

CHAPTER 4

MOTIVES FOR CONDITIONAL COOPERATION: RECIPROCITY, TRUST AND FAIRNESS

4.1 Introduction

In the previous chapter I argued that the cooperative virtues are not reasons for unconditional cooperation. We arrived at that conclusion for conceptual reasons as well as for intuitive considerations about compliance with social norms. Finally, we saw that the empirical material gathered by psychologists and economists clearly suggests that human agents do not cooperate unconditionally. This is not to say that motives for unconditional compliant cooperation are not virtuous. They can be, depending on the context in which they emerge. It has been argued, for example, that people who rescued Jews from prosecution during the German occupation in Western Europe acted precisely on such unconditional motives and clearly such behavior is virtuous.¹ I am not implying either that people who conform to social norms never act from reasons for unconditional cooperation. Maybe people do. However, if one would like to know why rational agents comply with a norm because it is the norm, then one should not look to the unconditional reasons for cooperation.

This is not the case when we look at reasons for conditional cooperation. I will show that the objections that were consistently brought up against unconditional cooperation are not valid in the case of reasons for conditional cooperation. Of course that does not justify these reasons in a way that a rational agent would endorse them. However it paves the way for such a justification by removing some objections against the enterprise. A real attempt at justification is postponed until later.

As in the previous chapter, our attention will be primarily devoted to the one-shot prisoners' dilemma. In this chapter we will investigate if motives for conditional cooperation are suitable candidates for the label *cooperative virtues*. The rest of this chapter will be organized as follows. First, I shall discuss an alternative formulation of the second type of process-oriented desires for cooperation, the principle of reciprocity. Next, I will give an

¹ See Monroe, Barton, and Klingemann (1990).

analysis of the concept of trust in connection with reciprocity. This is followed by a section on exploitation which serves as a bridgehead to the discussion of fairness. I will try to show that trust and fairness are cooperative virtues. They may not be the only ones, but they are important ones.

4.2 Reciprocity

In the previous chapter I discussed the idea that to be cooperatively virtuous means that one has a relevant dispositional process-oriented preference for cooperation. We have seen that such a preference implies some rule of recognition to determine what cooperation demands in a particular situation. In this section we will sink our teeth in the second maxim Elster discusses, the *norm of fairness*. Elster formulates this norm as follows:

cooperate if and only if everybody else, or at least a sufficient number of others cooperate.²

From what we have seen in the previous chapter it follows that this cannot be a rule of recognition. It is lacking in two respects. First, it does not specify what the cooperative action in a situation is; it only specifies a condition upon which cooperative actions should be performed. Secondly, it does not refer to the outcome-oriented desire upon which it depends. It may be argued against the first objection that it is possible to read the norm of fairness as a rule identifying the cooperative action. An act of cooperation is an action which is performed by "everybody else, or at least a substantial number of others." But this amounts to identifying cooperation with some naive conformism. The norm of fairness would amount to "Do X if and only if everybody else, or at least a substantial number of others, do X."

However, conformity to the actions of others is not the only condition which renders an action cooperative. In many countries the practice of carpooling is encouraged. Colleagues who commute by car to the same workplace can save considerable expenses if they take turns at going together. Moreover, if most commuters would observe this practice, there will be less strain on the environment. Besides, roads to and from major business districts and industrial areas would be considerably less congested. A clean(er) environment and uncongested roads are collective goods, the presence of which is almost unanimously desired. Nevertheless, very few people actually participate in carpooling schemes. If the proposed reformulation of Elster's maxim would be accepted, those few participants to carpooling schemes would be branded as noncooperators. A conclusion that is, to say the least, implausible. Therefore, conformity cannot be a

² Elster (1989a, 187).

sufficient condition for recognizing what cooperation demands in a specific context. This also becomes clear when one contemplates the secondary nature of process-oriented desires. These desires depend on the presence of an outcome-oriented desire. In other words, an action is cooperative only if it is also performed because the agent has an interest in its outcome; she must want the result of the (collective) action. Elster's formulation does not mention this at all as a condition for cooperation.

Therefore, I will drop the norm of fairness from the discussion and instead present an alternative, more exact formulation. This is the principle of reciprocity as specified by Robert Sugden. This principle says:

Let G be any group of which i is a member. Suppose that every member of G except i is making an effort of at least ξ in the production of some public good. Then let i choose the level of effort that he would most prefer that every member of G should make. If this most preferred level of effort is not less than ξ then i is under an obligation to the members of G to make an effort of at least ξ .³

The principle of reciprocity is a better formulation of a reason for conditional cooperation than Elster's norm of fairness. The objections I raised against Elster's formulation cannot be advanced against the principle of reciprocity. This is because cooperation is connected to the notion of a public good. Cooperation means contributing to a collective good preferred in some degree by all group members. Secondly, it refers, therefore, to an outcome-oriented desire, to wit, the desire for the good. The agent has to value this good before the principle of reciprocity can require any contribution. In addition, the principle of reciprocity is more complete than Elster's norm of fairness. First, the former specifies exactly who are the relevant others whose actions individual i should take into account. Secondly, it stipulates the upper and lower boundaries of the amount of effort a process-oriented cooperator should invest in the production of a public good. These boundaries are determined by both the outcome-oriented evaluations of the public good as well as the actions of the relevant others.

³ Sugden (1984). One could argue about the plausibility of this principle as a principle of critical morality. Insightful discussions are found in the literature on political obligation. The most important objection against the principle of reciprocity, or fairness, as it is known in these contexts, stems from Nozick (1974, 93-95) who condemns it as "objectionable and unacceptable." His main objection is that i is under an obligation to contribute to P for the benefits received, even though i need not have consented to their receipt.

