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Recognition, communication, and convention: An essay in the ethics of economics

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Chapter 1
Introduction

Many problems of our contemporary societies seem to be unsolvable due to globalization and complexity. This is the case, for instance, with respect to the problem of global warming: even though scientists may know quite well what kind of "behavior" should be adopted by each country in order to stop global warming, the collective implementation of this behavior is not that easy, to say the least, simply because this would imply unmanageable changes in the functioning of countries and in the way people live in them. As a result, the situation around global warming is a kind of global puzzle whose resolution, for the time being, is far from foreseeable.

The same thing could be said with respect to poverty in developing countries. Indeed, if we assume that the only way to provide a sustainable solution to poverty is through economic development, and that the basis for economic development nowadays rests on the so-called knowledge economy, then developing countries face an important hurdle on the path toward genuine development, i.e., toward overcoming poverty: highly skilled workers from all over the world, in the global economy, have very strong incentives to live in developed countries (since real wages in those countries are, by definition, the highest), thereby weakening the only ground that could ensure sustainable development of developing countries. We are talking, of course, about the problem of the brain drain, which is global and complex in nature.

Let me now introduce another example, a bit more local and specific, but not thereby less global and complex: the social and political drama affecting Colombia as a consequence of its being a strong world supplier of cocaine. Indeed, insofar as the demand for such a "commodity" is global and, moreover, very inelastic, cocaine producers enjoy such huge profit opportunities that they are able, on the basis of their wealth, to subvert the very social contract underlying the functioning of the country, to an extent that threatens the achievements of modern democracy as to the protection of individual freedom and dignity. (Of course, it must be emphasized that this is not the only example where modern individual freedom and dignity are harmed by mechanisms rooted in globalization and complexity.)

The global financial crisis, with its almost incalculable consequences in terms of unemployment, loss of individual savings, and the like, can be counted as well within the class of problems with a global and complex character, representing thereby a global puzzle that, for the time being, has not been "solved" in a convincing manner (assuming this could be at all possible).

This short enumeration of puzzles and unsolved challenges suffices to broadly identify the subject matter of the present essay: to look for an understanding of, and to propose a solution to, problems that harm individual well-being and are both global and complex, and whose effective solution, for the time being, is unknown. The meaning of each one of the terms I am using now, i.e., of "individual well-being," "global," and "complex," will be made more precise through specific definitions, each in its own time, as the essay progresses. Nevertheless, I think the few examples just provided form a sufficient basis both to understand what is involved in the problems that we are going to address, and to present now the specific way in which we are going to address these problems.

The implementation of a solution to what is being termed a global complex problem, that is to say (among other things that will be specified later on), a problem whose solution is unknown for the time being, will be interpreted as the provision of a public good. Therefore the adoption and the implementation of solutions may entail collective-action problems involving free riding. The free-rider problem, indeed, will be seen to be responsible for the fact that such problems are not solvable nowadays.

Our search will therefore aim to understand what underlies the free-rider problem in collective-action situations, and how this problem could be overcome—an overcoming that, among other things, would pave the way for a solution to global complex problems.

Due to the fact that we need an in-depth understanding of why the free-rider problem occurs in collective-action situations, a significant part of our search will be philosophical in nature. More particularly, we will be developing a Hegelian philosophy of economics. With the help of the conceptual structure involved in that philosophy, the focus will then be on collective action. We can already advance the main result of the essay: *Only a radical and generalized expansion of individual human consciousness could give rise to a society no longer riddled with the free-rider problem.* This radical expansion of consciousness, as I will argue, is going to be considered as a necessity from the individual perspective.

The "expansion of consciousness" I am referring to will, of course, be carefully characterized, and arguments will be provided in favor of its plausibility—arguments that will also make explicit some difficulties involved in such an expansion. Thus the effort conducted throughout the whole essay, aiming to justify our main result, is going to give rise to a set of "first elements" pointing in the direction of a theory of consciousness. This embryonic "theory," however, is not so much a full-fledged theory as it is a conceptual construction intended to be meaningful within the private domain of the existential experience (i.e., the life) of my equals (i.e., the readers). In this sense, the whole essay, instead of being a "scientific" body of work in search of a "solution" to certain social problems, is a kind of speech in the *agora* where these problems are discussed—a speech aiming, specifically, to contribute to the collective building of a *shared* basis on whose ground, hopefully, solutions may some day be found.

Let me now schematically present the reasoning leading to the main result of the essay, namely, to the need for an expansion of human consciousness in order to address collective-action problems in a new way. This introduction therefore offers a preview of the path that we are going to walk throughout the essay.

Before going into these details, and in order to close this "introduction to the introduction," I would like to make explicit that the very existence of this essay would be impossible without the radical inspiration to "think" freely, completely engaging one's personal values and sensitivity in one's thinking, that I found and learnt in the work of Christian Arnsperger.

A Hegelian conception of social order and identity

The rational-choice tradition has shown, through the work of Kenneth Arrow, that a rational social order cannot be freely built by individuals who are "rational" in the sense of rational choice, unless there previously exists an underlying consensus among them, either as to the desired outcome of the social order or as to the procedures that have to be used to build that order. This result is known as Arrow's Impossibility Theorem.

Arrow's proposal to solve the problem is that in our societies there indeed exists a moral consensus, or at least a similarity as to individual preferences on collective objects, and that this consensus, which is unconscious, is the result of biological and cultural causes. We start our investigation by asserting that Arrow's solution is untenable, because he does not provide any indication as to how these unconscious facts can be accessed.

Arrow locates his proposal within the "idealist" philosophical tradition represented by Rousseau and Kant. Our theoretical strategy will be to look for an alternative, more consistent understanding of Arrow's findings by taking advantage of what is offered by the very tradition within which Arrow operates.

Using the conceptual tool of a Kantian social order, we propose that the underlying consensus which helps to explain modern social order not merely as a spontaneous historical occurrence that cannot be improved upon from a collective perspective (which is what is involved in a social order being called "rational"), is a Kantian categorical imperative reached within the political sphere of societies (something which took place at the inception of the Enlightenment)—an imperative entailing the absolute respect of individuals as autonomous and morally responsible beings.

This categorical imperative, whose very existence demands enforcement by the State, i.e., requires the existence of a political community, is deeply rooted in our modern culture. It could thus indeed be considered as somehow "unconscious" in some cases; its origin, however, is not biology and culture, but a political construction embodied in the State.

Out of this politically created categorical imperative, the collective domain where individuals live becomes what could be termed a *normative social space* populated by *normative individuals*. In this space, events (sayings and doings) are potentially subject to a demand for justification on the basis of reasons. And these reasons that need to be grounded, in the first place, on satisfying the constitutive categorical imperative of respecting individual autonomy. Individuals who voluntarily accept to submit their sayings and doings to the demand for justification, in turn, are thereby normative ones: they accept to behave in the light of a social assessment on the *correctness* of their behavior—an assessment made on the ground provided by the shared value of individual autonomy (among other things, as we will see below), which makes possible the existence of a *peaceful* social order susceptible of improvement.

The first conclusion we reach, therefore, is that standard (rational-choice) economics should be considered as Kantian in nature, because only a Kantian normative social space makes room for the deployment of *a rational "choice-rationality" capable of improving society*, i.e., of working on the basis of notions of the *common good*.

However, individuals behave not only on the basis of categorical imperatives but also on the basis of institutional and prudential ones. This raises the following problem. Arguments intended to justify behavior on a basis other than the categorical imperative of respecting individual autonomy must be grounded in shared values other than individual autonomy, i.e., such arguments should rely on other common goods. Implicitly, we are saying that justifications within the normative social space are always made on the basis of common (shared) goods.

Kantian morality, it will be argued, is not a sufficient basis to explain the existence of common goods other than the respect for individual autonomy. This facts leads us to use a categorization of social order based on the Hegelian notion of *ethicity*. This notion could be formulated as follows. Individuals participate in social life on the basis of the rules that constitute society, because they identify themselves with these rules (i.e., these rules are constitutive also of their identity), and by doing so they contribute to the reproduction of the ongoing society.

Along with the Hegelian notion of ethicity, we will have recourse to a Hegelian conception of modern individual identity, according to which self-consciousness (identity) arises under a situation of *reciprocal normative recognition* between individuals. The qualifier "normative" here means that individuals recursively recognize each other as recognizers, i.e., as agents who have the normative authority to *correctly* recognize "things"—an authority that underlies the possibility of a convergent recognition of things, i.e., the very possibility of social life. The achievement of reciprocal recognition, in turn, takes place on the basis of an underlying desire on the part of individuals of being recognized. In this framework, the things an individual identifies with for the sake of being recognized by others constitute individual identity.

Our modern individual identities, however, entails two forms of recognition, two forms of respect: on the one hand, our legal recognition as autonomous and morally responsible beings (i.e., as normative recognizers); on the other hand, the recognition of our individuality (or singularity) within a social domain structured in terms of common goods (i.e., common goods underlying rules). This current state of individual identity allows us to formulate the following claim: While *qua* members of the political community individuals recognize each other as equals (i.e., as equally autonomous and morally responsible), in social life individuals are mainly motivated by the desire of getting a specific kind of recognition which we can call differentiation-based recognition. In other words, they are motivated by a particular version of the Hegelian desire of recognition: the *desire for differentiation*.

Now, individuals can get recognized by others through differentiation only if the things that make them different from others are commonly assessed as common values, i.e., if they are indeed common goods: no one will recognize in another what is not valuable to him- or herself.

Therefore, *the very fact of getting recognized through differentiation presupposes the existence of a common good on whose basis the value involved in differentiation is socially assessed as a value*. This is the reason why even individuals motivated by the desire for differentiation, which at first sight could be considered an entirely private motivation, are obliged (so to speak) to identify themselves with the community's common goods and with the rules built on their basis. Indeed, doing so is the only way to get differentiation-based recognition. Therefore, even a society populated by this kind of "individualistic" agents pursuing an entirely private goal conforms with the Hegelian notion of ethicity.

The spheres of the Economies of Magnitude and the collective-action problem

The preceding discussion of autonomy and recognition equips us with a conception of the social order and a complementary conception of individual identity, both Hegelian in nature. Yet, this Hegelian construction is not yet a sufficient tool to perform the task we have set up for our work—namely, to understand free riding in collective-action situations and to point towards a solution to collective-action problems currently not solvable due to their global and complex character. What we lack so far is a concrete social theory (an economic theory, for that matter) embodying this Hegelian conceptual building, thereby enabling us to translate the structure of the collective-action problem into the Hegelian categories through which we articulate social order and identity. Put differently, we need a *bridge* between the usual tools with which collective action is currently being studied—namely, game theory—and the Hegelian conception of social order and identity that we have just presented. At the end of this introduction, the key role performed by this bridge will hopefully have become clear.

The required theoretical "bridge" is the Economics of Conventions (*économie des Conventions* in French, EoC for short) and, in particular, its political-philosophy branch, the Economies of Magnitude (*économies de la magnitude*, or EoM). We are going to argue, indeed, that the main structuring axioms of the EoM fit perfectly into the categories defining a Hegelian conception of social order and identity. As we will see, the EoM conceives of equality according to the Kantian categorical imperative and views differentiation as the main motivation of individuals, while individual differentiation takes place within normative collective spaces (*cités*, which we will translate as "spheres") structured on the basis of shared notions of the common good on whose grounds differentiation is both individually costly and socially beneficial. Thus, the EoC can be considered as Hegelian in nature.

Let us now characterize the interplay between ethicity and individual identity on the basis of the spheres of the EoM model. The recognition of the individual autonomy and dignity protected by the State (which was the first form of respect I referred to earlier) takes place with the appearance of *citizenship* which, once individuals identify with it, brings about the civic sphere. In other words, the collective identity-formation process that gave rise to the notion of citizenship was, at the same time, the process of constitution of the modern civic sphere.

Within the civic sphere the citizens define collectively what it means to be a citizen—namely, in what sense individuals become equals by the very fact of being citizens. The content of equality thus defined is, from that moment on, what citizens will associate with the fact of being a citizen. This content, which the State is supposed to protect and promote, is embodied and expressed in *rights* established in a *constitution*.

By the very fact that the notion of citizen is dependent on the particular rights citizens attribute to themselves—rights to be enjoyed on the basis of, among other things, their protection by the State—the generalized respect of individual rights becomes a *categorical imperative* flowing from the civic sphere. This categorical imperative could be thought of as giving a concrete content to the Kantian categorical imperative of respecting normative individual autonomy.

However, the equality produced in this way by the civic sphere with its definition of what it means to be a citizen, is not a sufficient basis for the development of individual life under the modern identity. This is because the fundamental individual desire constituting the second form of respect—namely, differentiation based-recognition—cannot be satisfied simply through the protection and the effectivity of rights. These very rights must allow for the possibility of individual differentiation or, put differently, they must allow for one form or other of *legitimate inequality*.

Indeed, among the rights created in the civic sphere, some civil rights—in particular the right to enjoy State protection of private property and the right to freely enter into contractual relationships with others—constitute the fundamental framework (hence the categorical imperatives) out of which a civil society is built on the basis of another sphere intimately connected with the current individual identity dominated by the desire for differentiation: the *market* sphere. Let us see why this is the case.

To become different from others for the sake of recognition means to expand one's individual entity (one's identity) within the social domain, where everything has a meaning from a common-good perspective. Therefore, the individual looking for differentiation is bound to be completely focused strategically and on the social world with the aim, so to speak, of becoming its "*owner*." Thus, the basic attitude of the differentiation-seeking individual is one of *desiring*: to desire something means to want to become its owner. So the desire for differentiation as the basic motivation of life necessarily leads to the complete dependence on desires or, to put it in another way, to a *desiring existence*.

In the context of a desiring existence, *wealth* can be conceived as the conventional social creation capable of providing satisfaction to (almost) any desire an individual can have. Therefore, wealth acquisition is the paradigmatic social activity performed by individuals inspired by the desire for differentiation. Consequently, a civil society populated by differentiation-seeking individuals must be structured around private wealth, which is the common good of the market sphere.

The EoM model thus allows us to understand the very existence of the market sphere as precisely a sphere, i.e., a legitimate social domain. Indeed, the market sphere exists on the basis of a collective definition about what it means to be a member of society, namely, a citizen: the civic sphere, by establishing the rights that are going to be attached to citizenship (the rights defining equality), also authorizes citizens, through these very rights, to pursue differentiation-based recognition by the means of a legitimate activity: the search for private wealth.

From the perspective of collective action, the existence of the market sphere has a very important consequence. In civil life, where differentiation-seeking is the basic individual motivation, individuals, instead of following the categorical imperative of respecting the rights ensuring equality, are bound to behave on the basis of *prudential imperatives* deductively arrived at under the motivation of getting differentiation-based recognition.[1]

This entails a considerable restriction of the scope and binding power of the normative social space within which sayings and doings are subject to the demand for justification. Put differently, the authority of the civic sphere over the functioning of society becomes much smaller: provided civil rights are not harmed, individual behavior adopted on the basis of prudential imperatives within the market sphere becomes "free" from the demand for justification—namely, it rests outside the normative social space, which is a situation we will call "narrow normativity." This phenomenon can be referred to as the legitimacy of individual *agency*.

Now, an individual behaving on the basis of prudential imperatives does not necessarily behave as a citizen, i.e., as a promoter of rights. Therefore, the two forms of respect constituting modern individual identity give rise to two basic social ways of being: as a *citizen* or promoter of rights in the civic sphere, and as an *agent* looking for differentiation-based recognition (i.e., wealth) in the civil sphere. This twofold characterization of an individual's identity and social way of being

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1 In order to round out the picture we are presenting, let us furthermore posit that institutional imperatives, mainly associated with the functioning of the industrial sphere, are built around the common public good of efficiency.

will be very helpful to understand what is involved in a collective-action problem and, afterwards, what is required to move toward a solution.

So let us now come back now to global and complex problems harming individual well-being. To start characterizing these problems on the basis of the concepts developed so far, it is necessary to give concrete content to the notion of individual well-being. Let us put it this way: the collective conception of individual well-being (i.e., its collective conventional definition) is embodied in the rights decided within the civic sphere, particularly in what are termed *social rights*—which are the rights that aim to ensure the individual's substantive ability to enjoy a materially decent life.

This definition of individual well-being implies that *the problems that constitute the subject matter of the present essay must be problems for the citizens, insofar as they are concerned with the effectivity of rights*. As a consequence, these problems must be addressed *in a deliberative way* within the civic sphere—with deliberation aiming at understanding these problems and at providing solutions to be implemented within the civil social world.

Now, the global and complex character of these problems means that (particularly as far as the production and consumption of commodities is concerned) they are the aggregate result of individual behaviors conducted within the civil social world. Therefore, *any solution to them entails the production of a collective good putting aggregate social phenomena under collective control.*

This is where the free-rider problem is likely to arise. As long as prudential imperatives coming from the motivation of obtaining differentiation-based recognition—particularly those imperatives linked to wealth acquisition—give rise to individual behaviors not consistent with the provision of the solutions to a global complex problem, i.e., to solutions reached deliberatively within the civic sphere, the collective-action situation underlying this public-good provision (i.e., the provision of a solution) will have the structure of the *n*-player prisoners' dilemma. Put differently, individual incentives will enforce free riding behavior instead of contributing to the provision of the public good.[2]

This characterization helps to explain a fundamental feature of the functioning of contemporary societies: while communication between individuals (*qua* citizens) gives rise, in the civic sphere, to agreements concerning the identification of problems on the basis of their harmful consequences on individual rights, communication in the civil world is completely ineffective when it comes to producing the public goods involved in solving these problems, i.e., when it comes to putting aggregate social phenomena under collective control.[3]

We can now provide an explanation for this feature of contemporary societies—namely, for why communication works within the civic sphere and does not work within the civil world when it comes to public good provision. In the civic sphere it is common knowledge that everyone assigns priority to promoting rights because this is a categorical imperative within that sphere. Therefore, communication works because everyone basically agrees on which arguments can and cannot be put forward. In the civil world, on the contrary, individuals are not primarily interested in the effectivity of rights but in getting differentiation-based recognition (i.e., wealth). Consequently, there are no shared objectives capable of sustaining communication other than strategic.

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2 We need to point out here that, due to complexity, mechanism design and coercion must be considered as largely ineffective ways of implementing solutions to global complex problems. The justification of such a stance will be provided in Chapter 5.

3 As will be argued in Chapter 4, communication between individuals could be effective when it comes to the provision of public goods in collective-action situations structured as *n*-player prisoners' dilemmas, if communication is used strategically for the sake of exerting so-called *social control* on the basis of (emotionally grounded) morality. However, when global complex problems are involved this possibility does not really exist.

We have thus arrived at a characterization of the collective-action problem involved in the provision of solutions to global complex problems—a characterization which, in my view, considerably improves the picture that can be drawn within the rational-choice framework provided by game theory: so called pre-play communication, instead of being a theoretical possibility whose occurrence game theory is unable to explain, must necessarily take place in the civic sphere because caring about the effectivity of rights is a categorical imperative binding individuals as citizens since having such a concern is what makes them citizens in the first place. So once citizens realize that there is indeed a global complex problem, they *cannot but* communicatively address it in the hope of deliberatively finding a solution.

But then they are also bound to realize that in the civil world it is, for the time being, not possible to implement solutions to global complex problems. This is the motivation that leads me to write the present essay—namely the need, as a citizen, to take care of the effectivity of the rights harmed by global complex problems. It is therefore time now for me to present what I take to be a possible avenue towards the collectively elaboration of solutions to global complex problems, solutions susceptible of being implemented in the civil world.

The transcendence of the ego and the solution to global complex problems

Let me now introduce the fundamental fact motivating the proposal that I am going to make to enable an eventual solution to collective-action problems intended to address global complex problems: the individual transcendence of the desire for differentiation, which I will also be term "transcendence of the ego." This possibility, of course, will receive a great deal of attention throughout the present essay, so much so that I am going to argue that *the transcendence of the ego is an individual necessity if the Hegelian desire for recognition properly understood* *is to be satisfied*, or, put differently, if individual realization is at stake. The transcendence of the ego, in turn, makes possible what I will term *radical recognitive symmetry*, i.e., individuals seeking recognition as symmetrical recognizers—out of a sense of *subjective equality* which will be characterized later on in detail—not as differentiated individuals.

The distinction between differentiation-based recognition and radical recognitive symmetry as two alternative states of consciousness, giving place to different identities and life-purposes, allows us to distinguish between weak and strong ethicity.

Under weak ethicity, individuals participate in social life with the private aim of getting differentiation-based recognition, while under strong ethicity they participate in order to produce *objective equality* defined as the situation where rights ensuring individual well-being are objectively effective, and they do so out of the sense of subjective equality involved in radical recognitive symmetry. From the perspective of the EoM, weak ethicity could be characterized by the fact that differentiation is a common good, giving rise (*a*) to the market sphere with its common good (wealth) commonly desired but enjoyed privately, and (*b*) to a sphere where differentiation is the very common good: the sphere of renown, which may moreover be intimately interwoven with the market sphere to the extent that renown and wealth are themselves connected in differentiation-based recognition.

Strong ethicity, in turn, is the political model in which axiom called the "principle of difference" no longer holds. It therefore corresponds to what the EoM defines poetically as "*Eden*." By arguing that the transcendence of the ego is an individual necessity from the perspective of individual realization, we will conceive of "*Eden*" not as a *trivial* political metaphysics but as a deeply relevant one.

I will now first present some features of strong ethicity, and I will then argue that strong ethicity is a *necessary* condition for the eventual implementation of solutions to global complex problems, while some of its features also make plausible, in addition, the idea that strong ethicity is also a *sufficient* condition for solving those problems.

The main structural feature of strong ethicity is that individuals are no longer "internally" divided into two ways of being—namely, that of citizens in the civic sphere and that of agents in the civil world. Agency fades away together with the desire for differentiation. As a consequence, under strong ethicity the basic feature of the civic sphere—i.e., the individual concern for the effectivity of rights—gets extended into the civil world. The reason (again) is that individuals inspired by radical recognitive symmetry, whom we will also call "fully realized recognizers," adopt the purpose of taking care of the generalized well-being, out of the sense of subjective equality that characterizes radical recognitive symmetry.

The implication of this change of consciousness for the institutional organization of society is that the market sphere is bound to fade away, paving the way for a situation where social cooperation (for the sake of commodity supply) takes place within the domain of the industrial sphere. In Chapter 6, I will argue in favor of the communicative nature of the institutions of strong ethicity.

This leads us to the main theoretical result of this essay, namely the twofold claim that (*A*) strong ethicity is a necessary condition to solve global complex problems, and that (*B*) its features make plausible the assertion that strong ethicity is also a sufficient condition for this.

In order to justify the necessity claim (*A*), let us begin by characterizing what is involved in providing a solution to a global complex problem. What is needed is a change in the structure of the collective-action situation in the civil world, a change leading to the effectivity, within this world, of the deliberative (communication) process that takes place within the civic sphere. On the basis of results that will to be supported in Chapter 4, it can be asserted that this change must be the following. The game played in the civil world must become a coordination game instead of an *n*-player prisoners' dilemma. (As we will see, under incomplete information on players' types, communication is effective in promoting solutions only in coordination games.)

In light of this necessary change of the game-structure, it becomes evident that there is a crucial difference between differentiation-seeking individuals and fully realized recognizers. While it is impossible to coordinate on the generalized satisfaction of differentiation-based recognition, it is perfectly conceivable that coordination will arise between individuals whose life-purpose includes the care for the effectivity of rights. Put differently, while differentiation-seeking individuals may not behave as citizens in the civil sphere, fully realized recognizers, as we have seen, are always necessarily citizens, i.e., promoters of rights.

Now, let us see what is involved in the change of the game-structure from a cooperative situation to one of coordination. Preferences in the *n*-player prisoners' dilemma are such that while aggregate satisfaction is maximal when the public good is provided (i.e., when the solution to a global complex problem is attained), wealth considerations make each individual prefer not to contribute to the provision of the public good, i.e., not to assume the personal cost of collective provision. The result, of course, is free riding and finally no provision at all, unless social control, as it will be defined in Chapter 4, is feasible. In the coordination game, on the contrary, the only satisfying result for everyone is provision: no individual considerations have any "bite," so that deviations from the coordinating behavior never improve individual payoffs.

This argument has a quite straightforward implication: in order for the change of the game-structure to obtain, individual preferences have to be completely *flexible*, so much so that individual "desires" must be decided on, or chosen, on the basis of their contribution to the solution to global complex problems. Any kind of *a priori* rigidity of individual preferences, i.e., any dependence on desires, would jeopardize the arising of the coordination game-structure. In other words, the notorious "givenness" of preferences must be transcended in order for the change in the game-structure to obtain. As a consequence of such transcendence, the individual rule of behavior becomes to voluntarily follow the categorical imperative of ensuring the effectivity of rights deliberated on in the civic sphere, instead of following prudential imperatives deductively arrived to on the basis of pre-given desires.

The necessity condition can be finally justified by pointing out that assigning priority to the effectivity of rights over the satisfaction of privately "chosen" desires amounts to moving from differentiation-based recognition to subjective equality and, hence, radical recognitive symmetry as the basic motivation of life. In other words, *the change of the game-structure amounts to the arising of strong ethicity*.

Before closing this introduction, let us perform the remaining task of arguing in favor of the plausibility of the *sufficiency* of strong ethicity for solving global complex problems. I will formulate just two comments in this direction.

In the first place, the information required to implement a solution to a global complex problem under strong ethicity is considerably reduced with respect to what it is under weak ethicity. Indeed, under strong ethicity individual "preferences" about socioeconomic issues, including individual preferences on consumption bundles, converge towards the fulfillment of rights coming from the civic sphere, which are, of course, common knowledge. It could therefore be said that this very fact entails a considerable reduction in social complexity, something that goes in the direction of facilitating the communicative implementation of solutions to global complex problems. (A definition of complexity will be provided at the end of this essay.)

In the second place, political entrepreneurship, i.e., the activity aimed at ensuring the effectivity of the general will, becomes much easier under strong ethicity than under weak ethicity because individuals in the civil world will also behave as citizens, namely, as promoters of rights. The consequence is that the principal-agent problem in political entrepreneurship no longer exists, a fact that can also be seen as a significant reduction in social complexity and, therefore, as another contribution to the plausibility of the sufficiency of strong ethicity from the perspective of solving global complex problems.

So strong ethicity is necessary and probably also sufficient for solutions to global complex problems to find a solution. At the end of Chapter 5, we will therefore need to address a crucial issue about the "transition" toward strong ethicity. Is it possible, living in contemporary (capitalist) societies, to adopt the "path of ethical self-discovery" (to be characterized in the text) that leads to the transcendence of the ego? Our answer will be that, ultimately, such a decision can only be made privately, in the "heart of hearts" of every one of us. This is why this work, although based on a rigorous use of concepts from both the Economics of Conventions and the standard approach of game theory, is more a "speech act" within the collective domain where solutions to global complex problems are to be discussed, than a hypothetical-deductive body of work containing such solutions in axiomatic, ready-made form. It probes the preconditions for, rather than the content of, such solutions. This groundwork is very important if we are to understand how deep the implications of a renewed perspective on collective-action problems really are. Ultimately, my work would imply a discussion of (*a*) the specific sorts of institutional constructions which a "strongly ethical" society would create and (*b*) the specific sorts of solutions which such institutional constructions, peopled by "fully realized recognizers," would build for specific complex global problems. This important task will be undertaken in Chapter 6.

An institutional proposal for strong ethicity

Under strong ethicity, individuals participate in social life with the aim of producing objective equality, defined as the situation where rights ensuring individual well-being are objectively effective. They do so out of the sense of subjective equality involved in radical recognitive symmetry. In other words, in the civil world individuals must behave as citizens.

I will argue in Chapter 6 that for behavior as citizens in the civil world to be possible, the institutions of strong ethicity have to be *deliberative* institutions. The reason for this can be understood on the basis of two arguments.

The first argument claims that the basic attitude involved in citizenship is the same attitude that underlies the Habermasian notion of communicative action. According to Habermas's proposal, communicative action differs from strategic action because, while the latter is oriented toward the achievement of pre-given individual ends, the former aims to produce a consensus among the participants of communication, and this entails that the individuals conducting communicative actions should be prepared to subordinate their ends to ends that are chosen consensually through communication. Behaving as a citizen in the civil world, in turn, entails precisely the ability to subordinate one's individual ends to the constraint of objective equality—namely, the constraint of ensuring the effectivity of everyone's individual rights, as established deliberatively. Therefore, while strategic behavior in a collective-action situation amounts to free riding, the fact of contributing to the provision of a public good requires that one be able to adopt, as one's individual end, the objective of public-good provision, i.e., the collective goal. In other words, it requires the same attitude as the one involved in communicative action.

The second argument is related to the way in which collective ends are going to be established under strong ethicity. Indeed, putting aggregate social outcomes under collective control raises the question of how these aggregate outcomes are to be chosen. The alternatives in this respect are twofold: either centralized or decentralized planning. I will argue that the more appropriate institutional arrangement for strong ethicity is *decentralized democratic planning* or, put differently, the deliberative adoption of collective ends and the voluntary subordination of individual ends to ends that have been adopted in a deliberative manner. In other words, the institutions of strong ethicity ought to be based on communicative action.

There already exists in the literature an institutional proposal that fits quite well with the requirements we just discussed. It is the proposal of Michael Albert and Robin Hahnel called the Participatory Economy. Therefore, I will suggest the participatory economy as the institutional arrangement of strong ethicity. In order to justify this proposal I will formulate a plausible hypothetical claim: individual optimization under participatory economic institutions converges on communicative action.

However, even if we provisionally accept this hypothetical convergence between individual optimization and communicative action under participatory economic—and hence strong-ethicity—institutions, there is still a fundamental problem that needs to be resolved regarding the transition toward strong ethicity: Why would those institutions be selected, and worked towards, under *weak* ethicity? Here is where the requirement of a generalized transcendence of the ego, and the consequent attainment of radical recognitive symmetry, on the part of individuals acquires its fundamental importance. Indeed, individuals deciding on the implementation of participatory economic institutions would be consciously and freely deciding to eliminate legitimate possibilities of differentiation, and in particular of differentiation through wealth acquisition. Such a decision is a collective one that can only be made within the civic sphere of weak ethicity—namely, by individuals behaving as citizens. In this sense, weak ethicity contains the seed for transcending itself, but such a transcendence will remain only a possibility unless individuals decide to completely extend citizenship to the civil world by transcending their individual desire for differentiation.

Finally, in Chapter 6, we will deepen the discussion conducted in Chapter 5 concerning the difficulties involved in transcending the desire for differentiation under weak ethicity. The context for this deepening is provided by the analysis of the individual's existential condition under weak ethicity. We will argue, more precisely, that the societies whose civil world is structured around the market sphere are characterized by a fundamental uncertainty as to the security of individual life, due to the *separation* between individuals which characterizes market relations. This uncertainty, in turn, puts each individual life under the threat of exclusion. In such a situation wealth acquisition, rather than being a path merely toward differentiation-based recognition, becomes the only way to obtain self-protection—a fact that will be referred to as the *naturalization of differentiation*.

To the extent that the institutions of strong ethicity can only be constructed in the civic sphere, as previously argued, by individuals who have transcended the desire for differentiation, it is clear that this naturalization of differentiation stands as an important obstacle against strong ethicity, and it is equally clear that the institutions of strong ethicity must lead to an existential condition of safety, i.e., those institutions must replace market relations with ties between individuals fundamentally based on solidarity.

The table on the next page rounds out this introduction by presenting the main characteristics of weak and strong ethicity.

	Weak ethicity	**Strong ethicity**
Individual identity	Autonomy and differentiation	Radical recognitive symmetry
Basic motive in the civil world	The search for differentiation	Collectively producing objective equality
Basic attitude in the civil world	Agency (including free riding)	Production of consensus and cooperation
Fundamental institution in the civil world	Market sphere	Deliberative institutions
Aggregate economic performance	Ineffectivity of rights	Effectivity of rights
Individual existential condition	Threat of exclusion	Security through solidarity

Part I
A Hegelian philosophy of economics

Chapter 2
Kantian and Hegelian economics

2.1. Introduction

Economics is a part of social theory, i.e., part of an effort aiming to explain the functioning of society as a whole, linking its existence with the foundations of individual behavior. Because of that purpose the theory naturally moves between two levels of analysis: the individual and the collective. This Chapter is devoted to present a social philosophy in which the individual and the collective, respectively conceived as identity and social order, presuppose each other—a fact that finds expression in the notion of *ethicity*. Consideration of this notion in the realm of economics makes it possible to consider the Economics of Conventions—henceforth "EoC"—as a Hegelian economic theory. Before doing this, however, we will see how "standard" economics [4] can be conceived.

The tension between individual and collective pervades the entire history of social science. The relative importance assigned to each level ranges from—for instance—Émile Durkheim, according to whom the collective has complete primacy over the individual: "the moral order goes beyond individuals, it does not realize itself neither in the physical nor in the psychic nature" (Boltanski and Thévenot 1991: 347), to general equilibrium theory, according to which the collective, understood as an equilibrium between individual decisions, is the

[4] The expression *économie standard* is taken from Favereau (1989: 273). It refers to the brand of economics based on rational choice theory.

result of decisions not concerned with collective phenomena but only with the satisfaction of preferences over consumption bundles.

Both stances eliminate one level of analysis and explain it purely as a result of the other. We will adopt, instead, the stance that such a reduction is untenable. On the one hand, individual behavior cannot be explained simply as the result of binding collective constraints (be their moral, institutional, or whatever), because collective entities cannot be taken simply as given: they have to be explained out of individual activities. On the other hand, the social order cannot be obtained purely as the result of individual behaviors not concerned with collective phenomena. In this context, Postel (2003) analyzes why general equilibrium theory has failed to achieve its theoretical aim. Indeed, a conception of the *interplay* between social order and identity is not compatible with a reductionist stance.

Insofar as we reject the first possibility, some sort of methodological individualism has to be adopted, so that we can conceive the social order as somehow sustained by individual behavior. But as long as we also reject the second possibility, the individual behavior sustaining social order cannot be reduced to the satisfaction of self-centered preferences over consumption bundles. What we are confronted with is a question about the specificity of the collective or, to put it differently, a question as to which fundamental features of individuals stem from the fact that agents live collectively.

At first sight, the fact of collective life might bring about the need for (cooperative and coordinating) rules and, therefore, the need for collective decisions on what rules to adopt. If this is the case, then the fact of living collectively entails something specifically collective: the need for agreement on rules. [5] The need for rules is almost unanimously recognized

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[5] Insofar as individuals are somehow aware of the existence of rules, the necessity of some kind of agreement on them follows from the very fact that rules are *non-natural* ways of doing things and of getting things done.

within social science and, therefore, this first specifically collective demand on individuals is indeed part of its subject matter. Standard economics has not evaded the issue. Kenneth Arrow (1951) addressed the question of the possibility of an agreement on rules between rational individuals (in the sense of rational choice theory). The result, Arrow's Impossibility Theorem, is the point of departure of this chapter.

Arrow shows that in order for individuals to choose a social organization, some kind of basic consensus on ultimate ends must exist. He interprets this consensus as a "psychological" fact stemming from "biological" and "cultural" causes. What we will propose is to interpret it with different conceptual tools, namely, with Kantian tools: in order for individuals to choose (to agree on) a set of rules (such as modern economic institutions), they should have acquired the status of autonomous and morally responsible individuals, which, in turn, presupposes social recognition and protection of individuals as ends in themselves. In other words, individuals must have acquired the status of normative beings, [6] which is a content of individual life coming from the fact of living collectively, as will be made clear later on. This content establishes a kind of conceptual floor below which social theory should not fall. Standard economics, as a consequence, should be of a Kantian conceptual nature. The justification of this statement will be the subject of section 2.2.

Later on I will argue, with the help of Hegelian tools, that Kantian individual autonomy does not allow us to understand another fundamental aspect of the relationship between the individual and the collective—namely, the connection between individual and collective aims. Asserting the normative nature of individuals amounts to saying that individuals accept to subject their behavior to the binding force of reasons, which in turn are grounded on collectively legitimate aims. What we are talking about, now, is a relationship going from the collective to the individual side (collective aims determining what

[6] We will develop this notion below.

count as reasons for individuals). The Hegelian notions of ethicity and self-consciousness are suitable conceptual tools to account for the resulting bi-directional relationship between the individual and the collective: they take account of both the constitution of the collective space out of individual attitudes, and of the formation of individual identities out of the very fact of constituting and sustaining ongoing collective spaces.

The EoC and particularly its political philosophy, the "Economies of Magnitude" [7] (henceforth "EoM"), embodies most of the Kantian and Hegelian concepts we are referring to, so that the statement that the EoC is a Hegelian economic theory can be justified. This task will be carried out in section 2.3.

In that section another distinction will be made, based on the kind of common good pursued by individuals. On the one hand, the common good can be commonly agreed on but privately enjoyed. On the other hand, common goods can be intended to benefit everyone. This distinction allows distinguishing between *weak* and *strong* Hegelian ethicity, as different kinds of ethicity structuring social life. This distinction will be a cornerstone of the analysis contained in the rest of the essay.

7 In French, the expression is *économies de la grandeur*.

2.2. Standard economics as Kantian economics [8]

2.2.1. Arrow's moral consensus

Within the limits of rational choice theory it is possible to allow individuals to have preferences over collective entities. If that is the case, it becomes possible that an actual social order be achieved out of the aggregation of individual preferences over social arrangements. If we made the distinction between preferences over consumption bundles and preferences over social arrangements, the first kind of preferences could be attributed to tastes, and the second one to a kind of moral or ethical values (Arrow 1951). If the source of both tastes and values remained arbitrary, however, so would be the distinction between them: the words "moral" and "ethical" would be just different ways of talking about tastes.

If individual preferences over social arrangements satisfy the properties of completeness, transitivity, and reflexivity, they can be termed rational and then be the object of a rational choice on the part of individuals. Collective aggregation of preferences over social arrangements, in turn, can be considered a collective preference (a collective ordering) of arrangements. If such collective orderings are also rational (if they satisfy the properties referred to above), we could apply rational choice to collective choices—namely, we would have a collectively rational choice leading to rational social arrangements.

Arrow (1951) addresses the question about the possibility of having a procedure of preference aggregation (a choice

[8] The expression "Kantian economics" has already been used by Laffont (1975), but with a different meaning than here. In Laffont's approach, Kantian behavior is meant to represent a "new ethics" (Laffont 1975: 430)—in the sense that the Kantian individual maximizes his or her utility function assuming that everybody will behave as he or she does—but no normativity, in the sense we will introduce it below, is involved. Kantian behavior in Laffont (1975) is only related to the analysis of market failures, not to the collective choice of social arrangements.

rule) leading to a rational collective ordering on social arrangements. The answer, Arrow's Impossibility Theorem, shows that there does not exist a democratic (non-dictatorial and non-imposed-by-convention) aggregation procedure producing a *rational* collective ordering of social arrangements, unless individual preferences on social arrangements have previously acquired enough "similarity". Arrow's Impossibility Theorem therefore says that rational choice theory cannot explain the existence of a rational order (an order selected from a rational collective ordering).

The convergence of preferences on social arrangements towards similarity introduces a difference between tastes about consumption bundles and tastes about social arrangements. Indeed, there has to be some reason producing such convergence in the latter, and, therefore, the arbitrary character of values no longer holds. Now the term "moral" acquires a distinctive meaning: it refers to the reasons that produce convergence of values about social arrangements. Therefore, the Impossibility Theorem leads Arrow to introduce *morality* as a fundamental explanation of the social order. [9]

Now what are, for Arrow, the sources of value convergence? In chapter VII of his *Social Choice and Individual Values*, entitled "Similarity as the basis of social welfare judgments," he tries to provide explanations about this necessary convergence between individual orderings on social arrangements. In order to see how fundamentally important the issue is to Arrow, let me quote him at some length:

> Any view which depends on consensus as the basis for social action certainly implies that the market mechanism cannot be taken as the social welfare function [the choice rule] since that mechanism cannot take account of the altruistic motives, which must be present to secure that consensus. If, in particular, the consensus in question is that of moral imperatives, the case is even worse since the market can certainly only express pragmatic imperatives. This does not deny the

[9] This is a kind of morality restricted to social arrangements: it does not influence preferences on consumption bundles.

possibility of a limited use of the market as an instrument for achieving certain parts of the social optimum, especially if it is deliberately manipulated to make behavior under pragmatic imperatives coincide with that which would exist under moral ones. (Arrow 1951: 86)

Arrow's explanation starts with what he calls the idealist school: "complete agreement among individuals on the ordering of social alternatives", even if it seems contrary to facts, "properly interpreted, is at the basis of a great portion of political philosophy, namely the idealist school" (Arrow 1951: 81), which he relates to the names of Rousseau, Kant, and T. H. Green. He summarizes the idealist doctrine, whose more systematic development he attributes to Kant, in the statement that "each individual has two orderings, one which governs him in his everyday actions and one which would be relevant under some ideal conditions and which is in some sense truer than the first ordering. It is the latter which is considered relevant to social choice, and it is assumed that there is complete unanimity with regard to the truer individual ordering" (Arrow 1951: 82-3). So the unanimous truer ordering is the moral ground of the required consensus (or similarity): the "idealist school" indeed provides an answer to the problem of social order[10]. However, Arrow does not accept this answer.

