

## CRISIS FACTORS AND PERSPECTIVES OF RESPONSIBILITY

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(Abstract) The crisis, in whatever form it manifests, is always at the same time the crisis of thinking, of interpretation and self-interpretation. But in the case of the economic crisis there also arises the question of correlation of the social activity systems upholding man's life, and the role of the normative (i.e. moral, legal, political) conditions of cooperation. Accordingly this is not only about the social and cultural role of the money (Simmel), or the autopoiesis of the autoreferential social systems (Luhmann), but also about what makes the critique of the market economy inevitable from an economic and systemic risk point of view (Polányi, U. Beck), or about the question of whether systemic problems could be solved in the frameworks of branch ethics of financial practice or of comprehensive ethics in the economy. It seems to us that the analysis of the evolvement of the crisis draws our attention on the fact that it is not the accidental errors or occasional disorderliness that we meet here, but that the financial guidance of the whole economic process (e.g. taking self-interest maximization as the sole measure of economic rationality or coordinating economic activities according to the consideration of the shortest term of revenue) is essentially problematic. If we are able to conceive the economic crisis also as the crisis of our thinking and our ways of leading a life, it may come to light that not only the economic system's characteristics are responsible for the crisis, but also the subjective expectations connected with the economic-financial system. Accordingly the annulment of the causes of the crisis isn't the special problem of the economists, entrepreneurs and politicians only, but also a first order problem for both the average people, and the humanities and philosophy.

*Keywords:* economic crisis, individual responsibility, institutional responsibility, risk society, systemic risk, financial pollution, responsibility for lifestyle, reasonable expectations, perspectives of responsibility.

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Extensive literature is available on social and cultural crises in different historical eras because philosophy generally questions the soundness of thinking and interpretation, the propriety of principles and the compatibility of current experiences with principles. Therefore, in this sense, crises always entail the crisis of thinking, the interpretation of us and our life processes, in other words, the evidence of the defects in our lifestyles and our mental points of reference being compromised<sup>1</sup>. It is even more so if the economic and civilization crisis is simultaneously that of lifestyles. In that case, the question arises concerning the interpretation's system of relations whether the spontaneous or forced connection of the social activity system surrounding our lives' organisation ("system integration") and the reflective, value-driven orientation ("normative integration") are adequate to each other. This way, the interpretation of social crises includes the redefinition of the relationship between the individual and the society. In this context, the cooperation between individuals, the mechanisms and the system of conditions (traditions, premises, ideals, rules and ambitions) of the interaction among different social groups' lifestyles have to be taken into account.

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<sup>1</sup> e.g. in his Lecture delivered on 10 May 1935 at Vienna, entitled *Philosophy and the Crisis of European Man*, Edmund Husserl tried to demonstrate that Europe has had alienated from its rational sense of life, fallen into a barbarian hatred of spirit and would be reborn from the spirit of philosophy by overcoming naturalism. In this context he discusses once again one of his most frequently treated topics, the basic difference between natural sciences and the human sciences, the sciences of the spirit showing their sense of spirituality strongly related to a personalistic conception of man, of social frameworks, community and spiritual creativity. See Edmund Husserl: *Philosophy and the Crisis of European Man*, In: Edmund Husserl, *Phenomenology and the Crisis of Philosophy*, Translated with Notes and an Introduction by Quentin Lauer, Harper Torchbooks, 1965.

Social and global integration mechanisms, for example, social subsystems, different forms of modernization, and uncertainties (risks) depicted as allowable and tolerable in some societies, cannot be ignored during the description of tendencies valid for the whole society, and also for global processes either. The phenomenological sociology of the structure of society as meaningful reality (Schütz), the comprehensive theory of traditional cultural sociology about the social role of money (Simmel), the social systems' theory (Parsons, Luhmann), theories explaining the imaginations of the social cycle characterizing modernity (Taylor) and various other social and critical economic theories (Polányi), as well as business ethics theories regarding economic sectors (Robert W. Kolb<sup>2</sup>) are at our disposal to enable us to interpret the processes mentioned above. As it can be predicted, the coherent analysis of the significance of events and the bases of tendencies requires an interdisciplinary approach, in which emphasis is put on the integration of different aspects instead of summarizing the knowledge belonging to various disciplines in the spirit of "omniscience".

### *The problem's outline*

The fundamental question of this study can be defined as people's responsibility taken of themselves and their lifestyles in the global context of actions and different cultures of the social cycle. This question is interpreted in terms of the global economic crisis of 2008/2009 originating from the United States' subprime mortgage market. This crisis and its serious existential consequences provide an opportunity to assess the results, significance and meaning of the financial and economic translation of human relations. Naturally, this study would not like to discuss whether this translation is desirable as in today's globalized world, it has become a special form of the human state of being ("condition humana"), which puts the definition of human abilities and responsibility into a different light. In this sense, the crisis is just a new evidence of the realization already expressed concerning technology, which states that the opportunities at their disposal highly exceed people's willingness and ability to take responsibility and act in a controlled manner. Therefore, it is worth examining what responsibility means, what this willingness is dependent on and how it can be triggered.

The premise: the crisis, as a phenomenon bearing negative consequences for the majority of people, however not everyone, inevitably raises the question of responsibility. If the crisis is partly the result of actions relating to consciously planned and particular execution, the responsibility of people provoking the crisis cannot be ignored, regardless of the fact whether it had been considered as a possible outcome at all.

