

Socio-Economics in Transition Times: A Reflection on Cooperation as a Strategy to Promote Wealth

José António Filipe

Instituto Universitário de Lisboa (ISCTE-IUL), BRU/UNIDE, Lisboa, Portugal

Email: jose.filipe@iscte.pt

Abstract: The discussion on cooperation in the context of transition in developed countries, in times of crisis is very accurate at the present moment. World has changed and the relative positions have been profoundly modified motivated by the effective changes in the last two decades in the political and strategic measures adopted in international negotiations in the context of the World Order (Disorder!). Developed economies have believed that their abilities would remain for the long term. Qualifications and specialization in developed economies were not enough to guarantee that globalization and markets' opening would be successful in the long term. Governments have not understood that. In consequence, in many developed countries financial cash problems and an ambience of structural crisis have emerged. The problem may grow if right measures are not implemented correctly and timely. The very recent experience shows that many difficulties may keep a weak economic (and social) development for these countries. Global measures are needed and international cooperation must be effective in order to allow economic strategies to conduct many developed countries to the way of growth. However, the emergent countries will continue in the front line, despite what happens in the near future with structural strategies to be adopted by developed countries.

Keywords - Cooperation, debt, development.

1. Introduction

Cooperation in the context of crisis considering the present period of transition, pointing to social and economic hard changes in developed countries, seems essential at the present moment. Developed economies have believed in the past that their abilities would remain for the long term. High qualifications and specialization of these economies conducted politicians to rush the globalization and to open completely their markets, believing that they were prepared for the global competition.

However, the optimistic views of politicians were proper and conform their will but were wrong in the philosophy and in the implementation of the strategies. The visible consequence is that many countries in Europe (for instance) are dealing nowadays with severe financial cash problems and with a crisis that is providing growing disasters in

social terms.

The sovereign debts, the external national debts, the weak long term economic growth for more than a decade are factors that show the wrong options in the past. The problem may grow if correct measures are not implemented correctly and timely. The very recent experience shows that measures are implemented out of time and with no political abilities. Governments react very late, there is no correct evaluation of the problems, institutions are not coordinated, political interests are overlaid comparing to the national interests of countries. Global measures are needed and international cooperation must be effective in order to have economic strategies to guarantee many developed countries' growth.

Nowadays' problems discussion in the context of transitions is very accurate at the present moment. The actual crisis and the existing and crescent difficulties generated by the severe measures that governments are implementing currently, particularly in some European Countries, bring to the discussion the idea that governments have to be necessarily more effective in solving economic inefficiencies and in solving the lack of regulation or simply the wrong terms of regulation, particularly in the financial area. Many regions and many families as much as many companies in many countries in Europe are dealing with severe national economic and social problems. The crisis brought a set of additional national problems. Many sectors and many regions have now extremely difficult conditions due to the decreasing of countries' economic situation.

2. The Need for a Global Reflection

The world population keeps growing on, and many restrictions are necessary to the present and for next generations. This is the time to think on this. The future is in front of us and will depend on the present decisions. And first of all, politicians and public policy makers have to be aware of the challenge.

In fact,

- Property rights may be in the center of the discussion and a new model for modern societies may be discussed. Now, many individuals are at poverty levels or close to that.

- Public social national policies that were characteristic of developed countries have now to be reconsidered. Public budgets are lower than before and policies more selective and more restrictive. Many projects of social responsibility are possible and may be developed, involving communities in order to create value, in order to organize structures from which families may live from. There are local organizations to be created and local public authorities to be involved to create the necessary structures to permit the development of such kind of organizations.
- Bureaucracy and excessive rules and obstacles to the implementation of private projects have to be removed to guarantee successful implementation of projects. Anti-commons tragedies must be avoided considering that, as Buchanan and Yoon (2000) say, there are often “disparate institutional structures” which have to be overpassed. The persistence of bureaucratic circuits of approval and implementation of projects can difficult entrepreneurship activities and that diminishes the potential of regional development. It is necessary now to develop local and regional projects in private sector and develop industry and agriculture, including mining and aquaculture projects.
- New kind of projects, dealing with technological innovation, can be developed involving Universities and local organizations, by creating structures for new value development.
- New projects involving local communities and local companies in order to create new economic and social projects;
- New practices have to be considered for citizens in the day by day way of life;
- And many other ways of creating value through cooperation and common strategy designs have to be generated, as well.

