



SYMPOSIUM ARTICLE

Two kinds of social cooperation?

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Abstract

Michael Otsuka argues that collective pension schemes are forms of social cooperation on equal terms for mutual advantage and thus, matters of social justice. In this way Otsuka wants to understand collectively funded pensions in Rawlsian terms. I argue that not all forms of social cooperation are the same and that the specific kind of social cooperation Rawls has in mind is, in at least three central respects, different from the kind of social cooperation involved in the collective pension schemes Otsuka describes.

Keywords: Otsuka; Rawls; pensions; social cooperation; social justice

1. Introduction

In his highly intriguing new book, Michael Otsuka makes the case for collective pension schemes on the basis of social justice: as forms of social cooperation on equal terms for mutual advantage. In this way Otsuka wants to understand collectively funded pensions in Rawlsian, not in primarily luck egalitarian, terms. He notes that “[i]t was, in fact, through my thinking about pensions that I finally came to see the force of Rawls’s approach to social justice, and to relinquish much of my prior commitment to a contrasting luck egalitarian version of left-libertarianism which I defended in *Libertarianism without Inequality*” (Otsuka 2023a: 6).

But there are notable differences between Rawls’s notion of social cooperation on fair terms for mutual advantage in the context of understanding the basic structure of society and the sort of cooperation for mutual advantage that collective pensions schemes involve. These variations are with respect to each of the parts of the term (1) social cooperation on (2) equal terms for (3) mutual advantage. First, the context and thus nature of cooperation is distinct. Second, the circumstances equally situated parties consider when coming up with fair terms of agreement diverge. Third, the kind of mutual advantage in question is not the same. These differences may, of course, be due to Otsuka applying Rawls’s principle of social cooperation on fair terms for mutual advantage to only one aspect of society and not to a society’s

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basic structure. This may be true, but, whatever the reason, applied to pension schemes, social cooperation on fair terms for mutual advantage does not look particularly Rawlsian.

My argument proceeds in two steps. I begin by outlining the way Otsuka invokes the Rawlsian idea of social cooperation (section 2). I then, second, explore the three ways in which Rawls's notion of social cooperation is distinct from Otsuka's description (section 3).

2. Collective Pension Schemes as Forms of Social Cooperation

Otsuka asks why the young and able-bodied who actively contribute to the workforce should pay for the pensions of those who are retired. He mentions two possible ways to answer this. First, we might view these payments from the currently working to those who no longer are as a duty to redistribute the wealth from the fortunate to those who are less or no longer fortunate as a way for the former to counteract the unfairness of life (Otsuka 2023a: 1). The problem Otsuka sees with this first response is that the unfortunate would have to rely either on the fortunate being willing to altruistically give away their money or on a Robin Hood (welfare state) simply taking the money from the rich (Otsuka 2023a: 94).

Second, and this is the reading Otsuka defends, we can answer the question by invoking reciprocity: the young and productive join with each other to pool their risks of becoming ill, disabled, or outliving their savings so that they can rely on a steady stream of income should they become ill, disabled, or enjoy a lengthy retirement. Then, to further smooth any remaining risks, the individual cohorts join together in a larger, generational-cohort-spanning, pension scheme. Through the pooling of risk, those whose pensions would be overflowing had they individually invested would end up receiving a little less and all those others not as lucky would end up with more. But, through the pooling of risk, everyone gains, even those who might have gotten lucky otherwise, since they are protected against the risk of not ending up (so) lucky.

If this is the way we understand collective pensions then it is in the rational self-interest of young people just entering the workforce to join such pension schemes¹ since that allows them, via cooperation with many other, rational, and self-interested young people, to pool and thereby significantly minimize financial risk over their lifetimes.²

So far, so good. But now Otsuka invokes Rawls to provide normative support for the idea of collectively funded pensions. "There is a justice-based case for collective pensions, because justice should be conceived of, not as fundamentally a matter of the elimination of the unfairness of unchosen, brute bad luck, but rather as fundamentally involving Rawlsian fair terms of social cooperation for mutual advantage in the division of the fruits of the labour of workers" (Otsuka 2023a: 84).

¹This is so even though, or, more precisely, in part *because* these schemes, once joined, have no exit options (Otsuka 2023a: 81).

²By contrast, Otsuka notes, it would not be in the self-interest of young people entering the workforce to join Beveridge-style pay-as-you-go-pension schemes since, due to their strong redistributive qualities, it would not be to the advantage of those who have the prospect of earning high wages (Otsuka 2023a: 60).

But what exactly does Otsuka mean when he says that the case for collective pensions involves Rawlsian fair terms of social cooperation for mutual advantage? There are at least two options. It could, first, mean that, whenever someone invokes fair terms of social cooperation for mutual advantage, they are making a 'Rawlsian' move. On this reading Otsuka's case for collective pensions is undoubtedly Rawlsian. But it could, second, also be read as saying something more specific, namely that the case for collective pension schemes can be made on explicitly Rawlsian terms of social cooperation. In what follows I show that this reading is more doubtful.