The hypotheses are the following:

1. The crisis is the joint consequence of *deliberate actions* as well as financial and economic *system features* lying in the background of coherent financial and economic actions' circumstances. At the same time, it means that actions and motivations directly or indirectly responsible for the emergence of the crisis can be predominantly found in the "developed world", in other words, in the contemporary American and European societies and their financial and economic systems. However, actions and motivations connected to the financial and economic system worldwide derivatively contribute to it as well.

2. A part of the conscious stakeholders (or those who consciously refrained from certain actions) *acknowledged* and *accepted* the possibility (the risk) of the emergence of a crisis. Consequently, they can be considered *directly accountable for the crisis* whether they assessed its possible magnitude correctly or not.

3. The majority of the figures consciously or unconsciously provoking the crisis were at least partly familiar with and accepted the financial and economic system's characteristics; not only its advantages, but also its drawbacks affecting a part of the population, "others and themselves" (at least potentially and in a foreseeable manner). Indeed, many strived for the maximization of the benefits provided by the system. They can be regarded as *indirectly responsible for the crisis*. (The acceptance of the system's advantages and drawbacks with regard to the relative maximization of personal benefits does not mean, however, in some cases, does not exclude the fact that the stakeholders are motivated by *absolute self-interest* and *perfect greed*.)

4. In this system, which pervades the contemporary world and its typical lifestyle, the decision-makers' considerations include consciousness, self-control, various elements of responsibility, furthermore, in the framework of system-control, the mitigation of risks, the assessment of responsibility, and tendencies to create the conditions for accountability (moral, regulatory and legal) besides the attitude to maximize utility. In addition to these aspects, responsibility for the proper functioning of the system, the uncritical acceptance

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<sup>2</sup> Robert W. Kolb: Ethical Implications of Finance, In: John Raymond Boatright (ed.): *Finance ethics: critical issues in theory and practice*, (The Robert W. Kolb series in finance), JohnWiley & Sons, Inc., Hoboken, New Jersey.

of system-specific value considerations, and our lifestyles' and ideals' adjustment in accordance with these is not significant.

5. Participation in the maintenance and reconsideration of various communities' fundamental relations based on conscious self-reflection and the harmonisation of different viewpoints can be regarded as the starting point of responsibility. Accordingly, the crisis originated from the actions and processes that our lifestyles entail. As a result, the responsibility assumed by our lifestyles must be taken into account besides the responsibility of *those who are directly accountable*. The bases of responsibility and irresponsibility prevailing both locally and globally rooted in our everyday lives must be re-examined as well.

*The role of single person decisions in the development of the crisis*

The burst of a so called “bubble” on the American subprime mortgage market, which was enlarged beyond reasonable value limits by exaggerated public expectations generated by the Administration and the financial sector, can be defined as the source of the crisis. The burst of this bubble was followed by a deep economic depression. Talking about people responsible for the crisis might be misleading because it might give the impression that individuals' decisions, predispositions, sympathies and aversions can not only shatter the bases of the world's greatest economies, but also set international processes in motion. Examining the factually determinable events that triggered the crisis might lead to similar results. As Ralf Dahrendorf explained “everything that has happened to the world economy since September 2008 goes back to the decision of the American Government not to protect Lehman Brothers from insolvency. This decision is traced back to the personal animosity between the Lehman CEO, Richard Fuld, and the US Treasury Minister (at the time) Henry Paulson. A single decision had a domino effect, which engulfed first the financial economy and then the real economy.”<sup>3</sup> However, there are people directly responsible for the crisis: politicians, bank executives, risk management companies and authorities responsible for the regulation of financial operations.<sup>4</sup>

The following people must be mentioned if we would like to specifically identify some of those responsible for the events. In the first place, bank executives are definitely responsible for the prevailing situation. Although the executives of the financial institutions most affected by the crisis (Charles Prince, Peter Wuffli, Stan O'Neal) resigned, they have not admitted their own personal responsibility in the events. Moreover, Stan O'Neal, for example, left his company with a severance pay at the value of \$160 million. Not only individuals can be accounted for the crisis, but also institutions. For example, Fannie Mae<sup>5</sup> and Freddie Mac<sup>6</sup>, credit institutions acting on behalf of the Administration enjoying state guarantee, which acquired claims on mortgage receivables from primary credit institutions on the subprime market. After having been categorized, these claims served as a basis for derivative products – that is to say, mortgage-backed securities – spread on the free market, increasing and ensuring the capital resources of mortgage loans. The 41-year-old executive of Freddie Mac, David Kellermann committed suicide in 2009<sup>7</sup>. Based on the categories set up by Schürmann-Welp-Bergermann, the executives of risk management companies, such as Standard & Poor's (S&P), can also be regarded as responsible because they represented credits provided to third-class debtors as first-class, easily manageable liabilities. As Nobel laureate economist, Joseph Stiglitz points out in his book *Freefall America. Free Markets and the Sinking of the World Economy* (2010), credit rating agencies also supported financial market actors to create securities<sup>8</sup>. Authorities responsible for the

<sup>3</sup> “Everything that has happened to the world economy since September 2008 goes back to the decision of the American Government not to protect Lehman Brothers from insolvency. This decision is traced back to the personal animosity between the Lehman CEO, Richard Fuld, and the US Treasury Minister (at the time) Henry Paulson. A single decision had a domino effect, which engulfed first the financial economy and then the real economy.” Ralf Dahrendorf: *Nach der Krise: Zurück zur protestantischen Ethik? Sechs Anmerkungen*, Merkur 5/2009, translated, by Sam Whimster, Ralf Dahrendorf: *After the crisis: back to the Protestant ethic? Six critical observations*, *Max Weber Studies* Vol. 10.1 January 2010., pp. 11-12.