Arrow's next task is therefore to distance himself from the "idealist" character of the doctrine. In order to do that two alternatives are tried. The first one is to relate consensus with ultimate individual ends, defining an ultimate end as "a complete description of the state of every individual throughout the future" (Arrow 1951: 87). For Arrow, indeed, "any individual may be presumed to have some ultimate values, partly biological, partly specific to the culture pattern; they are, however, largely unconscious. His overt preferences are for values instrumental in achieving these ultimate values" (Arrow 1951: 86). So ultimate values are not conscious individual concerns, but "largely unconscious." In my view, however, an explana-

[10] We will elaborate more on the meaning of a "true" ordering at the end of Chapter 3.

tion based on facts largely unconscious is not properly an explanation, unless we are provided with some indication about how knowledge on these unconscious facts can be acquired. Arrow does not provide such an indication.

An alternative to explain moral convergence is then presented: to consider values over decision processes. [11] Arrow establishes that "among the variables which taken together define the social state, one is the very process by which the society makes its choice. This is especially important if the mechanism of choice itself has a value to the individuals in the society." (Arrow 1951: 89).

Let x be a vector which describes a possible social state, where x_1 is the part of that vector which is not a decision process, x_2 the process to decide on x_1, and, in general, x_n the process to decide on x_{n-1}: a decision process is also the outcome of another decision process, "but no deep circularity is involved" (Arrow 1951: 90). Suppose that for some value n there is one possible x_n which is desired by all individuals, for instance, democracy. If preferences are lexicographic in the sense that any vector containing democracy is preferred to any other not containing it, "our social welfare problem may be regarded as solved since the unanimous agreement on the decision process may resolve the conflicts as to the decisions themselves. (…) Some such valuation as the above seems to be implicit in every state political structure." (Arrow 1951: 90)

But Arrow cannot conceive of a reason about why individuals would agree merely on a process. This is, in my view, why he points out that the sufficiency of the second alternative

> would require that individuals ascribe an incommensurably greater value to the process than to the decision reached under it, a proposition which hardly seems like a credible representation of the psychology of most individuals in a social situation. (…) Thus, we may

[11] The subsection of chapter VII, in which Arrow presents this alternative, is called precisely "The decision process as a value" (Arrow 1951: 89).

> expect that social welfare judgments can usually be made when there is both a widespread agreement on the decision process and a widespread agreement on the desirability of everyday decisions. (Arrow 1951: 91)

We are entitled to conclude that while Arrow is right in resorting to the "idealist school" in the search of a way out of his Impossibility Theorem, when trying to distance himself from the idealist character of the doctrine, no alternative explanations are provided about the required consensus underlying social order. Indeed, why would there be "widespread agreement on the decision process and a widespread agreement on the desirability of everyday decisions"? What is needed, I think, is to explore further the idealist doctrine.

Indeed, the lack of a normative conception of individuals is why all that Arrow can say about "moral" imperatives is that individual "psychology" is connected with "biology" and "culture". But what is the nature of such a connection? The relevance acquired by moral consensus, precisely on the basis of the result of Arrow's Impossibility Theorem, clearly demands that this question be addressed. Our search will be, therefore, a search for an answer to such a question as well.

If a Kantian conception of individuals as normative beings should turn out to provide an explanation of Arrow's findings as to social order, then we would have obtained a kind of condition that social theory should satisfy: it should postulate normative individuals. This condition, for instance, would rule out theoretical strategies, intended to explain social order, like transaction cost economics and evolutionary game theory, precisely due to the kind of agents they postulate (Postel 2003). [12] Put differently, Social Theory should avoid to "falling below Kant"[13]. A Kantian conceptual strategy, in turn, will

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[12] Both strategies reduce agents' rational faculties by proposing limited rationality, without incorporating any kind of normativity.

[13] This expression comes from Habermas, who argues in favor of understanding modernity as the unfinished project not to "fall below

provide a direct way to connect Arrow's findings with the contribution of the EoC, something we will do in next section.

Before going into the Kantian conception of individuals and rationality, however, we will briefly discuss the relationship between rationality and social order in a more general way.

2.2.2. The connection between rationality and social order

According to Charles Taylor (1979) there existed, before Hegel, three basic conceptions of practical reason in the history of philosophy, each one linked to a particular concept of social order. The first one is that of Plato:

> Here reason is understood as the power by which we see the true structure of things, the world of Ideas. To act according to reason is to act according to this true structure, and is equivalent to acting according to nature. Now this view was based on the idea that there is a larger rational order to which man essentially belongs. (...) An important aspect of the seventeenth-century revolution was its rejection of this conception of the order in which man inheres in favor of the idea of a self-defining subject. (Taylor 1979: 74)

The second conception has Hobbes as one of its most important founders, and continued both in utilitarianism and in modern rational choice theory. Man was now rational and subject to desires, which are themselves beyond reason. Order arises out of the second-order-goal of man to satisfy first-order-desires.

> The order in things does not consist in their embodying the underlying Idea, but rather in their *meshing* without conflict and distortion. Applied to the human realm, this means that man comes to realize natural order when the company of desiring subjects comes to achieve full satisfaction (well-being), each compatibly with all the others. The perfect harmony of desires is the goal, which nature and reason prescribe to man. (Taylor 1979: 75, italics in the original)

Kant" (Habermas 1984: 425)—namely, in order not to deny agents' autonomy and moral responsibility.

The third one is Kantian conception of practical reason:

> ... a third conception of reason as a criterion of action arose to challenge the utilitarian view in the late eighteenth century, and that was the radical moral autonomy of Kant. This view starts in a sense with Rousseau. The aim of Kant was to cut loose altogether from the reliance on nature, and to draw the content of obligation purely from the will. This he proposed to do by applying a purely formal criterion to prospective action, which was binding on the will as rational. Rationality involves thinking in universal terms and thinking consistently. Hence the maxim underlying any proposed action must be such that we can universalize it without contradiction. A will operating on this principle would be free from any ground of determination in nature and hence truly free. A moral subject is thus autonomous in a radical sense. He obeys only the dictates of his own will. (Taylor 1979: 75)

Now, we will go into some details of the Kantian conception in order to see which kind of social order is implied by it. Our aim is to explain Arrow's finding (the need for a moral consensus) with the categories of a *Kantian social order*.

2.2.3. A Kantian conception of individuals, rationality, and social order

Perceptions (reactions to stimuli) may give rise to judgments, that is, to beliefs that can work as reasons for inferences (theoretical reasoning). Actions, in turn, could be justified with reasons through practical inferences (practical reasoning). Judgments and actions are specific in the sense that they both have conceptual contents, namely, contents that mean something for us and that can be related between them through inferences. Both theoretical and practical inferences, in turn, can be judged as either correct or incorrect. Agreement between individuals, say, about the correctness of a conclusion arrived at through an inference (be it theoretical or practical) can only be motivated on the basis of (the best) reasons.

The collective space where judgments and actions are subject to justifications on the basis of the authority of reasons is a *normative* one: acceptance of the best reasons, so to speak, is not optional; even though disagreement is possible, i.e., what count as best reasons can differ between individuals, each individual cannot choose arbitrarily what count for him or her as the best reasons, but, instead, they are chosen, so to speak, by these very reasons. Put differently, individuals, because of their rationality, are bound to accept the best reasons as if they were their own. Insofar as someone refuses to accept the best reasons without providing other reasons, he or she has thereby abandoned the normative space where judgments and actions are treated rationally.

Rationality, defined as *the ability to participate in the collective space where reasons for judgments and actions are demanded and provided*, is therefore normative. It consists in the application of rules, an application that is subject to evaluations in terms of *correctness*. Individuals who voluntarily participate in that collective space become, by this very fact, *normative individuals*: they accept to subject their judgments (beliefs) and actions to evaluations on correctness made on the basis of reasons. This conception of rationality and normativity started with Kant; what I am presenting here is based on Robert Brandom's presentation (Brandom 1994, chapter I).

An immediate question arises: the question about the sources of the best reasons, namely, about the facts that make individuals accept them as precisely the best reasons. In order to answer this question let us examine three different patterns of practical inference, following, again, Brandom (1994, chapter IV).

> Consider the following sequences of practical reasoning:
> (a) Only by opening my umbrella will I not get wet, so I will open it.
> (b) I am a bank employer and am I going now to my job, so I will put my necktie.
> (c) To repeat gossips could damage someone without a motive, so I will not repeat the gossip. (Brandom 1994: 367)

In each example, "I will" expresses the conclusion of a practical reasoning and the assumption of a practical commitment (a commitment to do something, namely, to make true an assertion about facts). The practical reasoning in each case starts with a doxastic premise (a description of facts as they are), and ends with a practical commitment: it goes from a conviction to an intention. Clearly, in each inference an additional premise is needed: the very reason justifying the conclusion.

In (a) the conclusion (the practical commitment) is correct if the individual wants to avoid getting wet; what justifies the conclusion is an individual preference, and, therefore, the imperative justifying the commitment is merely technical. In (b) the conclusion is justified out of a desire to follow an institutional rule, according to which a bank employer must work with a necktie; the individual wants to obey a hypothetical imperative. In (c) the conclusion is justified if the individual wants to honor a categorical imperative, according to which it is not proper to damage someone's reputation without a motive.

The reasons provided in each example differ as to their generality. A preference can be entirely private, so it may constitute a reason only for the individual involved. An institutional rule, such as the rule in example (b), applies for everyone that satisfies the conditions made explicit in the premise: this is why it is a hypothetical imperative. The categorical imperative in (c) applies to everyone, independently of preferences and institutional positions. Each reason can be termed, respectively, *prudential, institutional*, and *categorical*.

In an extremely simplified manner, a social order can be built either on the basis of violence (some individuals determine what is to be done by everyone else and enforce their orders through violence), or on the basis of a normative collective space, namely, that in which individuals are subject to the authority of the best reasons to justify beliefs and actions. A connection between rationality and social order exists only in the second alternative. According to the degree of generality of the reasons just examined, the natural candidates to sustain modern social order are categorical imperatives, because they might bind on everyone's autonomous will [14] (as a consequence of a reasoning not running into contradiction):

> ...rationality requires that man be treated as a rational subject, in Kant's formulation as an end, and not only as a means. And in political terms this means that the modern state must recognize the rights of the autonomous individual. It cannot accept slavery. It must respect property, conscience, the free choice of a career, of religious confession and so on. (...) Rationality, even in its formal Kantian definition, requires that law rule the state. (Taylor 1979: 82)

Put differently, from the fact that rational individuals see themselves as ends follows (among other things) the protection of individual life—i.e., peace (not mentioned by Taylor)—, the protection of individual freedom to choose a career and a religion, and the protection of individual property. Individual autonomy, in turn, cannot be but a social achievement: in order to be effective, it must be protected by the society as a whole through the rule of law, otherwise it would have to be individually conquered—which, of course, would imply an unequal distribution of autonomy across individuals.

But there is even more: because only autonomous individuals can be treated as responsible ones, the operativeness of institutional and prudential imperatives as reasons justifying practical commitments (which presupposes a collective space where these kinds of reasons can be provided by responsible individuals), may itself depend on the existence of binding categorical imperatives. This point can be illustrated as follows, concerning the dependence of prudential imperatives on categorical ones.

Once states recognize and protect individual autonomy, individual desires can count as reasons for practical commitments only up to the point that their satisfaction does not threaten others' individual autonomy. That is the reason why

[14] This would not be the case in a social order where the individual will is not autonomous, such as under a monarchy.

murder, robbery, and the like, cannot be justified on the basis of prudential imperatives. (In very specific situations where some of such actions are undertaken for the sake of protecting legitimate, threatened rights, they can indeed be justified, but on the basis of categorical imperatives.) Therefore, individuals should be able to distinguish which prudential imperatives count as legitimate reasons, and which do not (i.e., they have to be morally responsible). Clearly, a criterion for making such a distinction is needed, which should be an imperative standing, as to its generality, above prudential imperatives. [15] In the case we are considering, the criterion is provided by categorical imperatives; however, also institutional imperatives can work as criteria to decide on the legitimacy of prudential imperatives.

Within the conceptual structure created by the distinction between categorical, institutional, and prudential imperatives, Arrow's Impossibility Theorem can be thought of as an answer to the following question: Where do institutional imperatives come from? The theorem provides a partly negative answer: it brings to an end the hope of a "perfect harmony of desires," namely, the hope of conceiving social order as a result of rationality in the sense of rational choice theory: *institutional imperatives* cannot be created out of *prudential imperatives*, unless individuals share a consensus either on ultimate ends or on a decision process.[16]

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[15] Because we are talking about rationality, the role of emotions with respect to moral responsibility is not being considered: responsibility is a matter of justifications. In Chapter 4 we will analyze the specificity of morality as related to emotions: moral rules, as opposed to imperatives belonging to rational collective spaces, can only be enforced on the basis of emotions. Imperatives and moral rules, of course, are intimately related—something we will also see in Chapter 4.

[16] The conclusion presented in this paragraph partly follows Postel (2003: 83-84), according to whom Arrow's theorem shows that rationality (in the sense of rational choice theory) "cannot work as a foundation for collective choices on social states" (Postel 2003:83). I

Arrow himself, as we saw, locates the required consensus in the psychological realm, and explains such a consensus (or "similarity") on the basis of "biology" and "culture". A Kantian conception of rationality, of individuals as normative beings, and of social order provides an alternative explanation: *the consensus underlying social order, on whose basis individuals can indeed pursue their private interests and collectively create (modern) institutions, is, so it is proposed here, a categorical imperative of generalized respect for individuals as ends in themselves.*

This categorical imperative is a self-conception of the rational individual *generalized* by the Enlightenment, which thereby created a new individual identity [17] at the disposal of everyone, entailing an evolution in the cultural realm. It was the generalization of an (old [18]) rational idea of human beings about themselves, and because of that generalization, Enlightenment gave place to a new way of being: *autonomy*. Because Arrow lacks a theoretical notion of individual identity, one which belongs entirely to the realm of culture and not to nature, he regards the link between rationality and the categorical imperative as "idealistic", which for him means non-natural and, therefore, untenable. A Kantian conception of normativity makes it possible to understand exactly the non-natural character of the things we are dealing with[19].

At this point we have achieved the aim of this section, which was to justify the idea that any economic theory trying to understand individual behavior within market institutions should be Kantian, both in the sense that the agents of the theory should be normative, and in the sense that the social order in which such institutions exist, should be conceived as a normative collective space where categorical, institutional, and

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express this idea using the conceptual structure about imperatives taken from Brandom (1994).

[17] This process will be referred to below.

[18] At least as old as Socrates.

[19] Following the discussion of section 2.3.3 it could be said that Arrow is too Humean and not Kantian enough.

prudential imperatives are accepted as reasons justifying behavior (each one in its own context, and suitably related to each other).

What has been left unexplained, up to now, is the process by which institutional imperatives (rules) are built. We have said only that institution building presupposes individual autonomy (protected by states), but a real explanation should be, of course, much more precise. The explanation of institution building is a subject matter of, among others, two alternative competing approaches: New Institutional Economics and the EoC. One fundamental fact, in my view, makes the latter a considerably stronger approach: it explicitly considers the *common good* as the content of collective aims embodied in institutions.

Here is where we have to close this section, because substantive common goods are not conceivable within a Kantian conception of individuals and social order. Instead, only a Hegelian conception of the social order is endowed with a substantive notion of the common good. This is why the EoC can be considered as a Hegelian economic theory. We will come back to these matters in the next section.

The superiority of the EoC over the New Institutional Economics in the explanation of institutions will become fully clear only towards the end of this essay, in Chapter 5. Because our conceptual path, from now on, will be based on a Hegelian conception of social order, our investigation will frequently adopt the form of a dialog with the EoC, while the comparison between this theory and the New Institutional Economics, as competing explanations of the genesis of institutions, will be made on the basis of results achieved along the way.

2.3. The Economics of Conventions as Hegelian economics

This section, as just said, is devoted to interpreting the EoC as Hegelian economics, as opposed to "standard," Kantian economics. In order to do that we need to prepare a Hegelian conceptual structure, with the help of which the EoC will then be analyzed. This Hegelian conceptual structure does not intend in any way to be comprehensive of Hegel's philosophy; it will merely incorporate two issues which are relevant for our task: ethicity as a conception of the social order, and individual identity as related to the common good. It must be pointed out, in addition, that I base such a conceptual structure not on a direct and exhaustive study of Hegel's writings, but entirely on the reading of Hegel by three major contemporary philosophers: Charles Taylor, Robert Brandom, and Axel Honneth.

2.3.1. Hegel: Social order as ethicity

As Taylor (1979) shows, there is a criticism that Hegel recurrently addresses to Kant:

> The problem with Kant's criterion of rationality is that is has purchased radical autonomy at the price of emptiness. Once it is explained to us, we can see how the Platonic criterion of reason works to select some things as right and others as wrong, even though we may disagree with it, and reject its whole ontological base. The same goes from the utilitarian criterion. But Kant attempted to avoid any appeal to the way things are, either to an order of ideas or a constellation of *de facto* desires. The criterion of the right is to be purely formal. Kant believed that this gave him a viable theory because he thought that the formal criterion would actually rule some actions in and others out. But the arguments to this effect are very shaky, and once one loses faith in them, one is left with a criterion which has no bite at all, which can allow anything as a morally possible action. (Taylor 1979: 77)

Taylor has also shown that this criticism is partly unfair [20]: generalized respect for moral autonomy provides a basis for liberal societies where states protect formal individual rights, and this basic situation allows for the further development of a collective space where institutional and prudential imperatives can work as reasons justifying practical commitments. [21]

Prudential imperatives stem directly from individual desires, and thus nothing else needs to be added to autonomy (for the moment) in order to figure out how such imperatives might come into existence. Institutional imperatives (rules), on the contrary, are related to collective aims, which, therefore, have to be taken into account if understanding of institutional imperatives is at stake. So, the explanation of institution-building demands that we understand in the first place how collective aims are created and become collective. [22] Here is where Hegel's criticism on Kant is not unfair at all: *the categorical imperative of respect for individual autonomy is silent about substantive collective aims giving rise to institutional imperatives*: "Kant's moral theory remains at the edges of politics, as it were, setting limits beyond which states or individuals should not tread" (Taylor 1979: 82). Let us now see how Hegel overcomes the emptiness of Kant's moral theory.

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[20] In the preceding quote, Taylor expresses Hegel's, not his own, criticism of Kant.

[21] The New Institutional Economics shows that economic performance is dependent on the development of formal and informal institutions, one of whose key features is to allow individuals, in their transactions, to rely on practical commitments made on the basis of both kinds of imperatives. See, for instance, North (1993).

[22] The whole enterprise of the New Institutional Economics is devoted to examining the conditions required for institutional development to be functional for economic growth and efficiency. In this way, New Institutional Economics has significantly deepened our understanding of many things involved in the building process of efficient institutions. However, the question about *why* efficiency is a *collective* aim (i.e., an aim shared by at least some of the agents), and *how* collective aims *become* collective, is not addressed.

Hegel’s philosophical stance can be regarded as a sophisticated and original combination of Plato and Kant. The affinity with Plato is that for Hegel rationality is an attribute of Spirit or the cosmic Idea, while he shares with Kant the requirement of radical individual autonomy, according to which the will should obey only itself. The connection between the individual and the universal (autonomy and Spirit) lies in individual rationality, “the will whose autonomy men must realize is not that of man alone but of Spirit” (Taylor 1979: 80). In this setting, Kantian emptiness is indeed overcome:

> Hegel’s free rational will escapes vacuity because unlike Kant’s it does not remain merely universal but produces a particular content out of itself. It is the absolute Idea which deploys a differentiated world. Human rational will finds a content not by stripping itself of all particularity in the attempt to attain a freedom and universality which can only be formal, but by discovering its links to cosmic reason, and hence coming to discern what aspects of our lives as particular beings reflect the truly concrete universal which is the Idea. What reason and freedom enjoin on man’s will is to further and sustain that structure of things which so reveals itself to be the adequate expression of Idea. (Taylor 1979: 80)

Rationality, therefore, becomes in Hegel a substantive criterion for morals and politics: freedom leads individuals to rely on the will, which is not human but cosmic, and that cosmic will constitutes the basis on which to find an answer to the question about what kind of society men should live in. Moral obligation stems from this vision of society: once the kind of society that realizes the Idea has been attained, individual duties consist in living according to its precepts and in sustaining and furthering its structure.[23] “Morality is only given a content via the notion of a whole society” (Taylor 1979: 81).

The implications of Kant’s rationality for social order are also an integral part of Hegel's social order: respect for individual autonomy and states ruled by law. But in Hegel, moral

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[23] At the end of chapter 3 we will discuss further cosmic rationality and the content of the Idea.

obligations stemming from the fact of living in a society founded on the Idea give rise to another, fundamental, implication: *ethicity*. Let us explain its meaning.

To live in a community may entail the moral obligation to apply the rules and uses on which the community's social life is based. By doing so, the members of the community bring about something that is already in place, i.e., they reproduce and maintain that ongoing social life (what is and what ought to be become the same thing). Ethicity refers precisely to this fact: *society as the source of moral obligation and, at the same time, as sustained by the fulfillment of this obligation*. "Kant's moral philosophy (...) remained an ethic of the individual. (...) The doctrine of ethicity is that morality reaches its completion in a community" (Taylor 1979: 83-4).[24]

If life within a community is the source of moral existence, society can no longer be conceived either as the result of a contract between individuals that were already there, or as an instrument for promoting general well being. So, what is now the relationship between individual and community? In a rather simplified way, the community is essential for the individual and must constitute his or her final goal, for Hegel, because to serve community goals is the ground of *true identity*.

There is, first, a weak version of this idea:

> When we think of a human being we do not simply mean a living organism, but a being who can think, feel, decide, be moved, respond, enter into relations with others; and all this implies a language, a related set of ways of experiencing the world, of interpreting his feelings, understanding his relations to others, to the past, the future, the absolute and so on. It is the particular way he situates himself within this cultural world that we call his identity. (Taylor 1979: 87)

[24] We can now see, in a broader perspective, the significance of the Hegelian attempt, which according to Taylor is to realize the aspirations of Romanticism—namely, to combine radical individual autonomy and expressive collective unity—but, unlike the Romantics, to do so in a rational way.

But Hegel says much more than this: completely realized ethicity expresses a cosmic rationality and, therefore, it is the only source for an individual identity that does not deviate from cosmic rationality, i.e., for an *ultimate* individual identity.

The dependence of true identity on cosmic rationality, in turn, leads to the notion of *alienation*. Indeed, it might happen in a particular society that individuals identify themselves with the norms and ends constituting the community; in such a case the ground of identity would be the realization of ethicity (at least for those who identify with the norms and ends of the community). But it might happen, on the contrary, that such norms and ends appear as irrelevant or bad for most individuals; this is the Hegelian definition of alienation: alienation is distance from the norms and ends of the community, or, put differently, it is to carry out an entirely private life without being concerned with the life of the community. [25]

In summary, according to Taylor Hegel's conception of social order can be expressed in the form of three propositions:

(1) "What is most important for man can only be attained in relation to the public life of a community, not in the private self-definition of the alienated individual" (Taylor 1979: 93).
(2) "This community must not be a merely partial one. (...) It must be coterminous with the minimum self-sufficient human reality, the state" (*ibid.*).
(3) "The public life of the state has this crucial importance for men because the norms and ideas it expresses are not just human inventions. On the contrary, the state expresses the Idea, the ontological structure of things" (*ibid.*).

These three propositions constitute the first Hegelian conceptual tool that will enable us to conceive the EoC, and in particularly its political philosophy, the EoM approach, as

[25] For Hegel the last historical example of a completely unalienated society is the Greek *polis*. The complete realization of ethicity, in turn, was for him still to come.

Hegelian. We will try to show that this approach gives a specific content to the first two propositions while, in addition, allows to distinguish between two kinds of ethicity according to whether the third proposition holds or not.

To do this, we first need to prepare a second Hegelian conceptual tool related to individual identity: the Hegelian conception of self-consciousness, and the two forms of respect (two contents of identity) that arise once autonomy is guaranteed by the rule of law. This is the subject matter of the next two subsections.

2.3.2. Hegel's conception of self-consciousness

In a recent article, Robert Brandom (2007) reconstructs Hegel's conception of self-consciousness. He starts by presenting Hegel's view on the *content* of self-consciousness, which is *identification*. He then moves on to the question of the *formal* possibility of the very existence of self-consciousness, which is *reciprocal recognition* among individuals who thereby constitute a community. We will briefly present the first conception and then develop the second, fundamental insight in a more detailed way. Finally, we will put both parts together, and extract the following conclusion, one that Brandom does not state explicitly: the reason for individuals' identifications is ultimately, for Hegel, the *desire for recognition*.

Let us refer, first, to the content of self-consciousness. We can call self-conscious a being for whom what it is *for itself* is an essential element of what it is *in itself*—in the sense that changes in the former produce changes in the latter. So self-conscious beings develop themselves and, therefore, have a history. In particular, to become conscious of being essentially self-conscious is in itself a self-transformation, one that Hegel wants to produce in the readers of *his Phenomenology of Spirit* (Brandom 2007), because it is an element of "Absolute Knowing."

Now, it is necessary to distinguish the essential elements of self-conception from those that are not essential, i.e., from those whose substitution does not change what the being is in itself. Hegel's answer is that the essential ones are those elements one identifies with through one's practical attitudes. More precisely, those things one is willing to risk and sacrifice for. An extreme example (used by Hegel) is the Japanese samurai, who is willing to risk his own life in order to be a samurai. But, as Brandom (2007) states, someone might also sacrifice a job for moral or political reasons, which are, thereby, an essential part of his or her identifications.

Let us now move on to the second crucial issue: the formal conditions for the possibility of self-consciousness.

The significance of self-consciousness both for Kant and Hegel is stated by Brandom in the following passage, where self-consciousness is what gives rise to those non-natural things we are dealing with, as said above, when discussing the Kantian solution to Arrow's findings:

> Hegel subscribes to the Kantian claim that there in principle be no consciousness (properly described) without *self*-consciousness. So making the step from the erotic awareness of animal denizens of the realm of Nature to the conceptual consciousness of knowers and agents who live and move and have their being in the normative realm of Spirit –creatures that have achieved the status of *selves* or *subjects*-requires the advent of self-consciousness. (…) what is required to be able to treat something to be a self is to be able to attribute attitudes that have distinctively *normative* significances: to move from a world of *desires* to a world of *commitments*, *authority*, and *responsibility*. (Brandom 2007: 134-135)

Brandom begins his analysis of self-consciousness by raising the following questions: What is a self-conception and, more generally, "what is it for *anything* to be something *for* one?" (Brandom 2007: 132, italics in the original). Hegel addresses the last question with the help of the structure of desire in animals. An animal can get hungry (to have a desire), which impels him to eat (to perform an activity) what it takes to be food (by attributing it a significance). The fact of taking something to be food entails a *subjective* attribution of significance, which eventually can prove right or wrong depending on whether the object eaten effectively satisfies the motivating desire, namely, depending on an *objective* significance. This structure of desire, which Brandom terms "erotic awareness" (Brandom 2007: 133), therefore has three elements: an attitude, an activity, and a significance.

The tripartite structure of erotic awareness can be applied to itself. To attribute significance to an object would then be to take that object as "something things can be something for"—namely, to take it as a subject of erotic awareness. This attitude is the basis for understanding what it means to treat something as a subject; and this, in turn, provides the basis for understanding what it means to treat oneself as a self, i.e., to understand self-consciousness.

In the application of erotic awareness to itself, two things must be clarified: on the one hand, what is the attitude involved (what takes the place of eating, in the previous example), and on the other hand, what is the desire involved (what takes the place of hunger)?

The *attitude* consisting of taking something as "something things can be something for" can be called *recognition*. The *desire* involved in such an attitude is called by Hegel the *desire for recognition*. If the desire for recognition is satisfied by recognizing someone else, then the significance attributed by the recognition-desirer has been proven correct: the recognized subject is indeed him or herself a recognizer, otherwise he or she will not satisfy the motivating desire for recognition that, in the first instance, motivated recognition by the recognition-desirer. Put differently, the desire for recognition that motivates the attitude of recognizing someone is satisfied once *reciprocal recognition* is achieved[26].

[26] Perhaps an example would clarify the notion of reciprocal recognition: someone starts a conversation because he or she wants to talk (or to be listened to). The attribution of the ability to listen made in the first instance will only be satisfied if the other person effectively

So in applying the structure of erotic awareness to itself, we have moved from desire to recognition. Have we thereby entered a *normative* space? Or, put differently, does recognition entail a normative significance? To answer these questions, let us examine what recognition means.

To recognize something as erotically aware is to recognize it as "something things can have a *specific* significance for," say, being of the type *K*. My recognition of a successful *K*-taking by someone else (motivated by a *K*-desire, also recognized, that works as a standard to evaluate the correctness of the *K*-taking, because the *K*-response based on that taking must satisfy the *K*-desire by bringing it to an end), leads to the recognition (the attribution) of an *authority* as *K*-taker: I will take to be *K* the thing you took to be *K*, and I will *K*-respond to that thing if I have a *K*-desire.

> The link by which the specifically recognized one's activity is assimilated to that of the recognizer is forged by the *interpersonal* character of the specific authority of the recognized one's successful takings, whose acknowledgment is what specific recognition consists in. (...) So specific recognition involves acknowledging another as having some authority concerning how things are (what things are *K*s). When I do that, I treat you as one of *us*, in a primitive normative sense of "us"—those of us subject to the same norms, the same authority—that is instituted by such attitudes. (Brandom 2007: 142)

We have thus crossed the boundary that separates the natural from the normative: the authority attributed to the attitudes of the recognized being amounts to the attribution of a normative significance that goes beyond the mere desire.

Self-consciousness, however, has not yet been established. Brandom's aim is, precisely, to show "how self-consciousness should be understood to consist in the self-recognition achieved by reciprocal recognition." (Brandom 2007: 146) The remaining task is performed in two steps. The first establishes

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accept to hold the conversation, thereby recognizing the first one as a conversation holder.

sufficiency of reciprocal recognition for self-consciousness to obtain. The second establishes necessity.

Due to the logical, *formal* fact that reflexivity (self-recognition) follows from transitivity and symmetry (reciprocal recognition), reciprocal recognition would be a sufficient condition for self-recognition (and, therefore, for self-consciousness), if recognition were transitive. Therefore, by showing that recognition *is* transitive we would have established that it is a sufficient condition for self-recognition.

Transitivity, however, does not apply to simple recognition, because to take someone as a subject of erotic awareness is not to take him or her as recognizing other's erotic awareness. Call *robust recognition* the fact of recognizing other as a recognizer, that is, "as itself the kind of things for which things can have a specifically *normative* significance" (Brandom 2007: 144). Brandom shows that robust recognition is indeed transitive: "recognizing someone as a recognizer is acknowledging the authority of his or her recognitions for one's own: recognizing whomever he or she recognizes" (*ibid.*). So the first step is done: reciprocal recognition is a sufficient condition for reflexive recognition (self-consciousness).

The second step is to establish necessity. This is done by distinguishing between simple self-consciousness (simple recognition of oneself as erotically aware) and robust self-consciousness (recognition of oneself as a recognizer). Brandom shows that robust self-consciousness is achievable only through reciprocal recognition:

> being robustly recognized by at least some of those one robustly recognizes. This means that a *community* (a kind of universal) is implicitly constituted by one's own robust recognitions, and actually achieved insofar as they are reciprocated. That is the sort of reciprocally achieved recognitive community within which alone genuine (robust) self-consciousness is possible. (Brandom 2007: 148)

The objective has therefore been achieved: *reciprocal recognition is both necessary and sufficient for self-consciousness*. In summary:

> Two features of [Hegel's] approach are particularly worthy of attention (...), both of them features of his master-concept of *recognition*. First is his view that both self-conscious individual selves and the communities they inhabit (a kind of universal characterizing them) are synthesized by reciprocal recognition among particular participants in the practices of such a recognitive community. Self-consciousness is essentially, and not just accidentally, a *social* achievement. Second, recognition is a *normative* attitude. To recognize someone is to take her to be the subject of normative statuses, that is, of commitments and entitlements, as capable of undertaking responsibilities and exercising authority. This is what it means to say that as reciprocally recognized and recognizing, the creatures in question are *geistig*, spiritual beings, and no longer merely natural ones. (Brandom 2007: 136)

Now, the more fundamental Hegelian assumption must be pointed out: the desire for recognition is a structural element of self-consciousness. For this is the desire that motivated, in the first instance, the attitude of recognizing someone else as a recognizer. A generalized desire for recognition implies that "the picture that is presented of the sort of community within which fully adequate self-consciousness is achieved is one in which recognition is an equivalence relation: everyone in the community recognizes and is recognized by everyone else and so recognizes everyone recognized by anyone else" (Brandom 2007: 137).

We can now put together both issues: on the one hand, the content of self-consciousness are those identifications one is willing to sacrifice for, and on the other hand, the desire that motivates individuals to robustly recognize others (thereby giving rise to reciprocal recognition which is a condition for self-consciousness), is the desire for recognition. This leads us to the following conclusion: *the reason for adopting self-defining identifications must ultimately be the desire for recognition*.

The desire for recognition finds satisfaction through reciprocal recognition, namely, through an "equivalence relation." However, I would like to point out a problem which is not addressed by Brandom: individual identity cannot be entirely based on equivalence, but entails *individualization*, which may be attempted through the *differentiation* of individuality as something singular. This statement will be made clearer in the next subsection through a distinction between two forms of respect. However, we can already point out that differentiation introduces an *asymmetry*: recognition attained by the fact of becoming different cannot be reciprocal, because by definition what is being recognized is singular. This fact will underlie some of the main propositions of this essay. For the moment, however, we have to focus on the existence of two forms of respect.

2.3.3. Two forms of respect

In this subsection we will develop the following idea, which is inspired by Axel Honneth's ideas in his book *The Struggle for Recognition* (Honneth 1992): every individual is equal to anyone else, in the sense that they all share a desire for recognition, but every individual may want to be recognized as singular, and therefore, may want recognition of something singular. This fact gives rise to the existence, in practice, of two forms of respect: the *legal respect* for shared individual autonomy and the *social respect* for non-shared individuality. A Kantian social order explains how legal respect for autonomy is achieved; but the explanation of social respect calls for a notion of Hegelian ethicity. The reason is that what an individual can get recognized as singular necessarily depends on his or her individual contributions to a kind of common good: other individuals will not recognize "useless" talents, i.e., talents that have no value for them. Therefore, *the recognition of singularity presupposes shared values, i.e., common goods*.

Honneth posits the Hegelian notion of recognition as a fundamental cornerstone of a theoretical program intended to develop a formal concept of ethicity, one based on the intersubjective conditions required in order for full personal integrity to obtain. In my view, however, the asymmetrical character of recognition sets a limit for his theoretical enterprise: *generalized full personal integrity rules out asymmetries*. In the same way as recognition entails crossing the boundary that separates the natural from the normative, the complete realization of ethicity (the realization of everyone's complete personal integrity and fulfillment), so I will argue later on, might depend on crossing a new boundary—one that separates the *desire for recognition based on differentiation*, from a desire for recognition associated with a genuine *desire for recognizing others*. But let us, for the time being, come back to the idea of two forms of respect.

Hegel took the notion of recognition from Fichte and with that notion created a new conception of social struggle, opposed to Hobbes': social struggles are not aimed at individual survival but at eliciting recognition from others. This also entailed a new conception of the origin of the social contract: "the social circumstances characterizing the state of nature must be completed with the fact that subjects, before being able to have a conflict, should have recognized each other in some way. (...) [T]he tension towards reciprocal recognition is a fact that should be integrated into the state of nature" (Honneth 1992: 59). Thus, with the emergence of the social contract individuals become conscious of their reciprocal recognitions, thereby acquiring self-consciousness: *the emergence of the social contract is, at the same time, a formation process of individual identity*. The Hegelian conception of social order and identity is, therefore, genuinely non-reductionist: the individual and the collective co-evolve.

Now, the achievement of complete self-consciousness (the Hegelian Subjective Spirit) involving (Kantian) individual autonomy, is what happened on the individual side of a process whose collective side entailed the emergence of a specific kind of social contract involving, from this moment on, *formally equal individuals*: a social contract whose defining character was the legal recognition of the legal person. From then on, the law was no longer a source of individual differentiations, as was the case in the *Ancien Régime*. Therefore, the only source of individual differentiation started to be participation in *civil society*—a Hegelian expression intended to represent social spheres other than the political. It could be said that this aspect of the Enlightenment is what the philosophical tradition pioneered by philosophers like Adam Smith and David Hume is concerned with, thereby overlooking that differentiation through participation in civil society is based on a shared desire for recognition, one which must have previously found satisfaction in the legal recognition of the legal person.

Legal recognition continued to be subject to a process of historical evolution, a process leading to differentiated contents of rights: civil rights, political rights, and social rights (rights which will be characterized in Chapter 3). Social respect, in turn, evolved historically as well, but instead of being incorporated into the law, it remained in the realm of the intersubjectively shared, plural ethical values on the basis of which it is granted.

The desire for differentiation has frequently been addressed in psychological terms. In his social psychology, George Herbert Mead developed the Hegelian idea that the formation of individual identity is based on the experience of intersubjective recognition (Honneth 1992: 90). According to him, individual identity involves two aspects: on the one hand, individuals internalize the norms of the community and because they honor such norms, they are recognized as morally responsible and as subjects of rights. On the other hand, individuals cannot be conceived simply as the result of the norms of the community, because individuality properly understood entails self-realization through differentiation; social respect refers precisely to recognition of the personal qualities that acquire relief through differentiation.

This psychological statement should, I think, be accepted as a fact characterizing contemporary life. It constitutes a fundamental empirical statement allowing us to be much more *specific* in the search of an answer to the question about the relationship between social order and *individual motivation*. This is so because, on the one hand, what we need to consider, from now on, is how social arrangements give satisfaction to a particular expression of the desire for recognition: a *desire for differentiation*; and, on the other hand, because in order to understand the motivations of individuals for whom this psychological observation applies, we need to ask *how can they get differentiated from others*.

Honneth analyzes the answers provided by Mead and Hegel to the first question. Mead naturalizes the source of social respect by making it stem from the social division of work. This stance is not acceptable because the social division of work is not value-neutral (Honneth 1992: 111) and, therefore, the explanation does not uncover the ultimate source of the evaluative criteria for the provision of social respect. Hegel, in turn, conceives respect on the basis of solidarity, defined as recognition of the singularity of every person, but he does not develop his proposal (Honneth 1992: 113).

We will see that the conventionalist EoM approach of Boltanski and Thévenot (1991) provides a considerably more satisfactory answer by addressing directly the specificity of the evaluative criteria as connected with notions of the common good. Moreover, the EoM approach conceives common goods both as integral parts of the social order and as providing the grounds for individual identifications and self-evaluations, i.e., it provides elements related to both questions. Let us now move to the consideration of this theoretical proposal.

2.3.4. The "Economies of Magnitude"

The EoM approach understands the plurality of spaces that structure the modern social order as rational collective spheres (*cités*), in each of which reasons can be demanded and provided to justify actions and statements. Individuals participating in each sphere are autonomous, and each sphere is organized according to an idea of the common good, which provides the grounds for classifying individuals in terms of "magnitude" (*grandeur*).

I will try to show that this approach provides a concrete content for our first two Hegelian propositions about ethicity: (1) "What is most important for man can only be attained in relation to the public life of a community," and (2) "The community must be coterminous with the state." Regarding the first Hegelian proposition, we can conceive of any "magnitude" an individual can attain as being the content of his or her identifications, while the very availability of such contents is only conceivable as a result of the existence of spheres. Regarding the second Hegelian proposition, we will try to show that the civic sphere, which defines the nature of the political community in modern societies, including the State, is a necessary condition for the existence of the spheres on the basis of which social institutions, as distinct from political institutions, are built. We will refer to these social institutions as "civil society."

I will first present the formal structure of the EoM approach, which is based on six axioms. I will then try to justify the proposition that the theory provides a concrete content for the first two Hegelian propositions about ethicity. Finally, I will show that the EoM approach itself possesses some elements on the basis of which we can show that, in the absence of something in the line of the *third* Hegelian proposition (which says that social life expresses the rationality of Spirit), society is bound to embody a kind of ethicity that could be termed *weak*, as opposed to *strong*, completely realized ethicity.

