

Partnership and trust building

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Abstract

A normal functioning of the society involves mechanisms for conflicts regulation and institutions that favor the emergence of cooperative structures. "Partnership" is one of these structures. The term refers to relationships and agreements between individuals, firms and communities, from local to global scale. It is an instrument for solving issues of collective interest such as economic development, social cohesion, employment and risk sharing. Trust may be the result of a long term successful cooperation and risks sharing. In the former, pre-industrial societies, trust was generated in small groups by face-to-face interactions and spread from bottom-up. Then, the shared social virtues like honesty, reciprocity and the respect to commitments became the base of social capital and of intra- and intergroup cooperation. But in the last twenty years, a large number of researches found a deficit of trust in our societies, empirically translated by the breakup of families, the decreasing number of spontaneous associations and increased violence, crime and costs of cooperation. Trust diminishes our-days and this happens while the number of contacts and partnership agreements increase. Is it a paradox? In our complex and fluid world characterized more and more by risks and uncertainties trust could be rebuilt from up to bottom: from the stable states to a mobile society.

Keywords: *trust; mobility; network analysis; externalities.*

1. Introduction

Social reality consists of all interactions that occur between individuals, groups and institutions. These interactions may be *cooperative* among some units and *conflicting* among others. The conflict arises because social resources are limited so that various groups must compete to obtain them. For a normal functioning of the society, we need mechanisms for conflicts regulation and institutions that favor the emergence of cooperative structures. "Partnership" is one of these structures. The term refers to relationships and agreements between individuals, firms and communities, from local to global scale. It is an instrument for solving issues of collective interest such as economic development, quality of life, social cohesion, employment and risk sharing.

In our complex and fluid world characterized more and more by risks and uncertainties, cooperative behaviors give rise to some social structures, norms and expectations. Co-operative structures can emerge as "institutions" defined as an "observed regularity in the behavior and/or actions of individuals or groups when they encounter a similar set of circumstances" (Witt 1987 cited in Vargas-Hernandez 2007: p. 67). Certain set of rules (i. e. *institution*) that structure human interaction and provide information about how people must behave under some circumstances, are recognized as legitimate and structure the strategic choice of actors so that the result can be

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accepted as equitable. (Vargas-Hernandez 2007) Most researchers observed that there is a positive relationship between trust and social capital – both related with cooperative structures - on one hand, and the political and economic success, on the other hand. Everybody knows what “trust” means but it seems that nobody can define it without rest. But all we need now is to consider “trust” a relevant concept in uncertain situations, comprising rational evaluations as well as personal dispositions.

2. Trust, Rationality and Cooperation Games

Game 1: In *Discours sur l'origine de l'inegalite*, J.J. Rousseau invites us to imagine a hunting trip in which the protagonists are two "good savages": hedonistic - seeking what they generally enjoy - and rational – they can conceive a proper plan to achieve their objective. So, one day, they decide to replace the rabbit meat from their daily menu (enough is enough!) with deer meat, much more tasty. But to hunt a deer they must associate because otherwise they have no chance. So, the wait begins but first rabbit passing around determine one of the two partners to quit: he rapidly changes his mind and decides that rabbit meat is good enough. He abandons the hunt. (Rousseau cited by Boudon 1990: pp. 165-168)

We have here the following situation: two rational people who know their personal and the common interests fail to act together and achieve their objective. For greater clarity, Boudon (1990: p. 167) formalizes this situation as follows:

		Hunter 2	
		Cooperation	Betrayal
Hunter 1	Cooperation	3 ; 3	0 ; 2
	Betrayal	2 ; 0	2 ; 2

There is of course, a 0.5 probability that any of the participants in hunting to adopt the “cooperation” strategy or the “abandonment” strategy. If Hunter1 will adopt a cooperative strategy, his benefit will be: $(3 \times 0.5) + (0 \times 0.5) = 1.5$. If he adopts the strategy of desertion then his win will be: $(2 \times 0.5) + (2 \times 0.5) = 2$. Clearly, the two hunters are motivated by the gains rather to abandon their original plan than to invest time and patience in following it - at least in this type of distribution of the gains. In this case, their desire to have deer meat at lunch will be not fulfilled. On Rousseau's footsteps, Boudon interprets this example like illustrating the necessity of certain regulations, different from a simple agreement between the two hunters. These regulations will have the main function to increase the costs of desertion from the association. Otherwise, everything that begins as a cooperation project that, under normal conditions presupposes *loyalty*, carries in itself, in most situations, the germs of desertion: “In other words, it is necessary that each of the two partners to engage that he will not abandon. Specifically, each has an interest to agree to be punished if he would be tempted to abandon” (Boudon 1990: p. 166). A whole sociological literature has debated and still does, the problem of regulations: what should be their nature? How to minimize the risks of desertion without increasing at the same time the costs of control?