<sup>4</sup> Categorization of different people responsible for the crisis can be found in the work of Christoph Schürmann, Cornelius Welp and Melanie Bergermann, *Folgen der Finanzkrise sind hausgemacht*, *Wirtschaftswoche*, 13. Februar 2008, <http://www.wiwo.de/unternehmen/elitaerer-zirkel-folgen-der-finanzkrise-sind-hausgemacht/5143016.html>, (10 May 2011). Hereinafter, this typology and the examples mentioned in connection with it will be partly outlined.

<sup>5</sup> Federal National Mortgage Association

<sup>6</sup> Federal Home Loan Mortgage Corporation

<sup>7</sup> Charles Duhigg-Jack Healy: *Reported Suicide Is Latest Shock at Freddie Mac*, *The New York Times*, April 22, 2009, [http://www.nytimes.com/2009/04/23/business/23freddie.html?\\_r=1](http://www.nytimes.com/2009/04/23/business/23freddie.html?_r=1), visited 10 August 2012

<sup>8</sup> “The lure of easy profits from transaction costs distracted many big banks from their core functions. The banking system in the United States and many other countries did not focus on lending to small-and medium-sized businesses,

regulations of financial operations, such as the European International Accounting Standards Board (IASB) or the American Financial Accounting Standards Board (FASB) are also accountable due to the fact that it was them who came up with the regulation of risk sharing which allows companies to take the debts worth billions out of the financial circulation and give them to unreliable enterprises. Economic analysts, who misled certain investors with false future prospects, can be viewed as another category of those who are responsible for the crisis. As a result of their activities, loan packages without real market and value, which are simply speculations on non-existent values, can be found in banks and other target companies all over the world.<sup>9</sup> As it can be seen from the examples mentioned so far, responsibility is shared by several different stakeholders. In addition, the serious consequences are not only derived from personal self-interest. The fact that “white-collar criminals” can be found among the “main figures” cannot be considered accidental. For instance, “the greatest pyramid scheme fraud of all time” managed by Bernard Madoff cannot be viewed as a cause for the crisis. However, it significantly exacerbated the situation. Madoff’s company (Madoff Investment Securities) peculated \$65 billion from its clients. The gravity of the crime and the huge number of lives it ruined can be symbolically expressed with the fact the he was sentenced to 150 years in prison.<sup>10</sup>

Politicians, who supported or even inspired the deregulation of financial markets for the sake of their own political purposes by referring to the fact that the market will regulate itself and its processes, also have to be taken into account as far as the crisis’ causes are concerned. As Joseph Stiglitz said in a magazine interview, cited by Reuters, former Federal Reserve Chairman Alan Greenspan and the government of U.S. President George W. Bush were to blame for the U.S. financial crisis<sup>11</sup>. Following the dotcom crisis in 2001, Greenspan kept the interest rate low for 5 years in order to stimulate the economy and prevent recession. In the viewpoint of Stiglitz, the fact that Greenspan supported the tax cuts introduced under the Bush Administration – which did not stimulate the economy enough (“the economy was not as resilient as it could have been due to the ongoing tax cuts and the huge costs incurred by the war in Iraq”) – and then triggered a wave of borrowing with the help of low interest rates, had a negative effect on the American economy. Bush himself believed that domestic consumption needed to be boosted in order to be able to finance the war in Iraq. Hence, he announced a cheap, state-backed programme to purchase houses. In 2003, Greenspan told the Senate Banking Committee: “What we have found over the years in the marketplace is that derivatives [<sup>12</sup>] have been an extraordinarily useful vehicle to transfer risk from those who shouldn’t be taking it to those who are willing to and are capable of doing so.”<sup>13</sup> As a result of the fact that Greenspan was the biggest advertiser and vindicator of financial markets’ deregulation, many accused him that he had contributed to the development of the crisis by pushing the regulation policy into the background. After the outbreak of the crisis, during the hearings before the senate, Greenspan admitted he had “made a mistake” in believing that financial firms could manage their risk and were “best capable of protecting their own shareholders”. The

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which are the basis of job creation in any economy, but instead concentrated on promoting securitization, especially in the mortgage market. It was this involvement in mortgage securitization that proved lethal. In the Middle Ages, alchemists attempted to transform base metals into gold. Modern alchemy entailed the transformation of risky subprime mortgages into AAA-rated products safe enough to be held by pension funds. And the rating agencies blessed what the banks had done.”, Joseph Stiglitz: *Freefall America. Free Markets and the Sinking of the World Economy*, W. W. Norton & Company, 2010, p. 27.

