

# THE PHENOMENON OF ECONOMIC RESPONSIBILITY

## FENOMEN EKONOMSKE ODGOVORNOSTI

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**Abstract:** *The publication has arisen two aims: to describe the phenomenon of responsibility and to demonstrate, from where the weakness of the institution in Estonian economic relations comes today. In this publication responsibility is considered as a specific regulation of human behaviour, wherein the activity of the subject of responsibility is influenced by self-assessment from one side and by the social assessment of the results of his activity through different sanctions from the other side. It's characteristic to the transitional states, so it's characteristic to Estonia, that independence is identified with the lack of responsibility i.e. a situation, wherein the aggregated level of independence of society is limited*

**Key words:** *responsibility, economic responsibility, sanctions, efficiency*

**Sažetak:** *Rad ima dva cilja: opisati fenomen odgovornosti i prikazati izvore slabosti estonskih ekonomskih institucija danas. U ovom radu odgovornost se smatra posebnom karakteristikom ljudskog ponašanja, dok je djelovanje predmeta odgovornosti pod utjecajem samoocjenjivanja s jedne strane i društvenim ocjenjivanjem rezultata njegovog rada kroz različite sankcije s druge strane. Karakteristično za zemlje u tranziciji pa tako i za Estoniju je to da se neovisnost poistovjećuje s nedostatkom odgovornosti.*

**Ključne riječi:** *odgovornost, ekonomska odgovornost, sankcije, djelotvornost*



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## 1. Introduction

It has become a fashionable item to talk about the responsibility, in fact, about the lack of responsibility. At the same time it's difficult to find two persons whose conceptions about the responsibility would have been coincidental. Obviously, it would be necessary to determine what's the responsibility is, how it's expressed, and how it would have to be expressed, before we will talk about the substantial lack of responsibility in many institutions (which is a false and true statement at the same time).

The publication has arisen two aims: to describe the phenomenon of responsibility and to demonstrate, from where the weakness of the institution comes today. The development of juridical, economical etc means in order to change the present situation isn't even methodologically among the purposes of the publication.

## 2. The essence of responsibility

The representatives of different disciplines approach the problem in different and according to different criteria. We get an objective premise for the variety as for terminological, so for essential aspects, often even for the contradiction, if we'll add the complexity and extremely difficult possibility to define, what gives the premises to approach the responsibility from very different levels of abstraction, to the faceted approach to the problem. The main amount of the publications are usages, which are far away to be scientific, and wherein the responsibility or usually some small part of it, which is out of the context, is treated according to personal or group interests or according to current political problems.

It's instantly rational in order to avoid useless terminological discussion or even scholastic and conscious demagogy to fix what the term responsibility means in this publication. So, responsibility is considered as a specific regulation of human behaviour, wherein the activity of the subject of responsibility is influenced by self-assessment from one side and by the social assessment of the results of his activity through different sanctions from the other side. Instantly, in order not to deal the essence of responsibility restrictedly it has to be mentioned that the sanctions aren't considered only as a punishment. We originate from the Latin origin of the word *sanctio* i.e. we interpret the term as approval, acceptance, and the adoption of some act or as fixing it by a law. It's especially controversial if the authorization is used in the meaning of punishment.

The author has proposed in his previous publications [3] a simplified model to explain the essence of responsibility, which is based on feedback (Figure 1). In order to understand the model it's essential to stress that management has to be understood in its general meaning and the managed object can be whatever reflector of human activity. The dotted line on Figure 1 reflects the deviation of the managed object to desirable (+) or undesirable (-) direction.

Such a treatment of the essence of responsibility can demonstrate the conditions of its presence in every system i.e. it has got a heuristic methodological importance. The

premises of the presence of the responsibility in every system are as follows: 1) the presence of the subject of responsibility (a person or smaller or bigger group of persons) in the observable system; 2) the subject of responsibility has to have a choice between different decisions; 3) different decisions of the subject have got different influences on the managed object (on the reflection of its activity); 4) the changes of the managed object can be determined; 5) the estimation (valuation) of the changes; 6) the presence of a real feedback on the subject of responsibility; 7) the understanding of the essence of the feedback by the subject; 8) the correction of the future activity of the subject according to the feedback.