Game 2: Here we have a classic case of “prisoner’s dilemma” as mentioned by Francis Fukuyama (1999/2002: p. 196): X and Y are in prison and conceive together a plan for escaping. If they work together, they will have important chances to escape. But if X respects the plan while Y “talks” to the guards, X will be severely punished. Vice versa, if X complies to the guards while Y will keep the secret then X will be rewarded and Y will be punished. If both will betray, no one is rewarded. It would be better for both to respect the original agreement but the risk of betrayal is too important: 50%. That’s why they both decide finally to cheat. Despite the mutual benefits of cooperation, X and Y prefer to minimize the risks of betrayal.

		Y	
		Cooperation	Betrayal
X	Cooperation	3 ; 3	-3 ; 1
	Betrayal	1 ; -3	0 ; 0

There are some similarities between the two games, such as: in both cases we have two rational individuals who are aware of their personal interests and of their common interest but fail to act together to achieve their common goal and miss the best possible result; both are "prisoner's dilemma" cooperative games in which rational behavior cannot be described as maximizing the expected utility (achieving the best result) but as minimizing the risks (*Nash equilibrium*); consequently, players choose the "sucker reward". There are, of course, also differences: in the first case, *the sucker reward* is provided by natural abundance and by chance, and cooperation depends primarily on personal characteristics of the partners and their shared values – an external authority is needed to reward cooperation; in the second case, an external authority keeps control and handles sanctions and rewards: in this case, authority has the interest to reward desertion. Thus the risks are much higher.

How is then rational to behave if the mutual benefit may be endangered by the risk of betrayal? The solution, called “Nash equilibrium” indicates as the best possible strategy (except cooperation that is unreliable) to minimize the risk of being caught in “the reward of the sucker”: the other betrays while you respect the agreement. In fact, this is the role that “the reward of sucker” plays: to hinder cooperation that otherwise would lead to an optimal outcome for the two prisoners.

From the two cases arise the idea that a mere simple agreement between two rational partners cannot work as long as there are quite high risks to confront with. Yet in the real world we often see the opposite: from functional partnerships between individuals to those between states. This is explained by the fact that neither individuals nor states do not play just one, isolated game, but repetitive series of games (iterative games or super-games) with the same partners. In the long term, there will be formed some interaction patterns that will allow an estimation of “trustworthiness” for different partners. In a “prisoner's dilemma” game, players have just one chance, they cannot have a trial and then to try again, they cannot learn. Therefore they choose to minimize risks and not to maximize expected utility.

Robert Axelrod (1984 cited in Fukuyama 1999/2002: p. 197) explained how the solution of cooperation can be achieved in an iterative game: applying a “tit for tat”

strategy in which the player responds by cooperation to cooperation and by betrayal to betrayal. Thus, each player can see that a long-term cooperation strategy brings a higher gain than the strategy of betrayal, and therefore is rationally optimal. Game theory provided many other strategies except those already mentioned, but the only stable solutions are born from iteration: a repetitive interaction teaches us that, on the long run, it is more profitable to play fair. This is the type of situation, Fukuyama states, in which the rule of *reciprocity* was born and a *good reputation* became an important asset.

3. Cooperation among individuals and among states

For more than twenty years, a number of authors (Coleman 1990; Fukuyama 1995, 1999; Putnam 1995a, 1995b et al.) used the same variable - *trust* - to explain changes in the perceived quality of social life, and social behavior. *Trust*, generated by shared social virtues (honesty, reciprocity and the respect to commitments) is the base of social capital and of intra- and intergroup cooperation. It can be understood as a set of individual expectations towards the proper behavior of the Other. In its turn, the accumulation of *social capital* produces a visible increasing of the level of trust in a society. But a large number of researches found a deficit of trust in our societies, empirically translated by the breakup of families, the decreasing number of spontaneous associations and increased violence, crime and costs of cooperation. The correctness of this conclusion can hardly be disputed. But does this decrease represent a functional defect that can be removed, or is an inevitable feature of generalized interactions in "large number" industrial societies? We shall remind that in such societies mobility is also very high.

To understand this matter, let us imagine that the above two savages, knew each other for a long time or, in other words, they had a common history of interaction. Durkheim (1893/2001) described the small "societies" from the past as characterized by a strong common consciousness and by a "repressive law" that discouraged the non-compliant behavior. In such communities, members' ability to "monitor" each other by face - to - face interactions was essential: any deviation from norms could be promptly and effectively sanctioned. In other words, the social control was so powerful and so cheap that its members *internalized* common rules and the *reputation* was an important asset.

