

Chapter 2 Cooperation

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Abstract

Business transactions are primarily a matter of cooperation, and take place because we can often do better if we cooperate than if we do not. The benefits of cooperation are often unevenly distributed, calling for some readjustment if one party is not to be unfairly exploited by the other. Fairness requires that the transaction be viewed from both sides, each taking into consideration the interests of the other. Business justice is to be understood not in terms of a just price or just wage fixed by some absolute standard, but in terms of a process that recognises the importance, in arriving at decisions, of the other's point of view as well as one's own.

§2.1 Cooperation

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We are not always selfish. Against the imputation of universal selfishness it is enough to point to the many indisputable instances of benevolence. But benevolence is not the basis of economic life. It is, rather, cooperation. Aristotle said that man was a *zoon politikon*, usually but wrongly translated as ‘political animal’; ‘social’ would be better, but better still, ‘co-operative’. We cooperate. We have to. I should not be here unless my ancestors had cooperated over a long period of years in order to raise their young, nor could we have enjoyed the many advantages of civilised life without the concerted efforts of many different people. Cooperativeness is not a matter of pure altruistic benevolence: the un-cooperative man loses out by virtue of being a loner, and though he may sometimes succeed in trading on other men’s good nature, he deprives himself of the fruits of cooperative action, and confines himself to the little he can achieve by his own unaided efforts. Prudential arguments for altruism are seldom cogent: but complete un-cooperativeness is certainly a bad policy.

We are naturally co-operative: I lend a hand to help you start your car or lift a heavy weight; I read the map while you drive the car: (another example from Michael). When we cooperate we bring about a new state of affairs which the different cooperators¹ can evaluate. It may be one that would realise some value we all hold in common. If we are members of a team in a sporting competition, we all want to win. All the members of the family on Christmas Eve help to prepare the Christmas dinner. The Sales Department puts in a lot of work to secure a lucrative contract for the firm. In time of war, we all pull together to save the country from defeat.

But not all outcomes will be all of the same value to everyone concerned. Since we differ with regard to some values, some outcomes will have different pay-offs for different people. If I set you on your way, or give you a helping hand in setting up a ladder, I may feel a glow of satisfaction at having made the world a better place than it had been before, but you will be even more sensitive to the betterment brought about. Or again, if I help you to get a job by introducing you to someone who has an opening, or if I stay behind over a week end to help you meet a deadline, I may

¹ (Here I think we must keep cooperators, though in general it is to be avoided.)

be glad to have given you a helping hand, but you will have good cause to be grateful for my help. Many cooperative actions benefit some of those cooperating more than others, so that sometimes we feel that some adjustment is needed if justice is to be done. In cases where the contribution made by those who obtain little benefit is itself small, we let the matter go—most people are happy to give strangers directions without any expectation of recompense—but if someone's contribution is costly—if he has spent much time and trouble in helping us, or has forgone the opportunity of doing something else he wanted to do—then we are loath to leave him unrecompensed. We want to say Thank You, and seek to give him some tangible tokens of our gratitude and esteem. It does not have to be money. In some cases, indeed, a pecuniary recompense would be inappropriate. But in many, very many, cases it is appropriate. It shows that we are not trading on the benevolence of the man who has helped us, not taking his contribution for granted, but recognising that he has his own priorities which ought not to be entirely overridden by ours. If we pay him, we see to it that the benefits of cooperation have not been altogether annexed by us, and are making sure that he has his share, so that his contribution served not only our interest but his as well. We are showing proper solicitude for his interest, and considering the whole operation not only from our point of view but from what we take, vicariously, to be his.

The basis of cooperation thus varies with the extent to which we share values. Where we share almost all of them, we cooperate very readily, and are not much bothered about how exactly the benefits of cooperation turn out, because we shall all evaluate them pretty much the same in any case. Where there are significant differences between us, the result of cooperation is not naturally equally good for each of us, and readjustment may be called for, which is characteristically brought about by some monetary payment, the economic recompense without which business associates cannot expect us to cooperate.

§2.2 Business Enterprises

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In a family we all pull together because the good of the family as a whole is the good of each one of us individually, and although I may distinguish my own interest from my brother's, I nevertheless rate his good highly, and what is good for him is *eo ipso* fairly good for me too. Families live together and work together, and although some activities benefit some members more than others, there are usually not enough long-lasting conflicts of interest to split the family, and each not only identifies with the family as a whole, but by and large also benefits as regards his own individual interests.

