

## Discussion

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### Comment on Anton Leist. Potentials of Cooperation (Analyse & Kritik 01/2011)

*Abstract:* I first discuss two aspects of a social order and cooperation which might be of high relevance: the problem of a spontaneous emerging of a social order, and the relation between exchange and cooperation. In doing so, I also discuss the role of production in separating areas of cooperation from those of competition. Second, I look more closely at the motivations for cooperative behaviour. It is argued that of the four kinds of motivation mentioned by Leist only two, self-interest and altruism, are really necessary to explain cooperation.

#### 1. Introduction

[1] In the beginning of his paper, in accordance with famous representatives of social theory, Leist (2011) asks: Why is there something like a social order? His “rather suggestive because utterly simple” answer is: “social order exists in a society because of *cooperation* among its members.” (7) He argues that neither competition nor social control are socio-ontological rivals to cooperation. After commenting a discussion between Buchanan and Gauthier, he first defines cooperation in relation to collective action, and distinguishes afterwards between four modes of cooperation and three sources of motivation for it. He concludes with some remarks about making cooperation work.

[2] One problem with his approach is that it restricts the concept of cooperation to situations of not only voluntary but also intentional contributions to public goods or, at least, to outcomes that are to the benefit of (nearly) all affected. It is, of course, possible to use such a restrictive concept of cooperation, but this excludes many kinds of cooperative behaviour which are essential for the well functioning of a modern society. As will be shown, by applying a broader concept, cooperation is an even more basic precondition of any social order.

[3] The motivation to act collectively and/or cooperatively can come from pure self-interest, and the corresponding actions might even occur spontaneously, without any communication between the acting individuals. On the other hand, self-interest is, of course, hardly sufficient to explain all cooperative behaviour, and only a small share of cooperative behaviour comes about spontaneously.

Leist lists three other kinds of motivation, but it is questionable whether they are all necessary to explain cooperative behaviour.

[4] However, not only cooperation is essential for any human society, but also exchange, even for the 2 person-society of Robinson Crusoe and Friday. There is not necessarily competition between the two, but definitely exchange and cooperation. Thus, the relation between cooperation and exchange should be discussed as well: which of the two is more fundamental for the existence of a social order?

[5] In this note, I will first discuss two aspects of social orders and cooperation which might be of high relevance: the problem of a spontaneous emerging of a social order, and the relation between exchange and cooperation. In doing so, I also discuss the role of production in separating areas of cooperation from those of competition. Second, I look more closely at the motivations for cooperative behaviour. It is argued that of the four kinds of cooperation mentioned by Leist only two, self-interest and altruism, are really necessary.

## 2. Cooperation, Exchange, and Competition

[6] There are two possible fundaments for a social order: spontaneous actions of (many) individuals or contracts. The latter is the one which is usually discussed in (philosophical) contract theory: from Thomas Hobbes to John Rawls, to name just two very famous contributors, but also by economists like James Buchanan. The former is dominant in the ideas of Friedrich von Hayek. According to him, private law (which for him is more fundamental) has its origin in spontaneous actions, while public law is based on contracts.<sup>1</sup> This sharp differentiation is hardly supportable, because both, private as well as public law, have some origins in spontaneous actions and are, perhaps, in the later stages of society building, based on contracts. Nevertheless, spontaneous actions might have contributed more to private compared to public law.

[7] But what is the relation between spontaneous actions, leading to a (partial) social order, and cooperation? There is no common intention necessary, nor an intention referring to a common objective; Adam Smith (1776, 27) with his example of the brewer and butcher might have been the first to make this very clear. Thus, motivation is self-interest; it might fall under definition C3: "People act *collectively* or *cooperatively* if and only if they contribute positively to an outcome which is beneficial to (nearly) all and is better than outcomes without contribution." This is only the case, however, if this definition also includes situations where people have no intention to contribute to this outcome. In this perspective, cooperation is an even more basic precondition of every social order than Leist writes.

