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[Abstract] The recent economic crisis has given evidence of the risks connected with unregulated markets (Acemoglu 2009; Schneider e Kirchgässner 2009; Spaventa 2009), economic interdependence (Acemoglu 2009; Leijonhufvud 2008) and deficit of State power – often bounded by supranational institutions and markets expectations (Zolo 2004: 69). At the same time, the awareness of social and environmental risks/externalities connected with the present models of production and consumption (Schumacher 1973; Georgescu-Roegen 1998; Schor 2010; Shiva 2005) is calling for new “forms of integration” (Polanyi 1977; Armitage, 2008).

In this context, the literature about the commons (Olson 1965; Hardin 1968; Ostrom 1990) gained momentum, opening new perspectives on economic governance between and beyond markets and states. A typical feature of this literature is to underline the capacities of the communities to share risks and avoid uncertainties through the management of commons and common pool resources (Ostrom 1999, De Moor 2012: 269, 280).

As in the concept of forms of integration by Karl Polanyi, commons and community are strictly linked thanks to trust and reciprocity. Trust is a key element of the analysis of Bowles and Gintis (2002; 2005) and, in a neoclassical perspective, it constitutes a crucial factor for endogenous growth. If, according to Ostrom (1990: 39) “organizing is a process” and “the organization is the result of that process”, social capital and community management of commons through local institutions should be seen as

factors of potential progress (in qualitative terms) and welfare. Nevertheless, the study of Bowles and Gintis (2005) on community governance also highlights important features negatively affecting the potential positive results of this kind of governance (i.e. parochialism).

The aim of this paper is to enquire into the literature on the governance of commons, in order to underline the critical elements of local collective action, underline the power of knowledge sharing and trust building, and reflect on new possible directions that this field of research might take.

# The Commons, Trust and Community Governance

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## Introduction

The recent economic crisis has raised an interesting debate concerning our ways of living, consuming and producing, representing an opportunity for a change in economic, social and environmental theoretical and policy paradigms.

According to Acemoglu (2009: 1) the economic crisis forces economists to free themselves from notions “that we should not have so accepted in the first place”(Acemoglu 2009: 1) i.e. the idea that markets can survive in an “institutional-less vacuum” thanks to their autonomous capacity to monitor opportunistic behaviours and their self-regulation, mistakenly equated with un-regulation. Economists have also recognized that crucial formulas for an innovative and vigorous economy, such as deregulation, globalization and the development of the *new economy* have paved the way to behaviors and policies that led to the crisis (Adams 2009: 45-46).

The increasing axiomatization of economics and its consequent detachment from the historical and social context, the faith in the capacities of self-regulating markets, have imposed deterministic models lacking a more complex and comprehensive vision of all the variables affecting human well-being (Stiglitz, Sen, Fitoussi 2010; Sen 2009; Nussbaum 2011) and socio-ecological systems.

Critical contributions towards the mechanism of financial economy (Spaventa 2009; Schneider, Kirchgässner 2009) challenge the assumption of the key relevance of individual incentives, instead of a shared vision of values and objectives to be pursued. Individual maximization incentives may not match social welfare maximization. As Stiglitz noted:

“If workers are paid on the basis of a piece rate and they have any discretion- which they almost always do – they produce the shoddiest product they can get away with. After all they are paid on the basis of quantity, not quality ... The misalignment between social and private returns was clear: financial marketers were amply rewarded but had engaged in such egregious risk-taking that, for the economy as a whole, they had created risk without reward” (Stiglitz 2010: 152-154)

This argument could even be extended to other branches of the economic sphere – looking at the economy in a substantial *Polanyian* perspective as a relationship between human beings, and humans and nature for the satisfaction of material needs, in the attempt to recollect ethical and political aspects of the economy (Becchio 2002) – and represents a call for communication, coordination and collective action at local as well as global level.

At the same time, the awareness of social and environmental risks and externalities connected with the present models of production and consumption (Schumacher 1973; Georgescu-Roegen 1998; Schor 2010; Shiva 2005) is calling for new “forms of integration” (Polanyi 1977; Armitage 2008).

Critical contributions from scholars about the current patterns of production, consumption and consequent overexploitation of resources are manifold, and involve a critique of the vision of the economy as a cyclical process turning around production and consumption without

assuming the boundaries of the Planet (Georgescu-Roegen 1998) and neglecting the ecological consequences of our individual and collective economic behaviour (Arrow et al. 1995; Schor 2010).

These perspectives are underlining the necessity of radical changes in the way of living, thinking economic policy - i.e. GDP growth equated to human well-being (Schor 2010; Van den Bergh 2009, 2010, 2010a; Martínez-Alier et al. 2010; Stiglitz, Sen, Fitoussi 2010) - and sharing the Planet, posing the accent on progress in qualitative rather than quantitative terms, implicitly assuming a Marshallian perspective on social and economic growth and progress (Caldari, Masini 2008:180). These concepts are echoed by social movements all around the world: “In contrast with viewing the planet as a private property, movements are defending, at a global and local level, the planet as a commons” (Shiva 2005: 2).

In this context of transformation, another important feature that is to be considered is the role of the State in the challenging context of globalization and the consequent requests for democracy and participation by civil societies. According to the sociologist Zolo (2004) we are witnessing the crisis of the State (even if not the end of the State): through the process of globalization, states are experimenting a progressive loss of their power due to new transnational and international subjects, at regional as well as global level, equipped with political, economic and military powers, although weakly formalized (Zolo 2004: 70).