Where we have shared values, we cooperate freely, and hence in most cases, more efficiently. It makes good sense, therefore, to have effective units of cooperation. But we do not share all values, and cannot, without an unhealthy suppression of individuality, merge our own identity in that of some group. Although families do work together, and family farms have survived over many generations, there are conflicts, and, especially with the advent of money, awkward questions about how much pocket-money the children should have, how far adults members of the family should be enabled to express their own, possibly idiosyncratic, tastes. These problems can be solved, not only for natural families but for other cooperative units, which will be generically called "enterprises". Business enterprises are, so to speak, artificial families, in which the members are linked not by ties of blood but by their already having in common, or (more often) agreeing to endorse, some set of shared values. The values held in common may be many and wide-ranging, as in a family, a monastery, a regiment, a college, or a mission hospital; or relatively restricted, as in an underwriting syndicate, or a firm of currency dealers. But typically—some families and monasteries excepted—the divergence between the shared values of all and the separate interests of each are accommodated by giving each an economic recompense—a wage or share of the overall profits. Some money goes to the individual and is peculiarly his own. He then devotes himself during his working hours to cooperating in appropriate ways so as to realise the shared values of the cooperative enterprise. In some cases these are values already espoused—in a mission hospital, for example—and the salary is paid largely in order to free him from having to devote time and energy to securing

shelter and finding food.² In other cases, more common in modern commercial life, there is no natural or antecedent identification with the enterprise's values, but it is adopted in accordance with the contract of employment in return for monetary payment. The degree of identification varies, being fairly low for manual workers expected only to perform set tasks in a conscientious and workmanlike way, to very high for top managers, expected to devote their sleeping as well as their waking hours to worrying about the firm's future and thinking up new initiatives.³

Typically, business transactions take place between firms which have significantly different values but are cooperating for their joint advantage, and business life takes place within firms, which have some collective purpose that each member of the firm accepts and makes his own. Ethical problems can arise within a firm as colleagues compete for promotion, or seek to establish their own advantage to the detriment of their colleagues: but largely because the firm is long-lasting and has many values shared by its members, the problems do not seem intractable, and often the family analogy helps. It is different with business transactions between business enterprises. These, it is often asserted, are essentially amoral, since it is the nature of business to pursue its own advantage, maximising profits regardless of others, except in so far as they will be useful in time to come. In order to free ourselves of this misapprehension, we need a closer analysis of business transactions, and a determined effort to rid ourselves of false images which can exert a powerful, because unconscious, distortion on our thinking.

² See further below, ch.11 (Professions), §3, p.3 of Prof2.

³ See further below, ch.4, §1 (Accountability) (Duties4 p.3)

§2.3 Cooperators' Surplus

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We can analyse the problem of business transactions with the aid of the Theory of Games.⁴ The Theory of Games provides us with a useful, though dangerous, tool for discussing the different evaluations different people make of the situations that may arise from their actions. What actually happens depends, typically, not only on what I do but on what other people do too. We can construct a matrix in which for each agent involved the available alternatives open to him are listed, together with the results of each combination of choices on the part of each of the agents (the “outcomes”). Different agents will value some particular result differently, and these different evaluations can be represented, at the risk of misunderstanding, by numbers (the “pay-offs” of that outcome for the particular agents under consideration). Where the agents share a common value, then there will be outcomes with the same pay-off for each of them. Otherwise the pay-offs will differ, and outcomes will have different values for different players. But in the case of cooperative activities, though the outcomes differ, the all-in-all total is greater if we do cooperate than if we do not—otherwise we should have no reason at all to cooperate.

In a business transaction there is cooperation: services are rendered, goods handed over, as a result of which the parties are, overall, better off than they were before. But the benefit does not naturally accrue to them all, and adjustment is called for. There is thus, besides the cooperative activity,⁵ inasmuch as the cooperation has produced an overall benefit, the “Cooperators' Surplus”, a competitive one,⁶ in regard to the adjustment to be made. If you service my car, then in the natural course of events, I am better off: if I pay you, then I am less better off, and your position is correspondingly improved. If we focus entirely on the question of how much I should pay you, our interests appear to be totally opposed:

⁴ See Appendix A for a brief account of the Theory of Games. (MRG would have a fuller description here, with examples in Appendix A as well)

⁵ In the terminology of the Theory of Games a “Non-Zero-Sum Game”.