[8] Given the motivation of self-interest, Leist mentions three different modes of cooperation: conventions, assurance games and prisoner's dilemmas. None of them really fits into the concept of spontaneously evolving social orderings. Such orderings might occur in situations of Nash-equilibria favourable for (nearly) all

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<sup>1</sup> See, for example, Hayek 1969; 1973, 169ff.

affected. Given Axelrod's (1984) evidence for Tit-for-Tat, it might also occur in Prisoner's Dilemma situations, but hardly in those many situations when many individuals are involved and only a few or even one defector is sufficient to destroy the favourable outcome. Moreover, over time conventions might evolve which—in the long-run—might even be fixed by public authorities, but these conventions are the (long-run) results of spontaneous actions and not modes of cooperation from the beginning. Thus, such orderings do hardly fit into the classification system of Leist.

[9] Leist builds his arguments on the contrast between cooperation and competition. In most real-world situations we have both, cooperation as well as competition. Competition is universal as long as some goods are scarce and different individuals have an interest in receiving these goods.<sup>2</sup> Both conditions can be assumed to hold nearly universally. But in contrast to competition cooperation is (at least in the sense of everyday language) necessary for human beings to survive. There is a priority of cooperation in this respect, and one might also construct a normative priority for cooperation over competition; Leist brings forward some arguments to support this view. This does, however, not prevent every social order from having elements of cooperation as well as competition. A social order without competition is hardly conceivable. This holds for every free society, at least as long as there are some individuals in a society who have the intention to improve their (personal) situation. With respect to some social aspects competition might be suppressed completely, or there is at least a strong attempt in this direction. But even strong social rules and/or a brutal dictatorship will hardly be able to totally suppress competition.<sup>3</sup>

[10] There is, however, something behind cooperation and competition: exchange. To view relations between human beings as an exchange is the basic assumption of the economic approach of behaviour, but not only economists subscribe to this approach. More than 100 years ago, the German sociologist Georg Simmel wrote: "It should be recognised that most relationships between people can be interpreted as forms of exchange. Exchange is the purest and most developed kind of interaction, which shapes human life when it seeks to acquire substance and content. [...] Every interaction has to be regarded as an exchange; every conversation, every affection (even if it is rejected), every game, every glance at another person." (1900, 82) There is, of course, a dispute among economic anthropologists about the generality of exchange as a constituent of every human society,<sup>4</sup> but it should hardly be disputed that exchange in the very broad sense as defined by Simmel is an essential for every human society.

[11] But what is the relation between exchange and cooperation? Exchange is possible if and only if at least two individuals cooperate, at least as long as such an exchange is voluntary. Because a social order is hardly feasible without

<sup>2</sup> See, for example, Alchian/Allen 1964, 21.

<sup>3</sup> Competition occurs whenever goods are distributed by markets. In every society, there are some goods which, according to the prevailing laws, should not be distributed via markets. Usual examples (in modern democratic societies) are human organs or illegal drugs. Even in these cases, it is proved, however, being impossible to totally suppress competition on (illegal) markets. See for this, for example, Kirchgässner 1997.

<sup>4</sup> See, for example, Haan 2006.

at least some exchange between individuals, cooperation is in fact basic to any social order. This is, of course, a rather broad concept of cooperation: it does not demand that the individuals involved have a common goal, only that all expect that they improve (or at least not worsen) their situation. Their motivation might be pure self-interest. This leads to an even broader (or less restrictive) definition of cooperation:

(C3') People act *cooperatively* if and only if they contribute positively to an outcome which is expected to be beneficial to themselves and is better for them than outcomes without this contribution.

It is obvious, that this kind of cooperation is essential for every social order and, in particular, for the well-functioning of a (competitive) market system. Thus, even the perfectly competitive market (PCM) mentioned by Leist, as far from the reality of real market systems it might be, cannot get along without cooperation.