People have already perceived that there are limits to growth and that resources are finite. Developed countries have now to reformulate strategies and to create new ways of generating wealth. Innovation must keep on, and rules in the international market must be adapted to consider a way to generate wealth and growth by developed countries in the international context, creating new rules for the international trade. It is no longer possible to keep developed countries to grow if there is not a growing industrial and agricultural basis. Some European economic countries are facing this problem and the only way to grow and create a structure for development and to generate enough wealth for guarantee standards of life of citizens is to recuperate a strong production basis, which in many aspects and regions has been lost.

3. The Portuguese Situation

Portugal is one of the most affected countries in Europe in this contextualization. In fact, in Portugal

the situation got worse considering the level of sovereign debt and the context of growing debt of families and companies, what conducted Portuguese Government to ask for financial support from E.U. and I.M.F.

Many sectors and many regions are now facing extreme conditions due to the decreasing of the country's economic situation. Portugal is one of the most affected countries in Europe in this contextualization. In fact, in Portugal the situation got worse considering the high sovereign debt and the context of growing debt of families and companies.

For many years, individuals created the habitude of a new easy style of life, concerning to the fact that a better consumption standard has been existing; for long time usually people got their own house; since long ago it has been normal to have regular travels and holidays and a new uncomplicated standard of life, which has been existing for several decades, being now put in question. This is true for Portugal and true for many families in other European countries.

Considering that, it can be said also that property rights are now in the center of the discussion again. Private property or social property? Own houses or rent houses? Living in cities or coming back to countryside? Going to jobs by car or going in public transports? Using particular affairs or using communal goods, instead? Creating associations in order to produce economies of scale or continuing to have self-decisions, about own staff on many things as usual in the last decades?

In Portugal, in the last decades, families used to think that they could have a house, that they could buy it using loans and they were considering that this was a good investment for the future. In general, families have opted for having, at least, one house. The interest rates were very low and the context helped to create the illusion that in the future everything would be easy and a context of wealth would remain “forever”. However, recently, the difficulties began to grow sharply and in the last years thousands of families in Portugal had to deliver their houses to banks, precisely the entities which have offered cheap loans.

Additionally, many thousands of people have migrated to the cities in coastal zones creating a new style of pressed life on these cities and generating a strong pressure in the mortgage sector. Houses prices have risen. However, given the difficulties in the last decade, the boom in this sector was not so strong in Portugal as it was in other countries, as it is the case of Spain.

It has been common to see one car one person in the last decades when people were going from suburbs to Lisbon, the capital, going to their jobs. Now, this practice may have to be reconsidered.

It is necessary now to make a reflection about the way of living the day by day and the way to change

paradigms in what some kind of savings for the day are concerned.

The era of cheap energy has also come to a critical point. Energy is getting more expensive and now many scenarios must be made for the future.

4. Cooperation as a Strategy to Get Wealth effective Results

Cooperation may represent a way for human race develop strategies for getting better results of an activity.

Presenting for reference what happens in commons area, it can be said that this kind of problem may be integrated in the very well-known problem that results from the traditional formal issue "Dilemma of the Prisoner" that is relevant in the Game Theory analysis.

For allusion, this problem is posed in Game Theory for situations in which two players, for instance, in the game have dominant strategies, what makes that the solution of the game is a dominant strategies' equilibrium. This equilibrium is stable and players will not change their choices. What is a problem is that this kind of solution implies a total payoff that is under the result that the players could have if they had some form of cooperation between them.

