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KETTERING
REVIEW

Fall 2016

For more than three decades, this journal of democratic thought has been edited by Robert J. Kingston, a senior associate of the Kettering Foundation. Sadly, Bob passed away on August 20 of this year at the age of 87, leaving his wife, Carol Vollet Kingston, his children, colleagues, friends, and neighbors grieving his loss.

Bob left England for America in 1954 to teach Shakespeare; he stayed to work on democracy. He was an extraordinary person, raising the level of conversation wherever he went, curious about everything and everyone he met, and capable of discerning the course of democratic thought as it developed in a forum and in the country.

After teaching English literature at a number of colleges and universities in the United States, Bob joined the National Endowment for the Humanities as director of planning and analysis. He moved up to serve as deputy chairman and acting chairman during the administrations of former Presidents Nixon, Ford, and Carter. In the late 1970s, he left government service to become president of the College Board, then joined the Kettering Foundation's longtime research partner Public Agenda as executive director.

As a senior associate of the Kettering Foundation, in the 1980s Bob became the *Review's* editor and for many years, he also helped produce the tapes for A Public Voice, Kettering's annual meeting in Washington, DC.

In his tenure as editor of the *Kettering Review*, he explored some of the most important issues facing democracy of the past 30-some years. Our next issue of the *Review*, through essays and interviews, will follow and develop the arc of Bob's thought about democracy. With a heavy heart, this issue is dedicated to his memory.

In Memoriam
Robert J. Kingston
1929-2016

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The Challenge of Self-Governance in Complex Contemporary Environments

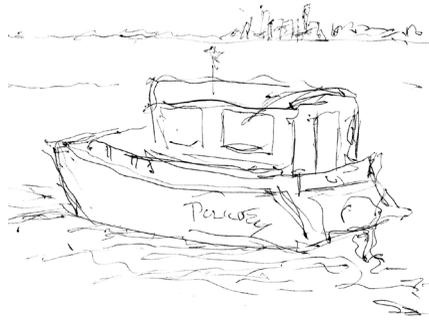
by Elinor Ostrom

Once analysts perceive human beings as being trapped inside perverse situations, the subject to whom reform is addressed is external to those involved, overlooking the capacities of human beings.

The ideas used to view the world by academics, officials, and citizens affect what they see, the improvements they think are feasible, and the means they presume can be used to reform the world. Ideas seem to be ephemeral, but their results are the artifacts of the world: the cities, the monuments, the wars, the suffering, and all the activities of human beings as they go about their everyday world. Human conceptions can be emancipatory. They may include vistas of untapped capabilities and enable individuals to improve their own and others' welfare. Or they may be conservative—closely guarding the achievements of the past and protecting the storehouse of acquired social knowledge from wanton destruction. Or worse, ideas may be restrictive or even retrogressive—limiting the horizon of what is possible, leading to a destruction of social infrastructure, and reducing the possibilities for human development.

At the current time, the presumptions underlying most modes of policy analysis restrict, far more than is necessary, our view of human capabilities for self-governance. In an era when human rationality is thought of in terms that involve almost superhuman capabilities in some domains, it is paradoxical that the human capacity for self-reflective thought and social artisanship is almost entirely ignored. In the policy sciences evolving from economics, game theory, political science, and decision theory, the individual is frequently modeled as possessing complete information about his or her environment, a clearly ordered set of goals, and the internal computational

skills to find global optima in complex and difficult worlds. These sophisticated calculators are, however, presumed to have the foresight of the proverbial ostrich. Individuals are modeled as focusing exclusively on the choices available to them in a proximate situation without any capability to change the constraints of that situation. It is obviously the case that individuals do face many situations over which they have little or no control, at least in the short run. It is also obvious that human beings, faced with perverse situations, try either to avoid them or to change them. In the models used by many policy analysts, only an external actor—the government or the social planner—is perceived



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as having the capabilities of changing the structure of situations that lead to undesirable outcomes. Upon finding such situations, the contemporary analyst rarely asks what the individuals could do. Rather, the analyst asks what the government should do.

In contrast with earlier organic conceptions of human order, the individualistic perspective of modern choice theory is a liberating force. The presumption that there exists a social organism above the individual whose benefit must be served by all has led to much violence, bloodshed, and suffering. If the choice of perspectives were simply between the current, dominant conception of individual choice theories and an organic conception of society, no question exists in my mind which view is theoretically more powerful for explaining empirical phenomena as well as philosophically more liberating. My feet are firmly planted in the terrain inhabited by theories that view the individual as a basic valuing entity.