The definition of the "spheres" model is based on six hypotheses by Boltanski and Thévenot, introduced as axioms. They are the following:

(a1) *Principle of common humanity*: Everyone is a member of every sphere.
(a2) *Principle of difference*: In each sphere there are at least two possible states of "magnitude." (i.e., "values" potentially taken on by the sphere-specific common-good evaluation criterion).
(a3) *Principle of common dignity*: Everyone is entitled to reach any state of magnitude in any sphere.

(a4) *Principle of order*: In each sphere the states of magnitude are ordered.
(a5) *Principle of investment*: In order to reach a higher state of magnitude a sacrifice is required.
(a6) *Principle of common good*: The well being associated with the highest state of magnitude benefits every member of the sphere, i.e., the highest states embody a common good.

Combinations of some of the axioms give rise to different models, conceived as "political metaphysics"—namely, as frameworks to explain how individuals constitute communities in which a sense of justice, based on a notion of the common good, serves as the ground for overcoming disagreements: a political metaphysics is intended to explain *peace*.

In order for disagreements to exist a given sphere must have at least two possible ordered states, where the degree of individual well being monotonically increases with the state occupied by the individual. Therefore, the object of disagreement is the attribution of states. Disagreement about state attribution, in turn, is possible because of axiom (a3): any individual has the right to aspire to any state. In addition, the individual desire to reach higher states is a potential source of disagreement because reaching a state is not trivial: according to (a5) it demands—or may demand—a sacrifice. The key axiom is (a6), without which any given sphere would collapse: the higher well-being associated with the higher states somehow benefits all members of the sphere, namely, it constitutes a common good—a good on which all members of the sphere agree—but the nature of the common good differs across spheres, as we will see. The ordering of states implied by axiom (a4) is, therefore, not arbitrary but normative: because of (a6) it is an order of magnitude (*ordre de grandeur*). The combination of magnitude and common good is what defines the *superior common principle* by which each sphere is structured.

This model is able to encompass the functioning of six empirical spheres, which Boltanski and Thévenot (1991) have identified on the basis of a research project that synthesizes data on everyday-life conflicts and the systematic treatment of the sources of agreement provided by a set of political philosophies. The empirically identified spheres are the inspired sphere (*cité inspirée*), the domestic sphere (*cité domestique*), the sphere of opinion (*cité de l'opinion*), the civic sphere (*cité civique*), the market sphere (*cité marchande*) and the industrial sphere (*cité industrielle*).

In order to justify the first two Hegelian propositions, I will discuss the relationship between these six spheres in relation to the task performed by axioms (a1) and (a3) in each one of them. This discussion will, in addition, provide us with a criterion to establish what kind of imperatives are involved in the functioning of the spheres which structure political and civil life.

Axioms (a1) and (a3) can be seen as summarizing a Kantian conception of individuals as ends in themselves, i.e., such axioms embody a categorical imperative. Put differently, each sphere is a world in which a categorical imperative applies. [27] But where do such categorical imperatives come from? My suggestion is that they are the products of the civic sphere. The argument goes as follows.

The common good structuring the civic sphere is (in a seemingly circular manner) the constitution of the *general will*—which, in turn, is oriented towards the pursuit of common goods. In order for the general will to obtain, individuals have to adopt a particular state within the civic sphere, that of *citizens*, as opposed to the state of private individuals pursuing private interests. Put differently, the state of magnitude within the civic sphere is not optional, it is compulsory. But at the same time it is not enforceable: individuals adopt the state of citizen in their heart of hearts (*for intérieur*) and, therefore, such an adoption cannot be verified. This makes the constitution of the civic sphere an intrinsically *emergent* fact, because it is not based on external enforcement (just as it was the emer-

[27] This why the "eugenic" order is not legitimate according to the spheres model.

gence process giving rise to the social contract that recognized the legal person referred to in the previous subsection). To say that the constitution of the civic sphere is an emergent fact is the same as saying that the civic sphere arises together with its fundamental, namely, with citizenship.

The general will finds expression in the State ruled by law and in the individual rights that define the content of citizenship. The legitimacy of the law (the fact of it being effectively an expression of the general will) stems from the fact that individuals effectively behave within the civic sphere as citizens, i.e., oriented towards the constitution of the general will. Therefore, behaving as a citizen within the civic sphere is a *categorical imperative*: without compliance with this imperative the general will cannot be built: it may be a will, but not a general one.

Now another question can be raised: once the general will oriented towards the pursuit of common goods has been constituted, what should be the content of the common goods to be implemented? We know from previous subsections that the achievement of individual autonomy protected by the liberal state does not provide an answer for this question. However, it provides conditions for the development of a civil society, the modern economic order, where the "common good" takes on the particular forms of wealth and efficiency. Indeed, on the one hand, "economic actions are grounded on at least two modes of coordination, one by the market, the other by an industrial order, each one allowing for a different reality test" (Boltanski and Thévenot 1991: 241)—in other words, the economic institutions of society are based on the market and the industrial spheres. On the other hand, the enforcement of axioms (a1) and (a3) within the market and industrial spheres depends ultimately on the rule of law, i.e., on the outcome of the civic sphere—the reason being that neither sphere can exist without the legal protection of *property rights*. Put differently, the market sphere and the industrial sphere are not emergent phenomena in the sense that the civic sphere is: the fundamental of both spheres, property rights, does not appear together with those spheres but comes from the civic sphere.

Now we can establish more accurately in what sense the model of the spheres constitutes a step ahead with respect to New Institutional Economics in the understanding of economic institutions. By showing that the market sphere and the industrial sphere, on whose basis economic institutions are built, [28] cannot be conceived without postulating external enforcement of axioms (a1) and (a3), the model of the spheres allows us to understand the articulation between the rule of law and economic institutions:[29] the outcome of the civic sphere (and therefore the categorical imperatives on which the legitimacy of this outcome is based: citizenship and its rights) is a necessary condition for the development of economic institutions because it is the only way to ultimately enforce axioms (a1) and (a3). [30]

This achievement, in addition, provides a clear answer to Arrow's Impossibility Theorem: the institutional imperatives binding individuals within both the market and industrial spheres presuppose the enforcement of axioms (a1) and (a3),

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[28] The market sphere establishes *wealth* as a (desired) common good by the fact of transforming it into a magnitude, thereby creating an equivalence of desires (the value of the things that constitute wealth is a social achievement brought about by the market sphere). This is what drives the engine of economic development: the desire for wealth on the part of businesspeople, as we will see in Chapter 5. The industrial sphere establishes *efficiency* as a common good thereby providing the conditions for social cooperation without which wealth accumulation is not possible.

[29] For the New Institutional Economics the rule of law is indeed needed to explain the functioning of economic institutions, but law is explained as a requirement of economic efficiency. This circularity makes the explanation insufficient: it is in fact just a way to *describe* a state of affairs, not to explain it. The EoC sheds light on this problem by showing the specific nature of the rule of law: its binding force relies on categorical imperatives, not on institutional ones.

[30] We will deepen this relationship between spheres in Chapter 5 with the help of Thévenot (2006).

which is done on the grounds of the civic sphere. [31] So we have an argument in favor of the Hegelian proposition that "the community must be coterminous with the State" (the argument provided embodies what Hegel and Kant have in common as to individual autonomy and the rule of law). What remains to be justified is the first proposition—namely, that "what is most important for man can only be attained in relation to the public life of a community."

The magnitude of citizen embodies the first form of respect, not the second one. This is why magnitudes outside the civic sphere are an integral part of the identity of individuals looking for differentiation. The common good of the civic sphere, so to speak, extends itself through the market and industrial spheres, thereby contributing to the arising of other magnitudes. [32] What about the relationship between the civic sphere and the other spheres?

The inspired, domestic and opinion spheres have appeared, as a matter of fact, before the civic sphere. The conceptual formulation of the civic sphere by Rousseau was offered precisely as an answer to the inequalities involved in these other spheres, as the following passage makes explicit:

> The realization of the civic sphere, whose possibility is demonstrated in *The Social Contract*, is supposed to provide people with a resource allowing them to stop their miserable comings and goings between the inspired magnitude, the domestic magnitude and the magnitude of renown, thereby giving them a solid ground to overcome the restless

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[31] The common good of the civic sphere can work as an "input" of both the market sphere and the industrial sphere because of its *public-good* character, a character not shared by the common good "wealth."

[32] However, conflicts between the civic sphere and the economic order can arise. Rights ensuring the treatment of individuals as ends in themselves can acquire different contents: they can be civic, political or social rights. The civic-sphere activity of trade unions aiming to conquer social rights on behalf of its members, through what Hegel calls the struggle for recognition (Honneth 1992: 29), calls into question the magnitudes of individuals as established by the other two spheres on the basis of civil rights.

> uncertainty as to magnitude and identity, which impregnates so many pages of [Rousseau's] *Confessions*. [The civic sphere] should do for men, taken in their totality, as a political body, that which love does not allow accomplishing, or only rarely does, within the order of singular relationships. (Boltanski and Thévenot 1991: 150)

I interpret this passage as saying that, for Rousseau, it is only through equality, recognized by a political body, that the individual differences involved in the previous spheres can be overcome. But this Rousseauian hope does not take into account the fact that legal recognition of individual autonomy does not satisfy the desire for differentiation. The civic sphere is indeed able to completely replace the domestic sphere as the metaphysical basis for the political community,[33] because it applies to individuals as members of the political body. However, it cannot displace the inspired sphere and the sphere of opinion as providers of alternative sources of respect, because it does not apply over the uncertain social realm where recognition of individualities is provided.

The common good of the sphere of opinion, the political philosophy of Thomas Hobbes, is *personal individual value*—respect—that is established on the basis of social esteem or recognition by others. Personal value acquired through recognition, for Hobbes, is the source of individual *power*; it is not related to any notion of justice, but just a matter of facts. The relationship between personal value and power is simply that the former matters instrumentally, because it brings about the latter (Honneth 1992: 60), which in turn is, also instrumentally, a way to be protected against the threat represented by others: the source of the desire for recognition is, at the bottom, *fear;* personal value in Hobbes does not have any additional content. The desire for recognition in the sphere of opinion is strictly a *desire for differentiation*; but Hobbes does not relate differentiation and recognition: differentiation, for him, is just instrumental in bringing about *power*.

[33] The domestic sphere was conceived by Bossuet precisely as a justification for the monarchy.

However, in the light of the EoM approach (and also in the light of Kant) the Hobbessian conception is untenable. Due to the facts that individuals are protected as ends in themselves in the constitution of the civic sphere, and that society is a normative space, what is acquired through renown cannot be directly interpreted in terms of *power* but of *authority*: renown takes place in a normative dimension, and, therefore, the recognition implied is renown is also normative. As a consequence, what is involved in the desire for differentiation motivating the desire for renown must be related to normative contents (contents that can be recognized), not to physical power. Put differently, "What is most important for man can only be attained in relation to the public life of a community"—namely, the first Hegelian proposition. The EoM approach gives a precise content to that proposition: What is most important for man is provided by spheres in the form of magnitudes, particularly in the magnitude of renown, which is intimately connected with the magnitude of wealth, as we will see in Chapter 5.

The remaining task of this subsection is to propose a distinction between two kinds of ethicity, which we will do using some additional elements provided by the EoM approach.

The context in which individuals satisfy their desire for differentiation can be termed *weak ethicity*. The justification of this expression comes from the fact that individuals searching for differentiation are concerned with the life of the community only because the community provides what they need to satisfy a completely private aim: to find asymmetric recognition by being different from others. Therefore a kind of alienation, in the sense of Hegel, is involved: individuals follow the rules of the community, but determine their aims privately.

Strong ethicity, where such alienation does not exist, would involve individuals identifying with the aims of the community. The EoM approach has a model that is close to this possibility—the inspired sphere:

> Only the [inspired] sphere of God deserves the name of sphere in the sense in which we understand it here, because it is the only one capable of leading human beings to overcome their singularity through the pursuit of a common good. This sphere, by "universal" vocation, is founded (...) on "charity," love (...) as opposed to "self-love" (Boltanski and Thévenot 1991: 109)

There is, however, another problem to be solved, a problem coming from the fact that not every set of community aims will elicit individual identifications constituting strong ethicity. In other words, a kind of *correspondence* between community aims and individual desires is needed in order to obtain strong ethicity.[34]

Hegel's conception can be interpreted as follows. Completely realized ethicity is based on an ontology of the Idea or Spirit. As long as societies have not yet realized the values representing the Idea, individuals cannot completely satisfy their desire for recognition, which impels them to conduct a struggle for recognition. This struggle, in turn, is what transforms society, eventually leading to a society where the complete satisfaction of everyone's desire for recognition is possible. This final state is ethicity completely realized. The driving force of this process, the *struggle for recognition*, can only be made sense of if individuals are conceived of as essentially inspired by the Idea. Otherwise the convergence towards a completely realized ethicity would be merely contingent. This is why something along the lines of the third Hegelian proposition ("The public life of the State has this crucial importance for men because the norms and ideas it expresses are not just human inventions. On the contrary, the state expresses the Idea, the ontological structure of things") is necessarily involved in strong ethicity.

The inspired sphere is based on "love" coming from God. The building of the inspired sphere depends, so to speak, on the availability of individuals that have attained the state of

[34] This problem calls for the individual foundations of strong ethicity, which will be provided in next chapter.

grace (the magnitude of the inspired sphere), which is granted by God. Therefore, a substitute of the Spirit is in place (or another name for the same thing). In the next chapter we will offer our own foundations for strong ethicity, whose specific feature is the individual transcendence of the desire for differentiation. There, we will argue both that Hegel's cosmic Idea is not developed enough so as to be a sufficient foundation for strong ethicity, and that the model which, within the EoM theory, embodies strong ethicity is, in fact, a construction called "*Eden*."

The picture of weak ethicity shows a plurality of spheres, where the civic sphere provides the basis for the functioning of the institutions of civil society, and the sphere of opinion provides, interwoven with civil society, the grounds for satisfying the desire for differentiation. This picture, however, needs to be clarified further, because to say that recognition of individualities comes from the sphere of opinion interwoven with civil society is, of course, too short. We have the opportunity to deepen this analysis in Chapter 5.

The distinction between weak and strong ethicity could lead to a distinction between two forms of the common good. Regarding the weak version, the common good provides the content for individual differentiations (magnitudes). Therefore, the common goods involved are only partly common: they are commonly desired (being collective creations) but privately enjoyed since they are not *public* goods. *Strong ethicity, on the contrary, will involve common goods as public goods*. This will be showed to be the case on the basis of the individual foundations of strong ethicity set out in the next chapter.

The objectives of this chapter have now been reached. We have argued in favor of understanding "standard" economics as a Kantian approach, and the EoC as a Hegelian one. He has also seen that contemporary societies can be considered Hegelian in a *weak* sense: they embody an individualistic ethicity based on a desire for differentiation. In addition, we have a hypothesis that could allow us to characterize strong ethicity: common goods as public goods. The next chapter provides foundations that will justify this hypothesis.

Chapter 3
Individual foundations of strong ethicity

3.1. Introduction

In the previous chapter we stated that the "Economies of Magnitude" (EoM) approach provides a concrete formulation of a social order conceived in Hegelian terms, namely, as constituted on the basis of a set of common goods which orient individuals in their everyday lives. We also introduced a key distinction between two kinds of ethicity, which give rise to two kinds of common goods: under weak ethicity, common goods are commonly desired but enjoyed privately; under strong ethicity, common goods are, in addition, public goods[35].

Weak ethicity presupposes individuals satisfying a *desire for differentiation* on the basis of magnitudes such as reputation, wealth, etc.—and, it must be added, civic magnitudes: the magnitude "member of the State" is also a source of differentiation and recognition (a fact that may put the content of citizenship under threat). Strong ethicity, I will suggest, must be based on *transcending the desire for asymmetric recognition (the desire for differentiation), which may lead to a desire to recognize others, as an integral part of a symmetric desire for recognition.* So strong ethicity, as I will argue, translates into the desire that everyone be recognized by everyone else—a situation of mutuality, which I will call *radical recognitive symmetry*.

[35] We will provide a more concrete formulation of this distinction in Chapter 5.

This proposition implies two things: (*a*) the postulate that there exists a *choice* as to the kind of recognition individuals might look for; and (*b*) the proposition that this choice, when made by a sufficient number of individuals, determines the kind of ethicity structuring society. Furthermore, my contention is that contemporary societies in many ways prevent the adoption of radical recognitive symmetry as the meaning of life, which means that an agent's choice of the type of recognition he or she is seeking is, in fact, partly conditioned by the currently prevailing ethicity. I will not, however, address this last statement in this chapter, and leave it for the end of Chapter 5.

A brief schematic story might make more explicit the sort of choice problem I have in mind. In an initial period there is a set of individuals (autonomous and morally responsible, i.e., normative in the Kantian sense) who take part in the spheres structuring social order, by adopting magnitudes at their disposal for the sake of differentiation-based recognition; by doing so, these individuals reproduce the ongoing society. However, they are also supposed to be able to make the following choice: either to continue looking for recognition through differentiation, or to turn attention to their individual *inner worlds*, so as to get inspiration from inside in order to transcend the desire for differentiation. The second choice could be termed the *adoption of a path of ethical self-discovery*. Individuals who have transcended the desire for differentiation will be termed *fully realized recognizers*. Fully realized recognizers will feel a desire to recognize others, i.e., *will desire recognition as symmetric recognizers, not as differentiated individuals*. Eventually, if enough individuals become fully realized recognizers, a second period starts in which weak ethicity is replaced by strong ethicity.

According to the hypothesis that strong ethicity entails common goods as public goods, the *performance* of economic and social institutions, defined in terms of the public character of their common goods, will considerably differ between weak ethicity and strong ethicity, giving rise to the following distinction. On the one hand, if individual identities are dependent on differentiation, the performance of such institutions *cannot be put under collective control* and, therefore, public goods, if somehow decided-on collectively, will be very difficult to provide. The basic reason is that individuals will be concerned mostly with magnitudes they can privately achieve, not with the global performance of economic and social institutions. On the other hand, if individual identities are *not* dependent on magnitudes coming from civil and civic-sphere society, the performance of economic and social institutions *might be put under collective control,* provided individuals participate in economic and social institutions with the aim of extending rights to everyone—which, precisely, entails putting global performance under collective control.

The latter alternative implies that the performance of economic and social institutions, as I said, effectively acquires the character of a public good, and that the participation of individuals in such institutions must be, from there on, directly oriented towards the production of such public goods. If the specific feature of strong ethicity is effectively that common goods become public good, we are providing an insight about what individuals must do in order to bring about strong ethicity.

The issue at hand looks somehow circular: strong ethicity entails that individual realization can only be complete through participation in the life of the community, while the way in which the life of the community is organized must be fully consistent with the aims spontaneously pursued by fully realized recognizers. In order for the whole building not to be a house of cards, the existence of *true* individual desires must be postulated (we will call this true desires a life-purpose self-evident beyond judgment, a life-purpose characterized by what will be termed subjective equality); in other words, we need to uncover the *individual foundations of strong ethicity*. What I am specifically proposing is that fully realized recognizers will, among others things, all related with *equality*, desire to build a society where common goods are public goods, so as to benefit everyone, and that creating such a society will give satisfaction to this *strongly ethical* individual desire: we will get to a situation where individual realization and realization of strong ethicity presuppose each other.

To the extent that bringing about strong ethicity requires a prior choice of transcending one's desire for differentiation, we need first to provide foundations for postulate (*a*) above—namely, that individuals are indeed able to make that choice. If by discovering radical recognitive symmetry within themselves, individuals experience a *strongly ethical* desire—that of recognizing others (so as to work towards the creation of a society where common goods are public goods)—then the hypothesis that strong ethicity entails common goods as public goods will have been justified. As a consequence, proposition (*b*) will also have been vindicated.

Two things are involved in providing foundations for the postulate about the possibility of choosing another source of recognition, thereby discovering strongly ethical desires. On the one hand, (1) the existence of such a choice entails an ontology: to transcend the desire for differentiation out of inspiration from the *inner individual world* entails the existence of an *individual nature (an ontology),* one that can only be discovered by looking to one's inner world, i.e., by adopting a path of ethical self-discovery. On the other hand, (2) an answer must be provided to the question as to what kind of *competences* individuals must be endowed with in order to be able, first of all, to become aware of the existence of a choice and, second, to identify and interpret "inspiration from inside" as pointing towards strongly ethical desires.

Issue (2) will be addressed in sections 3.2 and 3.3. The subject matter of section 3.2 is the need for postulating linguistic competence on the part of normative individuals (i.e., individuals living in a normative space). Section 3.3 analyzes the competences required in order to conceive of an individual identity. They must be a kind of hermeneutic competence including sensitivity. Issue (1)—namely, the ontology allowing for the transcendence of the desire for differentiation—will be addressed in sections 3.4 and 3.5. Section 3.4 establishes a connection between ethical judgment, responsibility and recognition. In that section, we will postulate radical recognitive symmetry as an alternative to getting recognition through differentiation. In section 3.5, which is the most important part of this chapter, we will argue in favor of the individual necessity of the transcendence of the desire for differentiation, and we will try to show in what sense radical recognitive symmetry may provide, effectively, the individual foundations of strong ethicity.

3.2. Normativity and language

The EoC is a very helpful conceptual guide to address issue (2). The reason lies in its Hegelian character: conventionalist agents, in the first place, are rational in the Kantian sense (they participate in the collective space where reasons for actions and assertions are demanded and provided), and, in the second place, identify themselves with magnitudes associated with spheres, i.e., they consciously build identities. Therefore, their competences must be very close to what is involved in choosing an identity. So, we will start analyzing what kind of individual competences are involved in conventionalist economics, which will turn out to be linguistic and hermeneutic competences. Afterwards, we will argue that hermeneutic competence is a necessary condition to make sense of a notion of individual identity consciously evolving, provided hermeneutic is supplied with *sensitivity*. This analysis, indirectly, is a discussion about the individual foundations of the EoC.

The "heterodox" character of the EoC within economics can be seen in its shift from the rational-choice conception of behavior towards a conception based on *normativity*. The simplest way of postulating normativity in the explanation of behavior is by substituting optimization by rule-following as the source of behavior, namely, adopting the traditional sociological approach to behavior (shifting from the primacy of the individual to the primacy of the collective). This is not, however, the theoretical strategy of the EoC: traditional sociological rule following is problematic for at least two reasons: (*a*) it cannot provide an explanation of the origin of rules, and (*b*) because rules cannot specify all the conditions for their application, in order to be applied they have to be interpreted. Consequently, deliberation at the individual level, and therefore some kind of methodological individualism, remains necessary.

Regarding the origin of rules, there is no alternative to the fact that, as social objects, rules are created in the first place by individuals, which means that rules cannot be postulated as a primary source of behavior without entering an infinite regress. Regarding the interpretive application of rules, again, the primacy of rules has to be put into question: if one wants to avoid postulating interpretation as the application of another rule, and so on (again, an infinite regress), at least some aspects of individual behavior should be conceived as different from rule-following. In other words, both the creation and the application of rules have to be connected with some aspects of individual behavior *not governed by rules*.

Concerning the first problem, the co-evolution of individuals and social order analyzed in the previous chapter provides a solution. Therefore, we will focus on the second one, which gives us the opportunity to analyze the individual competences involved in normativity as a complement to the analysis conducted in Chapter 2, where the focus was the relationship between normativity and social order.

An infinite regress in interpretations is avoided by the rational-choice approach by postulating individual preferences not governed by rules. But such individuals can follow only one kind of rule—namely, prudential imperatives. Indeed, a rational individual (in the sense of rational choice theory) does not follow an institutional imperative because it is institutional, but as the result of a strategic computation that takes into account the consequences both of obeying and not obeying the imperative. Prudential imperatives entail a kind of private application of rationality (of the rules of rationality), an application intended to solve the technical problem of accommodating means for the achievement of given ends. Therefore, the kind of normativity involved in rational choice theory is the narrowest conceivable one. We can term it *narrow normativity*. [36]

Because normativity within the EoC cannot be of the narrow type, conventionalists have to explicitly address the question about how the aspects of individuals not governed by rules should be conceived. Some authors of the EoC have worked on that direction, particularly Olivier Favereau. (See, for instance, Favereau 2001, 2005.) Bessis, Chaserant, Favereau and Thévenon (2006) also present the beginnings of a theory of identity, which, as we will see, can lead us close to the ontology we are looking for. But for the moment, let us focus on the problem of individual competences associated with normativity.

One fundamental stance of the EoC is that in order for there to be coordination between individual behaviors, there must be coordination between individual judgments on individual behaviors (Favereau 2005). This is, in fact, one way of expressing the dependence of the social order on rationality in the sense of Brandom (1994), as explained above in Chapter 2. But it is also a statement implying that the fundamental requirement in order for individuals to be normative is *linguistic competence*. This is shown to be the case by Favereau (2005: 115-117) via an analysis of James Coleman's (1990) attempt to derive cooperation from rational-choice assumptions.

Coleman (1990: 286) defines norms as purely based on external sanctions privately implemented, namely, as based on

[36] Below I will argue in favor of the Wittgensteinian idea that *purely* private rules are not conceivable.

prudential imperatives: individuals apply and obey sanctions for the sake of optimization. Then, through a simulation model, he tries to explain cooperation as based on such norms, sustained within a closed network of social interactions structured as in the Prisoners' Dilemma. If cooperation can be sustained on those grounds, in Coleman's terms we have a social organization built on social capital. The result of the simulations performed can be summarized as follows: "the higher the number of individuals with whom one is likely to interact, the lower the equilibrium percentage of cooperative individuals" (Favereau 2005: 113)—namely, "social organization" vanishes as the number of individuals increases.

Favereau argues that the social structure of the interaction (the Prisoners' Dilemma structure) is crucial for the formation of players' expectations on cooperative behavior by others and, therefore, it should be integrated into players' beliefs. This raises the question as to what kind of language is needed in order to do so. The underlying idea is that the language of calculative rationality does not allow to talk about collective objects and, therefore, of a social structure.

I would like to suggest that the existence of alternative social structures depends on the existence of institutional imperatives, namely, of alternative hypothetical rules of behavior. One set of (institutional) rules, for instance, will find expression in a corresponding social structure, while another different set will give rise to a different social structure. On the contrary, the association of purely prudential imperatives with a social structure is entirely dependent on the material content of the interaction (payoffs), not on rules (because there is only one possible rule, namely, technical accommodation of means to ends) and, therefore, given that material content, only one social structure is possible. If, for instance, the nature of the interaction is to produce a public good, and provided there is common knowledge of the fact that everyone follows prudential imperatives, it is possible for everyone to figure out what incentives everyone else is facing, i.e., individuals will have a grasp of the structure of the interaction in terms of incentives. More precisely, they will somehow deduce the relevant features of the Prisoners' Dilemma structure. However, insofar as it is the only possible structure, the very notion of structure would be unnecessary.

Put differently, prudential imperatives open a *behavioral horizon*—namely, a set of things that can be achieved by behaving on their basis. In that behavioral horizon we could even conceive that individuals are able to learn how to use private sanctions; the only requirement is that individuals hold beliefs linking their actions with their partner's reactions. Moreover, sanctions can be distinguished as new forms of behavior and then integrated into an enlarged set of strategies. The kind of learning involved here is entirely based on deductive knowledge: the interaction provides the opportunity to translate others' behavior into payoffs. [37] Therefore, a deductive formal language suffices, in principle, to live within the behavioral horizon opened up by prudential imperatives.

The problem in the explanation of cooperation is that, as Coleman's model itself shows, "cooperation" will not obtain if the network of interaction is open, because in that case "norms" cannot be sustained on the basis of private sanctions, i.e., on the basis of prudential imperatives. The remaining alternatives are institutional and categorical imperatives. [38] Such imperatives, however, require linguistic competence on the part of individuals.

Cooperation on the basis of private sanctions cannot be but an unintended collective result: the individuals involved are just following prudential imperatives on the basis of individual preferences, not on the basis of any desired collective

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[37] In fact, interaction is not really needed for the acquisition of this knowledge: the same deductions can be made in isolation insofar as the individual devotes time to imagining different paths of interaction.

[38] We are not considering emotions and morality here. They will be introduced explicitly in Chapter 4.

outcome. Cooperation on a basis *different from* private sanctions therefore has to be *intended*, which means that there must be an explicit relationship between the aim of cooperation, which is collective by nature, and the individual behaviors needed to obtain it. This relationship is precisely an institutional imperative, one that links *individual behaviors* and *collective aims* (as opposed to a prudential imperative, which links *individual behaviors* and *individual aims*). Sanctions involved in institutional imperatives must be, like the imperative itself, hypothetical. Therefore, the kind of normativity involved in institutional imperatives is different from the narrow normativity of rational choice theory. We could term it simply *normativity*, as opposed to narrow normativity.

We can now, following Favereau, understand that *while prudential imperatives need calculative rationality, normativity requires interpretive rationality and linguistic communication*. In order to demonstrate this, we will need to show that another kind of language, different from deductive formal language, is needed. [39] For both a collective aim and the associated rules to exist, a collective object can no longer "be defined as a set of individuals; it is a structure on this set, a concept rather than an enumeration" (Favereau 2005: 115). Such a collective object "has to be said to be seen" (*ibid.*): it is created through language because it is conceptual. This is the *semantic* aspect of the problem.

Our previous discussion allows us to propose that the collective, conceived as the structure of a set of individuals, co-originates with institutional imperatives, because the very structure is created by those imperatives. This leads us to a *pragmatic* implication: *normativity opens up a new behavioral horizon for individuals*, *one in which behavior can be oriented toward collective objectives*. The pragmatic and the semantic aspects, as we will see later on, relying on Wittgenstein, are two sides of the same coin—what Wittgenstein calls language games.

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[39] The distinction between extensional and intensional languages applies here (Favereau 2005: 114).

The collective object that "has to be said to be seen" also "has to be believed to be said" (Favereau 2005: 116): collective objects have a propositional content. If cooperation (and, for that matter, coordination) is based on institutional imperatives embodying what is to be understood by cooperative (coordinating) behavior in a given situation, thus, in order for cooperation (coordination) to obtain, beliefs as to the collective object must be shared by the individuals involved. This, in the first place, demands interpretive rather than calculative rationality (Favereau 2005: 116) and, in the second place, a convergence of interpretations, i.e., a convergence between individual interpretations of beliefs and behaviors. The latter can only occur in the domain of linguistic communication, namely, in the rational collective space where reasons for beliefs and action can be demanded and provided. The normative behavioral horizon, therefore, entails linguistic competence. It is possible to state that in the same vein as social theory cannot fall below Kant, neither can it fall below *linguistic competence*.

To end this subsection I would like to make explicit the statement that the behavioral horizon associated with prudential imperatives presupposes a normative behavioral horizon. [40] The reason is that a behavioral horizon must necessarily be a horizon for someone, namely, for an *identity*. In Chapter 2 we saw that identity (self-consciousness) is dependent on reciprocal recognition. This result can be translated as follows in the light of our present discussion: the ability to follow prudential imperatives (to apply instrumental or strategic rationality) presupposes the ability to see oneself as an agent (as an individual who can make decisions on his or her own), and the notion of agency can only be acquired on the basis of recognition through a process of identity formation (where the ability to make decisions develops together with self-consciousness).

[40] Which is a way of showing why linguistic competence underlies the ability to follow any kind of imperative, including prudential imperatives.

We have achieved one of the results we were looking for, namely, that language has to be introduced into social theory in order for normative behavior to be conceivable. Now we will see what else is needed in order for *identity* also to be conceivable. The analysis by Habermas (1982) of the linguistic and hermeneutic foundations of social theory provides good elements to look for an answer.

3.3. Identity and hermeneutic competence

3.3.1. Wittgenstein and Gadamer

In the previous section we concluded that individuals become able of having aims and following rules (imperatives), i.e., to be autonomous and morally responsible, only after a process of individualization based on reciprocal recognition, which is a condition for the development of self-consciousness. This insight will be deepened in this section, in order to work out what competences are involved in the notion of identity.

A process of identity formation is what every child undergoes during his or her growing years. This process was analyzed by Wittgenstein (1953), in order to show that learning to *talk* and learning to *live* in a community are two sides of the same coin. In doing so, Wittgenstein inaugurated the linguistic turn in social science.

Habermas (1982) refers to this linguistic turn in the following way: "[t]he access in terms of language analysis to the scope of social action is plausible only if the internal relations between symbols entail always already relations between actions" (Habermas 1982: 204). [41] For Wittgenstein, precisely, understanding language and being able to speak involve having acquired certain skills, having learned to deal with something

[41] My reading of Wittgenstein is based on Habermas's interpretation, which, as he says in Habermas (1982: 205, n. 174), is itself based on the work of Karl-Otto Apel.

from a practical point of view: the use of language entails a pragmatic meaning.

Two related facts allow clarifying the connection between language and action: the interpretation of expressions in a foreign language and the teaching of language to children. First,

> imagine you came as an explorer into an unknown country with a language quite strange to you. In what circumstances would you say that the people there give orders, understand them, rebel against them, and so on? The common behavior of mankind is the system of reference by means of which we interpret an unknown language. (Wittgenstein 1953: 205, § 206)

In other words, behind interactions there are rules, and these rules are being correctly understood if interactions are not disturbed. Therefore, socialization into the rules of the community is needed in order to participate successfully in a communication. But socialization, in turn, is the process through which language is taught to children. That is why Wittgenstein uses the expression *language game* to express the connection between language and action.

The language-learning situation, for Wittgenstein, is evidence for the particular status of grammatical rules: they are not meta-linguistic rules for the connection of symbols, because if that were the case they could not be acquired by children; they must be considered, in part, as didactic rules for the teaching of language. But that means that grammar is not only language but also action: *understanding is linked to use*. If this were not the case, it would be impossible to teach ordinary languages to those who did not already know how to act. Grammatical rules must refer to the "whole, consisting of language and the actions into which it is woven" (Wittgenstein 1953: 25, § 7).

This is Wittgenstein's stance on the connection between language and normativity. [42] Now, I would like to bring in the idea that Wittgenstein's theory of linguistic communication is too narrow a basis to connect linguistic competence and identity. Habermas (1982: 228-236) compares Wittgenstein's conception with Gadamer's, in order to show that linguistic competence is hermeneutic by nature. The comparison can be summarized as follows: Wittgenstein's position is basically that "understanding is merely the virtual repetition of the training through which the socialization into a form of life occurred" (Habermas 1982: 232-3), while for Gadamer (1960) this is not real understanding because it lacks the productive aspect of *translation*.

The experience of translation, according to Gadamer, lies at the very root of hermeneutics. Grammatical rules (language games) are not only institutionalized forms of life but also a *delimitation of horizons*. This means that normative behavioral horizons represented by language games are not closed:

> it is proper to the grammar of a language game not only that it defines a form of life but also that it defines a form of life that is one's own over against others that are foreign. The horizon of language also encompasses that which it is not. (...) Translation is the medium in which these revisions take place, and language is continuously developed further. (Habermas 1982: 233)

Translation takes place both between communities with different languages (horizontal translation) and between generations (vertical translation). When children learn a language through the adults' language games, they become able not only to reproduce those language games but also to produce new ones. Wittgenstein linked the grammar of language with their use in interactions, in language games. But this grammar must also provide the possibility for the individual who learned it to distance himself from the language games in which the

[42] Favereau states, more precisely, that "Coleman's project requires the philosophy of the later Wittgenstein" (Favereau 2005: 118).

grammar was learned: the grammar governs the application of rules, and through this application the systems of rules is historically developed. This historical dimension is lacking in Wittgenstein. It entails a *productive translation of tradition*, which is the Gadamerian conception of hermeneutic understanding.

The notion of translation, finally, gives rise to what Habermas calls a "hermeneutic distance between individuals" (Habermas 1982: 235). This "distance" entails that each individual occupies a singular place not entirely determined by the rules of the community: it is, so to speak, the place of identity. Let us now turn to the content of this notion of identity.

3.3.2. The hermeneutic horizon of identity

The content of identity can be considered as the answer to a puzzle that has two basic ingredients: (*i*) self-consciousness, i.e., awareness of the fundamental specificity involved in being oneself, and (*ii*) a question about the meaning of life, which is not only a question as to the meaning of one's own life but might involve others' lives (or even everyone's life) as well, because, as it were, being alive is a basic condition we all share.

Charles Taylor (1989) conceives identity in these terms, as conformed by self-consciousness and by ethical values as an answer to an implicit question about the meaning of life. In addition, in Hegelian terms, he makes the distinction between those values related to categorical imperatives, i.e., with the respect *for* others as ends in themselves, and values related to "dignity"—namely values that, from the perspective of the one who holds them, contribute to the acquisition of respect *from* others. Insofar as the individual becomes an individual through socialization, such answers, in the first instance, are learned from the community in which he or she grows up: the elements with which to grasp the meaning of life are, at the beginning of life, provided by one's community of birth and upbringing. But individualization entails, among other things, making the questions about the meaning of life explicit and, therefore, explicitly looking for answers. New answers bring about new identities, which leads to the following first statement: *identity should be conceived as an evolving object.* [43]

Hermeneutic competence as conceived by Gadamer provides a useful notion to conceptualize identity as such an evolving object: it entails a *horizon*. Indeed, identity can be related to an individual life's horizon: the content of self-consciousness and the values endowing life with meaning determine what can be expected from life, i.e., what kind of life can be lived. Put differently, what I am involves a notion of future self-realization, because it includes what can I come to be.

Which stages of self-realization can be attained is highly dependent on collective horizons coming from the common goods that structure the life of communities. However, an individual life horizon is related not only to community common goods, but also to something else: *feelings*. The meaning of life involved in the horizon opened up by identifications and values provides a kind of *fundamental inner feeling* which is the very ground on whose basis individuals evaluate how things are going. Therefore, understanding must necessarily involve an assessment of what is being understood made in the light of those intimate feelings, which in turn entails something like an emotional scorekeeping [44] of the feelings brought about by identifications.

As a result of the previous argument I will assert that *if hermeneutic understanding is a candidate to account for what really happens in understanding, hermeneutic competence must involve sensitivity*, i.e., a perception of feelings in connection with experiences and thoughts.

Gadamer's conception of hermeneutics gets close to this vision through the connection he establishes between herme-

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[43] This is something we already know from Hegel.

[44] I use here Brandom's (1994) notion of the "scorekeeping" of commitments and entitlements involved in understanding.

neutic understanding and Aristotle's *practical knowledge*[45] (Habermas 1982: 248). Aristotelian practical knowledge is reflexive, internalized and global, which means that it is not just knowledge but a way of life that "fixes impulses and shapes passions" (Habermas 1982: 249). Therefore, hermeneutic understanding is understanding in connection, so to speak, with a way of living.

The kind of *sensitivity* I have in mind allows the agent to perceive impulses and passions both coming from him or herself and from others—impulses and passions become, as it were, almost perceptible with the five senses. But it is more fundamentally related to a different kind of ability: that of *connecting and interpreting feelings that have the potential power of producing changes in the basic motivation of life*. In Chapter 4 we will discuss further what kind of feelings can produce such changes.

Feelings producing changes in the basic motivation of life might involve meanings not governed by rules. Therefore, hermeneutic competence involving sensitivity, as just defined, is a necessary competence if we want to conceive individuals accessing meanings not governed by rules inside them, which is a pre-condition to find, finally, radical recognitive symmetry. We turn now to issue (1), i.e., to the ontology of radical recognitive symmetry.

3.4. Non-rule-governed meanings inside individuals

3.4.1. Habermas's stance

Habermas's theoretical enterprise is close to that of the EoC. Indeed, according to Favereau (2005) his work shares with Habermas's the aim of linking "two conditions for acceding to a specifically human stage: language and moral feelings"

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[45] Postel and Sobel (2006) point out the presence of the Aristotelian distinction between technical and practical knowledge in some works of the EoC.

(Favereau 2005: 119). We can state this problem as follows: are moral feelings the result of an internalization of the conditions that make it possible to live a *social* life? The question is related to the problem of what is more fundamental between the individual and the collective. Habermas's theoretical enterprise is an attempt to build a critical social theory assuming rational individuals (in the Kantian sense) who, because of their rationality, are able to accept a morality coming from the collective (from the intersubjective character of life).

Habermas's ultimate aim is to justify the possibility of an ethical *rationalization* of society, conceived as the realization of the potentialities involved in the Enlightenment. Let us very briefly summarize his proposal.

For Habermas (1981) society itself is structured in terms of linguistic communication, because the conditions that make communication possible are transcendentally binding on individuals: they must rationally agree on the validity claims involved in talking, particularly on the norms whose validity is indirectly claimed in speech acts. But for norms to be able of generating rational consensus they have to be already rational. This apparent circularity is related to a fixed-point argument. In order to attain a consensus on norms, individuals must be able to freely express their stances (to argue); such a situation where everyone can freely argue is called by Habermas an ideal talking situation (one in which the only "coercive" powers individuals face are those stemming from the best arguments). This situation, in turn, can be attained as the result of a rationalization of norms. The fixed-point argument is the following: norms producing an ideal talking situation are the only ones on which a consensus can be attained. Habermas therefore supports a strong link between language and morality: the latter is derived from the former.

