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John Maurice Clark's Approach to Economic Responsibility: A Reconstruction Based on the Classical Model of Responsibility**

The year 2016 was the hundredth anniversary of the publication of John Maurice Clark's "The Changing Basis of Economic Responsibility" in the *Journal of Political Economy*. Clark's article is a seminal contribution to the understanding of economic responsibility and thus to a topic underresearched in management studies, business ethics, and economic ethics. The current article reconstructs Clark's approach based on the classical model of responsibility and outlines his ideas about the role of an "economics of responsibility" for economic responsibility and a society's business ethics in practice.

Keywords: **business and society, business ethics, control, classical model of responsibility, CSR, economic responsibility, institutional economics, social value** (JEL-codes: A11, A12, A13, B15, B31)

Introduction

In 1916, "The Changing Basis of Economic Responsibility" (CBER) by John Maurice Clark (1884–1963) was published in the *Journal of Political Economy*. At the time, Clark was a member of the Department of Political Economy[1] at the University of Chicago. CBER, which was published at the beginning of Clark's career, is included within a series of articles (Clark, 1915, 1916, 1918) in which he delineated his vision of economics and his research within the discipline. Against the backdrop of social and economic changes occurring in the United States between 1896 and 1916,[2] Clark (1916) argued for the development of an economics of responsibility and analysed the scope for responsible economic action in a modern society.

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1 Notice that the scope and understanding of the political economy extends what is called "economics" today. Max Weber, for example, was appointed professor of political economy at the University of Freiburg in April 1894.

2 The time span of 20 years addressed by Clark is indicative of long-term processes analysed under the headings "industrialization" and "modernization" (Giddens, 1990; Bayertz, 1995).

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CBER remains relevant from a contemporary perspective for three reasons. First, a reconstruction of Clark's approach to economic responsibility reveals that the concept encompasses social responsibility, which contradicts the view expressed in influential corporate social responsibility (CSR) models (Caroll, 1979, 1991). Second, CBER anticipates characteristics of the stakeholder approach, particularly the rejection of the separation thesis (Freeman, 1994; Wicks, 1996), according to which "business is business" and "ethics is ethics." Third, the literature on social enterprises evokes the emergence of an "economy of social responsibility" that entails "an enlargement of existing actors and activities" (Bechetti & Borzaga, 2010, p. 2).

An understanding of Clark's approach to economic responsibility requires recognition of the roles he assigned to economic knowledge for solving problems and identifying routes of action in the modern society or the current economy. Knowledge plays a pivotal role in human understanding of social reality, and it influences how humans can affect the world. Against a backdrop of a social climate characterised by a skewed view on statistics and predominant, deterministic ideas, Clark believed that knowledge can support individuals in protecting their ability to act freely and responsibly.

Clark's cognitive, knowledge-based approach to economic responsibility draws on and highlights the relationship between economic theory and economic practice. He considered laissez-faire economics as "unlikely to offset the conviction of a conservative business owner that 'his only business obligations are those enforced by law and settled custom'" (1916, p. 222). The creation of *inappropriable values* (in today's terms: negative externalities) was a phenomenon well-known at Clark's time. This type of failure of business ethics in practice, the predominance of laissez-faire economics, and the contemporary deterministic bent of public opinion, in combination with negative externalities for which nobody was held liable, paved the way for CBER.

As Abend (2013) points out, business ethics was a public concern at and after the turn of the century in the United States: "I show that already in the first decades of the twentieth-century business ethics was viewed as an important public problem" (p. 172).[3] Although economics was an established discipline at US universities at the beginning of the twentieth century, something comparable to today's management studies or business administration did not exist then. The US business schools were still forming at the turn of the century, and their expected role within US universities and society was publicly discussed. Business schools had to consider questions such as the following: "Can business be taught? If so, should it be taught at a university? One way for advocates of the business school to strengthen their case was by linking it to moral and social objectives and 'service to society'" (Abend, 2013, p. 177). Thus, business ethics was central to the public discussion about busi-

3 Abend (2013) criticizes the literature signifying the beginning of the history of business ethics in the United States in the 1960s.

ness schools and their objective of being a legitimate part of the university system. The foundation of business schools (Wharton was first in 1898) and their association with the university system were justified by the promise that as part of academia, business school graduates would have learned to provide "public service" and to not engage in personal wealth grab or immoral enrichment.

Clark did not refer to business schools or universities in CBER; however, he criticised the "business is business" attitude and declared that "the business economics is inadequate and needs revising, at least at certain points" (1916, p. 221). Clark was very likely aware of the public debate on business schools. When he received an appointment at the University of Chicago (1915), he was joining numerous institutional economists who had already been appointed there: Veblen, Hoxie, Mitchell, Hamilton, Moulton, and Ayres. Between 1907 and 1916 another four individuals, including Leon C. Marshall, joined the economics department and "were all as much institutionalist as anything else" (Rutherford, 2015, p. 2). The University of Chicago's College of Commerce was one of the four organisations included in Abend's (2013) analysis. Marshall, an associate professor of political economy, became the dean of the business school in 1909. The spectrum of courses offered to potential students was broad and not standardised. Options included social work, sociology, public policy, and journalism (Abend, 2013). As Abend (2013) points out, "Marshall had a carefully crafted conception of what it [the college] ought to do and which direction it ought to go, and designed a curriculum that brought together business, philanthropic, political and social studies" (p. 183).

Eighty to ninety years after the publication of CBER, management scholars (Ghoshal & Moran, 1996; Ghoshal, 2005) again shed light on the still underresearched relationship between theory and business practice. If what universities or business schools teach influences their graduates' knowledge and business philosophies (Jones 1960), then scientific disciplines and higher education institutions need to carefully consider what they impart to their students. They hold responsibility toward their stakeholders such as groups or communities or, in more abstract terms, society and nature.

This article makes three main, interrelated contributions. First, I reconstruct Clark's approach to economic responsibility in terms of the classical model of responsibility (Bayertz, 1995). Clark partly anticipates the modern model of responsibility, which is not surprising given the background of his analysis. Second, based on the reconstruction, I define the concepts of joint, collective, and social responsibility. These concepts are theoretical terms; that is, their meanings stem from scientific theories. Essential in Clark's approach is the extension of the range of individual and business responsibility to include the social or natural environment as objects of responsibility. Third, based on the reconstruction, I specify Clark's interpretation of "economic responsibility," highlighting that economic responsibility does not exist separately from social responsibility. In this regard, Clark (1916) anticipates contemporary business ethics which are critical of the separation of business and ethics.

