

# An Exploration of Elinor Ostrom's Theory of Self-Governance

--Based on *Governing the Commons: the Evolution of Institutions for Collective Action*

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**Abstract.** The theory of self-governance is a fundamental theory of collective action based on numerous empirical case studies by Elinor Ostrom, a contemporary exponent of the public choice school and public economics. Ostrom's idea of autonomous governance is systematically and fully articulated in her book *Governing the Commons: the Evolution of Institutions for Collective Action*, published in 1990. It guides the development and use of public resources by tapping into the subjectivity of individual autonomy. The purpose of this paper is to explore the meaning and significance of the theory of self-governance through reading *Governing the Commons: the Evolution of Institutions for Collective Action*.

## 1 Introduction

Elinor Ostrom, a leading American political economist, has contributed to public management and autonomous organizations. Her ideas on autonomous governance are systematically presented in her book *Governing the Commons: the Evolution of Institutions for Collective Action*. Outside the framework of government and the market, Ostrom creatively proposed the "Third Way" to manage public affairs, namely autonomous organizational governance. The creation of the theory of self-governance was a major theoretical innovation in the management of public affairs, and Ostrom's empirical approach is considered a model for modern public administration theory and empirical research. Ostrom's theory of self-governance deserves further research and application to help people understand the institutional design, monitoring, and other collective action issues in the management of public resources and to contribute to developing the discipline of general management.

## 2 Analysis of Ostrom's theory of self-governance

Before Ostrom's thought of self-governance, there were three traditional theoretical models widely used in academia to analyze public affairs, namely the "tragedy of the commons" (1968), the "prisoner's dilemma" (1973, 1975), and the "logic of collective action" (1965).<sup>1</sup>, but these ideas ultimately point to two solutions: government, which emphasizes government intervention, and the market, which focuses on privatization as the solution. However, both solutions inevitably fail the mechanisms to supply public resources to society. When

people are confronted with public problems, individual behavior such as free-riding, avoidance of responsibility, and abuse of opportunism tend to occur in social groups. Such behavior is ineffective by either administrative or market means.

Ostrom examined several cases to address the management challenge of "how people collaborate to deal with public affairs." Some have been highly effective, while others have been stuck in a rut that has failed to solve their problems. Three cases are described in detail in *Governing the Commons: the Evolution of Institutions for Collective Action*: the first is a reflection of the problem of collective commitment and shared oversight; the second is the problem of supplying a new system; the third is the problem to be solved when the system has failed and will fall into a very vulnerable situation. In summary, when people face difficulties in collective action, there will be a reflection on how to deal with the problem of the supply of new institutions, the problem of credible commitment, and the problem of mutual oversight. The theory of self-governance is based on traditional polycentric theory and has been developed through many case studies. Through numerous case studies and comparative analyses, Ostrom has identified eight design principles and three key issues that must be overcome if autonomous organizations and autonomous governance are to remain viable in the long term, namely, the supply of new institutions, the problem of credible commitment and the problem of mutual monitoring [1].

### 2.1. Basic elements

In her representative work, *Governing the Commons: the Evolution of Institutions for Collective Action*, Ostrom uses an empirical approach to social investigation and an implicit analysis of the structure of

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game theory to detail the essential elements of the theory of self-governance in three areas.

The first aspect is the supply of new institutions, credible commitment, and mutual monitoring. Concerning the supply of new institutions, Ostrom suggests that to assess the benefits of a social institution, it is necessary to specify nine environmental variables, namely "the number of occupants; the size of the public resource; the temporal and spatial conflict of resource units; the existing conditions of the public resource; the market conditions of resource units; the number and type of conflicts; the availability of information on these variables; the existing rules; the rules proposed." In response to the problem of credible commitment in autonomous governance, individuals in complex and ambiguous environments with unclear actual conditions often opt for trade-off strategies, i.e., flexible approaches to autonomous behavior based on actual conditions. In the initial stages of the development of an autonomous organization, an individual may be willing to follow the guidelines provided by the majority of people after having budgeted for his expected future benefits. Later on, however, if this code is violated or if the benefits derived from that code exceed the benefits derived from the code, there is a high risk that the boundaries of the code will be violated. Therefore, the only credible commitment to compliance with the rules is in the context of internal oversight. Social groups, as autonomous organizations, need appropriate internal monitoring mechanisms and systems of punishment. This is because they need an incentive to regulate the activities of others without external restrictions, punish those who transgress, and ensure the effectiveness of the rules.