In these situations, players will choose the dominant strategy (which in the case of the natural resources exploitation, for example, is always the strategy of non-conservation) and they will not have incentives to use it efficiently and conserve the resource. Players are compelled to switch this strategy because they are functioning in competition conditions. So, this puts a player in a situation that represents a dilemma with ethical boundaries. By one side, player really thinks that it is important to have a proper management policy for the use of a resource in the long term but by the other side he is compelled to have an egoistic and myopic view of the resource use and exploits it too much compared with the ideal inter-temporal production level.

The problem of over-exploitation has long been claiming for good practices coming from international cooperation and coming from a preserving approach on the processes of decision making of resource management institutions. This may be some kind of a contribution to solve some of the multiple problems in the ethical area of commons. So, to solve the problem of maintaining the biodiversity, the preservation and related ethical issues in this area, it is necessary to pose questions about how to use environment and Earth resources and how to treat other species, plant or animal. And this may bring the possibility to develop projects considering the possibility of exploit the Nature in self-interest, using it at the same time that it is preserved, by for example using nature tourism instead killing animals or destroy trees.

In Azores, Portugal, the example of whales, which are used for tourism projects, is an interesting case in the way how to use nature for good instead to destroy it, by killing the whales for consumption, as it was done before; or even as it is made now by specific communities when they get whales with "scientific purposes"! (?).

This problem raises a central question in resources economics when resources are exploited. What should be the level of the inter-temporal discount rate, that is, the time preference rate? This discount rate allows to make the evaluation of projects. In this sense, its level is a form of highlighting the relation between present and future consumption. It gives an idea about the way present generation gives importance to the resources left to the future generations and their level of welfare.

Although cooperation is an important and constant phenomenon in nature in many situations, human cooperation may represent an important way to manage resources and to bring to group better global results for the present and for the future. The cooperation for many other species with regard to the scale and range of cooperative activities may be represented maybe at a lower scale, although it is fundamental for some species to get food and crucial for their survival as well, in so many known situations.

The differences among the way humans and non-humans use cooperation as a strategy may bring conditions to analyse different and an enormous set of situations in which cooperation is relevant as an appropriate strategy. Anyway, for our purposes, the important to see in this study is how in the strategies employed to maintain cooperation and control free-riders, humans may use it as a strength to keep communities aggregated and unified to face difficulties risen by crisis' times as the ones that some developed countries are facing nowadays.

Cooperative behaviours may induce immediate results but sometimes the long term results are even more effective and important. However, many people often prefer the benefits of short time, for themselves considering their self-interest, than the long term benefits from cooperation, greater for all the group, with enormous advantages in a set of subjects, from which all the group may benefit, even if it is necessary to create rules with that purpose.

In many situations, inducing an effective cooperation and avoiding free-riding, it is important that a set of enforcement mechanisms are used, which conduct to higher levels of cooperation and to the effective involvement of the group elements. This may involve and may stabilize practices among unrelated individuals and in large groups (see Melis and Semmann, 2010).

Besides, cooperation may be seen also for developing activities that bring add of value. For example, in a community, cooperation in agriculture or when a house is built, cooperation in a small

community where people helps each other brings significant advantages that have to be considered in account.

5. Learning from the Experience on Previous Projects

There are many projects around the world where experience has shown how populations have benefited so many times from cooperation.

Cooperation, when players are committed and effectively involved, brings very interesting results and this kind of results is real in many parts of the world and in several eras of the History.

Now, it is time to work on this. Individuals are facing critical problems and the perspectives for the future are not optimistic. Solutions may be found in the creation of associations and through the existence of common projects involving several kind of agents, with complementing capabilities.

Prof. Ostrom thinks that traditional systems, like market and state, work well in some situations, but not in all and explains how managing resources through alternative ways may often contribute to bring wealth to many individuals.