<sup>9</sup> Schürmann-Welp-Bergermann *op.cit.*

<sup>10</sup> “Madoff has become an emblem for the greed that pitched the world into recession. Nearly 9,000 victims have filed claims for losses in Madoff’s corrupt financial empire....Madoff’s famous victims included the film directors Steven Spielberg and Pedro Almodóvar, actors Kevin Bacon and Zsa Zsa Gabor and the author Elie Wiesel. But there were many more anonymous and less wealthy people who had their lives ruined by Madoff, including teachers, farmers and mechanics.” David Teather: *Bernard Madoff receives maximum 150 year sentence*, The Guardian, visited 30 June 2009, <http://www.guardian.co.uk/business/2009/jun/29/bernard-madoff-sentence>, (17 August 2012)  
[www.guardian.co.uk/business/2009/jun/29/bernard-madoff-sentence/print](http://www.guardian.co.uk/business/2009/jun/29/bernard-madoff-sentence/print), (30 August 2012)

<sup>11</sup> Karin Strohecker-David Holmes: *Greenspan, Bush to blame for U.S. crisis -Stiglitz*, Reuters, Apr 28 2008, <http://www.reuters.com/article/2008/04/28/sppage014-l27190963-oistl-idUSL2719096320080428>, visited 17 August 2012

<sup>12</sup> As Peter S. Goodman explains the term “Derivatives were created to soften — or in the argot of Wall Street, “hedge” — investment losses. For example, some of the contracts protect debt holders against losses on mortgage securities. (Their name comes from the fact that their value “derives” from underlying assets like stocks, bonds and commodities.) Many individuals own a common derivative: the insurance contract on their homes.” Peter S. Goodman: *Taking Hard New Look at a Greenspan Legacy*, The New York Times, Oct. 8, 2008, <http://www.nytimes.com/2008/10/09/business/economy/09greenspan.html?ref=thereckoning>, visited 17 August 2012.

<sup>13</sup> *ibid.*

collapse “shocked me,” he said. “I still do not fully understand why it happened and obviously to the extent that I figure where it happened and why I will change my views. If the facts change I will change.”<sup>14</sup>

Naturally, it would be difficult to deny any of above mentioned individuals’ or categories’ responsibility. Furthermore, subsequent analyses indisputably revealed the phenomena of *greed* and “*moral bankruptcy*”. However, it must be investigated further whether these can be regarded as “sufficient causes” of the events. Therefore, the question arises whether a problem defining the entire group of phenomena can be identified so that the perspectives of responsibility can be elaborated. Since it is conspicuous that it can be defined as a system of interdependencies on impersonal mechanisms within which (1.) the vulnerability of individuals participating in the cooperation triggered by each others’ actions, (2.) the basic conditions “depicted as mechanisms” in which the current cooperation occurs, and (3.) the role of individual and shared beliefs as well as different forms of mentalities must be distinguished.

### *The modern economic and social cooperation*

The features and mechanisms of the cooperation system (consisting of the market, the financial market, credit policies and the consumer behaviour) can be taken into consideration and investigated for “operational anomalies” in the case if we do not accept the explanation that there are properly identifiable individuals responsible for the crisis who can be accounted for mistakes clear for everyone. Consequently, the characteristics of the economic and social system lying in the background of individual decisions, which played a significant role in the development of the crisis, must be discussed. In other words, the modern (capitalist) society’s features, such as the role of the market system and the financial sector and their influence on our lives have to be taken into account. In addition, their relations to work, savings and consumption should also be examined. This research cannot be regarded as an economic analysis; it is rather connected to the interpretation of human relations.

Theories assuming inevitable crises of the modern economic and social system (and also describing their tendencies), such as those of Marx, Kondratyev or Polányi, explain crises as market forces’ unforeseeable effects on wages (and therefore the demand), innovations, investments and the relation between financial capital and the real economy. Regardless of the fact that based on their ideas, these forces lead to mass indebtedness, political and social chaos, exaggerated capital accumulation, the predominance of monetary tools over the real economy or even the destruction of society, their notion is that market forces’ effect on the society can be dangerous. As a result, it must be protected with the help of regulations and a shield of cultural institutions.

In his classic work, *The Great Transformation*<sup>15</sup> – the preface of which was written by Joseph Stiglitz criticizing the deregulation policy causing the current crisis in the edition published in 2001 – Karl Polányi describes the effects of the self-regulating market as a real disaster. In his viewpoint, allowing “the market mechanism to be sole director of the fate of human beings and their natural environment indeed, even of the amount and use of purchasing power, would result in the demolition of society.”<sup>16</sup> Polányi supports his views with a remarkable argument saying that the three pillars of the economy – land, labour and capital – have to organize themselves in markets. Not dealing with them as goods is absolutely fictitious. According to Polányi, labour is an essential part of human life, which is not produced in order to be sold. Furthermore, the physical, psychological, and moral entity of “men” have to be taken into consideration during the decision-making process regarding its utilization. Land, which is in fact the nature itself, was not created by the mankind and its existence does not only serve economic purposes. On the other hand, money, a human invention is nothing else but the symbol of purchasing power, and – as Polányi claims – the production of which based solely on market demands „would periodically liquidate business enterprises”. His main goal is to demonstrate „why the control of the economic system by the market is overwhelming consequence to the whole organization of society” and what its results are regarding these three factors. In spite of the fact that he consistently emphasizes that the society’s organization based on market forces is not the only possible option, he does not aim at its elimination. He rather promotes the moderation of its effects. „Undoubtedly” he states “labour, land, and money markets are essential to a market economy. But no society could stand the

<sup>14</sup> Paul Kiel: *Greenspan Says ‘I Still Don’t Fully Understand’ What Happened*, ProPublica, Oct. 23, 2008,

<http://www.propublica.org/article/greenspan-says-i-still-dont-fully-understand-what-happened-1023>, (17 August 2012)

<sup>15</sup> First edition: *The Great Transformation. The Political and Economic Origins of Our Times*, Victor Gollancz Ltd., London, 1946.

