

Review: *Governing the Commons* by Elinor Ostrom

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28 October 2013

Elinor Ostrom. *Governing the Commons: The Evolution of Institutions for Collective Action* (Cambridge University Press, 1990)

Ostrom begins by noting the problem of natural resource depletion—what she calls “common pool resources”—and then goes on to survey three largely complementary (“closely related concepts”) major theories that attempt to explain “the many problems that individuals face when attempting to achieve collective benefits”: Hardin’s “tragedy of the commons,” the prisoner’s dilemma, and Olson’s “logic of collective action.”

Unfortunately, these models (or this model) ossified into a dogma, serving more often as a substitute for thought than a starting point. Even more than twenty years after Ostrom’s seminal work, it’s still common to state as a truism—backed only by a passing allusion to Hardin or the prisoner’s dilemma—that the actual users of resources will inevitably deplete them in the absence of governance by some higher authority or other. Ostrom cites one blithe assertion, in an article on fisheries in *The Economist*:

“left to their own devices, fishermen will overexploit stocks... [T]o avoid disaster, managers must have effective hegemony over them.”

This last quote exemplifies perfectly the common approach to the governance of common pool resources taken by advocates both of state regulation and corporate privatization. Garrett Hardin himself, later revisiting his article on the tragedy of the commons, argued that the problem of resource depletion would have to be addressed either by “a private enterprise system” (i.e. ownership by for-profit business firms) or “socialism” (i.e. ownership and regulation by the state). The assumption that “private enterprise” and “socialism” both require managerial hierarchies of one sort or another, and are incompatible with horizontal, self-organized institutions, speaks volumes about the internalized values of the intellectual stratum in our society.

Ostrom goes on to consider the unsatisfactory performance of both the state and the market in addressing the problem.

It should be noted right off that the juxtaposition between “common property” and “private property” put forward by mainstream capitalist libertarians is just plain silly. In cases where

parceling out a common resource to individuals is by the nature of the case impossible, Ostrom says, one is hard-pressed to understand just what is meant by “private.” Open fields or common pasture can be divided up into separate plots and distributed to individuals; but fisheries? Common pool resources, by the nature of things, must be owned and governed by some sort of collective institution, whether it be the state, a corporation—or a self-organized, horizontal association of the users themselves.

Ownership by a for-profit corporation is no more “private” than (or just as “collectivist” as) the administration of a commons by its users. In corporate law, a firm’s property is owned, and its management employed, by a unitary person created under the terms of the corporate charter. No individual shareholder or group of shareholders has any right, severally, of ownership over the firm’s asset or authority over its management.

Both the conventional “privatization” and “state regulation” approaches amount, when all the legal fictions are stripped away, of substituting the judgment of managers working for some absentee central authority for that of users. So we might expect it to result in the same knowledge and incentive problems that always result from externalizing costs and benefits, when ownership and control are divorced from direct knowledge of the situation.

On the other hand, we might expect that placing control directly in the hands of those with Hayekian local knowledge of a situation results in outcomes far preferable to either of the other two approaches based on verticality and absentee control.

And Ostrom’s findings bear out that expectation.

Rather than starting from the assumption that the users of common resources are helpless without an outside authority intervening to protect them from themselves, she assumes that “the capacity of individuals to extricate themselves from various types of dilemma situations *varies* from situation to situation,” and then adopts the empirical approach of surveying “both successful and unsuccessful efforts to escape tragic outcomes.”

To the two orthodox models of state and corporate ownership, Ostrom juxtaposes the administration of a commons by a binding contract among the commoners themselves, “to commit themselves to a cooperative strategy that they themselves will work out.”

Of course there are ways they could go wrong; livestock owners “can overestimate or underestimate the carrying capacity of the meadow,” or their monitoring system can break down. But even so, these potential points of failure arguably exist in stronger form in the case of absentee governance by a central institution. The monitoring system is based on the users themselves, who are neighbors and who as users have a strong incentive to prevent defection by the others, observing each other directly—considerably more effective, one would think, than the typical inspection regime of a state regulatory authority (my mother, who worked in a poultry processing plant and came into daily contact with USDA inspectors, could have told you that). And their calculations of carrying capacity and sustainable yield, while fallible, at least “are not dependent on the accuracy of the information obtained by a distant government official [or corporate home office, I might add] regarding their strategies.”

Really, it stands to reason that cooperative governance of common pool resources, all other things being equal, will be more effective in formulating and enforcing rules than governance by either a government agency or a corporation. “Because the individuals involved gain a major part of their economic return from the CPRs, they are strongly motivated to try to solve common problems to enhance their own productivity over time.”

So what remains, in the course of Ostrom's investigation, is "to identify the underlying design principles of the institutions used by those who have successfully managed their own CPRs over extended periods of time..." What measures, in particular, did they take to address the real problems presented by "temptations to free-ride, shirk, or otherwise act opportunistically"? The middle part of her book is accordingly devoted to a survey of field settings in which (1) appropriators have devised, applied, and monitored their own rules to control the use of their CPRs and (2) the resource systems, as well as the institutions, have survived for long periods of time. The youngest set of institutions to be analyzed... is already more than 100 years old. The history of the oldest system to be examined exceeds 1,000 years.

The rules for governing common pool resources, in the instances Ostrom examined, worked in situations where game theory would have predicted incentives to defect were strong and negative consequences of defection were weak (as in common governance systems for irrigation water in the Spanish Philippines, where monitoring was relatively weak and fines were low compared to the benefits of defection, and stealing water in a drought might save an entire season's crop).

And far from reflecting "an anachronistic holdover from the past," governance systems for common pool resources have typically reflected close empirical reasoning from historical experience. In the case of communal for pastoral mountain land, for at least five centuries these Swiss villagers have been intimately familiar with the advantages and disadvantages of both private and communal tenure systems and have carefully matched particular types of land tenure to particular types of land use.

