

December 11, 2009

Global research, local application *William Bianco and Regina Smyth*

In awarding the 2009 Nobel Prize in Economics to Indiana University faculty member Elinor (Lin) Ostrom, the Nobel Committee cited her "...analysis of economic governance, especially the commons."

While this language may seem obscure, Ostrom - together with her collaborator and husband Vincent - has devoted her scholarly career to studying dilemmas that are recognizable to citizens all over the globe. She has explored the conditions under which individuals successfully collaborate to allocate and preserve scarce natural resources outside of formal governmental institutions and in lieu of government regulations. In particular, Ostrom has focused on common-pool resources such as grazing lands that face the danger of being depleted due to overuse, explaining how communities might work together to meet the challenge of resource preservation.

Over the course of 40 years, Ostrom and her students have applied their theories to explain the successful governance of common-pool resources as diverse as lobster fisheries in New England, forests in Indiana, Bolivia, Uganda and Tanzania, and irrigation systems in Nepal.

Ostrom's findings speak to fundamental, ongoing debates about what government should do and which level of government does the best job at providing different services - and to the debate over local government consolidation in Indiana and elsewhere.

For example, in the late 1960s, it was widely accepted that communities would find it all but impossible to successfully manage resources - a dilemma Garrett Hardin labeled the tragedy of the commons. The tragedy pointed to the belief that, left to their own devices, ranchers or fishermen would overuse commonly held resources, depleting them and collapsing local economies. Conventional theories proposed only two ways to avoid these unfavorable outcomes: either common property must be privatized making way for markets to emerge, or government must step in to regulate the resource.

Tireless field research enabled Ostrom to define the conditions that produce effective and durable self-governance of common-pool resources. She found that when successful, such as in Costa Rica's management of pollution in the face of growing eco-tourism, solutions developed from the ground up and rooted in local knowledge were easier to implement and more likely to be successful than regulations imposed by a central government. She has also shown that while a strong central government often offers benefits in terms of efficiency, these gains can be trumped by the value of a local government's in-depth understanding of how ordinary people will be affected by changes in public policy.

This finding speaks to contemporary debates over the consolidation of local governments. Throughout the United States, there are millions of small governmental units or districts that provide water, sewage treatment, police protection and other services. Many areas have multiple school districts rather than one centralized entity. Proponents of centralization, such as the 2007 Indiana Commission on Local Government, argue that merging these local units into larger organizations will reduce the cost of providing services and increase the services government can provide. Such arguments were made only last year in Indiana to justify the centralization of property assessment offices at the county level.

Ostrom's work suggests that the benefits of consolidation are often overestimated. For one thing, consolidation rarely results in cost savings - the same people who cleaned the streets or ran the water plants

continue to do so after their districts are consolidated. The only difference is the name of the organization that cuts their paycheck. Moreover, any savings that consolidation might generate (for example, eliminating duplicate services or buying supplies in bulk) can be achieved by coordinating local organizations rather than consolidating them into one large entity.

More importantly, Ostrom showed that consolidation often has a hidden cost: by moving government away from the people it serves, consolidation makes it harder for managers to determine what the people want. Local police forces, for example, often have priceless knowledge about which buildings or areas are likely targets for criminals - information that is likely to be lost in a larger organization that uses routines and policies to determine who patrols where.

Similarly, local school districts can often do a better job of serving students than a larger organization because they have a better sense of what students need to learn and how they should be taught. In a consolidated school district with a "one-size-fits-all" plan, these local differences will be ignored.

So, for Indiana residents faced with ballot measures on consolidation, Ostrom would ask, if consolidation is so compelling, why aren't local governments working together already? Would consolidation produce identifiable benefits - and are the estimates generated by proponents realistic or simply made up? What will communities lose from consolidation?

Ostrom's faith ultimately lies in the wisdom of local people and local government. Given rising taxes, complaints about the quality of municipal services and the state of the Indiana economy, the pressure to consolidate may seem overwhelming. But the result of consolidation may be worse than what we already have. Proposals to consolidate are not no-brainers. When faced with the choice, voters need to remember Ostrom's work, and carefully weigh benefits against costs when making their decision.

Ostrom's work extends far beyond the reach of her academic papers. Over 40 years, Lin and Vincent Ostrom have coordinated and encouraged the work of an enormous number of scholars from many different disciplines and countries to investigate the circumstances under which self-governance is both possible and beneficial. Together, they founded the Workshop in Political Theory and Policy Analysis at Indiana University as the basis of a world-wide network of scholars which enabled affiliated researchers to amass data on a huge number of self-governance agreements in a diverse range of environments - from coffee cooperatives in Cameroon to forest governance in Bolivia and the maintenance of coal roads in West Virginia.

They also trained a generation of scholars who now pursue these questions at universities and field sites throughout the world. The workshop stands as a model of how scientists can work together to explain complex phenomena and generate a source of deep insight into how to manage natural resources, from small communities in Indiana to places throughout the world.