In this context, reflection means criticism of situations where an egalitarian distribution of talking opportunities, as occurs in the ideal talking situation, does not hold. But why should individuals support such an egalitarian situation? And what does an ideal talking situation entail in terms of social rights?[46] It seems to me that Habermas's intention is to extend Kantian autonomy to the realm of social deliberation: autonomy should not only involve moral responsibility in order to limit prudential imperatives through categorical ones, but also the possibility of calling norms into question. But on what basis? If norms are called into question because they cannot be called into question, the threat of vacuity arises, as in the criticism that Hegel addressed to Kant.

The problem, it seems to me, is that *morality in Habermas's vision is restricted to norms regulating recognition of individuals as ends in themselves*, including the right to argue without being constrained by powers other than the peculiarly coercive power of the best arguments. Put differently, as long as Habermas does not believe in anything like the third Hegelian proposition of Chapter 2, the only way to extend morality he can conceive of is to push forward formal Kantian categorical imperatives, now in the form of the transcendental conditions of a non-coerced communication. But by doing so, he leaves the whole social realm where the recognition of individualities is at stake (i.e., the second form of respect) outside of the scope of morality, because what underlies this kind of recognition is dependent on substantive common goods, not merely on the transcendental formal conditions required to argue on their basis. It can be said, ultimately, that Habermas's social rationalization cannot lead to strong ethicity; it can just improve weak ethicity.

I have devoted some time to Habermas's theoretical contribution because, first of all, it represents a huge social theoretical attempt to overcome strategic rationality—even though, as I just argued, his conception of human beings ends up falling short of what is needed in order to provide foundations for strong ethicity. But secondly, because his great intuition that

[46] Both questions will be addressed in Chapter 5, but with the help of our Hegelian philosophy of economics, not of Habermas's theoretical proposal.

building an ethical society is fundamentally related to communication, will be at the center of my study in Chapter 5 of the nature of collective action conducted by fully realized recognizers.

3.4.2. Human identity within the Economics of Conventions

Bessis *et al.* (2006), all of them conventionalist thinkers, directly address the problem of identity. The authors bring to the analysis the Theory of Social Identity, of H. Tajfel and J. C. Turner. The convergence between the Theory of Social Identity and the EoC is supposed to improve the understanding of two unresolved questions within the economic thought: the genesis of cooperation and the place of ethical judgments (Bessis *et al.* 2006: 182).

As to the cooperation problem, the conception of rationality involved in the EoC—namely rationality as limited, situated, interpretive and argumentative—"gives to *homo conventionalis* a set of competences such that the social dimension of his of her identity becomes his or her fundamental resource in order to coordinate with others" (Bessis *et al.*: 187). Moreover, the social features of identity perform a key role in cooperation: "cooperation is not the result of the interdependence between individual interests, but of a *cognitive redefinition of the self and of its individual interest*. The computation of costs and benefits within a group is not made at the same level as in a purely individual action, based on a personal identity categorization" (Bessis *et al.*: 189, italics in the original). Put differently, if individuals identify themselves with the aims and the rules of the community (if their identity is purely social), then coordination and cooperation naturally follow.

The more relevant contribution of Bessis and his colleagues is, in my view, on the question of the relationship between identity and ethical judgments. The Theory of Social Identity [47] distinguishes three levels constituting the concept of self: the personal level, the social level and the human level. But such theory "does not make anything about the third level -whose existence, however, is pointed out-, due to the fact that that theory does not mobilize the level of ethical judgments" (Bessis *et al.*: 190). The EoC, on the contrary, intends to take ethical judgments (values) explicitly into account.

The authors put the notion of *responsibility* at the center of the question concerning ethical judgments:

> The existence of the collective depends substantively on the activation of the "social" self or of the "human" self. When I define myself at the social or human level, I contribute to the existence of that level: in this sense I am for the first time responsible. But there is a deeper level: my identification is not fixed, *it is a choice variable.* (...) There is a second modality of responsibility—one intimately linked to the question of the identity: in choosing the level at which I intend to activate my identity, I choose simultaneously a kind of responsibility. (Bessis *et al.*: 191)

From this analysis the authors conclude, with an argument borrowed from Levinas, that the choice of the human level implies the following causal sequence: responsibility-identity-liberty. In other words, each individual, confronted with his or her own loneliness, chooses a kind of responsibility. "[I]n order for this third level to make sense, an ethical '*coup de force*' is needed. This is what the EoC does by postulating the existence of a competence for ethical judgment inside the individual" (Bessis *et al.*: 192).

In other words, ethical judgments are the criterion on which responsibility is chosen. I would like to suggest that responsibility can take two forms: (*a*) to be morally responsible in the sense of treating others as ends in themselves (Kantian responsibility); or (*b*) *to take responsibility for the well being of everyone*. Responsibility in both cases is, of course, related to others: "the key word is *otherness*" (Bessis *et al.*: 192).

[47] I am following here the presentation of that theory in Bessis *et al.* (2006: 182-185).

The first kind of responsibility is already embodied in modern institutions: it is the categorical imperative involved in citizenship. This is indeed a great achievement of social evolution, one that brought about peace in social life. But as we also saw in Chapter 2, this morality gives rise to a social environment in which, apart from respecting others as ends in themselves, individuals can pursue their individual interests (differentiation) by taking part in civil and civic-sphere life. What is implied in my argument is that the second kind of responsibility is not inscribed in our modern institutions; inequality and environmental problems caused by human activity are evidence of that. These problems are suggesting, in my view, that the categorical imperatives associated with citizenship in contemporary societies (coming from definitions adopted in the civic sphere) does not suffice to enforce the rights that the same civic sphere assigns to citizens in the civil life. We will deepen this analysis in Chapter 5.

What we have just said in the previous paragraph can be stated differently: to take responsibility for the well-being of everyone cannot be done on the basis of the normative behavioral horizons inscribed in current social structures, because to do that is not a categorical imperative associated with citizenship in contemporary (weak ethicity) societies; therefore, another source for such a commitment is needed. The *inner world*, which can be considered as "the provider of competence for ethical judgment inside the individual," is a candidate. We will consider it in the last subsection of this chapter, which is devoted to presenting in detail the individual foundations of strong ethicity.

Before moving on to this presentation, I would like to highlight two aspects related to the search for individual foundations by conventionalists thinkers: the need to postulate meaningful aspects not governed by rules inside individuals (in order to avoid an infinite regress in the application of rules), and the association between responsibility and ethical judgments, which also takes place inside individuals. The next subsection can be seen as an investigation, which shares these concerns. (The particular answer that I will provide, however, is dependent on personal convictions, which I do not expect to be necessarily shared equally by all my readers.)

3.4.3. Recognition and responsibility: An ontology of radical recognitive symmetry

In the language of responsibility just acquired I will propose, first, that *to take responsibility for the well being of everyone is a condition for the realization of strong ethicity*. This leads directly to transforming common goods into public goods—namely, to bringing about an egalitarian extension of rights so as to enforce the effectivity of social rights (which will be defined later on in this chapter). But much more is implied.

The key point of the argument I am trying to develop is the following Hegelian stance: *the desire for recognition is a basic fact of human nature and the way it is satisfied determines what kind of responsibility an individual can commit to*. For instance, as long as an individual depends on others recognizing his or her singularity (desire for differentiation), responsibility for the well-being of everyone is not included, so to speak, in his or her choice set: he or she can only take responsibility for the pursuing of differentiation. This is the first component of the ontology of human beings I am proposing.

The second one is that the desire for recognition is, ultimately, not motivated by fear, as in Hobbes—because if that were the case, something more fundamental would underlie such a quest for recognition: a desire for personal survival. [48] On the contrary, following Hegel, I will propose that the desire for recognition founds its source in a unifying power, one

[48] In section 5.4 below, I will attempt to justify this non-"Hobbesian" stance by distinguishing the *radical* nature of recognitive symmetry and the *conditional* (i.e., connected to a contingent human "condition") nature of existential anxiety. The latter existential condition, it will be argued, makes things appear as if what was ultimately at stake was personal survival.

that impels human beings to live together with others (this is what will give place to subjective equality, the main feature of radical recognitive symmetry).

Finally, the third postulate is the assertion that the *final* motive of the desire for recognition is finding what could be termed *radical recognitive symmetry*, defined as a way of being in which the individual recognizes others as fundamentally equals, and, out of this recognition, attributes to their well-being the same value as to his –or her own.

A *fully realized recognizer*, that is to say, the one that has discovered radical recognitive symmetry, brings to an end, by transcending it, the desire for differentiation. Indeed, if desire for recognition is ultimately a desire for discovering *radical recognitive symmetry,* then when this radical recognitive symmetry has been discovered, *full* recognition *by* others can only take place when one fully recognizes others, because by fully recognizing others we are displaying and actualizing our *true identity,* which is the only "thing" whose recognition by others we look for.

This reciprocity requirement, so to speak, rules out the adoption of a superior (asymmetric) magnitude: reciprocal recognition becomes entirely symmetric. Moreover, insofar as radical recognitive symmetry amounts to fully recognize others, it entails helping others to discover radical recognitive symmetry within them. Put differently, fully realized recognizers become *ethical inspirers.* As a consequence, a world of fully realized recognizers is the only one where complete equality obtains, because it is the only one where every individual desires complete equality (they no longer desire to be different from others). Expressed differently, we could say that fully realized recognizers are *private and political promoters of strong ethicity*.

So, according to this ontology the very choice that each of us faces is related to what kind of recognition we look for: either recognition by others through differentiation, or recognition of ourselves as fully realized recognizers. In the next section we will see what is involved in making such a choice and, more importantly, we will argue for the necessity of choosing the path of ethical self-discovery in order to satisfy the desire for recognition properly understood.

Now, it can be shown that radical recognitive symmetry as a real underlying motive for "impulses and passions," including the desire for recognition, is a necessary foundation for a strong ethicity where common goods are public goods. Indeed, at the one hand, for a society where common goods are public goods to be the complete realization of ethicity, it should be, at the same time, the result and the condition for the realization of *true individual identity*, which therefore, must be grounded on real roots (*radical recognitive symmetry*). The consequence of radical recognitive symmetry, on the other hand, is that individuals will not pursue differentiation and, therefore, the various sphere-specific magnitudes will become public goods. We thus have a first formulation of the interplay between radical recognitive symmetry and strong ethicity. This formulation will be improved significantly in Part II below.

In closing this section, let me point out that if radical recognitive symmetry did not exist, a society where common goods become public goods would merely be contingent, i.e., dependent on a precarious and unstable choice of responsibility on the part of individuals. Therefore, the socially extended desire for building an egalitarian society, associated with values of civic solidarity, would be precarious and unstable as well. This is why something like the third Hegelian proposition of Chapter 2 is needed in order to make sense of the notion of strong ethicity and, as will be argued later on, of civic solidarity itself.

3.5. The necessity of radical recognitive symmetry

3.5.1. Strong ethicity as a byproduct of radical recognitive symmetry

The Hegelian character of the philosophy of economics were are proposing stems both from the conception of individuals as ultimately inspired by a desire for recognition, and from the conception of society as structured in terms of ethicity, i.e., on the basis of rules with which individuals identify themselves, thereby reproducing them.

However, we have introduced two distinctions through which our philosophy acquires, so to speak, a specific identity. On the one hand, there is the distinction between two forms of the desire for recognition—either to get recognition through differentiation or to attain radical recognitive symmetry. On the other hand, there are two forms of ethicity—weak ethicity and strong ethicity. In addition, we have established a correspondence between these distinction. Weak ethicity is, as it were, the social space in which individuals motivated by the desire for differentiation live, while strong ethicity is the social space that can be built by individuals who have attained radical recognitive symmetry.

A fundamental difference between weak ethicity and strong ethicity is the fact that, in the former, common goods are private while in the latter common goods are public. The private or public character of the common goods which structure society (i.e., which provide the aims of institutions and rules) determines the society's ability to implement specific collective actions decided upon in the civic sphere, as will be analyzed in Part II below. Indeed, in the move from weak to strong ethicity there is a transformation of the structure of collective-action situations, which mutate from cooperative situations mined by the free-rider problem into coordinating situations that can be solved through communication between agents. This fundamental change allows societies structured in terms of strong ethicity to solve problems that are unsolvable in weak-ethicity societies: precisely, those (complex) problems whose solution requires the implementation of collective actions.[49]

Insofar as we identify relevant social and economic problems that can only be solved by implementing collective actions, the economic relevance of our philosophy of economics becomes apparent. This issue, as already said, will be discussed in lengths in Part II. For the time being, however, I would like to argue that this collective action theory implication is just a *byproduct* of our philosophy of economics, or, put differently, that the disappearance of the free-rider problem within collective-action situations is a byproduct of the fundamental individual change that consists in going from the desire for differentiation to radical recognitive symmetry.

To say that strong ethicity entails solving collective-action problems as a byproduct implies that transcending the desire for differentiation at the individual level is a *sufficient* condition for the implementation of collective-action solutions to economic problems. (We will argue later on that it is also a *necessary* one.) Thereby, the difficulty involved in solving such problems moves from the collective domain, where the issue is how to implement cooperation, to the individual one, where the issue is to clarify what it means to transcend the desire for differentiation.

In the language of the EoC, the transcendence of the desire for differentiation entails that axiom (a2)—namely, the principle of difference—no longer holds and that, therefore, the only possible political metaphysics becomes "*Eden*" (Bol-

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[49] The Institutional Economics literature on development explains cooperation through a change in the structure of cooperative situations (produced by changes in individual preferences), going from the prisoners' dilemma game-structure to the stag hunt (or assurance) game-structure, which is closer to coordinating situations (but which is not precisely a coordinating situation, as we will discuss in Chapter 4). The problem with this approach is that it needs to use evolutionary mechanisms to explain the change in the game structure, mechanisms that, as we saw in Chapter 2, do not include normativity. See, for instance, Platteau (2000).

tanski and Thévenot 1991: 97), the kind of society where every member belongs to the same class, which is also the political metaphysics that Boltanski and Thévenot (1991: 97) have termed "trivial." Indeed, the model that corresponds to our notion of strong ethicity, within the Economies of Magnitude, is precisely "*Eden*."

Thus, in order not to offer a *trivial* philosophy of economics, a justification is needed as to the *necessity* of the individual transcendence of the desire for differentiation and the consequent attainment of radical recognitive symmetry. Such a justification could be attempted with arguments pertaining either to the individual level or to the collective one. In the first case, radical recognitive symmetry would be a necessity stemming from the individual's *nature*, while in the second case it would be a precondition for solving economic problems through collective action. The arguments related to the individual's nature are more fundamental at the philosophical level, while the arguments related to collective-action problems are the relevant ones at the economic level. In the next subsection we will be concerned with arguments of the first kind (which are, in our view, the most important), while in the subsequent one, and at more length in Part II later, we will refer to the necessity of radical recognitive symmetry from the collective-action perspective.

3.5.2. Radical recognitive symmetry as an individual necessity

The strategy we will follow to argue in favor of the individual necessity of transcending the desire for differentiation has three basic steps, while the fourth step connects the transcendence of the desire for differentiation with the foundations of strong ethicity. The first one—step (*a*)—consists in arguing that the desire for recognition properly understood cannot be satisfied through differentiation, because pursuing differentiation entails a self-consciousness of being incomplete and lacking, and this implies a loss of freedom with respect to others' judgments. Then, in the second step—step (*b*)—we will propose a structure of consciousness which, so I will argue, is a necessary condition to make sense of the notion of transcendence of the desire for differentiation. The third step—step (*c*)—consists in answering the question about what is involved in the satisfaction of the desire for recognition properly understood, which could also be termed "individual realization." Our answer will be that what is needed for self-realization is a sense of identity that does not depend on identifications and a sense of life-purpose that does not depend on judgments. Step (*c*) completes the argument in support of the individual necessity of radical recognitive symmetry. Finally, in the fourth step—step (*d*)—a connection will be established between individual realization and strong ethicity. Step (*d*), therefore, provides the key to uncovering the individual foundations of strong ethicity, which will be the task of the next sub-section; at that moment it will become clear why these individual foundations have been termed, precisely, radical recognitive symmetry.

(*a*) Our argument in favor of the necessity of individually transcending the desire for differentiation starts, as already said, with the following claim: *the desire for recognition properly understood cannot be satisfied through differentiation*. It is a claim, of course, in need of some explanation, which we will try to provide immediately by expanding on previous developments of this essay.

We saw in Chapter 2, following Brandom (2007), that self-consciousness can be explained through reciprocal recognition, which in turn can only take place if individuals are motivated by a desire for recognition. The explanation provided by Brandom is based on the application of the structure of desire, which is called "erotic awareness," to itself. Now, I would like to point out that if the desire for recognition is to be considered responsible for the arising of self-consciousness, it must be of a different nature than the kind of desire whose structure is called erotic awareness (such as, for instance, hunger). It cannot be a temporary desire susceptible of complete satisfaction until its next appearance, *because if that were the case self-consciousness would also be temporary and intermittent.* But then, if the desire for recognition is permanent, its satisfaction must be also permanent. Therefore, that satisfaction cannot take place in the contingent domain where the recognition of differentiation occurs, because differentiation could always be reversed. Put differently, the nature of the desire for recognition, which is permanent, is different from the nature of recognition gotten through differentiation, which is contingent on attaining differentiation.

Now, the permanent (complete) satisfaction of the desire for recognition can be called *individual realization*—which, as we just saw, must be different in nature from what can be achieved through mere differentiation. It will be helpful to characterize further in what sense individual realization and the recognition of differentiation are different.

Let us first analyze *the horizon of life* (with this Gadamerian expression I intend to include both the relationship that the individual establishes with others, and his or her self-consciousness) opened up by the desire for differentiation. Regarding the relationship with others, we already saw in Chapter 2 that it is bound to be asymmetric. Indeed, it involves equality at a formal level: everyone must be a recognizer for everyone else; but it also involves inequality at a substantive level: satisfaction of the basic motivation is attained (temporarily) only when the individual becomes substantively different from (at least some) others. This distinction was related, in Chapter 2, with the existence of two forms of respect. However, for our present purposes, the key aspect of the relationship with others implied by the desire for differentiation is not asymmetry but the need to *control others' judgments* (because differentiation is normatively recognized by others through judgments). We will come back to this shortly.

Regarding self-consciousness, the implication is the following: by looking for recognition through differentiation the individual implicitly defines him- or herself as fundamentally *incomplete* and *lacking*. Moreover, as long as the recognition of differentiation can only be granted by others, this basic motivation of life entails a strict dependence on others' attitudes, and, therefore, a loss of *freedom*. The individual life becomes fundamentally constrained by others' judgments because the satisfaction of the desire for differentiation depends precisely on them.

Therefore, it is plausible to assert that individual realization, i.e., realizing one's desire for recognition, must imply both overcoming a self-consciousness of being incomplete and lacking, and recovering one's freedom from others' judgments. Otherwise the individual will always be in need of recognition. Therefore, we have attained a more precise indication on why individual realization must necessarily imply the transcendence of the desire for differentiation. Our next task is to analyze what kind of consciousness is required in order to make sense of the very notion of transcendence of the desire for differentiation. The strategy is to propose a minimum structure of human consciousness and to show that the transcendence of the desire for differentiation presupposes such a minimum structure.

(*b*) The structure of human consciousness we propose consists of two parts: (*i*) the external mind, constituted by thoughts and connected with the emotions, and (*ii*) the deep mind, the "place" where radical recognitive symmetry can be "found." An individual's consciousness can be located either at the external or at the deep level. If it is located at the external level, the deep level is necessarily unknown, i.e., not perceived by the individual involved. Once the deep level is attained, the external level (i.e., thinking) can be used on behalf of the purposes arising at the deep level.

Within this structure the desire for differentiation is the basic motivation of the identity (self-consciousness) constituted at the level of the external mind. This identity is formed by thoughts (identifications), and its existence depends on others' recognition: individuality properly understood entails self-realization through differentiation.[50] The relationship between emotions and identity will be briefly analyzed in the next chapter, in connection with the role of emotions in collective-action situations among differentiation-seeking individuals. At the end of Chapter 5 we will refer again to emotions when we analyze some obstacles to transcending the desire for differentiation in weak-ethicity societies.

Insofar as the entity (the identity) structured at the level of thoughts in terms of identifications searches its self-realization through differentiation, i.e., through the recognition of differentiation by others, *its whole activity cannot be but strategic in nature*. It cannot be but oriented towards getting recognition from others or, put differently, it is inevitably oriented towards controlling (or, at least, influencing) others' judgments: thinking, on the part of a differentiation-seeking individual, is a control-oriented activity whose aim is to get recognition, namely authority (a normative power), from others.

But then, how could this strategic (controlling) entity consistently plan no longer to be a controller? Put differently, could a differentiation-seeking entity voluntarily stop seeking differentiation? Our answer is that because differentiation is the fundamental motive of the entity "located" in the external mind, it *cannot* stop looking for differentiation in its own domain.

The implication of such a negative answer concerning the way individuals should be conceived depends on the structure of consciousness we assume. If we conceive consciousness just as the external mind, then behavior can only be modeled as the application of strategic rationality. The calculative or interpretive character of rationality would depend on coordinat-

[50] This is the stance of Mead, referred to in section 2.3.3 above. It is a fundamental piece of our proposal, in the sense that such a stance entails that we put differentiation (individualization) at the root of the very notion of *identity built on the basis of identifications*.

ing conditions, but the individual would ultimately be oriented towards the pursuit of a private goal (differentiation), even if the way to achieve it may imply the (instrumental) pursuit of public common goods. To the extent that this is so, the transcendence of the desire for differentiation is impossible.

On the contrary, if we accept the existence of a deeper mind, radical recognitive symmetry stands as an alternative to differentiation. We have thus arrived to the aim of step (*b*): *Only by postulating the existence of the deep mind is the transcendence of the desire for differentiation formally conceivable*. This postulate is, in fact, another way of saying that as long as transcendence entails the attainment of a different nature, such a nature must be located, so to speak, elsewhere. This "elsewhere" is what we have called the deep mind; for the moment, however, it is just an empty place. Our task now is to characterize it.

(*c*) If radical recognitive symmetry must entail the transcendence of the desire for differentiation, it has to have some specific features. First, it has to provide a sense of identity different from the one provided by the entity constituted by thoughts at the level of the external mind, i.e., it has to provide a sense of *identity not based on identifications*. This leads to a kind of immediate identity that does not depend on thoughts, instead of an identity projected on the things the individual identifies with (for instance, class, gender, ideology, personal features, etc.).

Second, to the extent that the thinking entity of the external mind is no longer in control of the individual's life (always looking for differentiation as the basic motive of life), the deep mind has to be a conscious and intelligent entity capable of guiding that individual's life with a sense of life-purpose different from differentiation. Insofar as this sense of life-purpose is to be located beyond judgment (i.e., beyond thinking)—because judgment is something that takes place in the external mind—its *truth* must be an immediate evidence for consciousness. We will characterize this life-purpose below (in step (*d*)) by pointing out a fundamental feature it must exhibit, called "subjective equality."

Both a sense of identity independent of identifications and a sense of life-purpose located beyond judgment are, according to our previous discussion, *necessary* conditions to overcome a self-consciousness of being incomplete and lacking and to recover freedom from others' judgments, i.e. to attain individual realization. We have thus completed the argument for the individual *necessity* of radical recognitive symmetry.[51]

In summary, incompleteness and lack of freedom are the result of the separation between the true self (the deep mind, providing an immediate sense of identity and a life-purpose self-evident beyond others' judgment) and the identity constituted by identifications and created by thoughts in the external mind—an external mind which could now be termed the *ego*. Recovering one's true identity, in this setting, amounts to undergoing a transformation of consciousness produced by its displacement from the external to the deep mind—a deep mind which could also be termed the *inner world*. This transformative movement could also be referred to as the *transcendence of the ego*.

(*d*) The transcendence of the desire for differentiation through the attainment of a sense of identity (and a sense of life-purpose) independent of others' judgments is a necessary condition not only for individual realization, but also for a fact that may turn out to be a necessary condition for strong ethicity: *complete and absolute respect of others' freedom*.

Indeed, an individual who has transcended the desire for differentiation no longer needs to have any *authority* (to exert normative power) on others' life, and this is a necessary condition to completely respect others' freedom. Differentiation-seeking individuals, on the contrary, are bound to act strategically on others in order to produce the kind of judgment en-

51 It is not necessary, in the present step, to analyze sufficient conditions for individual realization. Step (*d*) will partly address this issue.

tailing a recognition of difference: differentiation-seeking individuals are not capable of completely respecting others' freedom.

The notion of freedom involved in the expression "*complete respect of others' freedom*" is considerably broader than the kind of freedom involved in civic, political, and social rights. Let us briefly expand on this issue.

On the one hand, each one of these rights involves a restricted notion of freedom.[52] In the area of civic rights it refers to the freedom to live without being physically threatened, the freedom to enjoy private property, the freedom to engage in contractual relationships with others, the freedom to choose one's religious beliefs, and the like. In the area of political rights (i.e., the rights associated with democracy as a political regime), it refers to the freedom to vote in free elections, the freedom to hold and express personal stances and opinions, the freedom to form coalitions with others and, possibly, to be a political candidate, and the like. Finally, in the area of social rights, it refers to the substantial, and not just formal, freedom of accessing medical care, education, livelihood, and the like—namely, of enjoying the material conditions that enable one to live a materially decent life.

The notion of freedom involved in the expression "*complete respect of others' freedom*" is broader. Of course, it includes all the above rights, but it goes further also by including the realm where the recognition of individuality takes place: it involves the individual *freedom from others' judgments and from others' strategic interventions*. We could call it *radical freedom*. Radical freedom collapses the two forms of respect delineated in Chapter 2. Under radical freedom there is only one single, all-encompassing form of respect: a complete respect for freedom, both others' and one's own. The identity not based on differentiation provides itself the recognition, the "completeness," that differentiation-seeking individuals must obtain

[52] This paragraph is partly inspired by O'Donnell (2007: 51-83).

from others' judgments. This is why radical recognitive symmetry is a necessary condition for radical freedom.

Now, while radical freedom goes beyond the freedom stemming from rights, it is plausible to assert that completely respecting others' rights may require completely respecting their freedom, i.e., supporting and behaving according to radical freedom.

Complete respect for others' freedom, in turn, does not follow deductively from the fact of being free from others' judgments (i.e., from having transcended the desire for differentiation). Indeed, being free from others' judgments is a necessary condition for completely respecting others' freedom, but it is not a sufficient one because one could try to influence others, not for the sake of getting recognition but for another, different, purpose—say, a *desire*.

As an implication of the previous argument, the decision to completely respect others' freedom entails in itself a specific purpose of effectively doing that. Such a decision (such a purpose) can be made sense of through the notion of *subjective equality*, which can be defined as follows: the individual supporting subjective equality attributes the same value to the needs and desires (to the person) of the others, as the value attributed to his or her own needs and desires (his or her own person).

Our next task is to argue that subjective equality is both as a feature of the deep mind and as a necessary condition for attaining strong ethicity. If we define *objective equality* as the social situation in which common goods are public goods,[53] then what we are looking for is an argument that *objective equality presupposes subjective equality*.

The important question in the present context, which is related to the content of the deep mind, is whether the existence of subjective equality in the deep mind is necessary for the transcendence of the desire for differentiation. Regarding

[53] This definition of objective equality will be made more precise in Chapter 5.

this question we can venture the following assertion: *if* subjective equality were a feature of the true individual identity, then we could be more precise about why the transcendence of the desire for differentiation is a necessary condition for individual realization: it would directly lead to the individual's discovery of his or her true identity. But there is more: *if* subjective equality were a feature of the true identity, then it would be a powerful *motive* to attempt the transcendence of the desire for differentiation; we would have an argument about why such a transcendence should be expected to occur. Put differently, subjective equality at the deep-mind level would act as an *attractor* for individuals to attempt to transcend the desire for differentiation.

The specific contribution we are trying to make as to this issue is to argue that while an individual, as a matter of fact, may either be motivated by a desire for differentiation or may support (and live according to) subjective equality, both things cannot be done at the same time. In other words, to look for differentiation and to live according to subjective equality are the very alternatives that every individual faces as to how to conduct his or her life. In the structure of consciousness we are proposing, these two alternatives belong to different levels of consciousness: respectively, the external mind and the deep mind. Our particular stance is that individual realization is only achievable in the second alternative. This is why, in our view, *radical recognitive symmetry is a necessity at the individual level.*

3.5.3. Radical recognitive symmetry as a necessary foundation of strong ethicity

Radical recognitive symmetry is an expression intended to define the conscious entity, which is the deep mind—an entity whose features (so it has been proposed here) include subjective equality.[54] At the level of the deep mind every individual

[54] This proposition can be considered the main proposition of this essay, the one on which the whole reasoning is built. Without subjective equality, strong ethicity loses its meaning.

recognizes others as equally valuable as him- or herself, so much so that he or she completely respects their freedom, neither acting strategically on them nor judging them (which is also, in fact, a way of acting strategically). Subjective equality entails the disappearance of any conflict, which is why it leads to "*Eden*."

Radical recognitive symmetry could be defined, equivalently, as *a conscious energy aiming at the union of beings, not as a means to attain another end but as an end in itself*. From this definition we can also define *radical ethical trust*: the belief that such an energy *does exist*. (This belief is a condition for taking up the path of ethical self-discovery.) And we can define, again, a *fully realized recognizer* as a person who *knows* that such an energy does exist and forms his or her *intentions to act* out of that knowledge. We could also say that a fully realized recognizer is a person whose life-purpose is completely inspired by subjective equality.

We will now try to argue that a society populated by individuals that have attained radical recognitive symmetry is a necessary condition for strong ethicity (objective equality), the kind of ethicity where common goods are public goods. This statement will be deepened in Part II.

The key element of the argument is the following. In order for common goods (i.e., conventional things whose value is agreed on by everyone) to be public goods (i.e., goods enjoyable by everyone at the same time), *differentiation cannot be a common good* because the goods that lead to differentiation between individuals are, by definition, not public but private in nature. But then, in order for the rules of a society not to be based on differentiation (among other common goods), differentiation should not be a good for each individual individually considered, because otherwise social rules would not be in correspondence with individual desires and this clearly would be an unstable situation.

A direct implication of the previous argument is that one fundamental feature of the rules of a society populated by differentiation-seeking individuals is that *differentiation is a common* *good*. Indeed, this is what happens in weak-ethicity societies, as the EoM makes explicit by including the principle of difference as one of the axioms (a2) of the spheres: Differentiation between individuals becomes socially legitimate when it takes place according to the ordering of magnitudes allowed by (legitimate) spheres. Therefore, the spheres of the EoM can be considered as social arrangements intended to *accommodate* coordination and cooperation (agreement on rules) with the universally shared desire for differentiation (which is at the center of individual identities in the external mind). Such an accommodation, by definition, cannot entail the elimination of the possibility of differentiation but must, instead, allow some ways of differentiation while preventing others—namely, those that are not consistent with the legal recognition of Kantian equality, i.e., with axioms (a1) and (a3).

The assertion that differentiation is a common good in weak-ethicity societies has two important implications in different dimensions. The first one is related to the nature of the individual identity based on the desire for differentiation: insofar as differentiation is a conventional common good, the individual identities of differentiation-seeking individuals are also conventional. In other words, the individual is a result and at the same time a fundamental of society: both are conventional entities that presuppose each other.

The second implication is directly related to the collective-action situation involved in the process of common goods becoming public goods: the desire for differentiation as the main motive underlying individual identity creates what could be termed a *rigidity of preferences*, which is responsible for the *free-rider* problem undermining cooperative situations. Insofar as the individual identity based on the desire for differentiation becomes recognized as a conventional entity, the rigidity of preferences (which is also conventional in nature) is bound to be overcome once the desire for differentiation is transcended, which is precisely what happens when radical recognitive symmetry is attained. This is why radical recognitive symmetry leads towards solutions to cooperative problems. Now, it is necessary to explain what is meant by the expression "*rigidity of preferences*," and in what sense the rigidity of preferences is an outcome of the desire for differentiation.

The issue at hand could be referred to as *the problem of preference formation*. Within rational-choice assumptions this problem does not appear because preferences are postulated as fundamentals. Within the EoC framework, on the contrary, the conventional nature of preferences allows an explicit analysis of the process of preference formation.[55] The analysis we will offer here, specifically, is based on the distinction between differentiation, as conventional by nature, and subjective equality, as located beyond judgment.

So why does differentiation lead to a rigidity of preferences, and in what sense? The convention according to which individual realization (one's life purpose) entails getting recognition as an entity fundamentally different from others, effectively creates such an entity, which we have termed the ego (constituted by the identifications that take place in the external mind). This conventional, artificial entity is what the differentiation-seeking individual is permanently nurturing through the activities oriented towards recognition, so much so that he or she becomes identified with this entity as if the individual and the ego were one and the same thing—i.e., as if the deep mind did not exist. The consequence of this identification is that the ego acquires autonomy, thereby getting out of control.

The entity constituted by identifications (thoughts) in the external mind (the ego) can plausibly be conceived of as a dynamic entity, in the sense of producing (and interpreting) desires according to an assessment of the distance between the individual's actual social achievements and the magnitudes that would yield enough recognition, together with an assessment

[55] In Chapter 5 we will discuss the analysis presented by Thévenot (2006) where individual preferences can be related to the social-life-structuring common goods that flow from the civic sphere.

of the real possibilities of filling that distance. Put differently, the ego is bound to be engaged in a kind of struggle for differentiation, which can be considered as an engine of desires or, at least, as an agent providing legitimacy to all subconscious impulses.

Now it is plausible to argue in favor of the rigidity of the desires generated by an autonomous entity such as the ego which, due to its very nature, is engaged in a struggle for differentiation: from the perspective of the ego, nothing could be more important than the satisfaction of these desires, at least up to the point where this satisfaction starts to trigger damaging reactions on the part of others. Put differently, the preferences of the ego, provided they are legitimate (i.e., consistent with the functioning of spheres), are not subject to the demand for justification with reasons and therefore cannot be changed by others with arguments, but only through strategic interventions. This is what we intend to mean through the expression "*rigidity of preferences*": individual preferences are outside of the Kantian normative space referred to in Chapter 2. In Chapter 5 it will be shown that the market sphere—the place where individuals seek to satisfy their privately cultivated desires—gives rise to what in Chapter 3 was called narrow normativity: individuals legitimately behaving on the basis of purely prudential imperatives.

Chapter 4, the first one of Part II, will be concerned with a consequence of the previous reasoning: the role of communication in cooperative situations populated by differentiation-seeking individuals (egos). There, we will see that the effectiveness of communication in cooperative situations is related to the phenomenon of *social control*, namely, the strategic manipulation of identity-based emotions on the part of individuals trying to promote cooperation. In Chapter 5 we will see that argumentative communication is effective in promoting cooperation only when the rigidity of preferences has been overcome as a consequence of the transcendence of the ego.

3.5.4. Concluding remarks for Part I

The objectives of this last section of Chapter 3 have been achieved. We have argued in favor of the necessity of radical recognitive symmetry, both at the individual level (in order to get individual realization) and at the collective level (in order to get public goods provision). Now it is time to close Part I. We will do this both by pointing out the fundamental features of the Hegelian philosophy of economics that we are proposing and by announcing what issues are going to be addressed in Part II.

In order to characterize our Hegelian philosophy of economics, it is helpful to make a distinction between the individual horizon of behavior—which, as long as it involves relationships with other people, is collective—and the collective domain, which is the normative space where reasons are demanded and provided on the basis of shared values, i.e., common goods.

The collective domain is structured on the basis of rules, according to which individual sayings and doings may be judged. The individual horizon of behavior, on the contrary, is the horizon where *agency* takes place. Prudential imperatives, which explain behavior in the market sphere (something we will develop in Chapter 5), introduce agency into the collective domain, while subjective equality *eliminates* agency from that domain through a life-purpose that comes from the deep mind, *a life-purpose that leads the individual to submit his or her behavior to the binding force of categorical imperatives coming from inside*. This is another way of characterizing the difference between weak ethicity and strong ethicity. More on this in Chapter 5.

From the previous discussion we can now formulate a synthetic definition of our Hegelian philosophy of economics: *the distinction between differentiation and subjective equality as basic life-orientations (each one, as we have proposed, involving a different kind of consciousness, identity, and life-purpose) refers to basic rules of behavior adopted on the individual horizon, i.e., in the individual's "heart of hearts" (either involving or transcending agency, respectively), while the* *distinction between weak ethicity and strong ethicity refers to what kind of imperatives (either categorical, institutional, or prudential) regulate the functioning of the normative collective space.*

The Hegelian philosophy of economics we propose says that the prevailing individual horizon of life determines the kind of ethicity embodied in the rules of society—not in the sense that the formation of the individual life-horizon is not constrained by the prevailing social rules,[56] but in the sense that an individual life-horizon can be changed independently of the social rules (since the individual inner world, i.e., the deep mind, is ultimately accessible independently of external influences), while going from weak ethicity to strong ethicity presupposes that a sufficient number of individuals (a threshold number we cannot, of course, easily "estimate") move from differentiation-seeking to radical recognitive symmetry (i.e., subjective equality).

The categories which lend specificity to our proposal are those characterizing radical recognitive symmetry and, consequently, strong ethicity. What is foundational is the distinction between the external mind and the deep mind. Then follow the things associated with the deep mind, i.e., an identity not based on identifications (which entails freedom from others' judgments) and a life purpose self-evident beyond judgment, which may turn out to be the complete respect of others' freedom, provided that at the deep-mind level the individual acquires a sense of subjective equality (which is the reason why I use the expression "*radical recognitive symmetry*").

It is true that most of the Hegelian categories used in Chapter 2—categories taken from Robert Brandom, Axel Honneth, and Charles Taylor—were not, in the end, made an explicit part of our *categorical structure*. It should be noted, however, that the *conceptual structure* of our Hegelian philosophy of economics has been built on the basis of all these categories,

[56] In fact, under differentiation, the entire individual horizon of behavior becomes determined by social rules because it is these rules that "regulate" legitimate differentiation. Under subjective equality, on the contrary, individual creativity develops properly.

which is precisely what lends it its distinctly Hegelian character. For instance, both Hegel's cosmic rationality and cosmic Idea, while not explicitly present as such, are at the very heart of our key notions of the deep mind and of subjective equality.

Regarding the concepts introduced in this chapter, the aim was to arrive at the hermeneutic horizon of identity, one that can only be conceived of if individual sensitivity is accounted for, and that presupposes a communicative social domain. Once this notion of identity has been built, it is possible to conceive, at the individual level, the conscious movement that leads from the external mind to the deep mind, i.e., to the transcendence of the ego.

Due to the fact that strong ethicity is characterized by common goods becoming public goods, Part II will be mostly concerned (*i*) with the collective-action problem that underlies the production of public goods, and (*ii*) with the role of communication between agents within the collective-action situation, a role which will turn out to be crucial for prospect of collective action. Within the context of collective-action problems, the rigidity of preferences of differentiation-seeking individuals gives rise to the free-rider problem. In the first chapter of Part II (Chapter 4) we will use game-theoretical tools to understand how these individuals manage to produce cooperation with the help of communication. The answer will be: through so-called social control. In that chapter we will also see which game-structure makes room for a broader role for communication in producing cooperation: this occurs when the game becomes a pure coordination game.

Now, when the rigidity of preferences has been overcome through the transcendence of the ego, every cooperative situation becomes a purely coordinating one. This is why under strong ethicity public good provision becomes, in principle, always possible: communication between individuals, instead of being oriented towards social control, becomes the way to produce the alignment of preferences that transforms the co-operative situation into a coordinating one. This phenomenon will be analyzed in Chapter 5. There we will argue that strong ethicity is a necessary condition for solving what will be termed global complex problems. (Chapter 5 will also be concerned with the reasons why a society structured in terms of weak ethicity makes the transcendence of the ego rather difficult, though not impossible.)

Part II
Collective action under weak and strong ethicity

This brief introduction aims to offer a unified vision of what is going to be done in Part II. In Part I, we introduced the distinction between weak and strong ethicity (Chapter 2) and provided individual foundations for strong ethicity (Chapter 3). Part II is devoted to arguing that strong ethicity is the only social organization consistent with individual realization. What underlies this claim is the position according to which individual realization entails achieving radical recognitive symmetry: Individuals who have attained radical recognitive symmetry—so-called fully realized recognizers—will build a society structured in terms of strong ethicity, because this is the only kind of society capable of satisfying the individual purposes of fully realized recognizers, i.e., to produce objective equality out of the sense of subjective equality involved in radical recognitive symmetry.

In order to justify the previous claim, we will need to show in what sense strong ethicity is capable of producing objective equality, defined as the effectivity of individual rights. The production of objective equality, thus defined, will be viewed as a collective-action problem because ensuring the effectivity of rights will be seen as the provision of a public good. This is why the subject matter of Part II is collective action.

