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How Much Consideration Is Reasonable in the Economy?

The Ethical Consequences of Underestimating Third-Party Co-operation**

Integrative Economic Ethics deserves credit for exposing alleged economic constraints as normative questions of reasonableness that need to be assessed in a deliberative discourse. Whether complying with a given moral demand can be considered reasonable for an agent often also depends on the reactions of powerful third parties since these will influence the disadvantages that such compliance entails for the agent. Thus, assumptions about the willingness of powerful third parties to co-operate play a significant role in assessing reasonableness. In this contribution, we review the comprehensive empirical evidence suggesting that willingness to co-operate and self-restrain is systematically underestimated. We argue that this underestimation may result in economic agents being asked to exercise too little moral self-restraint.

Keywords: Reasonableness, Powerful Third Parties, Economic Constraints, Co-Operation, Moral Self-Restraint, Motivation Crowding Out

Wie viel Rücksichtnahme ist in der Wirtschaft zumutbar? Das Problem der unterschätzten Kooperationsbereitschaft machtvoller Dritter

Der Integrativen Wirtschaftsethik kommt das Verdienst zu, vermeintliche ökonomische Sachzwänge als normative Fragen der Zumutbarkeit zu entlarven, die in einem deliberativen Diskurs zu beurteilen sind. Ob eine bestimmte moralische Forderung einem Akteur zugemutet werden kann, ist oft auch von den Reaktionen machtvoller Dritter abhängig, da diese mit darüber entscheiden, welche Nachteile dem Akteur aus einer entsprechenden Haltung entstehen werden. Somit spielen Annahmen über die Bereitschaft machtvoller Dritter zur Selbstbegrenzung eine bedeutende Rolle für die Beurteilung von Zumutbarkeit. In unserem Beitrag zeigen wir mit Verweis auf umfassende empirische Belege, dass die Bereitschaft zur Kooperation und Selbstbegrenzung von Menschen systematisch unter-

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schätzt wird, so dass es in der Wirtschaft regelmäßig zu einer problematischen moralischen Unterforderung von Wirtschaftsakteuren kommen dürfte.

Schlagwörter: Zumutbarkeit, machtvolle Dritte, ökonomische Sachzwänge, Kooperation, Selbstbeschränkung, Verdrängung von intrinsischer Motivation

1 Introduction

A central achievement of Integrative Economic Ethics (Ulrich 2008) consists in exposing alleged economic constraints[1] as normative questions of how much can reasonably be demanded from a given agent.[2] While the assertion of economic constraints can be seen primarily as an epistemological mistake committed by certain economic, or rather economistic, schools of thought, the issue extends beyond this, expressing a fundamental scepticism towards discourse and democracy. In light of significant human crises, Otte et al. (2014) contend that the rhetoric of economic constraints undermines argumentative discourse, favouring a scientistic view of the economy governed by immutable natural laws. It ultimately presents the economy as a deterministic system, effectively suppressing any critical examination of economic agents' motives and biases (Ulrich 2004). Such rhetoric, serving both vested interests and intellectual convenience, denies the possibility of free will and action, thus obstructing open discourse and the requisition of justifications for contentious economic practices, actions and outcomes.

Economistic argumentation embellishes these so-called economic constraints with a metaphysical allure, removing them from the reach of our agency as economic participants. Even though the natural and technological realms indeed set limits, the purported economic constraints mask inherent normative judgements – they constrain thought, not reality. According to Kettner (2001), this occurs

> »when conflicting normative orientations are framed as if one of them were an immutable part of the deliberative or discursive context, necessitating its acknowledgement as an unalterable fact, and thereby asserting that the corresponding ends ought to command authority.«[3]

1 By ›economic constraints‹ (also ›inherent constraints‹), we refer to the claim that in a given setting, an economic agent is being coerced by economic circumstances and forces (such as competitive pressure) to take a certain course of action, making it impossible for them to comply with moral demands (the German language captures this idea in the word ›Sachzwang‹, which translates roughly as ›impersonal coercion‹).

2 For lack of an exact translation of the German adjective ›zumutbar‹ and of the noun ›Zumutbarkeit‹, we will use the terms ›reasonable‹ and ›reasonableness‹ to refer to the idea that moral obligations must never overburden the person, i. e., any disadvantages that result from complying with moral demands (i. e., from moral self-restraint) must not be unacceptably high. If they are, the moral demand does not engender a moral obligation.