⁶ In the terminology of the Theory of Games a “Zero-Sum Game”. We owe to R.B.Braithwaite, *Theory of Games as a Tool for the Moral Philosopher*, Cambridge, 1955, the insight expressed in this paragraph and throughout the rest of this book.

your gain is my loss, and *vice versa*: but it is only in the context of there being a gain from the transaction that we could be competing against each other for a larger share of the cake. Economics is often thought by moralists to be entirely a zero-sum game. It is one of the prime tasks of ethical economics to take to heart the fact that it is not entirely that. There is an adversarial aspect to business transactions, which colours many of our perceptions of business, and needs to be taken seriously. But it is set within a wider frame of cooperation, which greatly alters the whole aspect of business activity, since then there is a necessary concern for the other party, which in turn gives entry to considerations of justice in business transactions.

§2.4 Thou and You

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Although Adam Smith was wrong in basing business transactions exclusively on the self-interest of the parties, he was drawing attention to a valid point, namely that in an economic transaction there are separate centres of decision-making, each evaluating the transaction from his own point of view. But that evaluation need not be selfish. Hayek cites the case of a mother shopping for her children. She may detest Angel's Whip, but buy it none the less because they like it. She is deciding on behalf of her family from the family's point of view in accordance with the family's tastes, not her own. So too the bursar of a college or a buyer for a retail store is not selfish, but is evaluating in accordance with the interests of the college or the store. It is like the position of a barrister arguing a case in court or an ambassador representing his country. Neither is being selfish, but both are putting one side of a case. In a business deal the parties are not just putting a case, but deciding. Each party has a veto, and the deal will not go through unless each judges it a good one from the point of view he represents. Although it need not be a selfish one, it is a partial one; it is only because there is a significant difference in the values espoused by the two parties that their cooperation is a business transaction and not a consensual one. And the partiality excludes the other party's point of view. It is for him to decide, from where he sits, whether the transaction is a good one on his scale of values. In Wicksteed's terminology, a

business transaction is “non-tuistic” (from the French *tu*).⁷ From this it has been inferred that it is altogether unconcerned with the second person, and is entirely first-personal or third-personal, an I-it relation that is necessarily either selfish or impersonal. But, it will be argued, the inference does not hold: although the transaction is “non-tuistic”, it is essentially *vousistic*” (from the French *vous*), taking account of the generality of other people in the second person plural, though not of the unique individual in the second person singular with his own special set of values.

Although it is ultimately for the other party to a business transaction to decide what his priorities are, and whether the deal is a good one from his point of view, it does not follow that his values are no concern of mine. For, contrary to the assumption implicit in many classical analyses, almost no business transaction is really a one-off one. Often it is one of a continuous series with the same partner, and almost always it is one of a type with other similar partners. From the former fact many have put forward a prudential argument that it is in my interest that the transaction be in your interest too. If I give good value for money, I may get your custom again, and you may recommend me to your friends, and so I can reasonably hope for further custom in the future. The customer is necessarily right in as much as it is only by vicariously taking to heart his point of view and taking care to give him generally a good bargain that I can reasonably expect to remain in business. This is usually represented as an argument from enlightened self-interest: honesty is the best policy; you can rip off a customer once, but only once. But it is not only an argument from enlightened self-interest. It is also constitutive of the businessman’s role. Just as a doctor is judged to be a good or bad doctor by how well his patients fare, so a businessman is judged by how he stands in the eyes of those who deal with him. It is a necessary concomitant of the two sides of a business transaction. Classical economists stress the importance of my side of the bargain, and how I want it to be a good one from my point of view: but I cannot reasonably invite you to do business with me on the grounds of my wanting to make a profit out of it; if I am to invite you to do business with me, it must be on the grounds of its being advantageous to

⁷ Philip H. Wicksteed, *The Common Sense of Political Economy*, London, 1910, Bk.I, ch.5,p.174: we owe this point to Hayek; see F.A.Hayek, *The Constitution of Liberty*, London, 1969, pp78-80.

