Notes on Elinor Ostrom, "Policies that Crowd out Reciprocity and Collective Action." In Herbert Gintis, Samuel Bowles, Robert Boyd, and Ernst Fehr, *Moral Sentiments and Material Interests: The Foundations of Cooperation in Economic Life*. Cambridge MA: MIT Press, 2005: 253-275.

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Ostrom begins by reviewing evidence for strong reciprocators, which contradicts RCT's assumption that rational egoists (utility maximizers driven only by external rewards / punishments) are the only type of agent that needs to be modeled to account for social behavior. Thus we need to model different ratios of strong reciprocators and rational egoists and how those ratios change over time given different conditions.

Strong reciprocators are conditional altruistic cooperators and conditional altruistic punishers. They are concerned with fairness of process rather than only outcomes. Thus they have internal motivations.

If you assume only rational egoists, then you have to design policies with external rewards. "Leviathan is alive and well in our policy textbooks. The state is viewed as a substitute for the shortcomings of individual behavior and the presumed failure of community" (254). And, also, mysteriously, the agents of the state are not supposed to act in their own self-interest when setting up these external reward / punishment systems.

The kicker is that such policies actually hurt the prosocial behaviors that would exist in their absence. "External interventions crowd out intrinsic motivation if the individuals affected perceive them to be controlling" (260).

> But internally motivated prosocial behaviors are not supposed to exist in a world of only rational egoists. So, we have a self-fulfilling prophecy, or another example of "methodology become metaphysics": you produce the reality (rational egoists) that you have assumed is needed to model social reality (externally compelled cooperation of a collection of rational egoists).

But if you design them properly, you can use external systems to "'crowd in' behaviors based on intrinsic preferences and enhance what could have been achieved without these incentives" (254). To do this, you need "complex, polycentric orders that involve both public governance mechanisms and private market and community institutions [JP: 'civil society'] that complement each other…. Effective institutional designs create complex, multi-tiered systems with some levels of duplication, overlap and contestation" (255). They have to be perceived as "supportive. In this case, self-esteem is fostered, and individuals feel they are given more freedom to act, thus enlarging self-determination" (260).

Ostrom discusses evidence of lab studies that contradict RCT's prediction of massive free-riders in one-shot public good situations and in finitely repeated public good experiments. (RCT

assumes any contribution to the public good is the result of players taking time to learn what the rational response should be.)

She also shows evidence that defeats assumption that people cannot extricate themselves from free-rider problems. The assumption is the rational egoists would also free ride on the effort to design cooperative structures or to monitor compliance. But that's not what is found.

Fostering citizenship is what is at stake, but to do that, we have to break the hold of authoritarian culture: "There are obviously many interactions where 'controlling people's behavior' is what is desirable. Individuals, in their role as citizens, are not, however, someone else's employees or agents" (261).

Schwartz, Barry, Richard Schuldenfrei and Hugh Lacey. 1979. Operant Psychology as Factory Psychology. *Behaviorism* 6: 229-254

Satz, Deborah and Frerejohn, John. 1994. Rational Choice and Social Theory. *The Journal of Philosophy* 91. 2 (Feb), pp. 71-87.

Ostrom proposes "three important lessons" (265):

1. Many people are motivated by social norms that affect intrinsic motivation or can at least learn those norms.
2. These norm-followers {strong reciprocators} can flourish in face of rational egoists as long as they can identify each other.
3. Institutions that provide for information on reciprocation are crucial to collective action.

If you design policies with RCT assumptions, you can actually decrease prosocial behavior / collective action (266).
There are two "devastating" messages in RCT policies (267):

1. Only short-term selfish actions are expected from 'the common people'; thus we need external inducements. But again, these crowd out intrinsic motivation to collective action "when individuals feel like they have lost control." This decrease in internal motivation and reliance on external manipulation actually raises enforcement costs.
2. Citizens do not have the knowledge or skills needed for collective action. So you need to trust the experts and just be passive observers who vote every few years for competing teams of political leaders.

Ostrom reinforces the superiority of distributed cognition, which she calls "polycentric systems," which have "multiple semiautonomous units of governance located at small, regional, national and now international scales of organization" (269). We can have a mix of private (civil society) and public (government) organizations in this system.

There is a necessity of multiple, overlapping, contestatory scales: "A completely decentralized system of small local units w/o overlap is as incapable of learning and self-correction as a fully centralized system" (270).

Ostrom concludes: "Modern policy analysis needs to catch up with contemporary empirical and theoretical research. The two implicit messages contained in much of contemporary public policy analysis are not only inefficient and ineffective, they are dangerous for the long-term sustainability of democratic systems of governance" (270).