Chapter 4 studies collective-action situations among individuals who have not attained radical recognitive symmetry. As we saw in Chapter 3, these individuals exhibit what has been called *rigidity of preferences* (a property that will be characterized further in Chapter 5). Since rigid preferences are *given*, collective-action situations among such individuals can be analyzed with the help of game-theoretical tools. The results obtained in Chapter 4 will then be used to investigate the conditions that must be satisfied in order for public-good provision (which ensures the effectivity of individual rights) to obtain.

Chapter 5 is devoted to determining precisely under what conditions such public goods will be provided. We will see that the structure of collective-action situations must evolve from cooperative situations to coordination situations, which is the only way for communication among individuals to be effective in resolving the collective-action problems at hand. Such an evolution, in turn, requires that the rigidity of preferences be overcome on the part of individuals. The reason is that, in order for the game structure to move from a cooperative to a coordination one, individuals must be prepared to determine their private ends on the basis of the collective ends involved in public-good provision. Put differently, individuals must *transcend their desire for differentiation*. So what Chapter 5 will show, in the end, is that individual rights can only be made effective when individuals have previously moved from the search for differentiation-based recognition to the attainment of radical recognitive symmetry: by doing so they change the structure of collective-action situations in such a way that public-good provision becomes possible.

In Chapter 6, finally, we will argue that in order to determine what public goods need to be provided so as ensure the effectivity of individual rights, the institutions of strong ethicity must be *deliberative* institutions. Under this kind of institutions, it will be proposed, individuals who have attained radical recognitive symmetry will behave according to the Habermasian principle of *communicative action*.

Chapter 4
Communication and the ethics of collective action

4.1. Introduction

The second part of this essay is devoted to arguing in favor of strong ethicity as a way of solving socioeconomic problems that have become global and extremely complex. It will be shown in Chapter 5 that providing a solution for each such problem entails a collective-action problem, i.e., the provision of a public good. The fact that under strong ethicity common goods become public goods is precisely what makes strong ethicity able to solve global socioeconomic problems. However, in order to justify the ability of strong ethicity to solve global problems we need to show how the collective action problem is to be solved. This is why this second part of the essay is concerned, to a large extent, with collective action.

This chapter analyzes collective action in *contemporary societies* with the help of results coming from public-good-provision experiments. The objective is twofold. On the one hand, we are looking for answers to the question of the *source of enforcement* of collective action in a society where individuals are guided by a desire for differentiation, and the question as to what competences individuals must possess in order to make this source of enforcement operational. On the other hand, the analysis will provide theoretical results that will turn out to be relevant for the study of collective action under strong ethicity.

The conclusion of this chapter, which is related to the first issue, will be the following. Taking as empirical evidence some stylized facts on cooperative experiments conducted in experimental economics, it will be shown that individuals' participation in such experiments is understandable only on the basis of *hermeneutic competence,* which is the competence that enables them to rely on the only enforcement mechanism at their disposal: *moral feelings*.

The stylized facts of cooperative experiments show that face-to-face communication is effective in promoting cooperation in cooperative experiments, which contradicts rational-choice assumptions about individual behavior. In order to explain such results, a heterogeneity of types is usually postulated—so-called conditional cooperators and willing punishers are introduced into some models. Analyzing the performance of these types of players, with the analytic tool of *psychological games*, it can be shown that communication is indeed effective in promoting cooperation, provided there is complete information on players' types. In incomplete information psychological games, however, the effectiveness of communication no longer obtains. Therefore, the heterogeneity of types does not suffice to explain the facts at hand.

As a consequence, the understanding of the effectiveness of communication in promoting cooperation in cooperative experiments, so it will be argued, must be related to the *emotional content* involved in face-to-face communication. This emotional content will be conceived as what activates community-based moral rules, whose enforcement power is a function of the importance of these rules as to individual identifications (i.e., as to identities). This is where hermeneutic competence on the part of individuals is needed—the ability to assess the importance of moral rules for the identities of the individuals who make up the cooperative community (the ability to assess to what extent these moral rules are binding within this community) is related to one fundamental feature of hermeneutic understanding: *sensitivity*. For as long as those moral rules can only be enforced on the basis of emotions, not on the basis of reasons, individuals need to be able, in the first place, to discover those emotions in order, then, to *manipulate* them for the sake of promoting cooperation. This fact, which can be termed *social control,* will be considered as the main informal cooperative enforcement mechanism in contemporary societies. [57]

We are indirectly providing an emotional conception of morality and an identity-based conception of emotions. [58] In this conception of morality, moral rules are not imperatives in the sense defined in Chapter 2. Indeed, imperatives are those obligations flowing from *inferences*, i.e., arrived at rationally out of a desire, while moral rules would be those obligations, which are emotionally enforced. Beyond the particular use of the terminology involved in these definitions (which could be different), what I want to stress is the fact that while individuals can rationally infer what imperatives they should follow, what they eventually end up doing is related not to rationality but to *desires* and *emotional enforcement stemming from identifications.* [59]

Emotional enforcement and desires, in turn, may not converge onto the same behavior, which may produce an individual *conflict*. The interpretation I would like to provide about

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[57] In coordination situations, *conventions* are the main informal coordinating tool. But as Livet (1994) shows, in cooperative situations informal conventional tools must always be created from the bottom, so to speak, which is done by cooperating individuals who set in motion a *dynamic undecidability* concerning their cooperative intentions in order to avoid free-riding behavior by others. Therefore, conventions are not given in cooperative situations.

[58] As we will see at the end of this chapter, this emotional conception of morality has been put forward by Tugendhat (1992*a*). The identity-based conception of emotions is of a Hegelian nature.

[59] Imperatives can also have an emotional content, depending on individual identifications. Rational normativity, represented by imperatives, and emotional normativity, represented by morality, are intimately related through the motives constituting individual identities.

such conflicts is that if the binding power of emotions creates a conflict, then it can be inferred that the individual is not aware of some of his or her *desires*.

The situation we are dealing with here gives us the opportunity to specify how we might conceive the feelings involved in radical recognitive symmetry, namely, the feelings originating in the deep mind. The kind of sensitivity involved in discovering moral emotions inside cooperative partners could be termed *conventional sensitivity*, in order to differentiate it from the kind of sensitivity involved in connecting the feelings capable of leading to the transcendence of the ego. While identity-based emotions (such as emotions involved in cooperative experiments: guilt, shame, indignation, and the like, as we will see) are the result of identifications and beliefs,[60] the feelings related to radical recognitive symmetry give rise to a different *way of being:* a sense of identity not based on identifications and a life-purpose self-evident beyond judgment. Therefore, these feelings must confer a sense of peaceful—and therefore joyful—certainty about the true character both of the identity and of the life-purpose it conveys. In order to distinguish these feelings from identity-based emotions, let us call them *deep feelings* (because they originate in the deep mind).

There are two important issues, related to the previous reasoning, that I would like to point out at before going to the subject matter of this chapter—namely, communication in collective action and its relationship with identity-based emotions.

The first issue is that in order to adopt the path of ethical self-discovery an individual, who by definition has a conventional identity based on identifications (otherwise the ethical self-discovery would have already taken place), must have not only a conventional sensitivity but also be aware of, or open to, the existence of the deep feelings—a kind of "hermeneutic competence" open to one's inner world. The question of how to develop such a sensitivity, however, will not be ad-

[60] Elster (1998) provides a broad analysis of this kind of emotions.

dressed in this essay. Let us simply point out the difficulty involved in the issue by saying that if someone wants to develop such a sensitivity, it means that this sensitivity must somehow *already exist* within this individual. Therefore, its very first appearance can be considered a matter of *awakening*—an existential event whose moment of occurrence cannot be predicted nor manipulated. This is why the transcendence of the ego, as was said in the previous chapter, cannot be voluntarily decided in the external-mind dimension. At the end of the next chapter we will address the problem from another perspective, by proposing that a conventional identity (the ego) living in a weak-ethicity society develops emotions that somehow prevent the individual from adopting the path of ethical self-discovery. However, in my view, the phenomenon of awakening is always a latent possibility because the deep mind is a conscious entity that, so to speak, makes good of every opportunity to arise in consciousness.

The second issue is how the feelings originating in the deep mind dissolve the rigidity of preferences. The answer I would like to put forward is the following: there cannot be a durable conflict between the purposes conveyed by the deep feelings and other types of desires, because the former are related to a true identity while the latter are merely the result of a conventional one. If we associate the fact of taking responsibility for the well-being of everyone with subjective equality, then no individual desire standing in contradiction with collective aims will remain in place once the identity flowing from the deep mind has been sufficiently stabilized (through a process that will not be addressed in this essay, either). Therefore, the rigidity of preferences will eventually disappear.

These issues having been dealt with, we can now come back to the subject matter of this chapter: emotional enforcement through communication in cooperative situations involving differentiation-seeking individuals. The chapter is structured as follows. Section 4.2 presents the relevant concepts of collective action theory based on rational choice assumptions, and the experimental results that we will be trying to explain. Section 4.3 asks to what extent communication can be effective in games with rationally self-interested individuals. Section 4.4 incorporates heterogeneity of players' types, through the game-theoretical tool known as psychological games, and analyzes the effectiveness of communication in such games. Section 4.5 addresses the effectiveness of communication in signaling games, i.e., in incomplete-information games. Finally, section 4.6 applies the main results of sections 4.3 to 4.5 to the stylized facts described in section 4.2. In section 4.6, in addition, we will try to justify the main conclusion of the chapter—namely, the need for hermeneutic competence in order to really understand participation in cooperative experiments.

4.2. Collective action: Theory and evidence

In his book *The Logic of Collective Action* (1965), Mancur Olson introduces a conception of collective action based on rational choice theory. Olson's thesis, which is widely known, postulates that as long as the individual net benefit of the contribution to the provision of a collective good [61] is negative, individual rationality will prescribe a zero contribution, and "rational, self-interested individuals will not act to achieve their common or group interests" (Olson 1965: 2).

Based on the net benefit criterion, Olson distinguishes three types of groups. The first type is the privileged group, where at least one individual has a positive net benefit, thus contributing to the production of the collective good. The second type is the latent group, where due to the size of the group

[61] Hardin discusses collective action in terms of the production of "collective goods," i.e., those goods where the "collective" component has to do mainly with provision not with consumption. The reason is related to "*avoiding the technical issues of public goods*" (Hardin 1982: 19). According to Hardin, Olson instead deals with goods that cannot be excluded from consumption.

individual contribution is marginal and leads to a negative individual net benefit, in which case the zero contribution thesis is fully applicable. And the third type are intermediate groups, in which even when no individual benefits in net terms, individual contribution is not marginal, in the sense that it makes a difference to the net benefit of participants—in which case the result of collective action is uncertain.

For Olson the solution to the problem of zero contribution can only come either from the adoption of an external coercive mechanism or from the design of devices supplying individual incentives for the provision of the collective good. Both alternatives pose a second-order problem for collective action: if group members are unable to provide the collective good, how will they collectively adopt external coercion or a private incentive mechanism? The solutions currently implemented, according to Olson, are "political entrepreneurship," collective action as a by-product of a previously solved problem, or the existence of what he calls, rather revealingly, "extra-rational" (moral) motivations.

Russell Hardin (1971, 1982), through the game called "individual vs. group", showed that the problem of collective-good provision has the same structure as the *n*-player Prisoners' Dilemma: not contributing to the provision of the collective good is a dominant strategy for every individual. This result established a fruitful connection between collective-action theory and experimental economics: "the vast body of experimental and theoretical work on prisoners' dilemma is relevant to the study of collective action in general" (Hardin 1971: 475).

Indeed, in the wake of Hardin's article, there came a huge amount of experimental and theoretical work concerning the issue of collective action and its *n*-player Prisoners' Dilemma structure. The accumulated empirical and experimental evidence contradicts Olson's zero-contribution thesis but has not yet been integrated into a more comprehensive theory (see Ostrom 2000).

Laboratory experiments [62], particularly so-called linear public goods experiments, are worth considering because of the stylized character of their results. In these experiments, if an individual contributes 10 units of his endowment to the provision of a public good, he or she receives 5 units for each individual contribution, and both amounts enter linearly in his or her utility function. The prisoners' dilemma structure of the game, of course, entails that the only possible equilibrium for rational self-interested individuals in a one-shot game is a zero contribution strategy profile, and the same holds if the game is finitely repeated.

Summarizing the countless experiments performed on linear public goods experiments, the following experimental stylized facts (Ostrom, 2000: 140-141), which contradict the predictions of rational-choice collective-action theory, have been formulated:

(1) In one-shot or finitely repeated games, contributions amount to 40 to 60% of individual endowments.
(2) In repeated games individual contributions decrease but remain positive.
(3) "Those who believe that others will cooperate in social dilemmas are more likely to cooperate themselves" (Ostrom 2000: 140)
(4) Repetition of the game leads individuals to learn to cooperate in a moderate way, instead of learning not to cooperate.
(5) The possibility of face-to-face communication increases cooperation. This possibility is used to discuss joint strategies, to obtain promises of cooperation, and to punish defections. If communication is not face-to-face but takes place through computers, the impact on cooperation is much lower.

[62] For a survey, see Ledyard (1995).

(6) Insofar as it is possible, some individuals will punish defections from cooperation even if punishment is costly for the punisher.
(7) Contributions to the provision of the public good are affected by contextual factors.

Ostrom believes these stylized facts can be explained by assuming the existence of different types of individuals. In particular, she suggests the need to assume two types of "*norm-using players—conditional cooperators* and *willing punishers"* (Ostrom 2000: 142). [63]

Conditional cooperators are willing to contribute to the provision of a collective good if they believe that others will reciprocate. Among conditional cooperators, however, there will be differences regarding tolerance to defections. Conditional cooperators help explain facts (1) to (4). Differences in terms of tolerance to defections cause cooperation to decline moderately in finitely repeated games, because some conditional cooperators, but not all, will maintain a cooperative attitude in spite of defections.

Willing punishers are prepared to bear some cost in order to punish those who defect and do not cooperate. For Ostrom, their presence in the population helps explain stylized facts (5) and (6), which amounts to relate the effect of face-to-face communication to a punishment function. Punishment, in turn, is linked to the emotional content involved in communication. Our analysis will ultimately turn out to be consistent with Ostrom's suggestion as to the relevance of punishment

[63] If the prisoners' dilemma is *infinitely* repeated, the so-called "Folk Theorem" makes it possible that a strategy profile in which every player plays the *tit-for-tat* strategy be a subgame perfect Nash equilibrium (SPNE) between rational self-interested individuals. This strategy entails conditional cooperation and punishment of deviations but, since such a profile is a SPNE, its adoption does not require particular types of agents. The need to assume norm-using players arises from the *finitely* repeated character of experiments.

in order to understand the effect of communication on cooperation.

However, at first sight, it is not obvious that the effectiveness of communication is due solely to the emotional content it conveys. Indeed, in a population including different types of agents, conditional cooperators, for instance, might be willing to communicate their type to others in order to favor matching with other conditional cooperators. In that case, communication would perform a signaling function. Therefore, one of our tasks in this chapter is to analyze whether Ostrom's stylized facts about face-to-face communication should be related to the emotional or to the signaling function of communication. As a by-product, we will obtain some quite general results as to the effectiveness of communication in games. One of these results will be useful in Chapter 5 below in characterizing collective action in the context of fully realized recognizers, i.e., under strong ethicity.

Norm-using players postulated by Ostrom (2000) are also rational and, therefore, their participation in collective action situations is susceptible of being modeled within game theory—particularly in the context of so-called "psychological games" where the enforcing power of emotions is represented by changes in payoffs. These games will therefore be one of the subject matters of our analysis. However, as we will see, the heterogeneity of types causes strategic concerns to prevail over psychological propensities because of the problem of the credibility of messages—so much so that, as I will show, interaction between norm-using players can eventually be studied without even having recourse to psychological games: under incomplete information, norm-using players are obliged, so to speak, to behave self-interestedly. So we will start our analysis considering traditional games (i.e., games with only self-interested individuals), then move to the consideration of psychological games, and finally address incomplete-information games.

4.3. Communication in games with rationally self-interested individuals

4.3.1. Games with complete and imperfect information

A situation of strategic interdependence is one in which an agent's decision—let us suppose, without loss of generality, that the interdependence is taking place between two agents—depends on the other agent's decision, but the same holds from the perspective of the second agent. Therefore, a kind of circularity is involved: to make a decision I must know or anticipate your decision, but your decision depends on mine, so I cannot anticipate it because I do not know my own decision (which is precisely what I was trying to find out). [64]

In some games this circularity is overcome through the information structure. In particular, in games with perfect information, i.e., in sequential games where at each step only one player makes a move and there is perfect recall, others' decisions can either be anticipated by backward induction or be seen to have already taken place. Therefore, deduction suffices in order to reach a decision. Put differently, the time structure of the game, which entails an information structure, causes the circularity to disappear.

In one-shot games, on the contrary, both players play at the same time and, therefore, information is not perfect. These are, of course, imperfect-information games. But it can happen that—this time due to the payoff structure—players are still able to make their decisions. This occurs for instance in the Prisoners' Dilemma, where each player has a dominant strategy: players do not need to anticipate the others' decisions because they are in fact irrelevant. In this case interdependence is, so to speak, not binding on players' reasoning. In other games, the iterated elimination of strictly dominated strategies may also make interdependence irrelevant for find-

[64] This way of characterizing game theory is taken from Heath (2001: 60).

ing an equilibrium profile. These are all examples of games that can be played by completely isolated players.

The Battle of the Sexes, on the contrary, is an example where circularity cannot be overcome by isolated individuals: a coordination problem has arisen. Communication between players is now a natural candidate to solve the coordination problem. Let us verify that communication does solve the problem in this case.

(a) Battle of the Sexes

	A	*B*
A	2 , 1	0 , 0
B	0 , 0	1 , 2

Player 1's optimal strategy is *A* if 2 plays *A*, and *B* if 2 plays *B*. In turn, player 2's optimal strategy is *A* if 1 plays *A*, and *B* if 1 plays *B*. That is, the circularity between the players' reasoning is full: there is no way to reach a decision in isolation (assuming there is no focal point).

In order to implement an equilibrium profile, players can, beforehand, enter into an agreement to select one of the two possible equilibria. Indeed, insofar as they come to an agreement and decide, for example, to play (*A*, *A*), none of them will have an incentive to deviate: if a player wants to induce the other to play *A*, i.e., if she goes along with the agreement, it is because she will play *A*, which is her optimal strategy given the other's strategy under the agreement. Therefore, both players can reasonably believe that the other will keep the agreement. In other words, the linguistic agreement allows players to form beliefs about their opponent's strategy, thereby eliminating the initial uncertainty that causes the circularity.

Agreements in imperfect-information games can be reached only on strategy profiles that are Nash equilibria: an agreement cannot be achieved on a strategy profile that includes a strategy that is not optimal within the profile, since nobody can reasonably expect that this strategy will be effectively played (i.e., the agreement would not give rise to a reliable belief). But even those profiles that constitute Nash equilibria can lead to agreements that do not remove uncertainty, as shown in the Assurance Game (Aumann 1990). The example shows the very limited effectiveness of communication in bringing about beliefs, and therefore an equilibrium, in situations of strategic interdependence.

(b) Assurance Game

	C	*D*
C	9 , 9	0 , 8
D	8 , 0	7 , 7

This game has two pure-strategy Nash equilibria: (*C*, *C*) and (*D*, *D*). As the second one is risk-dominant with respect to the first one, (*D*, *D*) is more likely to be implemented, even if (*C*, *C*) is Pareto-dominant.

Is it possible for agents to make an agreement to play (*C*, *C*)? Such an agreement, as just discussed, will be effective only if it removes the initial uncertainty about each opponent's strategy. The fact is, however, that the agreement does not succeed in removing that uncertainty. To see why, let us suppose that player 1 conjectures, before making the agreement, that player 2 intends to play *C*. From the point of view of player 1, therefore, it is in player 2's interest to make the agreement, because it is optimal for him or her to induce player 1 to play what the agreement specifies. Let us suppose, on the contrary, that player 1 conjectures that player 2 intends to play D. In this case, it is also in player 2's interest to make the agreement because, again, it is optimal for him or her to induce player 1 to play what the agreement specifies. Therefore the agreement does not provide information about the strategy that player 2 is planning to implement. The conjectures, or "priors," each player might have before the agreement do not change as a consequence of the agreement being reached: the agreement, therefore, is ineffective.

The rationale for this result is that the Assurance Game is, so to speak, less of a *coordination game* than is the Battle of the Sexes, in the sense that risk-dominance entails the existence of a conflict of interests between players. The effectiveness of communication, indeed, is inversely related to the scope of the conflict involved in the game's payoff structure—a result that applies with generality also to incomplete-information games, as will be shown below.

So far, we have considered the function of communication in games with complete and imperfect information: it is related to the coordination nature of the game. This result can be situated in a more general context, which is what we will do now.

4.3.2. Incomplete-information games

Aumann and Hart (2003) distinguish two roles performed by communication in games: equilibrium selection and expansion of the equilibrium set. I will argue that the first function can only arise in games with complete and imperfect information, while the second one only arises in games with incomplete information. [65]

Common knowledge of (strategic) rationality allows to eliminate from strategy sets all those strategies that are not rationalizable, i.e., those strategies whose use cannot be justified without conjecturing, in a chain of justifications, the use of strictly dominated strategies by some player. Insofar as in an interdependence situation a player has more than one rationalizable strategy, there will be uncertainty about that player's effective strategy. Faced with that uncertainty (which is what gives rise to the circularity I referred to above), players may make conjectures, that is, may have beliefs. These beliefs can be called *beliefs about the opponent's intentions* (i.e., about what he or she is planning to do). This is the kind of uncertainty arising in games with complete and imperfect information.

[65] This is, to my knowledge, a new result.

Incomplete-information games behave differently. Before uncertainty about their opponents' optimal strategies can arise, some of the players do not know some characteristics of the opponents on which payoffs are dependent. This uncertainty is about information that is not related to interdependence, as opposed to uncertainty about intentions, but to information external to the interdependence situation—namely, to players' types. We will therefore distinguish between two types of uncertainty: *uncertainty about strategies (i.e., about intentions) and uncertainty about types.* The first one is inherent in all imperfect-information games. The second one is present only in incomplete-information games.

An incomplete-information game cannot be played unless the uncertainty about types is transformed into probability distribution over types. Probabilities on types are also priors, but I will argue that such priors are of a different nature from priors about strategies (such as those involved in mixed strategies, which transform uncertainty about pure strategies into probability distributions).

A probability distribution over types is knowledge produced with the means of statistics about the overall population. This is what Hayek (1945: 521) calls "scientific" knowledge. A probability distribution over pure strategies, as in mixed strategies, is knowledge about a particular opponent's subjectivity, which therefore cannot be "scientific." This is what Hayek (1945: 521) calls "knowledge of the particular circumstances of time and place" or local knowledge. Given this difference between the types of knowledge involved in a probability distribution over types and a probability distribution over pure strategies, it can be argued that only the former has enough basis to be included, so to speak, into the agents' information endowments. [66] Probability distributions over pure strategies, on the contrary, rely on arbitrary knowledge and therefore cannot give rise to *justifiable priors (i.e., to real information).*

[66] In addition, such information must be common to all players, according to Harsanyi's doctrine (Aumann 1987).

The consequence of such a distinction is that *priors* involving players' types can be used in equilibrium selection, while *priors* involving pure strategies cannot: *equilibrium in mixed strategies is just a theoretical possibility, not a practical one*. Moreover, in incomplete-information games every *prior* leads to the selection of one equilibrium. By contrast, in games with complete and imperfect information it may happen that there is no way to select an equilibrium if individuals remain isolated, and having recourse to mixed strategies is never a solution. In the Battles of the Sexes, for instance, the existence of two pure-strategy Nash equilibria entails a coordination problem, but we cannot say that the problem can be solved by playing the mixed-strategy Nash equilibrium profile (2/3, 1/3). Put differently, this equilibrium is just theoretical but in practice it does not solve the problem—the reason, according to the present argument, being that probability distributions over pure strategies do not constitute *real information*.

We can now see the implications of this distinction for the effectiveness of communication in games. In the case of games with complete and imperfect information, on the one hand, the object of an agreement can only be a Nash equilibrium profile, i.e., a profile chosen among the previously existing Nash equilibria. In other words, the role of communication can consist solely in *selecting* a profile of beliefs by choosing among the belief profiles supporting the existing Nash equilibria. In the case of games with incomplete information, on the other hand, beliefs are selected by *priors*, which already entails an equilibrium selection. Therefore the role of communication can only be that of updating priors (thus yielding "posteriors"), which in turn brings about an *expansion* of the equilibrium set.

Equilibrium selection is the classical role of communication in coordination games. Expansion of the equilibrium set will be examined in greater detail in section 4.5 below, where signaling games are considered.

We have established, as was announced above, a correspondence between the two roles of communication pointed out by Aumann and Hart (2003)—namely, equilibrium selection and expansion of the equilibrium set, on the one hand, and the type of games in which such roles apply, on the other. The reason supporting the distinction lies in the kind of information that can or cannot be embodied in priors.

4.3.3. Why face-to-face communication is effective

We can now apply, for the moment in a rather trivial way, [67] this result to Ostrom's stylized fact (5)—namely, the effectiveness of face-to-face communication in cooperative experiments. Because the Prisoners' Dilemma is not a coordination game, communication producing a cooperative equilibrium is in principle conceivable only by postulating heterogeneity of types and probability distributions over types, namely, by modeling experiments as incomplete-information games. In such a case communication could entail an equilibrium set expansion, giving rise to a previously non-existent cooperative equilibrium.

This whole reasoning, however, applies only to traditional games, as opposed to psychological games. In the latter, even in the context of complete information, communication can both produce an expansion of the equilibrium set and enable to select an equilibrium within the newly created subset. This is what we will try to show in the next section.

4.4. Communication in psychological games

Psychological games, first proposed by Geanakoplos, Pierce and Stachetti (1989), are a generalization of traditional games. A player's utility depends not only on strategy profiles but also on his or her beliefs about the opponents' intentions and beliefs. In other words, payoffs resulting from one strategy pro-

[67] A more general application will be provided in section 4.6 below.

file will vary according to the beliefs generated by this very strategy profile. And these beliefs, in turn, can be strategically anticipated, which affects the choice of strategies. This feature of psychological games makes them able to incorporate the types of players who, according to Ostrom (2000), help explain the stylized facts of experiments on cooperative games—namely, as we already saw above, conditional cooperators and willing punishers. In this section, we are going to analyze two examples of psychological games, each one involving one of the types proposed by Ostrom.

4.4.1. The Prisoner's Dilemma with reciprocity

The first example is taken from Rabin (1993). It incorporates conditional cooperators (i.e., reciprocators) and shows how reciprocity can explain the existence of cooperative equilibria in a one-shot Prisoner's Dilemma.

Rabin's analytical framework aims to accommodate three intuitions: (*a*) some people are willing to sacrifice their material well-being to reward those who have been kind to them; (*b*) some people are willing to sacrifice their material well-being to punish those who have been unkind to them; and (*c*) the lower the cost of the sacrifice, the greater the effect of both motivations on behavior will be. Properties (*a*) and (*b*) entail reciprocity, while property (*c*) puts a limit on reciprocity. The judgment regarding a person's kindness is a belief about that person's intention. Reciprocating behavior is thus a behavior based on beliefs about the other's motivation. That is why psychological games are suitable structures in order to accommodate reciprocators.

In Rabin's model each player's expected subjective utility function is expressed as follows:

$U_i(a_i, b_j, c_i) = u_i(a_i, b_j) + f_j(b_j, c_i).[\,1+ \psi_i(a_i, b_j)]$, where
a_i is player *i*'s strategy
b_j is *i*'s belief about the strategy chosen by *j*
c_i is *i*'s belief about *j*'s belief regarding *i*'s strategy

$u_i(a_i, b_j)$ is the expected material payoff
$f_j(b_j, c_i)$ represents *i*'s belief about how *j* will treat him
$\psi_i(a_i, b_j)$ is a "fairness function" measuring *i*'s kindness towards *j*

These last two functions are built in such a way as to take on values in the interval [–1, ½]. Positive values indicate kind behavior and negative ones unkind behavior. With this utility function, Rabin analyzes the following version of the Prisoners' Dilemma:

(c) Prisoner's Dilemma with reciprocity

	C	*NC*
C	$4x$, $4x$	0, $6x$
NC	$6x$, 0	x, x

If it is common knowledge that the (C, C) profile will be played, both players know that the other is being kind, and therefore $f_i(a_i, b_j) = \psi_j(b_j, c_i) = ½$. Thus, if x is sufficiently small (more precisely, smaller than ¼), then (C, C) is an equilibrium—more precisely a *fairness equilibrium*. In that way, reciprocity makes room for property (*a*), provided that material payoffs are small enough (property (*c*)).

We can now show that communication plays a relevant role for the fairness equilibrium to obtain. Indeed, the profile (C, C) can be attained only if it is common knowledge that such a profile will be played, [68] and this shared belief can only be created through verbal communication, provided both players know that both are reciprocators, namely, provided there is complete information on players' types.

Indeed, complete information on each player's reciprocator type makes the game's structure, in the event of an agreement on (C, C), identical to the structure of the Battle of the Sexes: to reach an agreement on (C, C) is not in the interest of a player who is planning to play *NC* and, therefore, the agree-

[68] Rabin (1993) simply assumes this fact to be common knowledge.

ment brings about shared certainty on the fact that (*C*, *C*) will be played. To see this, note that the payoff for playing *NC* after having agreed on (*C*, *C*) is 3/2, [69] while the payoff of playing *C* is 7/4. [70]

However, there is a difference between the effect of communication in the Battle of the Sexes and the effect it has in the Prisoners' Dilemma with reciprocators: in the former communication allows players to select an equilibrium among the previously existing equilibria, while in the latter it allows the emergence of an equilibrium that was not included in the equilibrium set.

The reason goes as follows, borrowing an argument from Aumann (1990). An agreement will be effective if it changes players' incentives. Incentives, in turn, can change either if payoffs change or if beliefs change. In the case of the Prisoners' Dilemma no change in beliefs can affect incentives if there is no change in payoffs, because each player has a dominant strategy. The only way for an agreement to be effective, therefore, is changing payoffs, and that is exactly what happens when the agreement is struck between reciprocators. In the case of the Battle of the Sexes, on the contrary, an agreement selects one belief profile among profiles supporting pure-strategy Nash equilibria, without changing payoffs. This twofold result is worth summarizing:

Result I. *In coordination games with complete information, communication brings about coordination by selecting an equilibrium, irrespective of the players' types.*

Result II. *In a Prisoners' Dilemma with complete information, communication brings about cooperation by changing payoffs, provided players are reciprocators.*

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[69] That is, 3/2 + ½(1– 1).

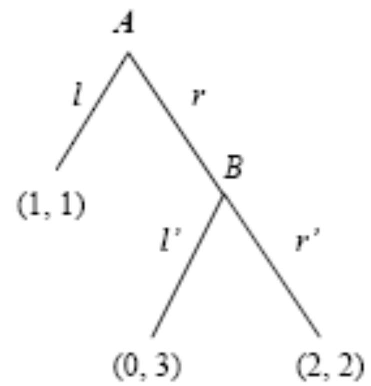
[70] That is, 1 + ½(1+½).

4.4.2. *The Trust Game with guilt aversion*

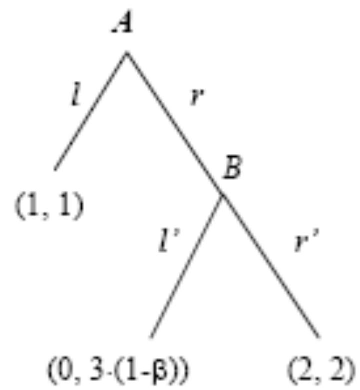
The second example we are going to discuss is the *Trust Game with guilt aversion,* taken from Dufwenberg (2008). Verbal punishment makes sense only in the presence of guilt aversion, because otherwise it will not be harmful at all. Therefore, this game accommodates the possibility of punishing, as suggested by Ostrom.

The game's structure is represented as follows in extensive form, first with rationally self-interested players and then with guilt aversion on the part of player *B*:

(d) Trust Game without guilt aversion (Dufwenberg 2008: 3)



(e) Trust Game with guilt aversion (Dufwenberg 2008: 4)



In game (*d*) the equilibrium profile, by backward induction, is (*l*, *l'*), which gives a material payoff of 1 to each player.

In game (*e*) player *B*, in the end node reached by profile (*r*, *l'*), has a payoff of 3(1–β), where β is a measure of B's belief about *A*'s belief about the probability of *B* choosing strategy *r'*. In other words, β is a measure of *B*'s belief about *A*'s *trust* in *B*, i.e., *A*'s confidence in *B* playing cooperatively given that *A* trusted *B* by playing cooperatively. The payoff 3(1–β) reflects the fact that *B* will feel guilty if he or she betrays *A*'s trust, i.e., if she plays *l'* instead of *r'*. The new game is psychological because payoffs depend not only on strategies but also on beliefs (on β), at least in the case of player *B*.

If β>1/3, the equilibrium is (*r*, *r'*), a result that can be obtained by psychological forward induction. The mechanism is as follows: if *A* chooses *r* he or she is indicating that his or her trust in *B* playing *r'* is at least ½ (otherwise her expected utility would be greater playing *l*). As a result β will have a lower bound of ½, so *B* will choose *r'*. Therefore, no communication is involved.

However, Dufwenberg claims that this game provides the basis for a theory of how communication can help improve trust and cooperation. The idea is the following. Let us suppose that before playing, the two players can speak to each other. If player *B* promises to play *r'*, provided both that *A* believes the promise and that *B* believes that *A* believes it (β will be close to 1), it could happen that *B*'s guilt aversion will make her keep her promise even when the material payoffs provide an incentive to deviate. Dufwenberg's conclusion is that when guilt aversion is present, words are tools to create commitments, which may enhance trust and cooperation.

Such an interpretation, however, requires common knowledge of *B*'s guilt aversion. Indeed, if *B* is not guilt averse, by promising to cooperate she will merely be trying to gain *A*'s trust in order to get a payoff of 3, instead of 1, which is the payoff she gets in game (*d*).

In the specific example we have been analyzing, communication is not necessary to obtain the *(r, r')* equilibrium since it can be attained, as I said, by psychological forward induction. However, if the *B*'s material payoff at the end point following the profile (*r*, *l'*) were 5 instead of 3, the psychological forward-induction mechanism would no longer work, while communication could still lead to the cooperative equilibrium. For this to be so, communication has to bring about a β sufficiently close to 1—which, of course, depends both on *B* being highly guilt averse and on *A* knowing it. The main result of this example can be summarized as follows:

Result III. *In a sequential cooperative game with complete information, communication brings about cooperation, provided the player who plays in the second instance is highly guilt averse.*

4.4.3. The issue of credibility

The three results we have arrived at, however, share an important shortcoming: they apply only to games with complete information. As Battigalli and Dufwenberg (2005: 37) point out, "unless one models interaction within a family or amongst friends, it is probably not realistic to assume that players know one another's psychological propensities," i.e., complete information would not be a realistic assumption.

When incomplete information is assumed, even if cooperative types are included in the set of players, the players' strategic motivations will arguably prevail over psychological propensities, because messages (communication) must pass through the filter of *credibility*.[71] As a result, incomplete-information games with heterogeneous types will have the structure of a *signaling game*. This is the case, for instance, for the "social respect" model of Dufwenberg and Lundholm

[71] See, e.g., Farrell (1993).

(2001), [72] which can be seen as a psychological game with incomplete information, having the structure of a—non-standard, because of its psychological nature—signaling game (Battigalli and Dufwenberg 2005).

Therefore, the role of communications in games with incomplete information can be studied on the basis of signaling games. This is what we will do in the next section.

4.5. Communication in signaling games

I will now analyze the role of communication in games with incomplete information using the signaling game of Matthews, Okuno-Fujiware and Postlewaite (1991). This model illustrates the function of linguistic interaction consisting in expanding the equilibrium set, as discussed above. Given the relevance of the result for our purposes I will present the model in some detail.

A signaling game is a two-player sequential game with incomplete information. One player, the *sender* (denoted s), has private information about his or her type, and his or her possible strategy consists in sending a message to another player communicating his or her type. The other player, the *receiver* (denoted r), chooses a strategy (an action) based on his or her belief about player s's type. The payoffs of both players depend on s's type and r's action.

To represent the game, Matthews, Okuno-Fujiware and Postlewaite (1991) start with an initial game in which r chooses his or her action based on a probability distribution over s's type. Player s, in turn, does not play. This game, Γ^0,[73] would be expressed as

[72] A model that is, in part, inspired by the sociological work of Ervin Goffman (1963).

[73] This initially simplified game will be useful to characterize the results of the complete game.

$\Gamma^0(\pi) = \{T, \pi, A, u_S, u_R\}$, where
T is a finite set of *s*'s types
π is *r*'s belief about *s*'s type, with $\pi \in \Delta T$, the set of distributions of probability over T
A is the finite space of *r*'s actions
u_S is *s*'s payoff function, u_S: $A \times T \rightarrow \Re$
u_R is *r*'s payoff function, u_R: $A \times T \rightarrow \Re$

If *r* can play a mixed strategy $\sigma \in \Delta A$ (the set of probability distributions over A), an equilibrium of the game is a strategy σ maximizing $u_R(\sigma | \pi)$ over ΔA. Call $E^0(\pi)$ the set of possible equilibria.

If game $\Gamma^0(\pi)$ is modified adding an initial instance in which *s* can send a message (taken from the message set M) to *r* about her type, we get a signaling game. Now *s* has strategies (i.e., messages) of the form τ: $T \rightarrow \Delta M$ while *r*, like in the previous game, has strategies of the form α: $M \rightarrow \Delta A$. The strategy sets are S and R. The signaling game is $\Gamma^1(\pi) = \{T, \pi, S, R, u_S, u_R\}$.

Given the sequential character of the game the appropriate equilibrium concept to select an equilibrium is that of "perfect Bayesian equilibrium," i.e., an equilibrium which satisfies two essential properties—sequential rationality and Bayes consistency—to which we now turn.

A Bayesian equilibrium of Γ^1 is a pair (τ, α) that maximizes player's utilities. If α is an action and *m* a message, $\alpha(m) \in \Delta A$ is a strategy for *r* in game $\Gamma^0(\pi)$. The sequential rationality criterion requires that $\alpha(m)$ be an equilibrium of game $\Gamma^0(\pi')$, where π' denotes *r*'s beliefs updated by *s*'s message *m*. Defining the belief function β: $M \rightarrow \Delta T$, through which *r* updates his beliefs, the triplet (τ, α, β) is sequentially rational if $\alpha(m) \in E^0(\beta(m))$ $\forall$ $m \in M$. And it is Bayes-consistent if β satisfies Bayes's rule:

$$\beta(t | m) = [\pi(t)\ \tau(m | t)] \ / \ [\textstyle\sum_{\text{over } s \in T} \pi(s)\ \tau(m | s)],\ \forall\ m \in \tau(t)$$

(τ, α, β) is a perfect Bayesian equilibrium if it satisfies both conditions. Call $E^1(\pi)$ the set of equilibria of game $\Gamma^1(\pi)$.

The outcomes of $\Gamma^0(\pi)$ and $\Gamma^1(\pi)$ are correspondences of the form o: $T \rightarrow \Delta A$. The sets of equilibrium outcomes can be called, respectively, $O^0(\pi)$ and $O^1(\pi)$. Going from game $\Gamma^0(\pi)$ to game $\Gamma^1(\pi)$ does not destroy equilibrium outcomes, i.e., $O^0(\pi) \subseteq O^1(\pi)$. The reason is, that given $\sigma \in E^0(\pi)$, the triplet (τ, α, β) is an equilibrium of $\Gamma^1(\pi)$ that produces the same outcome as σ if $\tau(\cdot \mid t) = \tau(\cdot \mid s)$ $\forall$ $s, t \in T$, $\alpha(m) = \sigma$ $\forall$ $m \in M$, and $\beta(m) = \pi$ $\forall$ $m \in M$. Such equilibria, in which τ is a constant function, are called *babbling equilibria*.

In contrast, a *communicative equilibrium* is a triplet (τ, α, β) of $\Gamma^1(\pi)$ that produces an outcome belonging to $O^1(\pi)$ but not to $O^0(\pi)$, i.e., an outcome not attainable in the absence of messages. Therefore, to get a communicative equilibrium we need an expansion of the equilibrium set and, in addition, the equilibrium selected has to belong to the new part of the expanded set. Two conditions are needed to have a communicative equilibrium: the *credibility of messages* and the *convergence of interests* among players. Let us see why.