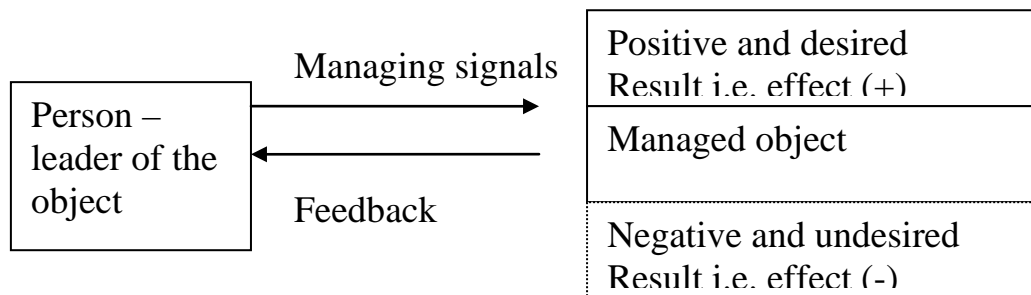


Figure 1. Model of responsibility

The responsibility can exist only inside a system and only inside systems, which contain human activity. Unlike most of the researching objects of social sciences the responsibility can sometimes have a non-social character e.g. the responsibility existed in Robinson's system people – nature. Certainly, the responsibility has dominantly got the social character in human society. In such a system the reflector of human activity isn't a natural direct environment but the forms mediated by human activity and that's different from Robinson. Also, the results of human activity don't appear in direct biological changes of the living conditions of a concrete human individual but in the change of the social environment, especially in the change of total efficiency of economics. The feedback appears through different social institutions in such a situation. Therefore, the responsibility is an essential part of all the sciences studying the institutions of human community, however, it hasn't been treated enough yet.

The direct social character of responsibility appears in estimations of the results of activity given by the subject. As every subject dominantly proceeds from oneself and one's own interests, so these estimations don't have to coincide with objective reality nor social estimations.

The presence of responsibility in a certain system premises some certain independence of the subject of responsibility. A person can't have any level of independence in a one-to-one determined system, therefore one can't be responsible for anything – one just doesn't have any possibility to be the reason for a source of different conditions of the managed system. The responsibility is created by independence and the independence is directed by responsibility. Therefore, there

isn't any independence without responsibility or any responsibility without independence [2].

The premise of the presence of responsibility in every system is the presence of a feedback, which reflects the changes taking place in currently managed object. Above all a direct perceptible feedback acts in the first stages of human society. But a feedback, which acts through different social institutions (bookkeeping, arbitration, judge, court), becomes dominant since the end of a traditional society. The latter fact isn't a limited interpretation of  $\pm$  treatment. A false feedback may originate from the false estimations of the changes of the managed object, an inadequate reaction or an inadequate perceiving of the reaction by the subject of the responsibility. The factual content is formed by the total effect of objective and subjective factors. The objective content of the responsibility of the subject (person, group, state etc) is in accordance with the real result of one's activity only in the case of their coincident.

### **3. The lack of traditional treatment of responsibility**

The traditional treatment of responsibility is based only on the negative results of the managed system and it deals only with the negative feedback. The restricted treatment, which widely identifies the responsibility with the punishment, can be used only for some juridical problems e.g. code of laws [1]. But it occurs to be limited for macro economical and especially social problems. For example, a worker has to make 25 details from one ton of steal but he copes with 30 details but he could make 100. The equivalent treatment says that there isn't any responsibility, more over – there isn't any responsibility and he is praised. But the changes of a managed object have to be valued negative by society (the efficiency is much less than it could be). Who's really responsible for the negative changes? Probably they are inconspicuously divided inside a smaller or bigger group of people (as an extreme version – among all the humans), wherein these changes and especially the mechanism of their origin aren't perceived at all or, if perceived, then in an inadequate way.

A bivalent approach to responsibility is necessary in order to avoid the aforesaid and other lacks. According to this treatment the subject of responsibility (person or collective) is responsible not only in the case of non-performance of a fixed demand but in the case of whatever change of the managed object if these are the results of one's free activity or inactivity. Certainly, a treatment of that kind assumes the feedback to be bivalent ( $\pm$ ) being positive (+) or negative (-) according to the results of the activity.

The bivalent approach isn't a new one in social sciences and in economics – it's principally used in the observation of the principles of market forming mechanisms. All the treatment of automatic stabilisers is based on it.

The bivalent treatment is certainly more stimulating than the equivalent one. It describes the efficiency more. In the case of equivalent treatment it's obligatory to fix the ideal condition of the managed system, then all the changes will be contemplated as deviations from it, and the subject of the responsibility will be punished for them.

Even if the ideal condition of some system could be fixed, it will be very temporary in the dynamic world. Society is interested in Pareto-efficient division of the resources but it's rapidly changing. We could at best insert the current Pareto-efficient division of resources if we'll fix the ideal condition of some system. A system of equivalent response can't be changeable at once; that's why it inescapably impedes economics (and the whole society) in time. The equivalent treatment of responsibility is justifiably called retrospective. A retrospective treatment of that kind is based on the Medieval sense about the society - first of all the responsibility is a divine punishment for false behaviour. The God may be Jehovah, Allah, Buda or some fourth one.