3. Two Kinds of Social Cooperation

Rawls's notion of social cooperation on fair terms for mutual advantage differs from the one Otsuka proposes for collective pension schemes regarding all three aspects of this notion, namely with respect to (1) the context and nature of social cooperation, (2) the circumstances equally situated parties consider when coming to a fair agreement and (3) what exactly constitutes mutual advantage.

(1) *The context and nature of social cooperation.* There are various reasons for why, and contexts in which, individuals cooperate. Sometimes individuals choose to cooperate for primarily prudential reasons: to produce a mutual advantage that could not similarly accrue if they did not cooperate. At other times, individuals cooperate because doing so is inherently valuable. As such, whatever mutual advantage may or may not be achieved by their cooperation, cooperation is also an end. To illustrate the first sort of cooperation, take the following two cases of the *prudential rowers*:

(a) A needs to cross a river. There are several boats. The fastest boat there is requires two people for rowing it.³ So A cooperates with B who, separately and for independent reasons, is faced with the same choice. They divide the rowing up equally but only because any other way to make it to the other side would slow them down.

(b) A needs to cross a river. There are several boats. The fastest boat there is requires two people for rowing it. So A cooperates with B who, separately and for independent reasons, is faced with the same choice. As members of a cooperating scheme, they are committed to dividing up the task fairly.⁴ This division may slow them down somewhat.

I call these cases those of the *prudential rowers* since there is no reason for each of them to cooperate apart from the mutual advantage that this cooperation promises.

³For those who know something about rowing, imagine a (coxless) pair with sweep oars.

⁴They may be committed this way for various reasons. It might be because they appreciate that cooperation comes with certain normative commitments or because cooperation on fair terms tends to lead to the best results.

The difference between (a) and (b) is that in (b) the rowers take their cooperation as committing them to dividing up the task fairly, even at the cost of slowing them down somewhat – assuming, of course, that they are still faster than they would be if they each took individual boats. Collective pension schemes as Otsuka envisions them seem to be roughly of type (b). Individuals pool risk over time to generate secure payments in the future and, given their cooperation, they do so on equal terms, even if that comes at some disadvantage for the better-off contributors who must now refrain from taking advantage of their stronger position (Otsuka 2023a: 87–88). But even without taking advantage in this way the latter will remain better off than had they invested in individual pension plans.

Now consider a different case, namely that of the *committed rowers*, to illustrate a situation where cooperation is also an end in itself:

A and B need to cross a river. The only boat there is requires two people for rowing it. This entails cooperation and cooperation, in turn, demands fair terms. Crossing the river together in this way allows A and B to flourish. It thus provides reasons for choosing it even if there was another, noncooperative, option that was faster.

Here, A and B cooperate and achieve a mutual advantage – to cross the river. But that is not all. Even though I am assuming that there are no other options, the option open to them – cooperation to achieve the shared end – delivers an important good and is worth choosing for its own sake.⁵ Cooperation thus plays a very different role here than it does for the *prudential rowers* and is more like what I take Rawls to be envisioning. The context of his considerations, the basic structure of society, simply is inherently social (Rawls 1993: 279). And although there is no option for non-cooperation, this is not regrettable; quite to the contrary: “human beings have in fact shared final ends and they value their common institutions and activities as good in themselves” (Rawls 1999: 458). By contrast, the nature of the undertaking that best describes various possible pension schemes is neither inherently social nor does it offer a solution that is desirable for its own sake: each party could also invest in individual pensions plans and not doing so is primarily a way to solve a problem – that of financial risk over a lifetime – rather than a valuable activity in itself. Cooperation, therefore, is *merely* a means to the end of mutual advantage.⁶

(2) *Different circumstances, different agreements between equally situated parties.* Fair terms of cooperation, for both Rawls and Otsuka, involve equally situated parties. Similar to Rawls’s parties in the original position behind a veil of ignorance,

⁵The *committed rowers* allow no choice since Rawls assumes there is no alternative to cooperation. As the example indicates, a clearer case would be one where there is the option of not cooperating, but individuals nevertheless choose to cooperate because that allows them to realize their inherently social natures.

⁶Otsuka may respond by saying that even in cases where there is no alternative to cooperation, cooperation remains instrumental. However, I read Rawls as having two routes to defend the non-instrumental reading, one more Kantian and one more Hegelian: he can, with Kant, insist that respect for others requires cooperation so that social cooperation is always also a normative requirement (whatever its instrumental value may be). Or he can, more along the lines of Hegel (or/and Humboldt, see *A Theory of Justice*, 459) maintain that cooperation is constitutive of human flourishing. Either way, it is not merely instrumental.

Otsuka's parties are also free and, in a sense, equally situated: at the beginning of one's working life one does not know what fate has in store and thus needs to insure one's possibly unlucky future self against the vagaries of time (Otsuka 2023a: 80). However, what parties will agree on in such a situation will not only depend on how they are situated. It will also depend on the available alternatives. For Rawls, as already mentioned, there is no alternative to social cooperation. Thus, the available alternatives are limited to other ways of social cooperation. "The intuitive idea is that since everyone's well-being depends upon a scheme of cooperation without which no one could have a satisfactory life, the division of advantages should be such as to draw forth the willing cooperation of everyone taking part in it, including those less well situated. Yet, this can be expected only if reasonable terms are proposed" (Rawls 1999: 15). Those to whom justification is owed here prominently include those who end up in the worst-off position. Therefore, it is not surprising that Rawls's notion of social justice contains strongly redistributive elements.