you. I must hold myself as ready to serve the interests, in some respect, of you and others, in the same way as the doctor holds himself out as serving the medical needs of his patients. That is what defines the social role of a doctor, and the grounds on which we judge whether he is a good one. Whether he is a successful one is a different question, to be answered in terms of how well he does financially or socially, rather than in terms of how well his patients do. We can similarly distinguish what it is to be a successful businessman from what it is to be a good one. Although in general bad businessmen are unlikely to be successful any more than bad doctors, the connexion is not a necessary one. We can all too easily imagine success being achieved in business by letting down colleagues, defrauding creditors, swindling investors, defaulting on suppliers, chiselling employees, as we can imagine a doctor whose bedside manner and social suavity enables him to amass a fortune by persuading patients to have unnecessary operations and expensive treatments. We have no hesitation in describing such a doctor as a bad one, however successful, but because of the false image of Economic Man engendered by the classical analysis,⁸ we are less confident in similarly describing the corresponding operator in business. But once we recognise the two-sided nature of the business transaction, and the importance of the other side in characterizing the businessman's social role, we have a new ground for arguing whether a businessmen is a good one or not, and the case for a new way of looking at what we mean by business justice.

⁸ See below ch.3 §5 (False Images/Max) p.9 of false4.

§2.5 Economic Justice

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Once I recognise that I cannot rationally invite you to do business with me simply on the grounds that I want to profit by it, but must, rather, hold myself out as being willing in some way or other to serve your wants, I have introduced a notion of *alteritas*, concern for the other, which is the foundation of justice. When it comes to dividing the cooperators' surplus, our interests are opposed: the more you get the less there is for me. Unless I altogether forgo any share of it, the allocation of any part of it to me is at your expense, and you may reasonably ask why you should be getting less than you otherwise might. A just man takes this question seriously, and addresses himself to it, being ready to give reasons to the other party why the adverse decision should be made. If these reasons are good, the other party will be mollified; even if he does not accept them in toto, he will see that he was not being chiselled, that the just man was not simply taking advantage of him, but was trying to arrive at a distribution that was equitable and fair. Justice, therefore is of prime importance. It enables men to live together in amity, even though they have different interests, and decisions are being taken which are adverse to some of the interests concerned. In economic affairs it blunts the edge of the inevitably adversarial aspect of dividing the cooperators' surplus, and enables different people to work together without either feeling that he is being exploited and done down by the other.

Important though justice is, most economists⁹ deny that justice has any bearing on economic transactions. In part it is, as we shall see,¹⁰ because their analysis yields a market price which gives no room for claims that any other one could be the right one. But also they cite the lawyers' tag, *volenti non fieret injustitia*, itself based on Aristotle's dictum, ἀδικεῖται δ' οὐδεὶς ἑκῶν (*adikeitai d'oudeis hekōn*),¹¹ that injustice cannot be done to a person who agrees to what is being done to him, from which it would seem to follow that

⁹ Can we name them? Hayek is the one that comes to my mind most insistently, but Elaine Sternberg is quite strongly against, tho' she does talk of 'common decency' which may include some notions of justice. I must ask my colleagues.

¹⁰ See below ch.3, (Money and False Images) §3 false4 p.5

¹¹ *Nicomachean Ethics* V,9,6, 1136b6; and V,11,3, 1138a12

provided the bargain was entered into voluntarily, no claim of its being unfair could be countenanced. But we do talk of hard bargains being struck, and stigmatize some contracts as being unfair. We draw a distinction between the genuinely voluntary transactions in which a person chooses one alternative, being entirely free to choose another, and those where he has no real alternative. If I go to a shop in a strange town shortly before closing time, I would rather pay the inflated price demanded than go without food that night, but I should be hard done by if the shopkeeper, observing my plight, raised his prices in consequence. Aristotle's dictum needs to be modified to take account of the distinction between genuinely voluntary choices and those taken under some sort of duress, or manipulative propaganda, because the available alternatives are ones we are reasonably reluctant to take. In the former case prior agreement non-suits any subsequent claim of unfairness. But in the latter case, or where we are considering some general practice rather than an individual choice, questions of justice are not excluded by some semblance of voluntariness.