The dispersion of State power towards supranational, transnational and sub-national spheres is the outcome of tensions between globalization as a universal phenomenon and the complexity of local specificity, resulting in a “contradiction” between a global and fragmented civil society and the national State (Mc Grew 1992; Zolo 2004). The increasing power of financial markets, the pressure from international and supranational organization are accompanied by growing requests for participation by social movements of the civil society. As De Moor (2012: 269) pointed out:

“In a world where markets and the state have started to reach the limit of their capacities to govern resources in a sustainable way, society is turning increasingly to ‘joint resource management’; more and more, collective initiatives of ‘stakeholders’, trying to reach their economic and social goals via collective action, are popping up in the developed world.”

Maybe, echoing Ulrich Beck (2000), it is time to escape from “methodological nationalism” in social sciences and in particular in economics (Masini 2011).

Facing these problems, the commons constitute a new shape, a container for new research on social organization in theoretical and practical fields: in this paper I will try to enquire into the literature on the governance of commons, in order to underline the critical elements of local collective action, to underline the power of knowledge-sharing and trust-building, and reflect on new possible directions that this field of research might take.

## **1. The commons as a perspective for new forms of social organization**

In the last decades, the literature about the commons (Olson 1965; Hardin 1968; Ostrom 1990) gained importance, opening new perspectives on economic governance beyond markets and states (Ostrom 1990; 1999) and displaying a particular interest on the capacities of the communities to share risks and avoid uncertainties through the management of commons and

common pool resources (Ostrom 1999; De Moor 2012: 269, 280). Commons are actually defined by Ostrom (1990) as common pool resources:

“common-pool resources (CPRs) are natural or human-made facilities (or stocks) that generate flows of usable resource units over time. CPRs share two characteristics: (1) it is costly to develop institutions to exclude potential beneficiaries from them, and (2) the resource units harvested by one individual are not available to others” (Ostrom, Gardner, Walker 1994)

The debate on collective goods and commons could be set on a range of different streams, from theories of public finance to public choice and game theory, in a wide spectrum of configurations and methodologies of economic research.

Even though we could trace the debate back to the contributions by Musgrave (1939), Samuelson (1954) and Tiebout (1956), and then to Public Choice theory (Demsetz 1964, 1967; Frohlich and Oppenheimer 1972), the work by Ostrom has been primarily led by comparative research on the field, thus determining an alternative approach focused on the specificity and complexity of each context.

Problems of definition of commons and common pool resources have been displayed (Ostrom 2000), in particular the distinction between *resource systems* and *property regimes*; separation between *common property* and *open access regimes* (Ciriacy-Wantrup and Bishop 1975) and confusion between *resource system* and the *flow of resource units* (Ostrom 2000).

Beyond problems of definition, the central economic challenge faced by Ostrom was primarily “how to best limit the use of natural resources so as to ensure their long-term economic viability” (Ostrom 1990:1) i.e. how to avoid free-riding conducting to overexploitation and depletion of resources by self-interested individuals.

In her masterpiece *Governing the Commons* (1990) Elinor Ostrom opens her dissertation showing the three main models through which the economic literature had faced the problem of the commons: the *tragedy of the commons* by Garret Hardin (1968), the *prisoner's dilemma*, and *the logic of collective action* by Mancur Olson (1965). In Ostrom's (1990) view they are strictly related to two main alternative institutional solutions: the Leviathan, also known as the “public solution” (Hardin 1978: 314) and the private solution.

Ostrom's studies show how successful institutions enabling people to reach productive outcomes in risky or dilemma situations could be neither only-private nor only-public (Ostrom 1990: 15). This challenges two main points of the economic mainstream:

- 1) Defense from overexploitation could be only found in fully-private or fully-public property and control on the resource;
- 2) Individuals have a self-interested and egoistic behaviour based on rational action (Ostrom 1990: 194-195).

Ostrom's attempt is to go beyond the market/state dichotomy, showing how different economic contexts, as common pool resources, deeply affect organizational structures at social and economic level, and how a *social organization* for the management of these resources can be more effective than public regulation or privatization.

While the market is seen as the optimal solution for the exchange and the production of private goods, for non-private goods the State must impose rules and taxes to coerce self-interested individuals to forbear from self-seeking activities. According to Ostrom (2010: 642) this

dichotomous views has not accounted for the broad diversity of institutional agreements “that humans craft to govern, provide and manage public goods and common pool resources”. Moreover, while “privatization can also mean assigning the exclusive right to harvest from a resource system to a single individual or firm” (Ostrom 1990: 22), owners, appropriators and users of a CPR, thanks to their local knowledge and experience, can define common rules of management resulting (even if not always) more effective in preventing over-exploitation and promoting resource conservation than the government or the market.

According to Ostrom (1990: 14) many alternatives could cope with different problems; instead of an *optimal* institutional solution we should expect a long “inefficient... difficult, time consuming, conflict invoking” process to “get the institution right” (Ostrom 1990: 14). In order to do so, a necessary element is the availability of information about variables of space and time, and even a good knowledge of a collection of culturally acceptable rules (ibid.).