By contrast, in Otsuka's case of pensions, the relevant alternative to collectively funded pension schemes are individual (defined contribution) pension schemes (IDCs) "Collective pensions would . . . tend to be worse than IDC for those whose investments would fare best under the latter, since their high returns would be transferred to the less fortunate when returns on investment are smoothed" (Otsuka 2023a: 82–83). The alternative to cooperation here is non-cooperation. Non-cooperation benefits the lucky. Thus, when choosing the terms of cooperation, it is primarily the otherwise or potentially lucky who must be incentivized to agree to the terms chosen. The pressure, therefore, of proposing redistributive schemes of the sort that Rawls has in mind and that have come to be associated with Rawlsian social justice, is largely absent.

(3) *Mutual advantage*. Otsuka, like Rawls, suggests understanding collective pension schemes as forms of social cooperation for mutual advantage. But it is not self-evident what mutual advantage is supposed to mean. Something could, for instance, be *ex ante* or *ex post* mutually advantageous. Or it could be mutually advantageous in a narrow, self-interested, way or in a way that is not as narrowly self-interested because, for instance, the interest that is being advanced is that just institutions be established and maintained over time.⁷ Collective pension schemes are for narrowly self-interested *ex ante* mutual advantage only. "These transfers are to each person's expected advantage, which is made possible by a fair sharing of the fruits of social cooperation that arise through the efficiencies reaped by the pooling of the risk of outliving what one could save for one's retirement on one's own" (Otsuka 2023b: 62). It seems that the mutual advantage that Rawls has in mind is less narrowly self-interested. To begin with, and as mentioned before, members of a society do not join the cooperative scheme to gain some advantage over what they could have reaped individually or in a state of nature (Rawls 1993: 279). Rather, they always already find themselves in these cooperative schemes and want to make the particular ones they find themselves in as fair and thus, as just, as possible. This will

⁷Rawls distinguishes between self-interest and an interest of the self: "Every interest is an interest of a self (agent), but not every interest is in benefits to the self that has it" (Rawls 1993: 51). I am suggesting that a person can be benefited (albeit in a non-narrowly self-interest way) by having an interest of their self, such as an interest in living in a just society, satisfied.

be to the mutual advantage of each in the sense that each knows that the society they live in is on its way to establishing just institutions or already just.⁸ Otsuka, on some level, acknowledges this difference, namely when he asks whether pay-as-you-go pension schemes can be defended on grounds of reciprocity. He claims that, by imposing the veil of ignorance, Rawls forces the parties in the original position to make choices that are impartially altruistic and not to the benefit of everyone (Otsuka 2023a: 63). But what Otsuka calls impartially altruistic choices are, of course, choices that can be seen as mutually advantageous, just not in narrowly self-interested ways. As such, they are quite different choices than those made by young people entering the workforce who are seeking to pool risk to generate the best and most steady stream of income in retirement at the minimum amount of risk.

4. Conclusion

In sum, what Otsuka is describing in terms of social union⁹ seems less like the social union Rawls has in mind and more like what Rawls calls *private society*. “Its chief features are first that the persons comprising it . . . have their own private ends which are either competing or independent, but not in any case complementary. And second, institutions are not thought to have any value in themselves, the activity of engaging in them not being counted as a good but if anything as a burden. Thus each person assesses social arrangements solely as a means to his private aims . . . everyone prefers the most efficient scheme that gives him the largest share of assets” (Rawls 1999: 457).

The case, therefore, that Otsuka makes for collective pensions is possibly not quite as Rawlsian as Otsuka intends it to be. I am suggesting that unlike social cooperation in the context of collective pensions, social cooperation for Rawls is more than merely a means for mutual advantage. Moreover, given the way Rawls conceives of the inequalities arising from the chosen cooperative scheme as having to be justified to those in the worst-off position, it necessarily generates duties of redistribution that social cooperation in the context of collective pension schemes does not. Finally, I am proposing that the mutual advantage that is achieved through Rawlsian social cooperation is not reducible to narrowly self-interested benefit.

⁸It will not be to the *ex post* narrowly self-interested advantage of each, since, and in this respect it is similar to collective pension schemes, some will certainly be worse off in a cooperative scheme on fair terms than they would be otherwise (in a different cooperative scheme).

⁹Otsuka refers to collectively funded pensions schemes as a social union of social unions. “A collective pension can be justified as a ‘social union of social unions’ . . . Each first order social union is created by a set of covenants that unites the members of a cohort who will retire at the same time into the mutual association of a tontine arrangement. Such covenants are to the mutual benefit of each, as they pool and tame the longevity and investment risks that each faces as an individual. The different cohorts in turn will find it rational to enter into covenants with one another in order to pool and smooth over the investment risks that remain” (Otsuka 2023a: 23) To stay with the image, I am suggesting that it might be more accurate to describe a collective pension scheme as a private society made up of many smaller private societies.

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