<sup>16</sup> Karl Polányi: *The Great Transformation. The Political and Economic Origins of Our Times*, Boston, Beacon Press, 2001, p. 76.

effects of such a system of crude fictions even for the shortest stretch of time unless its human and natural substance as well as its business organization was protected against the ravages of this satanic mill.”<sup>17</sup>

Polányi’s sensitivity towards the market economy’s systemic risks and the difference separating economic fictions from real economic processes can positively influence the concepts about the crisis’ factors and origin when we are inclined to interpret the causes of the crisis in the context of solely competing financial considerations (traditional securities versus derivatives; more or less regulation). As opposed to this, Polányi’s warning represents an excess of rationality because it aims at integrating the economy into the context of social processes and human life. Luckily, some sensibility is shown towards this excess of rationality as some interpret this crisis as an extreme separation of the processes in the real economy from the fictions resulting from financial market operations (e.g. presumed notional profits). This question can only be answered if the role of money and financial transactions is closely examined. In the last two hundred years, money has undoubtedly become more and more significant as an expression of economic unity. However, social and human endeavours can also be discovered behind financial phenomena and relations.

Today, money is indisputably the most powerful symbol of the economic cycle. As Niklas Luhmann pointed out, money and its utilization, payments and the exchange of value are the factors which capture the gist of modern economy the most. In his opinion, „the modern economic system has its unity in money. It is monetarized through and through. This means that all operations that are economically relevant, and only operations that are economically relevant, refer to money. They are based on prices, including the price of money itself. The elemental autopoietic process, the ultimate communication that composes the system, the one that cannot be broken down any further, is payment. Taken by themselves, payments are nothing more than the enabling of further payments. But communications that are not payments, for example, investment decisions or decisions about interest rates, can -- 462 -- also refer to payments. Greater amounts of payments can be aggregated and brought into the form of a unity that can be used globally-- perhaps in the form of a stock of capital, a budget, or a balance. (...) On the basis of payments, the economy is a closed self-referential system. The metaphor of "circulation" has always been used for this, a kind of euphemism for processes that in reality can be downright labyrinthine. But this only designates half its operational meaning. Payments always require a counter movement, transferring goods, services, or other monetary variables. In this regard, the economy's operation ultimately refers to the environment: to things, activities and needs.”<sup>18</sup> Luhmann’s economic approach is greatly determined by the fact that he defined money as a social medium which can express and interpret the self-constructing operations of a closed self-referential system the best. That is to say, it is an excellent example to represent Luhmann’s concept of social systems. At the same time, this functional approach also depicts various aspects, such as the notion of social expectations included in prices (“expectational programs”) or the question regarding the significance of the value of money in terms of the system’s functioning, which are ignored by economic theories of money as they are not relevant as far as their own considerations are concerned.

In Luhmann’s concept, „the value of money regulates the system's autopoietic reproduction.”<sup>19</sup> As opposed to the sense of this idea, the United States and the leaders of major institutions and member states of the European Union issued a significant amount of mostly uncovered money in the early stages of the crisis in order to prevent its consequences and bail out different banks and indebted states, which clearly indicated the gravity of the situation. Luhmann’s plastic description represents a heuristic value in the interpretation of the crisis because it preserves many aspects of the human and social significance of economic processes in contrast with the pragmatically efficient theories of mathematical modelling<sup>20</sup>. Hereinafter, two different

<sup>17</sup> *op.cit.*, pp. 76-77.

<sup>18</sup> Niklas Luhmann: *Social Systems*, translated by John Bednarz, Jr. with Dirk Baecker, Stanford University Press, Stanford, California, 1995., pp. 461-462.

<sup>19</sup> *op.cit.*, p. 462.

<sup>20</sup> Records kept by public administration and administration in general transform people into numbers and categories (“cases”), and therefore simply into the “raw material” of further political measures (Zygmunt Bauman: *Modernity and the Holocaust*, Polity Press, Cambridge, England, 1989, pp. 15-17.). Similarly to this, financial thinking turns life processes into more abstract terms, such as payment liabilities, increments, profits and losses. Consequently, they become the subject of economic decisions and economic policy. In both cases, there is a risk that the items, stocks and proportions expressed in numbers, in short, numbers, conceal real-life processes and numerical procedures’ effects on them. For example, it is not entirely clear to what extent an increase or decrease expressed in numbers results in the growth or loss, happiness or suffering of people following different lifestyles, in other words, what it means considering their and their children’s future.

Nevertheless, mathematical expression represents an obstacle in the way of experience as Ulrich Bech pointed out in his research studying risks’ hidden ethical implications. However, risks can still be captured “even where they approach us

phenomena could be mentioned. First of all, the losses provoked in the private sector were taken into public ownership, in other words, the burdens of the negative consequences triggered by risk taking were imposed on taxpayers regardless of the fact that citizens could only indirectly enjoy this move's possible benefits. Secondly, the value of money in circulation was depreciated to the extremes. Furthermore, this latter phenomenon weakens the influence of money on real economic processes and eventually on the reproduction of living conditions. Finally, it would result in burdening the whole society once more in the form of increasing retail prices. This process is deeply unfair because it does not meet the criteria raised by the just (that is to say, fruitful for everyone) principle of burden sharing. In turn, a part of the society, who cannot be regarded as the beneficiaries of this process, lost their profits which would have been due in normal circumstances (in other words, conditions not assuming special risks), their usual living standards and their decent existence as a result of the decrease in real value provoked by the process. Some of them even slid deeper from their previous level of social vulnerability. For these people, the situation is simply intolerable since they lost their prospects which they believed to be their own, well-established future.