The problem has been explained for many situations in developing countries but conclusions may be driven to the situations when difficulties happen in developed countries for these times in transition. For hard times, simple solutions may be found but considering that people have now to face a new relationship in terms of communities' frameworks. Often people are embarrassed with the situation, because often in developed countries the poverty is embarrassing. However, this situation is going to grow and cooperation in communities must grow as well to get more specific results by getting wealth through common projects induced by cooperation.

For Portuguese situation several cases can be presented to develop projects, using cooperation, for instance. Anyway, these solutions are not restrictive to Portuguese situation, obviously. Several communities may face the same problems and who have some cultural affinities that allows to face the problem by the same way, particularly in the European Mediterranean countries, now facing hard times.

For agriculture, for example, many times the resources at a low scale may be better managed at a community level. For some kind of cultures and several situations there are ways through which small farmers can work together effectively if they aid each other to plant and harvest together. Sometimes cooperation can be seen as a powerful way in the organization of the agriculture deal. This kind of help is not the only way to manage efficiently, but often it is a powerful way. It may be seen for managing forests or pasture lands.

6. Portuguese Socio-economic Situation and Cooperation's Advantages

Portugal is facing now severe macroeconomic measures that are affecting Portuguese people, and the habitudes of many Portuguese families are now changing drastically. The impact of brutal cuts in salaries or the increasing on fiscal charges to levels considered as unfair by the Portuguese President, or yet the rise of other kind of difficulties as the increasing of banking interest rates and other obstacles to the financial support of the economy brings a climate of hard feelings and disappointment to the Portuguese people. It is this situation the one that Portuguese people are facing now in their day to day life. In such a situation, it is important to find out new ways of living the day. Usually, people use their own resources, financial or others, to get their performances. Now, with very restrictive conditions, for many people new experiences have to be tried. The financial difficulties are conducting people to new circumstances and it is crucial that people create new habitudes for the day to day status quo.

Having in account the examples of Prof. Ostrom (see for example, Ostrom, 1990; Ostrom, 1999; Ostrom, 2000; Ostrom and Ostrom, 1977; Ostrom *et al*, 1999; Ostrom *et al*, 2002), some others can be presented in order to show the benefits of cooperation. Just to give an example, let's show some cooperation advantages in a low scale. Some local communities in Portugal in the past, and also and in particular nowadays, and even in several other places in the world, people in the community have their own sheep or goat or what else, and there is a person, different each day, that will make the pasturing. Just working as an example, it can be seen that cooperation results as a strong way to improve efficiency of the exploitation of the community's works. It is time for creating new conditions to create new real communities in which wealth may be generated like the one presented here.

Another example may be given for little villages in the countryside, where migration took people to coastal zones in the past. Now, it is possible again to bring populations to these "lost" areas. Several ways are possible. Giving incentives for people coming back, developing projects attracting people through for example local tourism projects, fixing some people there and developing infrastructures to generate a commercial area with restaurants and hostels with nature tourism activities in the area, depending on several factors, to be studied, case by case. This is true for many Portuguese places as it is for many other European Mediterranean regions. In these regions many ways of cooperating is possible, at several levels, including the cooperation among local authorities and local companies and families, organizing structures to become successful.

7. Perspectives for the Future

The social and economic perspectives, in the short and medium period, are not positive

considering the present context of the present crisis, considered at a very large sense: social, political, economical, crisis of macrostructures, considering European organizations, national organizations, local organizations and considering the way they are organized including the internal way of organization. A profound reflection is needed and a structural change got urgent. The castle is coming down and the speed of decisions is evident to be necessary.

For the future, new stages for development are crucial, based on the paradigms and on new ways of organizing central, regional and local structures of public administrations as far as changes are needed for markets, companies, and way of regulating the markets and the spaces.

In Portugal, new hard living times are expected. New ways of combining structures and ways to produce seem obvious to be necessary and governments have a hard job to deal with.