The second area is the four internal factors influencing rational individuals to make the right choices. The model assumptions that shape the traditional group choice dilemma are generally of two kinds: that there is a barrier or inability to communicate between individuals and that individuals cannot modify the rules. Central to the theory of self-governance is the inquiry into "how a group of interdependent principals can organize themselves to govern themselves autonomously so that they can achieve lasting mutual benefits in situations where people are tempted to free-ride, avoid responsibility or otherwise act opportunistically." In exploring this issue, the internal factors that influence individual decisions in complex, uncertain environments can be grouped into four categories: expected benefits, expected costs, internal norms, and discount rates. The strategies that people choose can directly affect their future predictions of the benefits and costs of their behavior. The type of internal rule an individual has is directly influenced by the rules shared with others in a given environment. If this rule has become the basic rule of shared discipline with others, the social stigma attached to those who adopt what others perceive to be wrong behavior will directly constrain them.

The third aspect is mutual monitoring. Based on a survey of successful examples of autonomous governance, it has been shown that the self-made guidelines developed by many local self-governance

organizations have increased the incentive for members of the self-governance organizations to monitor each other and have made monitoring more cost-effective. Supervision has become a tool for people to set guidelines and achieve autonomous governance without incurring additional costs. All of these measures strengthen the system of mutual supervision within autonomous organizations, increasing the likelihood that people will act on their commitments to change and increasing the reliability of compliance.

## 2.2 Specific principles

Under the conditions of a given social system, people are fully capable of cooperating and governing public affairs on their own. The Eight Basic Principles have been compiled and defined by analyzing representative examples scattered around the globe. The Eight Basic Principles, which have been used to define the conditions for successful governance of public pond resources, have been widely tested and applied worldwide.

(1) Clearly defined boundaries. Suppose individuals or households are entitled to access the necessary public resources from public pond resources. In that case, the scope of the use of the public resources and the responsibilities of the users of the resources should be defined following the rules.

(2) Consistent with the rules of supply and demand. The rules of time, place, technology, and quantity of resource use should be consistent with local requirements and the supply of labor, material resources, and capital required.

(3) Arrangements for collective choice. The vast majority of individuals affected by operational norms should be able to participate in revising and improving the rules.

(4) Inspection and monitoring. Supervisors should actively check public resources' conditions and resource users' behavior.

(5) A system of graduated penalties. Users of public resources who violate the rules are likely to be subject to graduated penalties from other resource users or relevant officials, with the specific content of the violation and the consequences directly determined by the severity of the penalty.

(6) Conflict management mechanism. Resource users and officials can quickly use low-cost methods to deal with internal conflicts.

(7) Minimum recognition of administrative authority. Users have the authority to design and change systems without being challenged by external government power and authority.

(8) Decentralised management and organization. A multi-level decentralized social organization must fulfill the practical implementation of organizational management through the rational use, provision, regulation, enforcement, dispute coordination, and management of social activities of public resources [2].

### 2.3 Advantages-Innovations and breakthroughs

Ostrom sees communitarian institutions as mechanisms of interactive public organizational structures. In dissecting the different dominant actors in resource governance, the laws of the game can be seen as informal rules spontaneously generated by each of the involved stakeholders according to the laws of game theory or according to the traditional rules of evolutionary gaming, and these informal rules are introduced into the realm of traditional institutional analysis. This further expands the perspective of traditional institutional theory [3].

