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Comment on Elinor Ostrom/3

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by Guglielmo Wolleb

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Why do the chances of success of collective action appear to be so low when examined theoretically through the paradigm of rational behaviour, while they are not so low empirically? The answer to this question, I think, is the leit motiv of the essay by Elinor Ostrom [2007]. Here Ostrom develops a more complex and detailed model of interpretation for the determinants of human behaviour than the classic hypothesis of perfect rationality allows to, limited as it is, by its own ample set of particular conditions.

Her model makes the context in which collective action takes place more realistic in various ways, one being the opportunity given to individuals to change the rules and introduce new ones. In my view, this issue is central to explanations of success or failure, especially in processes of local development, although it is introduced only in the last section of the essay. The opportunity to lay down rules and, I would add, to create institutions, introduces an element of intentionality to the model and removes the rigidity and mechanical nature of collective action as studied in theory. Several structural variables lose their immutable nature and are no longer fixed exogenous parameters of context. The number of agents involved in a process of collective action, the degree of inclusion, for example, can now become a matter of discretionary choice, as can the degree of heterogeneity amongst agents. The intensity and forms of communication are no longer actors' spontaneous decision or left to chance, but they are influenced and directed by incentives and disincentives, through the adoption of particular procedures or by means of specific organisational tools. The non-excludability problem makes collective action more difficult for public goods and other commons, but it can be resolved to a certain extent by an element of dis-

cretion in policy decisions. Local actors can in fact lengthen or diversify the ambit of cooperation through payoff and compensation mechanisms and by reducing possible distributional inequalities.

The difficulties of collective action, therefore, do not lie exclusively, or even mainly, in the combination or objective interaction of structural variables. As Ostrom says, the difficulties lie in participants' capacity to restructure their situation, meaning the restructuring of their individual and collective ontology, their network of relations as well as their rules of interaction in that network.

This conclusion, in my view, is particularly valid for collective action arising from local development processes and policies. These processes are cited in the title, although the aspect is not developed in the essay. Local development processes in fact take place inside a system of agents (varying from individuals to complex organisations) and rules, created by the actors themselves to overcome obstacles to collective action. [Cersosimo, Wolleb, 2006]. As Ostrom correctly observes, the system comprises rules imposed by organisations at the central level as well as rules that local individuals and collective actors impose on themselves. Rules imposed by the centre lay down the limits of autonomy of local subjects, while local rules are expressions of their own discretion. In a way, the system thus sets up an artificial setting that modifies the structure and perception of situations and orients behaviour models of actors. The success of collective action may depend on how suitable and internally consistent the system is.

The opportunity to restructure the system of rules makes the explicative model more flexible and realistic, but reaching the optimum solution is still not easy. Central and local procedures and organisations may still prove inadequate in solving collective action's dilemmas for numerous reasons.

In local development policy, the system of rules has four overall functions: discouraging free riding, favouring the creation of social capital, raising level of knowledge and economic efficiency. The prevention of free riding is the most widely studied and recognised; Ostrom herself discusses it extensively in various works. A system of rules has to incorporate efficient incentives for cooperative behaviour as well as sanctions for opportunism. If these mechanisms are inadequate, collective action has a much lower chance of success. In practice, in local development policies, this is translated into an absence of real selection of projects and indiscriminate funding. The creation of social capital is a particularly important function for local development policy, given that it usually aims at secondary effects like strengthening relationship networks between institutions and the public, raising levels of trust, improving communication and increasing cooperation. In local development policy, in fact, the means of reaching certain ends are almost as important as the ends themselves, as