It may be worth recalling that this argument echoes the Polanyian concept of *forms of integration*, since specific resources and situations can bring to the definition of different forms of social organization. While in Polanyi (1944) the concept of forms of integration was referred to economic institution embedded in societies based on relations of reciprocity, exchange or redistribution, after the ascent of the market dominance, and the advent of the market society, the shape of goods (private, public or common goods) could be seen also as a vehicle to build new forms of social organization. Thus, according to McCarthy (2006) the many call for commons, even those not directly connected to academic literature, must be seen as a sort of protective reaction to re-embed the market in the society and nature predicted by Polanyi.

These elements suggest that commons and common pool resources are pushing for a shift towards heterogeneity of organizations and problem-responses in complex contexts of collective government, and imply a renewed perspective on how individuals, endowed with capabilities and deemed able to find elaborate collective solutions, cope with such institutional problems and with dilemma situations (Ostrom 1990: 14). As Ostrom pointed out:

“the humans we study have complex motivational structures and establish diverse private-for-profit, governmental, and community institutional arrangements that operate at multiple scales to generate productive and innovative as well as destructive and perverse outcomes” (Ostrom 2010: 1)

In this perspective, commons represent a contest of opportunity and a challenge toward community governance between or beyond market and state.

## **2. Commons, economic interdependence and risk sharing**

Turning to the main point we would like to raise, it is necessary to refer to the first wave of the commons described by Laborda Péman and De Moor (2012). According to them, between the 12<sup>th</sup> and 15<sup>th</sup> centuries the increase of uncertainties connected to demographic pressure, market development, economies of scale and the perception of rising risks of running out of crucial natural resources, played a central role in the rise of collective management of common resources in Western Europe, also helped by the absence of any strong State control aiming at blocking attempts of self-organization.

According to De Moor (2008) during the late Middle Ages, a movement started from below on the “tacit agreements between powerful ruler and demanding subjects, whether villagers or townsmen” (De Moor 2008: 179) ; this marked the beginning of a “Silent Revolution”, a moment of great intensity in the formation of new units of collective action, not based on kinship relationships but on common features such as land occupation.

De Moor builds up a framework in order to explain the emergence of the Commons and of institutions for “corporate collective action” (De Moor 2008) during the period of the “Silent Revolution”. This framework has three main features classified into *motors*, *reasons* and *conditions* (De Moor 2008; Curtis 2013).

According to her (De Moor 2012), stimulants (motors), necessary but not sufficient to the emersion of institution for collective resource management in pre-industrial societies were: 1) population pressures on resources and; 2) commercialization. Beyond these external factors, De Moor recognizes reasons pushing people to opt for collective management institution, such as risk sharing, advantages of scale and transaction costs (De Moor 2012: 280). She also underlines three favorable conditions - presence of a ‘tolerant state’, the ‘space for non kinship-based relationships’, and ‘legal recognition of the alliances’<sup>1</sup> – that needed to be met if collective action was to take place (Curtis 2013: 211).

With a major jump of some centuries, let us now have a look at the present situation, which seems to have something in common with some of the elements listed above. We live in an age of development of global markets, demographic pressure on resources (OECD), dilemmas related to the purchase of natural resources, energy, food, and climate change. Since climate change represents a negative externality, institutional organizations able to benefit of shared risks, scale advantages and abatement of transaction costs, thanks to trust, could be helpful elements. These criticalities enlighten the need for institutions which may assure effective governance and coordination in order to face global and local problems related to the commons, in a context of state and markets failures (Ostrom 2000; Barnes 2006). As Dietz et al. (2003: 1907) pointed out:

“In the absence of effective governance institutions at the appropriate scale, natural resources and the environment are in peril from increasing human population, consumption, and deployment of advanced technologies for resource use, all of which have reached unprecedented levels.”

The discourse on the commons should be also contextualized in this situation of growing global interdependence and risks (Beck and Levy 2013). Looking at the economy in its substantive meaning, it is possible to simplify the vision of global interdependence as both an economic and ecological phenomenon.

Primarily, economic interdependence imposes itself as a constraint, and demonstrates its potentially destroying effects through the consequences of the spread of the crisis. As an economic phenomenon, it showed also its effects on the political side, reducing boundaries separating internal and external dominion of states, and weakening them in their attempts to

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<sup>1</sup> De Moor (2012) examines the rise of guilds and fraternities as organization providing good examples of this kind of alliances for common purpose, while “commons” were arranged/formed in rural context and institutionalized.

realize objectives determined by the national decisional level, or to refugee from external attacks of financial markets.

Moreover, global interdependence is raising broader questions on theoretical strongholds of economic theory: the meaning of externality applied to economic systems provides an example, externalities representing not more exceptions but systematic practices (Masini 2011). For example, as Barnes (2006) suggests:

“Contemporary climate change is, quintessentially, a problem of negative externalities. We pay owners of land beneath which fossil fuels lie. We pay drillers, refiners, transporters, and retailers. But we don’t pay nature, or anyone else, for dumping heat-trapping gases into the atmosphere. We shift this cost to our children, and take a free ride. We party, they pay. What’s more, many negative externalities aren’t even the result of meeting genuine human needs.” (Barnes 2006: 10)

On the same path, risks connected with environmental conditions seem to push toward a systemic vision of processes at a general global level, needing a collective action in order to deal with the problem of climate change and development in a interspatial and inter-generational (Stern 2006), qualitative perspective:

“Devising ways to sustain the earth’s ability to support diverse life, including a reasonable quality of life for humans, involves making tough decisions under uncertainty, complexity, and substantial biophysical constraints as well as conflicting human values and interests. Devising effective governance systems is akin to a co-evolutionary race. A set of rules crafted to fit one set of socio-ecological conditions can erode as social, economic, and technological developments increase the potential for human damage to ecosystems and even to the biosphere itself. Furthermore, humans devise ways of evading governance rules. Thus, successful commons governance requires that rules evolve.” (Dietz et al. 2003: 1907-1908)

Even if the features De Moor uses to explain the emersion of commons in the Middle Ages have been criticized by Curtis (2013) and are clearly not perfectly fitting with the description of the present time, it’s easy to find some correspondence between the two “dark” historical moments in which “silent revolutions” of collective action and community governance evolve.

