarely written about or debated. It is time to acknowledge that, while WEIRD

economic models have a dominant place in narratives on what economies should look like, they are clearly not the only way of thinking and working, nor are they omnipresent.

### **3. DEVELOP PEOPLE-CENTRIC PROCESSES AND TASKS.**

Creating a more human-centric economy requires rethinking productive processes and tasks around people rather than just efficiency. As disruptions become more frequent and anomalies arise, as seen in recent global crises (pandemics, supply-chain disruptions, and the war in Ukraine notable among them), human assets will be critical to decision-making. This means blending digital humanism with empathy and social intelligence to create a new breed of leaders and a new imprint of innovation, one that makes human flourishing a central goal. By prioritizing human agency, we can ensure that emerging technologies will serve our needs and align with our values rather than dominating them. This requires a nuanced and contextual understanding of the complex social, cultural, and ethical considerations involved.

For centuries, humans have lived within an economic paradigm that has sidelined, if not ignored, human agency in favor of the immediate gains in efficiency that are realizable through machine-centric production processes. However, this paradigm is increasingly out of step with the complex world we live in, which has led to dissatisfied people, high employee turnover, and even burnout in the workforce. Recent global crises, such as the COVID-19 pandemic and the energy and supply-chain crises, have highlighted the need to reevaluate our economic models and work systems. The “Great Resignation,” a phenomenon that emerged in the US as a result of the COVID-19 pandemic,

was not just a phase of protest but a clear signal that the human element must be at the forefront of conversations about how we create value. It is widely accepted that intolerance, exclusion, and polarization can negatively affect social cohesion and collaboration, which ultimately hinders productivity and economic growth for significant portions of society.

To move toward a more human-centric economy, we must design jobs that make use of humans’ unique ability to make moral choices; to persuade and convince; to be culturally sensitive, empathetic, and globally agile; to imagine, intuit, improvise, and more. Ultimately, a human-centric economy must be based on principles that prioritize the dignity and value of human agency over efficiency.

While advanced algorithms will undoubtedly play an increasingly important role in economic value creation, it is essential that our future economic models, theories, and practices recognize the importance of concepts like reciprocity, mutual support, cooperation, and the common good. We can be inspired by Peter Drucker’s reasoning that, in management, the human dimension matters most for the long-term success of the economy.

### **CONCLUSION**

The development of a human-centric economy requires a fundamental shift in the way we think about and imagine the creation of economic value. We must prioritize the dignity and value of human agency over efficiency, embrace diverse perspectives and alternative economic models and practices, and recognize the importance of human assets in decision-making.

This requires us to be proactive in guiding the development and implementation of emerging technologies to align with our values and priorities, while also recognizing the limitations and unin-

tended consequences of algorithmic leadership. Ultimately, a human-centric economy must be designed to serve human needs, rather than making humans subservient to the economic system. Following the principles we have outlined in this essay would be a first step toward creating an inclusive and sustainable economy, one that promotes humans' wellbeing and ability to flourish. Reimagining the economy to take a more human-centric approach will ultimately put us on a path toward a more just and prosperous future for all.

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