Thus, we reached one of the most sensitive aspects of the crisis' interpretation: individual lifestyles. The consideration of future prospects as a factor motivating personal endeavours and economic and social cooperation has become the most uncertain as a result of the processes having taken place. The question can be raised what sort of lifestyle and living standards can be rationally expected and deserved with regard to our preliminary resources, preparedness, efforts and savings. How can our future prospects be established and secured? What kind and degree of risk can be substantially and responsibly accepted in the hopes of these prospects? What is the difference among various prospects concerning their substantiality and responsibility? Where the borderline can be found between prospects and irresponsible illusions? What and how much are we allowed to hope ("dream") for ourselves? What kind of relations can be established rationally (in other words, credited responsibly) between our hopes and our actual economic performance? These aspects had not been clarified with regard to human motivations and political decisions provoking the crisis. Therefore, everyone approached the problem subjectively only considering its appealing side and not taking its conditions into account. George W. Bush stated in his speech introducing the programme promoting credits for purchasing houses on 17 June 2002: "I do believe in the American Dream. I believe there is such a thing as the American Dream. And I believe those of us who have been given positions of responsibility must do everything we can to spotlight the dream and to make sure the dream shines in all neighborhoods, all throughout our country. Owning a home is a part of that dream; it just is. Right here in America, if you own your own home, you're realizing the American Dream."<sup>21</sup> Following the presidential speech, people and real estate creditors both believed investing in the American dream was the most secure business possible, and therefore it was worth investing in purchasing your own property. This seemingly obvious idea and several other unfavourable circumstances led to the real estate and subsequently to the global crisis since no one had examined its real economic conditions.

As a result of the crisis, many posed the question whether classic financial transactions, such as credits, are too risky and whether they include hidden systemic errors (Is there a systemic error in the "buy now, pay later" paradigm?). Undoubtedly, many faces the dilemma whether they should give in to the temptation of "happy indebtedness" resulting from the "buy now, pay later" paradigm on an everyday basis. In Robert Misik's viewpoint, it is difficult to give an exact answer to this question because the paradigm carries enormous economic opportunities. As he said: "Well, that's a difficult question. Common sense tells us that debt is bad and will lead to catastrophe. But in fact, debt is what has made us rich in the last 200 years or so. For the most part of history, wealth doubled every 600 to 1000 years. Since roughly 300 years ago, that figure is every 40 or 60 years. What brought this change? It was the development of business credit that made it possible to invest in the future and in future returns. Debt-driven economies is what makes us rich. That is certainly contrary to what common sense tells us."<sup>22</sup> The penetrating force of Misik's argument must be acknowledged. We can all be aware of its truth, especially if we had already bought anything on credit or on an instalment plan, that is to say, under conditions without which we could not have purchased the given item solely based on our cash and savings. Yet, the question remains whether doubling the economy at this

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silently, clad in numbers and formulas, risks remain fundamentally *localized*, mathematical condensations of wounded images of a life worth living. These ideas must in turn be *believed*, that is, they cannot be experienced *as such*." Beck, Ulrich: *Risk Society: Towards a New Modernity*. SAGE Publications, London, Newbury Park, New Delhi, 1992, pp. 28.

<sup>21</sup> George W. Bush: "Remarks at St. Paul AME Church in Atlanta, Georgia," June 17, 2002. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=62687>. visited 10 May 2011.

<sup>22</sup> Daniel Daianu, Robert Misik: *Economy and ethics in crisis. A new-old East-West divide?*, Eurozine, [www.eurozine.com](http://www.eurozine.com), visited 14 March 2011.

“staggering” pace is really necessary and how many people benefit from it. It is also questionable whether everyone has to pay for it, even those who cannot make use of this opportunity. The question to what extent people should take the risks of indebtedness responsibly needs further discussion, as well.

The worldwide outcomes of the global crisis emerging from the financial crisis reinforce two great contemporary theorists’ arguments regarding risks: “In advanced modernity the social production of *wealth* is systematically accompanied by the social production of *risks*.” (Ulrich Beck)<sup>23</sup> Or as Luhmann<sup>24</sup> stated: “For it is above all the peculiarities of the symbolically generalized communication medium of money that permits the economy to assume risks – and to expose itself to danger.”