The paper's structure is as follows. Section 2 introduces Clark as a leading figure within the institutional economics and summarises CBER's main content. Next, in section 3, I reconstruct Clark's approach based on the classical model of responsibility, beginning with the concept of responsibility originating from the ethic of responsibility in the form of a four-digit relation. I then outline the challenges of social and economic change for theory and practice. In CBER, Clark devotes particular attention to the relationship between the subject and the object of responsibility. Then, I summarise Clark's approach to economic responsibility, and section 4 follows with discussion and conclusions.

Economic Responsibility: Clark and His Article

This part of my article provides the foundation for the reconstruction of Clark's approach. It sheds light on Clark and his views, and it provides the interpretative framework for my analysis.

John M. Clark - A Leading Figure in Institutional Economics

Clark did not have to find his way into economics — he was born into the field (Markham, 1968; Shute, 1997). The son of the renowned neoclassical economist John Bates Clark (1847-1936), Clark grew up in close contact with the economic world of ideas. His father supervised his doctoral dissertation titled *Standards of Reasonableness in Local Freight Discriminations*. Clark was not one of the founding fathers of institutional economics, but along with Walton Hamilton and Wesley Mitchell, he fostered its development in the United States during the first half of the last century (Rutherford, 2000).

Rutherford (2000) explains which theories and strands of thought constructed early institutional economics. He also addresses the impact of institutional economics in the United States and its criticism of neoclassical economics. Further, Rutherford (2000) characterises the core statements of the institutional economics in the 1920s and 1930s:

> In the most general terms the institutionalist research program can be stated as being based on the following set of propositions: that social and legal institutions have central importance in the determination of economic behavior and economic performance (through formal and informal constraints and incentives, and the influence of established ways of thinking and acting); that these institutions evolve over time, are changeable and can be changed by policy intervention; that the existing economic system is one dominated by business or pecuniary institutions; that these existing institutions do not necessarily work to the social advantage; that the old forms of control of business (in particular, competitive markets) have been overtaken by new technical and economic conditions, requiring new forms of social control (p. 289f.).

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In light of these core statements, Mayhew (1997) rightly notices that Clark took a "decidedly non-neoclassical path" (p. 1). Notwithstanding, Clark did not entirely deny neoclassical economics relevance, as shown by the following three examples. First, he considers neoclassical equilibrium models as border cases of a family of dynamic models whose development he was interested in (Rutherford, 1996). Second, Clark did not hold the opinion that geographic and algebraic models can represent dynamic and complex relationships (compare Rutherford, 1996, who quotes Markham, 1968). He did not reject static and formal models in general though. Third, his criticism of the neoclassical model of rational action notwithstanding, Clark was not throwing the baby out with the bath water. One of the main ideas in the discussion in Clark's time of the relationship of economics with other disciplines, particularly psychology, was that economics needs to recognise the state of the art of these other disciplines. In the midst of the 1920s, such recognition was the "instinct/habit psychology of William James or William McDougall" (Rutherford, 2000, p. 295).

According to Rutherford (2000), the view that economics must orient itself towards "modern" psychology and jettison outdated hedonism was part of "old" institutional economics. As Rutherford notes, Clark did not reject the economic model of rational action in general; rather, he seemed to be inclined to connect this model and the insights of modern psychology. As Rutherford (2000) emphasises, "(h)edonism was seen as an entirely discredited psychology and entirely unsuitable for the purpose of the institutionalist program" (p. 295). According to Clark, "human nature is itself a social institution." For him, human nature is not determined by immutable laws or by any other form of deterministic superstructure. As a participant in a roundtable conference on institutional economics, Clark argued that institutions should be conceived of as "evolving pattern of human behavior." Institutions "are played on a broad range of motives"; they cannot be understood as "the outcome of a single one nor of a segregated group of 'economic' motives" (Kiekhofer et al., 1932, p. 105).

Clark (1918) presents an approach for developing a psychological foundation for institutional economics: "customs" and "habits" are conceived of as "methods of economizing on decision costs" (Rutherford, 2000, p. 295) — an idea thought to connect the knowledge of modern psychology with that of decision theory. Many decades later similar ideas have again entered into the economic discussion of decision making (Haase, 2003). Clark's views can be regarded as being close to those of contemporary scholars who do not hold that a contradiction exists between psychology and economics (Fehr, 2002). Concerning Clark's work on the psychological foundations of the institutional economics, Rutherford (1996) concludes:

> Clark's work represents the most sophisticated discussion of habit to be found in the OIE (old institutional economics, author). Clark sees that experience and intelligent deliberation often lie behind the initial formation of the habit, but his discussion of decision-making allows him to break the orthodox connection between rationality and perfect optimization (p. 61).

Two contemporary strands of economic thought — social economics (Lutz, 2009) and the behavioural economics (Stewart, 2005) — refer to Clark as an idea generator or thought leader. Clark's legacy appears relevant to behavioural economics for two reasons: first, the rejection of marginal utility theory in institutional economics (Rutherford, 2000), and second, Clark's own contributions at the intersection of psychology and institutional analysis. In an article published by the University of Chicago Magazine, Stewart (2005) quotes Richard Thaler: "I'm just trying to borrow good psychology and not invent my own" (p. 3).[4] Lutz (2000) emphasises the influence of Clark (1936) on the development of social economics: "But the real boost came with John Maurice Clark's celebrated Preface to Social Economics 1936 [1967]" (p. 280). Lutz (2009) describes the development of the Association of Social Economics (ASE) in the United States. The ASE was founded in 1941 as the Catholic Economic Association within the American Economic Association (AEA) and was renamed at the end of the 1960s. Lutz (2009) identifies five strands of thought within the ASE, including the "catholic solidarist branch"; the American Institutionalist School to which Clark belongs, harking back to Commons,[5] Patten, and Ely; and the Texas Institutionalist School (Veblen and Ayres). Among the long list of attributes that Lutz (2009) uses to characterise social economics, "value-directed" seems to harmonise the most with Clark's views. The discussion about the relationship between a "business-oriented" and a "more normative and general welfare-oriented 'social economy'" (p. 516) addresses a topic central to Clarkean economics and is discussed below.