In response to the problem of the ongoing governance of these public pond resource systems, Ostrom begins with an analysis of three models in traditional collective action theory, namely the tragedy of the commons, the prisoner's dilemma, and the logic of collective action discussed earlier, and finds that these models are particular models of action that adopt only extreme theoretical assumptions. The theory of collective action assumes that there is no basis for good, rational social exchange between individual members of a community. In contrast, Ostrom believes that in the context of effective governance of a small system of communal pond resources, individuals are capable of using a variety of methods to improve their exchange, understanding, and communication with each other, thereby building conditions for social interaction such as mutual trust, understanding, and respect. Ostrom's break with the traditional theoretical framework provides a new theoretical basis for solving the problem of public pond resources.

### 2.4 Shortcomings-the limitations and dilemmas

Although Ostrom's theory of self-governance has essential and practical academic research applications, at the same time, the idea of autonomous governance also has a certain degree of theoretical flaws. In the process of studying autonomous governance in organizations, the research methods she uses and the data analysis relating to the study's subjects make the problem of its theoretical limitations fully manifest. First, the theoretical research attempts a limited number of types of organizations. The types of organizations that Ostrom has studied in depth have particular characteristics, such as the size of small and medium-sized organizations with around 50 to 15,000 employees, the high similarity of interests between members, the relatively low discount rate on common-pool resources, a certain degree of access to capital and the high degree of closed forms of organizational governance. Secondly, the object of the theoretical research trial is restrictive. Public pool resources are socially shared resources that are one of the public goods and an essential part of socially shared resources. Ostrom focuses on small-scale mountain pastures, fishing grounds, and irrigation, all of which have their distinctive governance characteristics: they are highly scarce; they are renewable rather than non-renewable resources, and it is difficult for non-

possessors of the resource to exert significant influence on the users of the resource in the outside world.

For this reason, no one has been able to directly apply Ostrom's doctrine of autonomous governance to the existing problems of governing public affairs [4].

## 3 Conclusions

Since its inception, *Governing the Commons: the Evolution of Institutions for Collective Action* has reached far beyond its original scope of the study, and the issue of public resource management has developed into a cross-cutting area that encompasses a wide range of disciplines, including political science, sociology, economics, and public administration. The autonomous governance model offered in this book can even be seen as a more democratic and less costly solution than government and market forms. In addition, the book's research applies a combination of experimental, case study, and case-based quantitative methods to institutional analysis. Ostrom's vigilance in applying theoretical models, her emphasis on fieldwork, and her intense focus on the fit between theory and reality significantly contribute to policy analysis and institutional research. As natural resources and environmental problems become increasingly severe worldwide, Ostrom's theory of self-governance has been the subject of much attention and comment by scholars in the social sciences. This paper focuses on the content and significance of Ostrom's theory of self-governance and identifies its implications for the practice of managing public resources.

Before Ostrom's theory of self-governance, the "crowding-out effect" of public resources and the "tragedy of the commons" caused by the "free-rider" problem was unavoidable dilemmas in the eyes of researchers. Among the existing approaches to governance, the administrative and privatization models have failed to address this problem entirely. In this work, Ostrom explains the "Third way" of governance and its effectiveness, demonstrating a third alternative to the state and the market. Since the 1970s, political scientists and management scientists in Western countries have identified both market failures and government policies' failure to allocate social resources. Therefore, it explicitly introduced the concept of governance, advocating governance instead of domination. Ostrom, on the other hand, confirmed the practical effectiveness of autonomous governance, breaking with the tradition that government is both the governor and provider of public institutions and proposing a new view that the management of public affairs can be organized in a variety of ways, and that small-scale social contracts are even more efficient. Despite its limitations, Ostrom's theory of self-governance offers a new way of guiding change in how government and the public sector are managed, with its extensive empirical research and undeniable strengths. It deserves continued and more far-reaching study and application by the academic community. Ostrom's theory of self-governance is like a

shining star that guides the unmistakable light of social governance and development.

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