Beyond individualism and spontaneity: Comments on Peter Boettke and Christopher Coyne

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Received 30 January 2004; received in revised form 1 May 2004; accepted 7 June 2004
Available online 26 February 2005

Abstract

This paper builds on the work of Boettke and Coyne that locates the research of Elinor and Vincent Ostrom and their Workshop colleagues within a broad intellectual tradition of long duration. It is argued that the Ostroms and the rest of the Workshop have made rather substantial departures beyond these intellectual forebears than may be evident from Boettke and Coyne’s overview. Specific focus is placed on two of the major points that they discuss: methodological individualism and spontaneous order.

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JEL classification: B4

Keywords: Elinor Ostrom; Vincent Ostrom; Methodological individualism; Spontaneous order

I want to thank Peter Boettke and Christopher Coyne for writing this excellent background paper locating the research of Elinor and Vincent Ostrom and their Workshop colleagues within a broad intellectual tradition of long duration. I have been associated with the Workshop for a little over ten years now, and it is reassuring to realize that I am...
following in the footsteps of such luminaries as Hayek, Knight, and Mises, not to mention Hume and Smith. That is a real ego-boost, and I do appreciate it. However, as someone operating within the Workshop tradition, I have a different perspective on the extent of this borrowing from past luminaries. I think that the Ostroms and the rest of us have made rather more substantial departures beyond these intellectual forebears than may be evident from Boettke and Coyne’s overview. I would like to focus on two of the major points that they discuss: methodological individualism and spontaneous order.

Let me take the issue of spontaneous order first. In my view, there is not much that is spontaneous about a polycentric system of governance. Polycentricity consists of a complex and ever-changing array of collective decision and production units organized at all levels of aggregation, each of which has jurisdiction over limited areas of collective action and shares some of these competencies with other jurisdictional units. This sharing of responsibilities naturally generates contestation, so the system must include mechanisms through which disputes over the consequences of collective decisions can be resolved. It is an extremely complex system. No single planner would ever design such a mess, nor can any external force impose such complexity on an unsuspecting community. A polycentric system can be said to be spontaneous only if one restricts that term to mean that no one person or collective entity purposively designed a system meant to operate in this manner. However, this lack of planning is only apparent if you are looking at the system from the outside.

From the inside, each of these jurisdictional units contains creative individuals who have acted to design and implement these multiple units of governance in order to pursue their own goals and resolve their disputes more effectively. Skills at planning and leadership are essential requirements in the establishment and maintenance of each of these organizations. This theme of creative artisanship has been prominent in Vincent’s work from the beginning of his career. Recently, he has emphasized the importance of public entrepreneurship, the ability of individuals and groups to engage creatively in joint problem-solving. These skills of public entrepreneurship need to be nurtured in each new generation if self-governance is to be sustained.

One reason I am concerned with the use of the term “spontaneous order” is that it suggests that the system automatically arrives at some equilibrium. As long as a polycentric system is in operation we should expect to observe unending processes of change and renegotiation, as new collective entities are formed, old ones dissolve, and new bargains are arrived at to deal with an unending series of new issues of public policy. If this can be said to be an equilibrium, it is a radically dynamic one with nothing fixed except the underlying complexity of the system as a whole.

Boettke and Coyne distinguish the Bloomington school of institutional analysis from two related schools that focus on public choice or social choice. For obvious reasons, the Virginia and Bloomington schools are well-represented at this meeting, but let me say a few words about the relevance of the under-represented Rochester school. In Liberalism Against Populism, Riker (1982) highlights the unending dynamism that is inherent in a system of representative democracy based on majority rule. He even coins a new term, heresthetics, to encapsulate the means by which political entrepreneurs invent new political controversies or reformulate old disputes in order to split up the currently dominant majority coalition. Note that Riker was able to arrive at this conclusion with majority voting as the only means of making collective choices. In the Bloomington school, we give public entrepreneurs access
to a much broader array of all kinds of social choice mechanisms beyond voting. Thus, their heresthetic manipulations should generate an even more extensive dynamism in terms of policy change.

What would equilibrium mean in a fully polycentric system of governance? This vision has not yet been specified in technical terms, but let me suggest how we might go about doing so. Let us begin with the realization that any form of collective action or coordination or creative problem-solving involves the expenditure of time, effort, and other resources. Whenever any group of individuals is posed with a common problem (or a common opportunity) that gives them a chance to obtain mutually beneficial results, they will confront transaction costs of various types before they can realize these joint gains. If the costs of organizing for collective action are low, then more of these collective opportunities for joint gain should be realizable. To be fully polycentric, the system as a whole should facilitate creative problem-solving at all levels of aggregation.

If the costs of collectively organizing are kept low for groups of all size and interest configuration, one important consequence follows immediately. It should be very difficult for any one group (A) to pass the costs of their own collective action onto some other group (B). Members of group B might voluntarily contribute to the resolution of A’s problems, but as long as B’s costs of collective action are low, group B should be able to resist effectively any effort by A to force B to pay for some benefit desired by the members of group A. In short, externalization of transaction costs should be prohibitively expensive under conditions of polycentricity.

Of course, externalization occurs all the time in any practical system of governance. Costs are imposed on other groups through two primary mechanisms: the absence or existence of a coercive state. If there is no institutional means by which concerns common to both groups can be fully discussed, then there may be no way for the people in group B to bring their concerns to the attention of people in group A. Alternately, if A and B are subsets of a larger jurisdiction (such as a state) with the power to enforce policies on recalcitrant members, then A might gain control over the state’s policy in this particular policy area and pass the costs onto other groups less able to compete in this rent-seeking competition. Ideally, higher-scale governance units will make it difficult for smaller groups to impose costs of their own collective action onto other groups. In practice, of course, the coercive powers of national governments are frequently used to do precisely that.