Today, the existence of the market and financial market system represents an inevitable part of our life and the functioning of our society. Furthermore, political and economic decisions are often made under the pressure of market forces even if, in some cases, these decisions contradict “common sense” or people’s deeper beliefs regarding living conditions. Subsequent to this fact, as it has been referred to before, many of the factors triggering the crisis manifested as structural pressure. For instance, the role of the financial system in the functioning of the society cannot be eliminated. Due to this fact, the executives of major banks planning to take risks counted on government intervention in the worst case scenario, that is to say, in the case of bankruptcy. In other words, they presumed sector-specific protection. As experience has shown, governments did intervene indeed in many cases. However, it is doubtful whether banks can hereafter enjoy the freedom of risk taking or they will not be allowed to make decisions themselves in this question. Similarly, systemic pressure can be demonstrated in the context of global competition resulting from the difference between the American and the European banking system. As Robert Misik pointed out: “As for the difference between the banking systems of the US and Europe: some European bankers might actually see themselves as victims of the dictate of the global market! In a world where financial institutions have to have equity returns of 20 to 25 per cent, their conservative model that gives 9 per cent is simply not possible anymore. To pursue that would mean that you are a bad banker. They have to some extent been forced to apply the “creative” models developed by US and UK banks.” This market phenomenon forced Austrian banks to invest €300 billion (approximately 60% of the Austrian GDP) in various Eastern-Central European markets (such as Romania, Hungary and Ukraine) which proved to be far riskier than that of Austria.<sup>25</sup> Relying on the population’s excessive consumption in order to increase the economic growth and correct market imbalances is also a typical feature of the capitalist economic system.

Based on the different forms of system dependencies, a few of which has been mentioned in this study, it can be concluded, as it is already apparent for numerous economists as well, that economic theories underestimating the significance of systemic risks can also be accounted for the emergence of the crisis (Daniel Dăianu)<sup>26</sup>. On the other hand, another conclusion to be drawn is that the consequences of structural processes must be taken into consideration, furthermore, forecasts, preventive measure and regulations making the reduction of systemic risks possible have to be examined separately. Thus, potential ways of considering structural processes are needed to be found. In addition, possible forecasts, preventive measures and regulations being at the disposal to reduce systemic risks, have to be researched. These tasks have to be accomplished by experts in the sector. Economists are in favour of renewing market structures completely, increasing governmental control, controlling financial markets consistently, keeping financial innovation under control and enforcing ethical norms in the economy and especially in the financial sector.<sup>27</sup> This, however, does not guarantee either the predominance of the consideration of responsibility perspectives over the efficient factors of crisis in our behaviour, or that the regulation concerning everyday life processes can be kept under control.

### *Lifestyles, risk and responsibility*

It should be realized that the financial market system characterized by economic and political ambitions and operational mechanisms vulnerable to moral hazards is not the single factor responsible for the crisis.<sup>28</sup>

<sup>23</sup> Beck, *op.cit.*

<sup>24</sup> Niklas Luhmann: *Risk: A Sociological Theory*, Transaction Publishers, New Brunswick, London, 2008, p. 176.

<sup>25</sup> Daniel Dăianu, Robert Misik *op. cit.*

<sup>26</sup> *ibid.*, (Daniel Dăianu: Romanian economist, Secretary of State for Finance between 1997 and 1998)

<sup>27</sup> See Dahrendorf *op. cit.* pp. 21. “The capitalism of easy credit must at the very least be returned to manageable proportions. Some sort of ‘responsible capitalism’ is required, in which most of all the perspective of the medium-term becomes central to the new era.”

<sup>28</sup> Based on the results of the research carried out in 2011 by BNP Paribas (Banque Nationale de Paris), an international institute for economic research operated by Cetelem (Compagnie pour le financement des équipements électro-

Subjective expectations concerning the economic and financial system originating from capitalism, as a system guaranteeing a relatively high level of wealth, a low degree of financial consciousness and consumption-oriented life strategies also played an important role in its emergence. If we study possible ways of avoiding crises not only in a narrow, economic context, but also in the more comprehensive and human terms of philosophy, this crisis can also be defined as the crisis of thinking, lifestyle and the interpretation of ourselves and our life processes. On the one hand, similarly to understanding ecological threats, we must consider financial market risks, as a particular type of risk produced by the “risk society” (Ulrich Beck), as well as financial pollution. On the other hand, in addition to becoming aware of the risks and advantages of the system, we also have to comprehend the level of personal benefits and risks. In other words, we should try to establish the perspective of lifestyle in our everyday lives.

Talking about determination, risk and responsibility in relation to human actions has always been appropriate. However, connecting these concepts to the functional features of the social system and studying interrelations in this context refer to the presumption of forces and determinations which originate from system characteristics and interdependencies among subsystems. Raising the question from the perspective of the system can be justified by the confrontation with a diagnosis of the social system, namely Ulrich Beck’s ‘risk society’ concept, which describes contemporary developed societies as formations in which risk had become a structural feature of life.