Clark was also familiar with works originating from representatives of economic schools other than institutional economics and neoclassical economics, particularly Keynes and Hayek. He is considered one of the most "theoretical" representatives of "old" institutional economics who left pioneering works on different topics to posterity, including his studies on the relationship of static and dynamic systems (Markham, 1968). The *Studies in the Economics of Overhead Costs* was a standard reference in economics for many years. After Mitchell (1913), Clark's study of the accelerator principle was a major influence (Fiorito, 2007) and a standard component in cycle theory (Shute, 1997; Rutherford, 2000, p. 300 refers to Clark, 1917). Clark served as the president of the AEA between 1935 and 1936; he was a cofounder of the Econometric Society (Markham, 1968); he received several honorary doctorates; he was appointed to a chair named after his father at Columbia University in 1951; and he received the Francis A. Walker Medal, the highest award an economist could receive prior to the establishment of the Nobel Memorial Prize in Economic Sciences by Sweden's central bank in 1968. The Francis A. Walker Medal

4 Thaler traces the roots of behavioural economics back to Clark.

5 It is Clark and Commons who shared views rather than Clark and Veblen: "J. M. Clark shared a number of Commons's views. Clark (1957) was concerned with the problems created by monopoly, business cycles, what he called 'diffused gains and costs' (externalities), and the impact of mechanization on the quality of life" (Rutherford, 1996, p. 150).

was "awarded every five years 'to the living American economist who in the judgement of the awarding body has during his career made the greatest contribution to economics.'"[6] Clark had a critical mind but was nevertheless held in high esteem by the scientific community of economics. This esteem was likely explained by his criticism coming from "within"; he had a profound knowledge of the approaches that he criticised, and he did not deny their relevance.

Clark's legacy can also be assessed in the light of the distinction between "old" and "new" institutional economics (Rutherford, 1996). Ronald Coase (1984) criticised old institutional economics as lacking theory. This alleged deficit was also perceived as the reason that old institutional economics failed to end the neoclassical hegemony. However, it is questionable whether contemporary institutional economists actually pursued such an objective. Although Rutherford (2000) vigorously rejects the charge of a dearth of theory with regard to the period between World War I and World War II, he is more critical in his assessment of the later development period, beginning with the 1930s. The changes in the economy (The Great Depression) and in the economic discipline (the development of Keynesian economics) diminished the influence of both institutional economics and Austrian economics (Rutherford, 2013).

Outline of the Article's Content

CBER encompasses twenty pages and is divided into seven sections. In the following sections, I briefly recapitulate CBER's content.

Forecast of the Argument

Clark addresses the changes in the social and economic conditions ongoing for twenty years in the United States. Because institutional economics pertains to person–person relations instead of person–good relations (Haase, 2000), Clark devoted attention to the change in "the ideas of obligation which embody the actual relations of man to man in the twentieth century" (p. 209).[7] The interdependence of actions and the complexity of relationships accruing from it test established ways of thinking and acting. Something more than the idea of free exchange is required to cope with these conditions. Key to an adequate response to the problems is the generation of knowledge. Detrimental to a response is that "(w)e have inherited an economics of irresponsibility" (p. 210). Laissez-faire economics does not meet the requirements. It has led to "an economics of control." Control does not have worth per se, and reasons have to be given for it; in addition, control has to be tolerable.

6 As the AEA informs, "(u)pon the creation of the Nobel Memorial Prize, the Walker Medal was discontinued." For the list of the medalists, see the AEA's homepage: https://www.aeaweb.org/about-aea/honors-awards/walker-medalists (accessed on September 11, 2016).

7 If not indicated otherwise, all quotations in this section refer to Clark (1916).

The swing of the pendulum

The second section of CBER can be read as a plea for a critical assessment of what is taken for granted. Clark notices that deterministic ideas are "absorbed one-sidedly" and argues that statistical knowledge does not interfere with the responsibility of the individual for the (social) environment. Based on statistical data describing a relationship between, for instance, the environment and individual health, one can statistically describe the influence of the environment on individual health. According to Clark, however, no reason exists for not holding the individual responsible for his or her health condition. He would argue that, if the environment influences the health of individuals, then they become responsible for the environment, that is, among other things, for establishing public prevention mechanisms for maintaining a healthy environment. Clark's arguments highlight the relevance of knowledge; in particular, knowledge about cause-effect relationships. This knowledge is essential for the exercise of control. The person who can exercise control is the person who can act. The idea of preventing foreseeable negative action consequences seems to play a role as well. However, there is no restriction on avoiding harm here. Clark emphasises the close interaction between ideas and knowledge on the one hand, and responsibility on the other hand: "new ideas of causes and effects (…) have given us new ideas of responsibility" (p. 213).

Causation

Clark introduces the distinction between two types of causes in the third section: significant causes and responsible causes. "Significant causes" are entities or events underlying phenomena and, for that reason, "are really important in deciding the exact nature of the outcome" (p. 214). "Responsible causes" are entities or events that are additionally instrumental for human beings. They are the causes "over which we have some control and before which we do not stand entirely helpless" (p. 214). Significant causes describe "the exact nature of the outcome"; responsible causes are those "over which we have some control" (p. 214). Knowledge can help us "to shape the world (…) 'nearer to our heart's desire'" (p. 214). It is thus not only the prevention of inappropriable values, but also the generation of "appropriable values" (a term that Clark did not use) that motivates the search for knowledge: "One of the greatest things that the progress of science and industry has done for us is to give us responsible causes of a social and environmental sort" (p. 215).

Clark was writing this article during a period of change, that is, a period in which the social environment became recognised as an important influence on individual life. Yet, Clark rejects the view that human beings (Clark uses the word "men") cannot act according to their will. Notice that this stance does not imply approval of the view that individuals can always act according to their will. Knowledge can help human beings discover the leeways for their actions.

In this section of CBER, Clark introduces the expression "collective responsibility" and distinguishes between personal responsibility and joint responsibility, respectively. Clark is not clear at this point; however, we can, within our framework of analysis,[8] equate collective responsibility with joint responsibility. Two aspects are of major relevance for Clark's approach in this regard. First, a relation exists between individual (personal) and collective (or joint) responsibility since "anyone who thinks that individual responsibility is becoming less because collective responsibility is becoming greater is making a mistake (…)." Second, individuals have to actively engage in exercising their responsibility. If they recognize their joint responsibility, they cannot remain inactive and wait for the effects of an invisible hand. At this point, Clark takes a clear stance against "the system of free contract" (p. 218) or the contemporary neoclassical economics.