Boettke and Coyne point to the difficulty of maintaining local capabilities for self-governance in the presence of national states with legitimate powers of coercion. This has indeed been an important concern, especially in the work of Vincent Ostrom, who is certainly no fan of the modern state. Boettke and Coyne also mention the potential pathologies of community self-governance. This is an important warning, for as institutional analysts we must not overlook the very real dangers of local tyrannies. No one level of governance is inherently good or evil; each level has its own unique blend of benefits and dangers.

To summarize my first point, I argue that a polycentric system can be described as spontaneous in only the very limited sense of not being the result of the actions of a central planner. In all other respects, it is chock full of planners and schemers, entrepreneurs of all types, actively engaged at all levels of aggregation. This vision of complementary contributions from public entrepreneurs at multiple levels serves as a segue to my second major point.
Boettke and Coyne rightly identify the philosophical tradition of methodological individualism as the original point of departure for the stream of research associated with the Ostroms and the Workshop more broadly. Anyone who ever sat through the first few weeks of Vincent’s version of the Workshop seminar can attest to this fact, after hearing him go through a very careful reading of Hobbes’ *Leviathan*. We started there, but it is not clear to me that, at the present time, we are still operating within that tradition as commonly understood.

As Boettke and Coyne conclude, the Ostroms and their colleagues have articulated a middle ground position, one that incorporates the critical influences of institutional context but without losing sight of the individuals involved in making and implementing collective decisions. Boettke and Coyne (2005) identify a critical component of the Workshop perspective by highlighting the importance of “contextualizing the human condition” (p. 12). Individuals arrive at decisions that affect social and physical outcomes by participating in processes structured by institutional contexts. No one model can be applied to all decision situations because the very nature of the decision to be made is defined by the characteristics of the *action situation*: institutional rules in use, physical properties, and the nature of the communities within which these actors are situated. This concept of an action situation is the starting point for the many and diverse empirical analyses conducted by scholars associated with the Workshop.

To me, this focus on the action situation assigns equal importance to both the individual actors and the institutional context. The foundational focus of analysis is the action situation as a whole, not any one individual actor. The institutional rules-in-use that we observe in any recurring action situation have been shaped by the attributes of the community and by the physical and biological environments in which those communities live. In her widely influential work on common pool resource regimes, Elinor Ostrom has begun to elucidate the ways in which institutions, communities, and physical environments all co-evolve in complex patterns, with action situations as the focal point of their interactions.

Ultimately, the institutional rules that shape any individual’s behavior can be traced back to the decisions of other individuals or those same individuals when acting in a different context, yet it is not always feasible to re-trace the entire sequence of steps back to the time of that organization’s original formation or to the long-forgotten reasons why certain conceptualizations came to dominate the culture by which members of that society live their lives. Thus, the appropriate compromise is to attach equal importance to the individual decisions and to the context within which these decision situations are defined. The particular version of this middle ground position developed and applied with such distinction by Alexis de Tocqueville was the original inspiration for the basic categories of the Institutional Analysis and Development (IAD) framework. In his most recent book, Vincent Ostrom (1997:102–114) has begun articulating an alternative to Hobbesian individualism and Durkheimian holism that he originally called methodological communalism but now prefers to label *Tocquevillian analytics*.

The final point I want to emphasize is that this intermediate position is useful primarily because it provides a solid foundation upon which particular instances of empirical research can be conducted and their results interpreted. Boettke and Coyne provide a succinct formulation of the sequence by which these empirical investigations tend to be undertaken: first identify the relevant actors and the most pertinent aspects of the action situation, investigate
their interactions with each other and the environment, and then evaluate the consequences, intended or not, of their actions. Only at that point are we comfortable making suggestions for changes in policy or more general reform in institutional rules or processes.

In their early work, Vincent Ostrom and Elinor Ostrom (1965) introduced the concept of a “public service industry” or “public economy” to denote what they had in mind. (They originally used “political economy” or “public choice” but those terms later took on other meanings.) A public economy is a generalization of a market economy. The latter term includes only individual or corporate actors producing and exchanging private goods, subject to physical laws and to institutional rules devised by political actors left outside the purview of the market model itself. Conversely, a public service industry involves a diverse array of private, public, and voluntary organizations dealing with some limited range of public goods or services. Each of these public service industries constitutes a sector of the broader public economy. Linkages among these sectors may be organized according to hierarchical or polycentric principles, but even the most hierarchical system of governance will demonstrate some aspects of polycentricity in its actual operation.

To understand a public economy, we need to take full account of the socially constructed nature of all of the collective units that are involved in producing, selecting among, paying for, consuming, and managing all sorts of goods and services: private goods, public goods, common pool resources, and club goods. To do so, our attention is directed to the foundational role played by collective consumption units, comprised of individuals who jointly enjoy the benefits of some public or collective good. These collective consumption units must decide which collective outcomes they desire, in the process known as provision. This provision unit can then arrange to obtain this good or service by selecting from the wide array of production units, which can be private, public, or voluntary in nature (Ostrom et al., 1961).

In a polycentric public economy, provision units will be empowered to select production units that are best able to take advantage of appropriate efficiencies of scale. In equilibrium, such as it is, we should see a complex array of private, voluntary, and public organizations (at all levels of aggregation) exerting exclusive, joint, or conditional ownership over complex bundles of private, public, and club goods and common pool resources. A polycentric public economy may seem a system of overwhelming complexity, yet those of us who follow in the footsteps of Vincent and Elinor Ostrom are grateful for their leadership in helping us craft a set of conceptual tools and analytical techniques that can help all of us better understand diverse institutions of governance.

References