3 All quotations from German language sources were translated by the authors.

Integrative Economic Ethics clarifies that such constraints are but perceived, not insurmountable barriers. Nonetheless, resisting them poses disadvantages for the agent:

> »Every individual is in principle *capable* of resisting inherent constraints. What is important is the question of the practical consequences he or she can be *reasonably expected* to accept.« (Ulrich 2008: 139, emphasis in original)

Thus, adverse consequences resulting from moral consideration are not an unconditional licence for profit pursuit, as the constraints rhetoric might suggest, but have to be accepted as long as they can be deemed reasonable. The experience of competitive or other disadvantages does not absolve an individual from considering moral claims; rather, it necessitates a discourse to resolve issues of legitimacy, accountability and reasonableness (Thielemann 1996). There exists an inverse relationship between the size of the disadvantages an agent risks by consideration and the reasonableness of such consideration: the higher the anticipated disadvantages, the less reasonable the demanded consideration is, all else being equal. This balancing act between legitimate self-interest and the costly practice of self-restraint requires careful interpretation and balancing among the complex web of agent relationships.

This way of looking at economic action still leaves a loophole for a blanket justification for rejecting any moral demand: while the agent concedes that, in principle, they must practice self-restraint for moral reasons, they can argue that powerful third parties are unwilling to go along and that therefore their reactions would impose costs on them that are not just large but unreasonably large. While this line of reasoning is formally consistent with Ulrich's view, it begs the question of what the basis is for the agent's presumption that powerful third parties are entirely unwilling to co-operate and whether this presumption is plausible.

Quite a lot depends on the answers to these questions: when powerful third parties are correctly assumed to be unwilling to make any concessions for moral reasons, very little can be asked of economic agents in many situations. Self-restraint can then only be demanded of those economic agents whose fortunes are not much affected by third parties' reactions. If, however, the willingness of powerful third parties to engage in self-restraint on moral grounds is underestimated, economic agents will be released from moral obligations for the wrong reasons, even if they have a sincerely moral disposition and put their justifications up for debate in an ethical discourse.

Integrative Economic Ethics sets high standards for reasonableness discourses, requiring that »the situational resolution of conflicting validity claims occur through discourse – that is, grounded on sound, impartially universalizable reasons« (Ulrich 1999: 85). The challenges, practical hurdles and possibilities of these discourses are well known; they are particularly challenging in the modern economy, with its complex constellations of agents and institutions. Given the differentiated value chains and the social, ecological and economic interdependencies in a globally interconnected market, »the effects of competition are in principle illimitable and are transmitted to innumerable economic agents« (Ulrich 2008: 144), all while confronting them with substantial uncertainty. Moreover, persistent power imbalances within and outside the discourse pose ongoing challenges to adhering to communicative principles (Gilbert/Rasche 2007). In such networks, responsibility for outcomes is collectively borne (Young 2006). In this context, ›powerful third parties‹, whose responses to an organisation's actions can significantly affect its fortunes, become especially consequential. Power, in the Weberian sense (Weber 1985), encapsulates a wide range of influences, from property and regulatory authority to moral arguments and public opinion.

The further removed these influential third parties are from the discourse, the more challenging it becomes for agents who voluntarily limit their market endeavours to gauge the repercussions of those parties' actions. The social connection model (Young 2006), a pivotal framework within the political corporate social responsibility discourse (Ferguson 2024; Phillips/Schrempf-Stirling 2022), posits that these powerful agents are to be held accountable by less powerful agents by virtue of shared responsibility for structural injustices. Nonetheless, this insistence on accountability needs to be accompanied by a sober assessment of those agents' expected behaviour. An overprediction of co-operation can inadvertently lead to decisions that amount to »moral heroism« (Ulrich 2008: 144), i. e., to an unintended and unjustifiable self-sacrifice. Since these parties frequently abstain from engaging in moral discourses, their propensity to co-operate must be predicted and factored in as an external element in evaluating one's own reasonableness. Yet, even when they do engage in the discourse, uncertainties about their actions may persist.

This paper analyses the role of expectations regarding the co-operation of powerful third parties for reasonableness assessments. It further investigates the degree to which these expectations, as frequently articulated or implied in scholarly works, align with empirical evidence.

2 Reasonableness and Its Dependency on the Reactions of Powerful Third Parties

2.1 Moral Demands and Powerful Third Parties

When evaluating the reasonableness of moral demands for self-restraint, the potential for repercussions stemming from third parties' actions frequently plays a crucial role. We focus on scenarios in which an individual or entity (agent 1) might face additional disadvantages for complying with the moral demands of a second party (agent 2) because a powerful third party (agent 3) could refuse to restrain themselves in response, as depicted in Figure 1.