Responsibility and the liberal economics

Clark characterises "laissez-faire economics (…) as the economics of irresponsibility, and the business system of free contract is also a system of irresponsibility" (p. 218). Dangerously inadequate ideas prevalent in economic "theory and practice combine to further an irresponsible attitude among leaders of industry and laborers alike" (p. 219). This attitude leads to conflicts among those who try to regulate economic action or wish to achieve or maintain public control of "social housekeeping" (p. 220). At the end of the section, Clark demands an "economics of responsibility" "to reveal those causes and consequences of things men do which transcend the scope of free exchange" (p. 220).

Difficulties of public control

Clark addresses what is now called *negative externalities* and provides reasons for placing them under public control. The interrelatedness of human actions leads to transactions having "numberless effects on others" (p. 222). To find out "what is happening" (p. 222) to whom is beyond individual faculty. Often, the "specialist" or scientist must identify such effects. Their detection is an important precondition for enabling individuals to act responsibly. Clark states clearly that "men are responsible for the known results of their actions" (p. 223) and this responsibility "must go before the law and be independent of it" (p. 225). As "competitive standards and standards of public good are not one and the same" (p. 225), achieving a public good may rely on institutional change. Individuals can collectively establish a social order in cases in which individual responsible action would not be effective. Collective action changes their roles from the ruled to the rulers.

8 Pies's (2017) reconstruction of Clark's approach from an ordonomic perspective distinguishes joint from collective responsibility.

Responsibility as an actual force

Clark addresses the conditions that make the creation of wealth, or commonwealth, possible. In this section of CBER, close to its end, Clark goes beyond the discussion of the role of the individual; he refers to how "business men's associations" and the way of putting "business responsibility beyond the law" (p. 227) into practice has given rise to a climate of trust that enables cooperation. Clark comments critically on the "concentration of wealth" and bemoans "that the largest capitalists are interested in so many industries that they cannot do by any of them what their position demands" (p. 228). In other words, "a diffusion of influence" exists. In the previous section of CBER, Clark deals with the individuals' personal and collective responsibilities and the knowledge they need to be able to account for them. Now he considers the diffusion of control related to capitalists engaging in multiple industries and the negative consequences resulting from the licenses granted to corporations to produce. Clark states that the capitalist or shareholder has lost the "familiarity with his own money-making enterprises" (p. 228) and that if this "familiarity dwindles to the irreducible money-making minimum, something has evaporated, and that something is a social interest of incalculable importance" (p. 228). From the contemporary perspective, following the financial and economic crises that occurred after Clark's time, we know that financial analysts or rating agencies have not solved this essential problem. The loss or reduction of control delimits the ability to act responsibly. Clark held the view that the stockholders of corporations "usually have it in their power to make it (the industry, author) either a source of gain or a source of net loss to those whom it affects by its operations" (p. 229). Thus, Clark anticipated a characteristic of the stakeholder approach.

Clark also addressed the division of responsibility in what is now called *organisations*. Clark anticipated problems related to the transfer of control from shareholders to managers. For the responsibility in the economy, "one of the worst features of the internal organization of corporations is its wonderful aptitude for dividing responsibility concealing it from outside observers and even from the members themselves" (p. 228). The division of responsibility and the loss of control are systemic problems addressed in later economics and management studies (Berle & Means, 1932[9]; Fama & Jensen, 1983).

Conclusion

Clark emphasises that "to large part" (p. 229) social responsibilities are business responsibilities that need to be "brought home to a community in which business men and theoretical economics alike are still shadowed by the fading penumbra of laissez-fare" (p. 229). The last section of the article is a plea for "justice, not charity" in the way businesses deal with their stakeholders.

9 Berle was a lawyer and Means an economist. See the preface to Berle and Means (1932, p. v.).

Responsibility, Economic Responsibility, and Social Responsibility

In this section, I reconstruct CBER in terms of the classical model of responsibility.

The Concept of Responsibility as a Four-digit Relation

German philosophers have explicated the concept of responsibility as an *n*-digit relation (Zimmerli, 1987; Höffe, 1993; Werner, 2006; Wimmer, 2011). In the fundamental four-digit version of the concept,[10] they differentiate between a subject of responsibility (who is responsible), an object of responsibility (for what), an instance of responsibility (toward whom), and the reason for the responsibility (why) (see Haase, 2015, p. 129, Table 7.1). The relation leaves open who or what can be considered a subject, object, or instance of responsibility. Further, it does not prescribe which principles and norms underlie the answer to the question about the reason for the responsibility.

In Clark's day, the ethics of responsibility was an ethic of *individual* responsibility. It drew on the medieval doctrine of imputation and Kant's philosophy (Paulson, 2001, pp. 49ff.). Clark does not elaborate on the ethical approaches he drew on; however, he refers to Kant and what is today called the *classical model of responsibility* (Bayertz, 1995) or the *liability model* or *blame model* (Young, 2004) — these concepts can be used interchangeably.

Bayertz (1995) distinguishes the classical model of responsibility from the modern model. As I argue below, Clark anticipates some of the characteristics of the modern model of responsibility characterised by looking beyond face-to-face relationships, forward-looking, bringing about wished-for states, omitting an action, and using objectivation (see Haase, 2015). As Bayertz (1995) has argued, models of responsibility are social constructs resulting from description, interpretation, and normative assessment. Metaphysics expressed in views on causality and intentionality and the doctrine of imputation informed the classical model. This model connects actors, actions, and action consequences. Descriptions of actions and events of interest (in particular, negatively assessed action consequences) are related based on knowledge and appraisal. The doctrine of imputation specifies willfulness, scienter, and voluntariness as preconditions of responsible action (Bayertz, 1995). An action can bring about a consequence (effect), and for this reason, the actor can be blamed or held liable for the consequence.