they are also functional to the creation of individual and community social capital (Ahn and Ostrom, forthcoming). As Ostrom argues in her essay, and empirical research also proves (Arrighetti, Seravalli, and Wolleb, forthcoming), the accumulation of social capital over time is an important pre-requisite for the success of collective action. A third function of rules is to produce knowledge and activate 'learning by doing' mechanisms. Local development processes need to allow the greatest possible use of knowledge available in the area, the out-sourcing of skills not locally available as well as collective learning processes. A big difficulty in collective action, which is not fully described in Ostrom's essay, is that local actors often find themselves having to choose between strategies without knowing the payoff matrix of the public good's game they are involved in: collective action, thus, sometimes fails as a result of lack of knowledge rather than lack of will to cooperate or of efficient incentive mechanisms. Where negotiation over local development policies represents forms of deliberative democracy based on knowledge-sharing or public debate on different positions, it can better identify ideas and projects closer to collective interest. This type of concertation process is, or should ideally be, a way of both sharing and creating knowledge. It goes well beyond the reaching of consensus, because consensus in itself is no guarantee of the optimal outcome of collective action. The system of rules governing local development policy should also guarantee that economic objectives are reached efficiently. This may seem an obvious requirement, but local development policy is often designed with great attention to institutional aspects, the search for consensus, the creation of community social capital, and with much less attention to minimising costs. There is a tendency to believe that good practice ensures a good product, whereas this is not necessarily the case; good practices should instead be defined with reference to the soundness of the product.

This brief discussion of the different functions of the system of rules in local development policy should suffice to show why such a system is difficult and costly to construct. Ostrom is right to point out that the cost of changing rules can be so high that it can push actors to give up collective action, especially where the expected payoffs are uncertain and in the distant future. The type of rule conceived for local development policies is particularly costly in terms of time and energy, which explains why there is a strong liberalist tendency to leave the production of public goods to the market.

To conclude with an observation that is not too pessimistic, we note that individuals bearing a large part of the cost play an important and positive role. As is well known and frequently discussed in the literature [since Olson, 1965], these individuals are frequent and are also mentioned in Ostrom's section on the heterogeneity of participants. They play a crucial role in local development policy, gaining a

leadership role because of their technical and political / relationship capacity. They appear disinterested guarantors of fairness to the wide range of local actors, or in any case able to pursue useful outcomes for the local area. This observation brings us back to the starting point of this comment; the role of policy intentionality in solving the problems of collective action. Giving a more central role to the choices made by individuals, in the framework of explicative models of collective action aimed at producing local public goods useful for local development. This approach provides for a way of solving what otherwise seem intractable problems, even if, of course, the problems do not disappear. To cite the title of a recent book, local economic development is “Neither simple nor impossible” [“Né facile né impossibile”, Seravalli, 2006].

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Abstract: Developing a coherent theory of collective action that is also relevant for practice in explaining local development is a major challenge. At the individual level, individuals do take costly actions that effectively take the interests of others into account in many field and experimental settings but this is not consistent with contemporary game theory. We need to move ahead to achieve a more coherent synthesis of theoretical work that posit variables affecting the success or failure diverse forms of collective action. The first section of this paper discusses the growing and extensive theoretical literature positing a large number of structural variables presumed to affect the likelihood of individuals achieving collective action to overcome social dilemmas. None of these structural variables, however, would change predictions if one uses the *model* of rationality that has proved successful in explaining behavior and outcomes in competitive market settings as a universal *theory* of human behavior. Thus, the second section examines how a theory of boundedly rational, norm-based human behavior is a better foundation for explaining collective action than a model of maximizing material payoffs to self. The third section examines the linkage between the structural measures first discussed with the individual relationships discussed in the second. The fourth section looks at how changing the rules of a focal dilemma in deeper arenas in efforts to improve the net benefits from collective action by affecting the structural variables of the focal arena. The conclusion reflects on the challenge that social scientists face in testing collective-action theory in light of the large number of variables posited to affect outcomes.

Keywords: collective action, social-ecological systems (SESs), inter-disciplinary research, multi-level development, sustainability.

Guglielmo Wolleb is professor of Economic Policy at the Faculty of Economics of the Parma University. His main fields of research are local development policies and regional economics. Among his most recent works, “Economie dal Basso”, 2007, Donzelli, with Domenico Cersosimo and “Handbook of Social Capital”, Oxford University Press, forthcoming, edited with Dario Castiglione and Jan Van Deth.