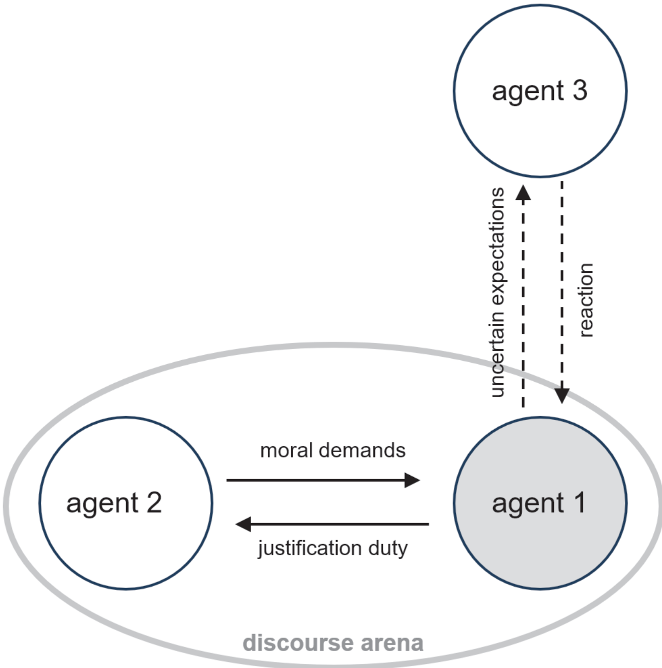

Figure 1: Justification and the role of powerful third parties (Source: own illustration)

These third parties are considered powerful when their reactions have the potential to impose substantive costs on agent 1, regardless of whether such consequences are deliberate or incidental. For instance, a situation in which a company's executive board anticipates opposition from the supervisory board to any measures that might reduce profits – such as initiatives to prevent human rights violations within their supply chain – serves as an example as it helps illustrate some necessary conditions that need to be met for a moral demand to be considered reasonable: there must be a rational basis for demanding self-restraint, and the entity targeted with such a demand must plausibly bear some responsibility. Such demands are what we will call *prima facie* justified demands. Preventing human rights abuses in one's supply chain fits this category. On the other hand, demands with no rational basis (e. g., demands for arbitrary favouritism by a supplier) or those misdirected at an unrelated party do not qualify as *prima facie* justified.

Furthermore, powerful third parties, such as the supervisory board in our example, need to bear some responsibility as well. Typically, this applies when these parties stand to benefit from ignoring the demand. However, it is also conceivable that responsibility does not extend to downstream beneficiaries, such as when misconduct by the executive board is at fault for human rights violations.

These demands initially have *prima facie* justification but require further scrutiny to determine if they are justifiable all things considered. The moral obligation of the executive board to go along with these demands hinges on further considerations, particularly regarding the reasonableness of the disadvantages the executive board members may expect to suffer.

An extension of this understanding addresses scenarios in which the aforementioned third parties themselves (in our example, the supervisory board) argue against demands for self-restraint on their part, citing concerns over repercussions from yet more influential fourth parties, like shareholders. This can lead to an intractable cascade of responsibility and reasonableness attribution, presenting a prominent challenge in the competitive market sphere. As a result, nobody appears to be responsible for remedying even the most severe and uncontroversial grievances (Thielemann 2010: 363, 449).

This absence of a clear line of responsibility means that victims of grievances, even when they suffer from undeniable breaches of their moral rights, find themselves unable to identify agents who are at fault for the violation. This is because all beneficiaries of rights violations can claim that, due to the expected reaction of powerful third parties, they would incur unreasonable costs when giving in to the moral demands. This situation leaves the victims' moral rights without corresponding obligations.

To fill this responsibility deficit, other agents can then be considered the bearers of (moral and legal) duties to protect – those in positions to mitigate grievances without direct involvement or benefit from them (Wettstein 2022). Frequently, this duty is attributed to the state, though companies, owing to their distinct resources or influence, might also be tasked with protective duties (Wettstein 2010). However, the view that market pressures exempt private entities from any obligation to self-restraint delegates all responsibility of protecting moral rights to the state, implying that the »systematic place of morality« is the legal framework (Homann/Blome-Drees 1992: 35). This stance allows (market) agents' rejection of all moral demands to be deemed responsible since, after all, they give in to all those demands that can be deemed reasonable – to wit, none at all. Yet, such a stance becomes indistinguishable from the view of deterministic economic forces and of a championing of unconditional self-interest.