In terms of the concept of responsibility, CBER investigates the subjects of responsibility (individuals, businesses, corporations, and governments), the objects of responsibility (the social environment, inappropriable value, wealth, and commonwealth), instances of responsibility (stakeholders), and the principles or values underlying responsible action (justice). The expressions in parenthesis indicate Clark's

10 For explications of the concept of responsibility encompassing more than four dimensions, see Lenk (1991), Ropohl (1996), and Grunwald (2010).

interpretation of the relation. Both individual and collective responsibility draw on the possible interpretation of a certain state of affairs connecting action intentions (i. e. the subject of responsibility), action consequences (i. e. the object of responsibility), the entities toward whom one is responsible (Clark mentions the stakeholders who are affected by an action, the instances of responsibility), and concrete norms, values, or principles utilized or referred to in addressing the reason for the responsibility from the ethical perspective. In CBER, Clark focuses on the relationship between the subjects and objects of responsibility; his analysis is less explicit about possible instances of responsibility and the norms, values, or principles. His reference to Kant justifies the insertion of the categorical imperative in Table 1. In the last section of CBER, Clark makes a case for justice and criticises charity undertaken to repair damage by those who caused it.

Table 1 provides an overview on the interpretation of the concept of responsibility in accord with Clark's analysis:

Table 1: The concept of responsibility as a four-digit relation[11]

	Subject(s) of responsibility	**Objects of responsibility**	**Instances of responsibility**	**Principles**
Responsibility of economics				
	Economic scientific community	Generation of knowledge that transcends the scope of free exchange	Stakeholders of the scientific community	
Responsibility of actors in the economy				
Personal responsibility and joint responsibility	Individuals and collective action units	■ Actions ■ Action consequences ■ The social environment, expressed, for example, in – "Social housekeeping" (p. 220) – Establishment of a social order or a climate of trust – Maintenance of control – Avoidance of inequality or of the diffusion of responsibility	Stakeholders	■ Categorical imperative ■ Justice, not charity

11 Compare Table 7.1 in Haase (2015, p. 129), which provides a record of interpretations of the concept of responsibility, with Table 1.

The interest or will to control one's impact on the social or natural world is a precondition for accountability. The quest for control has an ethical and an economic dimension. Ethics provide the actor with reasons to act responsibly. Clark emphasises the key role economic knowledge plays for actors who want to act responsibly. Economics can provide descriptive knowledge, in particular, the causal knowledge that forms the basis on which actions are linked to consequences. Economics, however, is a source of norms and principles as well: efficiency and effectiveness are prominent examples of that relation. Clark considered social and economic change as reasons for recapitulating the applicability of the classical model of responsibility (although he did not use this term). This consideration led him to recognise the responsibility of businesses or corporations. In the following section, we briefly address the shift in the locus of responsibility from the individual to the society observed by Clark, that is the replacement of the individual as the subject of responsibility for the society.

Characteristics and Consequences of Social and Economic Change in the United States

Social and economic change during the turn of the last century affected the actors' leeways for action and, with it, their opportunities to act responsibly. I describe this change with respect to metaphysics, loci of responsibility, and the meaning of "social responsibility."

In economics and ethics, action theory is rooted in metaphysical assumptions, that is, assumptions that cannot be tested empirically but nevertheless are important preconditions for understanding actions. The ideas that human beings have reasons for their actions and that they can act in a non-deterministic manner belong here (Strydom, 2007). Clark observed that belief in the metaphysical preconditions of action underlying the classical model of responsibility began to erode along with belief in the effectivity of human action. Thus, people were less inclined trust themselves and their capabilities in deciding to act. Free will needs to be believed to be a force in social reality. Clark's students Moses Abramovitz and Eli Ginzberg note this idea in their introduction to the volume *Preface to Social Economics*, which they edited: "In this regard, the fundamental difference between the present century and the last is seen in the deterministic bent of the modern mind" (Abramovitz & Ginzberg, 1936, p. xix). The interdependency of human action, or what individuals perceive as such, was one factor in the diminishing belief in the freedom to act, and it paved the way for the prevalence of deterministic ideas.

In an interdependent world, a change in the actual or perceived conditions of action was accompanied by a change in the locus of responsibility: as the subject of responsibility, the individual declined in importance. In times past, industrial accidents were treated as being within the range of personal responsibility. The blame was placed on whoever caused the accident. The classical model of responsibility presupposes a causal analysis of action and consequences, while compensation blaming nobody became common under the regime of the "common law."[12] Compulsory compensation does not require the identification of causes; compensation for the damage experienced by the victim or disadvantaged party suffices.

The understanding of social responsibility underwent a change as well: society is now responsible for something that an individual was formerly held responsible for. The individual once decided his or her own fate. Unemployment, for example, was viewed as resulting from personal fitness and a willingness to work. Further, an individual had to pay his or her debts and to keep out of the poorhouse (p. 209). Now, unemployment is considered a disorder of the system, and poverty is viewed as breeding poverty. Groups (e. g. unions) take responsibility for individuals in the economy. Thus, "social responsibility" was equalised with "the responsibility of the society (or a group) for something the individual was previously held responsible for."

Clark did not neglect facts; however, he did not outright favour holding society responsible for everything the individual was previously held responsible for. Abramovitz and Ginzberg (1936) emphasise that Clark's main argument is that the ascription of responsibility should not draw on belief or ideology but on knowledge: "The development of the sciences, both natural and social, has made us aware of many factors governing our behavior. Before, the blame and the burden were assigned to the individual, but with the discovery of controllable external causes, the responsibility was shifted from the individual to the group" (p. xix). As is explained below in more detail by Abramovitz and Ginzberg (1936), "group" can be equated with "the social" or the "social environment" of the actor:

> Studies of industrial accidents indicate that the number of injuries per hour increases with the length of the working day and with the absence of mechanical safeguards. This leads to a demand for shorter hours, safety laws, and compulsory accident insurance. As we begin to understand the connection between the number of unemployed men, and the rate of interest and building booms, unemployment ceases to be a matter of individual responsibility and becomes a problem for business and society (p. xix).

Two remarks seem to apply here. First, the meaning of "social responsibility" in CBER is not the same as in the CSR or business ethics literature. Here, "social responsibility" represents the influence of the social environment on individuals and their leeways for action. This definition does not mean "the society" is conceived of as an actor in any interpretation of the classical model of responsibility. Second, as I elaborate on below, Clark recognises the change, but he resists its interpretation in terms of a loss in individual responsibility. As we will see, this stance includes the

12 Arruñada and Andonova (2008) distinguish the civil law model that "gives priority to legislative rulemaking" from the model of common law: "Common law developed in England and was imposed on the former British colonies. It creates legal rules in a relatively decentralized and bottom-up manner" (p. 231).

possibility that actors (subjects of responsibility) become involved in a relationship with the environment as the object of responsibility.

In the next subsection, I address the particular relationships between subject and objects of responsibility in Clark's approach. I discuss personal responsibilities and collective responsibility, negative externalities, and the creation of value to society.