Once oriented in terms of that broad epistemological and metaphysical divide, however, we should recognize that the current analytical tools used in many individualistic theories were formed and adapted in the effort to explain human behavior in one particular arena—the competitive market related to strictly private goods. Here, the driving intellectual questions during the formative stages of economic theory related to whether individuals' choices based on their own preferences were consistent and whether purely selfish individuals placed in a competitive market environment could produce social benefits for others. The resounding positive answer slowly led to a change in the political and social structure of most Western

societies to allow broader entry into many aspects of economic life. This opening of opportunity for the pursuit of individual well-being has indeed produced substantial social benefits for those individuals who have participated in economic growth and the technological advance-

The contemporary analyst rarely asks what individuals could do.

ments stimulated by the competitive pressures of a market economy.

A closely related question being pursued by intellectuals such as those involved in the formation of the American federation, as exemplified in the *Federalist*, was whether it was possible for human beings to use self-reflection and choice to devise their own governance systems or whether they were forever condemned to be governed by force or accident. The recognition of the possibility that human beings could design political artifacts that would enhance their own welfare more than the political artifacts imposed on them by external rulers also led to a vast broadening of opportunities to enter and participate in the fashioning of political institutions.

Theorists of this era did not naively believe that all experiments in self-governance—large and small—would succeed. Recognition of the possibility of better regimes being designed by enlightened individuals was not equated to the presumption that such individuals would always overcome the difficulties involved in finding rules to mediate effectively among competitive



interests. The conception of human nature shared by many of the economic and political theorists of the 18th and early 19th century was relatively similar. Human beings were perceived of as being driven by basically selfish motives but possessing capacities for self-reflection, self-restraint, innovation, and artisanship that could be enhanced by the education they received, the social norms they shared, and the reinforcing tendencies of interactions within particular types of institutions.

When these same tools have been applied to human interactions related to goods that are not strictly private in nature—such as common-pool resources and public goods—the tools have consistently predicted failure. Market failure is predicted for any situation in which individuals attempt to use a competitive market to produce and allocate goods that do not meet the strict requirements of private goods. Other forms of institutional failure are predicted for situations in which individuals attempt to gain collective benefits without

being forced by an external agent to adopt cooperative strategies.

At the core of each of these models is the problem of the free rider. Whenever one person cannot be excluded from the benefits that others could provide, each person is tempted

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not to contribute to the joint effort and to “free ride” on the efforts of others. If all participants choose to free ride, the collective benefit is not produced. If all value the collective benefit more than their individual costs, all prefer the outcome where everyone contributes and the benefit is produced. The temptation to free ride, however, may dominate the decision process, and thus all end up where no one wanted to be. These models are thus extremely useful for explaining how perfectly rational individuals can produce outcomes that are not “rational” when viewed from the perspective of all of those involved.

These models have been used to justify the presumption that those who are involved in a tragedy of the commons or a Prisoner’s Dilemma game will remain permanently entrapped in the situation, never to change the structure of the situation themselves. This analytical step is both unnecessary and clearly a retrogressive step in the theories used to analyze the human condition. Whether or not the individuals who are in a situation have capacities to transform their own situation varies dramatically from

one situation to another. It is not a logical result of the application of these theories; it is an empirical condition that varies from situation to situation.

Once analysts perceive human beings as being trapped inside perverse situations, however, the subject to whom reform is addressed is external to those involved. Instead of viewing analysis as providing better insights to enable those who are affected by perverse situations to alter the incentive systems they are facing, the purpose of scholarly modeling and analysis is seen as providing advice to an external government or a “social planner” as to how to impose a new structure on those individuals. The momentum for change must come from outside the situation rather than from the self-reflection and creativity of those within a situation to restructure their own patterns of interaction. The fact that the literature on mechanism design has shown that there are games among citizens that a social planner could impose



that do have efficient outcomes “leads to the common belief that such games require a social planner to impose and referee them.”

The repeated predictions of institutional failure, combined with the presumption that such failures could be remedied only by an external government, have assigned the agencies

of the modern state a preeminent responsibility for a wide variety of problems. At the same time, such a presumption removes any notion that the individuals involved in unproductive or perverse situations are in any way responsible for the structure of the situations they are in. Policies that have resulted from applying this type of analysis have been far from liberating, particularly as they have been implemented by colonial and postcolonial regimes in Third World countries.