2.2 Varieties of Interests and Their Influence on Assessing Reasonableness

When considering what degree of self-restraint can be deemed reasonable, the power wielded by third parties comes into play across various scenarios. Here, we touch upon three common scenarios without claiming comprehensive coverage: (1) the prisoners' dilemma, (2) the principal-agent relationship and (3) market exchange relationships.

1. The prisoners' dilemma is a situation in which each player faces a binary choice: to act for personal gain at others' expense or to opt for collective benefit through self-restraint. The latter requires foregoing a personal benefit, thereby allowing for greater overall benefits. In the standard case, a prisoners'

dilemma involves perfectly symmetric power relations and benefits. Figure 2 exemplifies such a scenario through a prisoners' dilemma payoff matrix for two players, showcasing the benefits obtained by the players for each combination of strategies. In this example, co-operation entails a player relinquishing a three-point individual benefit for the other player to gain a four-point advantage. The other player takes on the role of a powerful third party whose decision directly impacts the first player's payoff.

		player A	
		co-operate	defect
player B	co-operate	10 | 10	6 | 13
	defect	13 | 6	9 | 9

Figure 2: Example of a Standard Prisoners' Dilemma Payoff Matrix. Values Are Benefits (Source: own illustration)

Regarding the interpretation of reasonableness, two consistent interpretations emerge. The first is a simple matter of weighing personal costs against others' gains. Using the aforementioned payoff matrix, the query would be whether it is reasonable to demand a player to give up a three-point gain to avert a four-point loss by the other player. If affirmative, co-operation would always have to be deemed reasonable since the cost-to-gain ratio will always be three to four, no matter what strategy the other player chooses.

Alternatively, the assessment of reasonableness can incorporate reciprocity: unilateral co-operation can be seen as an unreasonable demand, whereas mutual co-operation is not. This grants players the prerogative to retaliate against non-co-operation as a way to resist exploitation. However, this obliges them to honour the other player's co-operation by returning the favour, despite the cost-to-gain ratio being the same in both cases. Empirical findings confirm that reciprocity is indeed a central aspect of the co-operation decisions of agents (Ostrom 2000: 147).

2. In contrast to the prisoners' dilemma, the principal-agent relationship is asymmetric. Here, a principal assigns tasks to an agent, with power relations vary-

ing based on circumstances such as the principal's punitive capacity or the agent's informational advantage (Saam 2002).

This relationship becomes particularly relevant in our context when an agent, moved by ethical considerations, faces a dilemma because their actions may go against the interests of the principal. A prime illustration is a board of directors (the agent) that is tasked with furthering the interests of the shareholders (the principals) and considers incurring costs for ethical reasons. Friedman (1970) resolves this conflict by granting the right to ethical self-restraint solely to the principal. In his view, the agent's sole responsibility is »to conduct the business in accordance with [the principals'] desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom« (ibid.: 1). This scenario underscores a pervasive issue in reasonableness discourses: the absence of powerful principals from the discourse limits agents to gauging the extent of ethical latitude likely to be accepted by the principal, without the means to appeal to the principal's potential for compromise.

3. Markets are marked by numerous exchange relationships[4] of different kinds in which the power of third parties can also be relevant for the assessment of reasonableness. For corporations, powerful third parties include customers, the government, suppliers, employees and other stakeholders. The question of reasonableness often arises here in such a way that the success of a company's efforts to comply with costly moral demands depends on the reactions of its customers. Their primary influence stems from their capacity to divert, or threaten to divert, their purchasing power, e. g., when more responsible products become more expensive.

2.3 Distinction Between Normative Demands and Positive Expectations

Evaluating the reasonableness of self-restraint involves anticipating the uncertain reactions of influential third parties, thus rendering the potential disadvantages to the individual uncertain as well. The assessment of reasonableness is therefore dependent on the prognosis of these reactions, which can be conceptualised as the vector of all conceivable reactions and their probabilities. These probabilities are ultimately subjective assessments, which may or may not be bolstered by empirical evidence, yet they always incorporate room for personal beliefs, speculations and views of human nature.