On the Relationships Between the Subject and Object of Responsibility

Personal responsibilities and collective responsibility

From Clark's perspective, a striking characteristic of the social and economic change is the extension of personal (individual) responsibility in comparison with the responsibility assumed for individuals in decades preceding Clark's analysis. The reconstruction of Clark's views on the basis of the concept of responsibility is helpful to grasp the meaning of the formulation that "the scope of personal responsibility is broader than ever before, not narrower" (Clark, 1916, p. 217). That the individual has to incorporate the social dimension in his or her decision-making framework is the reason for the "broadened responsibility," that is, the consideration of a further *object* of responsibility or a particular type of object, respectively. In this regard, the social environment has the status of an object of responsibility. This circumstance, however, is accompanied by a change in the perception of the environment from the perspective of the individual: "And laying responsibility on the environment cannot take it off the shoulders of persons so long as the environment of each of us consists chiefly of the rest of us" (p. 217). We cannot neglect our relationship to the social environment, which is the origin of collective responsibility, as Clark understands it. Notice that the theory identifies the nature of this relationship and the resultant consequences. Responsible action, however, has to be conducted by the actors themselves. The actor has to put this dimension of the concept of responsibility into practice; that is, he or she must understand this theoretically identified relationship between him- or herself and the environment and make it part of his or her practice.

The classical model of responsibility was initially a model of individual responsibility. Without making his starting point explicit, Clark (1916) modified this model. He introduced collective responsibility — a theoretical entity, expressing a relationship between a group or community and the social or natural environment. For Clark, collective responsibility is "personal responsibilities reflected in the social mirror" (Clark, 1916, p. 217). Thus, collective responsibility refers to a supraindividual relationship grounded in the way individuals conceive their relationship to particular objects of responsibility (i. e. the social or natural environment). Notice that Clark uses "collective responsibility" in the singular form and "personal responsibilities" in the plural form. This usage implies that the effectiveness of collective responsibility depends on the practice of the many persons who turn the social or natural environment into an object of responsibility. Collective responsibility is a specific relationship between subjects and objects of responsibility. Clark tried to frame this relationship by starting his analysis with individuals as subjects of responsibility, addressing their respective personal responsibilities. Notwithstanding — and Clark is very clear on the idea at the end of his article — collective actors (corporations) can be held responsible for problems such as inequality or negative externalities. This situation leads us to imagine a collective actor as the subject of responsibility — something not present in the interpretation of the classical model so far. The collective actor is no natural person, but a theoretical construct. Theoretical analysis and interpretation determine what the collective actor is and can do. Models of natural persons are not applicable without qualification. However, this concept does not mean that a collective actor cannot be held responsible for the social and natural environment.

If the individual can anticipate the consequences of his or her actions, two possible outcomes arise. First, consequences may be negatively assessed because they damage other individuals or the social environment (groups, communities) or nature. Second, consequences may be positively assessed, that is, considered as "value to society" (Clark, 1936, p. 50). I first discuss what later became known as "negative externalities."

Action consequences

Clark (1916, p. 218) discussed negative externalities in terms of "unpaid damages" and "inappropriable values that are created." An externality or an external effect is a positive or negative consequence of an action or, in terms of utility function, an effect on the arguments in the utility function of other individuals not regulated by the price mechanism (see Opp, 1983). Examples are the advantage to a farm planting apple trees from having a farm with beehives nearby and the disadvantage to a brewery located on the bank of a river polluted by a paper factory on the same river (Opp, 1983). From the perspective of economics, positive externalities are unproblematic, whereas negative externalities are an economic problem.

The ethically assessed consequences of intentional action are an important constituent of the classical model of responsibility. According to this model, whoever causes consequences is held responsible for them. Therefore, the negative ethical assessment of consequences attracts attention to the relationship between subject and object of responsibility. Part of the problem is that many possible action consequences exist. Some are intended, some are not intended; some are foreseeable, some are not foreseeable. In a laissez-faire regime, economic value creation processes are assumed to lead to economic value. The creation of value to other entities such as society or nature is not intended, but they are foreseeable. One could also say: if one believes in the invisible hand, one can foresee them. It can be further assumed that all damage done to other entities because of economic value creation is unintended, in part foreseeable and in part unforeseeable. For an overview linking action consequences and responsibility, see Table 2.

Table 2: Intended action consequences related to the creation of economic value

	Intended action consequences related to the creation of economic value	
	Foreseeable damage to other people, society, or nature	**Unforeseeable damage to other people, society, or nature**
Personal responsibility	No action	More knowledge is required to assess the situation.
Joint or collective responsibility	Change the rules of the game	

Taking into account the contemporary development of the social and natural sciences and the role of the media as information provider, the information that pollution of the river hurts the brewery should be available to the paper factory. As a responsible actor, the paper factory should stop polluting the river after it learns about the harm it is doing to the brewery. This outcome is what the classical model of responsibility requires. However, business ethics in practice can incur problems for actors who want to act responsibly, which the classical model does not address. If many paper factories are located on the river and are commonly polluting it and only one factory stops the practice, there is no effect. According to Clark's approach to economic responsibility, the paper factories need to collectively engage to change the rules of the game (see Pies, 2017). In cases in which a set of consequences can be related to a set of actors, regardless of whether they are individual or collective actors, the classical model of responsibility, if institutional-economically adapted or extended, can be read as a rule on how reasonable and economically informed collective action can shift the problem and facilitate a different type of solution (see Kornwachs, 2017).

Further, the interdependency and complexity of social relationships can make it harder for the subjects of responsibility to connect action and consequences. In many cases, the mechanism by which a certain effect occurs is unspecified. In addition, the contribution of each single action (cause) to the effect is often unknown. However, it may be difficult to whitewash irresponsible actions by pointing to such gaps in the analysis of these problems. For example, although a single German buyer of a T-shirt cheaply produced in a Bangladesh factory does not intentionally sustain the poor living and working conditions of the factory employees, he or she nevertheless can anticipate the respective effects of his or her action from information made available by the media. In a second example, the district court in Essen (Germany) takes action against a German concern (RWE) on behalf of a Peruvian farmer. This farmer came from Peru to Germany to make RWE liable for its part in causing an environmental problem that threatens the well-being of the farmer and other people in the region (Bauchmüller, 2015).