8. Conclusion

The current situation that many countries face, particularly the European, including Portugal, shows that new strategies are needed. Hard times are coming and the evidences show that new solutions have to be got. The governments look for solutions and negotiate common measures to obtain global results. However, the problems are cumulative and have been emerged from a distant time, coming from several decades ago, and solutions are not easy now to be found. Measures have been delayed for long time and politicians created embarrassing situations. Late solutions may be no viable solutions and each time that a solution is prepared it seems to be out of time.

Cooperative measures in EU governments and European Regional Organizations have been prepared, in a consensus basis and a global solution has been sought. However, particular situation of European countries is very different and results are hard to get.

In national terms, heavy measures are being implemented in several countries, in particular in Portugal, and a process of economic impoverishment of the country happens. This obliges that new solutions may be got. And cooperation may allow to solve certain kind of social and economic problems. Now, besides of that, cooperative political strategies may easy the process. The main political parties in Portugal signed a commitment to implement the measures defined with an International Work Group (from EU and IMF) known as Troika to get results in economic area, to overcome the crisis. The measures are hard to implement but this process of commitment and cooperation helps the process. Besides, new ways of micro economic cooperation need to be implemented considering the new stage of the regional and international macro-economic situation.

References

- [1] Brundtland Report/Our Common Future (1987), Oxford: Oxford University Press.
- [2] Buchanan and Yoon (2000), Symmetric Tragedies: Commons and Anticommons, *Journal of Law and Economics*, Vol.43, nº1, pp.1-13.
- [3] Filipe, J. A. (2006), *O Drama dos Recursos Comuns. Um caso de Aplicação da Teoria dos Jogos aos Comuns da Pesca. Estudo da Cooperação aplicada à pesca da sardinha nas Divisões VIIIc e IXa do ICES*. PhD Thesis presented at ISCTE. Lisboa.
- [4] Filipe, J. A. (2009) A Note on the Drama of the Commons. How to deal with an old problem in natural resources: the resources overexploitation, *International Journal of Academic Research*. Vol.1 (2), pp 158-161.
- [5] Filipe, J. A., Coelho, M., Ferreira, M.A.M. (2007), *O Drama dos Recursos Comuns. À Procura de Soluções para os Ecossistemas em Perigo*. Sílabo. Lisboa.
- [6] Hardin (1968), The Tragedy of the Commons, *Science*, 162, pp.124-148.
- [7] Melis, A. P. and Semmann, D. (2010), How is human cooperation different? *Philosophical Transactions of the Royal Society B: Biological Sciences* 365 (1553): 2663–2674.
- [8] Ostrom, E. 1990. *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge University Press.
- [9] Ostrom, E. (2000), Collective Action and the Evolution of Social Norms, *Journal of Economic Perspectives* 14.
- [10] Ostrom, E. and Ostrom, V. (1977), A theory of institutional analysis of common pool problems, in G. Hardin and J. Baden, eds, *Managing the commons*, W. H. Freeman, San Francisco.
- [11] Ostrom, E., Burger, J., Field, C., Norgaard, R. B. and Policansky, D. (1999), Revisiting the commons: local lessons, global challenges, *Science* 284.
- [12] Ostrom, E., Lam, W. F., Pradhan, P., Shivakoti, G. (2011) *Improving Irrigation in Asia: Sustainable Performance of an Innovative Intervention in Nepal*, Cheltenham, UK: Edward Elgar, forthcoming.
- [13] Ostrom, E., Dietz T., Dolšak, N., Stern, P. C., Stonich S. and Weber E. (Editors) (2002) *The Drama of the Commons*, Committee on the Human Dimensions of Global Change, National Academy Press Washington, DC: National Research Council.
- [14] Vollan B. and Ostrom E. (2010) Cooperation and the Commons. *Science*: Vol. 330 no. 6006 pp. 923-924.