It is important to note that normative demands on an individual's behaviour must be clearly distinguished from positive expectations in the sense of predictions. One does not presuppose or imply the other: *demanding* that someone exercise self-restraint (i. e., claiming it is their moral obligation) neither requires nor implies that their compliance is *expected*. Conversely, an *expectation* that a particular person will restrain themselves has no bearing on judgements of their

4 A principal-agent relationship, too, is always a special exchange relationship. In this section, we focus on market-based exchange relationships in general.

moral obligation to do so (Ulrich 2008: 139). When referring to expectations hereafter, we mean it in the sense of a prediction (›I expect rain tomorrow‹), even though in certain contexts expectations can also have a normative meaning (›I expect an apology from him‹).

This distinction underscores that it is never naïve or unrealistic to address normative demands to an agent, just as expecting others (in the described positive sense) to be ruthlessly self-interested cannot be objectionable. Equating these two would amount to committing the is-ought fallacy, incorrectly deriving an ›ought‹ from an ›is‹, or vice versa (Potthast/Ott 2016).

While we are focussing on the normative significance of expectations regarding others' actions, the performative significance of such expectations should not be overlooked. Almost all economic decisions, ranging from daily purchases to long-term investment strategies, crucially depend on the expectations of others' behaviours. The valuation of assets and the fluctuation of prices in general are intimately tied to these expectations (Beckert 2013; Esposito 2024), which, in turn, are shaped by overarching narratives (McCloskey 2011; Shiller 2019). Notably, the possibility of achieving successful co-operation, including in for-profit companies, hinges on the belief among participants that mutual co-operation is forthcoming (James 1912: 24).

2.4 *Genuine versus Opportunistic Expectations*

The reliance of action predictions on personal judgements carries the risk that these assessments may be motivated by self-interest rather than being the result of a sincere effort to make an accurate assessment. When debating reasonableness, especially under the conditions described, a significant amplification effect emerges: agents less inclined towards self-restraint might project a similar lack of willingness onto powerful third parties so that they can more convincingly dismiss requests for self-restraint as unreasonable within justificatory discourses. This evasion of responsibility for detrimental outcomes shifts the blame to those third parties, as elaborated by Young (2003: 15):

> »Frequently the reaction of people being blamed for a wrong is defensive – to look for other agents who should be blamed instead of them, or to find excuses that mitigate their liability in those cases where they must agree that their actions do causally contribute to the harm. Such practices of accusation and defense have an important place in morality and law.«

Thus, the perceived or claimed intransigence of powerful third parties also allows opportunistic individuals to overstate their readiness for self-restraint, provided they can convincingly argue that their belief in their assessment is genuine. Those with a strategic intent (Johnson 1991) may leverage bleak views on third parties' self-restraint to minimise the range of what is reasonable to the point of rejecting any demands for self-limitation – ultimately taking refuge in a cynicism in which the claimed constraints no longer leave any room for reasonable self-restraint (Ulrich 2008: 139). Conversely, even those with a conciliatory disposition may regretfully view the scope for reasonable self-restraint, by themselves or others, as minimal due to an overly pessimistic view of human nature.

An often-cited reasoning by executives is their purported obligation to prioritise shareholder value maximisation above moral considerations as they would otherwise be guilty of a breach of their legal duty. Even though courts (at least in the U. S.) typically side with executives, sometimes explicitly granting them the right to pursue non-profit objectives (Stout 2008: 168), the simplistic view of fiduciary duty as exclusively profit-oriented remains a powerful social norm (Smith/Rönnegard 2016: 469).

2.5 Evaluating Uncertainty

The determination of what actions are deemed reasonable is not only influenced by perceptions of human nature but also by the manner in which uncertainty is evaluated. Even with identical estimations of the likelihood of potential actions, two individuals might assess the reasonableness of a particular action differently based on their individual attitudes towards uncertainty. For instance, opting for a path that, while being the more ethically sound choice, exposes one to potential negative repercussions from influential third parties can be less appealing to someone with a high degree of risk aversion, i. e., a preference for guaranteed outcomes over comparable outcomes that are merely probable (Neumann/Morgenstern 1967). Their greater emphasis on avoiding uncertainties may tilt the balance against self-imposed limitations.

Beyond risk aversion, other psychological tendencies and cognitive processes contribute to varied and, at times, paradoxical ways of dealing with risk and uncertainty. Particularly relevant are the empirically well-documented psychological phenomena of loss aversion (valuing losses more than equivalent gains) (Kahneman/Tversky 1979) and probability neglect (misconstruing the significance of probabilities, especially for highly unlikely events) (Sunstein 2002). In business contexts, for example, ethically motivated decisions that result in slightly lower profits may often increase the likelihood of layoffs or even bankruptcy by a tiny margin in the long term, meaning that even the smallest financial sacrifice may be deemed unreasonable as a consequence of such biases.