If we are seeking “getting the institution right” (Ostrom 1990: 14) and scientific knowledge is “as much as an understanding of the diversity of situations for which a theory or its models are relevant as an understanding of its limits” (Ostrom 1990: 24)”, some kind of collective action turns out to be not the only solution at universal level, but an interesting bottom-up process in a particular historical context of uncertainties, risks and interdependence.

The problem is now: which kind of institutions and social organizations could be helpful in coping with the problem of collective actions? Is the space for governance *between* or *beyond* market and state? In the following paragraphs we examine three different institutional paradigms and their relations with markets and state.

Looking at the economy from a *Polanyian* perspective as source and result of forms of social organization - including relation between man and the environment - this argument also involves topics such as *relation*, *reciprocity* and *trust* and shows out how material interdependence represents just an aspect of human interdependence, “and not necessarily the main one” (Castaldi 2008: 131).



### 3. Trust, reciprocity and polycentric governance

As Barnes (2006: xiii) suggested: "When capitalism started, nature was abundant and capital was scarce; it thus made sense to reward capital above all else. Today we're awash in capital and literally running out of nature. We're also losing many social arrangements that bind us together as communities and enrich our lives in nonmonetary ways". Beyond the external factors analyzed above, there are several internal features promoting forms of social organization related to the commons.

As in the concept of *forms of integration* by Karl Polanyi, commons and community are strictly linked thanks to trust and reciprocity. Potentially defining new forms of social organization i.e through multiple polycentric governance of economic systems (Ostrom 2010), the commons are challenging the paradigm of self-interested egoistic behaviour of individuals embodied by the *homo oeconomicus*. (Ostrom 2010: 643, 659).

Furthermore, looking at the commons as a container/shape/form for social organization and governance, and *material interdependence* as just an aspect of *human interdependence* (Castaldi 2008), allows to exit from a perspective on individuals as mere buyers, sellers and consumers in order to fit with the vision of the individual as "citizen", member of several communities (Sen 2006) and part of a wider civil society.

On this path, trust represents a central element, since paradigms of polycentric governance (Ostrom 2010), community governance (Bowles and Gintis 2002, 2005) and civil society (Porta and Scazzieri 1997) are connected with two main problems of trust. On the one side, they are generated by a mistrust in State/market ability to manage the commons in a sustainable way (Ostrom 1990, Barnes 2006) or to match with community preferences and local knowledge. On the other side, trust is a key element in coping with social dilemmas (Ostrom 2010: 2), it represents a fundamental feature of civil society (Porta and Scazzieri 1997) and community governance (Bowles and Gintis 2002, 2005; Bowles 2003) and, in a neoclassical perspective, it constitutes a crucial factor for endogenous growth.

State/market dichotomy and self-interested individual behavior are thus challenged through the analysis of mechanisms of trust and reciprocity in local communities involved in collective action problems.

These elements have been deeply analyzed in works by Fehr and Gächter (1998, 2000), Kahan (2002), Gintis et al.(2005) Fehr and Fischbacher (2005) both as variables affecting individual and collective behaviors and generating different outcomes.

It is no coincidence that in her works, Ostrom (1990) includes internal variables affecting individual and social behaviors, with a large impact not only on the personal propensity to cooperate but also on the personal learning of benefits deriving from behaviors and consequent adoption of norms. This process could be seen as a self-reinforcing learning of social norms based on the experience of feasibility, enforcement and possible change of norms by individuals. Furthermore experiments on CPRs and public goods showed that more cooperation than expected in conventional theory of collective action takes place, and that "cheap talk" increases cooperation as well as sanctions free-riders (Ostrom 2010).

On the base of these considerations in one of her last works, Ostrom (2010) designs a analytic model for polycentric governance institutions, using contributions from both a wide range of

literature and of empirical laboratories and existing case study in order to build up the Institutional Analysis and Development (IAD) framework (Ostrom 2010).

The polycentric governance model challenges the perspective of hierarchical organization of a central government as favorable in limiting conflicts, increasing efficiency and giving a unique perception of “public” space. In fact, according to Ostrom, the complexity of broader contexts needs a development of several approaches in order to study factors impeding/enabling the emersion and strengthen of self-organization in polycentric, multilevel systems.

For this reason, the IAD framework provides lens to look at social economic dynamics for the evolution of norms and social organization on a double-level: the micro-situational level and the broader context of socio-ecological systems. In this frame, individuals interacting in a dilemma situation face two contexts: “(i) a micro-context related to the specific attributes of an action situation in which individuals are directly interacting and (ii) the broader context of the social-ecological system in which groups of individuals make decisions” (Ostrom 2010: 661).