[12] On the other hand, while at least some cooperation is necessary for every exchange relation, not every cooperation implies an exchange between the acting individuals. It is specific for evolutionary cooperation as discussed above that it can take place without any direct exchange. This is clearly demonstrated in Axelrod's (1984) Tit-for-Tat. Insofar, for any social order, cooperation might be considered as being not only more fundamental than competition but also more so than exchange.

[13] Because competition is an omnipresent phenomenon of human existence and cooperation a precondition of every social order, both play an essential role in economic theorising. While it is correct that traditionally the emphasis was more on competition, more recent developments, in particular (but not exclusively) in experimental economics, emphasised also cooperation.<sup>5</sup> It was already in 1937 that Coase in his theory of the firm showed that transactions are differently organised inside and outside firms: while anonymous market transactions dominate outside the firm, inside transactions are organised by an entrepreneur. Thus, while competition dominates outside, inside the firm dominates cooperation. In this case, definition C4 holds: the individuals contribute to a public good (at the firm level), though their motivation might be, again, pure self-interest.

[14] Thus, in a pure exchange economy which might be based on the concept of a perfectly competitive market, cooperation going further than the one needed for exchange relations would not be necessary. As soon, however, as production is involved, this kind of cooperation is hardly sufficient. This holds for the production of public as well as of private goods, and at least for the latter case it is not necessary to assume market failure. The production of such goods might, as motioned above, sometimes be the result of spontaneous actions of the individuals, but in many cases entrepreneurs are necessary, political as well as private ones, to organise cooperation.

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<sup>5</sup> See for this Kirchgässner 2008, 141ff.

### 3. Motivations for Cooperative Behaviour

[15] But why act individuals cooperatively? Leist distinguishes four different motivations which lead to different forms of cooperation: self-interest, communal interest (we-goals), altruism, and social norms. For two reasons, this differentiation is at least debatable: the problem of ‘we-intentions’ and the question why I follow social norms. Let me start with the latter one. For the motivation to follow social norms, Leist mentions two modes: avoiding sanctions and following internalised rules. As long as I follow a social norm only to avoid sanctions, the motivation can be reduced to pure self-interest, nothing more is needed. The problem becomes more difficult if we follow internalised social norms, sometimes even without reflecting what we are doing. The latter is, however, hardly feasible as soon as this behaviour is costly. In this situation, one possibility is that I follow the social norm, assuming that I will have an advantage from it, at least in the long run. In this case, the motivation is again self-interest. A second possibility is that there is a common (joint) objective to which I contribute, be it for altruistic reasons, be it because of the existence of ‘we-intentions’. Thus, in any case, there is another, more basic motivation behind the one following a social norm.

[16] That altruistic behaviour may lead individuals to follow a social norm is an old theme in the theory of voter participation. According to the ‘paradox of not-voting’, for the first time formulated by Downs (1957), a rational, purely self-interested voter does not vote. Thus, the high turnout rates observed particularly in general elections are difficult to explain. All later attempts to overcome this problem by only relying on the motivation of self-interest failed, and it is hard to see how this could be reached at all.<sup>6</sup> The solution already proposed by Riker and Ordeshook (1968) is that voters have a benefit (‘warm-glow’) by following the social norm of electoral participation and, in this way, contribute to the public good of well-functioning of the democratic political system. Because participation involves costs, even if they are small, such behaviour can be evaluated as being *altruistic*.<sup>7</sup>

[17] One has, of course, to be rather careful to suppose altruism instead of self-interest as motivational force. As Blau (1964, 17) convincingly argues, for a lot of what seems to be guided by altruism “an underlying ‘egoism’ can be discovered”, which is often triggered by seeking to gain reputation. There have also been attempts to employ this argument in order to explain electoral turnout. But while this argument has some strength as long as one can observe who participates, it hardly holds any longer if, as is the case in Switzerland, a majority of voters uses postal voting.<sup>8</sup> Moreover, while it has some importance for voter participation, the reputation argument is totally irrelevant for the voting decision

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<sup>6</sup> See, for example, Fehr/Schmidt 1999 or Gächter/Fehr 2000.