2.6 The Normative Importance of Positive Expectations

Expectations, in the predictive sense, initially carry no inherent moral judgement. Yet, as our discussion reveals, the anticipations regarding others' behaviour ultimately impact moral evaluations: the bleaker the forecast regarding the willingness of third parties to engage in self-restraint, the fewer demands can normatively be justified for self-limitation of the individual concerned.

Thus, the ethical assessment of reasonableness also hinges on an optimistic versus pessimistic estimation of third parties' readiness for self-restraint. While such estimations might be strategically formulated and manipulatively employed to defend personal interests, such a bias cannot blindly be imputed. The acceptance of or scepticism towards expressed expectations of powerful third parties' actions boils down to the persuasiveness of these beliefs, and this persuasiveness will depend, among other things, on the empirical basis of such predictions.

Therefore, research findings on the propensity for self-restraint acquire critical normative significance and warrant further investigation.

3 Empirical Evidence on the Willingness to Self-Restrain

The very existence of companies, a phenomenon neoclassical theory struggles to account for (Coase 1937), suggests a widespread inclination towards self-restraint by individuals within the corporate world. According to influential interpretations of the theory of the firm, corporate success relies not only on competitive strategies but also on the co-operation and non-selfish behaviour of people within the firm (Simon 1991: 35f.; Tirole 1986: 208). Historically, the exploration of co-operation and self-limitation has been sidelined in economics, only to be revisited with the emergence of behavioural economics. However, even this reintroduction often seeks to reinterpret co-operation through the lens of self-interest, framing it as just another variant of utility maximisation (Gräbner/Strunk 2020; Thielemann 2020a).

Prior to the advent of behavioural economics, sociology and social psychology robustly documented people's readiness to prioritise collective benefit over individual gain, particularly in situations modelled by the prisoners' dilemma (Ostrom 2000). This contradicts the rational self-interest model predominantly assumed in economic theory, showcasing a regular and predictable pattern of co-operation and adherence to reciprocity norms under certain conditions (Bowles 2016; Sen 1977).

Several prominent examples underscore the broad readiness to co-operate observed through experimental game theory. Experimental studies, e. g., consistently show that a significant majority of participants engage in non-selfish behaviour. In the dictator game,[5] for instance, nearly two-thirds of ›dictators‹ distribute a portion of their assigned resources to a ›recipient‹ without any benefit to themselves, with 29 percent giving away half or more of their allocation (Engel 2011: 588f). Further research highlights people's inclination to non-instrumental reciprocal favours, such as in a one-shot trust game in which most participants generously honour a player's decision to forego the possibility of punishment for defection (Fehr/Rockenbach 2003: 138).

Field experiments reinforce this proclivity towards communal norms without immediate personal benefits. In a comprehensive study involving over 17.000 ›lost‹ wallets that were handed over to bank clerks, hotel receptionists, etc., in 40 different countries, nearly half were returned by mail, with some countries showing return rates above 80 percent. Interestingly, wallets with money were returned at a higher rate (51 percent) compared to those containing only documents (40 percent), with the vast majority (98 percent) of the money remaining untouched (Cohn et al. 2019). Another study found around 70 percent of wallets

5 In this game, the ›dictator‹ is given an amount of money, of which they can give any portion to the ›recipient‹ and keep the rest, which ends the game.

with significant amounts of money ›lost‹ in the streets of multiple cities in Europe and the U. S. were returned, with all 20 being returned in two cities (Knack 2001: 44).

This tendency extends beyond trivial acts of honesty to more consequential community decisions, such as the acceptance of nuclear waste disposal sites. For instance, over half of a Swiss community identified as a potential site for such a facility expressed approval in 1993 (Frey et al. 1996), a figure that dropped by half when financial compensation was offered, indicating that people are more willing to accept such impositions as a civic duty than as a transaction or attempted bribery.

This phenomenon of »motivation crowding out« (Frey/Jegen 2001), by which the introduction of incentives diminishes the intrinsic motivation for co-operation, has been extensively documented. It illustrates how widespread altruistic and co-operative behaviour is, absent any incentives. Motivation crowding out can be understood as the moral psychological dimension of self-determination theory (Deci/Ryan 1985), according to which extrinsic incentives crowd out intrinsic motivation, and consequently also impair the development of pro-social attitudes and subjective well-being (Ryan/Deci 2000: 68).

