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## **Elinor Ostrom [Ideological Profiles of the Economics Laureates]**

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### **Abstract**

Elinor Ostrom is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills [the September 2013 issue of \*Econ Journal Watch\*](#).

### **Keywords**

Classical liberalism, economists, Nobel Prize in economics, ideology, ideological migration, intellectual biography.

### **JEL classification**

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[http://econjwatch.org/file\\_download/758/OstromIPEL.pdf](http://econjwatch.org/file_download/758/OstromIPEL.pdf)

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## Elinor Ostrom

by Daniel B. Klein, Ryan Daza, and Hannah Mead

Elinor Ostrom (1933–2012), born Elinor Awan, was raised in Los Angeles:

She grew up in an era of economic depression that led into a resource-consuming war, in a city where fresh water was a prized commodity. “My mother had a victory garden during the war,” [Ostrom] recalls, “so I learned all about growing vegetables and preserving them by canning, and that was a wonderful experience that a lot of urban kids don’t ever learn.” (Zagorski 2006, 19221)

While in high school, she competed in debate, an exercise which taught her “there are always at least two sides to public policy questions, and you have to learn a good argument for both sides as well as knowing how to critique both sides” (Ostrom 2010a). Ostrom “recalls watching the Joseph McCarthy hearings on her family’s first television set and getting involved in a substantive disagreement with her mother” (Zagorski 2006, 19221). The first person in her family to attend college, Ostrom worked three jobs through her undergraduate education at UCLA, where she “was trained heavily in economics” (Ostrom 2009a). After working for several years she returned to UCLA for graduate work. Ostrom recalled:

My initial discussions with the Economics Department at UCLA about obtaining a Ph.D. in Economics were...pretty discouraging. I had not taken mathematics as an undergraduate primarily because I had been advised as a girl against taking any courses beyond algebra and geometry in high school. While the Economics Department encouraged me to take an outside minor in economics for my Ph.D.,

they discouraged any further thinking about doing a Ph.D. in economics. Political Science at that time was also skeptical about admitting any women to their Ph.D. program as they feared that only a city college would employ a woman with a Ph.D. That was not a good placement for building the reputation of the UCLA department. I was, however, admitted in a class of 40 students with three other women. (Ostrom 2010a)

Ostrom went on to become professor of government, and later of political science, at Indiana University; her husband Vincent—also a political scientist—had moved to Indiana from his previous position at UCLA. The Ostroms would remain at Indiana thereafter.

In 2009, Ostrom won the Nobel Prize “for her analysis of economic governance, especially the commons.” Ostrom’s work showed that communities can sometimes efficiently have pooled resources without experiencing the tragedy of the commons. Will Wilkinson (2009) describes Ostrom’s contributions as “an ingenious blend of formal game theory, laboratory experimentation, and down-and-dirty empirical fieldwork,” shedding “light on the ways real people arrive at rules that allow them to live in harmony with each other and their natural environment.”

Thinking outside the top-down versus privatization box, Ostrom has shown a third way of resource allocation: common pooling, or management of resources by an social ecology of norms that fits neither of the polar extremes. This method she found alive and well in many parts of the world. Although this method does not always work, certain cultural norms and other conditions make pooling the best option in certain situations. In those communities, Ostrom’s work “questions... the wisdom of external agents imposing *individual* property rights in communities which have evolved effective ‘common property regimes’” (Pennington 2012, emphasis in original).

Peter Boettke reflected on the impact of Ostrom’s studies:

In the history of political and economic thought the source of social order has been attributed either to the invisible hand of market coordination (Adam Smith) or the heavy hand of state control (Hobbes). Perhaps one of the best ways to understand Elinor Ostrom’s work is to see it as working out a Hobbesian problem by way of a Smithian solution. That is perhaps a bit of a stretch but not by much. Her work on local public economies and common-pool resources focuses on actual “rules in use” (as opposed to the “rules in form”) that decentralized individuals and groups rely on to make

decisions and to coordinate their behavior in order to overcome social dilemmas. It yields an optimistic message about the power of self-governance to succeed even in difficult situations. (Boettke 2009)

Boettke continues:

A point that sometimes trips up readers is that Ostrom often focuses on situations where the technology of parceling property into private plots does not exist. In these situations she studies collective, but non-State decision-making over common-pool resources. While private-property solutions are not employed in such cases, the “rules in use” that do operate accomplish what private property would have accomplished. We find rules that limit access and that make individuals in the group accountable for their misuse of the resource. We also find enforcement of those rules. In short, the analyst must be willing to look at both the form and function of rules in a variety of social situations. (Boettke 2009)

Self-governance rather than top-down governance was a theme in Ostrom’s writings. In a 1993 article, she wrote:

Institutions of self-governance depend upon the development of a science and art of association where citizens rely upon various forms of voluntary association to make the formal institutions of government serve the interests that citizens share with one another in human communities (V. Ostrom, 1991). Formal units of government are those nonvoluntary associations that are more permanently established by law to administer the affairs associated with identifiable territory. Their operation in a democratic society depends upon their being nested in rich configurations of voluntary activities. Voluntary associations, often labelled as “private,” serve crucial public purposes. (Ostrom 1993, 8)

In *Local Government in the United States* (Ostrom, Bish, and Ostrom 1988), Ostrom and her co-authors wrote:

The logic that Tocqueville used in characterizing American local government is substantially at variance with the logic of the Efficiency and Economy and Metropolitan Reform movements that has dominated consideration of local government in the twentieth century. Tocqueville saw a relatively high level of citizen participation in local

governmental affairs. Functions were dispersed among a multitude of popularly elected officials, with no organizational hierarchy available to coordinate the activity of those administrative functionaries. When conflicts arose, the courts were relied upon to resolve disputes in accordance with general rules of law. Thus coordination was achieved and disputes resolved without a single organizational hierarchy. (Ostrom, Bish, and Ostrom 1988, 85)

The authors used the “Metropolitan Reform movement” as one foil to that Tocquevillian logic:

The Metropolitan Reform movement, by contrast, assumed that each major urban area and its surrounding suburban fringe should be organized with reference to only one unit of local government that would then be in a position to make decision for the area as a whole. Its internal structure would rely upon a small number of elected officials who would be held accountable through popular election by residents in the single general unit of government. These elected officials would be responsible for establishing general policies for the area, and the administration would be organized through an integrated, hierarchical command structure so that administration of all services would be coordinated with reference to a single chief executive. The chief executive in turn would be guided by the policies established by a popularly elected council. Whether the chief executive was to be properly elected or appointed by the council would depend upon whether the plan of government was of the Strong-Mayor or Council-Manager type. (Ostrom, Bish, and Ostrom 1988, 85-86; see also Ostrom 1972)

Ostrom thought of her approach as neither left nor right, but as transcending such labels (Pennington 2012). Ostrom eschewed pronouncing on specific policy issues; to our knowledge she signed no petitions. There seems little reason to think her views changed over her adult years.<sup>63</sup> In a typical passage, she wrote of the political implications of her work:

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63. One scholar who knew Ostrom and her work quite well, Peter Boettke, has in private communication shared with us his own impressions and authorized our sharing it here: He reads Ostrom as having been quite classical liberal in orientation, with that orientation having gone back at least to her undergraduate UCLA years, in particular, her studying under Armen Alchian and Jack Hirshleifer.

Using a broader theory of rationality leads to potentially different views of the state. If one sees individuals as helpless, then the state is the essential external authority that must solve social dilemmas for everyone. If, however, one assumes individuals can draw on heuristics and norms to solve some problems and create new structural arrangements to solve others, then the image of what a national government might do is somewhat different. There is a very considerable role for large-scale governments, including national defense, monetary policy, foreign policy, global trade policy, moderate redistribution, keeping internal peace when some groups organize to prey on others, provision of accurate information and of arenas for resolving conflicts with national implications, and other large-scale activities. But national governments are too small to govern the global commons and too big to handle smaller scale problems. (Ostrom 1998, 17)

In an interview conducted by Amitabh Pal for *The Progressive*, when asked about her stance on privatization and property rights, Ostrom responded:

I don't equate them. So, and in the Nobel speech I state this very clearly, at an earlier juncture we thought that property rights meant one right and only one right: the right to sell. That was what I learned in graduate school, and that was the dominant thinking. As we were doing massive analysis of what people were doing out there in the field, we found many people who did not have the right to sell but had managed very well. Many groups are able—if they can have management and decide who is in and who is out—to do very well, even if they can't sell. They still have property rights. (Ostrom 2010b, 34-35)

When asked about her position on the privatization of common resources, Ostrom responded: “In some places, privatization has worked very well. I'm not anti-it. I'm anti-it as a panacea” (Ostrom 2010b, 35). When Pal told Ostrom: “Libertarians have tried to co-opt your work by saying it shows the unsuitability of large-scale, top-down economic arrangements,” Ostrom responded in a way that did not speak directly to how her work relates to a libertarian or classical liberal outlook. Her complete response follows:

A question is: How do we change some of our governance arrangements so that we can have more trust? We must have a court system, and that court system needs to be reliable and trustworthy. The

important thing about large-scale is the court system. For example, you would not have civil rights for people of black origin in the United States for a federal court system and also the courage of Martin Luther King and others—people who had the courage to challenge, and a legal system where, at least in some places, the right to challenge was legitimate.

We have a colleague working in Liberia. You had thugs recruiting young kids until recently. Having a legal system that does not allow thugs to capture kids, torment them, and make them use weapons is very important. (Ostrom 2010b, 35)

Asked, in another interview, “Do you take issue with those who call your theories ‘implicitly socialistic?’”, Ostrom said: “Yes. I don’t think they are supporting socialism as a top-down theory. A lot of socialist governments are very much top down and I think my theory does challenge that any top-down government, whether on the right or the left, is unlikely to be able to solve many of the problems of resource sustainability in the world” (Ostrom 2009b).

*The Economist* magazine’s obituary of Ostrom stated:

Mrs Ostrom put no faith in governments, nor in large conservation schemes paid for with aid money and crawling with concrete-bearing engineers. “Polycentrism” was her ideal. Caring for the commons had to be a multiple task, organised from the ground up and shaped to cultural norms. It had to be discussed face to face, and based on trust. (Economist 2013)

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## Edmund S. Phelps

by Daniel B. Klein and Ryan Daza

Edmund Phelps (1933–) was born during the Great Depression in Chicago. His father lost his job and moved his family to Hastings, New York. Phelps reflected on those years and how it helped him develop into an economist:

There were some clues in those formative years that I might become an economist. In the evening walks we took when I was four my father taught me to identify the automobile models we saw on the street. Later, at age seven or so, there was my admired survey of all the cats in the complex of apartments where we lived. A few years later I liked to spend the late afternoon by the main road recording the distribution by state of the license plates of the cars passing by. My kindergarten in Chicago was for gifted children, which my mother only recently mentioned (figuring, I guess, that it would now be safe to tell me). I did very well in school. My parents gathered from all this that I would be some kind of researcher, but it was not clear in what area. No economics was offered in high school (nor sociology or political