Clark's approach to economic responsibility includes the avoidance of negatively assessed consequences in relation to personal responsibilities (omission of an act) and collective responsibility (collective action). With regard to the generation of positively assessed consequences beyond the creation of economic value, Clark's approach extends the classical model of responsibility and displays characteristics of the modern model (Bayertz, 1995).

"Social value" as "value to society"

Clark's approaches to social value and responsibility are closely related, if not complementary (Stanfield, 1981). Clark (1915) argues for the development of a concept of economic value and valuation that includes, but also extends, individual self-interest and market-based valuation. For Clark, not only is the "value in society" determined by supply and demand in markets relevant to theory and practice, but also the "value to society." The first type of value mirrors the actors' self-interest (and, related to that, the value of things in society), and the second reflects the value of things to society: "The ultimate problems in which humanity is interested are not those of social value in the sense of 'value in society' as registered by market standards. Men are interested in the values of things *to* society, and they rightly demand that economics should contribute to the solution of these problems" (Clark, 1936, p. 61, emphasis in the original).

According to Rutherford (2000, p. 280), Clark (1915) and Clark (1916) are both "pursuing [Clark's] views on social value." Homan (1938) underlines the importance of these two articles as well. Rutherford's assessment accords with that of Homan (1938) in which he points out that Clark "defined for himself the scope of the subject matter of economic inquiry and his 'attitude' toward the complex of social relations within which lie the restricted paths of economic analysis" (p. 430). Exchange values reflect individual utilities or "value in society," but not the value or cost of a marketed entity (conceptualised as commodity, service, property rights bundle, resource, etc.) to society. An entity being considered valuable and this valuation being expressed in its market price say nothing about its value to society: It is "impossible to say that market value measures 'social value' in the sense of 'value to society'" (Clark, 1936, p. 50). This situation calls for the development of "a concept of economic value and valuation with reference to society as a whole, independent of market valuations and capable of scientific application to concrete cases" (Clark, 1936, p. 54).

From Clark's perspective, economics can and should generate the knowledge enabling actors to act responsibly and, with respect to the objectives they want to achieve, effectively. This goal includes the creation of "value to society," not only of "value in society." The avoidance of what Clark called *inappropriable values* (negative externalities) and the intention to create social value are not the same if viewed from the perspective of the ethic of responsibility. The former has given rise to a huge number of studies on externalities (see, for example, Mishan, 1971; Furubotn & Pejovich, 1972; Libecap, 2014), while the latter is still underresearched in economics and beyond (Lautermann, 2013; Haase, 2015). This lack of research is remarkable if one considers that the intersection between Clark's economics of responsibility and his approach to social value was essential for the emergence of social economics. For Rohrlich (1981), Clark is "perhaps even *the* social economist *par excellence*" (p. 345, emphasis in the original).

The study of what is valuable for society calls for a theory on what society can or does value, not only about what it wants to avoid. The idea that omitting an action can be more important than committing an action and the idea that bringing about desired states can be as important as avoiding undesired states are in line with the stipulations characterising the modern model of responsibility (Bayertz, 1995). It is no overstatement to state that Clark's analysis anticipates the modern model of responsibility.

Since social value does not accrue from the working of the invisible hand, but rather requires the efforts of visible hands, Rohrlich (1981) distinguishes actions that he relates to "free exchange" from actions that can lead to social reform. For Rohrlich, a clear picture of an "economics of responsibility" as an "economics of regulation" and "social control" emerges from this setting. Economic knowledge is not created for its own sake, but to have an instrument for improving society: economic knowledge is not considered as "an end in itself but as a tool in our pursuit of the *good* society" (Rohrlich, 1981, p. 345, emphasis in the original). These efforts aim at the development of a "coherent theory of objective social value or a systematic explication of any consistent set of laws comprising and reconciling the raisons d'être of both free exchange and social reform" (Rohrlich, 1981, p. 347) — an unmet challenge in Rohrlich's view.

Economic Responsibility Originating from Economics and Ethics

Knowledge stemming from economics and ethics is utilised in interpreting the concept of responsibility in the economic context. The structure of the concept of responsibility stems from ethics (I summarise the influence of many theories, approaches, or views under this name), and the interpretation of the structure arises from economics and ethics.[13] Clark held that science is about the generation of knowledge. From this starting point, for him, the question arose: What knowledge is required to solve the problems accruing from the social and economic change? Utilizing the example of the potential influence of the sun on the business cycle, Clark explains the importance of knowledge, particularly causal knowledge, for understanding problems. His distinction between "significant causes" and "responsible causes" is essential for the content and range of the economics of responsibility he

13 Notice that I conduct this discussion from the contemporary perspective. In times past, ethics, economics, and other disciplines were not as separate as they are today.

was striving for. Tufts (1926) ascribes to Clark a "confidence in the application of scientific methods to solve an increasing proportion of scientific problems" (p. 102). As already mentioned, Clark's students Abramovitz and Ginzberg pointed out this characteristic of Clark's work. They emphasise that, in Clark's problem-oriented approach to science, progress does not mean achieving a state of affairs unaffected by any problems, but instead gaining more clarity about problems: "Thus our growing knowledge, in illuminating controllable causes of evils, increases our problems. Needless to say, such a creation represents progress, not the reverse, for we are brought nearer to solutions" (Abramovitz & Ginzberg, 1936, p. xix).

Clark calls for an understanding of economic responsibility that draws on the analysis of economic action and takes into account the possibilities and limitations of the action. The knowledge about possibilities and limitations is provided by economic analysis. For example, "collective responsibility" is equated with "personal responsibilities reflected in the social mirror" (Clark 1916, p. 217). From the perspective of Clark's cognitive, knowledge-based approach to economic responsibility, economic theory in part "tells" us what we see if we look into the social mirror. As has been pointed out by Bayertz (1995), what we see or look for is influenced by interpretation and valuation. Clark's seminal article underpins the model character of concepts of responsibility and strengthens Bayertz's (1995) respective analysis.

Clark did not explicitly define a concept of economic responsibility. As a theoretical concept, "economic responsibility" comes from theory, meaning that responsible action is generally identified by taking the perspective of economics and drawing on the knowledge generated by economics in cooperation with ethics. In a nutshell, economic responsibility is a model interpretation. Clark held that an adequate institutional theory was not available; that is, the respective economics of responsibility remained to be developed. For this endeavour, he outlined the following subjects:

(1) Causes and effects: Economics identifies the problems that require individuals, organisations, or governments to act responsibly. The actors' respective leeways for action are limited by the availability of knowledge about responsible causes. Economic theory is the origin of knowledge about significant and responsible causes needed by the actors to act effectively and responsibly, that is, to execute control. This knowledge is created based on certain presuppositions, including metaphysics and values.