The framework for institutional analysis is a toolbox of institutional variables that could be useful to examine a variety of institutional settings: the essence of the IAD framework is the concept of an action situation affected by external variables such as biophysical conditions, attributes of a community and rules-in-use. The most important feature is that even these external variables can be changed over time, because individuals are no longer considered as trapped in a situation of social dilemma without capabilities to transform the situation themselves. Even if objective limits that vary from situation to situation may occur, the vision of individual and group capabilities is freed thanks to trust and reciprocity.

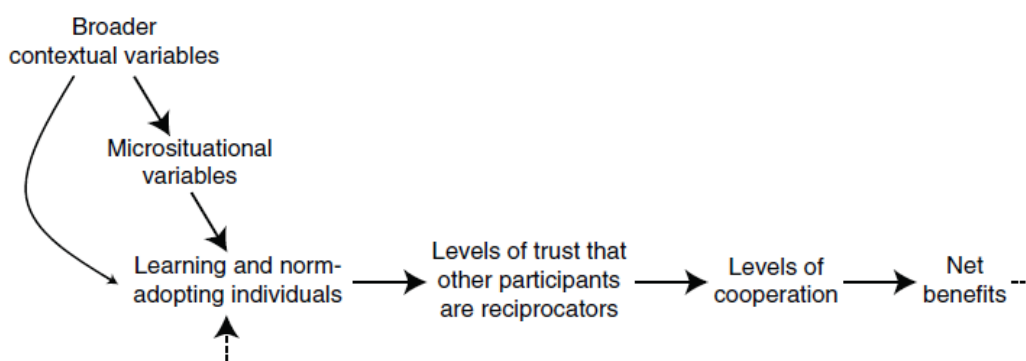


Fig. 1. Micro-situational and broader context of social dilemmas affect levels of trust and cooperation (Source: Poteete, Janssen and Ostrom 2010: 227)

Even the seven conditions collected by Ostrom (1990; 2010) on the base of manifold field research and experiments, reflect variables affecting trust-building among members of communities, also with forms of negative reciprocity (Fehr’s and Gächter’s “retaliation”) helping addressing free-riding attitudes towards cooperation.

On this path, trust results the key element of Ostrom’s analysis, revealing the necessity of building trust in one another and crafting institutional rules well matched to the ecological system as an element of central relevance for solving social dilemmas.

The importance of trust and reciprocity has been also acknowledged in the theory of civil society and community governance. In Bowles and Gintis (2005) trust is equated to social

capital, even though, according to the Authors, social capital gained celebrity not for its merits but for the un-success of its alternatives (Bowles and Gintis 2002: F419). The starting hypothesis by Bowles and Gintis (2005) is that man could be seen neither as an egoistic *homo oeconomicus* nor as an altruistic animal, and that personal motivations are sustained by strong reciprocity (Fehr and Fischbacher 2005).

Strong reciprocity allows cooperation in collective enterprises and punishment of free-riding behaviors, even representing an individual cost, thus conducing to a reinforced social capital.

As Bowles (2003: 489) suggests, even if in the past part of the literature (Marx and Engels) supported the idea of an unavoidable disappearance of communities by economic progress, since this kind of organization poses restrictions on individual initiative and productivity, community governance instead survives playing a central role in modern economy. Dispersion of private information that most of the time is not available for market actors and states, but is available to community members, thus enabling them to reward/punish coherent/deviated behaviours in relation to social norms.

The theory of international civil society by Porta and Scazzieri (1997) in the attempt to re-found a matrix for political economy, underlines the role of trust as a cement of commercial society, historically enabling the constitution of non kinship-based relationships, and of an international civil society, making economic commitment credible. While civil society is defined by the Authors as “the entire set of the institutions, i.e. of formal and informal constraints, which harbour and preserve the concept of 'trust'”, no less the international civil society is represented by a net of relationships based on horizontal trust, made up of individuals and communities connected each other independently from their national identity and sovereignty (Porta and Scazzieri 1997).

In this perspective, the theme of the commons related to civil society is enlarged to a wider dimension of connection between several communities capable to coordinate and communicate with each other, thus defining poly-centricity to solve collective-action problems by developing systems of governmental and nongovernmental organizations at multiple scales (Ostrom 2008).

#### **4. Civil society and community governance: between or beyond market and state?**

Even though Ostrom (2010) presents her work on polycentric governance *beyond* the concepts of market and state, she does not assume these institutions to be removed. The concept of polycentric governance by Ostrom insists instead on the active participation of resource users in the management of the resource, in particular in the achievement of related benefits. According to her, each institution in fact can be successful if well matched to local settings and needs (Ostrom 2010: 664) and there is no one best system for governing the commons (Stern, Dietz and Ostrom 2005).

The paradigm of civil society (Porta and Scazzieri 1997; Pabst and Scazzieri 2012) and the reflections on community governance by Bowles and Gintis (2002, 2005) on the other hand, recur to complementarity among community, market and state.

According to Pabst and Scazzieri (and primarily in an Hayekian perspective) market and state are ducts through which human intended action could reach unintended outcomes, and this dichotomy “calls attention to the complex patterns of connectivity that provide the social embedding of markets and states and underpin the specific causal structures at work in the economic domain” (Pabst and Scazzieri 2012: 338)

On this path, civil society represents a useful concept describing the causal connectivity between market and state and constitutes an account of sociability “that views multiple patterns of connectivity as more primarily than formal contracts or rights associated with market and state” (Pabst and Scazzieri 2012: 353): civil society may be conceived as the main dimension of connectivity in which market and state are embedded, so it is not separated from political neither from commercial context, and constitute the principal structure of social domain over them (Pabst and Scazzieri 2012).