For some analysts, neither citizens nor local governments have an important role in the governing of a commons. Since the publication of “The Tragedy of the Commons” by Garrett Hardin (1968), users of a common-pool resource—such as a fishery, a forest, or a water aqueduct—are perceived to be helpless perpetrators of resource destruction. Hardin presumed that individuals would always maximize their own immediate short-term, material benefits. This meant that they were helpless to do anything else but overharvest when they jointly used a resource system that was not privately owned or the property of a governmental unit. The prediction that individuals would destroy the very resources on which they depended was consistent with many economic models of one-shot or finitely repeated dilemma settings in which everyone pursuing their own short-term benefits ended up achieving far less individually and together than was feasible if they had found a way of cooperating with one another.

Hardin’s vivid portrayal of the helpless citizen opened up an important body of theoretical and empirical work that, in turn, disputed the universality of his work. Instead of finding only

private or government ownership arrangements that helped users to sustain a common-pool resource, scholars from multiple disciplines found a diversity of mechanisms used in efforts to govern common-pool resources.

Hardin and the myriad of scholars and policy-makers from multiple disciplines who accepted his theory were thus correct in identifying a challenging problem when open-access conditions prevailed. Their analysis was incomplete, however. They predicted the impossibility of self-organization and prescribed only two solutions—both of which had to be imposed on resource users.

Central Lessons

Multiple Interacting Factors Affect Outcomes

Factors work together to improve or reduce the likelihood that local communities, which have autonomy to create their own governance structures, will actually design effective institutions for managing resources. Merino studied forestry resources in six communities located in three states in Mexico (Michoacán, Oaxaca, Quintana Roo). Her study demonstrates that the population density of the users of a forest is not a key determinate of resource degradation. Consequently, she dug into a wide diversity of local, regional, and national factors that could potentially explain the different rates of deforestation observed among the six communities. Instead of finding a single factor as the primary cause of a community’s successful or unsuccessful effort to manage forest resources well, Merino found a complex of factors that together affect the incentives and behavior of citizen-users so as to lead to a better-quality forest.

The communities in her study were most likely to design well-working local institutions to manage local forests when effective social capital had been built over time within a community and when the interests of the more powerful members of the community were

State and national laws have simply overlooked the capacities of local users to develop and monitor effective rules.

aligned with the effective management of forest resources. Merino found that the regional and national regulatory systems have not encouraged community forestry in Mexico.

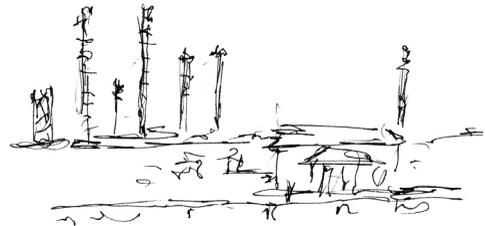
Effective rules and incentives passed at regional and national levels are more the exception than the rule in Mexico. If anything, government policies have generated more incentives against the effective management of forests than incentives encouraging sustainable development. When not an active negative factor adversely affecting responsible local management, state and national laws have simply overlooked the capacities of local users to develop effective rules, monitor them, and impose graduated sanctions.

The Need to Confront Complexity

What we have found from research related to resources is that the complexity of many natural resources does require a multitier or polycentric governance system rather than a

reliance on only a single type or level of governance. Actors who try to govern a complex resource face a variety of incentives that often complicate collective efforts and subsequent outcomes. The more complex a resource is, in terms of the types of goods and services that it provides, the more perverse incentives tend to exist unless a well-tailored set of institutional arrangements offsets these incentives. Some actors may be tempted to shirk from their contributions to the governance arrangements by not attending meetings or not paying the membership fees. Others may actively try to weaken the rules so that they can use the resource with fewer constraints. A robust governance system recognizes the multiscale aspects of natural resource governance as well as the presence of individual incentives and seeks to correct them.

When citizens and their officials establish organizations with the authority to contribute resources toward the provision of a collective good, they constitute *provision or collective consumption units*. Many provision units have the formal status of a government established at a local, regional, or national scale and may be general-purpose units or organized as special districts or regimes. Private associations that sanction, or even expel, those who do not con-



tribute their share of resources to provide for a collective good may also serve as collective consumption units. Sports leagues and housing condominiums are two types of private associations that provide collective goods for their members.