If $\beta(m) = \pi$ $\forall$ $m \in M$ (i.e., if no message changes any of *r*'s beliefs), we will only have babbling equilibria. Therefore, the first condition for having communicative equilibria is that communication succeed in changing *r*'s beliefs in at least one instance. However as long as the incentive structure of each *s*-type player is common knowledge, $\beta(m) \neq \pi$ for some *m* only if *s* is telling the truth—namely, only if *m* is credible. And this is not all: it is also necessary that the updated belief, β, modify *r*'s optimal action—which implies that, at the same time, *s* must be favored by such modification, otherwise she would not send the message in the first instance. In other words, a convergence of interests is needed. [74] We can now summarize the discussion of this subsection:

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74 This result is close to the one obtained by Crawford and Sobel (1982). This seminal article has generated what is by now a large literature

Result IV. *In games with incomplete information communication is effective only if the players' interests are convergent. In cooperative games, by definition, players' interests are not convergent and, therefore, in such games communication is always ineffective.*

4.6. Communication and the stylized facts of experimental games

I now want to apply the four results to the stylized facts of experimental cooperative games as presented by Ostrom (2000). Let me repeat the relevant experimental facts under consideration. Fact (5) says that the possibility of face-to-face communication increases cooperation; this possibility is used to discuss joint strategies, to obtain promises of cooperation, and to punish defections; if the communication is not face-to-face but instead takes place via computers, its effect on cooperation is much smaller. Fact (6) says that insofar as it is possible, some individuals will punish defections from cooperation even if punishment is costly for them.

Result I above is not related to facts (5) and (6) because it is a result on coordination games not on cooperative games. Results II and III, on the contrary, apply directly to cooperative games and therefore, they have to be included in our analysis. Finally, result IV is relevant because it applies to games with incomplete information, which is a plausible framework within which to model cooperative experiments.

If uncertainty about types were absolute, on the one hand, the only relevant result would be result IV because it is the only one applying to incomplete-information situations. However, result IV says that communication is ineffective in cooperative games. Results II and III, on the other hand, cannot be applied directly because they hold only for complete-

studying equilibrium refinements in communication games (see Chen *et al.* 2008). However, insofar as in this literature communication takes the form of a strictly strategic transmission of information, given the purposes of our research we do not need to analyze it.

information situations. Therefore, some combination of both sets of results might be needed. But then how can we combine, within the same game, a result applying to incomplete-information situations and results applying to complete information?

We will propose the following solution for the problem at hand. First, the content of communication cannot be considered as strictly strategic, i.e., cannot be regarded as *cheap talk*. This means that communication conveys a content that cannot be reduced to information. Obviously, such additional content can only be emotional. [75] But then, how does this emotional content operate in our context?

This is where the whole analysis of this chapter can be tied into the main line of reasoning of the whole essay. The argument goes as follows. The moral status of individuals under weak ethicity is ambiguous, which comes from the ambiguous status of public-goods provision. On the one hand, individuals are supposed to obey categorical imperatives related to treating everyone as an end in himself or herself. On the other hand, they are supposed to follow prudential imperatives out of individual interest. Enforcement of the second type of imperative is, of course, unnecessary. Enforcement of the first type is provided, when needed, by the State and its laws.

Institutional imperatives, which are related to social tasks as cooperation and coordination, are more difficult to enforce. But coordination and cooperation are somehow connected to citizenship, or at least to the fact of being a member of the community. Therefore, deviations from cooperative behavior can be seen as falling short of civic or community obligations. The problem is that such deviations cannot be punished by the law except in very specific and, by definition, sufficiently

[75] This is clearly suggested by the fact that when communication takes place through computers, its effectiveness is considerably reduced. This interpretation goes in the same direction as Ostrom's suggestion, but the solution I will put forward here is not present in her paper.

institutionalized situations. The alternative is moral punishment.

Ernst Tugendhat (1992) suggests that what distinguishes moral rules from all other rules of behavior is that breaking a moral rule entails an internal sanction, i.e., an emotional sanction such as for example indignation, shame, or guilt. This is what makes it possible to distinguish criticism from censorship: while criticism indicates that a standard for a particular practice has not been reached, so that personal dignity is not at stake, censorship on the other hand "is a criticism within a community praxis that both the person criticized and the person that criticizes assume as essential for building identities. For this reason, the purpose of censure or indignation is to touch the person's core" (Tugendhat 1992: 206). In other words, the internal emotional sanction is only possible between people "who consider themselves as belonging to a moral community" (*ibid.*).

Tugendhat's stance, therefore, is to consider morality as rules enforced internally by emotional sanctions, i.e., as internalized rules (or emotional imperatives). These rules, like all other rule except prudential imperatives, must be related to common goods—in our case, with cooperation. But this is not a sufficient basis to explain the internalization of moral rules. The explanation of internalization can be provided by the notion of a desire for recognition—a desire that leads, as we saw in section 2.3.2, to *identity building identifications (self-consciousness)*. In this explanation, the individuals' vulnerability to moral sanctions arises because their identities are built on the basis of recognition by the community, so that breaking community moral rules entails a denial of recognition on the part of others, taking the form of emotionally harmful moral sanctions. Moral sanctions, in turn, because of their emotional content, are better expressed through face-to-face communication.

Moral rules related to the production of common goods, as is the case for cooperation, are the basis of what is known as *social control*. The ambiguous moral character of individuals, which I referred to earlier, can be stated as follows: social control cannot be perfect because individual emotions cannot be perfectly known, and therefore neither can they be perfectly controlled. This helps explain why the effectiveness of communication in cooperative experiments is only partial—even when we abstract from the fact that, obviously, morality is bound to be unequally distributed across individuals because every identity is singular.

Finally, in order to combine both sets of results (on the one hand result IV and on the other hand results II and III), we can resort to hermeneutic understanding, thereby applying the conception of individuals (in this case, living in societies structured on the basis of weak ethicity), which we developed in Chapter 2. *Hermeneutic competence, which entails conventional sensitivity, allows individuals to realize (although never perfectly) whether moral rules are binding within their interaction community. This is what face-to-face communication can allow them to do in cooperative experiments.*

Chapter 5
Ethicity and the resolution of socioeconomic problems

5.1. Introduction

In Chapter 3 we discussed the individual foundations of strong ethicity. The main conclusion was that while weak ethicity characterizes a society whose members are oriented towards the satisfaction of a desire for differentiation, strong ethicity is dependent on the transcendence of such a desire by fully realized recognizers who, because they have become fully realized through a path of ethical self-discovery, adopt a "holistic" desire for fully symmetric recognition—namely, become inspired by radical recognitive symmetry.

In addition, we defined strong ethicity by the fact that common goods become public goods, which leads to a fundamental feature of strong ethicity: *the performance of economic institutions is put under collective control.* It was said at the end of Part I that this feature of strong ethicity is what makes it suitable to solve some relevant socioeconomic problems, and that the ability of strong ethicity to solve such problems is what confers economic relevance to our Hegelian philosophy of economics. Now it is time so show that this is indeed the case, which is the main aim of the present chapter.

The notion that strong ethicity entails that common goods become public goods has, so far, been stated in a rather vague way. This is because we have not made explicit which common goods, specifically, must become public as we move from weak to strong ethicity. If, as is the case here, we identify the relevant common goods shaping the functioning of current—weak-ethicity—societies with the common goods that structure the spheres of the EoM model, the characterization of strong ethicity is complete if we point out which of these common goods must become public in order for strong ethicity to obtain. Performing this task entails deepening the analysis of the relationships between the spheres of the EoM model, something we began to do in Chapter 2.

I will claim that the relevant spheres to characterize weak ethicity are the civic, the industrial, and the market sphere. The reason is that these spheres provide the common goods—the general will, efficiency, and wealth, respectively—on the basis of which justifications are made within the normative collective space constituted by rules.[76] Through this proposal we are establishing a correspondence between the Kantian normative collective space referred to in Chapter 2 and the EoM model.

The sphere of renown, in turn, is the one in which differentiation-based recognition is at stake. It is, in other words, the sphere whose common good is differentiation-based recognition. Its functioning is therefore connected with that of any other sphere capable of providing "inputs" out of which differentiation-based recognition can accrue to individuals. Obviously, the three spheres constituting the normative collective space do provide such inputs in the form of specific magnitudes: the hierarchies of State membership, of industrial leadership, and of wealth. These give rise to differentiation-based recognition. In this way, the relationship between individual differentiation-based recognition and the common goods associated with the normative collective space (i.e., the basic structure of society) is made apparent.

Finally, as was said in Chapter 2, the arising of the civic sphere in a sense displaced the domestic and inspired spheres

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[76] The set constituted by these three spheres could be assimilated to the (Kantian) notion of a *basic structure of society* such as set out, for instance, in Rawls (1971).

as spheres for the legitimate assessment of individuals *qua* individuals. The reason goes as follows: insofar as the scope of both the domestic and the inspired sphere does not coincide with the scope of society, because the former applies over a reduced domain (the domestic one) while the latter holds over a broader one (the universe), the civic sphere was intended to monopolize the administration of legitimacy, precisely because only a sphere representing all members of society (who, by the very creation of that sphere, were deemed equals) had the legitimacy to do so. As a consequence, by that time, both the domestic and the inspired spheres lost their influence over the collective normative space: from that moment on, individuals in the collective normative space first and foremost citizens, neither inspired nor privileged.

On the basis of the previous reasoning, under strong ethicity the specification of which common goods must become public goods can be limited to the civic, industrial, and market spheres. What about the sphere of renown? As differentiation stops being a common good under strong ethicity, the very notion of renown is transcended. As to what regards the domestic and inspired spheres, the magnitude of subjective equality is able to completely substitute for them—contrary to the magnitude of citizenship which, as we saw in Chapter 2, was not able to perform this task.

We now need to better characterize the common good linked to each of the three relevant spheres. The common good of the civic sphere is the constitution of the general will. We are going to define the general will according to the content it attributes to the notion of inter-individual equality. This content also determines the room given to tolerable inequalities in society. The content of the notion of equality, which is produced by the civic sphere, will in turn be defined in terms of the *rights* associated to citizenship. Such rights could be civic, political, and social rights, as defined in Chapter 3. Thus, within the civic sphere the citizens together define what it means to be a citizen.

As will be argued in the next section, this definition has important consequences as to the particular rules which are going to regulate the functioning of the whole collective normative space, of the basic structure of society, i.e., as to the place to be occupied by the industrial and market spheres within that basic structure.

All this implies that the common good of the civic sphere is, by definition, a public good: rights are public goods. The task that now remains is to similarly characterize the common goods of the industrial and market spheres in terms of their public or private character.

The common good of the industrial sphere is efficiency. I will suggest here that, *ceteris paribus*, every improvement in social efficiency—defined in terms of the relationship between inputs and outcome in the provision of any commodity—is beneficial for every member of the society. In this sense, efficiency can be considered to be a public good.

Therefore, the natural candidate for a common good whose nature needs to change—i.e., a common good that has to become public—along with the passage from weak to strong ethicity is the common good of the market sphere. Indeed, the market's common good—private wealth—is private by definition. Thus, *going from weak ethicity to strong ethicity entails that the "wealth" magnitude has to become a public good.* A natural consequence of this proposition is that *the market sphere has no place under strong ethicity*.

This assertion needs to be made plausible on the basis of the conceptual structure we have built up so far. The strategy will be based on the following line of reasoning. First, strong ethicity characterizes a society populated by individuals who, having travelled a path of ethical self-discovery, live in alignment with their ultimate identity—namely, they constantly practice radical recognitive symmetry. Second, this radical recognitive symmetry entails the overriding intention of taking care of everyone's well-being out of a sense of subjective equality. (This is what we mean here by the notion of responsibility.) Third, while at the level of individual behavior subjective equality implies radical freedom, i.e., an absolute respect for others' freedom, at the collective level it must imply the support for social rules that ensure to every individual the effectivity of his or her rights (civil, political, and social)—assuming that the effectivity of such rights means that there is at least a lower bound on individual well-being as defined from subjective equality. Thus, strong ethicity could be characterized as a society in which objective equality (the kind of equality defined by the rights in force) necessarily obtains.

Next, let us introduce the notion of global complex problems, defined as social phenomena that prevent the full effectivity of the rights in force. With the help of this notion, we will show that *the key feature of the basic structure of society preventing the implementation of solutions to many current and relevant global complex problems is the private character of wealth*. It will be shown that on the contrary, whenever wealth becomes a public good, individuals are able to implement solutions to any global complex problem, thereby ensuring the effectivity of their rights. Finally, it will be argued that the transformation of wealth from a private to a public good presupposes fully realized recognizers, because private wealth is a fundamental input for getting differentiation-based recognition. Fully realized recognizers, by contrast, do not need to be wealthy. The implication, then, is clear: *the resolution of today's global complex problems would be possible only in strong-ethicity societies and, therefore, such a solution presupposes the generalization of fully realized recognizers, hence of radical recognitive symmetry as a motivational impulse for individual action*. This proposition summarizes the economic relevance of our Hegelian philosophy of economics.

The aim of the present chapter is to argue for the previous proposition. It is structured as follows. Section 5.2 will show, first, with the help of Austrian economics, the particular and fundamental task performed by private, wealth-seeking entrepreneurs in the functioning of the market sphere. Then, I will use the "conventionalist" work of Laurent Thévenot (2006) in order to make explicit the sense in which the content of equality between citizens—a content coming from the civic sphere and embodied in the rights in force—determines the basic structure of society, i.e., the interplay between the civic, industrial, and market spheres. Finally, we will attempt to show that whenever individuals are, to some extent, motivated by the desire for differentiation-based recognition, market entrepreneurs are the ones who shape the fundamental features of the society. The reason, to be developed in section 5.3, is that the market sphere produces what could be termed "spontaneous growth"—namely, aggregate social phenomena which necessarily fall outside of social control.

The question to be addressed in section 5.3 is how to deal with socioeconomic problems which are both global and complex. On the one hand, I will show that a society in which market entrepreneurs are the main force shaping society, some global complex problems cannot be solved because entrepreneurs, by the very motivation of their behavior, will necessarily act as free riders within the cooperative situation involved in solving global complex problems. This is what produces spontaneous growth. On the other hand, we are going to argue that the preferences of fully realized recognizers are such that these agents are able to implement solutions to global complex problems. The key factor that produces this result is that fully realized recognizers no longer desire to be wealthy because they do not desire differentiation-based recognition. Therefore they will not free ride within collective-action situations.

Finally, in section 5.4 we will change the focus of our research in order to address the question of the extent to which contemporary—weak-ethicity—societies produce barriers that prevent the adoption of the path of ethical self-discovery. In this way, we will have come full circle in our analysis, in an attempt to assess some of the difficulties involved in our proposal of individual and collective transformation.

5.2. Recognition and the entrepreneurial element in market economies

Up to now our picture of weak ethicity has been drawn on the basis of concepts borrowed from the "Economics of Magnitude" (EoM) approach. This approach shows individuals seeking recognition through differentiation, by adopting magnitudes in civil and civic spheres, which are *interwoven with* the magnitude of renown. Magnitudes, as we now know, are associated with common goods—with one of them, the common good of the market sphere, commonly desired but enjoyed privately. This section is devoted to improving and deepening this too general picture. The conceptual tool I will use to perform such an improvement is Israel Kirzner's "Austrian" theory of entrepreneurial discovery, with the aim of showing which is the particular task that wealth-seeking individuals perform in a society where preferences are rigid because individuals seek differentiation-based recognition.

The reason why we will be using inputs from Austrian economics is that this branch of economic theory takes seriously one relevant aspect involved in individuals' rigidity of preferences: an agent's preferences are not necessarily known by others, so that there may exist a kind of radical uncertainty about everyone's preferences—a fact which makes it fundamentally difficult to coordinate production and consumption activities. As Kirzner's theory shows, private entrepreneurs are precisely those who solve this coordination problem in the market sphere.

5.2.1. The market from the perspective of Austrian economics

Laurent Thévenot has pointed out that during the last decades the two antagonistic approaches to coordination—namely, economics and sociology—have (in spite of their differences) witnessed a similar movement, which consists in "an increasing attention given by authors to the cognitive and interpretive operations that agents must carry out in order to coordinate" (Thévenot 2006: 62).[77]

Now, one school of economic thought that did *not* need to register in this recent movement is Austrian economics, because it has *always* located the cognitive and interpretive operations of agents at the center of its attempts at explaining coordination. Austrian economics flowed out of the subjectivist tradition initiated in the late nineteenth century by Menger, Boehm-Bawerk and von Wieser:

> The early work of the Austrian School until the 1930s was correctly perceived as simply one variant of the dominant approach to economic understanding (often loosely referred to as "neoclassical"). But the work of Mises and Hayek from the 30s on, steered the Austrian tradition in a direction sharply different from that taken at that time by mainstream neoclassical microeconomics. (Kirzner 1997: 61)

The subjectivist tradition asserts that the value of commodities (and, therefore, prices) ultimately depends on individual subjective desires (preferences). The satisfaction of individual preferences is, for that approach, the criterion to assess the functioning of an economy: a rational economic order will be one that allocates resources so as to produce the commodities that individuals desire the most. One of the main differences between neoclassical and Austrian economics is the stance adopted as to the central problem of the availability of information on individual desires. As Hayek puts it:

> What is the problem we wish to solve when we try to construct a rational economic order? On certain familiar assumptions the answer is simple enough. *If* we possess all the relevant information, *if* we can start out from a given system of preferences and *if* we command complete knowledge of available means, the problem, which remains, is purely one of logic. That is, the answer to the question of what is the best use of the available means is implicit in our assumptions. The conditions which the solution of this optimum problem must satisfy

[77] The EoC, as we know, is an expression of this movement, one that locates coordination at the center of what has to be explained by social science.

> have been fully worked out and can be stated best in mathematical form: put at their briefest, they are that the marginal rates of substitution between any two commodities or factors must be the same in all their different uses. This, however, is emphatically *not* the economic problem which society faces. (...) The reason for this is that the "data" from which the economic calculus starts are never for the whole society "given" to a single mind that could work out the implications, and can never be so given. (Hayek 1945: 519, italics in the original)

The assumption of perfect information on preferences and technology allows standard neoclassical microeconomics to produce "models which seek to explain market phenomena as if they were, at each and every instant, strictly equilibrium phenomena" (Kirzner 1997: 61)· In addition, when uncertainty is postulated standard neoclassical microeconomics treats imperfect information as "known-to-be-available information which it is costly to produce" (Kirzner 1997: 65). The fact that unknown information is know to be unknown—and, therefore, known to be potentially available—makes it possible to postulate probability distributions and, therefore, to remain focused on equilibrium phenomena.

Austrian economics, on the contrary, is reluctant to assume away the cognitive problem in this manner: its "focus is upon what has been termed 'previously unthought-of knowledge' " (*ibid.*), or on *unknown ignorance*. [78] As a consequence, it is concerned not with equilibrium but with the equilibrating process: "competition is by its nature a dynamic process whose essential characteristics are assumed away by the assumptions underlying static analysis" (Hayek 1948: 94)

Kirzner's theory of entrepreneurial discovery is an answer to the question as to how the equilibrating process of market competition actually operates. Its starting point is the distinction between (*i*) *rational choice* as optimization at given ends and means and (*ii*) *human action,* as proposed by Mises (1949),

[78] This is somewhat similar to Frank Knight's well-known notion of "uncertainty," which is radical, as opposed to "risk," which can be probabilized.

which entails not only the rational use of means but also the very *perception* of ends and means. Ends and means, therefore, are not taken for granted. Human action thus characterized is, for Kirzner, the kind of action required in a context of unknown ignorance.

Put simply, in the eyes of the subjectivist tradition the economic order would be efficient if each firm knew both what consumers desire and the best technological means available to produce what they desire. Prices, as stated in Hayek's quotation above, summarize the available information about such elements—but such information can never be perfect: it cannot include unknown ignorance, i.e., ignorance related to the consumers' subjectivity.

The fact that some preferences are not known is what creates profit opportunities: the prices of commodities satisfying such preferences, once these commodities are produced, will for at least some time lie above competitive-equilibrium prices. The ability to discover previously unknown preferences, in turn, is not related in any way to rational choice but to what Kirzner (1986: 81) calls "alertness." This is a feature of human action, as conceived by Mises, and it is the distinctive feature of *entrepreneurship,* which in turn, is what explain profits as well.[79]

The entrepreneurial-discovery approach therefore asserts that the fundamental equilibrating (or coordinating) force in the market process is entrepreneurship, because it is what brings about the knowledge on preferences that lies at the root of rational resource allocation. [80] This approach lends a concrete formulation to Mises's conception of "the market as an

[79] Madison (1991) conceives of the individual competences involved in the Austrian notion of entrepreneurship as hermeneutic.

[80] An entrepreneur can, of course, make mistakes in generating that knowledge. To the extent that he does, the profit opportunities will remain open until another entrepreneur fills the gap.

entrepreneurially driven *process*" (Kirzner 1997: 67, italics in the original)[81].

Kirzner's vision of entrepreneurs differs from the one supported by Schumpeter. For the former, entrepreneurs are an *equilibrating* force because they produce knowledge on individual preferences which is needed to attain coordination, whereas for the latter entrepreneurs *alter* an already existing equilibrium by innovating on commodities and production processes. While Schumpeter's vision indeed captures an important feature of entrepreneurship—namely, innovation—for Kirzner (1986: 89) it misses the fundamental role of entrepreneurs in *coordination*: Schumpeter is concerned with development, while for Kirzner development is merely a particular case of the more general problem of coordination.

Kirzner (1986: 72-74) distinguishes two fundamental functions related to the life of firms. On the one hand, there is the entrepreneurial decision of allocating resources to produce particular commodities and not others in order to reap a profit (which involves the cognitive problem of knowing individual preferences). On the other hand, there is the managerial problem of organizing the firm so as to make efficient use of the means required to reach a given end. In terms of Boltanski and Thévenot's conventionalist EoM approach, the first one is a decision belonging to the market sphere (i.e., what the agent is going to sell), while the second one belongs to the industrial sphere (i.e., how to attain productive efficiency). This parallel gives us the input we needed in order to deepen our picture of weak ethicity in contemporary societies, which is the task we have set out to accomplish in this section.

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[81] The EoC provides a much more elaborated model of the coordinating process that gives place to the functioning of markets: the arising of quality conventions. Although the EoC approach is, in mi view, enormously better than Kirzner's theory, in ways that we do not need to analyze here, the entrepreneurial role as to coordination highlighted by Kirzner should be, so I think, accepted as correct.

5.2.2. The civic common good and the organization of production

Using the language of the EoM approach, we could say that contemporary capitalist societies differ as to the content of the common good associated with the civic sphere (the kind of rights in force) and, consequently, as to the relative importance of the market and the industrial spheres within the economic institutions.

This distinction gives us the opportunity to substantiate the claim, announced in Chapter 2, that the conceptual foundations of the EoC as a theory of economic institutions are stronger than those of the New Institutional Economics. Indeed, the connection between the civic sphere and economic institutions makes it possible to identify a collective agent—the State—that decides on the path of institution-building, or at least on who will be entitled to make the relevant decisions. Put differently, the EoC shows that institution building is constrained by *legitimacy requirements*. Moreover, it shows how these legitimacy requirements do constrain institutions (rules) in the civil (industrial and economic) sphere: the rules sustaining the functioning of economic institutions (which are institutional and prudential imperatives) perform that function on the basis of categorical imperatives coming from the civic sphere (enforcing-the-effectivity-of-rights imperatives), without which those rules will collapse.

A comparison between the United States and France, in the words of Laurent Thévenot, clearly illustrates some relevant differences between contemporary societies as to the "mix" of civic, market, and industrial magnitudes:

> ... [T]he objective of equality that characterizes the civic common good looks different in the United States than in France. This can be seen through the respective weights of both juridical systems and social policies. In the United States emphasis is put both on individual rights and on the struggle against discrimination, more than on the means of a social solidarity correcting inequalities (...). In France, (...) more weight is put on redistribution through social policy. (...) [T]he main place occupied by the American apparatus on individual rights participates of the compromise established between the civic good

> and the market common good. The result is a relative weakness of criticisms on the abusive extension of the market good and its dominant character. (...) [T]he market good is called upon to oppose racism and promote, indirectly, a common dignity of human beings. In France, on the contrary, social movements stand against inequalities created by the market. (...). The more solid compromise used to link in France both the civic good and industrial efficiency, with the help of public services, before the competitive imperative was put in a predominant position by successive governments, from the left and from the right, receiving the support of an European construction strategically oriented towards the common good of the market. (Thévenot 2006: 223-4)

Individual preferences (i.e., desires which, as we saw in Chapter 2, motivate prudential imperatives) are constrained, in the first place, by categorical imperatives related to individual autonomy, i.e., by imperatives enforcing the effectivity of civil rights. But beyond civil rights, preferences may also be harmful to social rights aiming to produce substantial individual equality. Put differently, the individual behavior based on prudential imperatives (hence on preferences) may differ according to what rights, coming from the civic sphere, are being protected by categorical imperatives.

The previous reasoning can be stated as a proposition: *The content of equality involved in the common good of the civic sphere (rights) determines whether individual preferences (or at least some of them) expressed in behavior can be decided-on more or less privately, or, put differently, are more or less constrained by rights-enforcing categorical imperatives.*

If, on the one hand, the general will of the civic sphere is mainly focused on formal civil rights, most preferences will be privately decided on, which is the case in the United States. If, on the other hand, the civic sphere gives place to a broad extent of social rights, like it is (or it used to be) the case in France, the provision of some commodities—e.g., education, medical care, basic feeding, housing, among many others—will be organized on the basis of egalitarian objectives, thereby overriding differences in individual preferences. Individual self-identifications with solidarity values (social rights), in turn, may bring about a *convergence* of preferences toward egalitarian consumption as to those commodities, thereby providing legitimacy for centralized decisions concerning income redistribution and commodity provision. Such a convergence, of course, must be indeed the case if the civic sphere is supposed to function on the basis of democratic rules, that is to say, if the general will has produced democracy-promoting political rights, because otherwise citizens will dismantle the system of social rights effectivization (along with these very rights, as it has been the case when the referred to above convergence is reversed).

Both situations entail different knowledge requirements for the efficient organization of productive activities, particularly knowledge on preferences. In the first case, preferences (demands) are, in principle, unknown, while in the second case they are partially known since they are (some of them) collectively decided on. Differences in the structure of the organization of productive activities, in turn, will depend on what kind of demand each structure is able to satisfy: a structure based on a compromise between a civic common good associated with civil rights and a market common good (let us call it compromise A) is better suited to satisfy privately-decided-on preferences (an army of decentralized private entrepreneurs, so to speak, is better suited to find out privately-decided-on individual preferences than a centralized government, for reasons well understood by the economics of asymmetric information), while a structure based on a compromise between a civic common good entailing social rights and an industrial common good (compromise B) is better suited to satisfy collectively.-decided-on preferences. [82]

[82] The "Austrian" conception of preferences is that the categorical imperative of individual freedom (a civil right) necessarily leads to the individual right of privately deciding on one's preferences; put differently, they conceive social rights as somehow illegitimate because they may harm civil rights. In doing that, they seem not to admit that the

Regarding ultimate responsibility for commodity provision, both situations are also different. In the case of compromise A, responsibility for production (i.e., for the provision of commodities) ultimately falls on private entrepreneurs, while in the case of compromise B it ultimately falls on State officials. Thus, how is the fulfillment of responsibilities enforced in each case? [83] In compromise A, the incentive to fulfill the responsibility for provision is provided by profits, i.e., by wealth acquisition. In compromise B, in turn, the incentive for fulfillment is provided by the voluntary adoption of the "citizen" magnitude in the form of State official. [84]

The result can be summarized in terms of two alternative coordinating situations. Coordination A is coordination between individualistic agents, in the sense that everyone is trying to satisfy preferences chosen individually—including, in the case of the entrepreneur, the preference for wealth acquisition. Coordination B is coordination between agents whose preferences are, in part, chosen collectively—including, in the case of State officials, the "preference" to fulfill the responsibility for commodity provision (which is, in fact, a categorical imperative flowing from the very status of State official).

Any modern capitalist society can be seen as a mixture of these two mechanisms (called here "coordination A" and "coordination B"), but we are going to argue in the next section that coordination A—namely, the kind of coordination determining the capitalist character of the society (a society where individuals are allowed to accumulate private wealth)—also determines a fundamental feature of capitalism, one which impedes social control over aggregate social phenomena: the feature of *spontaneous growth*.

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scope assigned to civil rights is collectively decided on the same basis as the content of social rights: in the civic sphere.

83 The compliance with such a responsibility entails, at least in the case of compromise A, the production of knowledge about individual preferences—which is the kind of things an entrepreneur does.

84 It is implicitly assumed that the law by itself does not guarantee full enforcement.

5.2.3. The connection between the market sphere and differentiation

On the basis of the previous discussion, we can derive the following proposition: *The role of entrepreneurship in weak-ethicity societies becomes more important for coordination as the civic common good shifts from social rights to formal civil rights.* The reason, as we have seen, is that entrepreneurs, by definition, are those individuals who perform the task of "discovering" individual preferences so as to produce the commodities involved in these preferences, and all of that with the sole aim of obtaining a profit, i.e., of becoming wealthy (or wealthier). To do this is, in fact, the only way of reaping profits. In this sense the market sphere can be considered as a social institution, which organizes the task of satisfying individual preferences (production) in such a way that performing that task becomes a means to acquire private wealth.

Let me now provide an alternative characterization of the desire for differentiation, one that will be helpful in order to link the existence of the market sphere to differentiation-based recognition. *Differentiation-seeking individuals are unable to transcend their desires*, i.e., once a differentiation-seeking individual desires something, this desire can be overcome only in two ways: either the desire is satisfied, or the individual can get something he or she considers to be even better. To better understand this proposition, let me offer a basic characterization of what differentiation means.

Individual differentiation entails that the individual entity (the identity), as recognized by others, must grow *externally*. More precisely, to become different for the sake of getting recognition is equivalent to expanding the individual entity within the social domain, where everything has a meaning from a common-good perspective. Therefore, the differentiation-seeking individual, with the help of the external mind, is bound to be completely strategically focused on the external world, with the aim of becoming its *owner*. Put differently, the basic motive of the ego is to possess everything that is not yet part of it. Naturally therefore, the ego's basic attitude with respect to the external world is one of *desiring*: *to desire something means to want to become the owner of it*. So the desire for differentiation, as the basic motivation of life, necessarily leads to the complete dependence on desires or, to put in another way, to a *desiring existence*.

Following this definition of desire, *wealth* can be defined as the conventional social creation capable of satisfying any desire an individual may have. Therefore, *wealth acquisition is the paradigmatic social activity performed by individuals inspired by the desire for differentiation* and poverty is, so to speak, a guarantee of getting under-recognition.

Privately chosen preferences, i.e., desires, and the quest for private wealth so as to be able to satisfy any desire, thereby getting what could be termed *absolute differentiation-based recognition*, are the two poles whose interplay sets in motion the functioning of the market sphere. *The market sphere is therefore the one that directly connects the rules of society with the individual identity based on the desire for differentiation*. Its legitimacy, which it is granted in the civic sphere—as is (at least implicitly) the case for any social rule—stems from the fact that differentiation-based recognition is not only the motivation of entrepreneurs but is, in fact, the main motivation of *any* individual whose consciousness is located in the external mind. This is why citizens legitimize the market sphere in the civic sphere, and it is also why entrepreneurs can get wealthy—namely, because if they are smart and creative in the area of marketing they can always have "customers," i.e., individuals whose desires for certain commodities are bound to increase rather than to diminish.

We have thus provided a more concrete specification of the statement made in section 3.5 above, according to which differentiation leads to a rigidity of preferences: differentiation-seeking individuals are desiring entities and are therefore bound to become—if they are able and have the means—increasingly intense consumers, populating a fundamentally growing market sphere which enters a crisis only when there are coordination failures. Whenever a significant part of the population is inspired by the desire for differentiation, the market sphere receives legitimacy from the civic sphere and it becomes very dynamic, thereby providing opportunities for wealth acquisition, which reinforces the desire for differentiation by making its satisfaction more probable on average (though impossible for all).

There is therefore a crucial question as to whether contemporary weak-ethicity (capitalist) societies can actually offer the hope for generalized well-being, i.e., for a full effectivity of rights. Assuming that, as a matter of fact, individual identifications with private desires are bound to impoverish the content of civic solidarity, i.e., are bound to jeopardize the effectivity and the legitimacy of social rights, how can we explain the very existence of social rights in a society where the "freedom" to privately choose one's own preferences is a common value?

The answer I want to suggest is the following. Civic solidarity is not a categorical imperative inherent in the existence of the civic sphere,[85] but an *emergence* of subjective equality not well understood within the civic tradition initiated by Rousseau: individuals properly inspired by subjective equality, acting as citizens in the civic sphere, would arguably eliminate the market sphere—perhaps keeping up some market practices under broader categorical imperatives for the sake of local coordination—and build a different normative collective space, since under subjective equality differentiation no longer makes any sense.

This ill-understood subjective equality would have had the ability to promote a civic common good aiming to give substantive content to social equality through social rights, but it did not reach the ground where the fundamental individual choice, which determines what kind of ethicity is going to be

[85] Autonomous individuals living within the normative space created by the civic sphere can legitimately choose to privately decide on their preferences, and afterwards behave according to this choice.

built, is really made—the choice between either looking for differentiation-based recognition or adopting a path of ethical self-discovery. It was as if putting equality into rights was supposed to shield individuals from the task of effectively building objective equality.

Put differently, *equality needs to be individually and consciously subjective before it is able, as it were, to become socially objective*. Otherwise it will be a misleading and ultimately self-defeating hope, embodied in rights whose implementation is bound to be incomplete at best, because in the social domain enough individuals are constantly engaged wealth-seeking activities. Such activities, as will be argued in the next section, are bound to undermine any attempt at putting aggregate social outcomes (such as, for instance, objective equality) under collective control.

This implies that someone can *claim* to be sustaining values of civic solidarity and to be behaving according to them, while nevertheless almost unconsciously honoring the desire for differentiation. This ambiguity, if it is not completely overcome by adopting the path of ethical self-discovery, may actually lead some individuals to eventually abandon civic solidarity as meaningless—not because they reject it but because they *de facto* experience it as an illusory ideal. From a collective perspective, because of this fundamental ambiguity in the commitments of individuals who have not yet attained radical recognitive symmetry, *civic solidarity not grounded in subjective equality is bound to be contingent*, i.e., it will fluctuate according to relatively short-lived cultural patterns—namely, notions of the common good which provide the framework to seek constant differentiation.

Consequently, *unless enough individuals choose the path of ethical self-discovery, our societies are bound to revolve around a weak ethicity related to a market common good and rooted in the binding (and blinding) power of the unquestioned desire for differentiation-based recognition*. The relevant consequence, for our purposes, is that aggregate social outcomes will always remain out of control. This conclusion, which can be viewed as the basic result of this chapter, is going to be justified in the next section through an analysis of the possibilities of tackling so-called global complex problems both in weak-ethicity and in strong-ethicity societies. The key element of the analysis, as announced at the beginning of the chapter, is free riding in cooperative situations.

5.3. Tackling global complex socioeconomic problems

5.3.1. Weak ethicity and global complex socioeconomic problems

The interplay between the quest for wealth by entrepreneurs and the desire for unconstrained consumption by everyone is the fundamental driving force responsible for capitalist economic growth—indeed, an extremely powerful driving force. We have seen, however, that things are not that simple: for such an interplay to be possible and also efficient, other contributions are needed, including fundamentally that of the common good of the civic sphere, which in the first place entails *social peace* attained through the generalization of the *ethos* of legitimacy, based on the recognition and implementation of equality between individuals through rights. It is the civic sphere, in fact, which gives legitimacy to the very existence of the market sphere: differentiation-seeking individuals are the same in both spheres. Starting from this simplified but truthful picture of contemporary societies, I am going to offer a set of propositions centered around a few urgent socioeconomic issues we are collectively facing at this time.

Let us define *spontaneous growth* as economic growth based on the production of any conceivable commodity, which takes place provided both that production is feasible and that enough individuals desire the commodity, so that the producer can expect to make profits by producing it. On the basis of the arguments put forward in section 5.2, we can offer the following statement:

Proposition 1. *In spite of the essential role played by the civic sphere in the explanation of economic growth, what ultimately determines the fundamental feature of modern economic growth is the private authority on preferences, according to the principle of the market sphere (i.e., the satisfaction of desires). Economic growth can therefore be qualified as spontaneous.*

Next, we can define a *global complex socioeconomic phenomenon* as an aggregate outcome brought about by decentralized consumption and production decisions taken under conditions of imperfect and incomplete information by a huge number of individuals in society. (In the case of the globalized capitalist economy, such decisions are taken by agents all over the planet.) Some of the main problems of contemporary societies are global complex socioeconomic phenomena, including inequality and poverty, environmental problems, potential shortage of basic resources (for instance, water, land and sources of energy), global financial crisis, and so on. We can call them global complex *problems*. The definition of a global complex problem will be provided in the next sub-section.

Individual contributions to the mastering of a global complex socioeconomic phenomenon, entailing a shift in individual consumption or production patterns, are bound to be marginal. This is part and parcel of complexity as understood by contemporary science; the level of complexity involved in global complex phenomena obviously precludes design. [86] In addition, as long as consumption patterns "reveal" individual preferences, there will be an incentive to deviate from the cooperative profile aiming to modified a global complex phenomenon once it is attained, i.e., the situation involved in mastering a global complex phenomenon is basically that of an *n*-player Prisoners' Dilemma. We can therefore advance the following claim:

[86] See, for instance, Auyang (1998).

Proposition 2. *The mastering of global complex socioeconomic phenomena entails collective action problems: solutions are public goods. Complexity implies that solutions cannot be attained by the provision of private incentives through mechanism design.*

Now, entrepreneurs, who seek private wealth acquisition, are by definition concerned with individual profits, not with aggregate outcomes. Therefore:

Proposition 3. *Global complex socioeconomic phenomena are not included in profit functions, that is to say, are not considered in entrepreneurial decisions..*

The law, in addition, is not a sufficient basis to enforce behavior, a fact that becomes more accurate insofar as enforcement of the kind of behavior involved in mastering a global complex socioeconomic phenomenon must take place across large socioeconomic entities, in some cases even the entire world. This leads to the following insight:

Proposition 4. *Complexity and individual autonomy rule out the implementation of solutions to global complex problems by legal coercion: State prohibitions on productive activities will be ineffective to the extent that these activities are in demand (i.e., parallel markets are bound to arise).*

As long as weak ethicity entails the coordination between significant consumption and production activities on the basis of the common good of the market sphere, economic growth will necessarily be spontaneous and, therefore, global complex phenomena will be out of control. The consequence is the impossibility of tackling global complex problems under this kind of weak ethicity:

Proposition 5. *Weak ethicity, as characterized in the previous section, is unable to solve global complex problems. Moreover, it is what have caused them.*

A question now forces itself upon us: how can we in fact tackle global complex problems? In the next subsection I will address the theoretical solution provided by strong ethicity.

5.3.2. Fully realized recognizers and global complex problems

To start with, let us define a global complex problem. A global complex socioeconomic phenomenon is a *global complex problem* if its occurrence prevents the effectivity of the rights in force (which flow from the civic sphere), i.e., if it is harmful for the well-being of some individuals, assuming that a minimal measure of well-being is provided precisely by the effectivity of the rights in force.

Now, let us summarize the conclusion of the previous subsection: implementing a solution to a global complex problem entails solving a collective-action problem. If the structure of the collective-action situation is that of the *n*-player prisoners' dilemma, the problem is not solvable due to complexity. With this conclusion in mind we are now going to argue that strong ethicity is a *necessary* condition for finding a solution to a global complex problem.

It will be helpful for our purposes to characterize the structure of the collective-action situation involved in solving a global complex problem in terms of the basic structure of society, i.e., in terms of the civic, industrial, and market spheres. The correspondence between these two structures is the following: the civic sphere is the place where solutions are selected; the civil sphere (the interplay between the industrial and market spheres) is the place where these solutions are implemented. In the civic sphere citizens deliberate (i.e., communicate with one another) in order to identify the problem (which is an aggregate social phenomenon harming the rights in force) and to find a solution to be implemented in the civil sphere. The solution could be, in principle, a mechanism designed with the aim of aligning private incentives in the civil sphere with the behavior required to solve the problem. Or it could be a coercive mechanism intended to prohibit the behavior that produces the problem.

However, when it comes to global complex problems these two possibilities do not really exist, as we have already seen. Therefore, we can conclude that *the civic sphere is unable to implement solutions to global complex problems when the structure of the collective action situation in the civil sphere is that of the* n*-player prisoners' dilemma*. Put differently, in these circumstances communication between agents works well in the civic sphere, but does not work at all in the civil one. Let us see more clearly why this is the case.

In the civic sphere it is common knowledge that everyone assigns priority to the promotion of rights, and therefore communication can take place because everyone agrees at the outset on the kinds of arguments than can be put forward. In the civil sphere, on the contrary, individuals are not mostly interested in the effectivity of rights but in getting differentiation-based recognition (i.e., wealth in particular). As a consequence, there are no shared objectives capable of sustaining communication. Thus communication, which is the fundamental tool for reaching agreements used in the civic sphere, is not a tool at all in the civil one. It follows that irrespective of the efforts conducted by citizens in the civic sphere, aggregate social phenomena will remain out of control in the civil one.