On a threefold distinction of paradigms (political, economic and proximity paradigm) of civil society the Authors (Pabst and Scazzieri 2012) identify proximity paradigm as the one allowing new political economy of wider openness and complexity: a political economy of civil society. Whereas the usual economic paradigm is presented as based on instrumental mean-ends relation, the political paradigm is conceived as build on non-instrumental relation and memberships. While the economic paradigm allows social relations independently of any community membership but makes openness conditional to the ability to follow universal standards and methods, the political paradigm could exclude people by requisites of citizenship (Pabst and Scazzieri 2012: 344, 347). On the base of this insider-outsider distinction, through the definition of the proximity paradigm Pabst and Scazzieri mix political and economic paradigms in a complex system and depict an instrument to identify the unexpressed capabilities of each social structure. In this perspective, individual and group identities derive from multiple attributes that could compel with a variety of local binary braid structures

“so that no individual or group is fully excluded or entirely hegemonic. At the same time, no individual or group may reasonably claim to be connected with everybody else to the same degree. A civil society of the proximity type is a relatively loose yet ultimately cohesive structure of connections, such that missing links of one type are ‘made up’ by links of a different type.” (Pabst, Scazzieri 2012: 348)

A political economy of civil society is thus fundamentally opposed to the organized and institutional structure of a command economy and of a disembedded market order.

Whereas the theory of polycentric governance remains “indifferent” to the definition of a community-state-market-based institution for the governance, thus focusing on the importance of user’s participation (Ostrom 2010: 664), the civil society paradigm and Bowles’ and Gintis’ considerations on community governance consider market and state as institution to balance and to deal with.

As long as direct participation to the management of resource is central in Ostrom, Bowles’ and Gintis’ notion of community governance seems to conceive community as an actor to intervene in residual spaces left by market and state failures (Bowles and Gintis 2002: F423). As they put it:

“Communities thus may make an important contribution to governance where market contracts and government fiat fail because the necessary information to design and enforce beneficial exchanges and directives cannot effectively be used by judges, government officials, and other outsiders” (Bowles and Gintis 2002: F423).

Community governance by Bowles and Gintis (2002) resembles the political paradigm described by Pabst and Scazzieri (2012): it solves some market and government failures but is typically based on insider-outsider distinction and it looks at the community as a complement of state and market. According to the Authors (Bowles and Gintis 2002), these last two institutions, when poorly designed, impoverish communities and their capabilities. On the contrary, through shared information and knowledge, communities are able to intervene on complexity and specificity: even more so considering that social arrangements are not subjected to problems of moral hazard and adverse selection (Bowles and Gintis 2002: F423). Community interaction in fact is based on features such as trust, reciprocity, respect, solidarity, reputation, personal pride, and vengeance (Bowles and Gintis 2002: F424). Furthermore expectations of future interactions, repeated interactions and punishment of anti-social behaviours by peers contribute to produce social utility, abate transaction costs and reduce problems when individual actions are not subjected to enforceable contracts. (Whyte 1955; Homans 1961; Ostrom 1990; Tilly 1981; Hossain 1988; Sampson, Raudenbush, and Earls 1997)

In short, communities are able to solve manifold problems of coordination, also depending on typology and distribution of property rights among their members (Bowles 2003), also exploiting advantages of scale deriving from knowledge sharing, dispersed information and reciprocity mechanisms to enforce deviations from social norms.

Even if according to Bowles and Gintis (2002: 380) “social capital boom reflected a heightened awareness in policy and academic circles of real people’s values”, the reflection on community governance and management of resources must be analysed further, because limits of communities could be also manifold and complex.

### **5. The dark side of community**

According to Bowles (2003) the combination of state, market and community that will best respond to coordination problems depends on the underlying social and technological situation that arise the interdependence among actors.

Moreover, from the “embeddedness perspective” (McCay and Jentoft 1998) a tragedy of the commons could be seen as the result of specific social configurations, or a failure due to a situation where “resource users find themselves without the social bonds that connect them to each other and to their communities and where responsibilities and tools for resource management are absent, perhaps because of “dis-embedding” process” (McCay and Jentoft 1998: 25)

So, a tragedy of the commons could even be the outcome of a community failure pushing us to question why some communities succeed in preventing resource overexploitation and ameliorating the use and management of commons resources while others do not (McCay and Jentoft 1998)

In coping with collective action problems, the three representations briefly described in the previous paragraphs – polycentric governance system; proximity paradigm of civil society; community governance – shared the focus on community participation as a solution to market and state failures. Nevertheless, set in a complex multi-level system (Armitage 2008), community governance does not provide a one-size-fits-all solution to problems, raising instead some criticalities.

The problems of community governance could be synthesized as related to three main features: homogeneity; reciprocity; inequality.

Even if community governance could represent a viable way to match preferences of individuals, citizens and communities, unintended distorted outcomes are on its way.

As Bowles and Gintis highlighted (2002: F427), on the economic side, the relative homogeneity of a community can block the potential achievement of benefits deriving from economic diversification related to strong complementarities among different expertise and other inputs.