Any phenomenon of efficiency can be estimated as a relation between the obtained result and the resources spent (or used) for it. The question – did the person i.e. the subject of responsibility reach the status given by the system – isn't sufficient. It's quite possible that one wasn't able to reach the goal with the resources one possessed. The bivalent treatment contemplates the dynamics of the system and gives the estimation according to it but the equivalent one gives the estimation according to an ideal (normative), which has been fixed by someone and somewhere. Certainly, the bivalent treatment of the responsibility assumes the presence of positive (+) and negative (-) feedback and the appropriate sanctions.

#### **4. Responsibility contra independence**

The problem of the relation between the responsibility and the independence has already been reported in the works of Ancient authors but the disputes haven't ended even nowadays. It's mostly the problem of free will. If the gods have destined the behaviour of a person, so how could a person be responsible for one's activities? Is it allowed to punish a person for breaking a law? One hasn't got discretion, as one is just a puppet for the gods. Why should the puppet be punished if God stands behind all of it?!

The Medieval Ages added the stressing of the retrospective aspect as it has already been mentioned. As the Medieval Ages' scholasticism receded, so human thoughts began to look for the answer to the essence of responsibility not in the divine will but in the reference system of a person as a social creature. It's rather paradoxical that human kind hasn't been able to add something principally new to Spinoza's (1632 – 1677) rational gnoseological treatment. Spinoza told that the independence was obtained only in thoughts and that's why independence was cognised inevitability, which is understandable only for a clever person who's looking at the world from the position of eternity. It's a fact that the position – independence is cognised inevitability – which has been ascribed to Hegel or even Engels, has *de facto* been written by Spinoza and both, Hegel and Marxism have just tried to press it in their system of ideal political categories.

The discussion about antonyms "independence – compulsion" and "independence – determination" hasn't been finished yet. It can't be finished until the solution to the

problem is searched on the level of human psyche. Human being isn't just a biological creature or just a thinking creature; it's also a social creature. The problem of the essence of responsibility and independence can't be solved without understanding it. Human person is never free from the biological nature and social environment. The less one knows, the less one understands – the fewer is the discretion. Human kind expands its discretions while understanding the general rules of the development on Universe, finding out the processes taking place in society, and perceiving general rules of regularity. Every step of progress enables to add new alternatives to human behaviour. It was just not long ago as human kind learned to fly and turned flying and air transport to be controllable objectives. Today we're entering space and the probability to meet other civilizations in the nearest future of cosmic scales is great. The independence is increasing as the limits of the processes we can't understand diminish.

The responsibility in human society grows as the determination made by natural laws diminishes, we can influence more and more objects and the results of human activity will be bigger, sometimes even fatal and catastrophic. The feedback of human society, especially on its higher levels of development, takes place through different social institutions. The systematic backwardness of them, for example juridical acts, from the rapidly changing reality compiles "empty places" in feedback i.e. the results of human activity can't be understood or, as it's common, they can't be evaluated or the system of feedback can't be created. But the results exist and they are divided between smaller or bigger groups. A paradox arises – if there isn't any feedback to subject of responsibility, which created concrete changes, then the results of its activity appear concerning other members of society as an inviolable power, which restricts the independence. The basis of independence for the members of society is the concrete feedback, which is based on responsibility.

The same may be said about the aggregated independence of society as a total unit. If subjects arise, who will stay away from responsibility, then the level of independence of very many people will decrease. The results of the subject, who didn't take consequences, function as an inviolable power, which limits independence. The aggregated level of society decreases as a result of it.

The limitation of aggregated independence is especially high if the feedback doesn't reach the persons, whose activity had the inviolable influence on the very many people (parliament, government, court, media etc). But these institutions are often eliminated, sometimes even consequently using their position, from the really working feedback. A situation of that kind decreases aggregated independence in the society.

It's characteristic to the transitional states, so it's characteristic to Estonia, that independence is identified with the lack of responsibility i.e. a situation, wherein the aggregated level of independence of society is limited. Only the Parliament of Estonia as the main legislative body can really change the situation. But it premises to overcome the diametrically controversial interests of very influential groups, wherein

is the Parliament of Estonia itself and who are interested in preserving the current situation.

## **5. The essence of economical responsibility**

It's more difficult to find answers to questions – what are social, economical, material, political, moral etc responsibilities – than to understand the essence of responsibility.

The most common way to determine something is to define it as a part of something. But responsibility and its forms are so general terms that a determination of that kind doesn't succeed. As the basis of the existence of responsibility in every system demands a simultaneous presence of abovementioned conditions, so the responsibility has tried to be classified according to them and on the basis of a simultaneous combined observation of some of them [4].