The reason for the ineffectiveness of communication in the civil sphere can be seen from another perspective: in that sphere individuals significantly behave according to prudential imperatives[87] (i.e., on the basis of desires), which gives rise to what we have called narrow normativity in Chapter 3—namely, the kind of normativity that does not entail a normative collective space because the behavior it induces is free

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[87] They also follow institutional imperatives, mainly in the industrial sphere.

from the demand for justification.[88] This is a way of characterizing the fundamental feature which undermines the provision of public goods in the *n*-player prisoners' dilemma: *free riding*.

The preceding developments allow us to better circumscribe what is involved in providing a solution to global complex problems: what is needed is a change in the structure of the collective-action situation in the civil sphere, a change leading to the effectiveness of the deliberative process (i.e., of the communication) that takes place in the civic sphere. On the basis of the findings of Chapter 4, this change should be the following. *The game in the civil sphere must become a coordination game instead of an* n*-player prisoners' dilemma*.

Here lies the relevant difference between differentiation-seeking individuals and fully realized recognizers: while it is impossible to coordinate towards the generalized satisfaction of differentiation-based recognition, it is perfectly conceivable that coordination will arise between individuals whose life-purpose includes care for the effectivity of rights. Put differently, while differentiation-seeking individuals do not behave as citizens in the civil sphere, fully realized recognizers are always citizens, i.e., promoters of the general will embodied in rights. Thus, *under strong ethicity the whole society becomes a kind of civic sphere*, in which no behavior can contradict the effectivity of the general will.

The necessity of strong ethicity for the implementation of a solution to a global complex problem can be made apparent by analyzing what is involved in the change of the game-structure from a cooperative situation to a coordination one. Preferences in the *n*-player prisoners' dilemma are such that while aggregate satisfaction is maximal when the public good

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88 We saw in Chapter 3 that the existence of such a narrowly normative horizon of behavior presupposes the existence of a normative collective space. In the present context this statement could be formulated in a different way: individuals are allowed to behave according to prudential imperatives within the market sphere on the basis of the legitimacy granted to it by the civic sphere.

is provided (i.e., when the solution to a global complex problem is attained), wealth considerations lead each individual to prefer not to contribute to the provision of the public good (i.e., not to carry the personal cost of provision): the result, of course, is free riding and, in the end, no provision at all—unless social control, as defined in Chapter 4, is feasible. In the coordination situation, on the contrary, the only satisfactory result for everyone is public good provision: no individual considerations intervene because deviations from the coordinating behavior do not improve individual payoffs.

The following consequence of the previous argument is straightforward: in order for the change of the game-structure to obtain, individual preferences must be completely flexible, up to the point that individual "desires" must be decided-on (chosen) on the basis of their contribution to the solution to global complex problems; any kind of rigidity of individual preferences (any dependence on desires) would make it impossible the arising of the coordination game-structure. In other words, the rigidity of preferences must be transcended in order for the changing in the game-structure to obtain. As a consequence of such transcendence, the individual rule of behavior becomes to voluntarily follow the categorical imperative of ensuring the effectivity of rights decided-on in the civic sphere, instead of following prudential imperatives deductively arrived to on the basis of desires.

The necessity argument can be justified, finally, by pointing out that assigning priority to the effectivity of rights over the satisfaction of one's own desires amounts to moving from differentiation-based recognition to subjective equality (hence radical recognitive symmetry) as the basic motivation of one's life. In other words, the change of the game-structure can only take place under strong ethicity.

Before closing this subsection it is necessary to acknowledge that we have not demonstrated, of course, the *sufficiency* of strong ethicity when it comes to the implementation of solutions to global complex problems. However, I would like to make two comments in favor of the plausibility of a sufficiency argument.

In the first place, the information required to implement a solution to a global complex problem under strong ethicity is considerably reduced with respect what it is under weak ethicity. Indeed, under strong ethicity individual "preferences" concerning socioeconomic issues (including individual preferences on consumption bundles) converge towards the fulfillment of the rights that flow from the civic sphere—rights which are, of course, common knowledge. This very fact entails a considerable reduction in social complexity, something that goes in the direction of facilitating the communicative implementation of solutions to global complex problems.

In the second place, political entrepreneurship, that is to say, the activity aimed to ensure the effectivity of the general will, becomes much more easier in strong ethicity than in weak ethicity, because individuals in the civil sphere also behave as citizen, namely, as promoters of rights. The consequence is that the principal-agent problem in political entrepreneurship does not exist any more. This fact can also be considered as a significant reduction of social complexity, and, therefore, as another contribution to the plausibility of the sufficiency condition.

I think we now have enough elements in favor of the plausibility of the claim made in the closing section of Part I of this essay—namely, that the ability of strong ethicity to solve relevant socioeconomic problems through its collective-action implications (a fact that confers relevance to our philosophy of economics) is a byproduct of the fundamental change in individual consciousness involved in the transcendence of the ego.

This means we can also provide a new definition of social complexity*: social complexity is the social situation in which aggregate outcomes cannot be put under control; it is produced by the interaction of individuals functioning at the level of the external mind (the ego)*; *the reason why the interaction of individuals of this kind produces social* *complexity is that their basic motivations are not susceptible of producing a shared objective underlying the whole interaction: each one wants to get differentiation-based recognition, what ultimately amounts to stand above the others.*

In the next (and also last) section, we will briefly conduct an analysis of the reverse issue—namely, the way in which the fact of living in weak-ethicity societies makes it rather difficult to adopt the path of ethical self-discovery.

5.4. Weak ethicity and the transcendence of the ego

The basic conception of human beings put forward at the end of Part I was that consciousness is made of two parts—namely, the external mind and the deep mind. According to this conception, contemporary human identity is one in which consciousness "moves" only in the external mind, i.e., adopts the structure and the focus of the external mind which is entirely oriented towards the mastering of the external world. The philosophy of economics that we are trying to build is based on this twofold structure, and on the expansion of individual consciousness involved in the discovery of the deep mind, along with the consequences of this expansion.

Another fundamental ingredient of our conception of human beings is that an authentic—not purely conventional—answer to the questions "What are we?" and "Who are we?" can only by provided by the deep mind. Moreover, this answer is such that the distance between the one who asks the question and the one who provides the answer disappears: the individual *becomes* the deep mind, and out of this transformation (or expansion) in consciousness arise a sense of identity that is beyond identifications (i.e., beyond thinking) and a life-purpose (or way of being) that is self-evident beyond judgment (i.e., beyond good and evil).

The first movement of this huge transformation of consciousness is what we called "awakening": there arises in consciousness a sensitive awareness of the existence of something meaningful inside oneself—the deep mind. This first occurrence is a necessary condition for the adoption of the path of ethical self-discovery.

The second step in the transformation of consciousness—namely, actually walking the path of ethical self-discovery—could be characterized as the dismantling of the identifications built by the external mind and the abandonment of one's self to the guidance of the deep mind, up to the point where the deep mind actually takes the control of the individual's life, thereby completing the transformation of consciousness. This completion is what provides the sense of identity and the life-purpose associated with subjective equality and radical recognitive symmetry.

I think this characterization of the transcendence of the ego suffices to make apparent the difficulties involved in it. It is certainly no easy task. Can the transcendence of the ego be made compatible with living in weak-ethicity societies? To get a better grasp of the issues involved, it is helpful to characterize the transcendence process on the basis of the following distinction: at the level of the external mind, the individual is completely focused on the external world, from which his or her sense of identity and the meaning of his or her life are derived; at the level of the deep mind, instead, the individual is mainly focused on the inner world, which in fact provides the meaning not only of the individual, but of the whole external world, so that the individual does not need to control anything in the external world—which is the basis for the abandonment of making judgments on oneself and on others.

Now, in the eyes of the individual whose consciousness is located in the external mind, the external world is nowadays precisely the social world structured in terms of weak ethicity. Thus, one way to address the problem of the influence of weak ethicity on the possibility both of the awakening and of the adoption of the path of ethical self-discovery could be to raise the following question: to what extent does the external world constitute a "trap" impeding consciousness from going beyond the external mind, i.e., beyond strategic thinking and behavior oriented towards the possessive appropriation of the world? This *liberation* of consciousness from the external mind is the only way to get *inner peace* and *unmotivated joy*. I believe this idea can actually be offered as an alternative definition of individual realization. Indeed, as argued in Part I, the activity of the external mind is bound to fall short of what is involved in the proper and authentic satisfaction of the desire for recognition. *Recognition, properly understood, amounts to becoming what we really are, not what we think we are.*

But then, is weak ethicity a trap that imprisons consciousness in the external mind? The answer, I think, should be structured in two levels. At the deeper level, there is nothing in the external world that could prevent consciousness from reaching the deep mind because the deep mind is, in a significant sense, *truer* than the external world from the perspective of an individual's ultimate identity. Therefore, if we assume that the deepest and often unconscious aim of individuals is to discover this ultimate identity (i.e., to attain recognition, properly understood), it follows that nothing can impede "forever" the transcendence of the ego.

At a more external level, however, the answer would not be so conclusive. The fact that the transcendence of the ego is *not externally self-evident* raises very important issues from the perspective of the present essay. Before going into a speculative exercise of thinking about one possible connection between the functioning of weak ethicity and the adoption of the path of ethical self-discovery, I need to point out that the issue at hand cannot be settled in any conclusive way because along the path of ethical self-discovery the deep mind gradually takes control of individual life, and the activity of the deep mind will, in the present essay, remain a *mystery* because it cannot be fully translated into terms which the external mind can accept.

We have already said that the entity motivated by the desire for differentiation (the ego) is bound to have a desiring existence. This entails the following claim: an individual living as a desiring entity for the sake of attaining differentiation-based recognition is trapped into a situation potentially leading to what could be termed *existential anguish*. Let me justify this claim.

As was argued in Chapter 3, differentiation-based recognition is always in danger of being reversed, i.e., the situation that leads to differentiation-based recognition is always threatened by the activity of other people seeking to occupy the same place. (There are, by definition, fewer places up for differentiation-based recognition than there are people hunting for them.) Put differently, a differentiation-seeking individual is condemned to live within a kind of permanent *competition* with others. This leads agents to experience life as *precarious*, in the sense that the main source of satisfaction—differentiation-based recognition—is never secured. Existential anguish follows naturally from such a situation.

This leads directly to the main argument of the present line of reasoning. Adopting the path of ethical self-discovery requires the development of a deep confidence concerning the real possibility of a peaceful and joyful existence guided by the deep mind. On the contrary, the domain in which the ego lives points in the direction of a precarious existence always requiring the deployment of huge amounts of energy in order not to lose whatever had been previously acquired—a fact that may lead to a feeling of existential anguish. And this implies the following speculative statement: *The more intense the feeling of existential anguish coming from the precariousness of life under weak ethicity, the stronger must be the confidence conferred by the deep feelings in order to keep travelling the path of ethical self-discovery*. The upshot of the argument would be that the weaker the ethicity structuring social life, the lower the probability of individual agents embarking on the path of ethical self-discovery. This conclusion, however, does not take into account the activity of the deep mind or, for that matter, the activity of the unconscious side of the mind.[89] That is why it is merely speculative speculative at this stage.

What we can indeed conclude in order to warp up this subsection, and this whole essay as well, is that the adoption of the path of ethical self-discovery—apart from the fact that it may lead to a very long process involving a lot of "back and forth"—constitutes such an important personal decision that theorizing about it would amount to illegitimately usurping a place that can only be occupied by each one of us individually, one by one, in radical freedom, in our "heart of hearts." Ultimately, the entire theoretical proposal I have tried to make plausible in this work depends on this very personal and intimate decision on the part of each reader. Social science, and economic analysis in particular, can help a personal ethic take shape but it cannot be a substitute for it.

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[89] Arnsperger (2005) presents a very deep analysis relating unconscious individual motives to the functioning of capitalism.

Chapter 6
Weak ethicity, strong ethicity, and institutions

6.1. Introduction

In Part I of this essay I presented the notion of strong ethicity as defining the kind of society that would allow for the realization of true individual identities. I also presented the individual foundations of strong ethicity, i.e., a conception of individuals justifying the claim that strong ethicity entails precisely the realization of true individual identities. In contrast with strong ethicity, weak ethicity was defined as the social structure in which individuals are not aware of their true identities.

Our philosophy of economics, as was also made explicit in Part I, is based on a Hegelian conception of social order and identity, one that I formulated on the basis of the Hegelian approaches developed by three contemporary philosophers: Robert Brandom, Charles Taylor, and Axel Honneth. I claimed, moreover, that the Economics of Conventions (EoC), and in particular its political-philosophical brand, the Economies of Magnitude (EoM), fits quite well with this Hegelian conception of social order and identity, which led us to the insight that the EoM can in fact be considered as fundamentally Hegelian.

In Part II I addressed the problem of collective action, with the aim of showing that strong ethicity is a necessary condition to solve some collective action problems (so-called global complex problems)—problems which, in turn, as also shown in Part II, result from the functioning of societies structured in terms of weak ethicity. Our strategy to justify the necessity claim was to translate the free-riding problem featuring those collective-action situations into the categories of our conception of modern individual identity, and then to show, with the help of game-theoretical tools, that the generalized change of individual identity required to eliminate free-riding behavior will, by the same token, give rise to strong ethicity.

To carry out this translation of the free-riding problem into our conception of modern individual identity, I established a correspondence between the two forms of respect constituting modern identity—namely, (*i*) the recognition of individual autonomy and moral responsibility, as defined by the rights associated to citizenship, and (*ii*) the social recognition of individuality in the civil world—and the spheres of the EoM model constituting the basic structure of society: the civic, market, and industrial spheres. This correspondence between the two forms of respect and some spheres of the EoM lends more precise content to the statement that the EoM can be considered as Hegelian in nature.

However, by establishing such a correspondence, what I did in fact was to translate *only* the notion of *weak* ethicity into the categories of the EoM. (Below I will provide below some additional elements in favour of this claim.) What I did not provide was an institutional representation of *strong* ethicity, apart from the fact that we know that under strong ethicity the *principle of difference* (axiom a2 of the EoM model) no longer holds.

At first sight, therefore, the task for the present chapter might simply be to determine what kind of institutions would allow individuals who have attained radical recognitive symmetry to coordinate in order to implement, in the civil world, the effectivity of individual rights as established in the civic sphere of society. If we are to fully justify the Hegelian character of the EoM model, we would also need to describe the institutions structuring the civil world of strong ethicity, on the basis of categories belonging to the EoM model.

However, the preceding discussion raises important issues that deserve a much more careful elaboration. As we shall see, this elaboration will allow us to make explicit three aspects of our thesis that have not been clarified so far: (*a*) the EoM model is in fact not strictly Hegelian; (*b*) our philosophy of economics entails a social project whose main feature is not Hegelian, either; and (*c*) this project compels our philosophy of economics to distance itself from the EoM model as well—but it is a distancing "from within," so to speak.

This chapter, while discussing the institutions of strong ethicity, will also be devoted to arguing in favor of the three above statements. In order to perform these tasks, we will first formulate the Hegelian vision that underlies our philosophy of economics in the form of a model constituted by the following five elements.

First, a fundamental feature of the Hegelian vision, which I will call (E1), is the Hegelian conception of self-consciousness (identity). Following Brandom (2007), this conception says that individual identities are constituted by the things individuals identify with, particularly the things the individual desires to keep so much that he or she is willing to sacrifice something for them. These identifications—the process of identity building—are motivated by a fundamental desire: the desire for recognition. This fact, in turn, entails that the things constituting individual identities must have a common-good character, because otherwise they would not lead to the satisfaction of the desire for recognition (i.e., they would not elicit recognition on the part of other individuals).

Second, to the extent that we assume—in Hegelian fashion—that the basic motivation underlying the building of individual identities is the desire for recognition, the following conclusion imposes itself: "… what is most important for man can only be attained in relation to the public life of a community, not in the private self-definition of the alienated individual" (Taylor 1979: 93) [90]. Let us call this element (E2). In addition, the "public life of the community" to which Taylor is referring constitutes a normative space, because recognition entails a normative attitude, a judgement.

Third, partially following Honneth (1992), I have characterized modern individual identity as constituted by two forms of respect: (*i*) the generalized recognition of autonomy and moral responsibility through rights and (*ii*) the social recognition of individuality in the civil world. Out of this twofold composition of the modern identity, I have claimed that in modern societies the desire for recognition may acquire a specific content: the desire for differentiation. This claim will be termed (E3).

The fourth element, (E4), is the second proposition of Charles Taylor to which I referred in Chapter 2, which says that "this community [the one in which what is important for man can only be attained in relation to the public life] must not be a merely partial one. (…) It must be coterminous with the minimum self-sufficient human reality, the state" (Taylor 1987: 93).

Finally, the fifth element, (E5), is Taylor's third proposition: "the public life of the state has this crucial importance for men because the norms and ideas it expresses are not just human inventions. On the contrary, the state expresses the Idea, the ontological structure of things" (*ibid.*).

These five elements taken together summarize the Hegelian vision that I have used as the starting point of my philosophy of economics. They constitute in fact a particular Hegelian vision—one that flows, as already said, from the developments offered by three contemporary philosophers. Thus the epithet "Hegelian" included in the statements I am trying to justify should be understood as referring to this particular vision. The generalization of those statements to Hegel's philosophy itself would require a deeper philosophical investigation than

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[90] Recall that this is the first of the three propositions through which Taylor (1987) summarizes the Hegelian conception of ethicity.

what the scope of the present thesis makes possible. Such an investigation is part of the future tasks that would be required in order to develop and to deepen the results of this essay.

The first three elements of the Hegelian vision combine easily to make sense of the notion of weak ethicity. Indeed, weak ethicity describes the kind of society where individuals are motivated by the desire for differentiation which, therefore, involves elements (E1) and (E3). These individuals, for this very reason, are bound to participate in the public life of the community by identifying themselves with things commonly assessed as common goods, so as to reap recognition for their differentiated character as individuals—which is element (E2).

The notion of weak ethicity thus structured can be further characterized on the basis of elements taken from the EoM model. The specific role of the EoM model in this characterization can be made apparent by raising the following question: How do these common goods become suitable to be constitutive of individual identities? The answer provided by the EoM model is that they are *conventional* common goods which become operational within the process of individual identities' formation, i.e., are commonly assessed as socially valuable by the fact of being structured within certain spheres as *superior common principles*.

To the extent that elements (E1), (E2) and (E3) can be accommodated within the axioms of the spheres approach of the EoM model, we can justify the claim concerning the (partial) Hegelian character of the EoM model. In this respect, I suggest that element (E3) corresponds to axioms (a1), (a2), and (a3) of the EoM model, that element (E1) can be provisionally assimilated to axiom (a4), and, finally, that element (E2) reflects, in a rather abstract way, axioms (a5) and (a6). The fact that (E2) reflects these two axioms only abstractly makes it clear that the EoM model is not just another way of saying something that was already present in the Hegelian vision but, instead, that it is a substantive contribution to such a vision from a sociological, or for that matter, from an institutional perspective. The connection between element (E1) and axiom (a4) will be discussed further down in this chapter.

We now have a simplified version of the connection between weak ethicity and the EoM model: modern individual identity, as conceived within the Hegelian vision, fits quite well into the EoM model, while the latter makes a substantive contribution to the understanding of how the "community" provides the common goods constitutive of agents' identity.

Elements (E4) and (E5) are, of course, integral parts of the Hegelian conception of social order and identity. In Hegel, however, these two elements are part of a single stance according to which the importance of the state for individuals comes from the fact that it expresses "the Idea, the ontological structure of things." In this vision, once individuals realize this fact, they usher in the *realization of ethicity*, i.e., the situation in which individuals consciously identify themselves with the rules of society, thereby realizing themselves as individuals, precisely *because* these rules reflect "the Idea, the ontological structures of things."

The EoM model and the Economics of Conventions, of course, are quite far removed from this Hegelian stance. First, while Hegel's position entails a unifying vision of society—one in which the rules emanating from the state are the only ones deserving the identification of individuals and, therefore, the only path leading to individual realization—the EoM model, on the contrary, intends to provide a rationale for the irreducible plurality of social life, represented by the multiplicity of spheres and magnitudes providing the opportunity for individual identifications and therefore also for individual motivations. Second, Hegel's stance, which implies the existence of a privileged point of view—namely, one in which someone is able to know the ontological structure of things—is at odds with the EoM vision according to which any social position is relative to the place from which it is being adopted, therefore making it impossible that someone could have complete knowledge on the structure of things.

However, elements (E4) and (E5), taken separately, have inspired the conception of strong ethicity proposed in this essay, which is the reason why I have called this philosophical proposal Hegelian. In the next section, we will see that element (E4) finds a very powerful justification within the Economics of Convention and, more precisely, in the *conventional theory of money* proposed by Aglietta and Orléan (2002). As to what regards element (E5), the way in which it has inspired our proposal of strong ethicity will be addressed in section 6.3.

The present chapter is structured as follows. Section 6.2 is devoted to analyzing the existential condition of the individual under contemporary weak ethicity—a regime which, as we will see, is related to a fundamental institution of our type of society: money. Section 6.3 presents a proposal for the institutional organization of strong ethicity.

6.2. Contemporary weak ethicity as an incomplete project

The purpose of the present section is to interpret what I will term *contemporary weak ethicity* (capitalism) as a "project" linked to a specific kind of individual identity—the one that André Orléan has called "citizen individualism" (Orléan 1999: 239). After providing such an interpretation of contemporary weak ethicity, I will try to argue that citizen individualism is an incomplete project that opens the door in the direction of two alternative, conscious developments: on the one hand, a deepening of weak ethicity associated with a new form of individual identity (what Orléan [1999: 235] calls "patrimonial individualism"); and, on the other hand, the emergence of strong ethicity, also based on a new form of identity: the transcendence of the desire for differentiation and the attainment of radical recognitive symmetry. The second alternative will be addressed in section 6.3.

6.2.1. Modern autonomy and the naturalization of differentiation

In Chapter 5 I claimed that wealth acquisition is the paradigmatic social activity performed by individuals inspired by the desire for differentiation. This claim, however, should be understood as referring only to modern individuals—namely, to individuals whose identity is constituted by the two forms of respect. These forms presuppose (as already discussed earlier in this essay) the existence of both a civic sphere, which promotes and protects individual autonomy and moral responsibility through the institution of citizenship, and a civil world, which is structured around the market sphere where individuals are able to pursue the objective of wealth acquisition.

The kind of society required for the full deployment of modern individual identity is going to be termed *contemporary weak ethicity*. It can be defined as the kind of weak ethicity where the institutions underlying the two forms of respect—the civic sphere and the market sphere—are fully developed. Contemporary weak ethicity, therefore, can be assimilated to *capitalism*.

It follows from the previous claim that before contemporary weak ethicity, the search for differentiation was carried out on a basis other than the quest for wealth:

> The most important discovery of recent historical and anthropological research is the following: The economy is generally embedded within social relationships between individuals. Individual objectives are not so much the pursuit of individual interest concerning the possession of material goods, as the aim to secure for oneself a social position, social rights, and social achievements. Material goods are important only to the extent that they contribute to these ends. Neither the production nor the distribution process are linked to specific economic interests related to the possession of goods. Instead, each step in these processes is articulated on a given set of social interests which guarantee that each one of them will be carried out. These interests may be different in a small community of hunters and in a large despotic society, but in both cases the economic system is man-

> aged on the basis of non-economic motivations. (Polanyi 1944: 87-88)

What I am trying to say can be summarized in the following proposition: The search for differentiation-based recognition as an expression of the desire for recognition presupposes the existence of a society that allows for differentiation between individuals, irrespective of the form such a differentiation could take; the search for wealth as the paradigmatic way of differentiation takes place only in societies structured in terms of contemporary weak ethicity, i.e., where the institutions underlying the two forms of respect are fully developed.

I am therefore establishing a correspondence between two kinds of weak-ethicity societies, on the one hand, and two associated kinds of differentiation, on the other. Such a correspondence implicitly entails that, in societies where the institutions underlying the two forms of respect are not fully developed, i.e., societies that could be called "traditional," differences between individuals are bound to be inscribed within the political ordering or, put differently, within a differentiated assignment of individual rights and obligations. As a consequence, in this kind of society individual identity (or self-conception) is bound to be attached to the specific place that the individual occupies *de facto* within the politically stratified community. In a traditional society, individual identity is relative to the structuring of the whole community. We might call it an *institutionally dependent identity*.

Aglietta and Orléan (2002) implicitly express this dependence of the individual identity on the political ordering of the community through the notion of *primordial debt.* (In the following quotation, "holistic society" refers to what I have just termed "traditional society.")

> [I]n every holistic society, man is born indebted: he is indebted to the community, to the family and to the gods. This debt can neither be contracted nor paid off. We will speak of a "life debt" or "primordial debt." Through this debt the society makes its influence and predominance felt. It catches the individual within a network of rights

> and obligations that ground his or her existence. (Aglietta and Orléan 2002: 52)

So individual identity, and its very "existence", are defined by the rights and obligations inscribed in the primordial debt. What is lacking, of course, is individual autonomy and moral responsibility. And, in a complementary way, differentiation is defined within the network of rights and obligations, so that a search for differentiation makes no sense: the purpose of the individual's life is also established by the rights and obligations associated with the particular social place he or she occupies.

But then, what does the community give the individual in exchange, as it were, of the primordial debt? For the purpose of our present discussion, the important thing provided by the community is *security* (i.e., maximal reduction in uncertainty about the future), and in particular economic security, which can be provided to the extent that society as a whole can be made secure. (The individual, so to speak, shares the destiny of the community.)

This brief and extremely simplified characterization of the existential condition in traditional societies will suffice to account for the huge change in that condition entailed by the emergence of contemporary weak ethicity, i.e., entailed by the political creation of autonomy and moral responsibility through the (generalization of the) institution of citizenship, and the (related) development of the market sphere. [91]

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[91] The development of the market sphere, as shown by Polanyi (1944: chapter 6), presupposes a purposive political intervention, particularly as to the transformation of land and work into marketable commodities. This transformation, in turn, presupposes the breakdown of the feudal ties linking individuals to land, and linking individuals among them, i.e., it entails a movement in the direction of individual autonomy (a movement decided by a very elitist "democracy," constituted by the bourgeois). The requirements on money, as a "fictitious" commodity, for the deployment of markets, also analyzed by Polanyi (1944), will be addressed below in this essay.

To start characterizing this momentous change, let me quote again from Aglietta and Orléan's book:

> This long analysis has led us to see the breakdown of the tie with the other, or what we called "separation," as the fundamental drive of the market relationship. There follows a relationship between individual and society that allows the former to pursue objectives which, to the extent that they can be chosen discretionally—or, put differently, without taking into account any collective consideration—can be termed "private." This private autonomy, claimed as its own by the market relationship, has been historically built through the destruction of the personal ties of reciprocity, dependence, or hierarchy characterizing feudal society. This historical process brought about an individual of a new type, the producer-exchanger, whose social existence is entirely based on the status of owner. (Aglietta and Orléan 2002: 54)

The existential condition of the individual under contemporary weak ethicity can be characterized on the basis of the following two questions: on the one hand, what is now the nature of the individual's debt with respect to the community; and on the other hand, what does the community provide the individual in exchange? The key to answering both questions is individual "separation," which, as we will see below, could not exist without *money*. Therefore, I will interpret money—together with citizenship—as the fundamental institution on whose basis contemporary weak ethicity takes shape: "the market relation is always a monetary relation" (Aglietta and Orléan 2002: 66).

Individual differentiation within the market sphere (i.e., the relation of magnitude in that sphere) is based on the *possession* of objects (Boltanski and Thévenot 1991: 250), i.e., on wealth. So the individual of the market sphere directly relates him- or herself with objects, and only indirectly with others, through the exchange relation. The price of an object summarizes the extent to which this object is desired by the community, and, therefore, individual wealth summarizes to what extent the set of objects possessed by an individual is desired by the community. Only once the individual becomes autonomous—

namely, once traditional ties among individuals have been eliminated—does the individual become free to privately decide what objects he or she wants to possess, i.e., what to desire. Therefore, since the possession of objects makes sense as a *magnitude* only if it reflects desires (for otherwise the possessor would be, so to speak, indifferent to his or her possessions), the individual autonomy to freely *desire*, and to behave accordingly, must be considered as a precondition for the deployment of the market sphere.

Autonomy, however, is not what Aglietta and Orléan (2002) intend to mean through the notion of "separation." Indeed, we can imagine a society of autonomous and morally responsible individuals where decisions on production and consumption issues are collectively taken through deliberation. [92] In this case, autonomy could mean the ability to freely intervene in the deliberative processes by expressing freely-formed personal stances, but it would also entail, the individual's dependence on the collective decisions as to what to produce and what to consume. Separation, on the contrary, is directly related to the market relation: "The primacy granted everywhere to the relationship with objects should be understood as the expression of a systematic urge to be radically free from the obligations that society imposes on its members" (Aglietta and Orléan 2002: 50). The autonomy of contemporary weak ethicity, therefore, is a particular version of autonomy, one that could be termed *bourgeois autonomy*.

We can now point out the fundamental features of separation by answering the two questions raised above: (*a*) what is the nature of the debt toward society, and (*b*) what society provides to its members under contemporary weak ethicity?

Regarding the individual debt toward society, the market relationship implies that "there is no debt other than voluntarily contracted, and which we can pay whenever we want. (…) Society [therefore] has no power over the individual." (Aglietta

[92] This picture of "deliberative autonomy" anticipates our later proposal concerning the institutions of strong ethicity. More on this below.

and Orléan 2002: 52) This fact fully expresses the kind of autonomy aimed at by the promoters of the enormous institutional transformations that gave rise to contemporary weak ethicity, i.e., the bourgeois class.

Regarding what society provides for its members under contemporary weak ethicity, I first need to be more precise concerning what individuals need in such a society.

> In an economy based on separation, each depends on others in an opaque manner because collective action is non-intended. (…) As a result, the market society has an unforeseen character and displays a radical opacity. (…) We will call this uncertainty. This uncertainty is all the more harmful if the market society does not have insurance mechanisms against risks, such as the ties of solidarity between relatives, neighbors, and acquaintances, which in traditional societies can be used in case of bad luck." (Aglietta and Orléan 2002: 59-60)

So separation is related to the fact that the aggregate performance of the economy is out of social control—precisely the feature of weak ethicity we analyzed in Chapter 5 above. Within the context of collective action, separation means that each individual is not concerned with the aggregate performance of the economy, but only with the satisfaction of his or her desires as to object possession. This dependence on one's desires is what I put at the basis of the free-riding problem in collective-action situations. In Chapter 5, I emphasized that this feature of weak ethicity leads to the impossibility of ensuring the effectivity of individual rights. We can now better understand why these very rights are needed in weak-ethicity societies: the uncertainty stemming from separation due to the non-intended character of collective action produces scarcity and, consequently, the threat of individual exclusion:

> Everyone's social, and even physical, existence is under threat. Scarcity imposes itself on everyone and shapes the market mentality. Scarcity here is not a natural fact, but the result of separation. (…) It describes a specific mode of organization, instituted by the market, that makes (…) everyone's existence depend solely on his or her capacity to acquire objects, without having the possibility to count on

> others' assistance. (…) Shortage and starvation for some people, while others enjoy more than they need, far from being considered a scandal, are seen as the expression of legitimate social relationships. (Aglietta and Orléan 2002: 60)

In other words, what individuals need as a consequence of market separation is protection against uncertainty, i.e., against exclusion. The specific way in which the market society provides protection, following Aglietta and Orléan, is through (monetary) wealth: wealth frees the individual from the dependence on others or, for that matter, on society when it comes to the protection of his or her life. But then, if wealth frees the individual from the dependence *on* society, in what sense can wealth be viewed as something put at the individual's disposal precisely *by* society? The answer rests on a particular feature that wealth must exhibit in order to protect individuals from uncertainty: *liquidity*. Indeed, wealth must be liquid because it "must satisfy an indeterminate set of needs." (Aglietta and Orléan 2002: 66) Therefore, "what is at stake is the existence of a 'thing' allowing to acquire any commodity judged as useful by the one who owns it, i.e., an object which the owners of these commodities are prone to accept in exchange for their possessions." (*ibid.*: 66-67) "This wealth, which is absolutely liquid because it is absolutely desirable to all market members, lies at the root of money. (…) [M]oney is wealth socially recognized and legitimated." (*ibid.*: 67)

An individual's confidence in the liquidity of an object depends on whether this individual belongs to the community where this liquidity holds. In the words of Orléan (1999), "Liquidity is a specific social relation different from value. The liquidity of an object refers to a specific quality, the capacity to be accepted as a means of payment within a community. What is at stake in liquidity is social recognition of value within a particular community." (Orléan 1999: 131) The reasoning we are following finally leads us to *money*:

> In the modern organization of market societies it is money that constitutes the superior form of liquidity. Recognition by everyone of a

> unique sign as the legitimate expression of value is a process that goes beyond the merely economic: through collective adhesion to the monetary sign, it is the community as a social unit that appears at the front of the stage. This becomes apparent in the monetary circulation as it embraces all the agents within a single macroeconomic flow by imposing on them a single method of accounting. In this light, liquidity appears as a relation of totalization that builds a homogenous space of intense communication and interdependence in which everyone is narrowly linked with others. Such a link cannot be based but on a powerful collective confidence in the capacity of the group thereby constituted to exert its autonomy for the good of its members. The purest expression of this "social faith" is given by the unanimous acceptance of the monetary sign, which in spite of not having any intrinsic value is nonetheless the object of all desires. (Orléan 1999: 131-132)

Summarizing the whole reasoning, the societies structured in terms of contemporary weak ethicity are the result of a particular "project" inspired, in the words of Aglietta and Orléan quoted above, by a "systematic urge to be radically free from the obligations that society imposes on its members." This project, it is proposed here, is promoted and conducted by individuals who see in the development of the market sphere a new path of differentiation—more precisely, differentiation on the basis of wealth acquisition, which constitutes a way to be "free from the obligations that society imposes on its members." We are talking, of course, of the bourgeois project that led to the emergence of capitalism. In order to build this kind of society, two things are needed as preconditions: individual autonomy, defined at the political domain through the *institution of citizenship*, and confidence in a liquid object socially recognized and legitimated by the community: the *monetary institution*.

However, apart from being a way of getting differentiation-based recognition, under contemporary weak ethicity wealth acquisition becomes the only way of getting self-protection against the uncertainties produced by market separation. Put differently, wealth acquisition becomes a necessity from the perspective of the very maintenance of individual life—a necessity, for instance, in order to protect oneself from the threat of exclusion in the form of unemployment or incapacity to work due to illness or old age. This fact, which I will call the *naturalization of differentiation*, is perhaps the main feature of our existential condition under contemporary weak ethicity.

In our view, this is the reason for what Aglietta and Orléan refer to as the ambivalent character of wealth:

> Let us immediately note the ambivalence characterizing wealth. Introduced initially as an expression of the need for security and protection, wealth is what makes possible a withdrawal into oneself, a full autonomy with respect to the hazards of the market economy. However, because wealth allows the agent to unilaterally "stop the game," it entails a threat for the market, the threat of a breakdown of the economics ties. This threat is more credible the bigger the wealth at stake, and the more it can work as a basis for the constitution of new agreements entailing innovative ways of producing and exchanging. This is the case, for instance, of a producer investing his or her wealth in new technologies causing the previous methods of production to become obsolete. (…) Wealth appears as the privileged tool through which domination is exerted on society and on others. (…) The "out-of-the-game" can be understood simultaneously as being part either of a defensive or an aggressive strategy, as a desire for autonomy or as a will to power. (Aglietta and Orléan 2002: 67)

In our view, however, the logical sequence is in fact the opposite to the one presented by Aglietta and Orléan. Wealth appears initially as a new way of differentiation, a path intended to allow individuals to be independent of the network of rights and obligations characterizing traditional societies, i.e., something that frees individuals from that network. Only afterwards—namely, when personal ties are destroyed by the triumph of the bourgeois project—does it become a necessity from the perspective of individual security and protection. This is what is meant by the idea of a naturalization of differentiation.

I think the history of the development of the forms of money, and the associated forms of wealth, presented in chapter 4 of Aglietta and Orléan's book can be used in support of such a stance. While in traditional societies, the majority of the population continued to live within traditional networks of rights and obligations—i.e., under the existential condition characterizing traditional societies—a small community of traders and "entrepreneurs" were developing new economic activities and new methods of wealth accumulation. The activities of these individuals, it seems to me, are better described as a social innovation opening new ways of being than as a defensive reaction against uncertainty. That is why the desire for differentiation can be plausibly considered to be the basic motivation underlying the development of various forms of wealth.

Aglietta and Orléan, in fact, come close to this interpretation: "The search for wealth is a very singular process not understood by the orthodox analyses because they conceive only natural needs, without making room for that specific need flowing out of social life, namely the need for recognition by others. This need, which does not find a suitable expression in commodities, lies at the foundation of wealth and money." (*ibid.*: 77) However, in Aglietta and Orléan's analysis the reason for the need for recognition seems to come in the end from a need for protection through wealth, which is ultimately a Hobbesian motive. In the next subsection I will present the model through which they explain how this link between a Hobbesian motive and the desire for recognition works, and I am going to interpret this fact as stemming from the naturalization of differentiation referred to above.

6.2.2. The relation between citizenship and money

In this subsection I will try to explain in what sense the "project" embodied in contemporary weak ethicity is incomplete from the perspective of its first promoters, the bourgeois. The main argument is that the "systematic urge to be radically free from the obligations that the society imposes on its members" (Aglietta and Orléan 2002: 50) has not been satisfied. This incompleteness is due the preconditions underlying the functioning of one of the two fundamental institutions of contemporary weak ethicity: the dependence of the monetary institution on the sovereignty constituted by citizens. Indeed, as Aglietta and Orléan have shown, contemporary monetary institutions presuppose state sovereignty. The whole argument, therefore, indirectly provides a conventionalist justification of what I previously termed element (E4) of the Hegelian vision, the one saying that "[the] community must not be a merely partial one. (…) It must be coterminous with the minimum self-sufficient human reality, the state" (Taylor 1987: 93).

The issue at stake is the functioning of the monetary institution in a society already structured as a market society. Aglietta and Orléan apply René Girard's *mimicry hypothesis* (Girard 1961) to explain how a particular form of *money* becomes the paradigmatic object of individual desires.

Before going into the details of this explanation, let us first briefly discuss Girard's mimicry hypothesis in the light of our notion of desire for differentiation. This discussion is only intended to be very preliminary: I believe that doing justice to Girard's theory would require a research project of its own, going way beyond the objectives of this essay but which could belong to the future developments prompted by this thesis. The objective of the following discussion of Girard's mimicry hypothesis is to argue that the type of individual underlying the explanation of the monetary institution under contemporary weak ethicity can be understood as an individual who experiences the desire for differentiation in a naturalized way.

Girard (1961) contrasts two ways of conceiving individual desires: the *romantic lie* and the *novelistic truth*. The first is the (romantic) conception according to which the individual knows, in a self-sufficient way, what he or she desires among the objects belonging to his or her environment. The second conception, on the contrary, presents an *incomplete* individual who does not know his or her desires, which leads him or her to imitate th desire of others. This imitation is called by Girard *mimicry* and is conceived as "a basic fact of human psychology: man suffers a lack of being that leads him to look to others for answers to his questions" (Aglietta and Orléan 2002: 75). While in the first case the structure of desire entails a face-to-face relationship between subject and object, in the second case it must be represented by a triangle: between the subject and the object there is a *model* which, as it were, provides the subject with information as to what objects he or she should desire.

From this characterization of Girard's mimicry hypothesis, it is possible to establish a parallelism with our conception of individual identity under the desire for differentiation. In the same way as the mimetic individual is *incomplete* because he or she does not know his or her own desires—a fact that, in turn, evidences a *lack of being* and leads the individual to look to others for answers to his or her questions, i.e., to adopt an *external model of desiring*—I have characterized the existence of the individual motivated by the desire for differentiation as implicitly incomplete and lacking, in the sense that this individual is focused on the external world for the sake of influencing others' judgments in order to reap recognition.

Moreover, to the extent that in Girard's approach the individual needs an external model of desire because he or she does not know what his or her desires are, so *desiring* must be considered as an existential condition: the fact of desiring is prior to the very appearance of the object of desire. It is plausible to assert, therefore, that this *always already* existing desire is *unconscious*, which is the reason why the individual, on the one hand, must look for an external model of desire (because there is no awareness of the true desire), and, on the other hand, cannot but to do so (because an unconscious desire cannot be transcended). Looking for an external model of desire can therefore be interpreted as the activity of a consciousness situated at the more external part of itself, i.e., a consciousness unconscious of some of its fundamental features, and in particular unconscious of the fundamental desire that leads it to adopt an external model of desiring.