Moreover, when membership is the outcome of individual choice, the unintended social effect of intended actions could result in the definition of a culturally homogeneous community “depriving people of valued forms of diversity” (Bowles and Gintis 2002: F428). Therefore, individual choices to gather in communities can lead to racial or residential segregation as an aggregate result, even if this is not an intended outcome and does not reflect individual preferences (Bowles 2003; Bowles and Gintis 2005). A policy fostering community governance starting with the best proposal, may thus define self-referential culturally “poor” environments, increase social disaggregation at larger level, and diminish economic, social, cultural benefits deriving from variety.

Furthermore, as in the political paradigm of civil society described by Pabst and Scazzieri (2012), communities can be characterized by insider-outsider distinctions. In this frame, the risk of exclusion arise, and then participation decreases in particular if insiders are wealthy and powerful and outsiders could be exploit as a result (Bowles and Gintis 2002).

Through various mechanisms of exclusion, community governance could then increase narrow-mindedness, parochialism and segregation, thus determining a counter-effect of resolving market or state failures.

Community can also be conceived as a network. On the one side, a network is something interlinking several, far, diverse units through overlapping connections on the base of patterns of connectivity that go beyond contracts or rights (i.e. in the proximity paradigm by Pabst and Scazzieri). On the other side, network can represent the outcome of people choosing to associate with other similar to themselves, sometimes through ethnics, religious, even racial identification (Bowles and Gintis 2004)

Participation is typically affected by heterogeneity as well as homogeneity: even if social aggregation on the base of a common interest or cultural feature is proven to be natural, the problem arises in the case of a resource to be managed and accessed by a community to avoid state and market failures.

Facing these problems, some contributions have designed models of institutional architectures based on multi-level governance to solve such problems, but also a perspective aiming at the construction of federal, competing, overlapping jurisdictions (Frey and Eichenberger 1999) or simply the “voting by foot” principle (Tiebout 1956) may fail if set in a cultural social context supporting disvalues of division and segregation. These arguments couple with the following statement by Bowles and Gintis (2002: F428): “Communities work because they are good at enforcing norms, and whether this is a good thing depends on what the norms are.”

These features highlight also the potential effects of aggregate bad reciprocity in community governance at local level, showing a “dark side” of community shadowing reciprocity too, since reciprocal institutionalized behaviors can even flow into forms of corruption, power concentration, lobbying and influence peddling (Ostrom 1998: 14-16).

So the question is not only which factors enable participation, but also which factors avoid communities to behave as unregulated markets, leading to crisis.

According to Alesina and La Ferrara (1998: 2), participation seems not to depend on homogeneity or heterogeneity but on the *effective possibility* to substitute heterogeneity with homogeneity. Participation decreases with heterogeneity for those groups in which “direct contact amongst members is more important, like churches and youth clubs, while heterogeneity matters less or not at all in groups with low degree of interaction” (Alesina and La Ferrara 1998: 3).

These evidences seem to suggest that strongly structured processes of identification and self-isolation are element that instead of increasing participation, increase fragmentation. Even if the argument seems trivial, it stresses the importance of approaches looking at individuals as heralds of multiple complex identities, capacities and cultures (Sen 2006; Nussbaum 2011) in order to open a way toward reciprocal identification.

If we need to encourage human development at multiple levels (Opschoor 2004 cit. in Ostrom 2009) it is necessary to underline another crucial factor impeding communities to reach active participation and avoid community failures: inequality.

Actually, trust among members constitutes the binding agent of a community and the main element for participation. In order to build trust, communication and dialogue must be met. This means that a base for reciprocal recognition is required.

From this point of view, it is easy to recognize the importance of peer relationships (Bowles and Gintis 2002), face-to-face communication (Ostrom 1998: 6-8) and income equality (Bowles and Gintis 2002; Alesina and La Ferrara 1998) in enhancing community governance.

Polanyi (1944) considered peer relationships as the foundation of community and as the factor enabling the definition of shared norms and decisions through reciprocity: in this light, peer relationships are causes and effects of trust building defining paths for cooperation whereas in many contexts hierarchical division abates the capacities of a community to solve collective problems (Bowles and Gintis 2005: 395). According to Alesina and La Ferrara (1998: 1) inequality can lead to the dictatorship of a majority:

“if participation is low and the wealthy or more educated have a disproportionate propensity to vote and engage in political action, then public policies may be tilted in their favor. This may lead to vicious circles, in which disadvantaged minorities participate less, have less ‘voice’ and become even more disadvantaged, leading to a variety of social problems”

Through the channels of participation and relationship, inequality affects also economic capacity because “structures of privilege and material reward limit the capacity of community governance to facilitate the qualitative interactions that underpin the modern economy” (Bowles and Gintis 2005: 395).

Communities then are not always integrated and can foster exclusion and parochialism linked to lack of knowledge, stratification, interethnic rivalry, disorganization, conflict of interest and so on (Mc Cay and Jentoft 1998), in this way, even if born to free people from effects of state and market failures, communities could even become cages.

## Concluding remarks

Irrespective of these considerations, some “solutions” exist, in particular if the approach is to try to see community governance as a process (as democracy is) and not as a given system. Furthermore, following Ostrom (2010: 2), there is no one-size-for-all policy to enhance community governance, neither a ‘best’ system or institutional structure to deal with the failures of community governance (Stern, Dietz and Ostrom 2005).

Indeed, even identifying i.e. a proximity paradigm or the FOCJ model as the best solution to face the problem of collective action and coordination improving social domain over market and state, nothing would be possible without the preliminary pattern of connectivity that characterizes society.