The evidence on motivation crowding out could be taken to suggest that market situations with their monetary incentives must elicit pure self-interest in people, seemingly confirming the homo economicus assumption, at least in all economic settings. This conclusion, however, stretches too far and is not supported by evidence. The crowding out of co-operation by incentives depends on the perceived intent behind these incentives (Bowles 2016). Thus, the crowding out of intrinsic motivation is not an inevitable consequence of introducing incentives, but a reaction to the message they convey. When incentives are clearly communicated as support for pro-social actions or as sanctions for a minority of free-riders, they can actually enhance intrinsic motivation instead of displacing it (Bowles 2016).

More generally, even in everyday market situations, norms of fairness, trust and reciprocity have been found to play a significant role (Kahneman et al. 1986). The importance of these norms for economic outcomes increases with the incompleteness of contracts (Hart/Holmstrom 1986: 91), with employment contracts being one example of particularly incomplete contracts (Bowles 2016). In response to incentives, people therefore do not act in an unrestrictedly self-interested manner but in accordance with (market) norms that impose limits on self-interest (ibid.: 179; Kahneman et al. 1986; Walsh 2001). Under market norms, people generally use different standards and benchmarks to evaluate moral duties than outside the market, but the recognition of moral duties and the willingness to limit oneself remain fundamentally intact.

Rutger Bregman's book *Humankind: A Hopeful History* compiles a wealth of evidence that challenges the narrative of inherent selfishness, arguing that co-operation and public-mindedness are fundamental to human behaviour. He critically revisits infamous studies like the Milgram experiment and the Stanford prison experiment (Milgram 1963; Haney et al. 1973), pointing out flawed conditions and interpretations that, upon closer scrutiny, demonstrate how difficult it often is to make people act against moral scruples (Bregman 2021).

The underestimation of other people's propensity towards self-restraint is considerable. The wallet experiment, for instance, revealed a large gap between actual altruistic behaviour and expectations, with 80 percent of lost wallets in Toronto returned but only a 25 percent return rate anticipated by Toronto residents (Helliwell et al. 2018). Disaster situations further highlight this discrepancy, when community spirit and mutual aid flourish most of the time instead of looting and violence, as is often expected (Bregman 2021: 2–7). This widespread moral pessimism is echoed in studies in which subjects attributed selfish motives to people for pro-social actions, even if they had previously rated the same actions as altruistic in the abstract (i. e., before considering them as actions of a specific person) (Critcher/Dunning 2011).

These findings shed new light on Milton Friedman's assertion quoted above that investors »generally will endeavour to make as much money as possible« (Friedman 1970: 1). Friedman does not find it necessary to substantiate or justify this assertion and apparently just counts on the approval of his readership. He wastes no words on the possibility that private investors may not be aiming for maximum return, but merely for an appropriate one, and that it may be important for them to not be complicit in pressuring companies to pursue »profitability extremism« (Thielemann 2020b). Even if an exclusive profit orientation were to prevail among professional investors and fund managers – a big ›if‹ considering the fierce controversy in the U. S. surrounding ESG investment (Arjaliès/Bansal 2023) – this could in turn reflect the mistaken assumption on the part of finance professionals that the private investors whose money they manage are entirely unwilling to engage in self-restraint, no matter how ethically objectionable they may find the corporate practices from which they benefit.

4 The Consequences of Misjudging the Willingness to Co-operate

The finding that selfishness is often overestimated, and public spirit underestimated, means that agents who are exposed to the influence of powerful third parties are systematically morally ›underchallenged.‹ A systematic underestimation of the willingness of these third parties to self-restrict can lead to prematurely dismissing reasonable moral expectations as unreasonable.

The shrinking of the space of reasonable demands subsequently erodes individual responsibility for addressing grievances, effectively shifting the burden to the state as the bearer of protective duties. However, when the state enforces desired behaviour through penalties and rewards, it risks further diminishing the overall willingness to co-operate as a consequence of motivation crowding out.

Hence, underestimating the willingness to engage in self-restraint of powerful agents can create a self-fulfilling prophecy. When all parties presume ubiquitous self-interest, the allegedly prohibitive costs of moral consideration will result in behaviour indistinguishable from pure self-interest. It may in fact be the result of an ethical decision, but because powerful third parties are wrongly assumed to tolerate no concessions, self-limitation is regularly judged as excessively burdensome. This leads external observers to perceive actions as reckless, seemingly confirming the initial bleak presumptions and solidifying this cynical view of humanity and the institutional framework deemed necessary to police selfish citizens (Bregman 2021). Additionally, as pro-social behaviour is increasingly incentivised and undesirable behaviour penalised, fewer opportunities arise to demonstrate ethical commitment – again reinforcing a negative view of human nature and obstructing trust formation (Bowles 2016).