(2) Public control: Clark can be considered an advocate of knowledge-based, moderate public control. Public control draws on the knowledge of the ruler about the situation of the ruled. In this case, the ruled have a social responsibility to not interfere with the rules in a way that delimits their effects on themselves. In the best case, rule setting does not hamper economic activities but addresses the "concern with social control of industry for the general benefit" (Mayhew, 1997, p. 1).

(3) The institutional order: Institutional change results from governmental action, preferably informed by the input of socially minded actors or by the collective action of those who attempt to change the rules of the game to make responsible action the rule, not the exception.

(4) Generation of economic value and of social value: Individual and business responsibilities are extended to include the social or natural environment as objects of responsibility. Economic responsibility is directed at avoiding negative externalities and creating economic and social value uno actu. On a regular basis, social value in the sense of "value to society" is not brought about as a "byproduct" of self-interested action by the working of the invisible hand, but as a "product" of responsible economic action. This view mirrors Clark's non-neoclassical perspective.

(5) The influence of theory on practice: In a Clarkean economy, knowledge-based responsible action characterises business ethics in practice. Clark points out the difference between an economy populated by actors informed by an economics of responsibility (still to develop) and an economics of irresponsibility (laissez-faire economics, in effect). Theoretical knowledge influences the private and public control actors can effectively execute. If a theory claims that public control is not needed and the common good is brought about by an invisible hand, then the visible hands can cease to operate in favour of the creation of value to society.

Clark proposed both a rational and cognitive approach to business ethics. If knowledge is available that can be utilised to face the challenges of modernity and industrialisation, actors are assumed to actually make use of it. Clark did not take into consideration that ideology interferes with knowledge or that individuals put ideology-based beliefs into action (Da Fonseca, 1991) because they consciously or unconsciously hold them or assume that they harmonise with their interests. For Clark, a real possibility exists that actors do not always put their self-interest first; they can engage in value creation processes leading to value for themselves (and their stakeholders) and to "value to society" (or nature) uno actu, and they can engage in forming an institutional order in the broader interest of society.

Discussion and Conclusions

I reconstructed CBER based on the classical model of responsibility. Clark introduced the concepts of joint and collective responsibility and thus extended the semantics of this model. The theory for this endeavour was either not developed or insufficiently developed in Clark's time. Contemporary ethics has explicated the concept of collective responsibility (Smiley, 2010), and main theoretical controversies in this field of study relate to whether intentionality can be ascribed to groups and if it is wishful "to hold particular kinds of groups, e.g., nation-states, races, and ethnic groups, morally responsible in practice" (Smiley, 2010, n. p.). I leave it to future works to delve into the details and discuss the differences in the meaning of the concept explicated in contemporary ethics and that introduced by Clark.

Business ethics has addressed some of the topics Clark was concerned with as well; in particular, the relationship of businesses as subjects and society as the object of responsibility has attracted attention. Economic responsibility, however, got left out. An exception to this rule is, with reservations, Caroll's (1979, 1991) CSR models. Interestingly, a difference exists between the meanings of "economic responsibility" in Caroll (1979) and Caroll (1991). In Caroll (1979) the idea that businesses provide a service to society is in the foreground, which echoes the ideas that US business schools brought to the fore in legitimising their foundation and association with the university system. Caroll (1991) equates "economic responsibility" with "be profitable" and explains it in terms of the shareholder approach (Haase, 2017). Concerning the understanding of economic responsibility, if we take the perspective of early institutional economics, the most critical aspect is how economic ideas excised from their historic or paradigmatic context[14] have generated the respective understandings of economic responsibility in business ethics, CSR, and management studies. I suspect, at least in part, that limited interest in the potential contributions of economics to these fields of study underlies this development. Thus, social responsibility, instead of economic responsibility, gained prominence. Consequently, about 70 years after the publication of Clark (1915, 1916), the stakeholder approach, not economics, has questioned the separation thesis, according to which "business is business" and "ethics is ethics" (Freeman, 1994; Wicks, 1996). In the same vein, the social contracts theory is the origin of the idea that "hypothetical contractors will concern themselves with both justice and social welfare" (Donaldson 2017, p. 134).

Clark's analysis was directed at the scientific community of economics. He was asking this community to relinquish the economics of irresponsibility and to engage in the development of an economics of responsibility. One might consider broadening the concept of economic responsibility to include a responsibility of scholars or the economic discipline for their "products" (see Table 1). One can declare that economics has not accepted this invitation without being accused of overstating the point. However, it would be incorrect to focus only on the name *economics of responsibility* and overlook developments and works within economics addressing problems that an economics of responsibility could have addressed but now exist

14 At the beginning of her review of Shute's review, Mayhew (1997) remarks: "Clark's career spanned a period of American economics that is poorly understood and little appreciated by most economists." Sixty-five years prior to Mayhew's review, Ely, student supervisor of Veblen (for a brief period of time) and Commons (Kiekhofer et al., 1932), already bemoaned the "ignorance of the history of economic thought and especially of American economic thought" (p. 114).

under headings such as inequality and justice in economics.[15] The impressive number of works in economics on topics that are societally and ethically relevant notwithstanding, their existence does not reveal what would constitute a contemporary economics of responsibility and whether its development still makes sense. The answer to this question depends on if economists consider cooperation with ethics as fruitful.

There are three reasons for a critical analysis of economic responsibility within economics. First, the interpretation of models of responsibility requires social-scientific "input" (Haase, 2014, 2015). In the previous section, I stated that economic responsibility is a model interpretation. However, it is model development as well. The seminal contribution of Clarkean economics notwithstanding, this field of study is underresearched. Second, a critical debate on the interpretation and utilisation of the concept of economic responsibility in CSR models is necessary. Third, questions exist on if and how an economics of responsibility could influence business ethics in practice. These questions bring the role of business schools to the forefront. Do students have the opportunity to acquire the knowledge they need for responsible action? The role that US business schools assigned to themselves at the turn of the last century appears to retain its importance for today's business schools and their stakeholders in the United States and elsewhere (see Principles for Responsible Management Education 2016).

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