Maybe it is possible to support a model of competing communities (as FOCJ by Frey and Eichenberger 1999). This competition, though, should be understood as *cum-petere*, a joint research of (also different) solutions to similar problems in a context of communication and coordination (i.e. for problems of commons, common resources management) among several communities. Nevertheless, the idea of interconnection among groups does not erase the possibility of a dictatorship of the majority, but could enlarge the sphere of the community in a broader context of interrelations and comparison with others.

Interdependence and commons may be useful elements. A first element in coping with the problem of community governance and coordination, is to understand material interdependence as only a part of human interdependence.

The interdependence described in the first part of this paper testifies of the increasing possibilities for many communities (and individuals) to confront themselves with others, and with diversity and complexity, decreasing the risk of self-reference, self-isolation and consequent narrow-mindedness and parochialism. Clearly this is not enough, since communities can always find ways to exclude people, often without written rules and through silent reciprocity. And clearly this is not enough since, imaging community governance means also respect for traditions and identities, from a multi-lateral perspective.

As Bowles suggest (2003), the problem is not to find a way to induce an homogeneous population of self-interested individuals to implement a social desirable outcome, but to imagine rules that can serve situations in which cooperation is socially desirable and in which hetero-interested individuals may have the opportunity to express their pro-sociality inducing majority or all people to cooperate.

The emphasis on the commons constitutes also the outcome of several globally shared pressures (climate change, demographic pressures, declining role of the state, globalization) requiring a share of risk and uncertainties, and collective action to solve common problems. In short, calling for new forms of social organization at local, national, and global level, the commons require trust-building, a culture of reciprocity and solidarity and, at the core of these elements, mutual recognition and a deep understanding of human interdependence:

“Devising ways to sustain the earth’s ability to support diverse life, including a reasonable quality of life for humans, involves making tough decisions under uncertainty, complexity, and substantial biophysical constraints as well as conflicting human values and interests. Devising effective governance systems is akin to a co-evolutionary race. A set of rules crafted to fit one set of socio-ecological conditions can erode as social, economic, and technological developments increase the potential for human damage to ecosystems and even to the biosphere itself.



Furthermore, humans devise ways of evading governance rules. Thus, successful commons governance requires that rules evolve.” (Dietz et al. 2003: 1907-1908)

Commons governance requires that rules evolve; community governance requires participation, a bottom-up process in order to define shared rules. A top-down process cannot force participation and “*there is little evidence that induced participation builds long-lasting cohesion, even at the community level*” (Mansuri and Rao, 2013: 9). Anyway public policies may enable or reduce participation. Top-down mechanisms to increase participation are decentralization and community-driven development. Public policies should then address the efforts to provide context where internal capabilities can meet combined capabilities (Nussbaum 2011) allowing for the emerging of commonsense and social capital.

I have touched several themes in this paper, all related to participation, collective action and relation, rules definition, shared representations and objectives to solve problems affecting us at local and global level. But participation, relations, rules definition, collective actions require time.

If people spend most of their time working in order to live or survive, producing goods and services often with high returns on capital and low returns on social and ecological stocks, how can people participate to community and common pool resource management contributing to a general betterment of their living conditions?

Is it possible to change the patterns of development focusing on the qualitative progress of human life, thanks to a better use of planetary resources, different patterns of production and consumption, a greater attention to relation and free-time, without changing the meaning of *work*?

Looking at human interdependence means understanding to be part of the same whole. Only freeing ourselves from GDP and profit maximization as the main objectives and interests of human actions, we can move towards the idea of progress and development in qualitative rather than quantitative terms.

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### Abstract

The recent economic crisis has given evidence of the risks connected with unregulated markets (Acemoglu 2009; Schneider e Kirchgässner 2009; Spaventa 2009), economic interdependence (Acemoglu 2009; Leijonhufvud 2008) and deficit of State power – often bounded by supranational institutions and markets expectations (Zolo 2004: 69). At the same time, the awareness of social and environmental risks/externalities connected with the present models of production and consumption (Schumacher 1973; Geourgescu-Roegen 1998; Schor 2010; Shiva 2005) is calling for new “forms of integration” (Polanyi 1977; Armitage, 2008).

In this context, the literature about the commons (Olson 1965; Hardin 1968; Ostrom 1990) gained momentum, opening new perspectives on economic governance *between* and *beyond* markets and states. A typical feature of this literature is to underline the capacities of the communities to share risks and avoid uncertainties through the management of *commons* and *common pool resources* (Ostrom 1999, De Moor 2012: 269, 280).

As in the concept of *forms of integration* by Karl Polanyi, commons and community are strictly linked thanks to trust and reciprocity. Trust is a key element of the analysis of Bowles and Gintis (2002; 2005) and, in a neoclassical perspective, it constitutes a crucial factor for endogenous growth. If, according to Ostrom (1990: 39) “organizing is a process” and “the organization is the result of that process”, social capital and community management of commons through local institutions should be seen as factors of potential progress (in qualitative terms) and welfare. Nevertheless, the study of Bowles and Gintis (2005) on community governance also highlights important features negatively affecting the potential positive results of this kind of governance (i.e. parochialism). The aim of this paper is to enquire into the literature on the governance of commons, in order to underline the critical elements of local collective action, underline the power of knowledge sharing and trust building, and reflect on new possible directions that this field of research might take.

**JEL:** A13; B25; D71; I31 **Keywords:** Commons, Community Governance, Trust, Reciprocity