<sup>7</sup> See, for example, Kirchgässner 2010.

<sup>8</sup> Funk (2010) shows that contrary to conventional wisdom, the introduction of postal voting did not in- but rather decrease voter turnout, and in particular so in small communities where in the past it was relatively easy to observe who participated and who did not. Thus, the reduction of public control by postal voting outweighed its reduction of voting costs.

in secret ballots.<sup>9</sup> Thus, it cannot explain why voters behave ‘responsible’ on the ballot box as at least many of them apparently do.<sup>10</sup>

[18] While altruistic motivation very likely plays a role in voter participation, we do not need to resort to any we-intentions: I want to live in a democratic society, and I know that the stability of such a society requires that at least a large minority of citizens participates in elections, and, due to the fact that costs are small, I am prepared to make my contribution. The fact that others have the same intention and are also acting accordingly does not constitute an additional entity with separate ‘we-intentions’.

[19] But do we have to resort on any we-intentions at all? The situation is more complicated than in the voting situation whenever there are real teams acting collectively, for example, when ‘we as a team’ want to win a game or ‘we as a firm’ want to reach a certain objective. The common interests might be represented in the objective of the team or its utility function, and these ‘team preferences’ are not simply aggregated individual preferences.<sup>11</sup> This does not imply, however, that they cannot be derived from individual preferences once the restrictions for the common actions of the team are taken into account.

[20] A justification for the introduction of we-intentions might at best be given if there is a conflict between the intentions of the individuals to perform some activity jointly and their individual interests.<sup>12</sup> As the objective function of the team can in such situations differ from all individual objective functions, one might speak of team preferences (or we-intentions), but one should be very careful in doing so because there is no real agent, no acting subject to whom these preferences or intentions can be assigned. As Searle (1991, 404ff.) has correctly mentioned, intentions are always in the heads of single individuals (and, therefore, necessarily always individual) even if several individuals have common intentions and these intentions are related to common actions. Thus, it is highly questionable whether employing the concept of we-intentions (if it is to be more than metaphorical rhetoric) instead of only relying on self-interest and altruism as motivations creates any real value-added at all.<sup>13</sup>

#### 4. Concluding Remarks

[21] Taking all together the answer given by Leist (7) on the question why there is something like a social order can be agreed on: cooperation is essential for every social order. It is, moreover more fundamental than competition or exchange, because cooperation might occur even without competition or exchange, while

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<sup>9</sup> See for this Kliemt 1986 or Kirchgässner 1992.

<sup>10</sup> Voter might be said to behave responsible if they vote sincerely or strategically. In both cases they take their decision seriously. For sincere voting see, for example, Degan/Merlo 2007.

<sup>11</sup> See for this, for example, Sudgen 2000 or Chant/Ernst 2007.

<sup>12</sup> See, e.g., the example of the firm given by Leist 2011, 24f.

<sup>13</sup> Schmid (2001) employs the concept of we-intentions in order to solve the pure coordination problem. The core of this problem is, however, not a question of intentions but how to create common knowledge if there is no communication possible between the agents. The concept of we-intentions might camouflage but does not solve this information problem. See also Kirchgässner 2008, 205ff.

the latter two imply at least some rudimentary form of cooperation. This cooperation might, however, emerge spontaneously and does not necessarily imply joint objectives of the acting individuals. Such objectives are, however, necessary as soon as we include, even into the perfectly competitive market system, besides exchange also production. For this, we do not need the existence of market failure.

[22] To make competition work, besides self-interest also some altruism is necessary on the side of the individuals. The assumption of other motivational forces does not seem to be necessary; they can be traced back to self-interest and altruism. This clearly holds for following social norms, but also if there are communal interests.

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