The systematisation of the forms of responsibility is especially difficult whenever the responsibility and the sense of responsibility are mixed up. It's obvious that if the subject of responsibility doesn't perceive the feedback at all or perceives it in a false way, then there's a lack of motivation in his/her intended behaviour. Certainly, an objective perceiving of the feedback is the obligatory assumption of responsibility. If there's a lack of the objective perceiving, then the scheme, which depicts the essence of the responsibility, isn't closed and the system can't function. But the perceiving of the responsibility or the adjustment of the behaviour for it can't be identified with the whole essence of the responsibility.

The classifications of responsibility originate from the forms of feedback: material, criminal, disciplinary etc forms of feedback have been given just emanating from the essence of the feedback. But is it possible to give the essence of economical feedback on its basis? Through the extrapolation of the abovementioned logics the responsibility, which functions through the economical feedback, should have to be considered to be the responsibility. Essentially, any responsibility contains economical moments. That's how the economical responsibility would dominantly be identified with the social responsibility.

It's practical to originate from the abovementioned model of responsibility while limiting economical responsibility (Figure 1). The basis of responsibility are the changes, which take place in the guided system (in the reflector of human activity), which are positive or negative and which have been formed as a result of the voluntary behaviour i.e. behaviour, which contains a possibility of choice. As every human activity has often got some results in several different fields and/or it could be estimated according to several different aspects (economy, moral, politics etc), so different forms of responsibility – social, economical, moral etc – could be talked about. The moral responsibility means all results of human activity (with the changes in the reflection of human activity), which have some influence on moral (or which could be estimated from the position of moral); the economical responsibility means

economical changes (results) originating from the activity of the subject of responsibility. The next problem would arise – practically all human activities will evoke some forms of economical results. According to the abovementioned criteria practically all human activities are “covered” with economical responsibility.

We can talk about the responsibility if the results of the activity of the subject have some real feedback on him. The lack of feedback automatically eliminates responsibility from the system. Therefore the question about the role of feedback in the identification of the economical responsibility arises.

The following versions are possible:

1. A feedback of economical character from the economical changes of the guided object.
2. A non-economical feedback from the economical changes of the guided object.
3. An economical feedback from the non-economical changes of the guided object.

Undoubtedly, the first one is economical responsibility, whatever aspect you’ll consider. The second and the third versions are problematic. Logics about the second one would be the following. Probably it can’t be considered to be an economical responsibility, if there’s a punishment as deprivation of freedom, public humiliation etc for economical results. That’s certainly a case if there isn’t any economical changers of the situation e.g. decrease of earnings during the deprivation of freedom. The latter one i.e. the worsening of economical situation is already an economical feedback. The third version is more difficult. Let’s imagine a penalty fare for breaching the speed limit. Any measurable changes, particularly economical, didn’t occur in the guided object; but the feedback is certainly of economical character and it will elicit the worsening of the economical situation of the subject. The different treatments of the last version are the objects of the discussion around the boundaries of economical responsibility. In order to avoid the scholastic discussion it’s perhaps practical to state that economical responsibility has got two different treatments: narrower one and wider one. Narrow treatment assumes a simultaneous presence of two possible characteristics – economical results and feedback of economical character. That’s strictly scientific treatment, wherein the borders of the observed category are exactly determined. The second treatment, wherein it isn’t obvious which part of the responsibility should be considered to be economical responsibility, is suitable for several philosophical and juridical problems, but it isn’t suitable for scientific economical questions.

## **6. Conclusion**

The following conclusions could be made:

1. As a general rule, the responsibility is treated as restrictive i.e. its definitions are suitable just for some part (or form) of the responsibility and even that’s



dominantly within the frames of the categories of one scientific field. Thereat a retrospective treatment, which has been stressed by lawyers, is dominating and that's rather unsuitable for the treatment of economical problems.

2. The responsibility could be treated scientifically correctly and complexly only on the basis of the feedback of the systematic theory. (Figure 1). Responsibility should be understood as a specific regulation of human behaviour, wherein which the activity of the subject of the responsibility is influenced by self-estimation from one side and by social estimations of the results of his/her activities through different sanctions from the other side. Thereat the sanctions can't be observed as punishments and the feedback can't be observed as a phenomenon, which strengthens or weakens the system. A treatment of that kind eliminates the inescapable dynamism of Pareto-efficient division.
3. Responsibility can't be treated outside the unity of "freedom-responsibility". Unfortunately the stressing of their polarity is spread instead of giving their unity.
4. The economical responsibility forms a part, especially a determining part, from the whole category of (social) responsibility. Suitable criteria of law have been used while determining it. The scholastic discussion about the economical definitions of economical responsibility could be avoided while observing the economical responsibility according to the above given scheme and by giving two definitions of economical responsibility – narrower and wider ones. The criteria of definition are the changes of economical situation of the subject as a result of the mechanism of feedback. It has to originate from the economical changes, which have taken place in the object of the responsibility, for narrower one. The influence of feedback on the economical situation of the subject of responsibility is sufficient for the wider one.

## 7. References

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