Although Ulrich Beck rarely mentions in his work, *The risk society*, that economic and financial risks belong to risks systematically produced by society, due to the fact that the civilization’s technological and ecological “self-threat” is primarily in his centre of attention, his hypotheses can be applied *mutatis mutandis*. Moreover, they can be even more valid in the interpretation of economic risks’ social production. Hereinafter, the principles mentioned before will be analyzed in terms of similarities and suitability. For example, (1.) it can be stated that the awareness regarding the significance of causes provoking the crisis “only exist in terms of the (scientific or anti-scientific<sup>29</sup>) *knowledge* about them. They can thus be changed, magnified, dramatized or minimized within knowledge, and to that extent they are particularly *open to social definition and construction* [As such, they provide an opportunity to different political views defining themselves as “conservative” or “progressive” and also to representatives of both profane and religious ideologies to express their own ideas. – U.Z.I.]. Hence the mass media [including economic journals as well – U. Z. I.] and the scientific and legal professions in charge of defining risks become key social and political positions.”<sup>30</sup> (2.) As a result of sharing and increasing financial risks «special *social risk positions* spring up, which follow the inequalities of class and strata positions in some of their dimensions, but outgrow their boundaries and affect the circle of the rich, especially their legitimacy, property and profits». The economic and financial risk brought up by the crisis “produce *new international inequalities*”, however, not among developed states and third world countries, but rather states at different stages of development linked to the global financial system to a greater or lesser degree. Nevertheless, the fact that financial market risks “undermine the order of national jurisdictions<sup>31</sup>” can be viewed as absolutely valid. (3.) Similarly to other risks of modernization, in a somewhat paradoxical manner, financial and economic risks represent a great business opportunity [it might be sufficient to consider the great number and significant compensation packages of risk management companies, authorities responsible for the regulation of financial transactions, economic analysts, credit rating agencies, financial experts, investment consultants, which makes the insurance against financial risks rather expensive – U. Z. I.], which is clearly indicated by the fact that, as Beck states along Luhmann, “with the advent of risks, the economy becomes ‘self-referential’, independent of the surrounding satisfaction of human needs.” In this question, Beck’s viewpoint is especially accurate (and is probably even more meaningful in terms of financial risks) when he says that “with the economic exploitation of the risks it sets free, industrial society produces the hazards and the political potential of the risk society.”<sup>32</sup> (4.) As far as financial risks are concerned, it is even more prominent that risks affect

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ménagers), one of the world’s biggest international bank groups’ affiliate, the majority of the Romanian, Hungarian, Polish, Czech and Slovakian population would like to consume more. Only a smaller fraction indicated that they would like to save more money. (This proportion in Romania is 89% as opposed to 14%.) A somewhat greater part of the Spanish, French, Italian, Portuguese, Belgian and German population admitted that they would rather save money, while it was only the British population’s majority (58%) which stated that they would definitely like to economize in 2011. Flavien Neuvy (ed.): *L’ Observatoire Cetelem 2011*, Cetelem, BNP Paribas, 2011., [www.observatoirecetelem.com](http://www.observatoirecetelem.com), visited 10 May 2011.

<sup>29</sup> See the quick spread of conspiracy theories concerning the “causes” and “purposes” of the crisis.

<sup>30</sup> Beck: *op. cit.*, p. 23.

<sup>31</sup> *ibid.*

<sup>32</sup> *ibid.*

everyone as opposed to *inherited* wealth. In addition, due to the fact that their roots can be found in modern civilization, risks require particularly specific knowledge, which, therefore, gains political significance.<sup>33</sup> (5.) Acknowledging financial risks as a part of society's systemic errors requiring regulation can be one of the crisis' positive outcomes. As a result, «what was until now *considered unpolitical becomes political*», and «*eliminating the "causes" in the operation of the financial market system itself*» might appear as a separate goal including the «insurance of the management's transparency for politicians and the public».<sup>34</sup>

Responsibility can no longer be viewed as accountability based on inherently outlined requirements if we take the lessons provided by the philosophical study of responsibility, such as the realization confirmed by risk research that responsibility can be regarded both "retroactively" and "prospectively".<sup>35</sup> Consequently, we are faced with perspectives of responsibility opened even to possible outcomes not yet occurred. It also indicates that we have to track down possible interrelations which implicate responsibility and take them into consideration during a decision-making process regarding the future, which is always uncertain and represents a priority in the field of risks as such. This sort of preliminary creation of responsibility signifies essentially the same idea that Beck described as «thinking together and putting things, which were considered separately before, into the perspective of causal premises». The process should be similar in the case of personal lifestyles, as well.

Responsibility, as a long-term tendency determining important decisions, represents a particular "perspective", an orientation of life. It is not supposed to be either general attitude or forced precaution taken based on occasional external aspects. People, as individuals pursuing a certain lifestyle and as men of a given profession are able to take the responsibility for their own decisions regarding lifestyle and their tasks, in a more comprehensive sense their lives' mission. This attitude entails actions carried out meticulously and requires the recognition of work's importance. In this context, responsibility cannot be only interpreted as admitting our accountability for our actions and our undeniable and unavoidable competence in choosing our goals and possible ways (means) of achieving them. Furthermore, it does not speculate on "secure circumstances". In other words, creating the conditions of taking responsibility should be the starting point rather than the responsibility itself. Therefore, it does not indicate the limitation of responsibility, as in the form of a legally binding contract, or a decision for what and to what extent we take responsibility, or even the precise separation of responsibility taken for smaller and bigger (ordinary and exceptional) compromises. It can be rather viewed as the creation of such circumstances (above all, in the form of anticipating and assessing conditions) in which we can take responsibility for our actions, activities in perspective, but still with respect to a specific task. After all, it is the ultimate essence of responsibility. We cannot only accept that we need to be responsible for everything what we do or meant to do due to the fact that we belong to a group or a certain authority. On the contrary, an individual accomplishing his specific tasks in life must analyze the basic conditions and particular moments of his actions to be able to find the opportunity to take responsibility.

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Thank you for your kind collaboration. *Editor-in-Chief*

<sup>33</sup> *ibid.*

<sup>34</sup> p. 24.

<sup>35</sup> The distinction between "retroactive" and „prospective" responsibility is originated from *General Ethics* by Agnes Heller (Basil Blackwell, Oxford, 1988).