Based on her survey, Ostrom distilled this list of common design principles from the experience of successful governance institutions:

1. Clearly defined boundaries. Individuals or households who have rights to withdraw resource units from the CPR must be clearly defined, as must the boundaries of the CPR itself.
2. Congruence between appropriation and provision rules and local conditions. Appropriation rules restricting time, place, technology, and/or quantity of resource units are related to local conditions and to provision rules requiring labour, material, and/or money.
3. Collective-choice arrangements. Most individuals affected by the operational rules can participate in modifying the operational rules.
4. Monitoring. Monitors, who actively audit CPR conditions and appropriator behavior, are accountable to the appropriators or are the appropriators.
5. Graduated sanctions. Appropriators who violate operational rules are likely to be assessed graduated sanctions (depending on the seriousness and context of the offence) by other appropriators, by officials accountable to these appropriators, or by both.
6. Conflict-resolution mechanisms. Appropriators and their officials have rapid access to low-cost local arenas to resolve conflicts among appropriators or between appropriators and officials.
7. Minimal recognition of rights to organize. The rights of appropriators to devise their own institutions are not challenged by external governmental authorities.

For CPRs that are parts of larger systems:

8. Nested enterprises. Appropriation, provision, monitoring, enforcement, conflict resolution, and governance activities are organized in multiple layers of nested enterprises.

Here are some thoughts that occurred to me as I read through Ostrom's common principles. Historically, many commons governance regimes have failed as a result of outside interference, by states and landed elites, with the spirit of No. 7. That was true of both Stolypin's "reform" and Stalin's forced collectivization, which both ran roughshod over the *Mir*'s internal rights of self-governance. In addition, Stolypin's land policy in its substance violated No. 1, by allowing individual households to withdraw aliquot shares of land from the village's common fields as a close (in English terms) without the consent of the *Mir* as a whole. In so doing, it violated the basic social understanding of the nature of property ownership built into the system from its founding.

To put it in terms understandable by the kind of right-wing libertarian who instinctively cheers for the word "private" and boos "common," imagine if a legislature overrode the terms of a corporate charter and let individual shareholders barge into factories with front-end loaders and carry off some aliquot share of machinery—under the terms of the charter owned solely by the corporation as a single person—from assembly lines. Imagine how that would disrupt production planning within a factory. That's what Stolypin's policies did to land-use planning by the *Mir* for those lands remaining within the open-fields No. 3, the right of those affected by the rules to have a say in devising them, is—normative theories of participatory democracy aside—a prerequisite for an efficiently functioning institution. As Ostrom says:

CPR institutions that use this principle are better able to tailor their rules to local circumstances, because the individuals who directly interact with one another and with the physical world can modify the rules over time so as to better fit them to the specific characteristics of their setting.

The separation of decision making power from both distributed situational knowledge and experience of the consequences is key to all the knowledge and incentive problems of hierarchical, authoritarian institutions, whether they be governments or corporations. Top-down authority is a mechanism for expropriating the benefits of others' work for oneself, and externalizing cost and inconvenience downward.

Given the obvious knowledge and incentive problems resulting from separation of authority from competence, why is hierarchy ever adopted in the first place? The answer lies in clearing our minds of unconscious assumptions that institutional design that "we" or "society" do in order to maximize some vague idea of the "common good." Hierarchy exists because those who run the dominant institutions of state and corporation have a fundamental conflict of interest with those who possess the situational knowledge, such that the former cannot trust the latter to use their own best judgment. The manager of a hierarchical institution, like the owner of a slave plantation, cannot trust her subordinates to use their own best judgment lest she find her throat cut in the middle of the night. And subordinates know full well that if they use their situational knowledge to maximize efficiency, any productivity gains will be expropriated by management in the form of downsizings, speedups and management bonuses.

Monitoring systems, No. 4, are best designed when “actors most concerned with cheating [are placed] in direct contact with one another.” For example, in an irrigation rotation system the actor whose turn it currently is is prevented from extending their turn past its scheduled end by the presence of the actors whose turn is next, eagerly waiting to take over. My grandmother’s old practice of letting one child cut the cake in half and the other take first pick is the classic example of this principle. In many cases monitoring others’ use of a commons is “a natural by-product of using the commons.” And successful monitoring is further encouraged by informal sanctions and rewards, sometimes as simple as the social approval or disapproval of one’s neighbors.

For this reason, the cost of front-line supervision is generally about a quarter as much in the plywood cooperatives of the Pacific Northwest as in conventional stockholder operations, because of employee self-monitoring.

There will always be a small minority, of course, who are immune to such moral sanctions. But the majority on whom such sanctions do work will reduce the cost of monitoring those who need closer surveillance.

In all her work, Ostrom never lost sight of one central truth: collective institutions, whether they’re called governments, corporations, or commons, are all framed from the same crooked human timber. Advocates of government activity and critics/skeptics of anarchism, all too often, simply assume a level of omniscience on the part of the state that’s denied to the state, or handwave away the actual problem of detecting and punishing infractions. A good example is the question of how a stateless society would prevent something like the Deepwater Horizons oil spill — when the EPA and its regulations in our actual statist society failed to prevent it.

But giving an official name to the collectivity does nothing to alter the fact that it’s just a bunch of human beings doing stuff together. And they don’t cease to be fallible, limited in perspective, and influenced by self-interest just because they have official titles or claim to be working in the name of the public or the shareholders.

Obviously, I do not know if these appropriators reached optimal solutions to their problems. I strongly doubt it. They solved their problems the same way that most individuals solve difficult and complex problems: as well as they were able, given the problems involved, the information they had, the tools they had to work with, the costs of various known options, and the resources at hand.

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