We can now interpret the imitative activity of the Girardian individual in terms of our model of individual identity. An individual whose consciousness is located in the external mind—i.e., an individual who has not reached the place (the deep mind) where the desire for recognition is permanently satisfied through a sense of identity independent of other individuals' judgments—is bound to look for the recognition of others through differentiation by acquiring the objects these others desire. In order to do so this individual needs, in the first place, to imitate the desires of others, i.e., to desire what they desire. This is precisely what the mimicry hypothesis says.

Jean-Pierre Dupuy, however, contrasts the Hegelian desire for recognition with the Girardian mimetic desire. For Dupuy (1979: 86) the former entails an already existing "desire of the Other's desire" while in the latter the very desire is formed "according to the Other's desire." The interpretation I have proposed here is that the need to desire according to the other's desire, which characterizes the Girardian approach, already entails an underlying desire explaining why the individual needs to do so in the first place. This underlying desire is precisely what I interpret as the desire for recognition. The plausibility of such an interpretation comes from the fact that in order to get the other's recognition, the individual must desire the same things this other desires, and this is so because the other's recognition is dependent on the other's judgment—which, in turn, depends on the other's desire: the other will not recognize what is not valuable for him- or herself. Our interpretation, therefore, is a way of overcoming the seeming contradiction between the Hegelian and the Girardian conceptions of desire.

The application of the mimicry hypothesis to account for the origin of the forms of wealth is based on the Girardian distinction between external and internal mediation. This distinction refers to the distance between the subject and the model of desire that he or she adopts. On the one hand, external mediation "describes a situation where the model is so far removed from the subject that no rivalry can arise from the fact of imitation. (…) This situation is close of what is called a 'convention'." (Aglietta and Orléan 2002: 75) Internal mediation, on the contrary, "belongs to the situation where the model is at the same level as the subject." (*ibid.*)

In the latter case, the imitation may lead to the appearance of rivalry. This happens "once each subject takes the other as a model so that the desires of both individuals finally converge on the same object." (*ibid.*) This convergence reinforces the desirability of the object so that rivalry, i.e., the violence between the subjects, increases—a situation Girard calls a *double bind*. "In this situation the fact that many people desire the same object does not bring about peace. The violence feeds on itself." (Aglietta and Orléan 2002: 76)

Aglietta and Orléan start their analysis by applying Girard's critique of the "romantic lie" to the case of *homo economicus*:

> [W]ithin a non-market social order where the commodities are rigorously socially codified, as in the societies studied by Sahlins, the orthodox hypothesis [the one represented by the romantic lie] could be applied because the objects are given. But in the market order, the situation is different: here uncertainty touches every domain of social life. The basic behavior aims at self-protection through the search for wealth. This original desire fits perfectly with the Girardian structure because what is at stake is to find out what others desire. Within this radical uncertainty (…), which we call "the original market situation," to look for wealth is to look around in order to find out the objects that others desire in order to imitate them. Mimicry imposes itself, therefore, as the fundamental behavior. It is perfectly adapted to the self-referential nature of wealth: because wealth is what others consider as being wealth, the problem is not to find a particular thing endowed with certain natural properties, but to imitate others so as to discover what is the focus of the collective consensus. The truth of wealth, like the truth of money, is of an intersubjective nature, and this is what imitation strongly and fully reflects. (Aglietta and Orléan 2002: 77)

We see clearly that here *homo economicus*'s reason for adopting mimetic behavior does not flow from unconscious desires, but from a very urgent necessity: self-protection through the search for wealth. This is so because in the market situation, as I discussed above, separation and scarcity entail a naturalization of differentiation. Therefore, the "lack of being" implied by Girard's mimicry hypothesis now describes the existential condition under contemporary weak ethicity:

> The "lack of being" of the market individual, its foundational incompleteness, finds its source in market separation as a specific social relationship. This lack compels the producer-exchanger, on the basis of the uncertainties binding his existence, to provisionally turn away from the objects in order to find out what others desire, which is what is called "wealth". (Aglietta and Orléan 2002: 76)

Let us now see how the mimicry hypothesis brings about the collective selection of a particular form of monetary wealth. The answer provided by Aglietta and Orléan is structured on the basis of a distinction between two situations they call F1 and F3, respectively. In situation F1, or *essential violence*, two individuals look for wealth without knowing its particular form. The generalization of F1 to all actors entails a great fragility because, to the extent that there is no social definition of wealth, everyone is in danger of losing their property—namely, in danger of exclusion. For this reason, the generalization of F1 also entails extreme violence: "the original form of this society is a generalized struggle of all against all where what is at stake is wealth." (Aglietta and Orléan 2002: 78) "There follows an intense mimetic activity through which the actors try to find out under what mask wealth is hidden." (*ibid.*: 77) This mimicry gives expression to an "initial non-differentiation of the market society as it reveals itself under the absence of a unanimously recognized wealth principle." (*ibid.*: 78)

Then comes situation F3, or *foundational violence*: the mimicry process endogenously selects an object as the incarnation of wealth through a cognitive process in which, once one particular opinion as to what counts as wealth elicits enough supporters, the imitation of that opinion by the other members of society makes all beliefs converge toward unanimity. "In

Girardian terms we have moved from 'internal mediation' to 'external mediation'." (*ibid.*: 83) An external model of desires unanimously accepted as wealth has arisen; "we are going to call this socially recognized form of wealth money." (*ibid.*: 84)

But things are not quite that simple. Wealth, as already discussed in this section, has an ambiguous character. It can be used both to get "out of the game"—i.e., it can be used in a defensive manner—but it can also be used aggressively to innovate in production and consumption: one could say, to produce new conventions. Regarding the monetary institution, the paradigmatic aggressive behavior is deviating from the unanimous opinion as to what counts as money. "These deviant opinions give rise to instability, making the monetary economy less efficient. Within such an enlarged framework, the legitimacy of the chosen money is a powerful factor of efficiency because it constitutes an obstacle to the arising of deviant opinions." (Aglietta and Orléan 2002: 86) And, by pushing the previous argument further:

> More generally, and more fundamentally, the monetary institution could not exist without this legitimacy because it [the legitimacy] provides the incentive to anticipate the durability of the monetary fact. It is in its name that the agents can project themselves into the future and reasonably assume that the money will be accepted by others. Legitimacy is that around which trust can be built. It is at the root of others' acceptance. (*Ibid.*)

Put differently, the mimetic behavior is needed when a unanimous form of money is not in place, because in that case the first concern of individuals in a society characterized by separation is to produce an object—wealth—capable of protecting them against uncertainty. But on the contrary, when there is an accepted form of money in operation, some individuals may adopt differentiation as an aggressive strategy—which, in turn, is apt to destroy the consensus sustaining the monetary institution. The consequence of this extremely powerful threat to the monetary institution is its dependence on the sovereignty of the community in which it works:

> In a recent book, *La monnaie souveraine* [Aglietta and Orléan 1998], we insisted on the close link existing between money, sovereignty, and debt. Debt is not conceived in a narrow way as a bilateral commitment between two contractors, but as a social relation defining a being's belonging to a community, or what we called the "primordial debt." It reflects, therefore, the set of rights and obligations through which the individual and the social body are bound. To the extent that this primordial debt is the expression of shared values, it comes directly from sovereignty. It is the primacy of the group that is thereby affirmed as a specific project, as an identity and community of destiny. Money is inscribed within this logic. It is the expression of this debt, circulating among individuals and guaranteed by the sovereign. It is the expression of values in which the community recognizes itself. It is for this reason that money receives the trust of society's members. If they accept money in exchange for the commodities they sell, it is because they have confidence in the capacity of the sovereign to enforce the honoring of the money's value. Confidence here is not referred to a psychological concept, it is the expression of a sovereignty principle: it expresses social adhesion to the project defended by sovereignty. (Orléan 1999: 241)

This passage makes explicit the incompleteness of the project of contemporary weak ethicity: the "systematic urge to be radically free from the obligations that society imposes on its members" (Aglietta and Orléan 2002: 50) has not been satisfied because the fundamental institution underlying separation—i.e., money—rests on state sovereignty. And to the extent that state sovereignty is sustained by citizenship, the management of the monetary institution by the state is bound to be constrained by the collective objectives derived from the individual rights through which the institution of citizenship is defined in the civic sphere (for instance, the objective of full employment or the funding of the welfare state).

In the next subsection I present the first alternative, referred to at the beginning of this section, to "complete" the project of weak ethicity: the notion of patrimonial individualism. By contrasting the kind of sovereignty linked to patrimonial individualism with state sovereignty, I can further clarify the dependence of the monetary institution on a form of sovereignty, whatever the form it takes.

6.2.3. The collapse of the plurality of spheres into the market

Orléan (1999) suggests that financial liquidity, i.e., the liquidity of *securities*, nowadays constitutes a challenge to money and banking liquidity as the fundamental monetary institutions. "What is implied by the mutation of the dominant forms of liquidity [is] a transformation of sovereignty and of the forms of the primordial debt or put differently, of the community of reference." (Orléan 1999: 242) He defines citizen individualism as follows:

> Banking liquidity does not define an autonomous project. If individuals accept banking money it is because they know that this money is guaranteed by the public power. The sovereignty that creates and animates them is the national state. The form of belonging associated to it is what we can call "citizenship", defined as a set of political rights and social rights (retirement, social security, public services) linked to the condition of citizen and, frequently, attached to a specific territory. This principle of sovereignty (…) is going to be termed "citizen individualism". Its characteristic traits have been largely described in many texts: state appears as central as to the determination of the social debt through the welfare state, as to the control of property through the public sector, and as to the subjection of money to the objectives of redistribution and full employment. (Orléan 1999: 243)

Financial liquidity, in turn, intends to replace state sovereignty by the sovereignty of the financial community—a kind of sovereignty "entirely autonomous with respect to the public powers" (Orléan 1999: 244):

> It is no longer the state that guarantees the value [of the monetary sign], but the market as an expression of the financial community. This constitutes the germ of a new sovereignty progressively freeing itself from state guardianship and aiming to replace it. It is, in fact, a new social pact proposed by finance. Its foundation is the affirmation of individual rights, but within a financial conception of rights, identifying them with securities [movable assets]. We witness an impover-

> ishment of the traditional forms of citizen solidarity in favor of a dependence on others under the aegis of the market. The individual is defined as an owner of property rights which call for protection. This is why we are going to speak of a "patrimonial individualism". (Orléan 1999: 244)

The intention to replace state sovereignty by the sovereignty of the financial community is underpinned by a new conception as to which collective entity is better able to evaluate and manage what is considered to be the source of collective well-being: wealth. Indeed, "if capital is the creative source of every value, no particular capital possesses in itself the capacity to affirm it. Only the market can judge its ability to create social utility. It is the market which is capable of evaluating the debt of society. We can say that nowadays the sovereign is capital evaluated by the market" (Orléan 1999: 247):

> [T]he wealth that individuals share can be defined without reference to the state. Its source is the network of publicly traded companies aiming to attain a leading role in the production of material goods. The social wealth is their capital put in common. This capital summarizes the creative power of society, identified with its capacity of ensuring the well-being of its members. In this sense we are all indebted to [capital]. This is the principle of the emerging new sovereignty. (…) The circulation of securities defines this community of belonging where each of us is linked to the others in the mutual adhesion to the sovereignty principle and its symbols. (Orléan 1999: 245)

In terms of the EoM model, what is at stake is to what sphere the community whose sovereignty sustains the monetary sign belongs. In the case of state sovereignty, the collective entity underlying the monetary sign is an entity within the civic sphere, constituted by citizens; therefore, it has to honor the common goods defined at that sphere. Consequently, monetary policy—which is the management of the monetary institution—should take care of the individual rights defined in the civic sphere. This may impose on that policy certain restrictions associated, say, with full-employment objectives, the funding of the welfare state, and the like. On the contrary, the sovereignty of the financial community aims at "freeing" liquidity management of civic constraints, in such a way that the only resulting objective is to protect the value of the fraction of society's capital that is privately owned by the members of the financial community. In order to do so, the financial project has to provide alternative new modes of effectivity for certain rights defined in the civic sphere, while other rights will simply be discarded:

> Nothing better illustrates this progressive mutation of the sovereignty principle than the issue of retirement. We are witnessing the transformation of the old citizen solidarity into a purely financial and patrimonial solidarity. Indeed, in the pay-as-you-go system the guarantor is the state. (…) The sovereignty of the national state is measured precisely by this capacity to elicit the acceptance of the members of society: each pays his or her contribution because he or she recognizes in the transfers the expression of the principles to which he or she adheres. The capitalization system flows from the same logic but is built around a different sovereignty principle, that of patrimonial individualism. Each individual pays his or her contribution but this saving no longer takes the form of money. From now on it is accumulated through pension funds in the form of securities. At the time of retirement the pension is obtained through the sale of these securities. Clearly, the guarantor of the system is the market, which "takes care" of the value of savings. Confidence is now devolved to the ability of capital to grow and to the market's aptitude to correctly evaluate this ability. In the case of citizen individualism, the debt accumulated by the worker is with respect to the state. In the case of the patrimonial individualism, it is with respect to financial capital. In both configurations, solidarity rests on a social evaluation of retirement rights. (Orléan 1999: 247)

However, there is another area where the financial project must also produce an institutional transformation: firms. For, on the one hand, as we saw in Chapter 5 following Thévenot (2006), the industrial sphere is intimately related to values of solidarity flowing from the civic sphere. This is what I earlier called compromise B, in which the industrial sphere is intimately related to the effectivity of the social rights associated with the condition of worker. On the other hand, the industrial sphere entails a horizon for the firm that is not compatible with the financial aim of turning the movable assets derived from firm ownership into *liquid* assets. In regard of these facts, the financial project is bound to impose a kind of entrepreneurial reorganization and a type of management adapted to the requirements of the evaluation of capital by the financial markets—i.e., the financial project needs to promote the liquidity of capital:

> This displacement of power toward the market evidences its ultimate step when the power of evaluation becomes one of effective control. (…) [T]hanks to the institutional funds, the small shareholders have become the central actors of the system. This is the new form of belonging promoted by this budding sovereignty: a community of owners of global capital who promote the material prosperity of society through the financial market. Their tool for performing this task is the institutional fund. Institutional funds give them the power of evaluation, allowing them to select the right companies and to punish incompetent managers. They derive their legitimacy from this voluntary promotion of collective well-being. (Orléan 1999: 246)

The tools used by the institutional funds to acquire control over firms are the management principles summarized under the conception of corporate governance: "The transformations of the firm intended to satisfy the requirements of finance have the value of an example. We will speak of the 'financialization of the firm.' The aim is to redesign the organizational architecture of the firm according to strictly contractual principles. This is the logic of corporate governance. It takes its intellectual coherence from the economic theory of contracts." (Orléan 1999: 235-6) The collective-action problem entailed by the imposition of the principles of corporate governance on firms by the small shareholders is easy to solve: to the extent that they all agree on the objectives promoted by the institutional funds, it is no more than a coordination problem apt to be resolved through communication. This is indeed what institutional funds do in order to promote the intended entrepreneurial transformations through the alignment of shareholders' voting in entrepreneurial decisions—for instance, through "proxy voting guidelines" (Orléan 1999: 219).

We have thus rounded out the argument of this subsection and, therefore, of this section: Patrimonial individualism is understood in this essay as an attempt to "complete" contemporary weak ethicity by singling out *differentiation* as the fundamental constituent of individual identity. Strong ethicity stands, precisely, as an alternative path of social evolution, which instead puts forward *citizenship*.

6.3. An institutional proposal for strong ethicity

6.3.1. The communicative nature of the institutions of strong ethicity

The proposal made in the previous section to consider contemporary weak ethicity as an incomplete project is an attempt to link up with Jürgen Habermas's view of modernity as an unfinished project: "… if we do not want to fall below Kant, the critique of the capitalist path that modernization has followed has to be guided by the idea of an unfinished *project*, one that has been diverted from its objectives, mutilated in its intentions, even turned into its opposite, represented by this modernity in discordance with itself." (Habermas 1984: 425) It seems to me that what Habermas has in mind as the seed of the *true* original project, now perverted as a consequence of the adoption of the "capitalist path that modernization has followed," is the normative achievement of Kantian autonomy and moral responsibility embodied in the institution of citizenship. (This is a claim I will try to justify below.) The "diversion" of this project, in turn, can be attributed, in the terms used in this essay, to market separation and the consequent generalization of *agency*—something which, as we saw, leads to the naturalization of differentiation and the pervasiveness of the free-riding problem in collective-action situations. The consequence, as we also saw, is the ineffectiveness of communication in the civil world and, therefore, the impossibility of building a social world in which the rights associated with the institution of citizenship become effective—or, put differently, the creation of a social world in which the conception of justice defined in the civic sphere cannot be made effective.

Throughout this essay I have assigned fundamental importance to communication between individuals, so much so that I attributed the impossibility of social justice to the ineffectiveness of communication in the civil world due to the pervasiveness agency. The reason for emphasizing communication so much was established in Chapter 3, with the help of Favereau (2005). Let me repeat here the conclusion reached at the time: "The collective object that 'has to be said to be seen' also 'has to be believed to be said'" (Favereau 2005: 116). In other words, collective objects have a propositional content. If cooperation (resp. coordination) is based on institutional imperatives embodying what is to be understood by cooperative (resp. coordinating) behavior in a given situation, then in order for cooperation (resp. coordination) to obtain, beliefs about the collective object have to be shared by the individuals involved. This demands, in the first place, interpretive rather calculative rationality (Favereau 2005: 116) and, in the second place, a convergence of interpretations, i.e., a convergence between individual interpretations about beliefs and behaviors. The latter can only occur in the domain of linguistic communication—namely, in the rational collective space where reasons for beliefs and action can be demanded and provided. The normative behavioral horizon, therefore, entails linguistic competence. In the same way as social theory cannot fall below Kant, neither can it fall below linguistic competence.

The collective object at stake in the present discussion is social justice conceived as objective equality—namely, as the effectivity of the rights which, in the civic sphere, are deliberatively posited as defining the institution of citizenship. These rights are of the nature of a categorical imperative: belonging to the community, conceived as a political collective object, entails being a citizen of that community, i.e., an individual entity that enjoys the rights associated with citizenship and recognizes these rights as valid for every member of the community. In terms of the EoM model, "Individuals are part of one and the same [notion of] justice because their consciousness is moulded in the image of the *collective* consciousness and because they are able, when hearing the voice of their consciousness, of subordinating their own will to the *general will*" (Boltanski and Thévenot 1991: 231). In terms of individual identity, to the extent that identity implies belonging to a community (otherwise the very notion of identity would be meaningless), under contemporary weak ethicity the way in which one belongs to a community is as a citizen—i.e., as an autonomous and morally responsible individual who enjoys a set of rights and accepts the categorical imperative of respecting these same rights for everyone else.

On the basis of the previous discussion, I can suggest that the political collective object embodying the community under contemporary weak ethicity is a *belief* (i.e., an object with propositional content) created out of the rights (which are beliefs as well) conceived as categorical imperatives and defining citizenship. However, as my analyses in Chapter 3 suggest, transforming a collective object from a belief into a reality demands *cooperation* which, in turn, is based on institutional imperatives embodying what is to be understood by cooperative (resp. coordinating) behavior in a given situation. Put differently, producing social justice (i.e., the effectivity of rights) entails a collective-action problem.

The conception of contemporary weak ethicity (or modernity) as an incomplete project can now be presented as follows. The *institutions* of the civil world under contemporary weak ethicity are not suitable to produce the effectivity of rights, i.e., to turn the political collective object into a reality. The reason is that behavior in the civil world is motivated by the need for differentiation, now experienced as "natural," and the resulting individual status is that of an *agent*. In other words, it entails free riding: individuals in the civil world are concerned not with the effectivity of rights (i.e., of beliefs as to the collective object) but with differentiation through wealth acquisition in order to protect themselves against uncertainty (i.e., against the threat of exclusion).

Therefore, completing the project of modernity in the direction of producing objective equality defined as the effectivity of rights (or social justice) requires redesigning the institutions of the civil world in such a way that communication between agents becomes effective in resolving the collective-action problems involved. Habermas's proposal for the completion of the unfinished project of modernity, presented in his theory of communicative action (Habermas 1981), was already referred to in Chapter 3 where I took my distance from his proposal by concluding that Habermas's social rationalization cannot lead to strong ethicity; it can merely offer an improved form of weak ethicity. However, Ernst Tugendhat's interpretation of the Habermasian distinction between strategic action and communicative action (Habermas 1981: 367) can be a very useful guide in our search for the institutions of strong ethicity.

According to Habermas, while strategic action is teleological in the sense that it intends to produce a private, given end, communicative action is oriented toward the production of a consensus, in such a way that the individual who conducts a communicative action must be prepared to subordinate his or her ends to the ends consensually reached through communication. Tugendhat interprets this distinction in the following terms:

> Given that this attitude [the one underlying communicative action] consists of being prepared to submit one's pursuit of private ends to the test of consensual approval, in my view the individual must have a reason to adopt such an attitude. The reason, it seems to me, is the fact that the individual regards him- or herself as belonging to a community, together with the others to whose consensus he or she subordinates his or her ends; regarding oneself as being part of such a community is not exactly to accept a fact, but it entails a value

> judgment, because otherwise it cannot operate as a reason. To wish to continue living in a community (be it a family, a society, or humankind as a whole) must be an integral part of what one wishes as an end in itself, if one is to restrain other ends in light of the norms sustaining that community. (Tugendhat 1992*b*: 260)

In other words, the attitude required to perform a communicative action—namely, an action aimed to produce a consensus on whose basis individual ends will be determined—is precisely the attitude involved in citizenship: "individuals (…) subordinating their own will to the *general will*" (Boltanski and Thévenot 1991: 231). [93] Therefore, the institutions of the civil world, instead of being based on individual *agency*, must be *deliberative institutions*, based on *citizenship* and conducive to consensual decisions on everyday-life issues (including production and consumption decisions), while individuals must be prepared to subordinate their ends to the consensually reached ends. In other words, they must be citizens—instead of agents—in the civil world.

However, subordinating one's individual ends to consensually reached ends is not a trivial matter. It demands nothing less than the transcendence of the desire for differentiation. This is precisely what is implied in the fact of behaving as a citizen in the civil world, and it is also the reason why the implementations of deliberative institutions in the civil world amount to the implementation of strong ethicity: individuals living in such an institutional arrangement must already have achieved their *true* identities, because otherwise they will not—so to speak—be happy at all at renouncing differentiation: they will not feel free. In other words, I am claiming that the deepest freedom an individual can attain is freedom from the desire for differentiation-based recognition (i.e., freedom from others' judgments), and that this freedom is provided precisely

[93] This is why, in my view, what Habermas has in mind as the seed of the true project of modernity is Kantian autonomy and moral responsibility, embodied in the institution of citizenship.

by the sense of identity (beyond judgment) involved in radical recognitive symmetry.

Now I would like to stress one specific feature of strong ethicity that introduces two fundamental differences between my proposal and Hegel's vision on the realization of ethicity. First, the emergence of strong ethicity depends on a generalized individual *transformation*[94]—namely, on the transcendence of the ego that leads to radical recognitive symmetry. The fact that the emergence of strong ethicity depends on a generalized individual transformation introduces a *plurality* when it comes to alternative paths of social evolution: modern individual identity, based on the two forms of respect (autonomy and differentiation), entails the potential for the emergence of strong ethicity, but also for the perpetuation—and, as we saw, the deepening—of contemporary weak ethicity.

Second, while Hegel's approach presupposes the existence of a privileged point of view—one that enables him to claim that the state is the incarnation of the Idea or the cosmic rationality (element (E5) of the Hegelian vision), namely to know the ontological structure of things—the proposal of strong ethicity based on radical recognitive symmetry does not require such a privileged point of view. Indeed, the only "knowledge" that must be accessible to each individual in order to attain radical recognitive symmetry is awareness on the deep mind. But according to our conception of consciousness presented at the end of Chapter 3, the deep mind is located in the individual inner world and, therefore, is indeed directly (though certainly not easily) accessible.

[94] I prefer to use the word "transformation" instead of "conversion" to describe the transcendence of the ego. The reason is that what is at stake is a not change in individual beliefs but in individual consciousness. Therefore, this change is not consciously conducted, but—so to speak—consciously undergone.

6.3.2. *A proposal for deliberative institutions: The participatory economy*

Under strong ethicity, individuals participate in social life with the aim of producing objective equality (defined as the situation where rights ensuring individual well-being are objectively effective), and they do so out of the sense of subjective equality involved in radical recognitive symmetry. In other words, individuals behave in the civil world as citizens.

On the basis of the discussions conducted throughout this essay, ensuring the effectivity of individual rights in the civil world entails two fundamental things: first, solving global complex problems as defined in Chapter 5 and, second, overcoming the threat of individual exclusion due to market separation. The first requirement amounts to putting aggregate economic outcomes under collective control, while the second amounts to institutionalizing solidarity up to the point of producing an individual existential condition of *safety*—and not merely a protection intended to counteract a fundamentally precarious existential condition, as is the case under market separation. Both requirements demand that individuals behave as citizens in the civil world: individual agency must be replaced by the individual *commitment* to the collective project of producing objective equality.

But they also demand, equally fundamentally, a completely *new institutional design of the civil world*, characterized by the replacement of the market sphere as the fundamental mechanism for determining the framework of individual decision-making and the collective resource allocation. The reason, as already discussed, is that the market mechanism produces spontaneous growth (i.e., aggregate economic outcomes that are out of social control) and separation (i.e., existential precariousness).

Therefore, the commitment required on the part of individuals aiming to produce objective equality must lead them, in the first place, to produce the institutional change that will replace the market mechanism. And, in the second place, in order to put aggregate economic outcomes under collective control, individuals must subordinate their decisions on production and consumption to the desired aggregate outcomes—"desired" in the sense of being the ones that provide solutions to global complex problems. The first relevant institutional question regarding the new institutional design is therefore how the desired aggregate outcomes are going to be determined.

There are two possibilities for such a decision: either centralized planning or decentralized democratic planning. In order to determine which of these two alternatives is better suited for the institutional design we are looking for, let us analyze how the preferences of an individual who has transcended the desire for differentiation may be conceived.

Sen (1974) incorporates the issue of moral commitment into individual preferences through the device of a "meta-ranking" of orderings of actions, where each ordering reflects a particular moral value (for instance, personal interest or concern for a collective objective) and the meta-ranking is constructed on the basis of a moral set of values. Arnsperger (1998) shows that the only consistent way for such a device to represent moral commitment, in an individual-optimization framework, is by postulating a lexicographic optimization procedure in which the ordering of actions representing non-private moral values, precisely because they are to be considered as *commitments*, have priority over the orderings based on the individual's private interests.

The kind of commitment required to participate in the institutional building of strong ethicity, however, goes beyond Sen's proposal. As argued by Christian Arnsperger, "agents endowed with the individual capacity to rank vectors of resources and socioeconomic systems are very likely to question the basic rules that, at some point in time, shape economic interactions. If this is the case, then the standard economist's focus on any mode of socio-economic organization (whether it be market coordination or socialist planning) should itself be *justified as the possible outcome of a process of interaction between critically rational economic agents (economists included)*. This is not being done because (…) *homo economicus* was never constructed to exercise critical rationality." (Arnsperger 2008: 55)

The discussion we are conducting right now concerning the institutional design of strong ethicity can be considered precisely as belonging to the deliberative "process of interaction between critically rational economic agents (economists included)," where critical rationality (which I called earlier the ability to participate in the collective space where reasons for judgments and actions are demanded and provided) is used for the sake of producing institutions that yield objective equality. (Individuals who have attained radical recognitive symmetry are still able to think rationally about how to best implement the purposes arising in the deep mind, as I discussed in Chapter 3. Radical recognitive symmetry is not compatible with the pursuit of mere self-interest, but it does not exclude some modicum of instrumental rationality.) But we can still keep the lexicographic structure of preferences: individuals will attribute top rank to the collective production of objective equality (which entails putting aggregate outcomes under collective control for the sake of solving global complex problems, and producing a safety individual existential condition for everyone), and only second rank to their individual tastes as to consumption bundles and effort provision.

Under these assumptions on individual preferences, I will now both (*a*) justify the claim that decentralized democratic planning is better than centralized planning in order to decide on aggregate outcomes, and (*b*) try to make plausible the claim that within the deliberative devices where such decisions are taken, individuals are going to adopt communicative action so that individual optimization and communicative action eventually converge.

There is already an existing institutional proposal that fits quite well the requirements I have just discussed. It is the proposal of a *participatory economy*, or "parecon," developed by Michael Albert and Robin Hahnel in the 1990s. The following discussion, which intends both to characterize the participatory economy and to justify the statements put forward in the previous paragraph, will be based on the presentation of the participatory economy made in Albert (2003) and also in Albert and Hahnel (1991).

The institutional proposal of a participatory economy intends to satisfy four "economic values" (Albert 2003: 28): equity, self-management, diversity, and solidarity. The proposal itself can be summarized as follows: "Participatory economics (…) combines social ownership, participatory planning allocation, council structure, balanced job complexes, remuneration for effort and sacrifice, and participatory self-management with no class differentiation" (Albert 2003: 24). Let us characterize each element of this definition (in a sequence different that the one presented in the definition itself) by quoting Albert (2003) at some length.

- **Social ownership:** "… we simply remove ownership of the means of production from the economic picture. We can think of this as deciding that no one owns the means of production. Or we can think of it as deciding that everyone owns a fractional share of every single item of means of production equivalent to what every other person owns of that item. Or we can think of it as deciding that society owns all the means of production but that is has no say over any of the means of production nor any claim on their output on that account." (Albert 2003: 90)
- **Council structure:** workers and consumers are organized in councils. "Every participatory workplace is governed by a workers' council in which each worker has the same overall decision making rights and responsibility as every other. When necessary, smaller councils are organized for work teams, units, and small divisions. Larger councils are organized for divisions, whole workplaces, and industries." (*ibid.*: 92) "As with workers, the principal means of organizing

consumers in a parecon is consumer councils. Each individual, family, or other social unit would comprise the smallest such council and also belong to its larger neighborhood consumption council. Each neighborhood council would belong in turn to a federation of neighborhood councils the size of a city ward or a rural county. Each ward council would belong to a city consumption council (or perhaps a borough and then a city council), each city and county council would belong to a state council, and each state council would belong to the nation council (or maybe to a regional and then to the national council). This nested federation of democratic councils would organize consumption, just as the nested federation of democratic workers' councils organizes production." (*ibid.*: 93)

- **Balanced job complexes:** "Parecon's antidote to corporate divisions of labor imposing class division is that if you work at a particularly unpleasant and disempowering task for some time each day or week, then for some other time you should work at more pleasant and empowering tasks. Overall, people should not do either rote and unpleasant work or conceptual and empowering work all the time. We should each instead have a balanced mix of tasks. (…) The aim is not to eliminate divisions of labor, but to ensure that over some reasonable time frame people should have responsibility for some sensible sequence of tasks for which they are adequately trained and such that no one enjoys consistent advantages in terms of the empowerment effects of their work." (*ibid.*: 104)
- **Remuneration for effort and sacrifice:** "[Reflecting on] the logic and morality of different approaches to defining and pursuing equity, [one arrives] at the conclusion that if people are able to work they should be remunerated for the effort or sacrifice they expend in contributing to the social product, and if they are not able to work they should be remunerated at some appropriate level based on social averages and special needs. (…) This orientation establishes that

no one should have claims on output on the basis of owning some means of production, (…) on the basis of bargaining power, (…) on the basis that they put a larger sum into the social product that others by using some special genetic endowment or talent or size, or due to having some highly productive learned skill, better tools, or more productive workmates, or because they happen to produce things that are more highly valued. Rather, each worker should have a claim on output in proportion to the relative magnitude of the effort or sacrifice that they expend in their socially useful work." (*ibid.*: 113)

- **Participatory self-management with no class differentiation:** "… to the extent that we can arrange it, each actor in the economy should influence economic outcomes in proportion to how those outcomes affect him or her. Our say in decisions should reflect how much they affect us. That's the only norm that treats all actors with equal respect and that accords all actors the same claims on power without reducing decision-making to a mechanical process divorced from the logic of its implications." (*ibid.*: 40)
- **Participatory planning allocation:** "The participants in participatory planning are the workers' councils and federations, the consumers' councils and federations, and various Iteration Facilitation Boards (IFBs). Conceptually, the planning procedure is quite simple. An IFB announces what we call 'indicative prices' for all goods, resources, categories of labor, and capital. Consumers' councils and federations respond with consumption proposals taking the indicative prices of final goods and services as estimates of the social cost of providing them. Worker councils and federations respond with production proposals listing the outputs they would make available and the inputs they would need to produce them, again, taking the indicative prices as estimates of the social benefits of outputs and true opportunity costs of inputs. An IFB then calculates the excess demand or supply for each good and adjusts the indicative

price for the good up, or down, in light of the excess demand or supply, and in accord with socially agreed algorithms. Using the new indicative prices, consumers and workers councils and federations revise and resubmit their proposals. The procedure whittles overly optimistic and otherwise infeasible proposals down to a feasible plan primarily in two different ways. To achieve the approval of the consumer councils who regard their initial requests as greedy, consumers requesting more than their effort ratings warrant are forced to reduce or shift their requests to less socially costly items. To win the approval of other workers' councils whose proposals have lower than average social benefit to social cost ratios are forced to increase either their efforts or their efficiency. Both workers and consumers easily access not only indicative prices which summarize the whole economic picture, but qualitative and descriptive data as well. As iterations proceed, proposals move closer to mutual feasibility and indicative prices move closer to true social opportunity costs. Since no participant in the planning procedure enjoys an advantage over others, the procedure generates equity and efficiency simultaneously. Social deliberations in councils arrive at sensible proposals for collective consumption in light of true opportunity costs *including incorporating desirable refinements that reduce ill effects and expand positive effects*." (*ibid.*: 154-5, italics added)

In a participatory economy, classless equity comes from balanced job complexes and from remuneration according to effort and sacrifice. Self-management derives directly from the participatory allocation procedure and contributes directly to diversity: every individual has the opportunity to express his or her tastes or preferences concerning production and consumption, and these preferences will be satisfied unless they are unfeasible or harmful from a collective well-being perspective adopted deliberatively. Solidarity is represented, firstly, by the fact that individuals who cannot work are to be "remunerated at some appropriate level based on social averages and special needs" (*ibid.*: 113), and secondly, by the cooperative, non-competitive character of the institutions of the participatory economy.

We can now address the justification of claims (*a*) and (*b*) above, i.e., the superiority of participatory planning over central planning and the convergence of individual optimization and communicative action under participatory economic institutions.

Regarding claim (*a*), the argument is that even though centralized planning could perform as well as participatory planning when it comes to the provision of goods (public and private)—provided that planners have perfect information on "quantities of available resources and equipment, (…) ratios in which production units can combine inputs to yield desired outputs, (…) [and] relative social worth of final goods" (*ibid.*: 51), which is a very unrealistic assumption—participatory planning will still be better in light of the concern for self-management. In addition, the unrealistic assumption just made about perfect knowledge on the part of planners is naturally satisfied in the case of participatory planning: all this information will eventually become common knowledge through the process of participatory planning allocation referred to above.

Clearly, claim (*b*) is a hypothesis that would justify a whole research project *per se*, to be included among the future tasks set before us by the present essay. However, there is an important aspect of this claim that I can already point out. This aspect, moreover, is related to one of the fundamental concerns of this essay—namely, the resolution of global complex problems.

We just saw that, in Albert's words, "social deliberations in councils arrive at sensible proposals for collective consumption in light of true opportunity costs *including incorporating desirable refinements that reduce ill effects and expand positive effects*." The words in italics imply that any concern about the aggregate results of economic activity can be explicitly considered and discussed during the participatory allocation process, which is precisely one of the fundamental features that must be exhibited by the institutions of strong ethicity. What is at stake, therefore, is the ability of such institutions to provide public goods—namely, to deploy collective action.

Collective-action situations, in turn, are those situations where the divergence between individual optimization and communicative action within the institutions of weak ethicity is the most acute. The reason, as we saw, is the free riding that stems from the fact that individuals, in the civil world, behave as agents rather than as citizens. Efficient public-good provision, on the contrary, becomes feasible under the institutions of a participatory economy:

> Efficient provision of public goods has never been considered easy. Before the literature on incentive compatible mechanisms there was a consensus among public finance theorists that while efficient allocations existed and could be identified in theory, the "free rider" problem would inevitably prevent achieving efficient allocations in practice. In *Welfare Economics* [Hahnel and Albert 1990] we have analysed, interpreted, and evaluated the literature on incentive compatible mechanisms for providing public goods that blossomed at the end of the 1970s only to fall into oblivion in the 1980s because of their presumed impracticality. What we wish to point out here is that while our network of consumers' councils does not solve the problem perfectly (since an infinite spectrum of consumers' councils is a practical impossibility), our system for structuring consumption choices *is* compatible with "truthful" reporting of preferences for public goods. Moreover, our consumers' councils provide a practical setting for implementing some of the refinements brought to light by demand-revealing and pivot mechanisms. (Albert and Hahnel 1991: 43)

If we provisionally accept the hypothetical convergence between individual optimization and communicative action under participatory economic institutions, there is still a fundamental problem to be solved regarding the transition toward strong ethicity: Why would these institutions be chosen under weak ethicity? This is where the requirement of a generalized transcendence of the ego, and the consequent attainment of radical recognitive symmetry, acquires its fundamental importance. Indeed, individuals deciding on the implementation of participatory economic institutions would be consciously and freely deciding to eliminate legitimate possibilities for differentiation, by creating instead a social world that embodies values of equity, diversity, solidarity, and self-management. In addition, it is a collective decision that can only be made within the civic sphere of contemporary weak ethicity—namely, by individuals who behave as citizens. In this sense, contemporary weak ethicity already contains the seed for the potential completion of the unfinished project of modernity.

6.4. Concluding remarks: Issues for further research

I would like to suggest, in this conclusion, that in many respects the reader should consider the present essay as a piece of work in progress. I will therefore list some of the issues that stand in need of further research. These issues can be divided into two sets: (*a*) issues related to the specificity of the philosophical foundations of strong ethicity, and (*b*) issues referring to the connection between the institutional proposal of a participatory economy and certain aspects of our conception of social order and identity.

Regarding issues of category (*a*), I already discussed, earlier in the present chapter, the sense in which my philosophy of economics takes its distance from Hegel. Contrary to the realization of ethicity in Hegel, the realization of strong ethicity demands an individual *transformation*, implying an "expansion" of individual consciousness. Such an expansion eventually leads consciousness to become aware of its most fundamental nature—the deep mind, which provides a sense of identity that does not depend on judgments, characterized by what I have termed subjective equality. This entails the following implication about the *source* of ethical values such as solidarity, justice, freedom, and the like: ultimately they flow out of the deep mind, i.e., out of a "reality" that is bound to remain partially unknown (or unconscious) to the individual before he or she fully attains radical recognitive symmetry.

The reason why attaining radical recognitive symmetry provides the individual with a sense of identity independent of judgments is that, within the domain of the deep mind, the individual acquires a kind of full *self-recognition*: he or she recognizes him- or herself as a *complete* being who, for this reason, can stop struggling for recognition and in particular for differentiation-based recognition. This is the ground out of which the individual starts to regard the realization of happiness for everyone as his or her own life-purpose. In other words, this is the ground for the collective construction of strong ethicity.

The philosophical foundation of strong ethicity, therefore, is a particular conception of the Hegelian notion of *recognition*. So to make the specificity of these philosophical foundations, as a particular position in moral philosophy, more explicit, I would need to locate my conception of recognition more precisely within the context of existing philosophical treatments of recognition. Such an investigation would certainly include an in-depth discussion of René Girard's mimicry hypothesis already referred to in this chapter, but the main task would probably be to enrich our conception of recognition in light of the one developed by Paul Ricœur, particularly in *Parcours de la reconnaissance* (Ricœur 2004) as well as in *Soi-même comme un autre* (Ricœur 1990).

Let me now turn briefly to issues of category (*b*), the relationship between a participatory economy and our philosophy of economics. I already formulated earlier in this chapter the hypothesis according to which, under the institutions of a participatory economy, individual optimization converges toward communicative action. This is a hypothesis that should motivate a specific research project involving both the welfare implications of a participatory economy and the individual foundations of strong ethicity. In addition, such an investigation would imply a need to assess the institutional foundations of the Habermasian theory of communicative action.

A second issue belonging to category (*b*) is the question about the relationship between the institutions of a participatory economy and the spheres of the EoM model. The hypothesis that I might advance in order to answer this question is that participatory economic institutions entail an extension of the civic sphere to the civil world, not only because of the deliberative character of producers' and consumers' councils, but also because of the kind of work reorganization involved in balanced job complexes and self-management. In the EoM approach, there is already an example of the extension of the civic sphere to the civil world: the interpretation of Durkheim's proposal concerning the organization of society on the basis of solidarity as a proposal "toward a civic-industrial sphere" (Boltanski and Thévenot 1991: 347). Further research on the relationship between participatory economic institutions and the EoM model would therefore imply an in-depth discussion of the sociological foundations of participatory institutions.

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