This objection has been the main focus of discussion. See for example, Arneson (1982), Klosko (1991). Both defend a version of reciprocity against the objection. Others have endorsed Nozick's critique, e.g., Simmons (1979a). For the purposes of our own discussion we can avoid going into the question of whether the principle of reciprocity is morally acceptable. Our enterprise is to find out if reciprocity is a moral motive that prompts otherwise rational agents to comply with social norms. In other words, we want to establish if it is a cooperative virtue.

Let me demonstrate this by describing how a reciprocal cooperator determines if, and if so, how much, she should contribute to the production of some public good P . First, she must ask herself if she prefers P to be produced. Next she must establish how much she would want to contribute given her beliefs about the actions of others in terms of her outcome-oriented desires.⁴ That is, she must determine how much effort is rational given her outcome-oriented desire for P .⁵ This is one boundary of the amount of effort she will contribute. She is under no obligation to contribute less than this amount. Usually this boundary, denoted by $q_i^{\min}$, is the lower one since in many cases it is rational not to contribute to a public good or very little. Next, she must ask herself what she would most want every member of G , including herself, to contribute to the production of P , on the condition that those contributions are of an equal amount. This is the upper boundary of the amount of effort she should contribute, denoted by $q_i^{\max}$. Therefore $q_i^{\max}$ equals the total effort needed to produce the optimal level of P divided by the number of members of G . The optimal level of P is determined by asking how much i would contribute to P if she were absolutely sure that her contribution were matched by all other members of G . The amount of P that would be produced under those (hypothetical) circumstances is the optimal level given i 's preferences for P .

The principle of reciprocity specifies i 's duty as follows: as long as $\xi \leq q_i^{\max}$, she should contribute. Under no circumstance is i under an obligation to contribute more than $q_i^{\max}$. The amount of effort contributed to P by a reciprocal cooperator, will be within the interval $[q_i^{\min}, q_i^{\max}]$.

Note that the upper level of contribution, $q_i^{\max}$, can be interpreted as the price i would have to pay on a perfectly competitive market for her preferred amount of the good if its benefits were divisible; in other words, if this good were not a public good.⁶ On a perfectly competitive market the price is given for each individual actor. This means that everybody else

⁴ Sugden does not elaborate on the question to what the agent prefers the production of P . Presumably he means to say that the agent prefers a bundle of goods that does contain P over a similar bundle that does not contain P . One puzzle that immediately pops up is the question whether the absence of P in the second bundle could be compensated by an increase in other goods in the bundle.

Therefore, I think that what Sugden means here is the following. The agent prefers a bundle of goods that does contain the amount of P that would be produced should her contribution that is within her budget be matched by all. This bundle should be preferable over any alternative bundle that is within her budget.

⁵ Sugden does discuss several alternative interpretations of effort, i.e., effort as labor time, as absolute monetary contributions, and as monetary contributions, relative to one's income. I do not commit myself to any of these interpretations here. The only assumption I make, just as Sugden does, is that efforts are costly. That is, the marginal benefits of P are a diminishing function of ξ .

⁶ Gijss van Donselaar pointed this out to me.

would have to pay $\xi_j = q_i^{\max}$ if they wanted the same amount of benefits of the good as well. Thus interpreted, Sugden's principle of reciprocity prescribes one to contribute as much as it is individually utility-maximizing in the actual circumstances or to match the contribution of others, provided this is not more than the maximum price one would be willing to pay on a perfect pseudo-market for the benefits of the public good.

One should realize that Sugden does not use group in the everyday meaning of the word. A group G is the largest possible collection of individuals that prefers to contribute $(q+\Delta q)$ over q to the production of some public good. Suppose i prefers to contribute Δq more, on condition that everybody contributes equally. As long as there is at least one other individual j willing to do so as well, i and j are in the same group. So one individual is a member of many different groups. This means that the relevant others to whom this process-oriented cooperator should look to is determined by how much they are in fact contributing. As long as $\xi_j \leq q_i^{\max}$ i and j belong to the same group and j 's actions are relevant to the choice of action of i . It may be argued that this is an artificial and rather construed definition of group and that other, more plausible notions are at hand. When we come to discuss the implications of the principle of reciprocity in the next section, we will see how this particular notion of group figures in the theory.

Let us return to some of the implications of the principle of reciprocity understood as the relevant description of a process-oriented reason for cooperation. First, we will look into the internal structure of the disposition of reciprocity. Consider a typical specimen of the reciprocal cooperators, Robert. Robert is a rational maximizer of his interests. However in certain situations he does not pursue them to the fullest. This already indicates that reciprocity is a second-order reason. In situations where a public good which he values is produced, he does constrain considerations of self-interest as far as these conflict with the contributions made by others. This follows directly from the formulation of the principle of reciprocity. Robert is aware of his interests and is capable of pursuing them rationally for he can determine the amount of effort he is willing to contribute given his expectations of the actual actions of others, $q_i^{\min}$. Only when others contribute more than $q_i^{\min}$, will he put in more effort as well, up to a maximum of $q_i^{\max}$. To put it differently, Robert has a certain attitude towards his own reasons for action based on his (self-)interests in the context of public good problems which prompts him in specific situations not to pursue them to the fullest.

I assume that this covers, in a satisfactory manner, the argument for the claim that reciprocity is a second-order reason. Reciprocity has a peculiar feature which it does not share with sacrificing altruism and Kantianism.

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