Other forms of collective consumption units include farmers who organize themselves to manage an irrigation system or a common pasture; a national agency that monitors the investment or production processes of private firms to protect consumers against fraud or ecological damage; a local, national, or international government that provides services of diverse types; and even an illegal cartel of private corporations that decides on the amount of output they will jointly produce. Thus, provision units exist at all scales and in both public and private spheres. Participants can, and do, craft a diversity of rules that help them overcome the free rider problem by deciding who is included and must contribute resources, who is excluded, and how to exclude them. Further, if the provision system continues to develop, participants (or their representatives) are likely to devise rules that specify allowable forms of access and use, some methods for monitoring behavior and sanctioning violators of rules, and some ways of resolving conflict.

These systems often do not resemble the textbook versions of either a government or a strictly private for-profit firm, especially when participants have constituted their own self-governing units. Thus, scholars drawing on traditional conceptions of “the market” and “the state” have not recognized them as potentially viable forms of provision organization and have either called for their consolidation into a



centralized government (as metropolitan reformers continue to do) or ignored their existence (as many resource economists have done). It is a bit ironic that many vibrant self-governed institutions have been misclassified or ignored in an era that many observers consider one of ever greater democratization.

Commonly Understood and Enforced Rules

Another key finding of empirical field research is the multiplicity of specific rules-in-use found in operational settings related to the provision and production of collective goods. One of the most important types of rules is *boundary* rules, which determine who and what are in and out of a provision organization. Provision units face considerable biophysical constraints when the good is a natural common-pool resource such as a groundwater basin, a river, or an airshed. Such resources do have their own geographic boundary, and creating a match between the boundary of those authorized to benefit and contribute and the boundary of the resource is a challenge and may be impossible in a highly centralized



regime. Further, common-pool resources may themselves be nested in an ever larger sequence of resource unit such as a micro watershed, which is nested in a system of ever larger watersheds that eventuates into a major river system such as the Rhine or the Mekong River.

Once basic boundary rules define who is a legitimate beneficiary and who must contribute to the provision of a collective good, provision units frequently create rules related to the infor-

A key to effective governance lies in the relationships among actors who have a stake in the governance of a resource.

mation that must be made public, the actions that must or may be taken or are forbidden, and the outcomes (and resulting benefits and costs) to be achieved and distributed. An essential attribute of rules is that, to be effective, they must be generally known and understood,

considered legitimate, and thus generally followed and enforced. Written legislation or contract provisions that are not common knowledge do not affect the structure of a particular situation unless someone involved in the situation invokes the rule and finds someone to enforce it. Thus, one of the problems in doing empirical research on the effects of diverse institutional arrangements is trying to sort out the rules that exist on paper and are not used by participants as contrasted to the rules that are common knowledge of the participants and enforced locally but not part of the formal legal structure.

Community Attributes

Many attributes of a community are also likely to affect provision activities, including the size of the group affected, the homogeneity or heterogeneity of interests, the patterns of migration into or out of a community, and the discount rate used by individuals in ongoing situations. The specific attributes of a community that might affect outcomes can be very large. For an institutional analyst, however, the important set of questions that needs to be addressed includes the following:

- Is there general agreement on the rules related to who is included as a member with both benefits and responsibilities?
- Do the members have a shared understanding of what their mutual responsibilities are as well as the formulas used for the distribution of benefits?
- Are these rules considered legitimate and fair?
- How are the rules transmitted from one generation to the next or to those who join the group?

A diversity of community attributes affects the answers to these questions. For an institutional analyst to understand the structure of the situation facing that community, and thus examine the incentives facing the participants and their likely behavior and outcomes, the analyst must assume that a community is actually using a set of rules and will continue to do so for at least the near future.

In this article, I have argued that many contemporary models of the individual and of relevant governance systems are overly simplified and have led to recommendations of policies that have not solved many problems of contemporary, complex, human-nature systems. Multiple factors determine the effectiveness of a governance system. A key to effective governance lies in the relationships among actors who have a stake in the gover-

nance of the resource and not just one level of government or private ownership. Empirical analysis provides strong support for a polycentric approach. By considering the interaction between actors at different levels of governance, it is possible to contribute to a more nuanced understanding of the factors driving the variation in diverse governance outcomes. Of course, considerably more research on the impacts of diverse policies in the context of differently structured governance systems is needed.

A winner of the Nobel Prize in Economics, Elinor Ostrom (1933-2012) explored how communities can manage shared natural resources and their ecosystems. A longer version of this article was originally published in the Journal of Speculative Philosophy in 2010 and is reprinted here with the permission of the Pennsylvania State University Press.

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