While the contrast between economic agents' willingness to co-operate and their self-serving behaviour may look like a contradiction, it is not contradictory because the unobservable dispositions of agents (what they *would* be doing under various conditions) cannot be inferred from what they *are* in fact doing under specific conditions. The fact that a person shows aggressive behaviour in a threatening environment does not tell us anything about the same person's behaviour in another setting (Boone et al. 2010).

Overlooking individuals' capacities for self-restraint also understates the potential for discursive understanding. Beginning with the premise of universal selfishness precludes the significant opportunities that can come from engaging individuals in discourses, e. g., on the siting of nuclear waste facilities. This moral pessimism squanders an opportunity not only for more fruitful conflict resolution (Bowles 2016) but also for fostering a sense of republican ethos (Ulrich 2008) and a democratic spirit (Bregman 2021).

The prevalence of overly pessimistic assumptions also has important implications for the assessment of seemingly self-interested behaviour. The dismissal of moral demands may not necessarily be evidence of an agent's self-interest but rather their underestimation of powerful third parties' willingness to self-limit. If such pessimism pervades an individual's moral reasoning, their actions can no longer be distinguished from those of a purely self-interested agent – even if the individual has a morally responsible disposition.

Conversely, overestimating the willingness for self-restraint by powerful third parties can lead to the opposite case of moral misjudgement but also to a positive self-fulfilling prophecy. For instance, an employee who, for ethical reasons, decides to accommodate a customer beyond company policy might erroneously believe their supervisor would endorse this decision. This might lead to the employee being reprimanded and facing unexpected consequences, leading to (involuntary) moral heroism. Alternatively, the optimistic assessment of the superior's generosity could trigger a crowding in effect (Weibel et al. 2014: 79) by inspiring a previously unseen willingness for self-limitation in the supervisor. Empirical evidence from experiments and from business settings strongly suggests that under many conditions, not only is it true that »trust begets trustworthiness,« but also that being trusted by one person engenders trust in other unrelated parties, generating a contagious effect of trust relationships (Cohen 2023: 125).

Predictions regarding powerful third parties' moral dispositions thus directly impact ethical judgements and subsequent actions, obscuring the full potential of effective ethical commitments of the agents involved. Therefore, ethical disputes about what is reasonable might not only stem from normative disagreements about justifiable concessions but also from differing assessments of third parties' willingness to self-restrain.

It is important to understand that even if the observed practice of a group of economic agents provided no evidence of any willingness to co-operate, this would not be sufficient to conclude that they have no disposition to co-operate. It may simply be the result of a lack of trust in the other agents' intentions to co-operate, and, as is well established in game theory (Dasgupta 2009), it is perfectly possible for the same group of agents to practice co-operation under slightly different circumstances (namely such circumstances that result in mutual trust). »Unfortunately, even when cooperation is a possible equilibrium, non-cooperation is an equilibrium too. (…) Failure to cooperate could be due simply to an unfortunate pair of self-confirming beliefs, nothing else« (Dasgupta 2009: 3305).

5 Conclusion

Discourses on responsibility, legitimacy and reasonableness reflect the regulative idea of achieving consensus through rational deliberation, central to fostering a socio-economically responsible economy in which alleged constraints are transformed into questions of reasonableness. Similarly, Young's (2006) exploration of power dynamics in deliberative processes questions the deterministic view of economic constraints (Ferguson 2024).

Facing the challenges and inherent limitations of practical discourse, engaging in a hypothetical discourse (Ulrich 2008) often provides the closest adherence to this regulative idea. In scenarios devoid of communicative interaction, an enhanced capacity for perspective-taking becomes crucial for participants. Considering the potential impact of absent third parties is critical in evaluating the repercussions of their possible actions. Thus, understanding these third parties and gauging their propensity for self-restrain are of paramount importance.

Empirical evidence reveals a habitual pessimism in our perception of human nature, frequently underestimating the co-operative propensity of powerful third parties. By assuming them to care solely about their self-interest, we inadvertently restrict our own decision-making latitude, confining the realm of acceptable choices. This might lead to influential figures in crucial policy and societal debates being deemed inherently self-focussed, contrary to the facts. Consequently, a society may believe it must accept undesirable economic practices under the mistaken belief that powerful third parties would sabotage reasonable moral demands. This results in a vicious circle that, against better judgement, allows alleged constraints to prevail.

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