But today we live in societies of "big numbers and high mobility" in which most interactions are not direct but mediated, meaning that they occur among strangers who no longer share a common life experience. The mechanism described above still works, but only in small groups, as Michael Hechter (1987) noted, groups that generate solidarity easier than larger ones just because interactions are direct, the behavior of each member is visible to everyone else and easy to be positively or negatively sanctioned. But how is the cooperative behavior possible in the "big number" societies? Starting from George Homans' exchange theory, Peter Blau (1964/1993), answered that this happens because the associations between individuals tend to be organized in complex social structures which, becoming institutionalized, perpetuate themselves more over people's life. The whole social dynamics and the emerging forces that manifest themselves must be understood starting from the *social attraction*. It is the main force that stimulates contacts among people and exchange transactions in society. If this is the initial impulse of association, then rules limiting undesirable behaviors and

valuing the desirable ones are the glue that allows the functioning of large societies. Shared values enforced by social rules make possible different transactions among strangers.

But gradually, other changes emerged also: the self-consciousness of individuals expanded while the common consciousness was compressed, reducing the space of “shared values”. Now, another mechanism is needed to ensure cooperation and the achieving of more complex goals. This mechanism was called by Rousseau “social contract”. In other words, the power of control, reward and sanction was ceded to an external agent. The costs of control as well as the possibility of power abuse, increased; the weakening of traditional communities (family, neighborhood, church etc.) resulted in a weakening socialization process and a decreasing trust in institutions. We entered the era in which “a simple handshake”, as Fukuyama nostalgically writes, is no more enough to settle an arrangement. Behaviors as “abandonment” or “free rider” can be seen much more often, and the reputation is not so important when individuals can move so easily from an end of the planet to another. If altruism, solidarity and trust are falling in today's society - at least in certain parts of it - while personal interest (as attention centered solely on the own advantage) seems to be the main criteria in choosing the conduct of interaction, how is still possible the collective action, the coordination and cooperation? The question is valid both at the micro and macro level where cooperation involves organizations, regions or countries.

In *Network Dynamics and the Evolution of the International Cooperation* (2013), Brandon Kinne, uses network analysis to determine the conditions that make possible cooperation or, in other words, how can states overcome problems of coordination and collaboration to obtain benefits from the solving of common problems. Barriers for coordination between actions are, like in the case of individuals: the lack of mutual trust, fear of desertion or fear of being cheated, disagreements over the distribution of potential gains.

The analysis starts from the premise of “corporate” actors’ rationality which involves the trend of maximizing gains and minimizing risks. The author finds that any attempt of cooperation is influenced, beyond the particular characteristics of the actors, by a network of pre-existing agreements, which defines and limits somehow the possible actions.

Kinne examines one of the beneficial effects of the network on cooperative behavior, called *triadic closure*: when B and C have bilateral agreements with A, the likelihood to share agreements between them increases, due to the additional benefits offered by this “closing” of the triangle. The benefits are resulting from the functioning of some *information mechanisms* which bring information about the state's ability to comply with institutions, about its general trustworthiness and its usual preferences on gains distribution. Also important are *externalities mechanisms* which increase the costs of non-cooperation and the rewards of cooperation: Kinne mentioned for instance, the establishment of “reference groups” or “partners clubs”. These mechanisms represent partial solutions to “prisoner's dilemma” games in which, only the prior commitment of the partners to one another does not prevent behaviors like those implied in “Nash equilibrium” or “sucker reward”. However, they significantly reduce the risks of desertion. In fact, Kinne follows the observations of James Coleman (1990) who explained how rule of interaction could appear: when two individuals interact, there is a high probability that each will act according to the mood of the moment, no matter what

agreement they had, like the two savages of Rousseau. But when three individuals make a plan, the situation changes: the one who would like to break the deal can be now easily sanctioned by the other two. That is the way in which rules of cooperation can appear and survive.

4. Final remarks

Nothing important could be achieved without cooperation. *Trust* is an important pre-condition for engaging in different partnerships and for lowering the costs of interaction and, at the same time, could be a precious result of partnerships. Everybody agree with these common-places! Then why is the level of trust decreasing in our-days societies, while the number of partnership agreements between individuals or between states increase? A paradox! Just at first sight!

People have always traveled to find living resources or to escape persecutions. They peacefully settled down in some places or confronted the local population in others. After the Industrial Revolution that produced “indoor” and “outdoor” migration, in post-modern societies the mobility of people is even higher, thanks to increased possibilities of traveling and contacting other people. Under such conditions, it is more and more difficult to build *triadic closure* among such mobile individuals. A “hand shake” is no more enough!

Trust was built from bottom-up in former societies. It may be now a result of successful cooperation among states, in a process of iterated interactions in stable partnerships. A new culture of trust could be spread from top to bottom, finally.

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