The fact that economic justice does not give definite and precise answers, affords classical economists a third reason for wanting to exclude considerations of justice from their subject. The market price is precise, and altogether tidier. Loose, and sometimes contradictory, considerations of justice mess up the argument, and render it unsusceptible of neat mathematical analysis. If the choice is between a mathematical theory involving clear and distinct ideas, and a confused mishmash of arguments actually used in practical decision-making, the theorist may well prefer the former, even if it has little relevance to what actually goes on in the market place and the board room.

For justice is indeterminate. There are many different sorts of reason that we can give for deciding against someone, and it is perfectly possible for a decision to be just in respect of one basis of allocation and unjust in respect of another. The elder son was unjustly treated when the father responded to the prodigal's need rather than to his own desert. Those who had laboured in the vineyard throughout the day were unjustly deprived of their differentials by the generosity of the master to the late-comers. Examiners sometimes face difficult decisions between one candidate who has failed to obey the rubric, but is clearly brilliant, and another who is rather dull but has scrupulously conformed to the instructions.

It is the same in the case of wage differentials, where the skilled worker may feel that he is not being sufficiently rewarded compared with the unskilled warehouse loader or factory cleaner. How is one to justify the differential between one grade and another? There are different grounds of justification: we can distribute goods on the basis of desert, merit, need, status, or entitlement: we can require a conformity to a norm, and punish infractions of it, either because the norm is inherently fair—*jus quia justum*, as the mediaeval philosophers put it—or because it has been laid down by positive enactment—*jus quia jussum*—where someone can be unjustly punished, when, in accordance with the letter of the law of the land, an employer is punished for his employees' illegal acts, even though he had instructed them not to do them.

Not only are there different aspects of justice which may conflict with one another, but even within a single aspect there are different decisions which may claim to be just in some situation. Justice needs to be filled out in particular contexts, with particular understandings, particular expectations, particular conventions. We need to know what the Romans do if we are to act justly in Rome, and may on occasion need to promulgate conventions so that everybody knows where he stands. There is nothing in the nature of things that makes it right or wrong to drive on one side of the road or the other, but we need a convention so that we all either drive on the right or drive on the left, so as to avoid collisions. Once the convention is established, it becomes just to abide by it, unjust to flout it; for other people expect us to abide by it, and if we do not, we disappoint their reasonable expectations.

Some conventions grow up, and are enshrined in current practice, others are promulgated by an authority. In either case they could be different, and if they were different our view of what was just and unjust would change accordingly. Justice thus depends, in part, on local parameters, and is different in different places and at different times. Many thinkers have thought otherwise. They have taken it for granted that there is one definite just price, just wage, just solution to every dispute. In part it is due to a misunderstanding of natural law. Natural-law arguments do, indeed, establish criteria for assessing the enactments of positive law, but do not determine in every detail what must be done, and do not do away with the need for positive law altogether.¹² In the economic field, doctrines of an absolutely determinate just price and

¹² Michael: is this better? I could expand, but hesitate to take up too much space. Perhaps a reference to my *On Justice*?

just wage derive plausibility also from the assumption that goods are material goods, possessing some quasi-physical absolute value, analogous to the objective physical properties that material objects actually do possess. Much of the resistance evinced by businessmen towards business ethics is due to *simpliste* doctrines of the just price and just wage that take no account of particular circumstances and contexts. They fear that if once they allow any talk of ethical considerations in their deliberations, they will be required to pay impossibly high wages or charge ludicrously low prices regardless of the actual circumstances in which they operate. It is important, therefore, to stress that business justice is not a single set of answers worked out by some *rigid rule* for business behaviour, but an *approach* to taking decisions in which one considers those who may lose out as a result, and addresses oneself to them, seeking to show them that the decision, though adverse was even from their individual point of view justified. And in doing this, it may be perfectly fair to point out what the going rate is: at least it shows that the bargain is not exceptionally adverse; if the hotel room states that it is more expensive in the high season, you may think it is too expensive, but at least you are not being cheated.

Justice, then, instructs us to consider the situation from the other person's point of view—an *alteritas* of attitude—but does not of itself lay down exactly how the balance should be struck. It starts us asking certain questions, without providing us with ready-made answers. Often, indeed, there will be considerations of justice on either side, and it will be difficult to weigh them and strike a proper balance in reaching a decision. But for a decision-maker, that is nothing new.