

See the world like Elinor Ostrom

BY WILL WILKINSON OCTOBER 16, 2009

When Elinor Ostrom's phone rang at 6:30 Monday morning, she thought it might be a telemarketer. Instead she discovered on the line a representative of the Royal Swedish Academy of Science bearing news that she and Oliver Williamson of the University of California, Berkeley, had been awarded the Nobel memorial prize in economics.

Williamson, a pioneering theorist of the incentives that shape business firms, is one of the world's most cited living economists. Until Monday, Ostrom — a 76-year-old professor of political science at the University of Indiana, and the first woman to win the economics Nobel — was rather less well-known. She is, however, abundantly deserving of both the prize and increased attention. Through an ingenious blend of formal game theory, laboratory experimentation, and down-and-dirty empirical fieldwork, Ostrom has shed light on the ways real people arrive at rules that allow them to live in harmony with each other and their natural environment.

Much of Ostrom's work can be seen as a comprehensive response to a famous paper by the ecologist Garrett Hardin on the so-called "tragedy of the commons."

Imagine a pond considered community property. There's only so many fish in the pond. Each fish taken from the common pool leaves one less for others and everyone knows it. Absent a set of rules governing fishing, the individual's best fish-getting strategy is to race to the pond and take as many fish as possible before the others have taken them all. In the myopic rush to get something now, individuals use up the commons, tragically depriving everyone of its fruits thereafter.

Hardin argued that tragedies of the commons may be avoided only if we turn either to privatization or, more likely, top-down government regulation. Ostrom has proved that this is a false choice. Her trailblazing fieldwork in rural areas of poor countries has shown the users of various common-pool resources can and do develop and enforce rules that make community use of shared natural assets sustainable. "Many policy analysts presume that without major external resources and top down planning by national officials, there can be no provision of public goods and sustainable common-pool resources," Ostrom has written. "This presumption is wrong."

Ostrom is quick to point out attempts to manage common-pool resources outside of formal markets and the regulatory state don't always work. But Ostrom's close inspection of the conditions attending both success and failure helps to clarify many of the challenges of human social life, from the sustainable management of forests to the maintenance of public order by municipal police departments.

If more of us saw the world like Elinor Ostrom, it would be a better world. To see the world more like Elinor Ostrom is to see humans and their communities as a natural part of the natural order, not as invading aliens essentially at odds with their environment or one another. Ostrom has emphasized

none of us would be here today had our ancestors failed to work together to find ways to align individual interest with public interest.

Her field work and laboratory experiments both lend credence to the idea that creative, collective problem-solving is a part of human nature. We seem to be “designed” by evolution to negotiate mutually agreeable terms of association, to internalize norms, and to detect and sanction those who flout the rules. But successful solutions to the problems of ecologically embedded common life often depend crucially on the fine-grained details of the problem. That’s why top-down, one-size-fits-all solutions so often fail.

According to Ostrom, the terrain of a meadow, shape of a pond, or population of a village can make all the difference. To see the world more like Elinor Ostrom is to see the organic, delicately adaptive nature of local rules, and to see the folly of arrogantly assuming our textbooks have taught us a better way.

Where most modern political economy assumes a stark dichotomy between the market and the state, Ostrom makes space for a third sector of voluntary civil association. By insisting on a more realistic account of human behaviour, Ostrom’s work not only helps to account for forms of social co-ordination most economists have missed, but it also helps us envision markets and governments as parts of a single tapestry of overlapping and interwoven institutions. Because the devil’s in the details, it’s hard to say in advance what mix of institutions will work best in a given place.

Ostrom’s early work on municipal police departments (with her husband, the decorated political scientist Vincent Ostrom) illustrates the refreshingly pragmatic thrust of her worldview. During the 1960s and ’70s the existence of multiple, relatively small police departments in larger metro regions was widely considered wastefully redundant. Many believed that the consolidation and centralization of police authority and administration would both save money and help fight rising crime rates. But the Ostroms found that the opposite was true; people living in small jurisdictions within large metropolitan regions got better policing for less money. Public order is best assured by what may look like a chaotic hodge-podge of overlapping institutions.

To see the world more like Elinor Ostrom is to see each public policy like a real-world experiment. Policies are implemented because they are predicted to have certain beneficial effects. But even experts are fallible. We make mistakes. Multiple, partially redundant jurisdictions make a virtue of inevitability. They allow for simultaneous policy experiments that help us grope toward effective solutions. Successful policy can be easily observed and adapted to other jurisdictions and the damage caused by failed policy is contained.

To see the world more like Elinor Ostrom is to be guided less by ideology and more by the contours of the situation — to use the right institutional tool for the job. “[N]ational governments,” Ostrom tells us, “are too small to govern the global commons and too big to handle smaller scale problems.” Size matters. We have to understand that we may not have a good tool for our biggest jobs.

But that's okay. To see the world more like Elinor Ostrom is to see that people are creative, that it is possible to get together and work things out. "It is ordinary persons and citizens," she says, "who craft and sustain the workability of the institutions of everyday life."

This is a message we need to hear. In a year that saw some of our central economic institutions collapse, it is good to be reminded that our institutions are our creations, our tools. It's good to be reminded that there is profound social intelligence even in the most modest rural village. It's good to be reminded that even the best and brightest are limited, that failure is inevitable. That we can, and must, learn from our mistakes.

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